

FLORIDA'S CAPITAL CITY

# Comprehensive Annual

## Financial Report

For the Fiscal Year Ended September 30, 2012

**#1** Public Utility  
in America



# **CITY OF TALLAHASSEE, FLORIDA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For The Fiscal Year Ended  
September 30, 2012**



**PREPARED BY:**

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

# **CITY OF TALLAHASSEE, FLORIDA**

## **CITY COMMISSION**

**JOHN MARKS, Mayor**

**ANDREW GILLUM, Pro Tem**

**MARK MUSTIAN, Commissioner**

**NANCY MILLER, Commissioner**

**GIL ZIFFER, Commissioner**

## **CITY MANAGER**

**ANITA FAVORS THOMPSON**

### **CITY AUDITOR**

**Sam M. McCall, CPA**

### **CITY ATTORNEY**

**James R. English**

### **CITY TREASURER-CLERK**

**James O. Cooke, IV**

### **DIRECTOR OF MANAGEMENT AND ADMINISTRATION**

**Raoul A. Lavin**

**CITY OF TALLAHASSEE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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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 14, 2013

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

**PROFILE OF THE CITY**

The Comprehensive Annual Financial Report of the City of Tallahassee, Florida, for the fiscal year ended September 30, 2012, 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, 2012. The independent auditor’s 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 auditor’s 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.

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.

## POPULATION GROWTH

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.

Population growth trends for Leon County are presented in the following table:

<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	192,493
2000	150,624	88,828	239,452
2009	172,574	93,140	265,714
2010	181,376	94,111	275,487
2012 estimated	183,643	94,027	277,670
2020 projected	199,100	97,100	296,200
2030 projected	219,600	100,700	320,300

### 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.

Leon County is a racially diverse community, with minorities accounting for 37% of the population, with African-Americans comprising 30% of the population.

Leon County residents have historically attained a very high level of education. Forty-three percent of area residents aged 25 or older have completed at least four years of college.

The 2011 inflation adjusted median family income in Leon County is \$67,472, which is comparable to the national median. Of the workers in Leon County, 43.8% are in management or professional occupations compared to 36% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. In December 2012, unemployment was 7% in the Leon County as compared to the State’s unemployment rate of 8.7%. 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.

## 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 for the seventh-straight year, down 3% in fiscal 2012 following the prior year’s 13% decrease. Permits for multi-family units were up dramatically in fiscal year 2012 in comparison to fiscal year 2011. There were eight multi-family apartment communities (50 units or more) permitted in fiscal year 2012 as compared to one new multi-family apartment community permitted in fiscal year 2011.

### Commercial Development

In fiscal year 2012, approximately \$75 million of new commercial construction was permitted in Leon County, a substantial increase over the \$19 million permitted in fiscal year 2011. Larger commercial permits include Mahan Village, Academy Sports, Publix, and a Regional Office for Auto-Owners Insurance Company.

**MILLAGE RATES**

As indicated below, the City enjoys the lowest millage rate of the comparable largest cities in Florida for 2013 and 2012. Tallahassee’s low and stable millage rate should act as an incentive to economic growth and stability.

Millage Rates - Comparable Cities in Florida

City	Millage Rates	
	2013	2012
Clearwater	5.16	5.16
Daytona	6.57	6.80
Ft. Lauderdale	4.12	4.12
Gainesville	4.49	4.25
Hollywood	7.45	7.45
Lakeland	4.66	4.16
Largo	5.00	4.56
Orlando	5.65	5.65
Pensacola	4.29	4.29
Pompano	5.47	5.20
<b>Tallahassee</b>	<b>3.70</b>	<b>3.70</b>
West Palm Beach	8.35	8.07

**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 2013 operating budget of \$685.1 million and an approved capital budget of \$135.1 million. The Plan for the ensuing five years (including 2013) results in projected capital expenditures of approximately \$733.8 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, 2011. 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.

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 Accounting and 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, CPA  
 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, 2011

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.

