

CITY OF TALLAHASSEE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
September 30, 2008**



PREPARED BY:

**Department of Management and Administration
Accounting Services Division**

CITY OF TALLAHASSEE, FLORIDA

CITY COMMISSION

JOHN MARKS, Mayor

ALLAN J. KATZ, Pro Tem

ANDREW GILLUM, Commissioner

DEBBIE LIGHTSEY, Commissioner

MARK MUSTIAN, Commissioner

CITY MANAGER

Anita Favors Thompson

CITY AUDITOR

Sam M. McCall, CPA

CITY ATTORNEY

James R. English

CITY TREASURER-CLERK

Gary Herndon, CPA

DIRECTOR OF MANAGEMENT AND ADMINISTRATION

Raoul A. Lavin

CITY OF TALLAHASSEE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

Letter of Transmittal

Government Finance Officers Association Certificate of Achievement

Organizational Chart

List of Elected and Appointed Officials and Directors

List of Accounting Services Division Staff



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March 16, 2009

Honorable Mayor, Commissioners,
and City Manager
City of Tallahassee, Florida

The Comprehensive Annual Financial Report of the City of Tallahassee, Florida, for the fiscal year ended September 30, 2008, is hereby submitted pursuant to Florida Statutes, Chapter 11, Section 45, and Chapters 10.550 and 10.600 of the Rules of the Auditor General of the State of Florida. This report represents the official report of the City's financial operations and condition to the citizens, City Commission, City management, rating agencies, and other interested persons.

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, but not absolute, assurance that the financial statements are free of any material misstatements.

The certified public accounting firm of Carr, Riggs and Ingram, LLC has issued an unqualified opinion on the City's financial statements for the year ended September 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

The City is also required to undergo an annual audit to obtain reasonable assurance about compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects. These independent auditors' reports are presented in the single audit section of this report.

Management's Discussion and Analysis (MD & A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD & A and should be read in conjunction with it.

PROFILE OF THE CITY

Tallahassee, the capital city of Florida, was incorporated in 1825, twenty years before Florida was admitted to the Union. The City is governed by a Mayor and four Commissioners elected at-large.

The City Commission appoints the City Manager, the City Treasurer-Clerk, the City Auditor, and the City Attorney. Collectively the appointed officials are responsible for all administrative aspects of the government, with most falling under the purview of the City Manager.

The City provides a full range of municipal services. These services include public safety (police and fire), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer, and solid waste collection), a mass transit bus system, and a regional airport.

The Commission is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is approved at the fund and department level. Transfers between funds and/or departments require approval by the Commission.

The budget process is a formalized annual occurrence that involves input, collaboration, and coordination between the respective City departments, the Office of Budget and Policy, the executive team, the City Commission, and the citizens of Tallahassee. A budget review team composed of various members of the leadership team and executive teams is established to set budget direction and priorities for the City. Annually, issues are selected by the City Commission to represent

those programs and community needs, which are to be given priority attention during the year.

Prior to the development of the budget, citizen input is solicited on any program changes, as well as on performance of all major programs, through the use of a citizen survey.

FACTORS AFFECTING FINANCIAL CONDITION

The economy of Leon County is strongly influenced by governmental and educational activities. The presence of the State Capital and two major universities help to shape Leon County’s population as relatively young, well educated, and affluent.

The 2007 American Community Survey (the Survey) shows a racially diverse community, with minorities accounting for 42.9% of the Leon County population and 35.8% of the City population. The population is young, with a median age of 26.9.

Leon County residents have historically attained a very high level of education. According to the Survey, 41.8% of area residents aged 25 or older have completed at least four years of college, compared to 25.8% of the state on average.

The 2007 median family income in Leon County is \$70,818, which is comparable to the national median. Leon County workers in management or professional occupations amount to 45.3% compared to 34.6% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. In September 2008, unemployment was 5.2% in the Tallahassee Metropolitan Statistical Area (MSA), as compared to the State’s unemployment rate of 7.1%. The percentage of employees employed by local, state, and federal government is approximately 36% of the work force. The unemployment rate is one of many economic indicators utilized to evaluate the condition of the economy.

Population growth trends are presented in the following table.

POPULATION GROWTH

<u>Year</u>	<u>Tallahassee</u>	<u>Unincorporated</u>	<u>Leon County</u>
1950	27,237	24,353	51,590
1960	48,174	26,051	74,225
1970	71,897	31,150	103,047
1980	81,548	67,107	148,655
1990	124,773	67,720	147,490
2000	150,624	88,828	239,452
2008 estimated	177,852	97,040	274,892
2010 projected	181,000	98,200	279,200
2020 projected	205,300	107,100	312,400
2030 projected	226,000	114,800	340,800

CONSTRUCTION TRENDS

Residential Construction

Another factor that is a strong indicator of the local economy and influences the City and County’s financial condition is the issuance of building permits for residential construction. Due to the condition of the national, state, and local economy, single-family residential building permits in Leon County decreased 51% in fiscal year 2008 as compared to the prior year’s 21% decrease. Permits for multi-family units were down 50% in fiscal year 2008; a 7% increase in fiscal year 2007. This decline in the housing market and dwindling repair and replacement costs that result from hurricane damage has negatively affected sales tax collections.

Commercial Development

In fiscal year 2008, \$126 million of new construction was permitted in Leon County, an increase of 16% over fiscal year 2007. Private office buildings and hotels accounted for approximately 45% of the commercial permitting activity in fiscal year 2007. The City of Tallahassee is continuing implementation of a number of strategies to provide a positive business climate and help create an “18-hour”, multi-use downtown district.

Some of these initiatives include the creation of a Downtown Community Redevelopment Area, continued infrastructure and streetscape improvements, marketing sites for redevelopment, providing incentives for historic preservation, the creation of a Cultural Plan, and the addition of new attractions.

Millage Rates - Comparable Cities in Florida

<u>City</u>	<u>Millage Rates</u>	
	<u>2009</u>	<u>2008</u>
Clearwater	4.73	4.68
Daytona	5.42	5.17
Ft. Lauderdale	4.12	4.12
Gainesville	4.25	4.25
Hollywood	5.69	5.95
Lakeland	3.4	3.23
Largo	3.84	3.65
Orlando	5.65	3.65
Pensacola	4.54	4.60
Pompano	3.96	3.81
Tallahassee	3.21	3.17
West Palm Beach	7.55	7.19

As indicated above, the City enjoys the lowest millage rate of the comparable largest cities in Florida for 2009 and 2008. Tallahassee's low and stable millage rate should act as an incentive to economic growth and stability.

LONG-TERM FINANCIAL PLANNING

The financial viability of the City continues to be a high priority for the City Commission and management. An integral part of the budgeting process is the development of the City's Five-Year Financial Plan (the Plan). The Plan is updated annually during the budget process and serves as a blueprint for decision-making and allows for flexibility to address issues as they arise.

The Plan resulted in an approved fiscal year 2009 operating budget of \$841.5 million and an approved capital budget of \$233.7 million. The Plan for the ensuing five years (including 2009) results in projected capital expenditures of approximately \$900.9 million.

AWARDS AND ACKNOWLEDGMENT

The 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 Tallahassee, Florida for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish a comprehensive annual financial report, whose contents 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 our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for a new certificate.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, operations guidance, financial planning and communications.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Accounting Services Division, in particular the members of the Financial Reporting staff, who participated in the compilation of the report. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Raoul A. Lavin
Director of Management and Administration



Richard G. Feldman
Accounting Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tallahassee
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

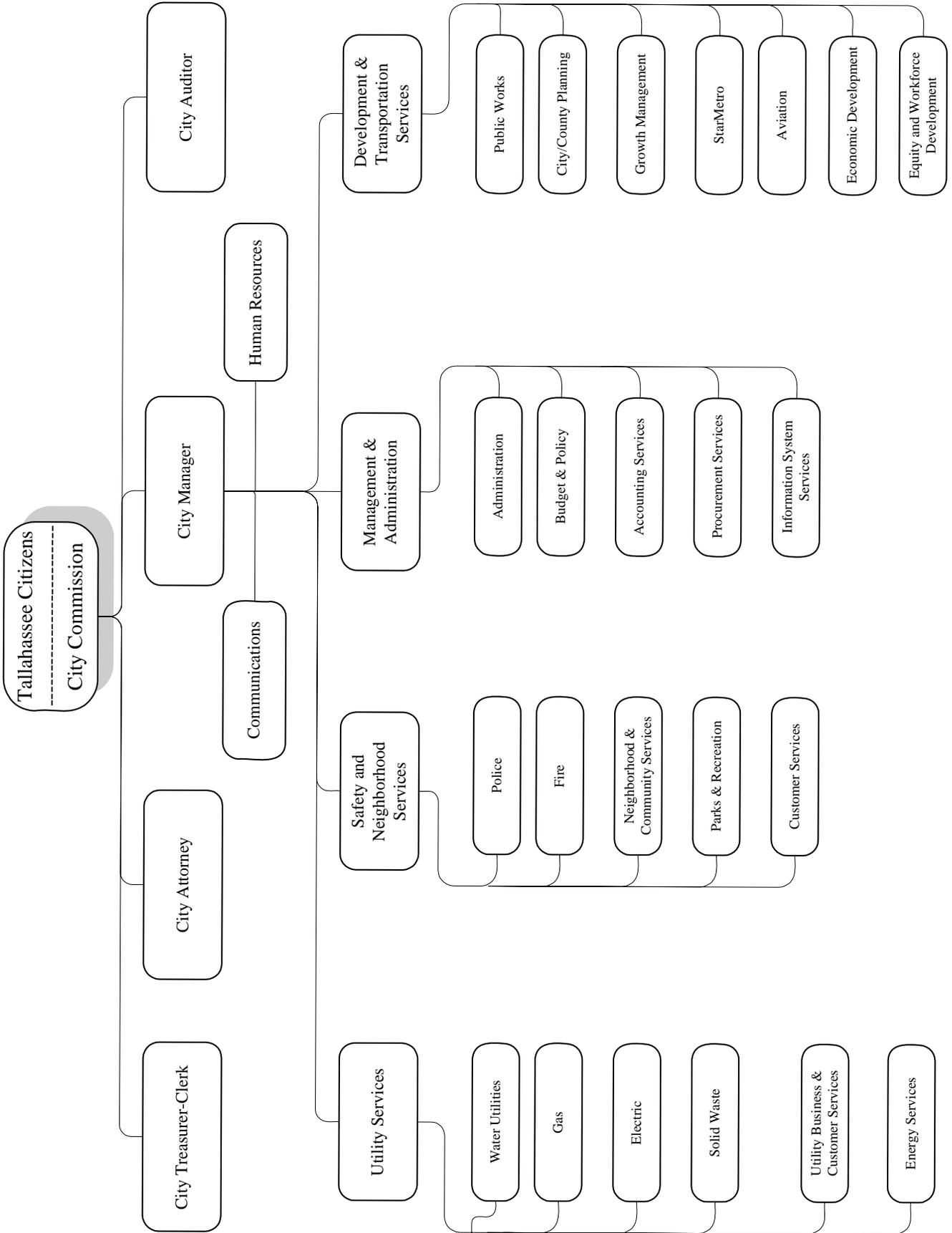
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Tallahassee



**CITY OF TALLAHASSEE, FLORIDA
LISTING OF CITY OFFICIALS AND DIRECTORS**

ELECTED OFFICIALS

Mayor **John Marks**
Mayor Pro Tem **Allan J. Katz**
Commissioner **Andrew Gillum**
Commissioner **Debbie Lightsey**
Commissioner **Mark Mustian**

APPOINTED OFFICIALS

City Manager **Anita Favors Thompson**
City Treasurer-Clerk **Gary Herndon**
City Auditor **Sam M. McCall**
City Attorney **James R. English**

ASSISTANT CITY MANAGERS

Assistant City Manager for Development and Transportation Services..... **Thomas R. Coe**
Assistant City Manager for Utility Services **Ricardo Fernandez**
Assistant City Manager for Safety and Neighborhood Services **Jay Townsend**

DEPARTMENT DIRECTORS

Airport **Kenneth Austin**
Communications **Michelle Bono**
Economic and Community Development **Tom Lewis**
Electric (General Manager) **Kevin G. Wailes**
Energy Services **David Byrne**
Environmental Policy and Energy Resources **Cynthia Barber**
Fire **Cynthia Dick**
Growth Management..... **Robert Herman**
Management and Administration **Raoul A. Lavin**
Parks, Recreation and Neighborhood Affairs..... **Dee Crumpler**
Planning **Wayne Tedder**
Police **Dennis Jones**
Public Works **Gabriel Menendez**
Solid Waste **Reginald Ofuani**
StarMetro **Ronald Garrison**
Underground Utilities (General Manager)..... **Mike Tadros**
Utility Business and Customer Services **Reese Goad**

The Comprehensive Annual Financial Report for the City of Tallahassee, Florida was produced by the combined efforts of the staff of the Accounting Services Division of the Department of Management and Administration. The following staff had primary responsibility for preparing and assuring the accuracy of this report:

**Department of Management and Administration
Raoul A. Lavin, Director**

**Accounting Services Division
Richard G. Feldman, CPA, Manager**

**Financial and Systems Analyst
Patrick Twyman**

Mazie Crumbie, CPM	Tracy Forrester, CPA	Roy Jeter, CPA
Latrenda Johnson	Kereen Jones	Laurita Jones
Julie Paniucki	Lajja Patel	Angela Roberts
Rita Stevens, CPA	Rob Swearingen, CPA, CGFM	

Patsy Capps, CPA (Airport Staff)

**Financial and Systems Analyst (Fixed Assets)
Rebecca Berry**

**Cover photo and design: *New Baseball Facility for Children With Disabilities*
by Gabriel Hogan
Graphics/Web Design Specialist – City of Tallahassee**



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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining Financial Statements
Supplementary Information



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commission, City Manager and Audit Committee
City of Tallahassee, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Tallahassee, Florida (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 discretely presented component unit and remaining fund information of the City, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, 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 the 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.

The management's discussion and analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 nonmajor fund financial statements, other supplementary information and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.



Tallahassee, Florida
March 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Tallahassee's annual financial report is designed to provide the reader with a better understanding of the City's financial activity for the fiscal year that ended September 30, 2008. It should be read in conjunction with the Transmittal Letter at the front of this report and the City's financial statements, which follow this section. Notes mentioned below are Notes to the Financial Statements, which follow the statements.

Financial Highlights

- The assets of the City exceeded its liabilities as of September 30, 2008 by \$1.95 billion (net assets). Of this amount, \$366 million represents unrestricted net assets that are available to meet the City's ongoing obligations to citizens and creditors.
- For the year ended September 30, 2008, the City's total net assets decreased by \$15.6 million.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$134.1 million; of this amount approximately \$14.2 million is unreserved.
- For the year ended September 30, 2008, the funds balances City's governmental funds decreased \$21.4 million.
- At the end of the fiscal year, the unreserved fund balance for the general fund was \$5.1 million, or 4.5% of total general fund expenditures.
- As of September 30, 2008, the City's enterprise funds reported combined ending net assets of \$945.4 million; of this amount approximately \$225.8 million is unrestricted. The ending retained earnings represent an increase of \$17.2 million over the prior year.
- Capital assets, net of accumulated depreciation, as of September 30, 2008 fiscal year totaled \$2.16 billion (Note- IV-D).
- The City's outstanding long-term debt (Note IV-G) increased \$185.0 million, or 24.4%, during the current fiscal year. The key factor in this increase was the issuance of \$164.5 million of revenue bonds for the City's Water and Sewer utilities.

An Overview of the 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies. Two statements, the *statement of net assets* and the *statement of activities*, are utilized to provide information on a government-wide basis.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. The change in net assets, over time, is one way to measure the City's financial health.

The *statement of activities* presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported for some items that will result in cash flows in future periods.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – These include the basic services provided by the City including police, parks and recreation, public works, and general administration. Property, sales, and other taxes finance the majority of these activities.
- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include electric, gas, airport, fire protection, solid waste collection, water, sewer, stormwater management, transit services, and the Hilaman Golf Course.
- **Component units** – These are legally separate organizations for which the City Commission appoints the governing board and the City has financial reporting responsibilities. The City has one discretely presented component unit, the Downtown Improvement Authority, which is an agency created by the Florida Legislature to regulate downtown growth. The City also has a blended component unit, the Community `Redevelopment Agency, which is blended as a major special revenue fund into the primary government (see Note I–A for more details).

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The focus is on Major Funds, which provides detailed information about the most significant funds. The City, like other governmental entities, uses funds to ensure and demonstrate compliance with financial requirements imposed by law, bond covenants, and local administrative and legislative actions. All of the City's funds 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 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 balances of spendable resources available at the end of the fiscal year. Since the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

This allows readers to better understand the long-term impact of the City'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 maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and the Community Redevelopment Agency Funds, both of which are considered major funds. Data from the other eleven (11) funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided on pages 96 to 99 in this report.

PROPRIETARY FUNDS – The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains ten (10) individual enterprise funds. Information is presented separately in the proprietary funds statement of net assets and in the proprietary funds statement of revenues, expenses, and changes in net assets for the Electric, Gas, Sewer, Water, Airport, and Stormwater Management Funds, all of which are considered major funds. Data from the other four (4) funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major proprietary funds is provided on pages 101 to 103 in this report.

Internal Service Funds are used to account for activities that provide goods and services to the City's other programs and activities. The City maintains twelve (12) individual internal service funds. These internal service funds are allocated between governmental activities and business-type activities in the government-wide financial statements based upon the activity that receives the predominant benefit. Internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided on pages 106 to 111 in this report.

FIDUCIARY FUNDS – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs and activities. The City reports two fiduciary funds. The basic financial statements for these funds are provided on pages 44 to 45 in this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

This report additionally includes required supplementary information (RSI) including a budget comparison schedule, with related notes, for the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented in the combining statements section of the report.

Information regarding the City's debt service requirements, statistical information, and economic data is also presented to give report users an historical perspective of the City and to allow for broader understanding of the economic and social environment in which the City operates.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As indicated previously, net assets may serve over time as a useful indicator of a government’s financial position. The following table reflects the condensed Statement of Net Assets for the current and prior year.

**Table 1
Statement of Net Assets
As of September 30
(In millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007 (As Restated)	2008	2007 (As Restated)	2008	2007 (As Restated)
Assets						
Current and other assets	\$ 222.6	\$ 253.3	\$ 781.0	\$ 638.8	\$ 1,003.6	\$ 892.1
Capital assets	909.2	919.6	1,248.1	1,157.1	2,157.3	2,076.7
Total Assets	1,131.8	1,172.9	2,029.1	1,795.9	3,160.9	2,968.8
Liabilities						
Current and other liabilities	61.5	67.0	236.3	203.0	297.8	270.0
Long-term debt outstanding	113.1	117.7	797.3	612.8	910.4	730.5
Total Liabilities	174.6	184.7	1,033.6	815.8	1,208.2	1,000.5
Net Assets						
Invested in capital assets, net of related debt	814.4	820.4	629.0	677.1	1,443.4	1,497.5
Restricted	19.4	19.5	124.0	107.9	143.4	127.4
Unrestricted	123.4	148.3	242.5	195.1	365.9	343.4
Total Net Assets	\$ 957.2	\$ 988.2	\$ 995.5	\$ 980.1	\$ 1,952.7	\$ 1,968.3

As of September 30, 2008, assets of the City exceeded its liabilities by \$1.95 billion. The largest portion of the City’s net assets, \$1.44 billion or 73.8 percent, reflects its substantial investment in capital assets (e.g., land, buildings, equipment, etc.), less the related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. In addition portion of the City’s net assets, \$143.4 million or 7.3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$365.9 million or 18.9 percent is available to meet the ongoing obligations of the City. As of September 30, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as its separate governmental and business-type activities.

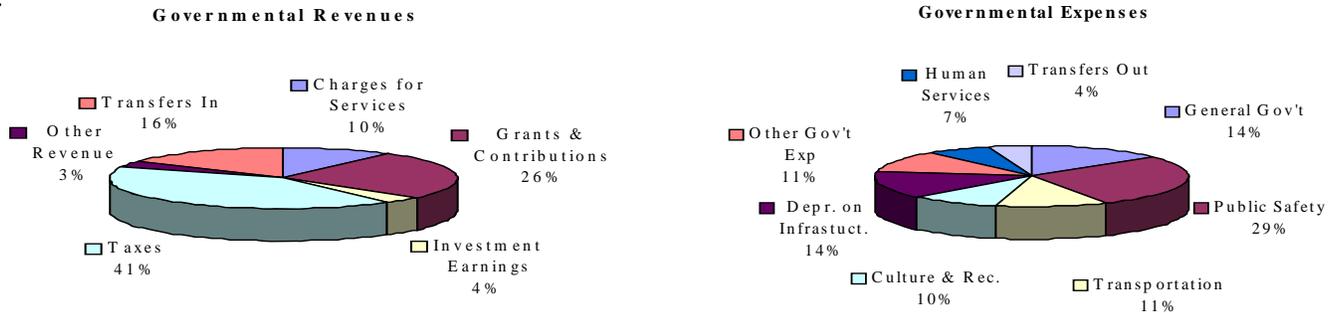
During the year the City’s total assets increased by approximately \$192.1 million and the City’s liabilities increased by approximately \$207.7 million, due primarily to the issuance of \$164.5 million of revenue bonds for the City’s Water and Sewer. For more detailed information see the Statement of net Assets on pages 28 and 29 of the financial statements.

Table 2
Changes in Net Assets
(in millions)

The following table summarizes the changes in net assets for the current and prior year.

	Governmental		Business		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for Services	\$14.0	\$15.1	\$572.7	\$533.4	\$586.7	\$548.5
Operating Grants and Contributions	9.5	9.6	3.4	3.9	12.9	13.5
Capital Grants and Contributions	0.7	5.4	7.2	19.0	7.9	24.4
General revenues						
Property Taxes	33.6	35.6	-	-	33.6	35.6
Public Service Taxes	22.1	21.8	-	-	22.1	21.8
Grants and Contributions	25.0	26.2	-	-	25.0	26.2
Net Investment Revenue	5.2	9.7	6.8	16.9	12.0	26.6
Other Revenues	4.4	5.8	(1.5)	(4.2)	2.9	1.6
Total Revenues	114.5	129.2	588.6	569.0	703.1	698.2
Expenses						
General Government	20.7	23.0	-	-	20.7	23.0
Public Safety	54.4	50.9	-	-	54.4	50.9
Transportation	23.3	20.9	-	-	23.3	20.9
Cultural and Recreation	19.5	18.2	-	-	19.5	18.2
Depreciation on Infrastructure	24.0	24.0	-	-	24.0	24.0
Other Primary Government	25.2	23.7	-	-	25.2	23.7
Electric	-	-	346.3	323.2	346.3	323.2
Gas	-	-	51.6	40.1	51.6	40.1
Sewer	-	-	37.8	35.7	37.8	35.7
Water	-	-	21.1	19.2	21.1	19.2
Airport	-	-	16.3	16.1	16.3	16.1
StarMetro	-	-	18.4	16.3	18.4	16.3
Solid Waste	-	-	20.6	20.7	20.6	20.7
Golf	-	-	1.3	1.2	1.3	1.2
Stormwater Management	-	-	10.6	9.9	10.6	9.9
Fire Services	-	-	27.6	25.2	27.6	25.2
Total Expenses	167.1	160.7	551.6	507.6	718.7	668.3
Excess (Deficiency) before special item and transfers						
	(52.6)	(31.5)	37.0	61.4	(15.6)	29.9
Special Item	0.0	(54.3)	-	54.3	-	-
Transfers	21.5	25.8	(21.5)	(25.8)	-	-
Increase (Decrease) in Net Assets	(\$31.1)	(\$60.0)	\$15.5	\$89.9	(\$15.6)	\$29.9

GOVERNMENTAL ACTIVITIES - Governmental activities decreased net assets of the City by \$31.1 million. See pages 30 and 31 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts illustrate the City's Governmental Revenues by Source and the City's Governmental Expenses by Function.



Key elements of the decrease are as follows:

- Property taxes, which provided 29.3% of governmental revenues, decreased by \$2.0 million due to the impact of property tax reform initiatives at the State level. The Florida Legislature required local governments to roll back millage rates to the fiscal year 2007 level and to do a further rollback based upon a State designated formula. Based upon this mandate the City property tax millage went from 3.7000 to 3.1686.
- Revenues from Grants and Contributions decreased by \$6.0 million compared to the prior year; primarily as a result reduced contributions from Florida A&M University associated with expenditures included in the FAMU Master Plan.
- Net Investment Earnings decreased by \$4.5 million due to a combination of less cash available for investment, lower interest rates, and the recording of the decrease in the fair market value of investments as a result of the economic conditions.

BUSINESS-TYPE ACTIVITIES - Business-type activities increased the City's net assets by \$15.5 million. The following table summarizes program revenues and expenses for each business-type activity:

The following table summarizes program revenues and expenses for each business-type activity:

Table 3
Business-type Activities
(in millions)

	Program Revenues		Program Expenses		Excess (Deficiency)	
					Before General Revenues	
	2008	2007	2008	2007	2008	2007
Electric	\$ 369.5	\$ 347.5	\$ 346.3	\$ 323.2	\$ 23.2	\$ 24.3
Gas	53.7	43.3	51.6	40.1	2.1	3.2
Sewer	45.6	39.7	37.8	35.7	7.8	4.0
Water	25.8	28.0	21.1	19.1	4.7	8.9
Airport	16.7	19.8	16.3	16.1	0.4	3.7
StarMetro	10.9	11.6	18.4	16.3	(7.5)	(4.7)
Solid Waste	19.7	18.8	20.6	20.8	(0.9)	(2.0)
Golf	0.9	1.0	1.3	1.2	(0.4)	(0.2)
Stormwater Mgmt.	16.5	22.9	10.6	9.9	5.9	13.0
Fire Services	24.0	23.7	27.6	25.2	(3.6)	(1.5)
Total	<u>\$ 583.3</u>	<u>\$ 556.3</u>	<u>\$ 551.6</u>	<u>\$ 507.6</u>	<u>\$ 31.7</u>	<u>\$ 48.7</u>

Key elements for this increase are as follows:

- Program revenues for business-type activities for the fiscal year 2008 were \$583.3 million, an increase of \$27.0 million compared to the prior year. This increase was due primarily to the following:
 - Charges for services for the City’s Electric and Gas Utilities accounted for \$34.6 million due to increased natural gas prices that are passed on to the customer.
 - Increased Sewer Utility revenues due to a rate increase.
- Program expenses for business-type activities for the fiscal year 2008 were \$551.6 million, an increase of \$44.0 million compared to the prior year. This increase was due to the following:
 - As with revenues, the City’s Electric and Gas Utilities fuel costs accounted for a majority, 77.3 percent, of the increase due to the rising natural gas prices. Other increases in expenses resulted from inflation and growth in the demand for services.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal 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. As of September 30, 2008, the City’s governmental funds reported combined ending fund balances of \$134.1 million, a decrease of \$21.4 million from the prior year. Of this amount \$14.2 million is unreserved fund balance that is available for spending at the City’s discretion. The remainder of fund balance is primarily reserved for the following purposes: 1) to complete approved projects of the City (\$87.9 million), 2) to liquidate contracts and purchase orders (\$17.8 million), 3) to pay future debt service (\$8.8 million) and 4) other purposes (\$5.4 million). The following table summarizes the change in fund balance for the governmental funds:

Table 4
Financial Analysis of the City’s Governmental Funds
 (in millions)

Fund	Fund Balances 9/30/2007	Sources	Uses	Sources Over (Under)	Fund Balances 9/30/2008
General Fund	\$ 9.9	\$ 130.8	\$ 133.5	\$ (2.7)	\$ 7.2
Capital Bonds Fund	6.6	3.5	1.7	1.8	8.4
Other Funds	139	35.7	56.2	(20.5)	118.5
Total City Funds	<u>\$ 155.5</u>	<u>\$ 170.0</u>	<u>\$ 191.4</u>	<u>\$ (21.4)</u>	<u>\$ 134.1</u>

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved, undesignated fund balance was \$5.1 million, out of a total fund balance of \$7.2 million.

Although the City implemented a variety of expenditure-saving measures to reduce the impact of revenue reductions resulting from the economic slowdown, fund balance of the City’s General Fund decreased by \$2.7 million during the fiscal year, primarily due to the following revenues coming in at amounts less than projected:

- Electric and gas utility taxes were \$2.2 million due to lower consumption resulting from mild weather;
- Intergovernmental revenues such as state revenue sharing and the 1/2 cent sales tax were lower than projected by \$1.2 million due to state sales tax collections being reduced as a result of a slowdown in the state economy; and
- Licenses and permits, specifically, environmental fees, were also lower than projected by \$1.1 million due to a building slowdown in the Tallahassee area.

Expenditures within the General Fund increased by \$1.4 million, or 1.3%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Factors addressing the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

A schedule comparing the original to the final budget and the variance from the final budget to the actual results is included on page 90 of the financial statements.

ORIGINAL TO FINAL BUDGET COMPARISON

Revenues and Transfers In

Revenues and transfers in decreased by \$2.0 million between the original and final budgets. This reduction was due to the City Commission amending the budget to reflect the downturn in revenues due to the economic slowdown and its impact on the City.

Expenditures

Expenditures and transfers out also decreased by \$2.0 million between the original and final budgets. As indicated above this was due to the City Commission amending the budget to reflect the downturn in revenues due to the economic slowdown and its impact on the City.

In addition, changes to the budgets between functions occurred between the budget for transfers, which increased by \$2.0 million, and various other expense categories that decreased to fund projects. Project priorities change during the year based on needs, assessments, availability of grant funding or other issues that impact the start or completion of projects or their cost.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities, net of depreciation, as of September 30, 2008 was approximately \$2.2 billion. This represents a net increase of approximately \$80 million, or 3.9% over last year. See Note IV-D for more information about the City's capital assets.

Table 5
Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change 2007-2008
	2007		2007		2007		
	2008	(As Restated)	2008	(As Restated)	2008	(As Restated)	
Land	\$ 351	\$ 351	\$ 123	\$ 124	\$ 474	\$ 475	0.0%
Buildings	67	71	68	67	135	138	(2.2)
Equipment	9	11	409	284	418	295	41.7
Improvements (Other than Building)	6	5	10	7	16	12	33.3
Infrastructure	422	443	441	429	863	872	(1.0)
Intangibles	--	--	50	48	50	48	4.2
Construction in Progress	54	39	147	198	201	237	(15.2)
Total	\$ 909	\$ 920	\$ 1,248	\$ 1,157	\$ 2,157	\$ 2,077	3.9%

Major capital acquisitions and improvements during the year included the following:

- Street construction, widening and expansion projects - \$12 million
- 800 MHz Digital Upgrade - \$4.0 million
- Gas transmission and distribution mains and meters - \$2.3 million
- Water transmission and distribution mains, wells, meters and hydrants - \$11.9 million
- Sewer treatment, collection and disposal equipment - \$14.4 million
- Electric transmission and distribution infrastructure which includes land, substations, poles, line transformers, overhead and underground conductors, meters, services - \$40.7 million
- Electric generation (repowering of the Hopkins Unit 2) - \$57.8 million

LONG-TERM DEBT

As shown in the following table, as of September 30, 2008, the City had \$943.2 million in debt outstanding. This represents a net increase of \$185 million over the prior fiscal year.

New debt resulted primarily from the issuance of Consolidated Utility System revenue bonds of \$164.5 million to treatment improvements to the City's sewer utility and a loan payable associated with the replacement of the City's electric, gas, and water meters.

Bond ratings have a significant influence in establishing the rate of interest expense the City must pay when the bonds are sold. Ratings for the City's debt have been consistently judged to be of good investment quality; however, in January 2009, one of the nationally known rating agencies reduced the City's rating for the City's general government revenue bonds from AA to AA- reflecting the agency's concerns regarding the city's ability to resolve the limited revenue flexibility due to state initiatives and the current economic downturn.

The amount of general obligation debt the City can issue is limited by City Charter to 20 percent of the assessed value of all taxable property within the City's corporate limits. The current debt limit is \$2.2 billion. The City has no outstanding general obligation debt.

Additional information about the City's long-term liabilities is included in Note IV-G to the financial statements.

Table 6
Outstanding Debt at September 30
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General Revenue Bonds	\$ 84.1	\$ 87.8	\$ --	\$ --	\$ 84.1	\$ 87.8
Sunshine State	30.2	30.7	57.0	61.1	87.2	91.8
Proprietary Revenue Bonds	--	--	710.1	559.4	710.1	559.4
Other Loans	--	--	35.3	--	35.3	--
Compensated Absences	9.0	8.5	11.6	10.7	20.6	19.2
Net OPEB Obligation	3.2		2.7	--	5.9	--
Total	<u>\$ 126.5</u>	<u>\$ 127.0</u>	<u>\$ 816.7</u>	<u>\$ 631.2</u>	<u>\$ 943.2</u>	<u>\$ 758.2</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the Tallahassee metropolitan area is 3.2%; compared with the statewide rate of 3.4%.
- The percentage of employees employed by local, state, and federal government in the Tallahassee metropolitan area is approximately 36% of the work force.
- The ratio of taxable assessed value to total estimated value for ad valorem tax purposes remains at 57%, demonstrating the lack of taxable property in the City due to the large amount of tax-exempt property. As previously indicated, property tax reform initiated at the state level and the general slowdown in the state economy will have significant impact on the revenues of the City.
- Inflationary pressures, growth, and environmental issues continue to impact the City's electric, gas, water and sewer utilities.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2009. The City's total operating budget for fiscal year 2009 totals \$841.5 million, which is \$111.5 million greater than the fiscal year 2008 approved budget. Projected rising natural gas costs for the City's Electric and Gas Utilities accounts for 91.9% of the increase. The 2009 budget allocates \$133.2 million, a reduction of \$1.3 million as compared to the fiscal year 2008 budget, to the General fund, \$688.4 million to the Enterprise funds, and \$19.9 million to other funds.

For the fiscal year 2009 budget, the ad valorem tax rate is increased to 3.2115 mills. The budget includes fee increases for the Solid Waste and Stormwater funds, as well as fee increases for the City's electric and sewer utilities in order to ensure the adequacy of current rates.

Personnel expenditures account for 19.5% of the City's Operating Budget. The City's fiscal year 2009 operating budget includes a net decrease of 50.5 positions, bringing the budgeted full time equivalent staff count to 2,931.

The City's fiscal year 2009 Capital Budget totals \$233.7 million with the City's utilities accounting for \$195.1 million (83.4%); other major uses include transportation, general government, and culture and recreation.

Bond proceeds (new and existing) will fund approximately 54% of these capital projects with the balance of funding coming primarily from capital improvement funds reserved for projects, federal funds, state funds, and general government resources. The City has a five year plan for capital improvements for all projects planned through fiscal year 2013 that totals \$900.9 billion with appropriations of funding made on an annual basis.

FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City of Tallahassee's finances and to demonstrate the City's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Accounting Services Manager at Mailbox A 29, 300 South Adams Street, Tallahassee, Florida 32301-1731 or via the web at rick.feldman@talgov.com.