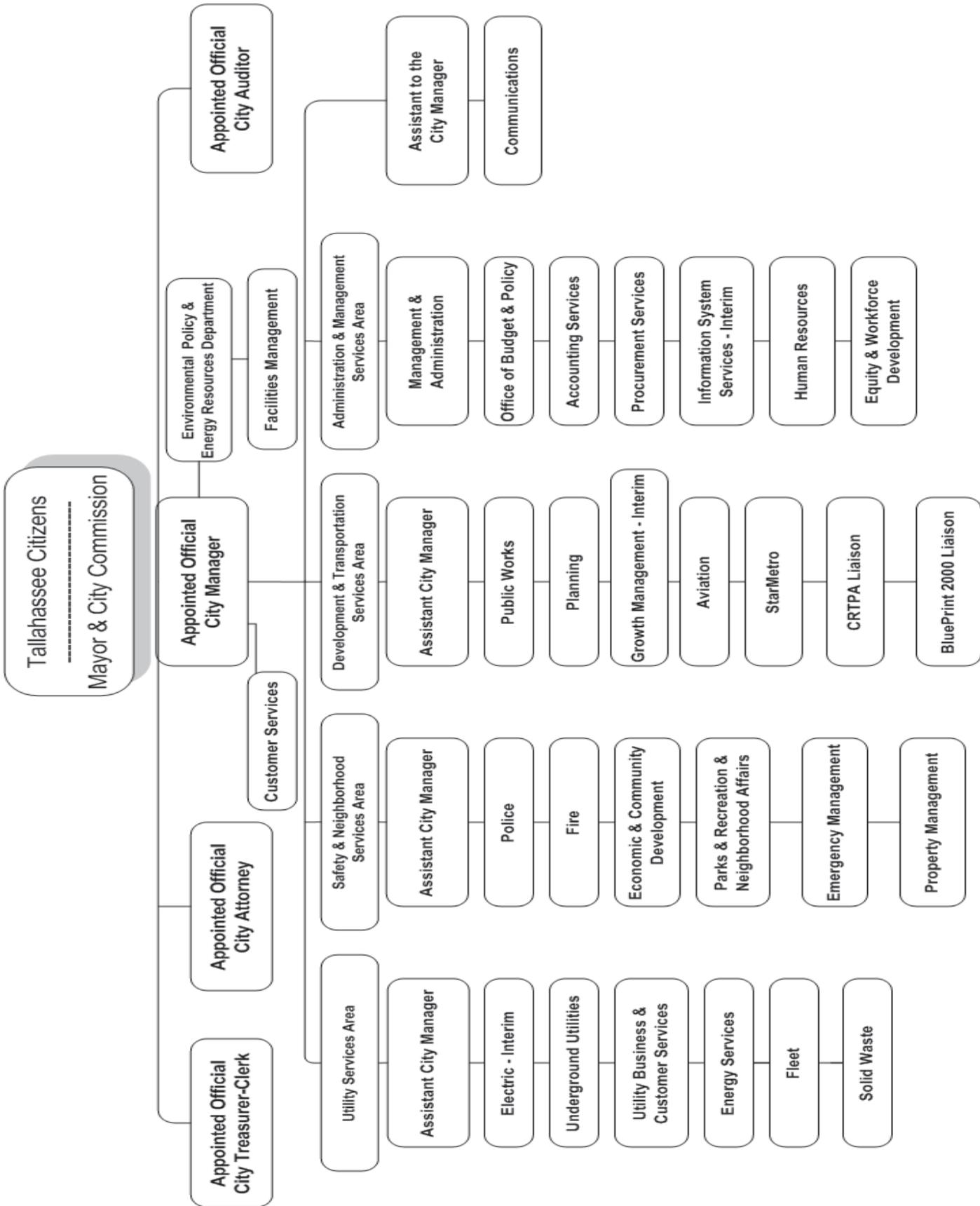


*Christopher P. Moynell*

President

*Jeffrey R. Emen*

Executive Director



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

**ELECTED OFFICIALS**

**Mayor** ..... **John Marks**  
**Mayor Pro Tem** ..... **Andrew Gillum**  
**Commissioner** ..... **Nancy Miller**  
**Commissioner** ..... **Mark Mustian**  
**Commissioner** ..... **Gil Ziffer**

**APPOINTED OFFICIALS**

**City Manager** ..... **Anita Favors Thompson**  
**City Treasurer-Clerk** ..... **James O. Cooke, IV**  
**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** ..... **Sunil Harman**  
**Communications** ..... **Michelle Bono**  
**Economic and Community Development** ..... **Michael Parker**  
**Electric (General Manager)** ..... **Rob McGarrah**  
**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, Land Management and Community Enhancement** ..... **Wayne Tedder**  
**Police** ..... **Dennis Jones**  
**Public Works** ..... **Gabriel Menendez**  
**Solid Waste** ..... **Reginald Ofuani**  
**StarMetro (Interim)** ..... **Ivan Maldonado**  
**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, CGMA, Manager**

**Financial and Systems Analyst  
Patrick A. Twyman**

<b>Patsy Capps, CPA*</b>	<b>Mazie Crumbie</b>	<b>Ben Halvorsen, CPA*</b>
<b>Roy Jeter, CPA</b>	<b>Latrenda Johnson</b>	<b>Kereen Jones</b>
<b>Vernessa McMillon</b>	<b>Julie Paniucki</b>	<b>Lajja Patel</b>
<b>Angela Roberts</b>	<b>Reginald Rodney</b>	<b>Mayank Shah, CPA, CGMA</b>
	<b>Rita Stevens, CPA</b>	

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

**\* Tallahassee Regional Airport Staff**

**Cover photo: #1 Public Utility  
Cover photo and design by Jay Johansen  
Utility Marketing Analyst  
Utility Business and Customer Service**



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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, Appointed Officials 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, 2012, 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, 2012, 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 14, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express opinion or provide any assurance on it.

*Con, Riggs + Ingram, LLC*

March 14, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tallahassee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year that ended September 30, 2012. Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activities, (c) identify changes in the City's financial position, and (d) identify individual fund concerns or issues. 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, 2012 by \$2.12 billion (net assets). Of this amount, \$259 million represents unrestricted net assets that are available to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$29.6 million as a result of fiscal 2012 operations.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$117.1 million; of this amount approximately \$50 million is unrestricted.
- For the year ended September 30, 2012, the funds balances for the City's governmental funds decreased \$9.2 million.
- At the end of the fiscal year, fund balance for the general fund was \$24.4 million, or 18.8% of general fund expenditures and other financing uses. Of this amount, \$0.7 million is non-spendable, \$21.7 million is committed, \$1.8 million is assigned, and \$0.2 million is unassigned.
- As of September 30, 2012, the City's enterprise funds reported combined ending net assets of \$1,093.1 million; of this amount approximately \$189.9 million is unrestricted. The ending net assets represent an increase of \$66.5 million over the prior year.
- Capital assets, net of accumulated depreciation, as of September 30, 2012 fiscal year totaled \$2.49 billion (Note- IV-D).
- The City's outstanding long-term debt (Note IV-G) decreased from \$1,126.3 million to \$1,094.5 million, or 2.8%.

### 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 nonmajor governmental funds is provided on pages 98 to 101 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 103 to 105 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 thirteen (13) 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 108 to 113 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

The following table is a summary of the fiscal year 2012 Statement of Net Assets found on pages 28 to 29 with comparative information for fiscal year 2011.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011 As Restated	2012	2011 As Restated	2012	2011 As Restated
<b>Assets</b>						
Current and other assets	\$ 187.4	\$ 197.4	\$ 730.4	\$ 819.5	\$ 917.8	\$ 1,016.9
Capital assets	910.8	916.8	1,581.0	1,505.6	2,491.8	2,422.4
<b>Total Assets</b>	<u>1,098.2</u>	<u>1,114.2</u>	<u>2,311.4</u>	<u>2,325.1</u>	<u>3,409.6</u>	<u>3,439.3</u>
<b>Liabilities</b>						
Current and other liabilities	47.8	45.7	181.8	209.8	229.6	255.5
Long-term debt outstanding	86.8	97.3	973.9	996.9	1,060.7	1,094.2
<b>Total Liabilities</b>	<u>134.6</u>	<u>143.0</u>	<u>1,155.7</u>	<u>1,206.7</u>	<u>1,290.3</u>	<u>1,349.7</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	834.5	837.0	758.0	690.8	1,592.5	1,527.8
Restricted	81.8	100.2	185.7	157.1	267.5	257.3
Unrestricted	47.3	34.0	212.0	270.5	259.3	304.5
<b>Total Net Assets</b>	<u>\$ 963.6</u>	<u>\$ 971.2</u>	<u>\$ 1,155.7</u>	<u>\$ 1,118.4</u>	<u>\$ 2,119.3</u>	<u>\$ 2,089.6</u>

Changes in net assets over time can be one of the best and most useful indicators of financial position. Total net assets of the City increased from \$2.09 billion in 2011 to \$2.119 billion in 2012, an increase of \$29 million or 1.39%.

The largest portion of the City's net assets, \$1.59 billion or 75.1%, 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, a portion of the City's net assets, \$267.5 million or 12.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$259.3 million or 12.3% is available to meet the ongoing obligations of the City. At the end of the fiscal year, 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.

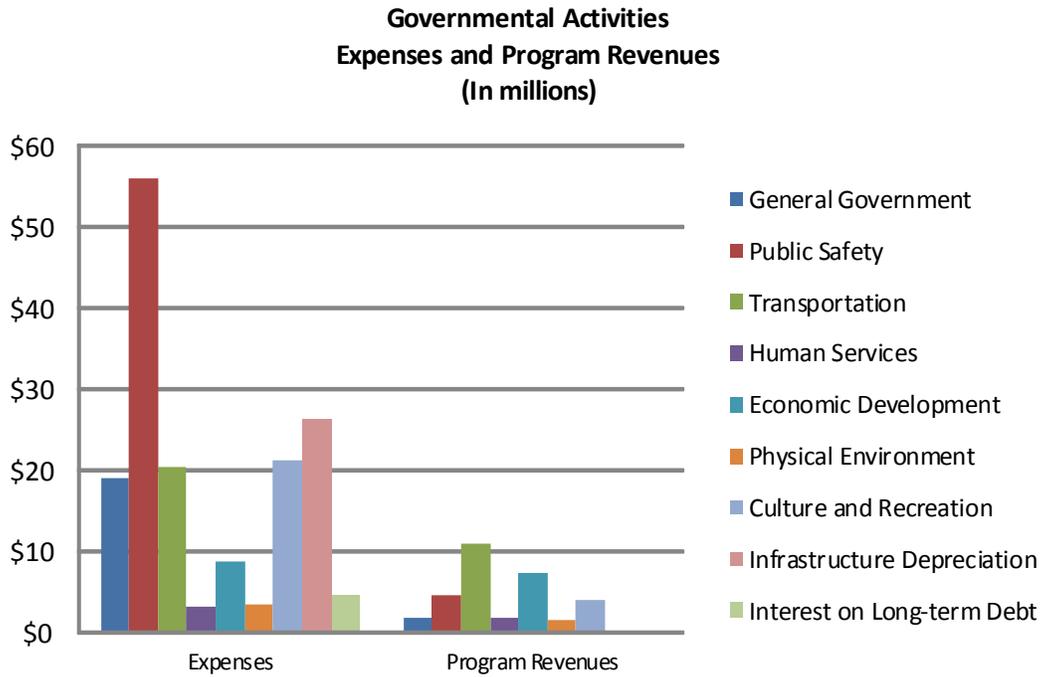
**Table 2**  
**Changes in Net Assets**  
**(in millions)**