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BASIC FINANCIAL STATEMENTS

These basic financial statements provide a summary overview of the financial position as well as the operating results of the City of Tallahassee. They also serve as an introduction to the more detailed statements and schedules that follow in subsequent sections:

Government-wide Financial Statements
Governmental Funds Financial Statements
Proprietary Funds Financial Statements
Fiduciary Funds Financial Statements
Notes to Financial Statements

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2008
(in thousands)

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Authority
Current Assets				
Cash and Cash Equivalents.....	\$ 85,454	\$ 169,914	\$ 255,368	\$ 283
Securities Lending Collateral	15,487	30,648	46,135	51
Receivables:				
Accrued Interest.....	881	1,834	2,715	3
Customers and Other.....	3,060	56,929	59,989	--
Notes.....	148	5,177	5,325	--
Special Assessments.....	325	--	325	--
Less: Allowance for Doubtful Accounts.....	(616)	(2,733)	(3,349)	--
Due from Other Governments.....	4,257	2,830	7,087	--
Prepaid Expenses.....	--	51,995	51,995	--
Inventory.....	300	47,679	47,979	--
Cash and Cash Equivalents - Restricted.....	13,891	173,597	187,488	--
Investments - Restricted.....	66,167	186,372	252,539	--
Securities Lending Collateral - Restricted.....	14,427	59,940	74,367	--
Receivables - Restricted:				
Accrued Interest.....	147	1,614	1,761	--
Other.....	138	7	145	--
Notes.....	3,021	--	3,021	--
Due from Other Governments.....	753	1,114	1,867	--
Total Current Assets.....	207,840	786,917	994,757	337
Noncurrent Assets				
Internal Balances.....	13,929	(13,929)	--	--
Unamortized Bond Issue Costs.....	812	7,998	8,810	--
Capital Assets				
Land and Construction in Progress.....	405,349	269,898	675,247	--
Other, Net of Accumulated Depreciation.....	503,905	978,245	1,482,150	--
Total Noncurrent Assets.....	923,995	1,242,212	2,166,207	--
Total Assets.....	\$ 1,131,835	\$ 2,029,129	\$ 3,160,964	\$ 337

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2008
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Downtown Improvement Authority
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Obligations Under Securities Lending	\$ 15,487	\$ 30,648	\$ 46,135	\$ 51
Accounts Payable.....	10,374	70,221	80,595	17
Customer Contracts Payable.....	--	1,275	1,275	--
Utility Deposits Payable.....	--	19,244	19,244	--
Unearned Revenue.....	2,700	5,298	7,998	--
Compensated Absences.....	6,535	7,713	14,248	2
Accounts Payable - Restricted.....	1,419	7,557	8,976	--
Obligations Under Securities Lending - Restricted	14,427	59,940	74,367	--
Unearned Revenue - Restricted.....	670	--	670	--
Bonds & Loans Payable - Current.....	4,275	15,174	19,449	--
Total Current Liabilities.....	55,887	217,070	272,957	70
Noncurrent Liabilities				
Compensated Absences.....	2,461	3,839	6,300	10
Customer Contracts Payable.....	--	3,269	3,269	--
Claims Payable.....	--	9,454	9,454	--
Net OPEB Obligation.....	3,185	2,710	5,895	4
Bonds & Loans Payable.....	110,060	787,251	897,311	--
Unamortized Bond Premium	3,017	12,453	15,470	--
Deferment of Loss on Early Retirement of Debt	--	(2,450)	(2,450)	--
Total Noncurrent Liabilities.....	118,723	816,526	935,249	14
Total Liabilities.....	174,610	1,033,596	1,208,206	84
NET ASSETS				
Invested in Capital Assets, net of Related Debt	814,414	628,969	1,443,383	--
Restricted for:.....				
Capital Projects.....	3,495	93,370	96,865	--
Debt Service.....	8,762	30,720	39,482	--
Other Purposes.....	7,108	--	7,108	--
Unrestricted.....	123,446	242,474	365,920	253
Total Net Assets.....	957,225	995,533	1,952,758	253
Total Liabilities and Net Assets.....	\$ 1,131,835	\$ 2,029,129	\$ 3,160,964	\$ 337

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2008
(in thousands)

<u>Function/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government.....	\$ 20,737	\$ 1,665	\$ 2,988	\$ --
Public Safety.....	54,416	2,173	729	31
Transportation.....	23,314	2,250	17	172
Human Services.....	6,863	692	644	--
Economic Development.....	7,828	--	3,968	13
Physical Environment.....	4,739	4,049	257	525
Culture and Recreation.....	19,459	3,142	907	1
Unallocated Depreciation on Infrastructure.....	23,956	--	--	--
Interest on Long-Term Debt.....	5,798	--	--	--
Total governmental activities.....	167,110	13,971	9,510	742
Business-type Activities:				
Electric.....	346,318	369,483	--	--
Gas.....	51,609	53,691	--	--
Sewer.....	37,855	45,668	--	--
Water.....	21,083	25,764	--	--
Airport.....	16,298	12,713	--	4,026
StarMetro.....	18,358	4,258	3,407	3,206
Solid Waste.....	20,579	19,746	--	--
Golf.....	1,264	936	--	--
Stormwater Management.....	10,629	16,516	--	13
Fire Services.....	27,612	23,962	--	--
Total business-type activities.....	551,605	572,737	3,407	7,245
Total primary government.....	\$ 718,715	\$ 586,708	\$ 12,917	\$ 7,987
Component Unit:				
Downtown Improvement Authority.....	\$ 228	\$ --	\$ --	\$ --

General Revenues:	
Property taxes, levied for general purposes.....	.....
Public service taxes.....	.....
Business license tax.....	.....
Grants and contributions not restricted to specific programs.....	.....
Net unrestricted investment earnings.....	.....
Net securities lending income.....	.....
Net decrease in fair value of investments.....	.....
Miscellaneous.....	.....
Gain (loss) on the sale of capital assets.....	.....
Net transfers.....	.....
Total general revenues and transfers.....	.....
Change in net assets.....	.....
Net assets - October 1.....	.....
Adjustment to October 1 net assets.....	.....
Net assets - October 1 as restated.....	.....
Net assets - September 30.....	.....

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2008
(in thousands)

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (16,084)	\$ --	\$ (16,084)	\$ --
(51,483)	--	(51,483)	--
(20,875)	--	(20,875)	--
(5,527)	--	(5,527)	--
(3,847)	--	(3,847)	--
92	--	92	--
(15,409)	--	(15,409)	--
(23,956)	--	(23,956)	--
(5,798)	--	(5,798)	--
<u>(142,887)</u>	<u>--</u>	<u>(142,887)</u>	<u>--</u>
--	23,165	23,165	--
--	2,082	2,082	--
--	7,813	7,813	--
--	4,681	4,681	--
--	441	441	--
--	(7,487)	(7,487)	--
--	(833)	(833)	--
--	(328)	(328)	--
--	5,900	5,900	--
--	(3,650)	(3,650)	--
<u>--</u>	<u>31,784</u>	<u>31,784</u>	<u>--</u>
<u>(142,887)</u>	<u>31,784</u>	<u>(111,103)</u>	<u>--</u>
			<u>(228)</u>
33,570	--	33,570	198
22,144	--	22,144	--
1,825	--	1,825	--
24,969	--	24,969	--
7,039	12,937	19,976	11
268	441	709	--
(2,091)	(6,602)	(8,693)	(6)
2,008	--	2,008	101
599	(1,615)	(1,016)	--
21,470	(21,470)	--	--
<u>111,801</u>	<u>(16,309)</u>	<u>95,492</u>	<u>304</u>
<u>(31,086)</u>	<u>15,475</u>	<u>(15,611)</u>	<u>76</u>
986,282	968,106	1,954,388	177
2,029	11,952	13,981	--
<u>988,311</u>	<u>980,058</u>	<u>1,968,369</u>	<u>177</u>
<u>\$ 957,225</u>	<u>\$ 995,533</u>	<u>\$ 1,952,758</u>	<u>\$ 253</u>

The notes to the financial statements are an integral part of these financial statements.

FUNDS

GOVERNMENTAL FUNDS

General	Accounts for all financial resources except those required to be accounted for in another fund. The functions paid for by the general fund include police, protective inspection, code enforcement, culture and recreation, general government, transportation, human services, economic development, and physical environment.
Community Redevelopment Agency	Accounts for the general tax revenue collected on and the expenses incurred in the redevelopment of properties in the community redevelopment area.
Other Governmental Funds	Detailed descriptions of these funds are provided on page 95.

PROPRIETARY FUNDS

Electric	Accounts for the assets, operation and maintenance of the City-owned electric generation, transmission, and distribution system.
Gas	Accounts for the assets, operation and maintenance of the City-owned gas system.
Sewer	Accounts for the assets, operation and maintenance of the City's wastewater collection and treatment system.
Water	Accounts for the assets, operation and maintenance of the City's water production and distribution system.
Airport	Accounts for the assets, operation and maintenance of the City-owned regional airport.
Stormwater Management	Accounts for the operation, maintenance, and expansion of the City-owned Stormwater Utility system.
Other Enterprise Funds	Detailed descriptions of these funds are provided on page 100.
Internal Service Funds	Detailed descriptions of these funds are provided on page 105.

FUNDS

(continued)

FIDUCIARY FUNDS

Pension Trust

Accounts for the accumulation of resources to be used for retirement annuity payments to City employees including both a Defined Benefit Plan and a Defined Contribution Plan. The Defined Benefit Plan accounts for general employees, police officers and fire fighters separately. The Defined Contribution Plan covers all employees who elect to contribute a portion of their salary to the plan.

Nuclear Decommissioning

Accounts for resources legally held in trust for Florida Power Corporation (FPC) for the future decommissioning of the Crystal River Unit 3 Utility Plant (CR3 Plant).

CITY OF TALLAHASSEE, FLORIDA
BALANCE SHEET
Governmental Funds
September 30, 2008
(in thousands)

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents.....	\$ 14,161	\$ --	\$ 49,688	\$ 63,849
Securities Lending Collateral	2,535	--	9,046	11,581
Receivables:				
Accrued Interest.....	153	--	499	652
Customers and Other.....	3,010	--	35	3,045
Notes.....	--	--	148	148
Special Assessments - Current.....	--	--	325	325
Less: Allowance for Doubtful Accounts.....	(616)	--	--	(616)
Due From Other Governments.....	2,423	--	1,834	4,257
Advances to Other Funds.....	1,889	--	118	2,007
Inventory.....	300	--	--	300
Cash and Cash Equivalents - Restricted.....	169	8,429	5,293	13,891
Investments - Restricted.....	--	--	66,167	66,167
Securities Lending Collateral - Restricted.....	30	1,530	12,867	14,427
Receivables - Restricted:				
Accrued Interest Receivable.....	--	91	56	147
Customers.....	--	2	136	138
Notes Receivable.....	--	--	3,021	3,021
Due from Other Governments.....	--	--	753	753
Total Assets.....	\$ 24,054	\$ 10,052	\$ 149,986	\$ 184,092
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Obligations Under Securities Lending	\$ 2,535	\$ --	\$ 9,046	\$ 11,581
Accounts and Retainage Payable.....	4,690	--	4,625	9,315
Unearned Revenue.....	1,450	--	1,167	2,617
Accounts and Retainage Payable - Restricted.....	169	30	1,220	1,419
Obligations Under Securities Lending - Restricted	30	1,530	12,867	14,427
Due to Other Funds.....	53	--	--	53
Advances from Other Funds.....	7,855	118	1,889	9,862
Unearned Revenue - Restricted.....	--	--	670	670
Total Liabilities.....	16,782	1,678	31,484	49,944
FUND BALANCES				
Reserved for:				
Encumbrances.....	--	558	17,230	17,788
Advances to Other Funds.....	1,889	--	118	2,007
Inventory.....	300	--	--	300
Projects.....	--	8,662	79,268	87,930
Notes Receivable.....	--	--	3,169	3,169
Debt Service.....	--	--	8,762	8,762
Unreserved, designated for:				
General Fund - Deficiencies.....	5,083	--	--	5,083
Unreserved, undesignated, reported in:				
Special Revenue Funds.....	--	(846)	(239)	(1,085)
Capital Project Funds.....	--	--	3,737	3,737
Permanent Fund.....	--	--	6,457	6,457
Total Fund Balances.....	7,272	8,374	118,502	134,148
Total Liabilities and Fund Balances.....	\$ 24,054	\$ 10,052	\$ 149,986	\$ 184,092

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2008
(in thousands)

Total Fund Balances - Governmental Funds	\$	134,148
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		895,114
Unamortized Bond Issue Costs are not financial resources and, therefore, are not reported in the funds.		812
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the governmental-type internal services funds are included in the Statement of Net Assets.		33,643
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(106,492)
Net Assets - Governmental Activities	<u>\$</u>	<u>957,225</u>

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Governmental Funds
For the fiscal year ended September 30, 2008
(in thousands)

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes.....	\$ 54,588	\$ 1,126	\$ --	\$ 55,714
Licenses and Permits.....	3,278	--	2,871	6,149
Intergovernmental Revenues.....	17,775	2,133	14,566	34,474
Charges for Services.....	6,927	--	121	7,048
Fines and Forfeitures.....	1,272	--	322	1,594
Net Investment Earnings.....	1,416	236	4,038	5,690
Securities Lending Income.....	356	80	1,156	1,592
Net Decrease in the Fair Value of Investments.....	(298)	(178)	(1,161)	(1,637)
Miscellaneous Revenues.....	10,778	87	1,167	12,032
Total Revenues.....	<u>96,092</u>	<u>3,484</u>	<u>23,080</u>	<u>122,656</u>
Expenditures:				
Current:				
General Government.....	21,142	--	9,624	30,766
Public Safety.....	47,115	--	4,615	51,730
Transportation.....	16,438	--	19,280	35,718
Human Services.....	5,732	--	862	6,594
Economic Environment.....	2,168	1,601	4,042	7,811
Physical Environment.....	4,272	--	987	5,259
Cultural and Recreation.....	15,345	--	3,636	18,981
Securities Lending Expense:				
Interest.....	295	66	956	1,317
Agent Fees.....	12	3	41	56
Debt Service:				
Principal Retired.....	--	--	4,160	4,160
Interest and Fiscal Charges.....	468	21	4,428	4,917
Total Expenditures.....	<u>112,987</u>	<u>1,691</u>	<u>52,631</u>	<u>167,309</u>
Excess of Revenues Over (Under) Expenditures.....	<u>(16,895)</u>	<u>1,793</u>	<u>(29,551)</u>	<u>(44,653)</u>
Other Financing Sources (Uses):				
Transfers In.....	33,819	--	11,833	45,652
Transfers Out.....	(20,492)	--	(3,636)	(24,128)
Proceeds from Sale of Capital Assets.....	927	--	825	1,752
Total Other Financing Sources (Uses).....	<u>14,254</u>	<u>--</u>	<u>9,022</u>	<u>23,276</u>
Net Change in Fund Balances.....	<u>(2,641)</u>	<u>1,793</u>	<u>(20,529)</u>	<u>(21,377)</u>
Fund Balances - October 1.....	9,913	6,581	139,031	155,525
Adjustment to Beginning Fund Balance.....	--	--	--	--
Fund Balances - October 1, as restated.....	<u>9,913</u>	<u>6,581</u>	<u>139,031</u>	<u>155,525</u>
Fund Balances - September 30.....	<u>\$ 7,272</u>	<u>\$ 8,374</u>	<u>\$ 118,502</u>	<u>\$ 134,148</u>

The notes to the financial statements are an integral part of these financial statements.

**CITY OF TALLAHASSEE, FLORIDA
RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2008
(in thousands)**

Net Changes in Fund Balances - Total Governmental Funds \$ (21,377)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (10,141)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain internal services funds is reported with governmental activities. (510)

Repayment of bond principal is reported as an expenditure in governmental funds. For the city as a whole, however, the principal payments reduce the liability in the Statement of Net Assets and does not result in an expense in the Statement of Activities. 4,160

The change in the unfunded Net OPEB Obligation which is included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds. (2,968)

The amortization of bond issue costs and bond premiums which is included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds. 228

The net change in compensated absences which is reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds. (478)

Change in Net Assets of Governmental Activities \$ (31,086)

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET ASSETS
Proprietary Funds
September 30, 2008
(in thousands)

	Enterprise Funds										Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds			
ASSETS											
Current Assets											
Cash and Cash Equivalents.....	\$ 70,409	\$ 3,711	\$ 852	\$ 3,216	\$ 2,854	\$ 49,554	\$ 6,547	\$ 137,143	\$	54,376	
Investments.....	--	--	--	--	--	--	--	--	--	--	
Securities Lending Collateral.....	12,678	668	153	579	514	8,922	1,193	24,707		9,847	
Receivables:											
Accrued Interest.....	759	39	15	39	33	526	71	1,482		581	
Notes.....	5,177	--	--	--	--	--	--	5,177		--	
Customers and Others.....	41,720	1,981	3,742	1,617	1,170	1,298	3,066	54,594		2,350	
Due From Other Governments.....	--	--	--	--	--	1,959	871	2,830		--	
Less: Allowance for Doubtful Accounts.....	(1,111)	(64)	(486)	(234)	(308)	--	(530)	(2,733)		--	
Prepaid Expenses.....	--	--	--	--	--	--	--	--		51,995	
Due from Other Funds.....	11,040	--	--	--	--	--	--	11,040		62	
Inventory.....	34,384	36	1,656	77	--	--	598	36,751		10,928	
Cash and Cash Equivalents - Restricted.....	113,184	6,040	21,260	20,896	12,217	--	--	173,597		--	
Investments - Restricted.....	32,794	4,062	128,877	19,903	736	--	--	186,372		--	
Securities Lending Collateral - Restricted.....	24,288	1,404	27,033	4,883	2,332	--	--	59,940		--	
Receivables - Restricted:											
Other	7	--	--	--	--	--	--	7		--	
Accrued Interest.....	1,096	40	269	82	127	--	--	1,614		--	
Due from Other Governments.....	--	--	--	--	1,114	--	--	1,114		--	
Total Current Assets.....	346,425	17,917	183,371	51,058	20,789	62,259	11,816	693,635		130,139	
Noncurrent Assets											
Advances to Other Funds.....	--	--	--	--	--	--	--	--		12,605	
Unamortized Bond Issue Costs.....	5,372	550	1,734	281	61	--	--	7,998		--	
Capital Assets											
Land and Construction in Progress.....	92,998	2,840	29,471	15,946	30,980	87,217	10,399	269,851		4,241	
Other, Net of Accumulated Depreciation.....	526,199	48,854	163,080	88,900	52,024	28,682	37,096	944,835		43,356	
Total Noncurrent Assets.....	624,569	52,244	194,285	105,127	83,065	115,899	47,495	1,222,684		60,202	
Total Assets.....	\$ 970,994	\$ 70,161	\$ 377,656	\$ 156,185	\$ 103,854	\$ 178,158	\$ 59,311	\$ 1,916,319		\$ 190,341	

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET ASSETS
Proprietary Funds
September 30, 2008
(in thousands)

	Enterprise Funds										Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds			
LIABILITIES											
Current Liabilities											
Accounts Payable.....	\$ 9,190	\$ 2,577	\$ 2,538	\$ 1,159	\$ 2,405	\$ 805	\$ 3,901	\$ 22,575	\$	48,705	
Due to Other Funds.....	--	--	--	--	--	--	9	9		11,040	
Compensated Absences.....	1,721	177	835	358	331	350	2,573	6,345		2,116	
Obligations Under Securities Lending.....	12,678	668	153	579	514	8,922	1,193	24,707		9,847	
Customer Contracts Payable.....	--	--	800	475	--	--	--	1,275		--	
Unearned Revenue.....	1,136	--	--	--	--	4,162	--	5,298		83	
Utility Deposits Payable.....	17,441	394	--	1,409	--	--	--	19,244		--	
Obligations Under Securities Lending - Restricted.....	24,288	1,404	27,033	4,883	2,332	--	--	59,940		--	
Retainage Payable and Accounts Payable - Restricted.....	1,503	30	3,512	1,697	815	--	--	7,557		--	
Loans Payable - Current.....	234	380	--	--	--	--	346	960		--	
Bonds Payable - Current.....	8,622	1,012	3,523	257	800	--	--	14,214		--	
Total Current Liabilities.....	76,813	6,642	38,394	10,817	7,197	14,239	8,022	162,124		71,791	
Noncurrent Liabilities											
Loans Payable.....	63,631	10,705	--	14,565	--	--	2,469	91,370		21,700	
Claims Payable.....	--	--	--	--	--	--	--	--		9,454	
Customer Contracts Payable.....	--	--	2,146	1,123	--	--	--	3,269		--	
Advances from Other Funds.....	--	360	486	437	1,561	--	--	2,844		1,906	
Compensated Absences.....	1,149	113	562	113	204	137	898	3,176		1,039	
Net OPEB Obligations.....	533	59	267	111	94	112	1,057	2,233		694	
Bonds Payable.....	458,355	23,331	178,085	32,620	3,490	--	--	695,881		--	
Unamortized Bond Premium (Discount).....	7,853	449	3,558	599	(6)	--	--	12,453		--	
Deferment of Gain (Loss) on Early Retirement of Debt.....	(1,296)	--	(1,799)	836	(191)	--	--	(2,450)		--	
Total Noncurrent Liabilities.....	530,225	35,017	183,305	50,404	5,152	249	4,424	808,776		34,793	
Total Liabilities.....	607,038	41,659	221,699	61,221	12,349	14,488	12,446	970,900		106,584	
NET ASSETS											
Investment in Capital Assets, Net of Related Debt.....	117,842	23,914	129,711	84,493	78,973	115,899	44,680	595,512		47,597	
Restricted for Debt Service.....	14,504	1,548	11,663	2,269	736	--	--	30,720		--	
Restricted for Renewal, Replacement, and Improvements.....	62,492	1,042	8,710	7,896	13,230	--	--	93,370		--	
Unrestricted.....	169,118	1,998	5,873	306	(1,434)	47,771	2,185	225,817		36,160	
Total Net Assets.....	\$ 363,956	\$ 28,502	\$ 155,957	\$ 94,964	\$ 91,505	\$ 163,670	\$ 46,865	945,419		\$ 83,757	

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds..... \$ 50,114
Net Assets of business-type activities..... \$ 995,533

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the fiscal year ended September 30, 2008
(in thousands)

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
Operating Revenues:										
Charges for Services:										
Residential Sales.....	\$ 156,371	\$ 12,023	\$ 20,850	\$ 12,109	\$ --	\$ 6,699	\$ 17,719	\$ 225,771	\$ --	
Commercial and Industrial Sales.....	193,162	22,180	14,608	7,440	--	9,223	17,861	264,474	--	
Public Street and Highway Lighting.....	4,406	--	--	--	--	--	--	4,406	--	
Sales for Resale.....	3,185	--	--	--	--	--	--	3,185	--	
Surcharge.....	1,887	123	710	1,367	--	--	--	4,087	--	
Tapping Fees.....	--	8	261	886	--	--	--	1,155	--	
Landing and Tie Down Fees.....	--	--	--	--	1,426	--	--	1,426	--	
Late Fees.....	1,141	91	--	96	--	--	--	1,328	--	
Initiating Service.....	996	116	--	500	--	--	--	1,612	--	
Rentals.....	789	--	--	559	9,536	--	--	10,884	--	
Cut-ins and Cut-fees.....	1,593	42	--	138	--	--	--	1,773	--	
County Government.....	--	--	--	--	--	--	6,771	6,771	--	
Recyclable Sales.....	--	--	--	--	--	--	899	899	--	
Recreation Fees.....	--	--	--	--	--	--	936	936	--	
Transportation Fees.....	--	--	--	--	--	--	4,258	4,258	--	
Other.....	5,034	232	4,880	1,555	1,751	594	458	14,504	346,425	
Total Operating Revenues.....	368,564	34,815	41,309	24,650	12,713	16,516	48,902	547,469	346,425	
Operating Expenses:										
Personnel Services.....	22,219	2,219	11,948	4,393	4,380	5,002	34,908	85,069	30,878	
Fossil Fuel.....	197,300	--	--	--	--	--	--	197,300	--	
Power Purchased.....	39,009	--	--	--	--	--	--	39,009	--	
Gas Purchased.....	--	23,195	--	--	--	--	--	23,195	--	
Contractual Services.....	29,875	3,331	12,650	11,545	4,096	4,003	25,422	90,922	290,085	
Materials and Supplies.....	5,189	171	2,229	687	361	255	3,810	12,702	9,034	
Other Expenses.....	3,964	243	665	670	486	617	680	7,325	9,549	
Depreciation.....	29,595	1,550	6,301	2,848	3,136	644	2,155	46,229	8,298	
Amortization.....	83	27	63	5	125	--	--	303	--	
Total Operating Expenses.....	327,234	30,736	33,856	20,148	12,584	10,521	66,975	502,054	347,844	
Operating Income (Loss).....	\$ 41,330	\$ 4,079	\$ 7,453	\$ 4,502	\$ 129	\$ 5,995	\$ (18,073)	\$ 45,415	\$ (1,419)	

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the Year Ended September 30, 2008
(in thousands)

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
Non-Operating Revenues (Expenses):										
Net Investment Earnings.....	\$ 6,430	\$ 352	\$ 1,267	\$ 1,232	\$ 511	\$ 1,674	\$ 247	\$ 11,713	\$ 2,573	
Net Decrease in the Fair Value of Investments.....	(3,589)	(155)	(462)	(218)	(315)	(1,035)	(138)	(5,912)	(1,144)	
Securities Lending:										
Income.....	1,571	80	320	262	131	422	58	2,844	719	
Interest Expense.....	(1,301)	(66)	(265)	(217)	(108)	(349)	(48)	(2,354)	(595)	
Agent Fees.....	(54)	(3)	(11)	(9)	(5)	(15)	(2)	(99)	(25)	
Grant Revenues.....	--	--	--	--	--	--	3,407	3,407	--	
Other Revenues.....	590	280	4,359	1,114	--	--	--	6,343	35	
Interest Expense.....	(14,402)	(1,446)	(3,049)	(705)	(281)	--	(175)	(20,058)	(1,254)	
Loss on the sale of surplus property.....	--	--	--	--	(1,615)	--	--	(1,615)	(15)	
Other Expenses.....	(4,526)	(7)	(882)	(225)	(3,434)	--	--	(9,074)	(67)	
Total Non-Operating Revenues (Expenses).....	(15,281)	(965)	1,277	1,234	(5,116)	697	3,349	(14,805)	227	
Income (Loss) Before Capital Contributions and Operating Transfers.....	26,049	3,114	8,730	5,736	(4,987)	6,692	(14,724)	30,610	(1,192)	
Capital Contributions and Transfers:										
Capital Contributions.....	--	--	--	--	4,026	13	3,206	7,245	--	
Transfers In.....	110	--	--	--	--	2,717	11,425	14,252	67	
Transfers Out.....	(23,060)	(2,332)	(2,141)	(5,865)	(917)	(232)	(367)	(34,914)	(929)	
Total Capital Contributions and Transfers.....	(22,950)	(2,332)	(2,141)	(5,865)	3,109	2,498	14,264	(13,417)	(862)	
Change in Net Assets.....	3,099	782	6,589	(129)	(1,878)	9,190	(460)	17,193	(2,054)	
Net Assets - October 1	358,714	27,720	149,368	95,093	93,383	154,480	43,923	79,404	6,407	
Adjustment to Beginning Net Assets.....	2,143	--	--	--	--	--	3,402	--	--	
Net Assets - October 1, as restated.....	360,857	27,720	149,368	95,093	93,383	154,480	47,325	85,811	6,407	
Net Assets - September 30	\$ 363,956	\$ 28,502	\$ 155,957	\$ 94,964	\$ 91,505	\$ 163,670	\$ 46,865	\$ 83,757	\$ 83,757	

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds..... (1,703)
Change in net assets of business-type activities..... \$ 15,490

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended September 30, 2008
(in thousands)

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES										
Cash Received from Customers.....	\$ 349,291	\$ 34,489	\$ 40,292	\$ 24,713	\$ 13,053	\$ 16,847	\$ 48,812	\$ 527,497	\$ --	\$ 309,827
Cash Received from Other Funds.....	--	--	--	--	--	--	--	--	--	--
Cash Received from Other Revenues.....	590	157	3	--	--	--	--	750	--	--
Cash Paid to Suppliers for Goods and Services.....	(257,213)	(25,102)	(8,016)	(6,468)	(3,753)	(1,786)	(19,617)	(321,955)	(282,006)	--
Cash Paid to Employees for Services.....	(19,349)	(2,196)	(11,303)	(4,280)	(4,312)	(4,865)	(33,612)	(79,917)	(30,036)	--
Cash Paid to Other Funds.....	(17,226)	(2,565)	(5,596)	(5,904)	(996)	(2,753)	(10,968)	(46,008)	--	--
Cash Paid for Other Expenses.....	(905)	(7)	(882)	(140)	(3,434)	--	--	(5,368)	--	--
Net Cash Provided by (Used For) Operating Activities.....	55,188	4,776	14,498	7,921	558	7,443	(15,385)	74,999	(2,215)	--
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Transfers In from Other Funds.....	110	--	--	--	--	2,717	11,425	14,252	67	--
Operating Grants Received.....	--	--	--	--	--	--	4,172	4,172	--	--
Repayment of Advances.....	--	--	--	--	(214)	--	--	(214)	--	--
Transfers Out to Other Funds.....	(23,060)	(2,332)	(2,141)	(5,865)	(893)	(232)	(367)	(34,890)	(929)	--
Net Cash Provided by (Used for) Noncapital Financing Activities.....	(22,950)	(2,332)	(2,141)	(5,865)	(1,107)	2,485	15,230	(16,680)	(862)	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Receipts from Energy Loan Program.....	6,383	--	--	--	--	--	--	6,383	--	--
Capital Contributions.....	--	--	--	--	4,442	13	2,662	7,117	--	--
System Charges.....	--	--	3,817	1,114	--	--	--	4,931	--	--
Proceeds from Sale of Property.....	--	--	--	--	--	--	--	--	--	--
Bond and Loan Proceeds.....	18,362	2,372	135,104	43,921	(950)	--	--	198,809	407	--
Acquisition and Construction of Capital Assets.....	(95,625)	(2,418)	(10,112)	(10,589)	--	(4,573)	(2,690)	(126,007)	(6,969)	--
Principal and Refunding Payments.....	(11,191)	(1,750)	(3,407)	(248)	(804)	--	--	(17,400)	--	--
Repayment of Loans from Other Funds.....	--	(40)	(453)	(192)	--	--	(20)	(705)	(1,659)	--
Funding of Energy Loan Program.....	(6,748)	--	--	--	--	--	--	(6,748)	--	--
Interest Paid.....	(25,666)	(1,721)	(7,913)	(1,434)	(156)	--	(175)	(37,065)	(1,254)	--
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(114,485)	(3,557)	117,036	32,572	2,532	(4,560)	(223)	29,315	(9,475)	--
CASH FLOWS FROM INVESTING ACTIVITIES										
Proceeds from Sale and Maturities of Investment Securities.....	376,134	16,803	249,214	55,587	--	--	--	697,738	--	--
Interest Received on Investments.....	11,372	508	4,080	1,268	476	1,732	254	19,690	2,672	--
Purchase of Investment Securities.....	(303,670)	(14,320)	(375,422)	(75,097)	--	--	--	(768,509)	--	--
Decrease in the Fair Value of Cash and Cash Equivalents.....	(3,589)	(155)	(462)	(218)	(315)	(1,035)	(138)	(5,912)	(1,144)	--
Net Cash Provided by Investing Activities.....	\$ 80,247	\$ 2,836	\$ (122,590)	\$ (18,460)	\$ 161	\$ 697	\$ 116	\$ (56,993)	\$ 1,528	--

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended September 30, 2008
(in thousands)

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (2,000)	\$ 1,723	\$ 6,803	\$ 16,168	\$ 2,144	\$ 6,065	\$ (262)	\$ 30,641	\$ (11,024)	
Cash and Cash Equivalents - October 1.....	185,593	8,028	15,309	7,944	12,927	43,489	6,809	280,099	65,400	
Cash and Cash Equivalents - September 30.....	\$ 183,593	\$ 9,751	\$ 22,112	\$ 24,112	\$ 15,071	\$ 49,554	\$ 6,547	\$ 310,740	\$ 54,376	
Classified As:										
Unrestricted Assets.....	\$ 70,409	\$ 3,711	\$ 852	\$ 3,216	\$ 2,854	\$ --	\$ 6,547	\$ 87,589	\$ 54,376	
Restricted Assets.....	113,184	6,040	21,260	20,896	12,217	49,554	--	223,151	--	
	\$ 183,593	\$ 9,751	\$ 22,112	\$ 24,112	\$ 15,071	\$ 49,554	\$ 6,547	\$ 310,740	\$ 54,376	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	\$ 41,330	\$ 4,079	\$ 7,453	\$ 4,502	\$ 129	\$ 5,995	\$ (18,073)	\$ 45,415	\$ (1,419)	
Operating Income (Loss).....	29,595	1,550	6,301	2,848	3,136	644	2,155	46,229	8,298	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:										
Depreciation.....	83	27	63	5	125	--	--	303	--	
Amortization.....	69	(34)	(38)	(64)	30	(12)	(15)	(64)	--	
Provision for Uncollectible Accounts.....	533	59	267	111	94	112	1,057	2,233	694	
Net OPEB Obligation.....	(315)	150	(879)	(140)	(3,434)	--	--	(4,618)	--	
Other.....	(16,297)	(326)	(1,017)	62	194	331	(92)	(17,145)	525	
(Increase) Decrease in Accounts Receivable.....	--	--	--	--	--	--	--	--	(38)	
Decrease in Other Accounts Receivable.....	(2,214)	11	376	--	--	--	(51)	(1,878)	(703)	
(Increase) Decrease in Inventory.....	166	--	--	--	--	--	--	166	--	
Decrease in Due From Other Funds.....	1,342	(696)	1,594	589	184	348	(588)	2,773	27,205	
Increase (Decrease) in Accounts Payable.....	--	--	--	--	--	--	--	--	(41,407)	
Decrease in Due To Other Funds.....	--	--	--	--	--	--	--	--	4,324	
Increase in loans to other funds.....	--	--	--	--	--	--	--	--	--	
Increase in Utility Deposits Payable.....	801	(8)	--	6	--	--	--	799	--	
Increase (Decrease) in Compensated Absences.....	95	(36)	378	2	(32)	25	222	654	148	
Increase in Prepaid Fees Credit.....	--	--	--	--	132	--	--	132	--	
Decrease in Insurance Deposits.....	--	--	--	--	--	--	--	--	158	
Total Adjustments.....	13,858	697	7,045	3,419	429	1,448	2,688	29,584	(796)	
Net Cash Provided by (Used for) Operating Activities.....	\$ 55,188	\$ 4,776	\$ 14,498	\$ 7,921	\$ 558	\$ 7,443	\$ (15,385)	\$ 74,999	\$ (2,215)	

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET ASSETS
Fiduciary Funds
September 30, 2008
(in thousands)

	Pension Trust Fund	OPEB Trust Fund	Nuclear Decommissioning Private-Purpose Trust Fund
ASSETS			
Cash and Cash Equivalents.....	\$ -	\$ 1,143	\$ -
Receivables			
Other Receivables.....	666	-	-
Accrued Interest.....	1,392	12	-
Total Receivables.....	<u>2,058</u>	<u>12</u>	<u>-</u>
Investments, at Fair Value			
Mutual Index Funds.....	238,202	-	-
Fixed Income Securities.....	164,716	-	-
Domestic Stock.....	486,885	-	-
International Stock.....	66,088	-	-
Short-term Investments.....	29,770	-	6,675
Real Estate.....	81,911	-	-
Total Investments.....	<u>1,067,572</u>	<u>-</u>	<u>6,675</u>
Securities Lending Collateral.....	98,074	-	1,202
Total Assets.....	<u>\$ 1,167,704</u>	<u>\$ 1,155</u>	<u>\$ 7,877</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Obligations Under Securities Lending.....	\$ 98,074	\$ -	\$ 1,202
Other Payables.....	18,144	-	-
Total Liabilities.....	<u>116,218</u>	<u>-</u>	<u>1,202</u>
NET ASSETS			
Held in Trust for Benefits and Other Purposes.....	1,051,486	1,155	6,675
Total Liabilities and Net Assets.....	<u>\$ 1,167,704</u>	<u>\$ 1,155</u>	<u>\$ 7,877</u>

The notes to the financial statements are an integral part of these financial statements.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF CHANGES IN NET ASSETS
Fiduciary Funds
For the fiscal year ended September 30, 2008
(in thousands)

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Nuclear Decommissioning Private-Purpose Trust Fund</u>
ADDITIONS			
Contributions			
Employer.....	\$ 17,503	\$ 2,539	\$ --
Plan Members.....	6,846	--	--
Miscellaneous.....	67	--	--
Total Contributions.....	<u>24,416</u>	<u>2,539</u>	<u>-</u>
Investment Income			
<i>From Investment Activities:</i>			
Unrealized Depreciation			
In Fair Value of Investments.....	(178,407)	--	--
Interest.....	2,784	39	186
Dividends.....	8,393	--	--
Commission Recapture Income.....	-	--	--
Total Investment Income.....	<u>(167,230)</u>	<u>39</u>	<u>186</u>
Less Investment Expenses:			
Investment Management Fees.....	5,990	--	--
Interest Expenses.....	58	--	--
Net Income from Investing Activities.....	<u>(173,278)</u>	<u>39</u>	<u>186</u>
<i>From Securities Lending Activities:</i>			
Securities Lending Income.....	4,356	7	--
Less Securities Lending Expenses:			
Interest Expenses.....	3,310	6	--
Investment Management Fees.....	205	--	--
Net Income from Securities Lending Activities.....	<u>841</u>	<u>1</u>	<u>--</u>
Total Net Investment Income.....	<u>(172,437)</u>	<u>40</u>	<u>186</u>
Total Additions.....	<u>(148,021)</u>	<u>2,579</u>	<u>186</u>
DEDUCTIONS			
Benefits.....	38,916	1,424	--
Refunds of Contributions.....	358	--	--
Administrative Expense.....	851	--	--
Total Deductions.....	<u>40,125</u>	<u>1,424</u>	<u>--</u>
Change in Net Assets.....	(188,146)	1,155	186
Net Assets - October 1.....	<u>1,239,632</u>	<u>--</u>	<u>6,489</u>
Net Assets - September 30.....	<u>\$ 1,051,486</u>	<u>\$ 1,155</u>	<u>\$ 6,675</u>

The notes to the financial statements are an integral part of these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS

Note I – Summary of Significant Accounting Policies

Note II – Reconciliation of Government-Wide and
Fund Financial Statements

Note III – Stewardship, Compliance, and Accountability

Note IV – Detailed Notes (All Funds)

Note V – Other Information

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Summary of Significant Accounting Policies is presented to assist the reader in interpreting the financial statements. The policies are considered essential and should be read in conjunction with the accompanying financial statements. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The City is a political subdivision of the State of Florida, located in Leon County in the center of the Florida Panhandle. It is approximately 102 square miles in area. It is the capital of Florida, the county seat, and the only incorporated municipality in Leon County. The City was incorporated in 1825 following a decision by the legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola.