The following table is a summary of the fiscal year 2012 Statement of Activities found on pages 30 to 31 with comparative information for fiscal year 2011.

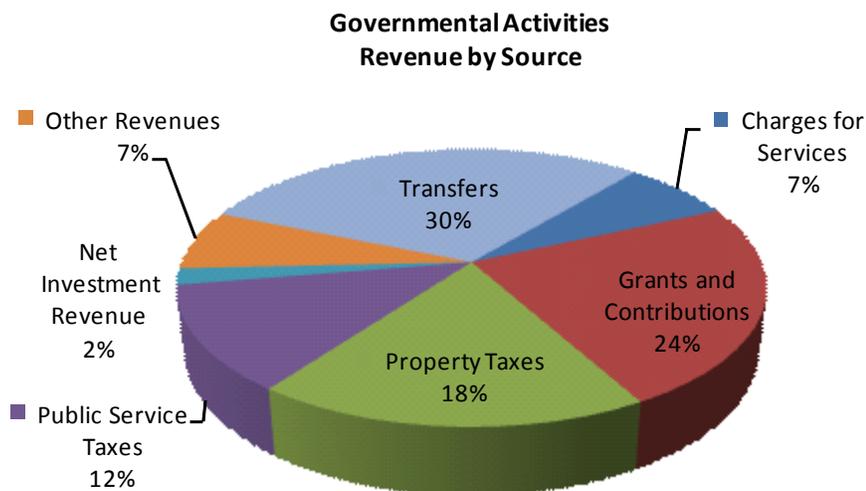
	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for Services	\$13.1	\$12.8	\$503.2	\$543.2	\$516.3	\$556.0
Operating Grants and Contributions	11.0	8.8	6.9	5.6	17.9	14.4
Capital Grants and Contributions	8.1	6.8	20.0	7.7	28.1	14.5
<b>General revenues</b>						
Property Taxes	33.5	34.4	--	--	33.5	34.4
Public Service Taxes	22.5	22.6	--	--	22.5	22.6
Grants and Contributions	24.3	24.0	--	--	24.3	24.0
Net Investment Revenue	3.5	3.4	7.2	7.9	10.7	11.3
Other Revenues	10.3	7.1	0.5	2.3	10.8	9.4
<b>Total Revenues</b>	<b>126.3</b>	<b>119.9</b>	<b>537.8</b>	<b>566.7</b>	<b>664.1</b>	<b>686.6</b>
<b>Expenses</b>						
General Government	19.1	22.5	--	--	19.1	22.5
Public Safety	56.0	54.7	--	--	56.0	54.7
Transportation	20.4	23.6	--	--	20.4	23.6
Cultural and Recreation	21.4	20.6	--	--	21.4	20.6
Depreciation on Infrastructure	26.4	26.7	--	--	26.4	26.7
Other Primary Government	19.8	20.9	--	--	19.8	20.9
Electric	--	--	266.2	303.7	266.2	303.7
Gas	--	--	30.1	44.8	30.1	44.8
Sewer	--	--	47.3	42.4	47.3	42.4
Water	--	--	26.3	28.9	26.3	28.9
Airport	--	--	12.9	14.6	12.9	14.6
StarMetro	--	--	19.1	18.6	19.1	18.6
Solid Waste	--	--	21.3	19.1	21.3	19.1
Golf	--	--	1.0	0.9	1.0	0.9
Storm water Management	--	--	15.1	17.5	15.1	17.5
Fire Services	--	--	32.1	30.8	32.1	30.8
<b>Total Expenses</b>	<b>163.1</b>	<b>169.0</b>	<b>471.4</b>	<b>521.3</b>	<b>634.5</b>	<b>690.3</b>
<b>Excess (Deficiency) before transfers</b>	<b>(36.8)</b>	<b>(49.1)</b>	<b>66.4</b>	<b>45.4</b>	<b>29.6</b>	<b>(3.7)</b>
Transfers	29.2	27.0	(29.2)	(27.0)	--	--
<b>Increase (Decrease) in Net Assets</b>	<b>(\$7.6)</b>	<b>(\$22.1)</b>	<b>\$37.2</b>	<b>\$18.4</b>	<b>\$29.6</b>	<b>(\$3.7)</b>