In the Code of Ordinances, Chapter 8374, Laws of Florida, Special Acts 1919, the City was granted a new City Charter by the State Legislature authorizing a Commission-Manager form of government. In the original charter, the five City Commissioners were elected at large for four-year terms and each year, the Commissioners selected the Mayor for a one-year term to act as the official representative for the City. Tallahassee voters approved a charter change in November 1996 calling for a separately elected Mayor, thereby changing the structure of the Tallahassee City Commission. The first elected Mayor was elected in February 1997 for a four-year term. The elected Mayor has powers commensurate with the other four members of the City Commission; however, he is able to serve as an ongoing contact for matters involving other governmental or institutional organizations, including the state legislature, county government, and local universities.

The City provides a full range of municipal services to its citizens. These services include public safety (police and fire), construction and maintenance of streets and sidewalks, stormwater management, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates ten enterprise funds which include a regional airport, a bus system, a golf course, a solid waste collection system, four utilities (an electric generation transmission and distribution system, a natural gas distribution system, a water production and distribution system, and a sewage collection and treatment system), fire services, and a stormwater system.

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which exclusion of the nature and significance of their relationship with the City would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operation. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

BLENDED COMPONENT UNIT

Community Redevelopment Agency (CRA) - The Tallahassee Community Redevelopment Agency and the CRA Board were created in 1998. The board consists of the Mayor, the four City Commissioners and four of the County Commissioners. Although legally separate, the CRA is blended in the City's financial statements in accordance with the criteria for blending set forth by GASB 14, as amended by GASB 39. The CRA has responsibility for two specifically separate tax increment districts as described below.

- Greater Frenchtown/Southside Community Redevelopment Area (GFSCRA) - The City Commission adopted the Greater Frenchtown/Southside Community Redevelopment Plan in June 2000. The GFSCRA consists of three distinct geographical sections of over 1,450 acres of residential, commercial/retail and industrial land uses, located within the greater Frenchtown and Southside neighborhoods.
- Downtown District Community Redevelopment Area (DDCRA) - The City Commission adopted the Downtown Community Redevelopment Plan in June 2004. The DDCRA consists of approximately 440 acres located in downtown and between the northern and southern portions of the Greater Frenchtown/South Community Redevelopment Area.

DISCRETELY PRESENTED COMPONENT UNIT

Downtown Improvement Authority- The Downtown Improvement Authority (DIA) is an agency created by the Florida Legislature to regulate downtown growth. The City Commission appoints the governing board of the DIA. The City can impose its will on the DIA by approving and/or modifying its budget. There are no separately issued financial statements for the DIA. The DIA utilizes governmental fund accounting.

JOINT VENTURES EXCLUDED FROM THE REPORTING ENTITY:

- Sunshine State Governmental Financing Commission
The Sunshine State Governmental Financing Commission (the "Commission") was created in November 1985, initially by the cities of Tallahassee and Orlando, Florida to operate and administer a loan program. As of September 30, 2007, the Commission's membership consists of the following governmental units: City of Coral Gables, Florida; City of Coral Springs, Florida; City of Daytona Beach, Florida; City of Ft. Lauderdale, Florida; City of Hollywood, Florida; City of Jacksonville, Florida; City of Lakeland, Florida; City of Miami, Florida; City of Miami Beach, Florida; City of Orlando, Florida; City of St. Petersburg, Florida; City of Tallahassee, Florida; City of Vero Beach, Florida; Miami-Dade County, Florida; Palm Beach County, Florida; and Polk County, Florida. In addition, Leon County, Florida, the City of Fort Pierce, Florida and the City of West Palm Beach, Florida, participate in the Commission's programs as non-member

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

participants. Other Florida local governments may in the future become members or non-member participants including units of government such as special districts or other qualifying public agencies. Each member government appoints a representative to the Commission. These representatives elect a five-member board of directors to administer the loan program.

As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in pooled debt financings with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commission are reflected as debt by the participating governmental units.

The City of Tallahassee has no obligation and minimal event risk associated with the Commission other than the repayment of its loans from the Commission. Financial statements may be obtained from the Sunshine State Governmental Financing Commission.

- City of Tallahassee-Leon County Blueprint 2000 Intergovernmental Agency

In October 2000, the City entered into an interlocal agreement with Leon County as authorized by Section 163.01(7) Florida Statutes. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management for the project planning and construction of a list of projects known as the Blueprint 2000 projects. The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement are the collections of the local government infrastructure sales surtax, which began December 1, 2004. This tax was extended pursuant to the provisions in Section 212.055, Florida Statutes, until December 31, 2019.

Periodically, the Agency provides construction management services to the City. For these services the Agency and the City enter into Joint Participation Agreements (JPAs) whereby the City agrees to pay an administrative fee of 3% to the Agency. During the fiscal year ended September 30, 2008, the City paid nothing under these JPAs.

During the fiscal year ended September 30, 2008, the Agency donated land to the City in the amount of \$443,000.

Current audited financial statements may be obtained from Blueprint 2000, 1311 Executive Center Dr., Suite 109, Tallahassee, Florida 32301.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 expenses 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 operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 revenues 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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

Property 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 to be 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 government.

The government reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Community Redevelopment Agency Funds account for the general tax revenue collected and the expenses incurred in the redevelopment of properties in the Community Redevelopment area.

The government reports the following major proprietary funds:

- The Electric Fund accounts for the assets, operation and maintenance of the City-owned electric generation, transmission, and distribution system.
- The Gas Fund accounts for the assets, operation and maintenance of the City-owned gas system.
- The Sewer Fund accounts for the assets, operation and maintenance of the City's wastewater system.
- The Water Fund accounts for the assets, operation, and maintenance of the City's water production and distribution system.
- The Airport Fund accounts for the assets, operation, and maintenance of the City-owned regional airport.
- The Stormwater Fund accounts for the operation, maintenance, and expansion of the City-owned stormwater utility system.

Additionally, the government reports the following fund types:

- Internal Service Funds account for various services provided to other departments of the government and to other governments on a cost reimbursement basis. The services provided include an 800 megahertz system, revenue collection, information systems services, accounting operations, central warehouse operations, fleet management, employee relations operations, employee retirement plan's administrative operation, risk management operation, internal loans program, utility services functions, and wholesale energy operations.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

- The private purpose trust fund is used to account for resources legally held in trust for Florida Power Corporation (FPC) for the future decommissioning of the Crystal River Unit 3 Utility Plant (CR3 Plant). On October 1, 1999, the City sold its interest in the CR3 Plant to FPC and was released from any decommissioning costs in excess of the amount held in trust. The plant's decommissioning is anticipated to begin in 2016.
- The pension trust fund includes a Defined Benefit Plan and a Defined Contribution Plan. It is used to account for the accumulation of resources to be used for retirement annuity payments to City employees. The Defined Benefit Plan accounts for general employees, police officers, and fire fighters separately. The Defined Contribution Plan covers all employees who elect to contribute a portion of their salary to the plan.

The private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, and of the City's internal service funds, are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, AND NET ASSETS

1. CASH AND CASH EQUIVALENTS/INVESTMENTS - The City considers cash on hand, demand deposits and liquid investments with an original maturity of 90 days or less to be cash and cash equivalents/investments. Liquid investments include repurchase agreements purchased under the terms of the City's depository contract, open repurchase agreements, certificates of deposit, banker's acceptances, commercial paper, U.S. Treasury direct and agency obligations and Florida Department of Treasury Special Purpose Investment Account (SPIA) funds. The City "pools" its cash and cash equivalent/investments in order to obtain efficiencies of operation and improved

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

investment performance. Each fund maintains a share in the equity of the pooled cash and cash equivalents/investments. Each fund's equity in the City's cash and investment pool has been treated as cash equivalents/investments since cash may be withdrawn from the pool at any time without prior notice or penalty.

2. INVESTMENTS - The City's investments, except for funds invested in the Florida Department of Treasury's Special Purpose Investment Account, and certain non-participating contracts, are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

3. INVENTORY - The City maintains a variety of inventory types, such as fuel, material and supplies, and retail merchandise, all of which utilize the consumption method stated at cost, which approximates market. Inventory cost is determined using either the first-in, first-out method or the average cost method. Perpetual inventory records are maintained for all significant inventories. Reported inventories of the General Fund are equally offset by a reservation of fund balance, since they are unavailable for appropriation.

4. ADVANCES TO OTHER FUNDS - Noncurrent portions of interfund loans receivable (reported in "Advances to" asset accounts) of governmental funds are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." The proceeds of advances to governmental funds are recorded in "Other Financing Sources."

5. RESTRICTED ASSETS - Certain proceeds of the City's enterprise funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Assets are set aside for the following uses:

- Revenue Bonds Current Debt Service - used to segregate resources accumulated for debt service payments over the next twelve months.
- Revenue Bonds Future Debt Service - used to report resources set aside to make up potential future deficiencies in the revenue bonds current debt service account.
- Revenue Bonds Renewal and Replacement - used to report resources set aside to fund asset renewals and replacements or to meet unexpected contingencies.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

6. CAPITAL ASSETS - Capital assets, which include land, buildings, equipment, improvements other than buildings, intangibles and public domain infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than land and infrastructure, are defined as assets with a cost of \$1,000 or more and an estimated useful life greater than one year. Land and infrastructure assets are long-lived capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most general capital assets. Examples of infrastructure assets are roads, bridges, sidewalks, paved paths, utility systems, stormwater drainage systems, traffic control and lighting systems. In the initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The capitalization threshold for infrastructure assets has been set at \$100,000 for roadways and \$50,000 for other infrastructure assets. Land assets have no capitalization threshold, therefore all city-owned land is capitalized.

Other capital assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for constructed capital assets and improvements are capitalized as projects are completed. Interest is capitalized during the construction phase of capital assets for business-type activities constructed with tax-exempt debt. The amount of interest to be capitalized is calculated as the interest expense incurred from the date of the borrowing until completion of the project net of the interest earned on invested proceeds over the same period.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund's financial statements. These general capital assets are included in the governmental activities column of the government-wide financial statements. Capital assets used in the Enterprise and Internal Service Funds are accounted for in the respective funds. All vehicles of the City are accounted for in the Garage Fund, with the exception of StarMetro vehicles (generally buses). StarMetro vehicles are accounted for in their own fund. Depreciation on all exhaustible capital assets used in the Enterprise and Internal Service Funds is charged as an expense against their operations. Accumulated depreciation is reported on the respective fund's balance sheet.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20 to 40
Improvements other than buildings	10 to 40
Equipment and machinery	5 to 40
Vehicles	5 to 20
Infrastructure	10 to 60

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

7. COMPENSATED ABSENCES - All non-union employees earn vacation and sick leave starting with the first day of employment; all non-union employees earn vacation and sick leave based on the number of hours worked.

Vacation leave is earned based on creditable service hours worked as follows:

<u>Executive</u>		<u>Senior Management</u>		<u>General</u>	
<u>Creditable</u> <u>Service Hours</u>	<u>Leave earned</u> <u>per hour</u>	<u>Creditable</u> <u>Service Hours</u>	<u>Leave earned</u> <u>per hour</u>	<u>Creditable</u> <u>Service Hours</u>	<u>Leave earned</u> <u>per hour</u>
0 - 2,079	0.057693	0 - 2,079	0.057693	0 - 10,400	0.057693
2,080 - 10,400	0.080770	2,080 - 10,400	0.069231	10,401 - 20,800	0.069231
10,401 - 20,800	0.092308	10,401 - 20,800	0.080770	20,801 - 41,600	0.080770
over 20,800	0.103847	20,800 - 41,600	0.092308	over 41,600	0.092308
		over 41,600	0.103847		

A maximum of 344 hours of vacation leave time may be carried over from one calendar year to the next for executive employees and a maximum of 264 hours for senior management and general employees. An employee who terminates employment with the City is paid for any unused vacation leave accumulated to the time of termination.

Sick leave is earned at the rate of .023077 hours for each hour of service with no maximum limit on the number of hours which may be accumulated. A non-unionized employee who terminates from the City for any reason other than termination for cause will be paid one-half of the total amount of sick leave (without regard to catastrophic illness leave) accumulated by him or her on the effective date of termination. A unionized employee who terminates from the City for any reason other than termination for cause will be paid one-third of the total amount of sick leave without regard to catastrophic illness leave accumulated by him or her on the effective date of termination. If the employee dies, the sick leave amount will be paid to the employee’s beneficiary or estate. Retiring employees can elect the option of using the accumulated sick leave amount to purchase single coverage health insurance in lieu of receiving payment.

Accumulated current and long-term vacation and sick pay amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for the amounts is reported in the governmental funds only if they have matured, as a result of employee resignation and retirements.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

Employees covered by the Police and Fire bargaining unit shall accrue vacation time on the following basis:

<u>Fire Bargaining Unit Suppression Personnel</u>		<u>Fire Bargaining Unit Forty-hour Personnel</u>		<u>Police Bargaining Unit</u>	
<u>Years of Continuous Service</u>	<u>Hours Accrued Monthly</u>	<u>Years of Continuous Service</u>	<u>Hours Accrued Monthly</u>	<u>Creditable Service Hours</u>	<u>Leave earned per hour</u>
1-5 years	13.25	1-5 years	10	0 - 10,400	0.046154
5-10 years	15.90	5-10 years	12	10,401 - 20,800	0.057693
10-15 years	18.55	10-15 years	14	20,801 - 41,600	0.069231
15-20 years	21.20	15-20 years	16	over 41,600	0.080770
over 20 years	23.85	over 20 years	18		

For employees covered by the Police bargaining unit, accrued vacation time may not be carried over in excess of 30 days (240 hours). As of the end of the calendar year, accrued vacation time in excess of 240 hours shall be reduced to no more than 240 hours for any individual employee.

For employees covered by the Fire bargaining unit, accrued vacation time may not be carried over in excess of 318 hours for suppression personnel and 240 hours for forty-hour personnel.

Employees covered by the Police bargaining unit shall accrue sick leave at the rate of .046154 hours per hour worked, which is the fractional equivalent of eight (8) hours per month. There is no maximum limit on the number of hours which may be accumulated by an employee.

Employees covered by the Fire bargaining unit shall accrue sick leave credit at the rate of 10.6 hours of sick leave per month for suppression personnel and 8 hours of sick leave per month for forty-hour personnel. There is no maximum limit on the number of sick leave hours which may be accumulated by an employee.

For employers covered by the Police bargaining unit, payment for sick leave will be made for 33 1/3% (1/3) of the unused sick leave balance credited to an employee at the time of retirement or death, up to a maximum of seven hundred (700) hours, provided that the unused sick leave balance credited to the employee at the time of retirement or death equals at least three hundred (300) hours. If the unused sick leave balance credited to an employee at the time of retirement or death equals less than three hundred (300) hours, payment will be made for 25% (1/4) of the unused balance.

For employees covered by the Fire bargaining unit, a fire suppression employee who retires or dies will be paid for 33 1/3% (1/3) of the unused sick leave balance credited to him at the time of retirement or death, provided that the unused sick leave balance credited to him at the time of retirement or death equals at least three hundred ninety-eight (398) hours. If the unused sick leave balance credited to the employee at the time of retirement or death equals less than three hundred ninety-eight hours, the employee who retires or dies will be paid 25% (1/4) of the unused balance. A 40-hour employee who retires or dies will be paid for 33 1/3% (1/3) of the unused sick leave balance

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE I (CONTINUED)

credited to him at the time of retirement or death, provided that the unused sick leave balance credited to him at the time of retirement or death equals at least three hundred (300) hours. If the unused sick leave balance credited to the employee at the time of retirement or death equals less than three hundred (300) hours, the employee will be paid for 25% of the unused balance. An employee who accidentally dies while engaged in the performance of his firefighter duties, or who receives accidental bodily injury which subsequently results in the loss of his life within one (1) year after being received, provided that such a death is not the result of suicide and that such bodily injury is not intentionally self-inflicted, and the accidental death occurs as a result of the firefighter's response to what is reasonably believed to be an emergency involving the protection of life or property, will be paid 100% of the accrued but unused sick leave credited to him at the time of death.

In either of the above-described cases, the payment for unused sick leave will be made at the employee's straight time base rate.

8. BOND DISCOUNTS, ISSUANCE COSTS, AND REFUNDING GAINS AND LOSSES - In the government-wide financial statements, and in the 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 assets. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds at the rate at which principal payments are made which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond refunding gains and losses are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method, and presented as other liabilities. 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. INDIRECT COST ALLOCATION - The City currently employs an indirect cost allocation system based upon an independent cost analysis. An administrative service fee is charged by the General Fund to the other operating funds to address General Fund administrative services provided (e.g., legal, cash management, internal audit, and budget and policy). At the fund-level statements, the administrative service fee is included in the General Fund's Miscellaneous Revenue line item and in the other operating funds in the Contractual Services line. This administrative service fee is eliminated at year-end in the government-wide statements.

E. DERIVATIVE FUEL INVESTMENTS

In February 2003, the City of Tallahassee initiated transactions related to its fuels price hedging program. As part of the City's energy price risk mitigation program, the hedge instruments transactions are made to minimize the risk of energy price market volatility and counter-party credit risk, primarily for the physical purchases of natural gas. The hedge instruments are reported at cost on the Statement of Net Assets. Gains and losses related to the hedging transactions are credited or charged to fuel expense in the period realized.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$106,492 difference are as follows (in thousands):

Bonds and Loan Payable including Premiums & Discount.....	\$ 95,962
Compensated Absences.....	7,872
Net OPEB Obligation.....	<u>2,968</u>
Net Adjustments to Reduce Fund Balances	
Total Governmental Funds to arrive at net assets.....	<u>\$ 106,492</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL 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 change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states, “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 (\$10,141) difference are as follows (in thousands):

Capital Outlay.....	\$ 19,055
Depreciation Expense.....	<u>(29,196)</u>
Net Adjustments to Increase net changes in Fund Balances- Total Governmental Funds to arrive at changes in net assets – governmental activities.....	<u>\$ (10,141)</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Enterprise Funds. The budget is adopted at the fund level and administered at the department level. The difference between budgetary revenues and expenditures and modified accrual basis revenues and expenditures as reported in the general fund financial statements are explained in the budgetary comparison schedule notes in the Required Supplementary Information of this report. The City Manager is authorized to transfer budget amounts within funds and between departments; however, any revision that alters the total expenditures of any department or fund must be approved by the City Commission. Unencumbered appropriations are closed at year-end.

Encumbrance accounting, under which requisitions, purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balance, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City had no material violations of finance-related legal or contractual provisions.

C. DEFICIT FUND EQUITY - FUND BALANCE OF INDIVIDUAL FUNDS

The Building Code Enforcement Fund, a Governmental Fund, and the Pension Administration Fund, the Utility Services Fund and the Wholesale Energy Fund, all Internal Service Funds, had fund deficits of \$1,887,000, \$6,000, \$644,000 and \$208,000 respectively at September 30, 2008. It is anticipated that future revenues will fund the Building Code Enforcement Fund deficit and the Pension Administration Fund and Utility Services Fund deficits.

D. PRIOR PERIOD ADJUSTMENT

Fund Balances and/or Net Assets as of September 30, 2008 have been restated as follows:

- Prior year depreciation was overstated for assets no longer in service. This resulted in net assets of the Electric Fund (a major enterprise fund) increasing by \$2,143,000, net assets of the StarMetro Fund (a nonmajor fund) increasing by \$1,311,000, net assets of the Golf Fund (a nonmajor enterprise fund) increasing by \$720,000 and net assets of the Garage Fund (an internal service fund) increasing by \$5,607,000.
- An International Air Light Truck donated in a prior year was capitalized in the Garage Fund (an internal service fund) resulting in an increase in net assets by \$800,000.
- Land purchased in a prior year was capitalized in the Star Metro Fund (\$1,371,000) and in Government Wide Capital Assets (\$2,029,000).

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV - DETAILED NOTES - ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As discussed in Note I.D. the City of Tallahassee maintains a cash and investment pool that is available for use by all funds. Each fund's portion of the pool is reported in "Cash and Cash Equivalents/Investments." Interest earned by the pool is distributed to each fund monthly based on weekly balances. Other investments are also separately held by several of the City's funds.

1. DEPOSITS - At year-end, the book balance of the City's deposits was \$29,944,000 and the bank balance was \$30,913,000. In addition to the City's deposits, funds are held in two external investment pools, the Florida Municipal Investment Trust Portfolio 1-3 year High Quality Bond fund pool administered by the Florida League of Cities (the Florida League of Cities Pool), and the Special Purpose Investment Account administered by the Florida Department of Financial Services, Division of Treasury, Internal Investments (the SPIA Pool). At September 30, 2008, the City owns \$46,123,000 in shares in the Florida League of Cities Pool, not the individual securities within the portfolio. The Florida League of Cities Pool has a Fitch rating of AAA/V2. The weighted average maturity of the Florida League of Cities Pool as of September 30, 2008 is 1.43 years. At September 30, 2008, the City has \$73,068,000 invested in shares of the SPIA Pool, which has a rating of AA- from Standard and Poors. The unaudited fair value factor for September 30, 2008 was 0.09673. The effective duration of the SPIA Pool is 3.19 years as of September 30, 2008. Also included within deposits is \$5,271,000 of the Cash Equivalent or liquid portion of the City's investments.

The difference between the book balance and bank balance is due to outstanding checks and deposits. Seven city funds had deficit cash balances at year end totaling \$41,637,000 which are reported in accounts payable at September 30, 2008. The bank balance is insured by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Depository (the Act). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

2. INVESTMENTS - The City's investment guidelines, as defined by the City Charter and its written investment policies, are approved by the City Commission or the Sinking Fund Commission. The City has two approved investment policies: 1) the Non-Pension Investment Policy, which covers the investment of all non-pension monies of the City, including the previously referenced cash and investment pool; and, 2) the Pension Investment Policy governing the investment of all assets of the City Pension Funds. The Non-Pension Investment Policy provides for a Core Portfolio, governing the investment of all monies held or controlled by the City, not otherwise classified as Specialized or Pension monies. The Policy specifies the investments that are authorized for purchase for the Core Portfolio. The Policy further provides for certain portfolios to be designated as Specialized Portfolios, with the governing criteria unique to that portfolio, including authorized investments, to be approved on a case-by-case basis by the Investment Advisory Committee. According to the City Charter, the City Treasurer-Clerk is designated to invest all monies belonging to the City pursuant to the policies approved by the City Commission, except those monies in the Pension Funds. Monies in the Pension Funds are invested under the auspices of the City Charter-created Sinking Fund Commission, which consists of the five City Commissioners and three appointed members.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

Under the policies approved by the City Commission and the Sinking Fund Commission, the day-to-day investment of all monies is managed by the City Treasurer-Clerk.

The City's banking arrangement requires daily cash balances to be invested in a Public Funds NOW account at the federal fund rate, less ten basis points. The Public Funds book balance at September 30, 2008 was \$2,412,000 and the bank balance was \$3,366,000. The Public Funds balances are included in the above discussed City deposit balances.

Authorized investment instruments for The Non-Pension Core Portfolio are as follows:

Repurchase Agreements	Fixed Income Securities rated at least A1/A+ for
Certificates of Deposit	corporate securities and A for municipal securities
Commercial Paper Rated A1/P1 (or comparable rating) by at least two nationally recognized rating agencies	(or comparable rating) by at least two nationally recognized rating agencies
U. S. Treasury Bills, Bonds, Notes and Stripped Securities	Fixed Income Mutual Funds and Money Managers
U.S. Government Agencies Bonds, Notes and Stripped Securities	Investment Agreements and Guaranteed Investment Contracts
	Florida State Board of Administration Local Governments Surplus Funds Investment Pool and other authorized government-sponsored pools
	Florida Department of Treasury Special Purpose Investment Account

In addition to authorizing investment instruments, the City's policies also identify various portfolio parameters addressing issuer diversification, term to maturity and liquidity, and requirement of "purchase versus delivery" perfection for securities held by a third party on behalf of and in the name of the City.

The non-pension portfolio includes investments administered internally by the City of Tallahassee, funds invested in an external investment pool held by the Florida Department of Treasury Special Purpose Investment Account, and the external portfolio administered by Galliard Asset Management (Galliard). Due to concerns with the SBA Local Government Investment Pool's investments, the City decided to withdraw its non-pension portfolio funds from the Florida SBA Local Government Investment Pool and invested those funds with the Special Purpose Investment Account. As of September 30, 2008, the Nuclear Fuel Decommissioning Private-Purpose Fund held \$6,675,000 in the Florida SBA Local Government Investment Pool.

Credit Risk: The structure of the City's non-pension portfolio is designed to minimize credit risk. To limit the City's risk against possible credit losses, a maximum of 5% of the total portfolio may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds. No corporate entity represented more than 5% of the portfolio at September 30, 2008.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

As of September 30, 2008, the City had the following non-pension investments subject to credit risk in the internal and Galliard portion of the portfolio (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>S & P Rating</u>
US Treasury	\$ 121,861	AAA
US Agencies	135,187	NA
Corporate Bonds	6,167	AAA
Corporate Bonds	16,056	AA
Corporate Bonds	10,275	AA-
Corporate Bonds	25,211	A+
Corporate Bonds	10,423	A
Corporate Bonds	5,614	NA
Corporate Bonds	682	NR
Asset Backed	58,437	NR
Mortgage Pass Through	29,793	AAA
Municipals	2,507	AAA
Municipals	616	AA+
Municipals	2,811	AA
Municipals	615	AA-
Municipals	309	A+
Municipals	1,871	NR
Cash and Equivalents	35,215	NR
Total	<u>\$ 463,650</u>	

In addition, the City owns \$63,317,000 shares in the SPIA Pool, and \$29,656,000 shares in the Florida League of Cities Pool.

Interest Rate Risk: In accordance with the City's non-pension investment policy, the City has established maturity limitations for each authorized investment category. The normal duration of the non-pension portfolio is defined as .5 years to 2.5 years. The average maturity of the non-pension portfolio as of September 30, 2008 was 2.28 years and the duration of the non-pension portfolio as of September 30, 2008 was 1.77 years.

As of September 30, 2008, the non-pension portfolio including the internal portion as well as Galliard, had the following investments on a time-segmented basis (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5 Years</u>	<u>5- 10 Years</u>	<u>10+ Years</u>
US Treasury	\$ 121,861	\$ 67,894	\$ 53,967	\$ -	\$ -
US Agencies	135,187	48,877	65,144	21,166	-
Corporate Bonds	74,428	1,886	72,542	-	-
Asset Backed Securities	58,437	-	-	-	58,437
Municipals	8,729	875	7,854	-	-
Mortgage Pass Through	29,793	-	-	9,625	20,168
Cash and Equivalents	35,215	35,215	-	-	-
Total	<u>\$ 463,650</u>	<u>\$ 154,747</u>	<u>\$ 199,507</u>	<u>\$ 30,791</u>	<u>\$ 78,605</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

PENSION PLAN - The City also has investments in its pension plan as described below.

Credit Risk: The City's Investment Policy for the Pension Plan does not explicitly address credit risk. The investment policy specifies the market sectors of the investments and the benchmark for each sector. Individual money managers are hired to manage each sector and are evaluated on their performance against that benchmark. The individual money managers evaluate risk in their selection of securities to hold in their portfolios.

Foreign Currency Risk: The City's Investment Policy for the Pension Plan does not explicitly address foreign currency risk. The investment policy specifies the market sectors of the investments and the benchmark for each sector. Individual money managers are hired to manage each sector and are evaluated on their performance against that benchmark. The individual money managers evaluate risk in their selection of securities to hold in their portfolios.

As of September 30, 2008, the City had the following pension investments subject to credit risk (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Agencies	\$ 28,064	AAA
Asset Backed	1,933	AAA
Asset Backed	293	AAA
Asset Backed	405	NA
Asset Backed	650	NR
Cash and Equivalents	4,655	NR
CMBS	908	AAA
CMOS	417	A
CMOS	128	A+
CMOS	15,436	AAA
CMOS	274	BB+
CMOS	157	NA
CMOS	205	NR
Mutual Funds	5,645	NA
Convertible Bonds	77	A
Convertible Bonds	56	A-
Convertible Bonds	29	A+
Convertible Bonds	30	AAA
Convertible Bonds	31	B
Convertible Bonds	34	B-
Convertible Bonds	106	B+
Convertible Bonds	95	BB
Convertible Bonds	24	BB-
Convertible Bonds	102	BB+
Convertible Bonds	46	BBB-
Convertible Bonds	7	BBB-
Convertible Bonds	132	BBB+
Convertible Bonds	273	NA
Convertible Bonds	126	NR
Corporate Bonds	2,527	A
Corporate Bonds	2,509	A-
Corporate Bonds	895	A+
Corporate Bonds	1,590	AAA

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Corporate Bonds	1,711	AA-
Corporate Bonds	342	AA+
Corporate Bonds	378	AAA
Corporate Bonds	679	B-
Corporate Bonds	374	BB-
Corporate Bonds	58	BB+
Corporate Bonds	1,083	BBB
Corporate Bonds	1,191	BBB-
Corporate Bonds	2,058	BBB+
Corporate Bonds	137	NR
Common Stock	39	B
Mortgage Pass Through	326	AA
Mortgage Pass Through	47,564	AAA
Mortgage Pass Through	9,541	NR
Preferred Stock	33	AA-
Preferred Stock	4	B
Preferred Stock	47	NA
US Treasury	31,292	AAA
Mutual Index Funds	238,202	NR
Domestic Stock	486,885	NR
International Stock	66,088	NR
Short Term Investments	29,770	NR
Real Estate	81,911	NR
Total	<u>\$ 1,067,572</u>	

The Foreign Investments are (in thousands):

<u>Currency</u>	<u>Amount</u>	<u>Investment Type</u>
Australia	\$ 817	Common Stock
Belgium	666	Common Stock
Bermuda	985	Common Stock
Brazil	755	Depository Receipts
Brazil	258	Common Stock
Canada	2,328	Common Stock
Cayman Islands	338	Common Stock
China	1,632	Common Stock
Finland	1,809	Common Stock
France	9,269	Common Stock
Germany	9,028	Common Stock
Hong Kong	1,330	Common Stock
India	163	Depository Receipts
Ireland	178	Depository Receipts
Israel	93	Common Stock
Italy	1,748	Common Stock
Japan	11,204	Common Stock
Republic of Korea	681	Common Stock
Luxembourg	557	Common Stock
Luxembourg	45	Depository Receipts
Mexico	198	Common Stock
Netherlands	2,006	Common Stock
Norway	974	Common Stock

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

<u>Currency</u>	<u>Amount</u>	<u>Investment Type</u>
Norway	974	Common Stock
Phillipines	40	Common Stock
Russian Federation	1,527	Depository Receipts
Singapore	180	Common Stock
South Africa	404	Common Stock
Spain	2,190	Common Stock
Sweden	1,150	Common Stock
Switzerland	4,818	Common Stock
Taiwan	82	Depository Receipts
Thailand	150	Common Stock
United Kingdom	8,485	Common Stock
Total	<u>\$ 66,088</u>	

Interest Rate Risk: The City of Tallahassee's Investment Policy for the Pension Plan does not explicitly address interest rate risk. The investment policy specifies the market sectors of the investments and the benchmark for each sector. Individual money managers are hired to manage each sector and evaluated on their performance against that benchmark. The individual money managers evaluate risk in their selection of securities to hold in their portfolios.

Interest Rate Risk: The City of Tallahassee held the following investments for its pension funds as of September 30, 2008 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6 – 10 Years</u>	<u>10+ Years</u>
US Agencies	\$ 28,064	\$ --	\$ 24,676	\$ 3,388	\$ --
Asset backed	3,281	--	179	--	3,102
Cash and Equivalents	4,655	4,655	--	--	--
CMBS	908	--	--	--	908
CMO	16,617	129	--	--	16,488
Mutual Funds	5,645	--	--	--	5,645
Convertible Bonds	1,168	16	280	65	807
Corporate Bonds	15,532	1,714	8,415	1,141	4,262
Common Stock	39	--	--	--	39
Mortgage Pass Through	57,431	--	602	326	56,503
Preferred Stock	84	--	--	--	84
US Treasury	31,292	10,430	13,113	7,749	--
Total	<u>\$ 164,716</u>	<u>\$ 16,944</u>	<u>\$ 47,265</u>	<u>12,669</u>	<u>\$ 87,838</u>

B. SECURITIES LENDING TRANSACTIONS

In accordance with Section 51 of the City Charter, the City Treasurer-Clerk or his designee may authorize investment transactions that he considers prudent. Accordingly, the City participates in securities lending transactions via a Securities Lending Agreement with Dresdner Bank AG, New York Branch (Bank) that authorizes the banking institution to lend the City's securities to approved broker-dealers and banks in order to generate additional income. Gross income from securities lending transactions and the fees paid to the Bank are reported in the City's statements. Assets and liabilities include the value of the collateral held.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

During the fiscal year ended September 30, 2008, the Bank lent, at the direction of the City’s Treasurer-Clerk, securities and received cash, securities issued or guaranteed by the United States government, and irrevocable bank letters of credit as collateral. The Bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver cash collateral for each loan equal to at least 100% of the market value of the loaned securities or U.S. Government Securities equal to 102% of the market value of the securities.