GOVERNMENTAL ACTIVITIES - Governmental activities net assets decreased by \$7.6 million, from \$971.2 million in fiscal year 2011 to \$963.6 million in fiscal year 2012. This compares favorably to the decreases realized in fiscal years 2011 and 2010 of \$22.1 million and \$10 million, respectively. Although during fiscal year 2012 net assets decreased the City did not need to rely upon reserve balances to fund expenditures to the extent necessary in prior years.

The following chart compares expenses and program revenues for the governmental activities.

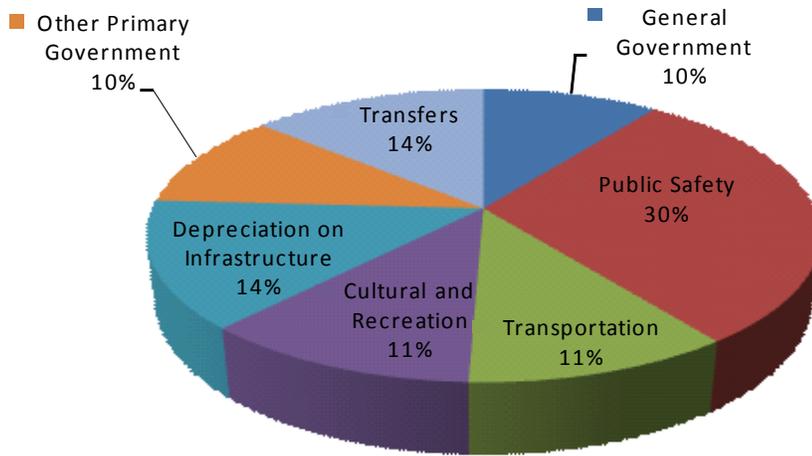


The following chart illustrates the City’s Revenues by Source for the City’s governmental activities.



The following chart illustrates the City's Expenses by Function for the City's governmental activities.

**Governmental Activities  
Expenses by Function**



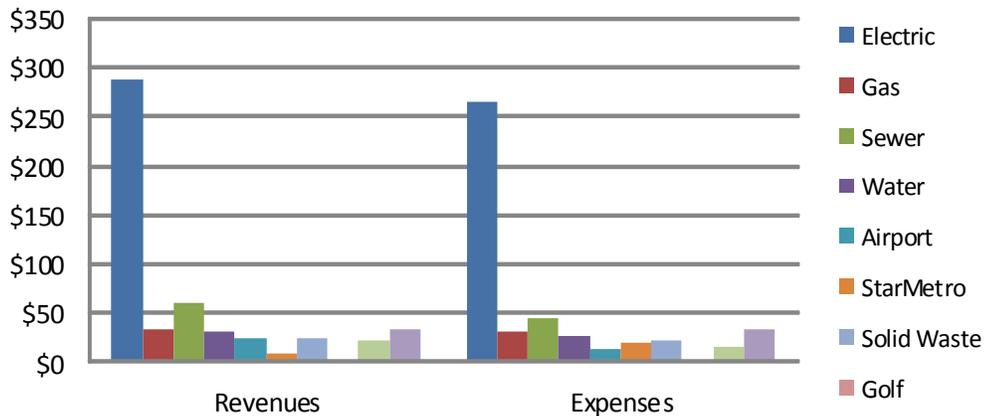
**BUSINESS-TYPE ACTIVITIES**

Business-type activities net assets increased by \$37.2 million in fiscal year 2012 as compared to \$18.4 million in fiscal year 2011. Key elements for this increase are as follows:

- A \$13.7 million increase in Grants and Contributions, primarily associated with the City's Aviation and StarMetro activities.
- A \$2.6 million decrease in Interest Expense, due to a higher level of interest being capitalized.

The following chart compares program revenues and expenses for the City's business-type activities.

**Business-Type Activities  
Program Revenues & Expenses  
(In millions)**



## 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 fund financial statements for the governmental funds are provided on pages 34-37. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$117.1 million, a decrease of \$9.2 million in comparison with the prior year. Of this amount \$2.4 million is considered non-spendable; \$64.7 million is restricted for purposes which are externally imposed by providers; \$47.3 million is committed for specific purposes that are internally imposed by the government through the City Commission; \$4.4 million is assigned for specific purposes that are that are internally established by management; and (\$1.7 million) is unassigned.

The following table summarizes the change in fund balance for the governmental funds:

**Table 3**  
**Financial Analysis of the City's Governmental Funds**  
(in millions)

Fund	Fund Balances 9/30/2011	Sources	Uses	Sources Over (Under) Uses	Fund Balances 9/30/2012
<b>General Fund</b>	\$ 18.7	\$ 135.1	\$ 129.4	\$ 5.7	\$ 24.4
<b>Community Redevelopment Agency</b>	9.1	3.3	2.8	0.5	9.6
<b>Other Funds</b>	98.5	51.5	66.9	(15.4)	83.1
<b>Total City Funds</b>	<u>\$ 126.3</u>	<u>\$ 189.9</u>	<u>\$ 199.1</u>	<u>\$ (9.2)</u>	<u>\$ 117.1</u>

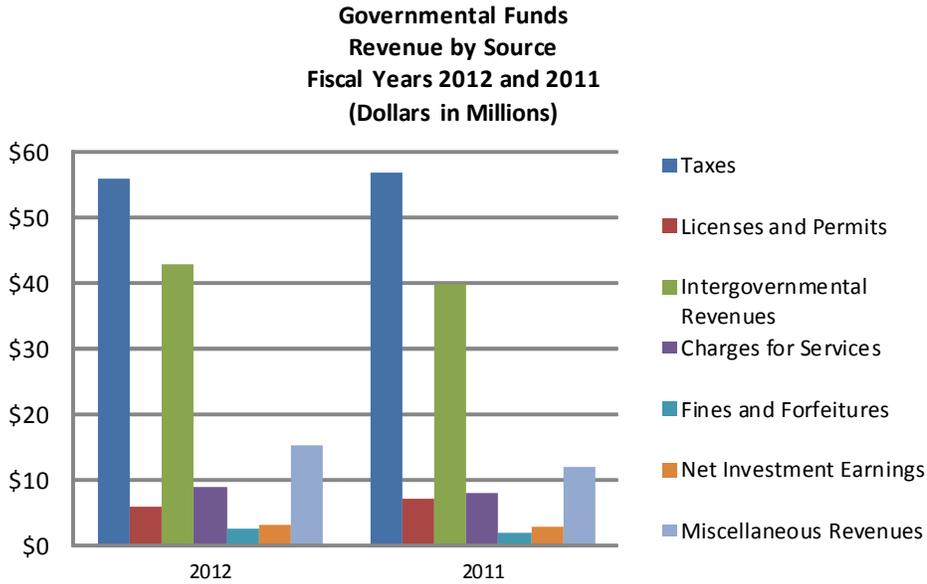
The General Fund is the chief operating fund of the City. At the end of the fiscal year, fund balance for the general fund was \$24.4 million, or 18.9% of general fund expenditures and other financing uses. Of this amount, \$0.7 million is non-spendable, \$21.7 million is committed, \$1.8 million is assigned, and \$0.2 million is unassigned.

The fund balance for the City's General Fund increased \$5.7 million from 2011. During fiscal year 2012, revenues increased \$2.7 million, 2.04% as compared to the prior year while expenditures increased \$.4 million

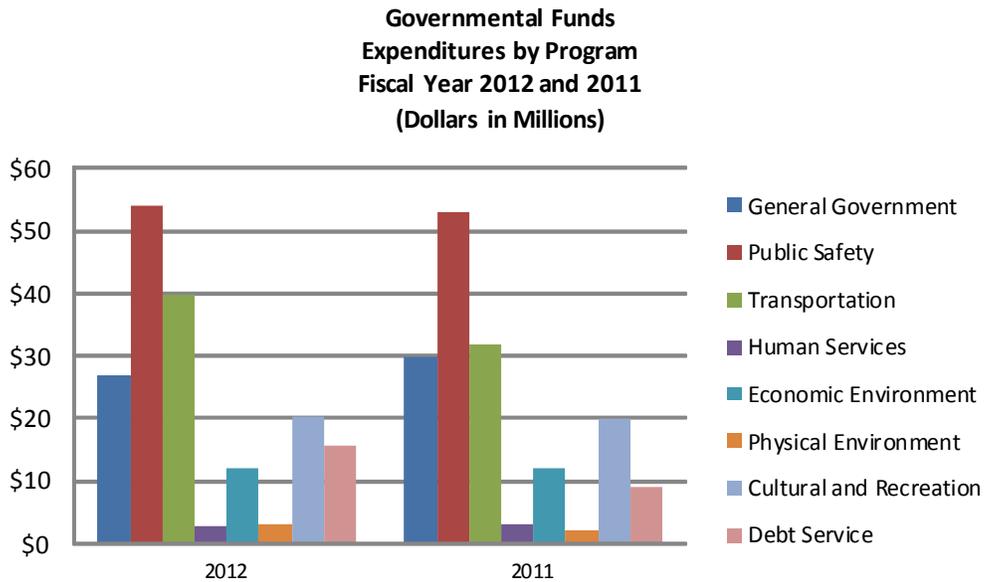
The fund balance for the City's Community Redevelopment Agency Fund increased \$0.5 million over 2011.