There are no restrictions on the amount of securities that may be loaned. The Agreement requires the Bank to indemnify the City for losses attributable to violations by the Bank of the Standard of Care set out in the Agreement. There were no such violations during the fiscal year ended September 30, 2008. Moreover, there were no losses during the fiscal year ended September 30, 2008 resulting from a default of any borrower.

During the fiscal year ended September 30, 2008, the City and each borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan of securities together with the cash collateral of other qualified tax-exempt plan lenders were invested in a collective investment pool with the Bank. The average duration of the investment pool as of September 30, 2008 was 18 days with an average weighted maturity of 174 days. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On September 30, 2008, the City had no credit risk exposure to borrowers.

As of September 30, 2008, for the City’s pension fund, the collateral held and the market value of securities on loan were \$98,074,000 and \$95,288,000, respectively; for the City’s non-pension funds, the collateral held and the market value of securities on loan were \$121,757,000 and \$119,754,000 respectively.

A summary of the fair market value of the securities lent as of September 30, 2008 follows (in thousands):

	<u>Pension Fund</u>	<u>Non-Pension Fund</u>
American Despository Receipts (ADR)	\$ 1,925,184	\$ --
Agencies	4,223,940	39,220,491
Bonds	160,272	873,913
Common Stock	57,019,954	--
U.S. Government Treasury Notes	29,467,716	79,659,560
	<u>\$ 92,797,066</u>	<u>\$ 119,753,964</u>

C. RECEIVABLES

1. PROPERTY TAXES - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Leon County Property Appraiser and the Leon County Tax Collector. The laws of the State regulating tax assessment are also designed to ensure consistent property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2008 was 3.1686.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

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.

Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer.

Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

The City Tax Calendar is as follows: Valuation Date: January 1; Levy Date: November 1; Due Date: March 31, Succeeding Year; and Lien Date: April 1, Succeeding Year.

2. AIRPORT FUND'S LEASING OPERATIONS - The Airport Fund's leasing operations consist principally of leasing land and buildings under operating leases to airlines, rental car agencies and other commercial enterprises. Original lease terms vary from one to fifty years and require, in most cases, that leasehold improvements be contributed to the City at lease termination.

The following is a schedule, by years, of minimum future rentals on noncancelable operating leases of the Airport Fund as of September 30, 2008 (in thousands):

Years ending September 30,		
2009.....	\$	3,222
2010.....		1,542
2011.....		815
2012.....		791
2013.....		926
2014-2018.....		3,522
2019-2023.....		2,354
2024-2028.....		2,318
2029-2033.....		1,780
2034-2038.....		1,402
Thereafter.....		4,380
	\$	<u>23,052</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

Total minimum future rentals do not include contingent rentals that may be realized under certain leases that require additional rent if the tenant's gross revenues exceed stipulated minimums. Contingent rentals for the fiscal year ended September 30, 2008 amounted to \$119,190.

In October 1989, the City entered into fifteen-year lease and use agreements with its major airline tenants, (the signatory airline agreements). On October 21, 2004, the Signatory Airline representing the majority in interest ("MII") of the airlines agreed to and signed the 'First Amendment to Airline-Airport Use and Lease Agreement' that among other things extended the term of the Signatory Airline Agreements to September 30, 2009. The amendment added provisions for 'affiliate airline(s)' of signatory airlines to participate in the signatory airline fees and charges, provided that such affiliate airline(s) will have primary obligation for payment of such charges and fees with the signatory airlines becoming jointly and severally liable for payment of all fees and charges for use of the airport by such affiliate. The amendment also increases the distribution of Remaining Funds for the Prepaid Fees Credit from 50% to 60% and eliminates required deposits to the Signatory Airline Capital Account. On September 11, 2008, the Signatory Airline representing the majority in interest ("MII") of the airlines agreed to and signed the 'Second Amendment to Airline-Airport Use and Lease Agreement' that among other things extended the term of the agreements to September 30, 2014. During 2008, the Affiliate Airline Airport Use Agreements were amended to reflect that the Signatory Airline is responsible for paying all fees and charges incurred by its affiliate airlines.

The agreement as amended, requires that landing fees and terminal rentals be reviewed annually and adjusted so that the total revenues of the Airport System are sufficient to meet the Airport Fund's requirements as determined by the Signatory Airline Agreements. Sixty percent (60%) of Funds Remaining shall be apportioned to Prepaid Fees Credit and forty percent (40%) to the Airport System Capital Account. Settlement provisions under the amended agreement provide for a recalculation of rates for rentals, fees and charges for the preceding Fiscal Year. Upon determination of any difference between the actual rentals, fees and charges paid by Signatory Airlines during the preceding Fiscal Year and the rentals, fees, and charges that would have been paid by Signatory Airlines using said recalculated rates, the City shall return to the airline the amount of any such difference in the event of an overpayment and, in the event of underpayment, apply such difference to the Prepaid Fees Credit for the next Fiscal Year.

The allocation of the Prepaid Fees Credit for the fiscal year 2008 True-Up of Signatory Airline Rates was 83.8% toward terminal rentals and 16.2% toward landing fees. The residual portion of remaining funds, (40%), is allocated to the Airport System Capital Account. Funds on credit in the Airport System Capital Account shall generally be used to pay the costs of improvements in other than airline supported areas; or the cost of improvements in airline supported areas for which the signatory airlines are not financially responsible under the agreement. The Prepaid Fees Credit, (60%), is recorded with the current liabilities in the amount of \$1,150,000.

The minimum rentals to be paid by the signatory airlines under this agreement will vary each year and such amounts have not been included in the above schedule of minimum future rentals. The Signatory Airline Agreement, as amended, is reliant on the ongoing operations of the signatory airlines.

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CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE IV (CONTINUED)

D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2008 was as follows (in thousands):

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land.....	\$ 350,756	\$ 2,396	\$ (2,281)	\$ 350,871
Construction in Progress.....	39,072	22,223	(6,817)	54,478
Depreciable Assets:				
Buildings.....	108,143	2,019	(2,588)	107,574
Equipment.....	33,601	2,012	(690)	34,923
Improvements other than buildings.....	11,406	646	--	12,052
Infrastructure.....	715,351	2,935	--	718,286
Intangibles.....	14	--	--	14
	<u>1,258,343</u>	<u>32,231</u>	<u>(12,376)</u>	<u>1,278,198</u>
Less accumulated depreciation for:				
Buildings.....	(37,246)	(3,603)	22	(40,827)
Equipment.....	(22,323)	(2,956)	228	(25,051)
Improvements other than buildings.....	(6,252)	(222)	--	(6,474)
Infrastructure.....	(272,900)	(23,690)	--	(296,590)
Intangibles.....	--	(2)	--	(2)
	<u>(338,721)</u>	<u>(30,473)</u>	<u>250</u>	<u>(368,944)</u>
Governmental Activities capital assets, net	<u>\$ 919,622</u>	<u>\$ 1,758</u>	<u>\$ (12,126)</u>	<u>\$ 909,254</u>
Business-type Activities				
Non-Depreciable Assets:				
Land.....	\$ 123,567	\$ 2,501	\$ (2,838)	\$ 123,230
Construction in Progress.....	197,691	137,498	(188,521)	146,668
Depreciable Assets:				
Buildings.....	109,324	3,209	--	112,533
Equipment.....	547,648	155,133	(3,361)	699,420
Improvements other than buildings.....	9,763	4,097	--	13,860
Infrastructure.....	714,862	29,327	--	744,189
Intangibles.....	93,306	4,727	--	98,033
	<u>1,796,161</u>	<u>336,492</u>	<u>(194,720)</u>	<u>1,937,933</u>
Less accumulated depreciation for:				
Buildings.....	(42,001)	(2,880)	33	(44,848)
Equipment.....	(263,923)	(28,364)	2,299	(289,988)
Improvements other than buildings.....	(2,665)	(588)	--	(3,253)
Infrastructure.....	(285,205)	(18,057)	--	(303,262)
Intangibles.....	(45,276)	(3,163)	--	(48,439)
	<u>(639,070)</u>	<u>(53,052)</u>	<u>2,332</u>	<u>(689,790)</u>
Business-type Activities, net	<u>\$ 1,157,091</u>	<u>\$ 283,440</u>	<u>\$ (192,388)</u>	<u>\$ 1,248,143</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

GOVERNMENTAL ACTIVITIES:	
General Government.....	\$ 1,367
Public Safety.....	1,168
Transportation.....	1,250
Human Services.....	229
Economic Development.....	255
Physical Environment.....	15
Culture and Recreation.....	954
General Infrastructure.....	23,956
Capital Assets held by the governmental type internal services funds are charged to the various functions based on their usage of assets.....	<u>1,498</u>
Total depreciation expense—governmental activities	<u>\$ 30,692</u>
 BUSINESS-TYPE ACTIVITIES:	
Electric.....	\$ 29,595
Gas.....	1,550
Sewer.....	6,301
Water.....	2,848
Airport.....	3,136
Star Metro.....	1,243
Solid Waste.....	33
Golf.....	165
Stormwater Management.....	644
Fire Services.....	714
Capital Assets held by the government’s business-type internal services funds are charged to the various functions based on their usage of assets.....	<u>6,800</u>
Total depreciation expense—business-type activities	<u>\$ 53,029</u>

Interest incurred during long-term construction projects is included as part of the capitalized value of the assets constructed. Interest costs incurred in proprietary funds consisted of the following at September 30, 2008 (in thousands):

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Total Interest cost incurred	\$ 25,666	\$ 1,433	\$ 7,913	\$ 1,721
Decrease as a result of capitalizing interest as a cost of construction	<u>(11,264)</u>	<u>(728)</u>	<u>(4,864)</u>	<u>(275)</u>
Interest charged to operations	<u>\$ 14,402</u>	<u>\$ 705</u>	<u>\$ 3,049</u>	<u>\$ 1,446</u>

The interest costs capitalized above are netted with the interest earned on the bond proceeds to arrive at the net amount of interest capitalized. Capitalized interest in the proprietary funds consisted of the following at September 30, 2008 (in thousands):

Interest expense incurred during construction and capitalized	\$ 11,264	\$ 728	\$ 4,864	\$ 275
Interest earned on bond proceeds	<u>(4,725)</u>	<u>--</u>	<u>(2,769)</u>	<u>(145)</u>
Net interest capitalized	<u>\$ 6,539</u>	<u>\$ 728</u>	<u>\$ 2,095</u>	<u>\$ 130</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

E. INTERFUND RECEIVABLES, PAYABLES, INTRAGOVERNMENTAL CHARGES, AND TRANSFERS

1. INTERFUND RECEIVABLES/PAYABLES - At September 30, 2008 Interfund Receivables and Payables are as follows (in thousands):

Fund	Due From	Due To	Advance To	Advance From
General.....	\$ --	\$ 53	\$ 1,889	\$ 7,855
Electric.....	11,040	--	--	--
Gas.....	--	--	--	360
Sewer.....	--	--	--	437
Water.....	--	--	--	486
Airport.....	--	--	--	1,561
Nonmajor Governmental.....	--	--	118	2,007
Nonmajor Business-type.....	--	9	--	--
Internal Service Funds.....	62	11,040	12,605	1,906
	<u>\$ 11,102</u>	<u>\$ 11,102</u>	<u>\$ 14,612</u>	<u>\$ 14,612</u>

Interfund receivables and payables are primarily the balances remaining from amounts loaned and borrowed for various operating and capital projects.

2. INTRAGOVERNMENTAL CHARGES - Certain functions of the City of a general and administrative nature are accounted for in internal service funds. The costs accumulated in these funds are allocated to the various funds benefited by the services via charges, which are recorded as charges for services in the internal service funds and expenses or expenditures in the benefited funds.

Such costs allocated to the funds for the year ended September 30, 2008 are as follows (in thousands):

General.....	\$ 18,977
Electric.....	14,822
Gas.....	2,291
Sewer.....	4,567
Water.....	5,151
Airport.....	1,195
Stormwater Management.....	1,962
Non-major Business Type.....	8,951
Non-major Governmental Type.....	435
Fiduciary Type.....	851
Internal Service Type.....	6,406
	<u>\$ 65,608</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE IV (CONTINUED)

3. INTERFUND TRANSFERS - At September 30, 2008 Interfund Transfers are as follows (in thousands):

	Transfers In							Total
	General	Electric	Stormwater	Nonmajor Governmental	Nonmajor Business-type	Internal Service Funds		
General	\$ --	\$ 110	\$ --	\$ 9,850	\$ 10,532	\$ --	\$ 20,492	
Electric	22,894	--	--	166	--	--	23,060	
Gas	2,323	--	--	9	--	--	2,332	
Sewer	2,059	--	--	82	--	--	2,141	
Water	5,812	--	--	53	--	--	5,865	
Airport	--	--	--	24	893	--	917	
Stormwater	136	--	--	96	--	--	232	
Nonmajor Governmental	456	--	2,717	396	--	67	3,636	
Nonmajor Business-type	139	--	--	228	--	--	367	
Internal Service	--	--	--	929	--	--	929	
Total	\$ 33,819	\$ 110	\$ 2,717	\$ 11,833	\$ 11,425	\$ 67	\$ 59,971	

Transfers Out

Interfund transfers are primarily for operations, capital projects funding and governmental fund debt service.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

F. LEASE COMMITMENTS

OPERATING - The City has entered into several operating leases for buildings and equipment. The leases are for one to three years, expiring in 2009 through 2011. Total rent expenses incurred by the City for the year ended September 30, 2008 was \$2,593,000. The remaining future minimum lease obligations are as follows (in thousands):

	<u>September 30</u>
2009.....	\$ 212
2010.....	73
2011.....	<u>39</u>
Total.....	<u>\$ 324</u>

G. LONG-TERM DEBT

1. The following is a summary of the changes in Long-Term Debt for the year ended September 30, 2008 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Revenue Bonds.....	\$ 87,795	\$ --	\$ 3,660	\$ 84,135	\$ 3,775
Compensated Absences.....	8,531	6,535	6,070	8,996	6,535
Sunshine State Loan Payable.....	30,700	--	500	30,200	500
OPEB Obligation.....	--	3,185	--	3,185	--
Total Governmental-Type Debt	<u>127,026</u>	<u>9,720</u>	<u>10,230</u>	<u>126,516</u>	<u>10,810</u>
Business-Type Activities:					
Energy System – 1998 A.....	131,560	--	3,715	127,845	3,905
Energy System – 1998 B.....	24,200	--	--	24,200	--
Energy System Refunding 2001.....	12,635	--	905	11,730	940
Energy System 2005.....	128,920	--	2,350	126,570	2,300
Energy System 2007.....	203,230	--	2,255	200,975	2,490
Airport Refunding 2004.....	5,070	--	780	4,290	800
CURSB 2001.....	17,570	--	995	16,575	1,040
CURSB 2005.....	36,110	--	2,660	33,450	2,740
CURSB 2007.....	--	164,460	--	164,460	--
Compensated Absences.....	10,738	7,713	6,899	11,552	7,713
AMI Loan.....	--	35,300	--	35,300	--
Sunshine State Loan Payable.....	61,143	--	4,113	57,030	959
OPEB Obligation.....	--	2,710	--	2,710	--
Total Business-Type Debt	<u>631,176</u>	<u>210,183</u>	<u>24,672</u>	<u>816,687</u>	<u>22,887</u>
Total Long-Term Debt	<u>\$ 758,202</u>	<u>\$ 219,903</u>	<u>\$ 34,902</u>	<u>\$ 943,203</u>	<u>\$ 33,697</u>

For governmental activities, claims and judgements and compensated absences are generally liquidated by the General Fund.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

2. Summarized below are the City's individual bond issues which were outstanding at September 30, 2008 (in thousands):

GENERAL REVENUE BONDS:

\$15,360,000 Capital Bonds - Series 2001, due in annual installments of \$1,660,000 to \$1,790,000 from October 1, 2009 to October 1, 2011, interest rates at 3.75% to 5.00% depending on maturity date. \$ 5,170

\$86,210,000 Capital Bonds - Series 2004, due in annual installments of \$2,115,000 to \$7,310,000 from October 1, 2009 to October 1, 2024, interest rates at 3.00% to 5.00% depending on maturity date. 78,965

The general revenue bonds are payable from and secured by a first lien and pledge of the Local Government Half-cent Sales Tax, Guaranteed Entitlement Revenues, and earnings on the investment of all funds and accounts created by and described in the Bond Resolutions.

Total General Revenue Bonds 84,135

PROPRIETARY REVENUE BONDS:

\$143,800,000 Energy System - Series 1998A, due in annual installments of \$3,905,000 to \$9,645,000 from October 1, 2009 to October 1, 2028, interest at 4.12% to 5.25% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Electric System and certain other amounts as provided by Resolution. 127,845

\$49,220,000 Energy System - Series 1998B, due in annual installments of \$2,200,000 to 4,840,000 from October 1, 2023 to October 1, 2028, interest rates at 5.00%. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy System and certain other amounts as provided by Resolution 1991B. 24,200

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

\$17,680,000 Energy System Refunding Revenue Bonds - Series 2001, due in annual installments of \$940,000 to \$1,200,000 from October 1, 2009 to October 1, 2019, interest rates at 4.30% to 5.50% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy system.	11,730
\$128,920,000 Energy System Revenue Bonds - Series 2005, due in annual installments of \$2,300,000 to \$8,140,000 from October 1, 2009 to October 1, 2035, interest rates at 3.50% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy system.	126,570
\$203,230,000 Energy System Revenue Bonds - Series 2007, due in annual installments of \$2,490,000 to \$19,275,000 from October 1, 2009 to October 1, 2037, interest rates at 4.00% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy system.	200,975
\$23,900,000 Consolidated Utility System Refunding Revenue Bonds - Series 2001, due in annual installments of \$1,040,000 to \$2,110,000 from October 1, 2009 to October 1, 2019, interest rates at 4.50% to 5.50% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, net revenues of the City's Utility System (consisting of the City's water and sewer systems) and the gross revenues of the City's Stormwater Drainage System.	16,575
\$36,110,000 Consolidated Utility System Refunding Revenue Bonds - Series 2005, due in annual installments of \$2,740,000 to \$3,265,000 from October 1, 2009 to October 1, 2014 and \$1,105,000 to \$1,785,000 from October 1, 2020 to October 1, 2030, interest rates at 3.00% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, net revenues of the City's Utility System (consisting of the City's water and sewer systems) and the gross revenues of the City's Stormwater Drainage System.	33,450
\$164,460,000 Consolidated Utility System Revenue Bonds - Series 2007, due in annual installments of \$1,610,000 to \$10,910,000 from October 1, 2010 to October 1, 2037, interest rates of 4.00% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, net revenues of the City's Utility System (consisting of the City's Water and Stormwater Drainage System).	164,460
\$7,355,000 Airport System Revenue Refunding Bonds - Series 2004, due in annual installments of \$800,000 to \$925,000 from October 1, 2009 to October 1, 2013, interest rates at 3.25% to 4.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, and net revenues of the City's Airport System.	4,290
	<hr/>
Total Proprietary Revenue Bonds	710,095
	<hr/>
Total Bonds Payable	<u>\$ 794,230</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

3. LEGAL DEBT MARGIN - The City of Tallahassee has no general obligation debt outstanding; the amount of general obligation debt the City can issue is limited by City Charter, as outlined below (in thousands):

TAXABLE ASSESSED VALUE	<u>\$11,162,814</u>
Debt Limit - 20 Percent of Assessed Value	<u>\$2,232,563</u>

4. CONDUIT DEBT OBLIGATIONS – From time to time, the City has acted as a conduit for the issuance of bonds for non-profit organizations for the acquisition, construction, and improvement of housing, educational, and medical facilities deemed to be in the public interest, and has issued Industrial Revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial 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. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

- As of September 30, 2008, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$161.4 million and the outstanding balance is \$135,135,000.
- As of September 30, 2008, there was one Florida Student Housing Revenue Bond outstanding. The original issue amount totaled \$9.2 million and the outstanding balance is \$6,400,000.
- As of September 30, 2008, there were two Florida Lease Revenue Bonds outstanding. The original issue amounts totaled \$24.1 million and the outstanding balance is \$19,790,000.
- As of September 30, 2008, there is one Industrial Revenue Bond outstanding. The original issue amount totaled \$2.2 million and the outstanding balance is \$2,200,000.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

5. SUNSHINE STATE LOAN PAYABLE

As explained in Note I.A., from time to time, the City has obtained loans from the Sunshine State Government Financing Commission under favorable terms. The notes currently outstanding are discussed below.

- \$18,200,000, dated November 18, 1986, due and payable on July 1, 2016; to provide interfund loan proceeds. The loan is secured by the City's covenant to budget and appropriate. Outstanding balance as of September 30, 2008 is \$17,000,000.
- \$4,700,000, dated May 1, 1991 (\$3,550,000), and September 1, 1991 (\$1,150,000), due and payable on October 1, 2015; to provide interfund loan proceeds. The loan is secured by the City's covenant to budget and appropriate. Outstanding balance as of September 30, 2008 is \$4,700,000.
- \$36,500,000, dated April 14, 1999, due and payable in 2016; to provide additional funding for the cost of Purdom Unit 8 Electric Generating Plant. The loan is secured by and being repaid from electric system operating revenues. Outstanding balance as of September 30, 2008 is \$28,865,000.
- \$11,370,000, dated May 25, 2000, due in annual installments of \$380,000, to \$685,000, from 2009 to 2025; to provide funding for gas capital projects. The loan is secured by and being repaid from gas system operating revenues. Outstanding balance as of September 30, 2008 is \$8,712,500.
- \$7,909,000, dated April 25, 2001, due and payable in 2015; to provide additional funding for the cost of Purdom Unit 8 Electric Generating Plant. The loan is secured by and being repaid from electric system operating revenues. Outstanding balance as of September 30, 2008 is \$6,520,000.
- \$5,050,000, dated April 25, 2001, due in annual installments of \$346,000 to \$463,000 from 2009 to 2015; to provide funding for fire services projects. The loan is secured by the City's covenant to budget and appropriate, and is being repaid from fire services operating revenues. Outstanding balance as of September 30, 2008 is \$2,815,000.
- \$10,000,000, dated August 1, 2005, due and payable in annual installments of \$500,000 from 2009 to 2025; to provide funding for the purchase of the Renaissance Building (\$8,500,000) and other general government projects (\$1,500,000). The loan is secured by the City's covenant to budget and appropriate, and is being repaid primarily from general government revenues. Outstanding balance as of September 30, 2008 is \$8,500,000.
- \$10,550,000, dated April 20, 2006, due and payable in annual installments of \$234,000 to \$731,000 from 2009 to 2031; to provide funding for the Welaunee property acquisition. The loan is secured by and being repaid from electric system operating revenues. Outstanding balance as of September 30, 2008 is \$10,118,000.

The rate of interest on the loans varies based upon market interest rates for short-term tax exempt financing. The debt service schedule was prepared utilizing a 4% interest rate.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE IV (CONTINUED)

6. AMI LOAN PROGRAM

On December 27, 2007, the City entered into a loan with the Banc of America Public Capital Corp to provide \$35,300,000 of financing to fund the City's the Smart Metering program. The loan is due in semi-annual installments of \$927,000 to \$1,633,000 from December 27, 2009 to June 27, 2024, bearing interest at 3.9459%. The loan is payable and secured by the Smart Energy Metering and Management System, consisting of meters and communication devices.

7. SCHEDULE OF DEBT SERVICE REQUIREMENTS, FOR ALL OUTSTANDING DEBT INCLUDING PRINCIPAL AND INTEREST

Year ending September 30	Governmental Activities		Business - Type Activities		Total Debt Service
	Principal	Interest	Principal	Interest	
2009	\$ 4,275	\$ 5,190	\$ 13,045	\$ 39,285	\$ 61,795
2010	4,405	5,039	19,246	38,036	66,726
2011	4,535	4,883	20,092	37,252	66,762
2012	4,695	4,698	20,992	36,361	66,746
2013	4,830	4,537	21,983	35,398	66,748
2014-2018	49,145	17,337	148,312	157,844	372,638
2019-2023	34,140	7,353	129,160	125,054	295,707
2024-2028	8,310	441	156,420	93,075	258,246
2029-2033	--	--	146,516	55,025	201,541
2034-2039	--	--	126,659	15,470	142,129
Totals	\$ 114,335	\$ 49,478	\$ 802,425	\$ 632,800	\$ 1,599,038

H. NET ASSETS

The government-wide and business-type Fund Financial Statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

1. Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. Related debt includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the City.

2. Restricted Assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted Assets are the portion of net assets that are neither invested in capital assets nor restricted for use by a third party.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V - OTHER INFORMATION

A. OUTSTANDING CONTRACTS

The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2008, in the respective funds are as follows (in thousands):

General Fund	\$	845
Sales Tax		7,509
Electric		32,132
Gas		984
Sewer		16,799
Water.....		7,039
Airport.....		3,081
Nonmajor Government		9,338
Nonmajor Business-type		7,917
Internal Service Funds		2,410
Total		<u>\$ 88,054</u>

Long-term purchase contract obligations for the purchase of gas and energy are disclosed in Note V.F. Long-term contracts are not included in the above outstanding commitment balances.

B. RISK MANAGEMENT PROGRAM

The Risk Management program provides coverage for workers' compensation by self-insuring primary losses up to \$1 million. Losses above that amount are insured through an excess policy. General liability, automobile and employment liability are totally self-insured. General and automobile liability losses are statutorily limited by sovereign immunity of \$100,000 per person and \$200,000 per accident. Settlement amounts in workers' compensation claims have not exceeded the self-insured retention during the past three years. The Risk Management program is also responsible for the purchase of certain other exposures including airport liability coverage in the amount of \$100,000,000. The City's buildings and contents are covered by an all-risk, blanket program with varying deductibles. Statutory death benefits for police and firefighters is also purchased and such policy pays pursuant to the benefits specified by state law. The Risk Management Fund, which is classified as an Internal Service Fund, is responsible for collecting premiums from all of the departments for both self-insured and commercial programs, paying claim settlements on self-insured claims and procuring commercial insurance. Claims settlements and loss expenses are reserved for the expected value of the known losses and also for estimated incurred but not reported losses (IBNRs). The Risk Management program also provides for Employment Practice Liability such as allegations of race, gender, and other discrimination or disparate treatment allegations.

Annually, as of August 31 and extrapolated to September 30, the program has a third party actuary review the claim history for all claim years for which open self-insurance claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNRs) for each year's claim experience and projects the new year's probable loss fund cost and a discounted alternative. The City elected to establish the liability at the discounted value (3.5%).

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

Employee health insurance is provided through two programs. Employees may choose a health maintenance organization, or a traditional insurance program. For both options, the City pays a premium and retains no additional liability. The Human Resources department administers this program.

Changes in the balances of self-insured claims for the years ended September 30, 2008 and 2007 are as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Unpaid Claims – October 1 (including IBNRs).....	\$ 9,067	\$ 11,180
Expenses	4,427	1,933
Claim Payments	<u>(4,040)</u>	<u>(4,046)</u>
Unpaid Claims – September 30 (including IBNRs).....	<u>\$ 9,454</u>	<u>\$ 9,067</u>
Estimated Amount due in one year.....	<u>\$ 2,748</u>	<u>\$ 2,575</u>

C. LITIGATION

In addition to the following, during the ordinary course of its operations, the City is a party to various claims, legal actions and complaints. In the opinion of City's management and legal counsel, these matters are anticipated to have a material impact on the City.

Since 1998, the City of Tallahassee has been involved in the assessment and remediation of the Cascade Park Coal Gasification Plant and Cascade Landfill site (parcels known as Areas of Concern 1, 2 and 3). From 1998 until May 2003 the City was under an Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) to perform an Engineering Evaluation and Cost Analysis (EE/CA) at the Site to determine the extent of contamination at the site; and to propose remediation alternatives.

In May 2003, the EPA published the Final Action Memorandum, which approved the EE/CA, approved the remedial action chosen by the Respondents, and closed the AOC.

In April 2004, the City and the State of Florida Department of Environmental Protection (DEP) reached consensus and signed a Settlement Agreement providing for the responsibilities of the parties with respect to implementing the remediation. Per the Settlement Agreement, the City is the sole Respondent to the EPA for the remedial action. The Agreement also provided for the transfer of ownership of the state-owned Cascade Park land to the City, and transfer of the portion of Cascades Park that lies east of Gadsden Street. The City will also be responsible for remediation costs on the East of Gadsden parcels. The remediation activities for these parcels, known as Areas of Concern 4 and 5, will be coordinated through the Department of Environmental Protection

On September 29, 2004, the City entered into a new Administrative Order on Consent for Non-Time Critical Removal Action with EPA to implement the approved clean-up alternative chosen for the site.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

As of September 30, 2008, the City had substantially completed all remediation actions required under the Settlement Agreement. The total amount expended by the City was approximately \$12.2 million; of which \$7.2 million was funded by a DEP grant agreement.

D. FEDERAL AND STATE GRANTS

The City participates in a number of federal and state assisted programs, that are subject to financial and compliance audits made in accordance with the Office of Management and Budget Circular A-133.

Through the Community Development Block Grant, HOMES program, the City provides Down Payment Assistance loans to low-income families. These loans are “contingency loans” in that they are repaid only upon the buyer selling or refinancing his property and are not reported in the financial statements. As of September 30, 2008, these loans total \$4.3 million.

E. ADVANCE FUNDING OF STATE OF FLORIDA ROADWAY PROJECTS

In prior years, the City had advanced \$220,319 to the Florida Department of Transportation (FDOT) for roadway improvements. Reimbursement of these advances is totally subject to state legislative approval and appropriation in the fiscal years of reimbursement indicated in each contract with the FDOT; accordingly, the advanced monies have been treated as a gain contingency and no receivable has been recorded for the possible reimbursement.

F. LONG-TERM CONTRACTS

The City acquires natural gas and power through a combination of short, medium and longer-term contracts. The City currently has one long-term (20 Year) contract with Tennessee Energy Acquisition Corporation for natural gas discounted from an index. This contract saves the City approximately \$70,000 each month through 2026. Another long-term discount contract was scheduled for the thirty years through Lehman Brothers but ended after only three and a half months due to Lehman Brothers’ bankruptcy. This contract saved the City \$776,000 over that period. These contracts are managed and monitored by the City’s Energy Services Department. Revenues from customers through the Energy Cost Recovery Clause (ECRC) and the Purchased Gas Recovery (PGRC) are designed to recover the costs incurred by these purchase commitments.

In addition, the City has entered into long-term purchase contracts with other suppliers of electric capacity and associated energy. The City has three such contracts, one with Progress Energy Florida (PEF) for 11.4 MW’s, and two contracts with Biomass Gas & Electric (BG&E) for approximately 38 MWs, and Renewable Fuel Tallahassee (RFT) for approximately 35 MWs. The BG&E contract had an original in service date of October 2010; however, the company has requested a new in service date of October 2011. The RFT contract has also been amended and is scheduled to begin production in October 2011 as well. The contingent contracts with BG&E and RFT will continue in effect until the 30th anniversary of the commercial operation date. These contracts are managed and monitored by the City’s Energy Services Department. Revenues from customers through the ECRC are designed to recover the costs incurred by these purchase commitments.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

The following is a schedule, by years, of approximate minimum future purchase commitments on long-term purchase contracts as of September 30, 2008 (in thousands):

Years ending September 30,	Gas Contracts	Energy Contracts	Contingent Power*	Total
2009	\$ 144,071	\$ 4,417	\$ --	\$ 148,488
2010	98,377	4,550	--	102,927
2011	21,640	4,686	--	26,326
2012	9,896	4,827	39,377	54,100
2013	9,748	4,971	40,027	54,746
Thereafter	153,992	16,808	1,475,324	1,646,124
Total	\$ 437,724	\$ 40,259	\$ 1,554,728	\$ 2,032,711

*Both the BG&E and RFT agreements are contingent upon leasing/locating a site for the plant, permitting, financing, construction and the ultimate operation of the plants. If these conditions and others are met, the City will purchase the power from each qualifying party.

G. PENSION PLAN OBLIGATIONS

The City of Tallahassee Pension Plan (the “Plan”) was established by Chapter 14 of the City Code of Ordinances. The Plan is administered by the City of Tallahassee Treasurer-Clerk’s Office, under guidance from the Plan’s Board of Trustees. Under the Plan, the City provides a single-employer defined benefit provision covering general employees (Article II), police officers (Article III) and firefighters (Article IV), and a defined contribution provision (Article V - Matched Annuity - MAP) covering all City employees.

The Defined Benefit and Defined Contribution provisions are combined and reported as one plan in the financial statements. The City of Tallahassee does not issue a stand alone Financial Report. The provisions of the Plan are “qualified” under the Internal Revenue Service Code, which makes employee contributions tax deferred.

1. DEFINED BENEFIT PROVISION - Established through Parts A, B, and C in Articles II, III, and IV, Parts A and B are closed to further participation while part C provides coverage to all new employees. All members of the Plan are covered by one of these parts depending upon employment date. These parts provide a detailed description of the various defined benefit provisions. These provisions include the types of employees covered, benefit provisions, employee eligibility requirements for normal, early and/or vested retirements, and the related benefits of these retirements, pre-retirement death benefits, and provisions for disability retirements. There are also post retirement cost-of-living adjustments (COLA) and health care supplements.

2. DEFINED CONTRIBUTION PROVISION - All employees (general, firefighters, and police officers) may elect to contribute a portion of their salary to the Plan. General employees, firefighters and police officers can contribute up to but not to exceed the maximum amount allowed by the Internal Revenue Service. The City contributes 5% to each general employee’s MAP account. Upon reaching normal retirement age or retiring under the Plan, a participant shall be

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

paid his and the City's contributions, together with accrued earnings. If a general employee uses the contributions and accrued earnings to purchase an annuity contract, the Plan will increase the amount of funds (only on the City's 5%, employee flex matched contribution and employees' contribution up to the 5%) used by the participant by a factor of 50 %. Employee contributions (including the City's 5% contribution to each general employees MAP account) plus accrued earnings thereon are 100% refundable if the employee elects to terminate his vesting rights or is not vested at the date of employment termination.

3. PENSION PLAN INFORMATION

2008 Membership Statistical Information

A. Retirees and beneficiaries of deceased retirees currently receiving benefits	1,158
B. Terminated employees entitled to benefits but not yet receiving benefits	252
C. Active employees	2,755
D. Total current year's payroll	\$ 156,097,000
E. Current year payroll for employees covered by the Plan	\$ 128,173,000

4. ACTUARIALLY DETERMINED CONTRIBUTION REQUIREMENTS AND CONTRIBUTIONS MADE - The contributions required to support the benefits under Article II, III and IV, other than pre-retirement death benefits, are determined based on a level funding approach and consist of a normal contribution and an accrued liability contribution. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the uniform and constant percentage rate of contribution, which if applied to the compensation of the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf.

As of the September 30, 2005 actuarial valuation, the unfunded actuarial accrued liability contribution for the defined benefit plan is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization periods are as follows: general employees, 11 years; police officers, 12 years; and firefighters, 11 years. The unfunded initial liability for the MAP program is being amortized over 10 years for general employees as a percentage of payroll.

Employer contributions required to support the benefits under Article V (MAP Program) are determined following a level funding aggregate approach. The present value of prospective employer contributions is determined by subtracting the present value of prospective member contributions and present assets from the total present value of benefits expected to be paid from the program. Contributions during fiscal year 2008 totaling \$15,153,000 (\$8,308,000 employer contributions representing 8.15% covered payroll for general employees and \$6,845,000 voluntary employee contributions representing 5.01% of total covered MAP payroll), were made in accordance with contribution requirements determined through an actuarial valuation performed as of September 30, 2005. Total covered payroll for the MAP program was \$101,934,000 for general employees. Total covered payroll for fiscal year 2008 was \$136,692,000. Contributions are based on rates of covered payroll of 7.55% (5% employer contribution and 2.55 actuarial contribution) for the City and voluntary employee contributions ranging from 0% to the IRS limit for general employees, firefighters and police officers.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

Contributions to the Defined Benefit Plan in 2008 amounted to \$21,541,000 of which \$14,695,000 and \$6,846,000 were made by the City and its employees, respectively. The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of September 30, 2005 and include changes in funding due to plan amendments since the valuation was prepared. Contributions made by the City of Tallahassee and its employees are detailed in the table noted below.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements include (a) an interest rate of 7.75% per annum compounded annually, (b) projected salary increases for inflation and merit of 6.00% per annum compounded annually, (c) inflation rate of 4.00% and, (d) post retirement benefit increases including 3% cost-of-living adjustments and a health care supplement.