The fund balance in the City's other non-major governmental funds decreased \$15.4 million from 2011 as a result of the expenditure of bond proceeds received in prior years.

The following chart compares revenue by source for the governmental funds.



The following chart compares expenditures by program for the governmental funds.



***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 92 of the financial statements.

There was no material change between the original and final amended general fund operating budget for 2012; however, changes to the budgets between functions occurred between the budget for transfers, which increased by \$3.3 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.

The City's general fund generated a positive variance of approximately \$408,000 between the final amended budget and actual results of operation. Actual revenues were less than final budgeted revenues by \$2.2 million, or 1.6%; these variances were spread across most revenue sources as the City's revenue stream continues to be impacted by the economic environment. Actual expenditures for the year were less than final budgeted expenditures by \$2.6 million, or 1.9%, these variances were spread across most expenditure line items due to regular budget monitoring and continuation of soft freezes on hiring for vacant positions.

### CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities, net of depreciation, as of September 30, 2012, was approximately \$2.5 billion. This represents a net increase of approximately \$69.3 million, or 3.0%, over last year. See Note IV-D for more information about the City's capital assets.

**Table 4**  
**Capital Assets**  
(net of depreciation, in millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2012	2011 As Restated	2012	2011 As Restated	2012	2011 As Restated	
	<b>Land</b>	\$ 357	\$ 357	\$ 124	\$ 123	\$ 481	
<b>Buildings</b>	59	62	63	64	122	126	-3.2%
<b>Equipment</b>	7	8	356	374	363	382	-5.0%
<b>Improvements</b>							
<b>(Other than Building)</b>	7	8	8	10	15	18	-16.7%
<b>Infrastructure</b>	396	422	624	495	1,020	917	11.2%
<b>Intangibles</b>	--	--	60	57	60	57	5.3%
<b>Construction in Progress</b>	85	61	346	382	431	443	-2.7%
<b>Total</b>	<u>\$ 911</u>	<u>\$ 918</u>	<u>\$ 1,581</u>	<u>\$ 1,505</u>	<u>\$ 2,492</u>	<u>\$ 2,423</u>	<u>2.8%</u>

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

- Aviation infrastructure - \$11.0 million
- Electric generation, transmission and distribution infrastructure - \$42.0 million
- Gas transmission and distribution infrastructure - \$2.3 million
- Public Safety complex - \$8.1 million
- Sewer collection, treatment, and disposal infrastructure - \$50.2 million
- StarMetro acquisition of buses and system improvements - \$4.2 million
- Stormwater infrastructure - \$5.7 Million
- Street construction, widening and expansion projects - \$8.5 million
- Water transmission and distribution infrastructure - \$8.8 million

### LONG-TERM DEBT

As shown in the following table, as of September 30, 2012, the City had \$1,070.7 million in total debt outstanding. This amount represents bonds and loans secured by specified revenue sources and exclude issuance premium and discounts.

**Table 5**  
**Outstanding Debt at September 30**  
**(in millions)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>General Revenue Bonds</b>	\$ 90.5	\$ 101.2	\$ --	\$ --	\$ 90.5	\$ 101.2
<b>Proprietary Revenue Bonds</b>	--	--	944.5	963.6	944.5	963.6
<b>Other Loans</b>	--	--	35.7	38.0	35.7	38.0
<b>Total</b>	<u>\$ 90.5</u>	<u>\$ 101.2</u>	<u>\$ 980.2</u>	<u>\$ 1,001.6</u>	<u>\$ 1,070.7</u>	<u>\$ 1,102.8</u>

The City's total bonded debt decreased by \$32.1 million, or 2.9%, during the current fiscal year. In addition to the scheduled pay down of existing debt, on December 1, 2011, the City cash defeased \$5,375,000 of the Capital Bonds, Series 2004.

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 as indicated in the following table:

**Table 6**  
**Bond Ratings**

	Moody's Investors Service, Inc	Standard & Poor's Rating Services	Fitch Ratings, Inc
<b>Capital Bonds</b>	Aa3	NR	AA
<b>Consolidated Utility System Bonds</b>	Aa1	AA+	AA+
<b>Energy System Bonds</b>	Aa3	AA	AA-
<b>Airport System Bonds</b>	NR	NR	NR