The employer pension cost and contribution made as a percentage of payroll for each Plan is as follows (in thousands):

	General Employees		Police		Firefighters	
	Amount	Percent of	Amount	Percent of	Amount	Percent of
		Payroll		Payroll		Payroll
Contribution Requirements:	\$ 13,767	14.46%	\$ 4,341	20.79%	\$ 3,432	28.47%
Contribution Made:						
City.....	\$ 9,609	10.09%	\$ 3,014	14.44%	\$ 2,072	17.18%
Employee.....	4,158	4.37%	1,327	6.35%	1,361	11.29%
Total.....	\$ 13,767	14.46%	\$ 4,341	20.79%	\$ 3,433	28.47%

A separate Article V MAP employer contribution is also payable for general employees, police officers and firefighters. The Article V MAP employer contribution for general employees was 8.15%, 7.53% and 7.69% for 2008, 2007 and 2006, respectively.

5. TREND INFORMATION - The following historical trend information, prepared in accordance with GASB No. 27, provides information on progress made in accumulating sufficient assets to pay benefits when due. The purpose of the schedule is to establish a consistent method for analyzing and making comparisons among different public retirement systems. The following information presents three year trend information required by GASB No. 27.

Fiscal Year	Annual Pension Cost (APC) (in thousands)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 13,149	100%	\$ 0
2007	14,223	100	0
2008	14,695	100	0

Contributions were made in accordance with actuarially determined contribution requirements.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

H. OTHER EMPLOYEE BENEFITS

1. DEFERRED COMPENSATION - The City of Tallahassee offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In December 1998, the City established a Trust Agreement where all assets and income of the City Deferred Compensation Plan are held in trust for the exclusive benefit of City employees, in accordance with Internal Revenue Code sections 457 (b) and (g). Thus, plan assets are no longer subject to the claims of the City's general creditors.

2. FLEXIBLE BENEFITS - The City has implemented a "Cafeteria" Plan created in accordance with Internal Revenue Code Section 125. The plan provides employees with an opportunity to select benefits from a menu of options, many of which are offered on a pre-tax basis.

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

1. PLAN DESCRIPTION - The City administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The plan provides health insurance and prescription drug coverage for eligible retirees and their eligible dependants through the City's health insurance program, which covers both active and retired employees. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependants at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. In addition, the City's program has elected to provide a partial subsidy to its retirees to offset the cost of such health insurance. The City does not issue a stand alone financial report on the OPEB Plan.

2. FUNDING POLICY - The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits.

As previously indicated, the State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended premium. Although both groups are charged the same blended rate, GAAP requires the actuarial figures presented to be calculated using age-adjusted premiums approximating claim costs for retirees' separate from active employees. The use of age-adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. The City has elected to contribute to the OPEB Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the OPEB Plan. For the year ended September 30, 2008, the City contributed \$2.5 million to the plan. Retired plan members (including disabled retirees) and beneficiaries currently receiving benefits contribute assumed monthly contributions as follows:

		Fiscal Year 2008 Contribution	
		Without Medicare	With Medicare
CHP	Retiree only	\$ 223	\$ 126
	Spouse	\$ 243	\$ 129
Blue Choice	Retiree only	\$ 237	\$ 244
	Spouse	\$ 252	\$ 267

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

3. ANNUAL OPEB COST AND NET OPEB OBLIGATION - The contribution required to support the OPEB Plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, calculated using the pay related entry age actuarial cost method, and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed, and the change in the City’s net OPEB obligation (dollar amounts in thousands):

Annual required contribution.....	\$ 8,353
Contributions made.....	(2,458)
Increase in net OPEB obligation.....	<u>5,895</u>
Net OPEB obligation - October 1.....	--
Net OPEB obligation - September 30 .	<u><u>\$ 5,895</u></u>

The City’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30 is as follows (dollar amounts in thousands):

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 8,353	29.43%	\$ 5,895

4. FUNDED STATUS AND FUNDING PROGRESS - As of October 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$101.8 million, and the actuarial value of assets was \$0 resulting in an unfunded accrued liability (UAAL) of \$101.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$136.4 million, and the ratio of the UAAL to the covered payroll was 74.6 %.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

5. ACTUARIAL METHODS AND ASSUMPTIONS - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The actuarial methods and assumptions used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE V (CONTINUED)

In the October 1, 2007 actuarial valuation, the pay related entry age actuarial cost method was used. The actuarial assumptions included a 7.75 % investment rate of return for the funded portion of the plan and a 4.00 % rate on the unfunded implicit rate portion of the plan, and an annual healthcare cost trend rate of 6.5% initially, adjusted annually to an ultimate rate of 5 % after six years. Both rates included a 4.0 % inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at October 1, 2007 was 30 years.

J. DERIVATIVE FUEL INSTRUMENTS

As indicated in Note I.E., the City participates in the purchase and sale of certain financial instruments defined as hedge instruments.

As of September 30, 2008, the City has a variety of financial fixed price, put and call options for different quantities and strike prices during the period November 2008 through March 2010. The fair value of the hedges at September 30, 2008 is \$17,771,000 while the cost basis is \$53,999,000, resulting in an unrealized loss of \$36,228,000. Financial transactions are done on the New York Mercantile Exchange (NYMEX) through a financial broker. Financial transactions through the NYMEX minimize the City's credit risk (NYMEX has not defaulted on a single transaction since its inception in 1892).

K. SUBSEQUENT EVENTS

Defeased Bonds

On November 5, 2008, the City defeased \$5,000,000 of the 2004 Series Capital Bonds. By defeasing these bonds, the City effectively reduced debt service by \$1,000,000 per year for the next five years.

Sunshine State Internal Loans

On November 25, 2008, the City wired \$10,000,000 to Sunshine State to pay off Internal Loans #2 (\$3,550,000) and #3 (\$1,150,000) and partially pay off Loan #1 (\$5,300,000). The balance on Loan #1 is 11,699,730.

On December 15, 2008, the City wired \$9,400,000 to Sunshine State for partial payment on Internal Loan #1 leaving a balance of \$2,299,730.

Series 2008 Capital Revenue Bonds

On December 11, 2008, the City issued a single bond to BB&T for \$9,400,000 to pay on the Sunshine State Internal Loan #1 balance. The bond is in the Internal Loan Fund and will be paid off by the same revenue as the Sunshine State loan. The balance is due in annual installments of \$865,000 to \$1,345,000 from October 1, 2009 to October 1, 2016, bearing interest at 3.410%.

REQUIRED SUPPLEMENTARY INFORMATION

THIS SUBSECTION CONTAINS THE FOLLOWING:

Budgetary Comparison Schedule-General Fund
Note to Required Supplementary Information
Schedule of Funding Progress
Schedule of Employer Contributions

CITY OF TALLAHASSEE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2008
(in thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(See Note A)</u>	<u>Positive</u>
				<u>(Negative)</u>
Budgetary Fund Balance - October 1	\$ 685	\$ 685	\$ 685	\$ -
Resources				
Taxes.....	59,207	58,682	55,735	(2,947)
Licenses and Permits.....	4,437	4,437	3,278	(1,159)
Intergovernmental Revenues.....	16,796	16,796	15,551	(1,245)
Charges for Services.....	7,606	7,606	6,912	(694)
Fines and Forfeitures.....	1,323	1,324	1,272	(52)
Interest Earned.....	500	500	779	279
Miscellaneous.....	10,947	9,359	11,851	2,492
Transfers from Other Funds.....	33,691	33,826	37,011	3,185
Total Resources.....	<u>135,192</u>	<u>133,215</u>	<u>133,074</u>	<u>(141)</u>
Charges to Appropriations				
General Government.....	24,953	23,206	21,135	2,071
Public Safety.....	46,557	46,092	46,938	(846)
Transportation.....	15,937	15,142	15,899	(757)
Human Services.....	6,373	6,100	5,732	368
Economic Development.....	2,491	2,301	2,168	133
Physical Environment.....	2,445	2,403	2,460	(57)
Culture and Recreation.....	15,785	15,377	15,336	41
Transfers to Other Funds.....	20,651	22,594	22,503	91
Total Charges to Appropriations.....	<u>135,192</u>	<u>133,215</u>	<u>132,171</u>	<u>1,044</u>
Budgetary Fund Balance, September 30	\$ -	\$ -	\$ 903	\$ 903

CITY OF TALLAHASSEE
REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2008
(in thousands)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues/Transfers In and Expenditures/Transfers Out

Inflows of Resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule.	\$ 133,074
Differences - budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(685)
The increase in the fair market value of investments is an increase in revenue for financial reporting purposes but is not considered a budgetary inflow.	(298)
The revenues of the City's Deficiency Reserve and Scholarship Reserve are current year revenues for reporting purposes but are not considered budgetary inflows.	3,265
The transfers from the Deficiencies Reserve and Scholarship Reserve are budgetary inflows but are not revenues for financial reporting purposes.	(3,222)
Current year nonbudgeted transfer is treated as revenue for financial reporting purposes but not as a budgetary inflow.	30
Miscellaneous items treated as budgetary inflows but not as revenues for financial reporting purposes.	(1,326)
Total Revenues/Transfers In as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.	<u>\$ 130,838</u>

Outflows of Resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule.	\$ 132,171
Differences - budget to GAAP	
The expenditures of the City's Deficiency Reserve and Scholarship Reserve are current year expenditures for reporting purposes but are not considered budgetary outflows.	4,169
Repayment of the principal portion of debt is treated as an outflow for budgetary purposes, but as a reduction of the debt for reporting purposes.	(2,034)
Nonbudgeted transfers out are treated as expenditures for financial reporting purposes but not as a budgetary outflows.	10
Miscellaneous items treated as expenditures for financial reporting purposes but not as budgetary outflows.	(837)
Total Expenditures/Transfers Out as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.	<u>\$ 133,479</u>

CITY OF TALLAHASSEE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION (Continued)
September 30, 2008

The following historical trend information, prepared in accordance with Governmental Accounting Standards Board Statement No. 25, (Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans) provides information on progress made in accumulating sufficient assets to pay benefits when due. The purpose of the schedule is to establish a consistent method for analyzing and making comparisons among different public retirement systems.

Schedule of Funding Progress

(in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Excess of Assets Over AAL (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
9/30/94	\$ 307.0	\$ 300.8	\$ 6.2	102.0%	\$ 79.0	7.8%
9/30/96	396.6	384.6	12.0	103.1	87.9	13.7
9/30/97	476.4	427.3	49.1	111.5	86.6	56.7
9/30/99	613.0	496.2	116.8	123.5	90.7	128.8
9/30/01	723.6	597.6	126.0	121.1	99.9	126.1
9/30/03	796.6	719.2	77.4	110.8	113.7	68.1
9/30/05**	916.3	842.1	74.2	108.8	118.6	62.6

Schedule of Employer Contributions

(in thousands)

Fiscal Year	*Employer Annual Required Contributions	Percentage Contributed
2004	\$ 9,324	100%
2005	13,456	100
2006	13,150	100
2007	14,223	100
2008	14,695	100

*Contributions were made in accordance with actuarially determined contribution requirements.

**Actuarial valuation prepared as of September 30, 2005 to determine annual contributions for the plan year beginning October 1, 2006.

COMBINING FINANCIAL STATEMENTS

These basic financial statements provide a summary overview of the financial position of all funds and account groups as well as the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow in subsequent sections:

Nonmajor Governmental Funds
Nonmajor Enterprise Funds
Internal Service Funds
Capital Assets Used in the Operation of Governmental Funds



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NONMAJOR FUNDS

GOVERNMENTAL FUNDS

Special Projects	For the housing of projects relating to federal, state and local grants. These grants include but are not limited to; the Community Development Block Grant and the HOME program. Also included in this fund are other miscellaneous items that are to be used for specific general government purposes but are not appropriate for any other established City fund.
Law Enforcement	For the accounting of state and federal forfeitures received by the City as prescribed by Florida Statutes. Also included: the Federal Law Enforcement Block Grant revenues and expenditures; and Second Dollar funding revenues received from the County who collects fines from citizens guilty of a statute violation or local ordinance.
Building Code Enforcement	Accounts for all assets, operations, and maintenance of the City's Building Inspection Division of the Growth Management Department. Revenues accounted for in this fund are derived from fees, fines, and investment earnings from the enforcement and implementation of the Florida Building code. Revenues in this fund were previously captured and reported in the General Revenue Fund.
Concurrency	Accounts for activity as result of the State's new concurrency requirements outlined in Chapter 163, F.S. This statute allows developers the opportunity to move forward with development despite concurrency constraints by contributing their fair share of the cost to improve the impacted transportation facilities.
State Housing Partnership	Accounts for State funding to be used as an incentive to produce and preserve affordable housing for very low, low and moderate income families.
Debt Service	Accounts for the accumulation of resources for, and the payment of, interest and principal on all general long-term debt other than that payable from Proprietary Funds.
Capital Improvement	Accounts for general revenue used for the acquisition or construction of general fixed assets.
Capital Bonds	Accounts for bond proceeds used for the acquisition or construction of general fixed assets.
Sales Tax Construction	Accounts for tax proceeds used for the acquisition or construction of public safety and transportation improvements.
Gas Tax	Accounts for tax proceeds used for the acquisition or construction of transportation improvements.
Cemetery	To accumulate resources for the perpetual maintenance of the City's cemeteries which include the sale and maintenance of plots.

CITY OF TALLAHASSEE, FLORIDA
COMBINING BALANCE SHEET
Nonmajor Governmental Funds
September 30, 2008
(in thousands)

	Special Revenue Funds				
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency Fund	State Housing Partnership
ASSETS					
Cash and Cash Equivalents.....	\$ 5,785	\$ --	\$ 15	\$ --	\$ --
Securities Lending Collateral	1,042	--	3	--	--
Receivables:					
Accrued Interest.....	26	--	--	--	--
Customers and Other.....	17	--	--	--	--
Notes.....	8	--	--	--	--
Special Assessments.....	--	--	--	--	--
Due From Other Governments.....	854	--	--	--	--
Advances to Other Funds.....	--	--	--	--	--
Cash and Cash Equivalents - Restricted.....	--	567	--	1,175	2,527
Investments - Restricted.....	--	--	--	--	--
Securities Lending Collateral - Restricted.....	--	100	--	212	455
Receivables - Restricted:					
Accrued Interest Receivable.....	4	6	--	12	26
Customers.....	4	132	--	--	--
Notes Receivable.....	3,021	--	--	--	--
Due from Other Governments.....	753	--	--	--	--
Total Assets.....	<u>\$ 11,514</u>	<u>\$ 805</u>	<u>\$ 18</u>	<u>\$ 1,399</u>	<u>\$ 3,008</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Obligations Under Securities Lending	\$ 1,042	\$ --	\$ 3	\$ --	\$ --
Accounts and Retainage Payable.....	521	--	13	--	--
Unearned Revenue.....	1,167	--	--	--	--
Advance from Other Funds.....	--	--	1,889	--	--
Accounts and Retainage Payable - Restricted.....	283	34	--	--	23
Obligations Under Securities Lending - Restricted.....	--	100	--	212	455
Unearned Revenue - Restricted.....	--	20	--	--	650
Total Liabilities.....	<u>3,013</u>	<u>154</u>	<u>1,905</u>	<u>212</u>	<u>1,128</u>
FUND BALANCES					
Reserved for:					
Encumbrances.....	1,542	2	--	--	1,297
Advances to Other Funds.....	--	--	--	--	--
Projects.....	3,930	188	--	--	583
Notes Receivable.....	3,029	--	--	--	--
Debt Service.....	--	--	--	--	--
Unreserved.....	--	461	(1,887)	1,187	--
Total Fund Balances.....	<u>8,501</u>	<u>651</u>	<u>(1,887)</u>	<u>1,187</u>	<u>1,880</u>
Total Liabilities and Fund Balances.....	<u>\$ 11,514</u>	<u>\$ 805</u>	<u>\$ 18</u>	<u>\$ 1,399</u>	<u>\$ 3,008</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING BALANCE SHEET
Nonmajor Governmental Funds
September 30, 2008
(in thousands)

Debt Service	Capital Projects Funds				Permanent Fund	Total
	Capital Improvement	Capital Bonds	Sales Tax	Gas Tax	Cemetery	
\$ --	\$ 21,169	\$ --	\$ 6,885	\$ 9,428	\$ 6,406	\$ 49,688
--	3,851	--	1,276	1,711	1,163	9,046
--	227	--	77	100	69	499
--	18	--	--	--	--	35
--	140	--	--	--	--	148
--	325	--	--	--	--	325
--	24	--	629	327	--	1,834
--	118	--	--	--	--	118
1,024	--	--	--	--	--	5,293
7,730	--	58,437	--	--	--	66,167
1,578	--	10,522	--	--	--	12,867
8	--	--	--	--	--	56
--	--	--	--	--	--	136
--	--	--	--	--	--	3,021
--	--	--	--	--	--	753
<u>\$ 10,340</u>	<u>\$ 25,872</u>	<u>\$ 68,959</u>	<u>\$ 8,867</u>	<u>\$ 11,566</u>	<u>\$ 7,638</u>	<u>\$ 149,986</u>
\$ --	\$ 3,851	\$ --	\$ 1,276	\$ 1,711	\$ 1,163	\$ 9,046
--	538	--	3,039	496	18	4,625
--	--	--	--	--	--	1,167
--	--	--	--	--	--	1,889
--	--	880	--	--	--	1,220
1,578	--	10,522	--	--	--	12,867
--	--	--	--	--	--	670
<u>1,578</u>	<u>4,389</u>	<u>11,402</u>	<u>4,315</u>	<u>2,207</u>	<u>1,181</u>	<u>31,484</u>
--	2,213	3,582	8,446	148	--	17,230
--	118	--	--	--	--	118
--	16,636	48,935	--	8,996	--	79,268
--	140	--	--	--	--	3,169
8,762	--	--	--	--	--	8,762
--	2,376	5,040	(3,894)	215	6,457	9,955
<u>8,762</u>	<u>21,483</u>	<u>57,557</u>	<u>4,552</u>	<u>9,359</u>	<u>6,457</u>	<u>118,502</u>
<u>\$ 10,340</u>	<u>\$ 25,872</u>	<u>\$ 68,959</u>	<u>\$ 8,867</u>	<u>\$ 11,566</u>	<u>\$ 7,638</u>	<u>\$ 149,986</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Nonmajor Governmental Funds
For the fiscal year ended September 30, 2008
(in thousands)

	Special Revenue Funds					
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency	State Housing Partnership	Debt Service
Revenues:						
Taxes.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits.....	--	--	2,388	483	--	--
Intergovernmental Revenues.....	4,979	220	--	--	1,502	--
Charges for Services.....	--	--	--	--	--	--
Fines and Forfeitures.....	--	322	--	--	--	--
Net Investment Earnings.....	171	21	--	31	84	--
Securities Lending Income.....	44	7	--	7	22	--
Net Increase (Decrease) in the Fair Value of Investments.....	(121)	(12)	--	(25)	(53)	(22)
Miscellaneous Revenues.....	748	--	142	--	--	--
Total Revenues.....	5,821	558	2,530	496	1,555	(22)
Expenditures:						
Current:						
General Government.....	2,818	--	--	--	--	--
Public Safety.....	373	433	3,390	--	12	--
Transportation.....	638	--	--	--	--	--
Human Services.....	862	--	--	--	--	--
Economic Environment.....	2,371	--	--	--	1,186	--
Physical Environment.....	632	--	--	--	--	--
Cultural and Recreation.....	919	--	--	--	--	--
Securities Lending Expense:						
Interest.....	36	6	--	6	18	--
Agent Fees.....	2	--	--	--	1	--
Debt Service:						
Principal Retired.....	--	--	--	--	--	4,160
Interest and Fiscal Charges.....	--	--	--	--	--	4,428
Total Expenditures.....	8,651	439	3,390	6	1,217	8,588
Excess of Revenues Over (Under) Expenditures.....	(2,830)	119	(860)	490	338	(8,610)
Other Financing Sources (Uses):						
Transfers In.....	2,876	180	2	--	--	8,622
Transfers Out.....	(292)	(180)	(229)	--	--	--
Proceeds from Sale of Capital Assets.....	--	--	--	--	--	--
Total Other Financing Sources (Uses).....	2,584	--	(227)	--	--	8,622
Net Change in Fund Balances.....	(246)	119	(1,087)	490	338	12
Fund Balances - October 1.....	8,747	532	(800)	697	1,542	8,750
Adjustment to beginning Fund Balances.....	--	--	--	--	--	--
Fund Balances - October 1, as restated.....	8,747	532	(800)	697	1,542	8,750
Fund Balances - September 30.....	\$ 8,501	\$ 651	\$ (1,887)	\$ 1,187	\$ 1,880	\$ 8,762

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Nonmajor Governmental Funds
For the fiscal year ended September 30, 2008
(in thousands)

Capital Projects Funds				Permanent Fund		
Capital Improvement	Capital Bonds	Sales Tax	Gas Tax	Cemetery	Total	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
--	--	--	--	--	2,871	
166	--	3,777	3,922	--	14,566	
34	--	--	--	87	121	
--	--	--	--	--	322	
803	1,815	672	255	186	4,038	
255	458	225	80	58	1,156	
(447)	--	(148)	(198)	(135)	(1,161)	
239	--	38	--	--	1,167	
<u>1,050</u>	<u>2,273</u>	<u>4,564</u>	<u>4,059</u>	<u>196</u>	<u>23,080</u>	
1,200	293	5,313	--	--	9,624	
407	--	--	--	--	4,615	
4,634	4,007	6,593	3,408	--	19,280	
--	--	--	--	--	862	
485	--	--	--	--	4,042	
--	--	--	--	355	987	
1,773	826	118	--	--	3,636	
211	379	186	66	48	956	
9	16	8	3	2	41	
--	--	--	--	--	4,160	
--	--	--	--	--	4,428	
<u>8,719</u>	<u>5,521</u>	<u>12,218</u>	<u>3,477</u>	<u>405</u>	<u>52,631</u>	
<u>(7,669)</u>	<u>(3,248)</u>	<u>(7,654)</u>	<u>582</u>	<u>(209)</u>	<u>(29,551)</u>	
153	--	--	--	--	11,833	
(2,731)	--	--	(204)	--	(3,636)	
825	--	--	--	--	825	
<u>(1,753)</u>	<u>--</u>	<u>--</u>	<u>(204)</u>	<u>--</u>	<u>9,022</u>	
<u>(9,422)</u>	<u>(3,248)</u>	<u>(7,654)</u>	<u>378</u>	<u>(209)</u>	<u>(20,529)</u>	
30,905	60,805	12,206	8,981	6,666	139,031	
--	--	--	--	--	--	
<u>30,905</u>	<u>60,805</u>	<u>12,206</u>	<u>8,981</u>	<u>6,666</u>	<u>139,031</u>	
<u>\$ 21,483</u>	<u>\$ 57,557</u>	<u>\$ 4,552</u>	<u>\$ 9,359</u>	<u>\$ 6,457</u>	<u>\$ 118,502</u>	

NONMAJOR FUNDS

ENTERPRISE FUNDS

StarMetro	Accounts for the operations and maintenance of the City's public transit system.
Solid Waste	Accounts for the assets, operation, and maintenance of the City-owned solid waste operation.
Golf	Accounts for the operations of the City's eighteen-hole Hilaman Park Golf Course.
Fire Services	Used to account for the operation and maintenance of the City-owned fire services department.

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
Nonmajor Enterprise Funds
September 30, 2008
(in thousands)

	<u>StarMetro</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Fire Services</u>	<u>Total</u>
ASSETS					
Current Assets					
Cash and Cash Equivalents.....	\$ 8	\$ 6,280	\$ 259	\$ --	\$ 6,547
Securities Lending Collateral.....	1	1,131	61	--	1,193
Receivables:					
Accrued Interest.....	--	67	4	--	71
Customers and Others.....	812	1,175	--	1,079	3,066
Due From Other Governments.....	871	--	--	--	871
Less: Allowance for Doubtful Accounts.....	(1)	(521)	--	(8)	(530)
Inventory.....	568	--	30	--	598
Total Current Assets.....	2,259	8,132	354	1,071	11,816
Noncurrent Assets					
Capital Assets					
Land and Construction in Progress.....	6,477	2,280	144	1,498	10,399
Other, Net of Accumulated Depreciation.....	21,688	125	1,831	13,452	37,096
Total Noncurrent Assets.....	28,165	2,405	1,975	14,950	47,495
Total Assets.....	\$ 30,424	\$ 10,537	\$ 2,329	\$ 16,021	\$ 59,311
LIABILITIES AND NET ASSETS					
LIABILITIES					
Current Liabilities					
Accounts Payable.....	\$ 1,067	\$ 1,193	\$ 36	\$ 1,605	\$ 3,901
Due to Other Funds.....	8	--	1	--	9
Compensated Absences.....	519	301	40	1,713	2,573
Obligations Under Securities Lending.....	1	1,131	61	--	1,193
Loan Payable - Current.....	--	--	--	346	346
Total Current Liabilities.....	1,595	2,625	138	3,664	8,022
Noncurrent Liabilities:					
Loans Payable.....	--	--	--	2,469	2,469
Advances from Other Funds.....	--	--	--	--	--
Net OPEB Obligation.....	175	106	11	765	1,057
Compensated Absences.....	78	272	26	522	898
Total Noncurrent Liabilities.....	253	378	37	3,756	4,424
Total Liabilities.....	1,848	3,003	175	7,420	12,446
Net Assets					
Investment in Capital Assets, net of related debt.....	28,165	2,405	1,975	12,135	44,680
Unrestricted.....	411	5,129	179	(3,534)	2,185
Total Net Assets.....	28,576	7,534	2,154	8,601	46,865
Total Liabilities and Net Assets.....	\$ 30,424	\$ 10,537	\$ 2,329	\$ 16,021	\$ 59,311

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
Nonmajor Enterprise Funds
For the fiscal year ended September 30, 2008
(in thousands)

	<u>StarMetro</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Fire Services</u>	<u>Total</u>
Operating Revenues:					
Charges for Services:					
Residential Sales.....	\$ --	\$ 8,625	\$ --	\$ 9,094	\$ 17,719
Commercial and Industrial Sales.....	--	10,216	--	7,645	17,861
County Government.....	--	--	--	6,771	6,771
Recyclable Sales.....	--	899	--	--	899
Recreation Fees.....	--	--	936	--	936
Transportation Fees.....	4,258	--	--	--	4,258
Other.....	--	6	--	452	458
Total Operating Revenues.....	<u>4,258</u>	<u>19,746</u>	<u>936</u>	<u>23,962</u>	<u>48,902</u>
Operating Expenses:					
Personnel Services.....	8,959	5,004	604	20,341	34,908
Contractual Services.....	4,873	14,582	196	5,771	25,422
Materials and Supplies.....	3,181	77	185	367	3,810
Other Expenses.....	127	254	110	189	680
Depreciation.....	1,243	33	165	714	2,155
Total Operating Expenses.....	<u>18,383</u>	<u>19,950</u>	<u>1,260</u>	<u>27,382</u>	<u>66,975</u>
Operating Income (Loss).....	<u>(14,125)</u>	<u>(204)</u>	<u>(324)</u>	<u>(3,420)</u>	<u>(18,073)</u>
Non-Operating Revenues (Expenses):					
Net Investment Earnings.....	--	243	4	--	247
Net Decrease in the Fair Value of Investments.....	--	(131)	(7)	--	(138)
Securities Lending:					
Income.....	--	58	--	--	58
Interest.....	--	(48)	--	--	(48)
Agent Fees.....	--	(2)	--	--	(2)
Grant Revenues.....	3,407	--	--	--	3,407
Interest Expense.....	--	--	(1)	(174)	(175)
Total Non-Operating Revenues (Expenses).....	<u>3,407</u>	<u>120</u>	<u>(4)</u>	<u>(174)</u>	<u>3,349</u>
Income (Loss) Before Capital Contributions and Operating Transfers.....	<u>(10,718)</u>	<u>(84)</u>	<u>(328)</u>	<u>(3,594)</u>	<u>(14,724)</u>
Operating Transfers:					
Capital Contributions.....	3,206	--	--	--	3,206
Transfers In.....	8,724	--	171	2,530	11,425
Transfers Out.....	(23)	(139)	(18)	(187)	(367)
Total Operating Transfers.....	<u>11,907</u>	<u>(139)</u>	<u>153</u>	<u>2,343</u>	<u>14,264</u>
Change in Net Assets.....	<u>1,189</u>	<u>(223)</u>	<u>(175)</u>	<u>(1,251)</u>	<u>(460)</u>
Net Assets - October 1.....	24,705	7,757	1,609	9,852	43,923
Adjustment to Beginning Net Assets.....	2,682	--	720	--	3,402
Net Assets - October 1, as restated.....	<u>27,387</u>	<u>7,757</u>	<u>2,329</u>	<u>9,852</u>	<u>47,325</u>
Net Assets - September 30.....	<u>\$ 28,576</u>	<u>\$ 7,534</u>	<u>\$ 2,154</u>	<u>\$ 8,601</u>	<u>\$ 46,865</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
Nonmajor Enterprise Funds
For the Year Ended September 30, 2008
(in thousands)

	<u>StarMetro</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Fire Services</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers.....	\$ 4,220	\$ 19,746	\$ 936	\$ 23,910	\$ 48,812
Cash Received from Other Revenues.....	--	--	--	--	--
Cash Paid to Suppliers for Goods and Services.....	(7,189)	(10,438)	(481)	(1,509)	(19,617)
Cash Paid to Employees for Services.....	(8,716)	(4,875)	(593)	(19,428)	(33,612)
Cash Paid to Other Funds.....	(1,819)	(4,461)	(15)	(4,673)	(10,968)
Cash Paid for Other Expenses.....	--	--	--	--	--
Net Cash Provided by (Used for) Operating Activities.....	<u>(13,504)</u>	<u>(28)</u>	<u>(153)</u>	<u>(1,700)</u>	<u>(15,385)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In from Other Funds.....	8,724	--	171	2,530	11,425
Transfers Out to Other Funds.....	(23)	(139)	(18)	(187)	(367)
Operating Grants Received.....	4,172	--	--	--	4,172
Net Cash Provided by (Used for) Noncapital Financing Activities.....	<u>12,873</u>	<u>(139)</u>	<u>153</u>	<u>2,343</u>	<u>15,230</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Grants Received.....	2,662	--	--	--	2,662
Proceeds from Sale of Property.....	--	--	--	--	--
Acquisition and Construction of Capital Assets.....	(2,042)	(185)	6	(469)	(2,690)
Repayment of Loans from Other Funds.....	--	--	(20)	--	(20)
Interest Paid.....	--	--	(1)	(174)	(175)
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	<u>620</u>	<u>(185)</u>	<u>(15)</u>	<u>(643)</u>	<u>(223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments.....	--	251	3	--	254
Increase in the Fair Value of Cash and Cash Equivalents.....	--	(131)	(7)	--	(138)
Net Cash Provided by (Used for) Investing Activities.....	<u>--</u>	<u>120</u>	<u>(4)</u>	<u>--</u>	<u>116</u>
Net Increase in Cash and Cash Equivalents/Investments.....	(11)	(232)	(19)	--	(262)
Cash and Cash Equivalents - October 1.....	19	6,512	278	--	6,809
Cash and Cash Equivalents - September 30.....	<u>\$ 8</u>	<u>\$ 6,280</u>	<u>\$ 259</u>	<u>\$ --</u>	<u>\$ 6,547</u>
Classified As:					
Unrestricted Assets.....	<u>\$ 8</u>	<u>\$ 6,280</u>	<u>\$ 259</u>	<u>\$ --</u>	<u>\$ 6,547</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Loss.....	\$ (14,125)	\$ (204)	\$ (324)	\$ (3,420)	\$ (18,073)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation.....	1,243	33	165	714	2,155
Provision for Uncollectible Accounts.....	1	39	--	(55)	(15)
Net OPEB Obligation.....	175	106	11	765	1,057
Increase in Accounts Receivable.....	(39)	--	(1)	(52)	(92)
(Increase) Decrease in Inventory.....	(53)	--	2	--	(51)
Increase (Decrease) in Accounts Payable.....	(774)	(21)	(6)	213	(588)
Increase in Accrued Leave.....	68	19	--	135	222
Total Adjustments.....	<u>621</u>	<u>176</u>	<u>171</u>	<u>1,720</u>	<u>2,688</u>
Net Cash Provided by (Used for) Operating Activities.....	<u>\$ (13,504)</u>	<u>\$ (28)</u>	<u>\$ (153)</u>	<u>\$ (1,700)</u>	<u>\$ (15,385)</u>



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INTERNAL SERVICE FUNDS

800 MHz Communications	Supports the 800 MHz Radio Communications unit within the Information System Services. Revenues for the fund are derived from Leon County Sheriff's Office per agreement, and rentals from other users. The remaining cost is allocated to user departments. The allocation is based on the number of 800 MHz devices per department.
Information Systems Services	Accounts for the costs of the City's data processing operations.
Accounting	Accounts for the costs of the City's accounting operations.
Central Warehouse	Accounts for the costs of the City's central warehouse operations.
Garage	Accounts for the costs of maintaining and operating the City's fleet management operation.
Human Resources	Accounts for the costs of the City's employee relations operations.
Pension Administration	Accounts for the costs of the City's employee retirement plan's administrative operation.
Risk Management	Accounts for the costs of the City's risk management.
Internal Loan	Accounts for the loans received from the Sunshine State Governmental Financing Commission, which in turn are loaned to other funds to provide financing for capital projects.
Revenue Collection	Accounts for the costs of the City's revenue collection services.
Utility Services	Accounts for the costs of centralizing safety and training, environmental, GIS, sales, rate design, and marketing functions of the City's utilities.
Wholesale Energy Services	Accounts for the costs of the purchase of power and fuel for the City's electric and gas utilities and off-system sales and services of power and natural gas to other utilities and open market participants.

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
Internal Service Funds
September 30, 2008
(in thousands)

	<u>800 Mhz</u>	<u>Information Systems Services</u>	<u>Accounting</u>	<u>Central Warehouse</u>	<u>Garage</u>	<u>Human Resources</u>
ASSETS						
Current Assets						
Cash and Cash Equivalents.....	\$ 1,269	\$ 6,968	\$ 336	\$ --	\$ 14,995	\$ 656
Securities Lending Collateral.....	228	1,255	60	--	2,725	118
Receivables:						
Other.....	1	12	--	--	116	--
Accrued Interest.....	14	75	4	--	162	6
Inventory	--	--	--	9,196	744	--
Prepaid Expenses.....	--	--	--	--	--	--
Due from Other Funds.....	--	--	--	--	--	--
Total Current Assets.....	<u>1,512</u>	<u>8,310</u>	<u>400</u>	<u>9,196</u>	<u>18,742</u>	<u>780</u>
Noncurrent Assets						
Advances to Other Funds.....	--	--	--	--	--	--
Capital Assets						
Land and Construction in Progress.....	409	3,785	--	44	3	--
Other, Net of Accumulated Depreciation.....	7,561	2,371	558	971	28,327	10
	<u>7,970</u>	<u>6,156</u>	<u>558</u>	<u>1,015</u>	<u>28,330</u>	<u>10</u>
Total Assets.....	<u>\$ 9,482</u>	<u>\$ 14,466</u>	<u>\$ 958</u>	<u>\$ 10,211</u>	<u>\$ 47,072</u>	<u>\$ 790</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current Liabilities						
Obligations Under Securities Lending.....	\$ 228	\$ 1,255	\$ 60	\$ --	\$ 2,725	\$ 118
Accounts Payable.....	17	868	99	1,607	716	137
Due to Other Funds.....	--	--	--	2,000	--	--
Unearned Revenue.....	83	--	--	--	--	--
Compensated Absences.....	3	496	181	158	232	208
Total Current Liabilities.....	<u>331</u>	<u>2,619</u>	<u>340</u>	<u>3,765</u>	<u>3,673</u>	<u>463</u>
Noncurrent Liabilities						
Advances from Other Funds.....	--	985	--	--	--	--
Loans Payable.....	--	--	--	--	--	--
Claims Payable.....	--	--	--	--	--	--
Net OPEB Obligation.....	3	145	54	52	78	57
Compensated Absences.....	--	265	58	39	114	65
Total Noncurrent Liabilities.....	<u>3</u>	<u>1,395</u>	<u>112</u>	<u>91</u>	<u>192</u>	<u>122</u>
Total Liabilities.....	<u>334</u>	<u>4,014</u>	<u>452</u>	<u>3,856</u>	<u>3,865</u>	<u>585</u>
NET ASSETS						
Invested in capital assets, net of related debt.....	7,970	6,156	558	1,015	28,330	10
Unrestricted.....	1,178	4,296	(52)	5,340	14,877	195
Total Net Assets.....	<u>9,148</u>	<u>10,452</u>	<u>506</u>	<u>6,355</u>	<u>43,207</u>	<u>205</u>
Total Liabilities and Net Assets.....	<u>\$ 9,482</u>	<u>\$ 14,466</u>	<u>\$ 958</u>	<u>\$ 10,211</u>	<u>\$ 47,072</u>	<u>\$ 790</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
Internal Service Funds
September 30, 2008
(in thousands)

<u>Pension Administration</u>	<u>Risk Management</u>	<u>Internal Loan</u>	<u>Revenue Collection</u>	<u>Utility Services</u>	<u>Wholesale Energy Services</u>	<u>Total</u>
\$ 123	\$ 15,784	\$ 12,589	\$ 216	\$ 1,414	\$ 26	\$ 54,376
22	2,857	2,283	39	255	5	9,847
2	185	--	8	1	2,025	2,350
1	169	133	2	15	--	581
--	--	--	--	--	988	10,928
--	1,382	--	--	--	50,613	51,995
--	--	--	62	--	--	62
<u>148</u>	<u>20,377</u>	<u>15,005</u>	<u>327</u>	<u>1,685</u>	<u>53,657</u>	<u>130,139</u>
--	--	12,605	--	--	--	12,605
--	--	--	--	--	--	4,241
<u>4</u>	<u>6</u>	<u>--</u>	<u>3,356</u>	<u>180</u>	<u>12</u>	<u>43,356</u>
<u>4</u>	<u>6</u>	<u>12,605</u>	<u>3,356</u>	<u>180</u>	<u>12</u>	<u>60,202</u>
<u>\$ 152</u>	<u>\$ 20,383</u>	<u>\$ 27,610</u>	<u>\$ 3,683</u>	<u>\$ 1,865</u>	<u>\$ 53,669</u>	<u>\$ 190,341</u>
\$ 22	\$ 2,857	\$ 2,283	\$ 39	\$ 255	\$ 5	\$ 9,847
37	237	--	66	350	44,571	48,705
--	--	--	--	--	9,040	11,040
--	--	--	--	--	--	83
<u>41</u>	<u>72</u>	<u>--</u>	<u>101</u>	<u>477</u>	<u>147</u>	<u>2,116</u>
<u>100</u>	<u>3,166</u>	<u>2,283</u>	<u>206</u>	<u>1,082</u>	<u>53,763</u>	<u>71,791</u>
--	--	--	--	921	--	1,906
--	--	21,700	--	--	--	21,700
--	9,454	--	--	--	--	9,454
12	26	--	31	191	45	694
<u>46</u>	<u>10</u>	<u>--</u>	<u>58</u>	<u>315</u>	<u>69</u>	<u>1,039</u>
<u>58</u>	<u>9,490</u>	<u>21,700</u>	<u>89</u>	<u>1,427</u>	<u>114</u>	<u>34,793</u>
<u>158</u>	<u>12,656</u>	<u>23,983</u>	<u>295</u>	<u>2,509</u>	<u>53,877</u>	<u>106,584</u>
4	6	--	3,356	180	12	47,597
<u>(10)</u>	<u>7,721</u>	<u>3,627</u>	<u>32</u>	<u>(824)</u>	<u>(220)</u>	<u>36,160</u>
<u>(6)</u>	<u>7,727</u>	<u>3,627</u>	<u>3,388</u>	<u>(644)</u>	<u>(208)</u>	<u>83,757</u>
<u>\$ 152</u>	<u>\$ 20,383</u>	<u>\$ 27,610</u>	<u>\$ 3,683</u>	<u>\$ 1,865</u>	<u>\$ 53,669</u>	<u>\$ 190,341</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
Internal Service Funds
For the fiscal year ended September 30, 2008
(in thousands)

	800Mhz	Information Systems Services	Accounting	Central Warehouse	Garage
Operating Revenues:					
Charges for Service.....	\$ 1,149	\$ 15,657	\$ 3,288	\$ 2,589	\$ 17,017
Total Operating Revenues.....	<u>1,149</u>	<u>15,657</u>	<u>3,288</u>	<u>2,589</u>	<u>17,017</u>
Operating Expenses:					
Personnel Services.....	111	6,291	2,461	2,260	3,470
Contractual Services.....	1,021	5,365	768	300	2,286
Materials and Supplies.....	1	87	9	53	8,082
Other Expenses.....	6	1,039	13	56	36
Depreciation.....	484	1,007	252	57	5,753
Total Operating Expenses	<u>1,623</u>	<u>13,789</u>	<u>3,503</u>	<u>2,726</u>	<u>19,627</u>
Operating Income (Loss).....	<u>(474)</u>	<u>1,868</u>	<u>(215)</u>	<u>(137)</u>	<u>(2,610)</u>
Non-Operating Revenues (Expenses):					
Net Investment Earnings.....	37	232	12	24	468
Net Decrease in the Fair Value of Investments.....	(26)	(146)	(7)	--	(316)
Securities Lending:					
Income.....	7	58	--	7	152
Interest Expense.....	(6)	(48)	--	(6)	(126)
Agent Fees.....	--	(2)	--	--	(5)
Other Revenue.....	--	--	--	--	--
Gain (Loss) on the sale of surplus property.....	--	--	--	--	--
Interest Expense.....	--	(69)	--	--	--
Other Revenue (Expense).....	--	23	--	(84)	(6)
Total Non-Operating Revenues.....	<u>12</u>	<u>48</u>	<u>5</u>	<u>(59)</u>	<u>167</u>
Income (Loss) Before Capital Contributions and Transfers.....	<u>(462)</u>	<u>1,916</u>	<u>(210)</u>	<u>(196)</u>	<u>(2,443)</u>
Transfers					
Transfers In.....	--	--	--	--	--
Transfers Out.....	--	--	(100)	(8)	(17)
Total Transfers.....	<u>--</u>	<u>--</u>	<u>(100)</u>	<u>(8)</u>	<u>(17)</u>
Change in Net Assets.....	<u>(462)</u>	<u>1,916</u>	<u>(310)</u>	<u>(204)</u>	<u>(2,460)</u>
Net Assets - October 1.....	<u>9,610</u>	<u>8,536</u>	<u>816</u>	<u>6,559</u>	<u>39,260</u>
Adjustment to beginning fund balance.....	--	--	--	--	6,407
Net Assets - October 1, as restated.....	<u>9,610</u>	<u>8,536</u>	<u>816</u>	<u>6,559</u>	<u>45,667</u>
Net Assets - September 30.....	<u>\$ 9,148</u>	<u>\$ 10,452</u>	<u>\$ 506</u>	<u>\$ 6,355</u>	<u>\$ 43,207</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
Internal Service Funds
For the fiscal year ended September 30, 2008
(in thousands)

Human Resources	Pension Administration	Risk Management	Internal Loan	Revenue Collection	Utility Services	Wholesale Energy Services	Total
\$ 3,765	\$ 851	\$ 9,675	\$ --	\$ 2,082	\$ 13,389	\$ 276,963	\$ 346,425
<u>3,765</u>	<u>851</u>	<u>9,675</u>	<u>--</u>	<u>2,082</u>	<u>13,389</u>	<u>276,963</u>	<u>346,425</u>
2,473	549	1,052	--	1,478	8,850	1,883	30,878
976	298	234	--	199	3,017	275,621	290,085
21	12	17	--	225	516	11	9,034
226	11	7,943	--	18	180	21	9,549
5	2	5	--	676	51	6	8,298
<u>3,701</u>	<u>872</u>	<u>9,251</u>	<u>--</u>	<u>2,596</u>	<u>12,614</u>	<u>277,542</u>	<u>347,844</u>
<u>64</u>	<u>(21)</u>	<u>424</u>	<u>--</u>	<u>(514)</u>	<u>775</u>	<u>(579)</u>	<u>(1,419)</u>
20	6	488	1,054	13	47	172	2,573
(14)	(3)	(331)	(265)	(5)	(30)	(1)	(1,144)
7	--	145	284	--	15	44	719
(6)	--	(120)	(235)	--	(12)	(36)	(595)
--	--	(5)	(10)	--	(1)	(2)	(25)
--	--	--	--	--	35	--	35
--	--	--	--	(15)	--	--	(15)
--	--	--	(1,124)	--	(61)	--	(1,254)
--	--	--	--	--	--	--	(67)
<u>7</u>	<u>3</u>	<u>177</u>	<u>(296)</u>	<u>(7)</u>	<u>(7)</u>	<u>177</u>	<u>227</u>
71	(18)	601	(296)	(521)	768	(402)	(1,192)
65	--	--	--	2	--	--	67
(119)	--	--	--	(218)	(412)	(55)	(929)
<u>(54)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(216)</u>	<u>(412)</u>	<u>(55)</u>	<u>(862)</u>
17	(18)	601	(296)	(737)	356	(457)	(2,054)
188	12	7,126	3,923	4,125	(1,000)	249	79,404
--	--	--	--	--	--	--	6,407
<u>188</u>	<u>12</u>	<u>7,126</u>	<u>3,923</u>	<u>4,125</u>	<u>(1,000)</u>	<u>249</u>	<u>85,811</u>
<u>\$ 205</u>	<u>\$ (6)</u>	<u>\$ 7,727</u>	<u>\$ 3,627</u>	<u>\$ 3,388</u>	<u>\$ (644)</u>	<u>\$ (208)</u>	<u>\$ 83,757</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the Year Ended September 30, 2008
(in thousands)

	800 MHz	Information System Services	Accounting	Central Warehouse	Garage
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Other Funds.....	\$ 1,176	\$ 15,670	\$ 3,287	\$ 2,595	\$ 17,011
Cash Paid to Suppliers for Goods and Services.....	(1,042)	(6,841)	(809)	(1,007)	(10,004)
Cash Paid to Employees for Services.....	(107)	(6,159)	(2,385)	(2,223)	(3,392)
Cash Paid to Other Funds.....	--	--	--	--	--
Net Cash Provided by (Used for) Operating Activities.....	<u>27</u>	<u>2,670</u>	<u>93</u>	<u>(635)</u>	<u>3,615</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds.....	--	--	--	--	--
Transfers to Other Funds.....	--	--	(100)	(8)	(17)
Net Cash Flows Provided by (Used for) Noncapital Financing Activities.....	<u>--</u>	<u>--</u>	<u>(100)</u>	<u>(8)</u>	<u>(17)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of properties.....	--	--	--	--	--
Loan Proceeds.....	--	383	--	--	--
Acquisition and Construction of Capital Assets.....	--	(1,420)	--	(84)	(5,423)
Repayment of Loans to Other Funds.....	--	(1,015)	--	--	--
Interest Paid.....	--	(69)	--	--	--
Net Cash Provided by (Used For) Capital and Related Financing Activities.....	<u>--</u>	<u>(2,121)</u>	<u>--</u>	<u>(84)</u>	<u>(5,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments.....	38	240	12	25	489
Increase in the Fair Value of Cash & Cash Equivalents.....	(26)	(146)	(7)	--	(316)
Net Cash Provided by (Used for) Investing Activities.....	<u>12</u>	<u>94</u>	<u>5</u>	<u>25</u>	<u>173</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	39	643	(2)	(702)	(1,652)
Cash and Cash Equivalents - October 1.....	1,230	6,325	338	702	16,647
Cash and Cash Equivalents - September 30.....	<u>\$ 1,269</u>	<u>\$ 6,968</u>	<u>\$ 336</u>	<u>\$ --</u>	<u>\$ 14,995</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating Income (Loss).....	\$ (474)	\$ 1,868	\$ (215)	\$ (137)	\$ (2,610)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation.....	484	1,007	252	57	5,753
Net OPEB Obligation.....	3	145	54	52	78
(Increase) Decrease in Accounts Receivable.....	31	35	--	--	17
Increase (Decrease) in Other Accounts Receivable.....	(4)	(22)	(1)	6	(23)
Increase (Decrease) in Due to Other Funds.....	--	--	--	--	--
Increase in Loans to Other Funds.....	--	--	--	--	--
(Increase) Decrease in Inventory.....	--	--	--	(1,503)	149
Increase (Decrease) in Accounts Payable.....	(14)	(350)	(19)	905	251
Increase (Decrease) in Accrued Leave.....	1	(13)	22	(15)	--
Decrease in Insurance Deposits.....	--	--	--	--	--
Total Adjustments.....	<u>501</u>	<u>802</u>	<u>308</u>	<u>(498)</u>	<u>6,225</u>
Net Cash Provided by (Used For) Operating Activities.....	<u>\$ 27</u>	<u>\$ 2,670</u>	<u>\$ 93</u>	<u>\$ (635)</u>	<u>\$ 3,615</u>

CITY OF TALLAHASSEE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
Internal Service Funds
For the Year Ended September 30, 2008
(in thousands)

Human Resources	Pension Administration	Risk Management	Internal Loan	Revenue Collection	Utility Services	Wholesale Energy Services	Total
\$ 3,763	\$ 849	\$ 9,444	\$ 4,261	\$ 2,082	\$ 13,385	\$ 236,304	\$ 309,827
(1,243)	(309)	(7,503)	--	(677)	(3,485)	(249,086)	(282,006)
(2,417)	(536)	(1,022)	--	(1,430)	(8,549)	(1,816)	(30,036)
--	--	--	--	--	--	--	--
<u>103</u>	<u>4</u>	<u>919</u>	<u>4,261</u>	<u>(25)</u>	<u>1,351</u>	<u>(14,598)</u>	<u>(2,215)</u>
65	--	--	--	2	--	--	67
(119)	--	--	--	(218)	(412)	(55)	(929)
<u>(54)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(216)</u>	<u>(412)</u>	<u>(55)</u>	<u>(862)</u>
--	--	--	--	--	--	--	--
--	--	--	--	--	24	--	407
(2)	--	(1)	--	--	(39)	--	(6,969)
--	--	--	--	--	(478)	(166)	(1,659)
--	--	--	(1,124)	--	(61)	--	(1,254)
<u>(2)</u>	<u>--</u>	<u>(1)</u>	<u>(1,124)</u>	<u>--</u>	<u>(554)</u>	<u>(166)</u>	<u>(9,475)</u>
21	6	508	1,093	13	49	178	2,672
(14)	(3)	(331)	(265)	(5)	(30)	(1)	(1,144)
<u>7</u>	<u>3</u>	<u>177</u>	<u>828</u>	<u>8</u>	<u>19</u>	<u>177</u>	<u>1,528</u>
54	7	1,095	3,965	(233)	404	(14,642)	(11,024)
602	116	14,689	8,624	449	1,010	14,668	65,400
<u>\$ 656</u>	<u>\$ 123</u>	<u>\$ 15,784</u>	<u>\$ 12,589</u>	<u>\$ 216</u>	<u>\$ 1,414</u>	<u>\$ 26</u>	<u>\$ 54,376</u>
<u>\$ 64</u>	<u>\$ (21)</u>	<u>\$ 424</u>	<u>\$ --</u>	<u>\$ (514)</u>	<u>\$ 775</u>	<u>\$ (579)</u>	<u>\$ (1,419)</u>
5	2	5	--	676	51	6	8,298
57	12	26	--	31	191	45	694
--	(2)	(184)	--	--	3	625	525
(2)	--	(47)	(63)	2	(7)	123	(38)
--	--	--	--	--	--	(41,407)	(41,407)
--	--	--	4,324	--	--	--	4,324
--	--	--	--	--	--	651	(703)
(20)	12	533	--	(237)	228	25,916	27,205
(1)	1	4	--	17	110	22	148
--	--	158	--	--	--	--	158
<u>39</u>	<u>25</u>	<u>495</u>	<u>4,261</u>	<u>489</u>	<u>576</u>	<u>(14,019)</u>	<u>(796)</u>
<u>\$ 103</u>	<u>\$ 4</u>	<u>\$ 919</u>	<u>\$ 4,261</u>	<u>\$ (25)</u>	<u>\$ 1,351</u>	<u>\$ (14,598)</u>	<u>\$ (2,215)</u>

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

Schedule By Function and Activity

Schedule of Changes By Function and Activity

CITY OF TALLAHASSEE, FLORIDA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule By Function and Activity¹
September 30, 2008
(amounts expressed in thousands)

Function and Activity	Land	Buildings	Equipment	Improvements Other Than Buildings	Infrastructure	Total
General Government:						
Legislative	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ 48
Executive	-	-	128	-	-	128
Financial & Administrative	-	600	829	40	-	1,469
Legal	-	-	47	-	-	47
Comprehensive Planning	339	-	262	-	-	601
Other General Government	52,101	28,163	6,907	42	-	87,213
Total General Government	<u>52,440</u>	<u>28,763</u>	<u>8,221</u>	<u>82</u>	<u>-</u>	<u>89,506</u>
Public Safety:						
Law Enforcement	809	11,041	7,837	381	-	20,068
Protective Inspection	-	-	134	-	-	134
Total Public Safety	<u>809</u>	<u>11,041</u>	<u>7,971</u>	<u>381</u>	<u>-</u>	<u>20,202</u>
Other:						
Physical Environment	-	25	86	307	-	418
Road and Street Facilities	288,187	381	3,908	5	717,257	1,009,738
Economic Development	544	4,946	75	4,119	505	10,189
Human Services	333	7,764	218	7	-	8,322
Cultural and Recreation	7,531	20,074	2,734	7,134	258	37,731
Parking Facilities	1,266	23,084	160	-	-	24,510
Total Other	<u>297,861</u>	<u>56,274</u>	<u>7,181</u>	<u>11,572</u>	<u>718,020</u>	<u>1,090,908</u>
Total capital assets allocated to functions	<u>\$ 351,110</u>	<u>\$ 96,078</u>	<u>\$ 23,373</u>	<u>\$ 12,035</u>	<u>\$ 718,020</u>	<u>1,200,616</u>
Construction in Progress						54,478
Total capital assets						<u>\$ 1,255,094</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF TALLAHASSEE, FLORIDA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Changes By Function and Activity¹
For the fiscal year ended September 30, 2008
(amounts expressed in thousands)

Function and Activity	Governmental Funds Capital Assets October 1, 2007 (As Restated)	Additions	Deductions	Governmental Funds Capital Assets September 30, 2008
General Government:				
Legislative	\$ 46	\$ 2	\$ -	\$ 48
Executive	130	-	2	128
Financial & Administrative	1,470	14	15	1,469
Legal	47	-	-	47
Comprehensive Planning	628	2	29	601
Other General Government	87,439	803	1,029	87,213
Total General Government	<u>89,760</u>	<u>821</u>	<u>1,075</u>	<u>89,506</u>
Public Safety:				
Law Enforcement	19,320	1,284	536	20,068
Protective Inspection	135	-	1	134
Total Public Safety	<u>19,455</u>	<u>1,284</u>	<u>537</u>	<u>20,202</u>
Other:				
Physical Environment	623	-	205	418
Road and Street Facilities	1,006,969	3,566	797	1,009,738
Economic Development	9,749	443	3	10,189
Human Services	8,271	63	12	8,322
Cultural and Recreation	37,452	356	77	37,731
Parking Facilities	24,510	-	-	24,510
Total Other:	<u>1,087,574</u>	<u>4,428</u>	<u>1,094</u>	<u>1,090,908</u>
Total capital assets allocated to functions	1,196,789	6,533	2,706	1,200,616
Construction in Progress	<u>35,987</u>	<u>25,308</u>	<u>6,817</u>	<u>54,478</u>
Total capital assets	<u>\$ 1,232,776</u>	<u>\$ 31,841</u>	<u>\$ 9,523</u>	<u>\$ 1,255,094</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SUPPLEMENTARY INFORMATION

The following schedules provide a summary of the debt service requirements for the City's outstanding bond issue:

Capital Bonds, Series 2001

Capital Bonds, Series 2004

Electric Energy System Refunding Revenue Bonds, Series 1998A

Electric Energy System Refunding Revenue Bonds, Series 1998B

Energy System Refunding Revenue Bonds, Series 2001

Energy System Revenue Bonds, Series 2005

Energy System Revenue Bonds, Series 2007

Consolidated Utility System Refunding Revenue Bonds, Series 2001

Consolidated Utility System Refunding Revenue Bonds, Series 2005

Consolidated Utility System Revenue Bonds, Series 2007

Airport System Revenue Refunding Bonds, Series 2004

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
CAPITAL BONDS
SERIES 2001
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 1,660	\$ 217	\$ 1,877
2010	1,720	155	1,875
2011	1,790	89	1,879
Totals	<u>\$ 5,170</u>	<u>\$ 461</u>	<u>\$ 5,631</u>

Bonds Dated: October 15, 2001

Original Issue Amount: \$15,360,000

Principal Due: October 1, beginning 2002

Interest Due: April 1 and October 1 of each year, beginning April 1, 2002

Paying Agent: First Union National Bank of Florida, Jacksonville, Florida

Security: The Series 2001 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of Resolution No. 01-R-48 (the "Original Resolution"), solely by a pledge of and lien on the Pledged Revenues which consist of (a) the City's Guaranteed Entitlement Revenues; (b) the City's receipts from the Local Government Half-Cent Sales Tax; and (c) earnings on the investment of all funds and accounts created by the Resolution, except the Rebate Fund; all as described in the Resolution and subject to the provisions of the Resolution permitting the application thereof for the purposes of and on the terms and conditions set forth therein.

Optional Redemption

None

Bond Ratings: Moody's Aaa, Standard & Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
CAPITAL BONDS
SERIES 2004
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 2,115	\$ 3,680	\$ 5,795
2010	2,185	3,616	5,801
2011	2,245	3,551	5,796
2012	4,195	3,480	7,675
2013	4,330	3,344	7,674
2014	4,535	3,140	7,675
2015	4,760	2,913	7,673
2016	5,000	2,730	7,730
2017	5,195	2,480	7,675
2018	5,455	2,220	7,675
2019 - 2024	38,950	7,094	46,044
Totals	<u>\$ 78,965</u>	<u>\$ 38,248</u>	<u>\$ 117,213</u>

Bonds Dated: November 17, 2004
Original Issue Amount: \$86,210,000
Principal Due: October 1, beginning 2005
Interest Due: April 1 and October 1 of each year, beginning 2005
Paying Agent: Wachovia Bank, National Association, Jacksonville, Florida

Security: The Series 2004 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of Resolution No. 01-R-48, as supplemented and amended and as particularly supplemented and amended by Resolution No. 04-R-44. They are secured by a pledge of and lien on (i) the City's receipts from the Local Government Half - Cent Sales tax; (ii) the City's Guaranteed Entitlement Revenues; (iii) the proceeds from the City's Local Communications Services Tax; and (iv) earnings on the investment of all funds and accounts created under the resolution.

Optional Redemption
None

Bond Ratings: Moody's Aaa, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
ELECTRIC ENERGY SYSTEM REFUNDING REVENUE BONDS
SERIES 1998A
September 30, 2008
(in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,905	\$ 6,224	\$ 10,129
2010	4,060	6,063	10,123
2011	4,270	5,860	10,130
2012	4,495	5,635	10,130
2013	4,730	5,400	10,130
2014	4,980	5,151	10,131
2015	5,240	4,890	10,130
2016	5,510	4,615	10,125
2017	5,780	4,353	10,133
2018	6,045	4,079	10,124
2019-2028	<u>78,830</u>	<u>22,473</u>	<u>101,303</u>
Totals	<u>\$ 127,845</u>	<u>\$ 74,743</u>	<u>\$ 202,588</u>

Bonds Dated: November 1, 1998

Original Issue Amount: \$143,800,000

Principal Due: October 1, beginning 2000

Interest Due: April 1 and October 1 of each year, beginning April 1, 1999

Paying Agent: First Union National Bank of Florida, Jacksonville, Florida

Security: The Series 1998 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the 1992 General Resolution and subsequently by the terms and provisions of the 1998 General Resolution, both as defined herein and in the manner described herein, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolutions, (ii) the Net Revenues of the City's Electric System, and (iii) certain other amounts, subject to the provisions of the Resolutions permitting the application thereof for the purposes of and on the terms and conditions set forth in the Resolutions.

Optional Redemption

October 1, 2008 to September 30, 2009

October 1, 2009 and thereafter

Redemption Price

One Hundred and One Percent

One Hundred Percent

Bond Ratings: Moody's Aaa, Standard and Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
ELECTRIC ENERGY SYSTEM REFUNDING REVENUE BONDS
SERIES 1998B
September 30, 2008
(in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ --	\$ 1,210	\$ 1,210
2010	--	1,210	1,210
2011	--	1,210	1,210
2012	--	1,210	1,210
2013	--	1,210	1,210
2014	--	1,210	1,210
2015	--	1,210	1,210
2016	--	1,210	1,210
2017	--	1,210	1,210
2018	--	1,210	1,210
2019-2028	<u>24,200</u>	<u>9,457</u>	<u>33,657</u>
Totals	<u>\$ 24,200</u>	<u>\$ 21,557</u>	<u>\$ 45,757</u>

Bonds Dated: November 1, 1998
Original Issue Amount: \$49,220,000
Principal Due: October 1, 2001
Interest Due: April 1 and October 1 of each year, beginning April 1, 1999
Paying Agent: First Union National Bank of Florida, Jacksonville, Florida

Security: The Series 1998 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the 1992 General Resolution and subsequently by the terms and provisions of the 1998 General Resolution, both as defined herein and in the manner described herein, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolutions, (ii) the Net Revenues of the City's Electric System, and (iii) certain other amounts, subject to the provisions of the Resolutions permitting the application thereof of for the purposes of and on the terms and conditions set forth in the Resolutions.

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2008 to September 30, 2009	One Hundred and One Percent
October 1, 2009 and thereafter	One Hundred Percent

Bond Rating: Moody's Aaa, Standard and Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
ENERGY SYSTEM REFUNDING REVENUE BONDS
SERIES 2001
September 30, 2008
(in thousands)

Fiscal Year	Principal	Interest	Total
2009	\$ 940	\$ 601	\$ 1,541
2010	985	561	1,546
2011	1,030	517	1,547
2012	1,075	466	1,541
2013	1,140	407	1,547
2014	1,200	344	1,544
2015	1,000	278	1,278
2016	1,005	223	1,228
2017	1,060	168	1,228
2018	1,120	115	1,235
2019	1,175	59	1,234
Totals	<u>\$ 11,730</u>	<u>\$ 3,739</u>	<u>\$ 15,469</u>

Bonds Dated: May 1, 2001
Original Issue Amount: \$17,680,000
Principal Due: October 1, 2001
Interest Due: April 1 and October 1 of each year, beginning 2001

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2011 to September 30, 2012	One Hundred and One Percent
October 1, 2012 and thereafter	One Hundred Percent

Security: The Series 2001 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the 1998 General Resolution and subsequently by the terms and provisions of the 1998 General Resolution, both as defined herein and in the manner described herein, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolutions, (ii) the Net Revenues of the City's Energy System, and (iii) certain other amounts, subject to the provisions of the Resolutions permitting the application thereof for the purposes of and on the terms and conditions set forth in the Resolutions.

Bond Rating: Moody's Aaa, Standard and Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
ENERGY SYSTEM REVENUE BONDS
SERIES 2005
September 30, 2008
(in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,300	\$ 6,020	\$ 8,320
2010	2,515	5,940	8,455
2011	2,695	5,852	8,547
2012	2,715	5,733	8,448
2013	2,940	5,611	8,551
2014	3,065	5,480	8,545
2015	3,100	5,344	8,444
2016	3,325	5,220	8,545
2017	3,490	5,057	8,547
2018	3,655	4,891	8,546
2019 - 2035	<u>96,770</u>	<u>48,517</u>	<u>145,287</u>
Totals	<u>\$ 126,570</u>	<u>\$ 103,665</u>	<u>\$ 230,235</u>

Bonds Dated: December 8, 2005
Original Issue Amount: \$128,920,000
Principal Due: October 1, 2008
Interest Due: April 1 and October 1 of each year, beginning 2006

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2015 and thereafter	One Hundred and accrued interest

Security: The Series 2005 Bonds will be payable solely from and secured as to payment of principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions of the 1998 General Resolution and subsequently by the terms and provisions of the 1998 General Resolution, both as defined herein and in the manner described herein, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolutions, (ii) the Net Revenues of the City's Energy System, and (iii) certain other amounts, subject to the provisions of the Resolutions permitting the application thereof of for the purposes of and on the terms and conditions set forth in the Resolutions.

Bond Rating: Moody's Aaa, Standard and Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
ENERGY SYSTEM REFUNDING REVENUE BONDS
SERIES 2007
September 30, 2008
(in thousands)

Fiscal Year	Principal	Interest	Total
2009	\$ 2,490	\$ 9,996	\$ 12,486
2010	2,465	9,896	12,361
2011	2,470	9,798	12,268
2012	2,690	9,674	12,364
2013	2,725	9,540	12,265
2014	2,865	9,403	12,268
2015	3,100	9,260	12,360
2016	3,165	9,105	12,270
2017	3,315	8,947	12,262
2018	3,485	8,781	12,266
2019 - 2037	<u>172,205</u>	<u>115,404</u>	<u>287,609</u>
Totals	<u>\$ 200,975</u>	<u>\$ 209,804</u>	<u>\$ 410,779</u>

Bonds Dated: August 9, 2007
Original Issue Amount: \$203,230,000
Principal Due: October 1, 2008
Interest Due: April 1 and October 1 of each year, beginning 2008

Security: The Series 2007 Bonds will be payable from and secured by a pledge and lein on (i) money in certain funds and accounts established under Resolution No. 98-R-0048 of the City, as amended and supplemented (the "Resolution"), (ii) the Net Revenues of the City's Energy System, and (iii) the proceeds of the sale of any Series of Bonds, subject to application as provided in the Resolutions. The Series 2007 Bonds will be secured by the Net Revenues on a parity with the Parity Bonds.

Bond Rating: Moody's Aaa, Standard and Poor's AAA, Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2001
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 1,040	\$ 890	\$ 1,930
2010	1,090	837	1,927
2011	1,140	783	1,923
2012	1,195	732	1,927
2013	1,260	666	1,926
2014	1,330	597	1,927
2015	1,710	524	2,234
2016	1,800	429	2,229
2017	1,900	330	2,230
2018	2,000	226	2,226
2019	2,110	116	2,226
Totals	<u>\$ 16,575</u>	<u>\$ 6,130</u>	<u>\$ 22,705</u>

Bonds Dated: May 1, 2001
Original Issue Amount: \$23,900,000
Principal Due: October 1, beginning 2001
Interest Due: April 1 and October 1 of each year, beginning 2001

Security: The Series 2001 Bonds are payable from and secured by a pledge and lien on (i) money in certain funds and accounts established under Resolution No. 90-R-0052 of the City, as amended and supplemented (the "Resolution"), (ii) the Net Revenues of the City's Utility System, (iii) the Gross Revenues of the City's Stormwater Drainage system and (iv) certain other amounts (the "Pledged Revenues," as defined herein) all as more fully defined and described herein under the heading "THE SERIES 2001 BONDS." The lien of the Series 2001 Bonds on the Pledged Revenues is on a parity with the lien thereon of the City's Consolidated Utility Systems Revenue Bonds, Series 1995.

Bond Ratings: Moody's Aaa, Standard and Poor's AAA and Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2005
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 2,740	\$ 1,417	\$ 4,157
2010	2,820	1,335	4,155
2011	2,915	1,243	4,158
2012	3,025	1,137	4,162
2013	3,140	1,019	4,159
2014	3,265	896	4,161
2015	--	753	753
2016	--	753	753
2017	--	753	753
2018	--	753	753
2019 - 2030	<u>15,545</u>	<u>5,632</u>	<u>21,177</u>
Totals	<u>\$ 33,450</u>	<u>\$ 15,691</u>	<u>\$ 49,141</u>

Bonds Dated: July 14, 2005
Original Issue Amount: \$36,110,000
Principal Due: October 1, beginning 2008
Interest Due: April 1 and October 1 of each year, beginning 2005

Security: The Series 2005 Bonds are payable from and secured by a pledge and lien on (i) money in certain funds and accounts established under Resolution No. 90-R-0052 of the City, as amended and supplemented (the "Resolution"), (ii) the Net Revenues of the City's Utility System, (iii) the Gross Revenues of the City's Stormwater Drainage system and (iv) certain other amounts (the "Pledged Revenues," as defined herein) all as more fully defined and described herein under the heading "THE SERIES 2005 BONDS." The lien of the Series 2005 Bonds on the Pledged Revenues is on a parity with the lien thereon of the City's Consolidated Utility Systems Revenue Bonds, Series 1995 and 2001.

Bond Ratings: Moody's Aaa, Standard and Poor's AAA and Fitch AAA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS
SERIES 2007
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ --	\$ 7,950	\$ 7,950
2010	1,610	7,950	9,560
2011	1,720	7,885	9,605
2012	1,790	7,817	9,607
2013	1,865	7,745	9,610
2014	1,935	7,670	9,605
2015	3,865	7,593	11,458
2016	4,020	7,438	11,458
2017	4,220	7,237	11,457
2018	4,430	7,026	11,456
2019 - 2030	<u>139,005</u>	<u>78,681</u>	<u>217,686</u>
Totals	<u>\$ 164,460</u>	<u>\$ 154,992</u>	<u>\$ 319,452</u>

Bonds Dated: November 8, 2007
Original Issue Amount: \$164,460,000
Principal Due: October 1, beginning 2010
Interest Due: April 1 and October 1 of each year, beginning 2008

Security: The Series 2007 Bonds are payable from and secured by a pledge and lien on (i) money in certain funds and accounts established under Resolution No. 90-R-0052 of the City, as amended and supplemented (the "Resolution"), (ii) the Net Revenues of the City's Utility System, (iii) the Gross Revenues of the City's Stormwater Drainage system and (iv) certain other amounts (the "Pledged Revenues," as defined herein) all as more fully defined and described herein under the heading "THE SERIES 2007 BONDS." The lien of the Series 2007 Bonds on the Pledged Revenues is on a parity with the lien thereon of the City's Consolidated Utility Systems Revenue Bonds, Series 2001 and 2005.

Bond Ratings: Moody's Aa2, Standard and Poor's AA and Fitch AA

CITY OF TALLAHASSEE, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS
AIRPORT SYSTEM REVENUE REFUNDING BONDS
SERIES 2004
September 30, 2008
(in thousands)

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 800	\$ 159	\$ 959
2010	825	133	958
2011	855	104	959
2012	885	72	957
2013	925	37	962
Totals	<u>\$ 4,290</u>	<u>\$ 505</u>	<u>\$ 4,795</u>

Bonds Dated: August 10, 2004

Original Issue Amount: \$7,355,000

Principal Due: October 1, beginning 2004

Interest Due: April 1 and October 1 of each year, beginning October 1, 2004

Security: The bonds are secured and payable from the net revenues of the Airport System.

Bond Ratings: Moody's Aaa, Fitch AAA

STATISTICAL SECTION

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

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Financial Trends

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

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**STATISTICAL SECTION
(Continued)**

Demographic and Economic Information

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

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Operating Information

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

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF TALLAHASSEE, FLORIDA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	2008	2007	2006	2005	2004	2003	2002 ⁽¹⁾
Governmental activities							
Invested in capital assets, net of related debt	\$ 814,414	\$ 818,366	\$ 850,484	\$ 873,202	\$ 962,870	\$ 971,000	\$ 957,589
Restricted	19,365	19,618	18,882	17,340	9,589	9,437	9,385
Unrestricted	123,446	148,298	166,196	183,146	131,729	137,394	175,675
Total governmental activities net assets	\$ 957,225	\$ 986,282	\$ 1,035,562	\$ 1,073,688	\$ 1,104,188	\$ 1,117,831	\$ 1,142,649
Business activities							
Invested in capital assets, net of related debt	\$ 628,969	\$ 665,127	\$ 609,204	\$ 679,304	\$ 612,237	\$ 551,075	\$ 523,365
Restricted	124,090	107,926	127,256	98,568	108,015	113,173	104,521
Unrestricted	242,474	195,053	142,816	79,933	133,455	176,153	187,293
Total Business activities net assets	\$ 995,533	\$ 968,106	\$ 879,276	\$ 857,805	\$ 853,707	\$ 840,401	\$ 815,179
Primary government							
Invested in capital assets, net of related debt	\$ 1,443,383	\$ 1,483,493	\$ 1,459,688	\$ 1,552,506	\$ 1,575,107	\$ 1,522,075	\$ 1,480,954
Restricted	143,455	127,544	146,138	115,908	117,604	122,610	113,906
Unrestricted	365,920	343,351	309,012	263,079	265,184	313,547	362,968
Total primary government net assets	\$ 1,952,758	\$ 1,954,388	\$ 1,914,838	\$ 1,931,493	\$ 1,957,895	\$ 1,958,232	\$ 1,957,828

⁽¹⁾ **Note:** The City implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data are not available but will be accumulated over

CITY OF TALLAHASSEE, FLORIDA
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
General Government	\$ 20,737	\$ 23,047	\$ 26,495	\$ 28,203	\$ 22,207	\$ 21,390	\$ 18,731
Public Safety	54,416	50,875	48,312	47,794	43,835	42,498	39,447
Transportation	23,314	20,896	28,614	17,739	17,983	31,834	16,838
Human Services	6,863	6,182	5,710	12,085	10,733	10,233	10,808
Economic Development	7,828	9,143	9,241	3,980	1,809	2,019	1,729
Physical Environment	4,739	3,499	2,864	2,667	3,203	3,702	2,891
Culture and Recreation	19,459	18,168	26,335	17,461	14,991	14,238	13,725
Unallocated Depreciation on Infrastructure	23,956	24,002	24,110	23,848	22,478	22,289	20,884
Interest on Long-Term Debt	5,798	4,855	6,396	4,191	1,007	1,173	1,474
Total governmental activities expenses	<u>167,110</u>	<u>160,667</u>	<u>178,077</u>	<u>157,968</u>	<u>138,246</u>	<u>149,376</u>	<u>126,527</u>
Business-type activities							
Electric	346,318	323,181	315,083	262,050	250,349	214,350	176,126
Gas	51,609	40,063	52,383	33,746	29,314	23,781	19,556
Sewer	37,855	35,747	33,839	32,409	30,514	28,592	26,934
Water	21,083	19,057	20,684	19,253	17,332	16,151	14,416
Airport	16,298	16,084	13,301	15,236	12,759	12,080	12,479
StarMetro	18,358	16,299	15,374	14,152	13,495	13,137	10,942
Solid Waste	20,579	20,791	19,333	18,081	16,966	17,550	16,357
Golf	1,264	1,165	1,432	1,168	1,189	1,223	1,177
Stormwater Management	10,629	9,878	9,950	8,619	10,346	7,970	6,309
Fire Services	27,612	25,197	24,790	24,051	22,375	21,141	17,796
Total business-type activities expenses	<u>551,605</u>	<u>507,462</u>	<u>506,169</u>	<u>428,765</u>	<u>404,639</u>	<u>355,975</u>	<u>302,092</u>
Total primary government expenses	<u><u>718,715</u></u>	<u><u>668,129</u></u>	<u><u>684,246</u></u>	<u><u>586,733</u></u>	<u><u>542,885</u></u>	<u><u>505,351</u></u>	<u><u>428,619</u></u>

CITY OF TALLAHASSEE, FLORIDA
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	2008	2007	2006	2005	2004	2003	2002
Program Revenues							
Governmental activities:							
Charges for services:							
General Government	1,665	1,835	1,986	1,766	1,761	1,746	1,678
Public Safety	2,173	3,726	3,364	4,055	3,810	4,654	3,625
Transportation	2,250	2,224	2,459	2,542	2,317	2,292	2,534
Human Services	692	1,347	1,088	1,120	1,030	551	333
Economic Development	-	-	61	111	93	542	708
Physical Environment	4,049	2,082	2,036	2,600	2,153	2,390	1,693
Culture and Recreation	3,142	3,859	3,614	3,390	3,408	2,239	2,295
Operating grants and contribution	9,510	9,635	22,238	9,370	7,907	8,252	7,938
Capital grants and contribution	742	5,375	110	204	496	332	13,095
Total governmental activities program revenues	24,223	30,083	36,956	25,158	22,975	22,998	33,899
Business-type activities:							
Charges for services:							
Electric	369,483	347,388	341,203	281,800	259,164	233,534	205,855
Gas	53,691	43,321	55,684	35,871	33,695	27,195	23,142
Sewer	45,668	39,721	35,896	35,695	34,800	33,917	33,279
Water	25,764	27,988	24,813	22,927	23,558	22,581	22,006
Airport	12,713	12,494	11,437	11,179	9,550	9,635	8,718
StarMetro	4,258	3,640	3,231	3,402	3,431	4,843	3,390
Solid Waste	19,746	18,778	18,326	18,069	17,278	17,145	16,947
Golf	936	1,007	981	909	1,012	1,029	1,052
Stormwater Management	16,516	15,350	14,557	13,088	11,874	11,511	13,506
Fire Services	23,962	23,663	23,002	20,733	19,343	18,267	19,544
Operating grants and contribution	3,407	3,875	5,021	4,121	3,857	2,314	1,031
Capital grants and contribution	7,245	18,969	10,600	14,891	12,916	11,010	11,499
Total business-type activities program revenues	583,389	556,194	544,751	462,685	430,478	392,981	359,969
Total primary government program revenues	607,612	586,277	581,707	487,843	453,453	415,979	393,868
Net (Expenses) Revenues							
Governmental activities	(142,887)	(130,584)	(141,121)	(132,810)	(115,271)	(126,378)	(92,628)
Business-type activities	31,784	48,732	38,582	33,920	25,839	37,006	57,877
Total primary government net expenses	(111,103)	(81,852)	(102,539)	(98,890)	(89,432)	(89,372)	(34,751)

CITY OF TALLAHASSEE, FLORIDA
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	2008	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes, levied for general purposes	33,570	35,630	31,583	27,319	24,517	19,778	18,412
Local option sales tax	-	-	3,915	8,709	14,247	16,049	15,207
Local option gas tax	-	-	4,118	4,314	3,522	3,701	3,769
Public service taxes	22,144	21,747	19,930	18,977	19,237	19,856	19,588
Business License tax	1,825	1,799	-	-	-	-	-
Occupational licenses and franchise fees	-	-	1,654	1,655	1,602	1,503	1,915
Grants and contributions not restricted to specific program	24,969	26,216	15,811	14,964	14,009	12,995	12,207
Unrestricted investment earnings	7,039	8,373	9,861	7,150	4,838	7,670	11,359
Net securities lending income	268	90	-	-	-	-	-
Net (Decrease) in fair value of investments	(2,091)	1,282	933	(2,045)	(2,339)	(1,862)	515
Miscellaneous	2,008	3,120	131	5,558	4,783	1,684	1,681
Gain (loss) on the sale of Capital Assets	599	853	-	-	-	-	-
Special Item - Reclassification of Internal Service Funds	-	(54,332)	-	-	-	-	-
Capital Contributions to/from Other Funds	-	-	-	-	(11,676)	-	-
Transfers	21,470	25,830	27,410	18,858	28,888	20,186	16,568
Total governmental activities	111,801	70,608	115,346	105,459	101,628	101,560	101,221
Business-type activities:							
Unrestricted investment earnings	12,937	13,219	9,162	6,635	8,057	11,458	13,973
Net securities lending income	441	142	-	-	-	-	-
Net (Decrease) in fair value of investments	(6,602)	3,513	1,137	(2,609)	(3,378)	(3,056)	2,469
Capital Contributions to/from Other Funds	-	-	-	-	11,676	-	-
Gain (loss) on the sale of Capital Assets	(1,615)	(4,232)	-	-	-	-	-
Special Item - Reclassification of Internal Service Funds	-	54,332	-	-	-	-	-
Transfers	(21,470)	(25,830)	(27,410)	(18,858)	(28,888)	(20,186)	(16,583)
Total business-type activities	(16,309)	41,144	(17,111)	(14,832)	(12,533)	(11,784)	(141)
Total primary government	95,492	111,752	98,235	90,627	89,095	89,776	101,080
Change in Net Assets							
Governmental activities	(31,086)	(59,976)	(25,775)	(27,351)	(13,643)	(24,818)	8,593
Business activities	15,475	89,876	21,471	19,088	13,306	25,222	57,736
Total primary government	\$ (15,611)	\$ 29,900	\$ (4,304)	\$ (8,263)	\$ (337)	\$ 404	\$ 66,329

(1) **Note:** The City implemented GASB 34, the new reporting standard, in fiscal year 2002. Therefore, ten years of data are not available but will be accumulated over time.

CITY OF TALLAHASSEE, FLORIDA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 2,189	\$ 1,838	\$ 904	\$ 1,130	\$ 1,059	\$ 1,105	\$ 1,012	\$ 2,363	\$ 3,238	\$ 3,327
Unreserved	5,083	8,075	15,580	11,394	26,779	18,876	22,520	3,505	2,745	4,426
Total General Fund	\$ 7,272	\$ 9,913	\$ 16,484	\$ 12,524	\$ 27,838	\$ 19,981	\$ 23,532	\$ 5,868	\$ 5,983	\$ 7,753
All Other Governmental Funds										
Reserved	\$ 117,767	\$ 122,256	\$ 107,474	\$ 124,439	\$ 59,640	\$ 75,087	\$ 113,763	\$ 156,134	\$ 168,236	\$ 192,736
Unreserved, reported in:										
Special revenue funds	(1,085)	2,218	1,120	(238)	310	347	29	8,294	(2,067)	(3,459)
Capital Projects funds	3,737	14,472	17,313	20,217	9,978	5,170	(5,283)	(27,619)	(44,081)	(79,908)
Permanent funds	6,457	6,666	6,274	6,258	7,001	7,136	7,141	-	-	-
Total all other Governmental Funds	\$ 126,876	\$ 145,612	\$ 132,181	\$ 150,676	\$ 76,929	\$ 87,740	\$ 115,650	\$ 136,809	\$ 122,088	\$ 109,369

CITY OF TALLAHASSEE, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(in thousands)

	2008	2007 (as restated)	2006 (as restated)	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$ 57,714	\$ 57,377	\$ 59,546	\$ 59,319	\$ 61,523	\$ 59,384	\$ 57,424	\$ 53,939	\$ 52,880	\$ 49,164
Licenses and permits	6,149	7,061	6,058	6,780	6,276	6,520	4,905	4,695	5,018	4,536
Intergovernmental revenues	34,474	39,534	37,641	25,328	22,269	21,069	32,676	31,195	30,860	31,764
Charges for services	7,048	7,028	7,032	7,011	6,455	6,205	6,122	38,456	36,072	21,845
Fines and forfeitures	1,594	1,549	1,613	1,820	1,876	1,490	1,479	1,505	1,613	1,549
Special assessment	--	--	--	--	--	50	180	33	43	90
Net investment earnings	5,690	7,010	7,371	5,589	3,322	5,567	8,152	7,424	6,875	5,594
Securities Lending income	1,592	2,720	--	--	--	--	--	--	--	--
Net inc (dec) in fair value of investments	(1,637)	1,100	680	(1,458)	(1,679)	(1,301)	354	1,993	530	(1,714)
Miscellaneous revenues	12,032	11,900	10,491	11,176	9,575	9,083	8,756	4,619	5,258	4,498
Total revenue	124,656	135,279	130,432	115,565	109,617	108,067	120,048	143,859	139,149	117,326
Expenditures										
General Government	30,766	27,690	38,237	33,695	28,347	25,751	24,379	27,101	31,596	17,562
Public Safety	51,730	50,247	45,381	45,627	42,726	40,698	38,381	54,758	51,475	46,355
Transportation	35,718	32,858	39,794	49,675	36,559	63,899	46,799	10,721	10,076	9,924
Human Services	6,594	6,139	5,524	11,879	10,919	9,935	11,054	6,210	5,891	5,951
Economic Development	7,811	9,939	12,852	2,701	1,822	2,016	1,736	4,611	2,701	3,388
Physical Environment	5,259	3,617	2,829	2,642	3,554	4,433	5,570	15,158	15,267	14,168
Culture and Recreation	18,981	18,134	26,018	17,402	20,396	14,426	13,940	11,368	10,604	10,373
Securities Lending Expense:										
Interest	1,317	2,624	--	--	--	--	--	--	--	--
Agent Fees	56	20	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	27,191	31,701	31,144
Debt Service										
Interest	4,917	4,795	5,410	3,791	670	719	822	1,291	1,455	1,424
Principal	4,160	4,055	3,955	5,797	1,713	1,665	1,543	6,188	1,380	1,385
Advance Refunding Escrow	--	--	--	--	--	--	2,808	--	--	--
Total expenditures	167,309	160,118	180,000	173,209	146,706	163,542	147,032	164,597	162,146	141,674
Excess of revenues over (under) expenditures	(42,653)	(24,839)	(49,568)	(57,644)	(37,089)	(55,475)	(26,984)	(20,738)	(22,997)	(24,348)
Other financing Sources (Uses)										
Transfer In	45,652	48,134	48,607	58,172	49,089	43,244	34,316	51,874	51,665	67,988
Transfer Out	(24,128)	(21,970)	(22,233)	(36,119)	(16,940)	(19,550)	(15,003)	(21,569)	(17,727)	(28,955)
Proceeds from 2004 Capital Bonds	--	--	--	90,516	--	--	--	--	--	--
Proceeds from Loans from Other Funds	--	--	--	--	--	--	--	5,039	--	--
Bond Issue Costs	--	--	--	(1,159)	--	--	--	--	--	--
Refunding Bond Issue	--	--	--	--	--	--	15,360	--	--	--
Pay ment to Refunded Bond Escrow Agent	--	--	--	--	--	--	(15,242)	--	--	--
Proceeds from Sale of Capital Assets	1,752	852	--	4,667	1,986	320	2,313	--	--	--
Operatinf transfer to/from component unit	--	--	--	--	--	--	--	--	8	9
Total other financing sources (uses)	23,276	27,016	26,374	116,077	34,135	24,014	21,744	35,344	33,946	39,042
Net change in fund balances	\$ (19,377)	\$ 2,177	\$ (23,194)	\$ 58,433	\$ (2,954)	\$ (31,461)	\$ (5,240)	\$ 14,606	\$ 10,949	\$ 14,694
Debt Service as a percentage of noncapital expenditures	6.48%	6.14%	6.01%	6.83%	2.03%	1.87%	4.59%	5.44%	2.17%	2.54%

CITY OF TALLAHASSEE, FLORIDA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands)

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax Exempt Property	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value ⁽²⁾	Taxable Assessed Value as a Percentage of Actual Value ⁽³⁾
1999	8,353,871	1,544,223	2,505	5,016,024	4,884,575	3.20	11,647,763	41.94
2000	8,693,187	1,587,349	2,780	5,065,452	5,217,864	3.20	12,098,020	43.13
2001	9,028,578	1,622,556	2,467	5,094,721	5,558,880	3.20	12,533,650	44.35
2002	9,520,536	1,579,242	2,067	5,209,610	5,892,235	3.20	13,060,994	45.11
2003	10,103,817	1,612,839	2,237	5,383,679	6,335,214	3.20	13,786,932	45.95
2004	10,939,265	1,618,035	3,690	5,826,031	6,734,959	3.70	14,777,635	45.58
2005	11,675,763	1,641,568	3,720	5,950,867	7,370,184	3.70	15,671,824	47.03
2006	13,143,244	1,837,515	2,517	6,382,757	8,600,519	3.70	17,627,383	48.79
2007	15,774,924	1,866,335	2,499	7,560,579	10,083,178	3.70	20,757,362	48.58
2008	17,370,043	1,878,935	2,603	8,088,767	11,162,814	3.17	22,648,918	49.29

Source: Leon County Property Appraiser

Note: Assessed values are determined as of January 1 for each fiscal year.

(1) Total assessed values less exemptions

(2) Estimated actual value is based on the assumption that the assessed value is 85% of the actual value.

(3) Calculated Figure

CITY OF TALLAHASSEE, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per 1,000 of assessed value)

Fiscal Year	Direct	Overlapping				Total
	City of Tallahassee	County School Board		Leon County	N.W. Fla Water Management	
	Operating	Operating	Debt Service	Operating	Operating	
1999	3.20	9.29	1.10	8.60	0.05	22.24
2000	3.20	8.78	1.08	8.58	0.05	21.69
2001	3.20	8.66	0.95	8.58	0.05	21.44
2002	3.20	8.61	0.92	8.57	0.05	21.35
2003	3.20	8.75	0.86	8.56	0.05	21.42
2004	3.70	8.42	0.81	8.55	0.05	21.53
2005	3.70	8.35	0.73	8.54	0.05	21.37
2006	3.70	8.01	0.65	8.54	0.05	20.95
2007	3.70	7.92	0.54	7.99	0.05	20.20
2008	3.17	7.45	0.48	7.21	0.05	18.36

Source: Leon County Tax Collector

**CITY OF TALLAHASSEE, FLORIDA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND ELEVEN YEARS AGO**

Taxpayer	Type of Business	2008			1997		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Embarq/Sprint-Florida, Inc.	Communications	\$ 205,886	1	1.53%	\$ 143,343	1	1.50%
Smith Interest General Partnership	Retail	153,163	2	1.14%	--	--	--
Talquin Electric Corp, Inc.	Utilities	104,794	3	0.78%	59,197	2	0.6
Tallahassee Medical Center, Inc.	Medical	78,133	4	0.58%	18,193	9	0.2
DRA CRT Kogerama Land, LLC	Real Estate	74,780	5	0.55%	--	--	--
Stiles, J.A. III Etal, Trust	Retail	59,358	6	0.44%	--	--	--
Wal-Mart Stores, East	Retail	50,933	7	0.38%	--	--	--
St. Joe Company	Real Estate	42,439	8	0.31%	--	--	--
Northwood Associates, LLC	Real Estate	39,374	9	0.29%	--	--	--
City of Tallahassee	Municipality	38,680	10	0.29%	--	--	--
Governor's Square Mall	Retail	--	--	--	52,223	3	0.5
Koger Equity, Inc.	Real Estate	--	--	--	35,490	4	0.4
Florida Gas Transmission Compan	Utilities	--	--	--	27,407	5	0.3
Melrose Apts. Of Tallahassee	Real Estate	--	--	--	26,623	6	0.3
Tallahassee Mall	Retail	--	--	--	26,119	7	0.3
Comcast Cablevision, Inc.	Communications	--	--	--	19,323	8	0.2
Capital City Bank	Finance	--	--	--	18,911	10	0.2
Other Taxpayers		<u>12,636,418</u>		<u>93.71</u>	<u>9,147,044</u>		<u>95.5</u>
Total		<u>\$ 13,483,958</u>		<u>100%</u>	<u>\$ 9,573,873</u>		<u>100%</u>

Source: Leon County Property Appraiser

CITY OF TALLAHASSEE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(in thousands)

Fiscal Year	Total Assessed Valuation	Taxable Assessed Valuation	Levy	Collection	Percent ⁽¹⁾
1999	9,900,599	4,884,575	15,697	15,107	96
2000	10,283,316	5,217,864	16,775	16,081	96
2001	10,653,601	5,558,877	17,856	17,231	97
2002	11,101,846	5,892,235	18,927	18,172	96
2003	11,718,893	6,335,214	20,363	19,503	96
2004	12,561,990	6,734,959	24,988	24,053	96
2005	13,321,051	7,370,184	27,306	26,349	96
2006	14,983,276	8,600,518	31,875	30,191	95
2007	17,643,758	10,083,178	37,370	35,492	95
2008	19,251,581	11,162,814	35,416	33,592	95

⁽¹⁾ Florida Statutes provide for a discount of up to four percent for early payment of ad valorem taxes. All unpaid taxes become delinquent on April 1, and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad valorem tax revenues.

CITY OF TALLAHASSEE, FLORIDA
ASSESSED VALUATIONS, MILLAGE AND TAXES
LEVIED AND COLLECTED

Last Ten Fiscal Years
(in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL VALUATIONS	\$ 9,900,598	\$ 10,283,317	\$ 10,653,603	\$ 11,101,845	\$ 11,718,892	\$ 12,560,990	\$ 13,321,051	\$ 14,983,276	\$ 17,643,758	\$ 19,251,581
EXEMPTIONS										
Agricultural Adjustment	39,980	39,899	40,887	35,919	40,308	38,911	40,454	34,920	37,636	66,919
Government Exemption	3,931,418	3,935,543	3,935,283	4,089,831	4,139,584	4,455,255	4,235,264	4,230,744	4,843,510	5,033,493
Institutional Exemption	310,426	313,746	323,559	265,876	307,189	314,938	391,109	503,931	597,011	667,120
Individual / Homestead Exemptions	725,626	766,915	784,720	801,929	878,034	993,843	1,257,938	1,581,633	2,044,997	2,277,245
Other Exemptions & Adjustments	8,574	9,349	10,275	16,055	18,564	23,084	26,102	31,530	37,425	43,990
TOTAL EXEMPTION AND ADJUSTMENTS	5,016,024	5,065,452	5,094,724	5,209,610	5,383,679	5,826,031	5,950,867	6,382,758	7,560,579	8,088,767
TAXABLE VALUATION	\$ 4,884,574	\$ 5,217,865	\$ 5,558,879	\$ 5,892,235	\$ 6,335,213	\$ 6,734,959	\$ 7,370,184	\$ 8,600,518	\$ 10,083,179	\$ 11,162,814
MILLAGE LEVIED	3.200	3.200	3.200	3.200	3.200	3.200	3.700	3.700	3.700	3.170
TOTAL TAXES LEVIED	\$ 15,697	\$ 16,774	\$ 17,856	\$ 18,927	\$ 20,363	\$ 24,988	\$ 27,306	\$ 31,875	\$ 37,370	\$ 35,416
Less: Adjustments & Discount	522	567	598	637	681	848	937	1,079	1,253	1,172
Net Taxes Levied	\$ 15,175	\$ 16,207	\$ 17,258	\$ 18,290	\$ 19,682	\$ 24,140	\$ 26,369	\$ 30,796	\$ 36,117	\$ 34,244
NET COLLECTED ⁽¹⁾⁽²⁾	\$ 15,107	\$ 16,081	\$ 17,231	\$ 18,172	\$ 19,503	\$ 24,053	\$ 26,349	\$ 30,191	\$ 35,442	\$ 33,592

Source: Leon County Property Appraiser

⁽¹⁾ Florida Statutes provide for a discount of up to four percent for early payment of ad valorem taxes. All unpaid taxes become delinquent on April 1 and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad valorem tax revenues.

⁽²⁾ Net collected includes penalties or late payments.

CITY OF TALLAHASSEE, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(in thousands)

Governmental Activities:

Fiscal Year Ended Sept. 30,	General Revenue Bonds	Sunshine State Loan Payable	Special Purpose Revenue Bonds
1999	\$ 20,115	\$ 4,500	\$ 3,749
2000	18,970	4,500	3,638
2001	17,775	4,815	3,520
2002	14,060	21,700	3,396
2003	12,680	21,700	3,263
2004	11,270	21,700	3,122
2005	94,805	31,700	--
2006	91,350	31,200	--
2007	87,795	30,700	--
2008	84,135	30,200	--

Business-type Activities:

Fiscal Year Ended Sept. 30,	Loan Payable	Electric Revenue Bonds	Electric Refunding Revenue Bonds	Energy System	Energy System Refunding	Airport Refunding	CURSB	Consolidated Utility Systems Revenue Bonds	Sunshine State Loan Payable	AMI Loan Payable	Total Primary Government	Percentage of Personal Income	Per Capita
1999	\$ 36,500	\$ 2,073	\$ 48,250	\$ 193,020	\$ -	\$ 9,910	\$ -	\$ 83,385	\$ -	\$ -	\$ 401,502	5.31%	\$ 2,757
2000	57,028	2,208	42,890	191,690	--	9,450	--	80,340	--	--	410,714	5.16%	2,727
2001	62,482	2,325	37,250	187,255	17,380	8,970	--	61,015	--	--	402,787	4.88%	2,621
2002	--	--	--	185,005	43,025	8,465	57,920	--	65,528	--	399,099	4.73%	2,547
2003	--	--	--	180,300	36,610	7,940	55,115	--	63,072	--	380,680	4.38%	2,345
2004	--	--	--	171,410	34,005	7,295	51,965	--	61,064	--	361,831	3.90%	2,139
2005	--	--	--	166,395	27,095	6,570	60,855	--	54,320	--	441,740	4.54%	2,527
2006	--	--	--	290,100	19,975	5,830	57,360	--	61,506	--	557,321	N/A	3,161
2007	--	--	--	487,910	12,635	5,070	53,680	--	61,143	--	738,933	N/A	4,188
2008	--	--	--	479,590	11,730	4,290	214,485	--	57,030	35,300	916,760	N/A	4,956

Source: City of Tallahassee, Accounting Services Department

Notes: See Demographic and Economic Statistics for personal income and population data.

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

CITY OF TALLAHASSEE, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(in thousands)

General Bonded Debt Outstanding

Fiscal Year Ended Sept. 30	General Revenue Bonds	Total	Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
1999	20,115	20,115	0.17%	138
2000	18,970	18,970	0.16%	126
2001	17,775	17,775	0.14%	115
2002	14,060	14,060	0.11%	90
2003	12,680	12,680	0.09%	78
2004	11,270	11,270	0.08%	67
2005	94,805	94,805	0.60%	542
2006	91,350	91,350	0.52%	519
2007	87,795	87,795	0.42%	499
2008	84,135	84,135	0.37%	473

Source: City of Tallahassee, Accounting Services

⁽¹⁾ See Assessed Value and Estimated Actual Value of Taxable Property schedule for property value data.

⁽²⁾ See Demographic and Economic Statistics Schedule for Population data.

CITY OF TALLAHASSEE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES
September 30, 2008
(in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Leon County School Board ⁽²⁾	\$ 35,827	68%	\$ 24,362
Debt repaid with non self-supporting revenue debt			
Leon County ⁽³⁾	32,790	68%	<u>22,297</u>
Subtotal, Overlapping Debt			46,660
City Direct Debt			<u>84,135</u>
Total Direct and Overlapping Debt			<u><u>\$ 130,795</u></u>

⁽¹⁾ City's share calculated based on 2008 County Taxable Value of \$16,384,155 and City's Taxable Value of \$11,162,814, which results in 68 percent overlapping

⁽²⁾ Leon County School Board

⁽³⁾ Leon County

CITY OF TALLAHASSEE, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2008
(in thousands)

TAXABLE ASSESSED VALUE	<u>\$ 11,162,814</u>
Debt Limit 20 Percent of Assessed Value	<u>\$ 2,232,563</u>

Note: The City of Tallahassee has no general obligation debt outstanding and the amount of general obligation debt the City can issue is limited by City Charter.

CITY OF TALLAHASSEE
REVENUE BOND COVERAGE
ENERGY REVENUE BONDS
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ending	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
1999	\$ 180,174	\$ 127,427	\$ 52,747	\$ 5,100	\$ 11,402	\$ 16,502	3.20
2000	204,477	135,942	68,535	6,690	11,902	18,592	3.69
2001	261,226	188,665	72,561	10,375	11,918	22,293	3.25
2002	211,218	152,988	58,230	4,235	12,598	16,833	3.46
2003	248,845	193,211	55,634	11,120	10,380	21,500	2.59
2004	282,250	236,732	45,518	11,495	9,998	21,493	2.12
2005	303,028	251,417	51,611	11,925	9,565	21,490	2.40
2006	371,885	308,448	63,437	12,335	14,128	26,463	2.40
2007	378,909	309,195	69,714	12,760	15,932	28,692	2.43
2008	407,472	326,715	80,757	9,225	24,470	33,695	2.40

⁽¹⁾ Total operating revenues plus operating interest earned.

⁽²⁾ Total operating expenses exclusive of depreciation and amortization.

⁽³⁾ Includes principal and interest of revenue bonds only.

CITY OF TALLAHASSEE, FLORIDA
REVENUE BOND COVERAGE
AIRPORT REVENUE BONDS
LAST TEN FISCAL YEARS
(in thousands)

Fiscal Year Ending	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
1999	\$ 7,622	\$ 5,021	\$ 2,601	\$ 440	\$ 539	\$ 979	2.66
2000	7,797	4,862	2,935	460	519	979	3.00
2001	8,322	5,277	3,045	480	499	979	3.11
2002	8,825	6,215	2,610	505	477	982	2.66
2003	9,695	7,755	1,940	525	453	978	1.98
2004	10,032	9,414	618	60	234	294	2.10
2005	12,209	8,313	3,896	725	238	963	4.05
2006	12,553	8,313	4,240	740	220	960	4.42
2007	12,648	9,104	3,544	760	202	962	3.68
2008	12,851	9,323	3,528	780	183	963	3.66

⁽¹⁾ Total operating revenues (plus operating interest revenue & prepaid fees credit).

⁽²⁾ Total operating expenses exclusive of depreciation and amortization.

⁽³⁾ Includes principal and interest of revenue bonds only.

CITY OF TALLAHASSEE, FLORIDA
REVENUE BOND COVERAGE
CONSOLIDATED UTILITY REVENUE BONDS
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ending	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
1999	\$ 73,678	\$ 35,776	\$ 37,902	\$ 2,895	\$ 4,938	\$ 7,833	4.84
2000	78,615	40,778	37,837	3,045	4,781	7,826	4.83
2001	60,496	28,888	31,608	1,300	3,868	5,168	6.12
2002	60,175	28,479	31,696	3,095	3,434	6,529	4.85
2003	60,047	33,888	26,159	2,805	3,139	5,944	4.40
2004	62,706	36,740	25,966	3,150	3,003	6,153	4.22
2005	65,093	40,305	24,788	3,325	2,424	5,749	4.31
2006	69,521	42,617	26,904	3,495	2,816	6,311	4.26
2007	76,620	43,374	33,246	3,680	2,638	6,318	5.26
2008	83,873	44,787	39,086	3,655	9,274	12,929	3.02

⁽¹⁾ Total operating revenues of the Sewer, Water, and Stormwater Utilities Funds plus operating interest earned.

⁽²⁾ Total operating expenses exclusive of depreciation and amortization.

⁽³⁾ Includes principal and interest of revenue bonds only.

CITY OF TALLAHASSEE, FLORIDA
DEMOGRAPHIC STATISTICS
 Last Ten Calendar Years

Year	Estimated ⁽¹⁾ Population	Airline Passengers	Electric KWH Sold (000's)	Water		Gas Used (Cu. Ft.) (Millions)	Housing Units	Leon County School ⁽²⁾ Enrollment
				Consumed (Millions)	(Gals)			
1999	145,610	899,525	2,476,135	9,090	1,736	65,472	33,807	
2000	150,624	933,600	2,631,090	10,074	2,051	68,417	34,457	
2001	153,658	853,626	2,952,438	9,303	2,160	69,845	38,136	
2002	156,703	1,082,585	2,605,475	9,807	2,109	71,178	35,088	
2003	162,310	1,113,243	2,734,616	8,905	2,226	73,725	35,515	
2004	169,136	1,155,072	2,740,095	9,729	2,318	76,826	35,483	
2005	174,781	1,129,947	2,804,485	9,276	2,277	79,390	35,951	
2006	176,336	988,433	2,809,418	10,747	2,318	80,096	34,944	
2007	176,429	874,658	2,758,101	11,209	2,315	80,138	37,515	
2008	177,852	821,716	2,725,363	10,161	2,439	83,288	40,653	

Source: City records, except as noted.

⁽¹⁾ U.S. Census 2000; all other numbers are estimated by the Bureau of Economic and Business Research, University of Florida
⁽²⁾ Leon County School Board

Year	City Personal Income ⁽³⁾ (Thousands)	Per Capita Personal Income ⁽³⁾ \$	Number of Labor Force	Number of Employed	Number of Unemployed	Unemployment Rate (Percent)
1999	\$ 7,562,545	23,870	82,768	80,237	2,531	3.1%
2000	7,957,538	24,795	84,448	81,862	2,586	3.1%
2001	8,255,106	25,605	85,664	82,882	2,782	3.2%
2002	8,428,949	26,005	85,806	82,229	3,577	4.2%
2003	8,694,910	26,507	86,382	82,866	3,516	4.1%
2004	9,271,592	27,990	90,148	86,930	3,218	3.6%
2005	9,943,943	29,852	84,997	82,082	2,915	3.4%
2006	10,840,258	31,180	87,522	85,102	2,420	2.8%
2007	11,463,000	32,536	89,969	87,219	2,750	3.2%
2008	9,943,943	N/A	90,972	86,980	3,992	4.4%

Source: Florida Agency for Workforce Innovation, except as noted.

⁽³⁾ Bureau of Economic Analysis, U.S. Department of Commerce

**CITY OF TALLAHASSEE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND ELEVEN YEARS AGO**

Employer	Type of Business	2008 ⁽¹⁾			1997 ⁽²⁾		
		Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
State of Florida	Government	20,772	1	45.19%	26,846	1	47.68%
Florida State University	Education	6,129	2	13.33%	8,936	2	15.87%
Leon Co. School Board	Education	4,608	3	10.03%	5,653	3	10.04%
Tallahassee Memorial Healthcare	Healthcare	3,480	4	7.57%	3,177	5	5.64%
City of Tallahassee	Government	2,981	5	6.49%	2,730	6	4.85%
Publix Supermarkets	Retail grocery store	2,000	6	4.35%	1,400	9	2.49%
Florida A & M University	Education	1,894	7	4.12%	3,251	4	5.77%
Leon County	Government	1,808	8	3.93%	1,414	8	2.51%
ACS		1,200	9	2.61%	N/A		
Tallahassee Community College	Education	1,090	10	2.38%	1,100	10	1.95%
U.S. Government	Government	N/A		N/A	1,800	7	3.20%
Total		45,962		100.00%	56,307		100.00%

(1) All data from employer indicated, except as noted:

Tallahassee Memorial Healthcare and ACS data from Tallahassee Chamber of Commerce
Publix Supermarkets data from 2007
N/A = Not Available

(2) Leon County estimates

CITY OF TALLAHASSEE, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
LAST SIX FISCAL YEARS

<u>Function/Program</u>	<u>Full Time Equivalent Employees as of September 30</u>					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
City Commission & Appointed Official	132	133	132	131	132	126
Administration	188	191	187	185	184	184
Aviation	54	54	54	53	53	52
Communications	13	13	12	10	10	10
Customer Services	2	2	2	2	2	3
Economic Development	7	8	9	9	9	9
Electric	290	290	282	280	282	282
Fire	267	267	265	265	265	263
Fleet	58	59	60	60	n/a	n/a
Gas	40	40	40	40	41	42
Growth Management	83	83	80	80	79	77
Neighborhood & Community Services	85	86	83	79	81	80
Parks & Recreation	152	154	154	154	149	150
Planning	29	29	28	28	36	36
Police	498	499	492	491	492	487
Public Works	254	260	265	266	326	328
Solid Waste	102	108	107	103	103	98
Stormwater	91	94	85	83	84	83
StarMetro	167	169	140	138	138	139
Utility Services	167	166	165	165	165	157
Water Utility	303	304	301	298	296	297
Total	<u>2,982</u>	<u>3,009</u>	<u>2,943</u>	<u>2,920</u>	<u>2,927</u>	<u>2,903</u>

Source: City of Tallahassee, "Citizen's Budget Guide"

**CITY OF TALLAHASSEE, FLORIDA
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Arrests	N/A	7,002	7,033	6,329	7,847	6,562	6,959	6,674	8,929	6,768
Traffic violations	34,300	32,015	36,991	30,756	30,933	29,159	33,279	29,344	29,344	36,610
Parking violations	19,711	25,186	25,548	28,306	35,192	33,453	36,181	37,665	40,276	49,200
Fire										
Emergency responses	25,101	15,896	16,415	14,700	11,125	7,918	8,507	8,199	8,207	8,199
Fires reported	1,443	1,973	1,793	1,593	1,429	970	1,210	1,281	1,643	1,624
Gas										
Daily average consumption (MCF)	6,111	6,347	6,392	7,058	6,351	6,400	6,258	5,833	5,620	5,066
Number of service connections	26,447	26,348	25,888	24,322	24,322	21,940	21,823	21,873	19,738	19,200
Water										
Daily average consumption (MGD)	33.03	33.03	27.00	28.00	30.43	28.89	30.92	29.49	27.60	25.18
Number of service connections	82,069	81,275	79,887	77,866	76,039	69,480	70,688	69,157	67,678	65,836
Electric										
Net System Energy Generated (KWH) (Millions)	2,725	2,758	2,758	2,698	2,684	2,607	2,513	2,952	2,556	2,478
Average number residential customers	86,151	93,258	91,490	88,788	87,071	86,377	81,386	80,000	78,730	76,932
Average residential monthly bill	148.74	147.68	140.50	111.51	115.31	102.07	82.06	97.18	90.48	84.65
Sewage										
Daily average treatment (MDG)	N/A	16.89	17.24	19.53	16.61	16.47	16.59	17.24	17.24	15.94
Number of service connections	69,913	69,048	66,063	66,603	64,406	58,531	58,984	57,788	56,430	54,947
Transit										
Total revenue miles	1,920,924	1,604,339	1,908,268	1,747,116	1,720,087	1,721,087	1,699,228	1,629,453	1,678,460	1,650,199
Passengers trips	4,176,710	4,136,790	4,304,334	4,612,725	4,459,371	4,372,762	4,140,250	3,934,447	3,922,150	4,037,894
Solid Waste										
Number of customers	63,284	63,608	63,176	62,699	61,782	60,438	60,496	58,671	N/A	N/A
Refuse collected (in tons)	N/A	159,002	157,253	162,737	162,328	156,545	149,240	149,145	144,241	145,867
Recyclables collected (in tons)	N/A	9,361	8,055	7,821	7,861	7,843	7,842	7,850	8,282	N/A
Airport										
Number of passengers	821,716	874,658	988,433	1,129,947	1,155,072	1,113,243	1,082,585	853,626	933,600	899,525

Source: Various city departments
N/A - Not Available

CITY OF TALLAHASSEE, FLORIDA
CAPITAL ASSETS STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular units										
Marked vehicles	318	311	291	290	288	283	275	275	271	270
Motorcycles	9	9	9	9	9	9	9	7	7	7
Unmarked vehicles	170	144	132	132	132	132	132	132	129	128
Bicycle patrol units	N/A	12	12	12	15	19	21	21	21	21
Fire stations	15	15	15	15	15	15	15	15	15	15
Gas										
Gas lines (in miles)	818	806	780	744	731	715	670	645	618	610
Plant Capacity (MCF)	24,000	24,000	24,000	42,000	24,322	21,900	21,873	21,873	18,000	18,000
Water										
Water mains (in miles)	N/A	1,170	1,147	1,143	1,131	1,172	1,212	1,200	980	973
Deep Wells	27	27	27	28	28	28	28	29	29	29
Plant Capacity (MGD)	72.3	72.3	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6
Electric										
Generating plants	3	3	3	3	3	3	3	3	3	3
Generating capacity (KW)	795	795	795	747	699	699	699	706	46	508
Transmission lines (in miles)	185	185	185	185	188	188	188	185	183	183
Number of street lights	N/A	17,168	16,812	16,682	16,466	16,143	15,330	15,480	15,303	14,886
Distribution lines (in miles)	N/A	2,693	2,693	2,586	2,115	2,115	2,050	2,000	1,900	1,900
Sewage										
Number of lift stations	N/A	106	102	96	93	82	83	84	84	89
Sanitary sewers (in miles)	N/A	999	865	968	949	928	940	934.6	858	850
Number of disposal plants	2	2	2	2	2	2	2	2	2	2
Capacity of treatment plants (MGD)	32	32	32	32	32	32	32	27	32	32
Transit										
Bus Plaza	1	1	1	1	1	1	1	1	1	1
Buses	66	66	66	49	49	48	49	48	44	41
Refuse Collection										
Collection trucks	36	62	62	62	62	62	62	62	62	62
Parks and recreation										
Community centers and specialty centers	10	10	10	10	10	10	10	10	10	10
Summer playgrounds and camps	43	43	26	26	26	26	26	26	26	26
Athletic fields	86	86	87	86	86	86	84	138	138	138
Golf courses	2	2	2	2	2	2	2	2	2	2
Swimming pools	13	13	9	9	9	9	9	10	10	8
Park acreage	3,881	3,881	3,881	3,881	3,881	3,881	3,950	3,087	3,087	3,087
Fitness trails	17	17	17	17	17	17	19	10	10	10
Tennis/racquetball courts	72	67	70	69	69	69	69	71	71	71
Gymnasiums, center sites	7	7	7	7	7	7	7	7	7	7
Gymnasiums, school sites	9	9	12	12	12	12	12	12	12	12
Airport	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	N/A	1,394	1,354	1,335	1,253	1,223	1,192	1,166	1,141	1,121
Traffic signals ⁽¹⁾	122	123	114	109	105	101	N/A	N/A	N/A	N/A

Source: Various city departments

⁽¹⁾ The department did not have asset tracking database prior to FY 04

N/A- Not Available

**City of Tallahassee
Miscellaneous Statistical Data
September 30, 2008**

Date of Incorporation	1825	Form of Government: Commission-M anager
Date First Charter Adopted	1825	Commission Composed of: Mayor and Four Commissioners
Date Present Charter Adopted	1919	

Terms of Office:

Mayor - Four Years (Elected by Tallahassee Citizens)
Commissioners - Four Years (Elected by Tallahassee Citizens)
M anager (Appointed by Commission)

Education:

Number of Public Schools	50 ⁽¹⁾
Number of Public School Instructors	2,275 ⁽¹⁾
Number of Public School Students, (PK-12)	40,653 ⁽¹⁾
Number of Vocational-Technical Schools	1 ⁽¹⁾
Number of Community Colleges	1
Number of Universities	2
Number of College-level Instructors	3,167 ⁽²⁾
Number of College-level Students	66,728 ⁽²⁾

Major Annual Events:

Springtime Tallahassee Festival
Fourth of July "Celebrate America"
North Florida Fair
Market Days
Winter Festival

Transportation:

Airline, Bus Line, and Railroad Freight and Passenger Services

Communications:

Newspapers, Radio Stations, Television Stations;
Cable Television and Telephone Service

Culture, Recreation, and Health:

Conference Center, Civic Center, and Theaters

Seating Capacity	20,855
M useums	13
M ajor Libraries	8
Skating Rinks	2
Golf Courses	9
Hospital Beds	968 ⁽³⁾

Average Annual Temperature	67.2 Degrees
Average Annual Rainfall	65.7 Inches
Area	102.97 Square Miles

Source: City of Tallahassee Records except as noted below:

- ⁽¹⁾ Leon County School Board
- ⁽²⁾ Tallahassee Community College; Florida State University; Florida A & M University
- ⁽³⁾ Tallahassee Memorial Healthcare and Capital Regional Medical Center

CITY OF TALLAHASSEE, FLORIDA
SCHEDULE OF INSURANCE
September 30, 2008

Type of Coverage and Carrier	Policy Number	Policy Term	Coverage Detail	(in thousands)	(in thousands)	Premium
Liability:						
Self-Insurance						
N/A	N/A	N/A	General Liability Police Civil Liability Employment Practice	100/200 100/200 100/200	N/A N/A N/A	N/A N/A N/A
Old Republic/ Lloyds	PR174507/JDDNX9803406	10/1/2007	Airport Liability	100,000	10	128
ALL Risk Property						
Axis/Hartford/Liberty Zurich/Landmark	Various	4/1/2007-4/1/2008	General Government Utility Property Boiler & Machinery	Combined total 700,000	100 per occurrence 500 Wastewater & Power Gen. 750 Hopkins2 and Purdom 8 Windstorm 2% TIV of location	3,062
Health Care						
Capital Health Plan Blue Cross/Blue Shield	00005 45380	N/A N/A	Employee Health Care Employee Health Care	N/A N/A	N/A N/A	Funded Reserves Funded Reserves
Statutory Death Benefits						
AIG Life Insurance	SRG0008047924	10/1/2004-2007	Statutory and Accidental Death(Police & Fire)	50/50/150	N/A	53 (3year)
Workers Compensation						
Self Insured National Union Fire	N/A XCW3757783	N/A 10/1/2007	Primary Workers Compensation Excess Workers Compensation	Statutory Statutory in excess of \$1M retention	1,000 SIR	N/A 300
Public Officials Bond						
Fidelity Deposit Company	POB8142917	Continuous	Statutory Position Bond- Treasurer Clerk	100	N/A	N/A
Employee Fidelity Bond						
Fidelity Deposit Company	CCP0018136-10	Continuous	Government Crime	1000	25	20



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SINGLE AUDIT

Additional Elements Required by the *Rules of the Auditor General* and the *Single Audit Act of 1996*:

FOR THE ENTITY

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

FOR THE FINANCIAL ASSISTANCE PROGRAMS

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Schedule of Expenditures of Federal Awards and State Financial Assistance

Schedule of Findings and Questioned Costs - Federal Awards
and State Financial Assistance

Summary Schedule of Prior Audit Findings

OTHER

Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance

Schedule of Expenditures of Passenger Facility Charges

Management Comments

Reply to Independent Auditors' Report on Internal Control and Management Comments



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, City Commission, City Manager and Audit Committee
City of Tallahassee, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Tallahassee, Florida (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency and another that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency numbered 2008-2 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider the deficiency numbered 2008-1 to be a material weakness.

The City's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters

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

We have noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of the City in a separate management comment letter dated March 16, 2009.

The City's responses to the findings identified in our audit are described in the accompanying management response letter. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Honorable Mayor, City Commissioners, City Manager, Audit Committee, the Auditor General of the State of Florida, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature of Carl Rizzo in black ink.

Tallahassee, Florida
March 16, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor, City Commission, City Manager and Audit Committee
City of Tallahassee, Florida

Compliance

We have audited the compliance of the City of Tallahassee (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the State of Florida, Department of Financial Service's *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine

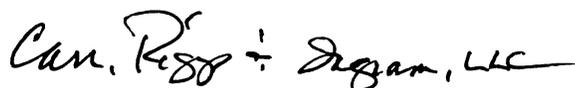
our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor, City Commissioners, City Manager, Audit Committee, and the Auditor General of the State of Florida and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
March 16, 2009

City of Tallahassee
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	CFDA/CSFA Number	Federal Grant Number	Pass-Through/State Grant Number	Expenditures
<u>FEDERAL AWARDS</u>				
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
Direct Programs:				
Community Development Block Grant-Entitlement	14.218	B-9XMC-12-0019	N/A	\$ 1,521,427
HOME	14.239	M9X-MC-120221	N/A	1,297,021
Emergency Shelter Grant	14.231	S05-MC-120010	N/A	932
Emergency Shelter Grant	14.231	S05-MC-120011	N/A	77,963
Total U.S. Department of Housing & Urban Development				2,897,343
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Direct Programs:				
Special Appropriation Water Infrastructure Grant	66.606	XP-97436201	N/A	104,898
Think About Personal Pollution (TAPP) Grant	66.460	C9-99451505-05	N/A	74,827
Total U.S. Environmental Protection Agency				179,725
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct Programs:				
Grants for Public Works and Economic Development Facilities	11.300	04-01-05502	N/A	22,014
Total U.S. Department of Commerce				22,014
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Pass through Florida Department of Environmental Protection:				
Outdoor Recreation Acquisition, Development and Planning	15.916	N/A	LW532	850
Total U.S. Department of the Interior				850
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
FEDERAL TRANSIT ADMINISTRATION				
Direct Programs:				
Federal Transit Formula Grant	20.507	FL-90-X646	952	1,030,963
Federal Transit Formula Grant	20.507	FL-90-X505	819-820	188,639
Federal Transit Formula Grant	20.507	FL-90-X563	979	38,979
Federal Transit Formula Grant	20.507	FL-90-X618	1007	523,127
Federal Transit Formula Grant	20.507	FL-03-0229	413103 1	32,575
Federal Transit Formula Grant	20.507	FL-90-X659	951	289,388
Federal Transit Formula Grant	20.507	FL-03-0261	791	388,420
Federal Transit Formula Grant	20.507	FL-04-0012	979	1,421,204
Pass through Florida Department of Transportation:				
Highway Planning and Construction Grant	20.205	1991 997	AN837	(5,327)
Highway Planning and Construction Grant	20.205	4046-044-C	AOH88	18,005
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION				
Pass through Florida Department of Transportation:				
Occupant Protection	20.602	N/A	AP263	40,471
Campbell Connector Trail	N/A	N/A	A0505	11,861
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	N/A	AOM64	31,649
FEDERAL TRANSIT ADMINISTRATION				
Direct Programs:				
Airport Improvement Program	20.106	3-12-0077-30	N/A	117,759
Airport Improvement Program	20.106	3-12-0077-31	N/A	303,950
Airport Improvement Program	20.106	3-12-0077-32	N/A	98,266
Airport Improvement Program	20.106	3-12-0077-33	N/A	528,141
Total U.S. Department of Transportation				5,058,070

City of Tallahassee
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2008

U.S. DEPARTMENT OF JUSTICE

Direct Programs:

Weed-N-Seed Grant	16,595	05-WS-Q5-0043	N/A	1,490
Justice Assistance Grant (JAG)	16,783	05-DJ-BX-0994	N/A	25,960
Justice Assistance Grant (JAG)	16,783	2006-DJ-BX-0819	N/A	33,880

Pass through Florida Department of Law Enforcement:

Community Prosecution and Project Safe Neighborhoods	16,609	N/A	2007-PNAG-LEON-1-P7-002	29,747
Total U.S. Department of Justice				<u>91,077</u>

U.S. DEPARTMENT OF HOMELAND SECURITY

Direct Programs:

Law Enforcement Officers Reimbursement Agreement Program	97,090	HSTS0208HSLR350	N/A	408,216
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Pass through Florida Department of Community Affairs:

State Domestic Preparedness Equipment Support Program	97,004	N/A	05DS-2N-13-00-16-317	(2)
Disaster Grants - Public Assistance	97,036	N/A	08-FA-B9-02-47-00-572	1,832,842

Pass through Florida Department of Financial Services:

Florida Type II Hazardous Materials/WMD Teams	N/A	N/A	07S-5N-13-00-16-217	(5,839)
Florida Urban Search and Rescue Task Forces	N/A	N/A	07-DS-5N-13-00-16-217	130,037
Total U.S. Department of Homeland Security				<u>2,365,254</u>

Total Federal Awards 10,614,333

STATE AWARDS

FLORIDA DEPARTMENT OF TRANSPORTATION

Transportation Disadvantaged: Non-Sponsored Trips	55.001	N/A	22710618401	439,740
Transportation Disadvantaged - (5311)	55.002	N/A	42136418426	97,055
Transportation Disadvantaged - Medicaid (Net)	55.002	N/A	41604318201	615,169
Service Development - FY 07/08 Star Metro	55.010	N/A	4225231/API47	225,000
Operating Assistance - FY 07/08 Star Metro	55.010	N/A	4140971/AOR08	963,930
Airport Improvement Program	55.004	N/A	226761-19401	4,760
Airport Improvement Program	55.004	N/A	226769-19401	373,368
Airport Improvement Program	55.004	N/A	226776-18401	1,408
Airport Improvement Program	55.004	N/A	226778-19401	1,448
Airport Improvement Program	55.004	N/A	226781-18401	465,942
Airport Improvement Program	55.004	N/A	226792-18401	27,862
Airport Improvement Program	55.004	N/A	226820-19401	7,062
Airport Improvement Program	55.004	N/A	226821-19401	3,820
Airport Improvement Program	55.004	N/A	405863-19401	6,789
Airport Improvement Program	55.004	N/A	409507-19401	35,262
Airport Improvement Program	55.004	N/A	409513-19401	12,928
Airport Improvement Program	55.004	N/A	417055-15801	11,242
Airport Improvement Program	55.004	N/A	41899119401	533
Airport Improvement Program	55.004	N/A	420711-19401	17,853
Airport Improvement Program	55.004	N/A	416011-19401	245,547
Airport Improvement Program	55.004	N/A	414088-19401	154
Total Florida Department of Transportation				<u>3,556,872</u>

City of Tallahassee
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2008

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

Solid Waste Building Renovation	37.050	N/A	IG0507	2,357
Waste and Recycling - 2007	37.050	N/A	IG07-02	39,147
Waste and Recycling - 2008	37.050	N/A	N/A	34,414
Tom Brown Park Project	37.017	N/A	F06030	200,000
Bond Community Neighborhood/Capital Cascades/St Aug Restoration	37.039	N/A	LP6011	10,637
Cascade Park Remediation	37.063	N/A	S0195	724,262
Total Florida Department of Environmental Protection				<u>1,010,817</u>

FLORIDA EXECUTIVE OFFICE OF THE GOVERNOR

Gaines Street Redevelopment	N/A	N/A	OT-01-128	100,098
Total Florida Executive Office of the Governor				<u>100,098</u>

FLORIDA HOUSING FINANCE CORP.

State Housing Initiatives Partnership Program	52.901	N/A	N/A	1,237,313
Total Florida Housing Finance Corp.				<u>1,237,313</u>

FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS

Urban Infill and Redevelopment Assistance Grant	52.021	N/A	01-II-07-02-47-02-006	9,072
Capital Cascade Segment 4	52.002	N/A	06-CT-64-05-F5-A1-010	225,429
Tropical Storm Fay - State Match	N/A	N/A	N/A	303,445
Front Porch Florida	52.030	N/A	U00-7	134,302
Total Florida Department of Community Affairs				<u>672,248</u>

Total State Awards

6,577,348

Total Financial Assistance

\$ 17,191,681

NOTES

The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the accrual basis of accounting. This method is consistent with the method used in the preparation of the City's financial statements. The City does not use sub recipients. No federal or state financial assistance was expended in non-cash assistance.

City of Tallahassee
Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance
For the Year Ended September 30, 2008

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major federal program?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with <i>OMB Circular A-133</i> ?	No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant-Entitlement
97.036	Disaster Grants – Public Assistance
97.090	Law Enforcement Officers Reimbursement

Dollar threshold used to distinguish between Type A and Type B programs:	\$318,443
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Auditee qualified as low-risk auditee?	Yes
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State Awards

Internal control over major projects:
Material weakness(es) identified? No
Significant deficiency(ies) identified not considered to be material weaknesses? No
Type of auditors' report issued on compliance for major state projects? Unqualified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*? No

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Project</u>
55.001	Transportation Disadvantaged: Non-Sponsored Trips
37.063	Cascade Park Remediation
52.901	State Housing Initiatives Partnership Program
55.004	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Section II – Financial Statement Findings

Material Weakness 2008-1 Accounting for Retired Capital Assets

Condition: After a capital asset was retired, the fixed asset system removed the cost basis of the asset but did not remove the depreciation schedule.

Reason Improvement Needed: To ensure that there is not a material misstatement of the financial statements and to properly account for capital assets in accordance with generally accepted accounting principles.

Cause of Condition: Fixed asset system programming error.

Effect of Condition: Depreciation on retired capital assets was recorded as an expense in the years after they were retired, thus materially overstating expenses and understating capital assets in the years since the asset's retirement.

Recommendation: A prior period adjustment was required and the City made the adjustment. We recommend that City review a sample of retirements during the fiscal year to ensure that the cost and accumulated depreciation related to the capital asset has been properly accounted for in the fixed asset system. In addition, we recommend that the programming error be researched and fixed.

Costs and Benefits of Recommended Action: Depreciation on capital assets will be properly recorded.

City Response: We concur with the recommendation. The City has communicated this issue with the software provider and we are currently working with them in order to determine the appropriate software correction that needs to be made.

Significant Deficiency 2008- 2 Recording of Purchased Capital Assets

Condition: Land and vehicles were not properly recorded as capital assets in the year of purchase.

Reason Improvement Needed: To ensure that there is not a material misstatement of the financial statements.

Cause of Condition: The City's accounting services division relies on the City's real estate and fleet division to inform them of any capital assets purchases.

Effect of Condition: The land was not recorded as a capital asset in the year of purchase. When the land was sold in the current year, the entire proceeds received from the sale were recognized as gain on sale of land. This caused prior and current year assets to be understated and current year income to be overstated. In addition, the vehicles purchased in the current year were expensed rather than capitalized, causing an understatement of income and an understatement of capital assets in the current year.

Recommendation: A prior period and current period adjustment was required for the land purchase and the City made the adjustment. An adjustment was made in the current year to capitalize the vehicles. A procedure should be developed by the City's accounting services division to ensure that all capital asset transactions are properly recorded.

Costs and Benefits of Recommended Action: Better information provided for decision-making.

City Response: We concur with the recommendation. The Accounting Services Division will develop procedures to review all fixed asset related accounts to ensure that all capital asset transactions are properly recorded.

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with OMB Circular A-133 or Chapter 10.550, *Rules of the Auditor General*.

City of Tallahassee
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2008

Federal Programs – None
(2007)

State Projects – None
(2007)

Financial Statement Findings

Significant Deficiency 2007- 1 Accounting for Capital Assets

In the prior year, we noted that depreciation expense on capital assets was not properly recorded for some assets. The accounting services division relies on the other divisions of the City to provide information regarding purchases of capital assets and also the date that constructed assets are placed in service. Sometimes there is a lag between the date the asset was placed in service and the date that the asset is entered into the fixed asset system which results in a delay in depreciation charges. As a result, depreciation on capital assets may not be properly recorded due to timing of entering of assets into the fixed asset system. To properly account for capital assets in accordance with generally accepted accounting principles, we recommended that significant capital assets be reviewed for proper entry date prior to year end. Additionally, significant construction in progress should be reviewed at least annually to determine whether any assets had been completed and placed in service before final closing of the project is reported to accounting.

2008 Status: The City's Fixed Asset policy was amended to clarify the responsibility of other departments of the City to provide accounting services with timely information to record purchased assets as soon as they are placed in service. The revised policy was forwarded to all departments for their information and compliance.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor, City Commission, City Manager and Audit Committee
City of Tallahassee, Florida

Compliance

We have audited the compliance of the Tallahassee Regional Airport, City of Tallahassee, Florida (the Airport) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended September 30, 2008. Compliance with the requirements of laws and regulations applicable to its facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the compliance requirements referred to above, that could have a direct and material effect on the passenger facility program, occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a compliance requirement of the passenger facility charge program on a timely basis. A *significant deficiency* is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a compliance requirement of the passenger facility charge program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a compliance requirement of the passenger facility charge program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Passenger Facility Charges

We have audited the basic financial statements of the City of Tallahassee, Florida as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the Guide and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Honorable Mayor, City Commissioners, City Manager, Audit Committee, and the Auditor General of the State of Florida and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than those specified parties.

Carl Rigg & Ingram, LLC

Tallahassee, Florida
March 16, 2009

City of Tallahassee
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended September 30, 2008

<u>Program Title</u>	<u>Expenditures</u>
Passenger Facility Charges Used:	
Passenger Facility Charge Application @02-04-C-00-TLH:	
Project 9: Master Plan Update	\$ 1,653
Project 11: Terminal Rehabilitation Program	427,278
	<u>428,931</u>
Passenger Facility Charge Application #05-05-U-00-TLH:	
Project 6: Interactive Training System Improvements	60,002
Project 10: Terminal Apron Lighting Improvements	7,351
	<u>67,353</u>
Passenger Facility Charge Application #06-06-C-00-TLH:	
Project 1: Cargo Apron Expansion	(148)
Project 2: Cargo Apron Access	(56,321)
Project 5: Terminal Improvements	2,469
Project 6: GA Access Road Improvements	30,887
Project 7: Landside Directional Guidance Improvements	30,687
Project 8: In-Line Baggage Handling System	217,741
Project 9: Terminal Rehabilitation - Phase II	260,811
Project 10: Acquire Replacement ARRF Vehicle	164
Project 12: Electronic Airport Layout Plan	58,420
Project 13: Runway 9/27 Pre-Design	289,157
Project 14: Taxiway Z Rehabilitation Design	536
Project 15: Taxiway S Rehabilitation Design	1,451
Project 16: Taxiway M Bypass Design	2,851
Project 17: South Apron Expansion Design	5,257
Project 18: Airfield Signage Improvements Design	33,901
Project 19: Airfield Lighting Improvements Design	34,985
Project 20: Airport Access Control and Monitoring System Design	6,163
	<u>919,011</u>
Total Passenger Facility Charges Used	<u><u>\$ 1,415,295</u></u>



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**MANAGEMENT LETTER PURSUANT TO CHAPTER 10.550, RULES OF THE AUDITOR
GENERAL FOR LOCAL GOVERNMENTAL ENTITY AUDITS**

Honorable Mayor, City Commission, City Manager and Audit Committee
City of Tallahassee, Florida

We have audited the basic financial statements of the City of Tallahassee, Florida (the City) as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 16, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

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

Owner-Occupied Rehabilitation (Prior Year Reference 06-01)

In the prior year, the auditors noted that the City's Department of Neighborhood and Community Services (NCS) utilized subrecipients in some of their programs. NCS' policy required that subrecipients provide documentation regarding the verification of client income from third parties. The auditors did not find this information in some of the client files tested. To ensure that funds are spent in compliance with grant requirements, the auditors recommended that NCS maintain the documentation regarding verification of income for all owner occupied rehabilitation participants.

2008 Status: NCS has found that certain subrecipients continue to fail to obtain the proper income verification documents. NCS is now holding back funding from subrecipients until such failures are corrected. Additionally, NCS plans to take over the income verification process from all subrecipients in the near future.

Review of Grant Reporting (Prior Year Reference 2007-1)

Condition: In the prior year, we noted that there currently was no centralized independent review of grant reporting and reimbursement requests. There is an increased likelihood that errors in reporting and noncompliance with grant contracts would not be detected and communicated. To ensure that there is not a material misstatement of the financial statements and to ensure compliance with laws, regulations, and grant contracts, we recommended that all documents prepared for reporting to grantors be carefully reviewed by someone other than the preparer and all reimbursement requests should be reviewed by the City's accounting services division for accuracy and compliance.

2008 Status: The City currently does not have centralized grant accounting and reporting policies and procedures; management continues to evaluate the necessity for implementation of such policies and procedures.

Monitoring of Market Values of Investments (Prior Year Reference 2007-2)

In the prior year, during our testing of investment values, we noted that the City does not have procedures to verify and monitor the market values provided by the City's custodian for non-pension investments. There is an increased likelihood that errors in reporting of non-pension investments may occur. To ensure that there is not a material misstatement of the financial statements and to consider whether non-pension investments are impaired, we recommended that the investment values provided by the custodian for the non-pension portfolio should be reviewed by the City for accuracy and for consideration as to whether any impairment in values should be recorded.

2008 Status: During 2008, the Treasurer-Clerk's office implemented a process to review market values for a sample of investments as part of our year-end procedures.

Uncollectible Receivables for "Capital Credits" (Prior Year Reference 2007- 3)

In the prior year, during our testing of receivables, we noted that the City is carrying receivables for capital credits in the electric fund. These receivables appear to be uncollectible and time and resources are being used to monitor and account for something that probably has no value. To reduce the costs of maintaining these assets and to clean up the balance sheet, we recommended that the uncollectible receivables should be written off.

2008 Status: As recommended in the comment, these receivables were written off during 2008.

Recording of Land Sales (Prior Year Reference 2007- 4)

During the prior year, we noted that a sale of land was not recorded and properly removed from capital assets. The City's accounting services division relies on the City's real estate division to inform them of any real estate that has been sold. To ensure that there is not a material misstatement of the financial statements, we recommended that a procedure should be developed to ensure that all land transactions are communicated to the accounting services division.

2008 Status: The City's Fixed Asset Policy was amended to provide procedures to ensure that future land transactions are properly recorded. The amended policy was forwarded to all the City departments for their information and compliance.

Accounting for Fixed Income Investments (Prior Year Reference 2007- 5)

In the prior year, we noted that the pooled cash fund includes an account titled "accumulated accretion" which represents the net accumulated difference between the value at maturity of fixed income investments and the price originally paid for the fixed income investments including premium or discount. This account is carried as an asset account and is never included in income. The investment analyst was not aware that amortization of premium and discount should be recorded and the result was that amortization of premium and discount on fixed income investments was not being reflected in income. To ensure that there is not a material misstatement of the financial statements and to allow for proper accountability and transparency regarding the true investment performance of the City's short-term investment portfolio, we recommended that the premium and discount on purchased fixed income investments should be amortized and included in income over the life of the related investments in accordance with generally accepted accounting principles.

2008 Status: The Treasurer-Clerk's office will be implementing procedures during fiscal year 2009 to amortize the premium and discounts associated with fixed income investments.

Accounting for Investments (Prior Year Reference 2007- 6)

In the prior year, we noted that the City accounts for purchases of investments on the "settlement" date versus "trade" date. The City had accounted for its investments on the trade date in prior years, but was told by its previous auditors that it should use the "settlement" date. To account for investments purchased in accordance with generally accepted accounting principles, the City should record purchases of investments on the "trade" date. Trade date is the date that the City in effect "owns" the assets and is subject to the risk of loss. We recommended that Investments be accounted for on the trade date.

2008 Status: During fiscal year 2008, the accounting for purchases of investments was changed to the trade date as recommended.

Calculation of Accrued Leave for Union Workers (Prior Year Reference 2007- 7)

In the prior year, we noted that accrued leave was not correctly calculated and recorded. The accrued leave for union workers was calculated the same as the general employee population despite the fact that the policy for union workers is different. This caused accrued leave to be overstated. To properly account for accrued leave in accordance with generally accepted accounting principles, we recommended that accrued leave calculations should consider the current policies in effect.

2008 Status: The City's accrued leave calculations have been corrected and adjusted.

Accounting for Grant Receivables (Prior Year Reference 2007- 8)

In the prior year, we noted one grant related receivable was not properly recorded in the Stormwater Fund. There was a procedure in place to communicate the receipt of grant funds; however the grant receivable had not been adjusted. To properly account for grant related receivables in accordance with generally accepted accounting principles, we recommended that receivables should be reviewed for reasonableness and consideration of whether balances are properly stated.

2008 Status: The Accounting Services Division has implemented procedures to review receivable balances for reasonableness.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, *Florida Statutes*.

Section 10.554(1)(i)3., *Rules of the Auditor General*, require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have noted the following items.

Management Letter Comment 2008-1 Recording of Receivables and Payables on Open Investment Transactions

Condition: During our testing of investments, we noted that the receivable and/or payable for open investment transactions over month end are not properly recorded by the City.

Reason Improvement Needed: To ensure that there is not a material misstatement of the financial statements.

Cause of Condition: The City properly accounts for investment transactions based on the "trade" date. However, the receivable or payable for the open trades at month end are not recorded on the Statement of Net Assets. Instead, the open trade amounts are recorded as investment earnings.

Effect of Condition: The receivable and/or payable for the open trades are not properly recorded on the Statement of Net Assets and the investment earnings are not properly stated.

Recommendation: Receivables and payables should be recorded for all open investment trades at month end and then reversed in the month the cash is received/paid.

Costs and Benefits of Recommended Action: Better information provided for decision-making.

City Response: We concur with the comment. Procedures will be put in place during 2009 to appropriately record all open investment trades.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g. the omission of required disclosures from financial statements) (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the Annual Financial report for the City for the fiscal year ended September 30, 2008 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Honorable Mayor, City Commissioners, City Manager, Audit Committee, and the Auditor General of the State of Florida and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
March 16, 2009



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March 16, 2009

Mayor, Commissioners,
City Manager, and Audit Committee
City of Tallahassee
Tallahassee, Florida

Reply to Independent Auditors' Report on Internal Control and Management Comments

As a result of the audit of the City's financial statements for the year ended September 30, 2008, our auditors, Carr, Riggs & Ingram, LLC, Certified Public Accountants, have issued their comments and recommendations on internal accounting control and related matters. The Rules of the Auditor General of the State of Florida require the auditor to submit such report and that an appropriate response to their report be prepared and submitted.

All comments and recommendations made by the auditors have been carefully considered and our response is provided below.

2008 – 1 Accounting for Retired Capital Assets

We concur with the recommendation. The City has communicated this issue with the software provider and we are currently working with them to determine the appropriate software correction that needs to be made.

2008 – 2 Recording of Purchased Capital Assets

We concur with the recommendation. The Accounting Services Division will develop procedures to review all fixed asset related accounts to ensure that all capital asset transactions are properly recorded.

2008 – 3 Recording of Receivables and Payables on Open Investment Transactions

We concur with the recommendation. Procedures will be put in place during 2009 to appropriately record all open investment trades.

The following is provided to update the status of prior year comments and recommendations:

2006 – 1 Owner-Occupied Rehabilitation

NCS has found that certain sub recipients continue to fail to obtain the proper income verification documents. NCS is now holding back funding from sub recipients until such failures are corrected. Additionally, NCS plans to take over the income verification process from all sub recipients in the near future.

2007 – 1 Review of Grant Reporting

The City currently does not have centralized grant accounting and reporting policies and procedures; management continues to evaluate the necessity for implementation of such policies and procedures.

2007 – 2 Monitoring of Market Values of Investments

During 2008 the Treasurer-Clerk's office implemented a process to review market values for a sample of investments as part of our year-end procedures.

2007 – 3 Uncollectible Receivables for "Capital Credits"

During 2008 these receivables were written off.

2007 – 4 Recording of Land Sales

The City's Fixed Asset Policy was amended to provide procedures to ensure that future land transactions are properly recorded. The amended policy was forwarded to all the City departments for their information and compliance.

2007 – 5 Accounting for Fixed Income Investments

The Treasurer-Clerk's office will be implementing procedures during 2009 to amortize the premium and discounts associated with fixed income investments.

2007 – 6 Accounting for Investments

During 2008 the accounting for purchases of investments was changed to the trade date as recommended.

2007 – 7 Calculation of Accrued Leave for Union Workers

The City's accrued leave calculations have been corrected and adjusted.

2007 – 8 Accounting for Grant Receivables

The Accounting Services Division has implemented procedures to review receivable balances for reasonableness.

Respectfully submitted,



Raoul A. Lavin
Director of Management and Administration



Richard G. Feldman, CPA
Accounting Services Manager