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate continues to remain high for the Tallahassee Metropolitan Statistical Area (MSA). In December 2012, the Tallahassee MSA unemployment rate was 6.6% as compared to the state's unemployment rate of 7.9%. For December 2011, the Tallahassee MSA unemployment rate was 7.9% as compared with the statewide rate of 9.9%.
- The percentage of employees employed by local, state, and federal government in Tallahassee is approximately 31.8 percent of the work force.
- The ratio of taxable assessed value to total estimated value for ad valorem tax purposes equals 46.04 percent, demonstrating the lack of taxable property in the City due to the large amount of tax-exempt property. In addition, property tax reform initiated at the state level and the general slowdown in the state economy, especially in the housing market, continues to have significant impact on the revenues of the City.
- Inflationary pressures, the lack of growth, increased conservation, and environmental issues continue to impact the City's electric, gas, water and sewer utilities.
- The Florida legislature continues to consider various proposals relating to caps on the growth of state and local government revenues and expenditures. Potential legislation could have a significant impact on the City's ability to meet the service level expectations of its residents. The City is carefully monitoring these initiatives and their potential future impact.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2013. The City's total operating budget for fiscal year 2013 totals \$685.1 million, which is \$25.6 million less than the fiscal year 2011 approved budget. Projected decreasing natural gas costs for the City's Electric and Gas Utilities accounts for most of the decrease. The 2013 budget allocates \$138.3 million to the General fund, \$511.6 million to the Enterprise funds, and \$35.2 million to other funds.

For the fiscal year 2013 budget, the ad valorem tax rate remains at 3.700 mills. In addition, no fee or utility rate adjustments, except for annual CPI adjustments, are included in the 2013 budget.

Personnel expenditures account for approximately 24.7% of the City's Operating Budget. The City's fiscal year 2013 operating budget includes a net decrease of 44 positions, bringing the budgeted full time equivalent staff count to 2,802.

The City's fiscal year 2013 Capital Budget totals \$135.1 million with the City's utilities accounting for \$96.0 million (71.1%); other major uses include transportation, general government, and culture and recreation. Bond proceeds (new and existing) will fund approximately 31.3% 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 2016 that totals \$733.8 million with appropriations of funding made on an annual basis.

## FINANCIAL CONTACT

This financial report is designed to provide residents, 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](mailto:rick.feldman@talgov.com).

# **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, 2012**  
(in thousands)

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Downtown Improvement Authority
<b>Current Assets</b>				
Cash and Cash Equivalents.....	\$ 91,772	\$ 204,835	\$ 296,607	\$ 250
Securities Lending Collateral .....	12,164	27,111	39,275	33
Receivables:				
Accrued Interest.....	229	476	705	1
Customers and Other.....	2,888	36,342	39,230	--
Notes.....	137	9,151	9,288	--
Special Assessments.....	182	--	182	--
Property Taxes-Delinquent.....	--	--	--	--
Less: Allowance for Doubtful Accounts.....	(800)	(3,231)	(4,031)	--
Due from Other Governments.....	8,503	10,401	18,904	--
Prepaid Expenses.....	--	1,287	1,287	--
Inventory.....	304	50,584	50,888	--
Cash and Cash Equivalents - Restricted.....	28,209	356,190	384,399	--
Investments - Restricted.....	7,730	752	8,482	--
Securities Lending Collateral - Restricted.....	4,757	46,967	51,724	--
Receivables - Restricted:				
Accrued Interest.....	826	805	1,631	--
Other.....	495	--	495	--
Notes.....	278	--	278	--
Due from Other Governments.....	2,396	2,756	5,152	--
<b>Total Current Assets</b> .....	<b>160,070</b>	<b>744,426</b>	<b>904,496</b>	<b>284</b>
<b>Noncurrent Assets</b>				
Internal Balances.....	26,801	(26,801)	--	--
Deposits.....	--	4,475	4,475	--
Unamortized Bond Issue Costs.....	499	8,294	8,793	--
Capital Assets				
Land and Construction in Progress.....	441,433	469,856	911,289	--
Other, Net of Accumulated Depreciation.....	469,383	1,111,135	1,580,518	--
<b>Total Noncurrent Assets</b> .....	<b>938,116</b>	<b>1,566,959</b>	<b>2,505,075</b>	<b>--</b>
<b>Total Assets</b> .....	<b>\$ 1,098,186</b>	<b>\$ 2,311,385</b>	<b>\$ 3,409,571</b>	<b>\$ 284</b>

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

**CITY OF TALLAHASSEE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2012**  
**(in thousands)**

	<u>Primary Government</u>			<u>Component Unit Downtown Improvement Authority</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Obligations Under Securities Lending .....	\$ 12,164	\$ 27,111	\$ 39,275	\$ 33
Accounts Payable.....	7,215	40,581	47,796	8
Customer Contracts Payable.....	--	765	765	--
Utility Deposits Payable.....	--	17,067	17,067	--
Unearned Revenue.....	1,751	44	1,795	--
Compensated Absences.....	6,633	8,211	14,844	11
Accounts Payable - Restricted.....	3,937	4,035	7,972	--
Obligations Under Securities Lending - Restricted	4,757	46,967	51,724	--
Unearned Revenue - Restricted.....	114	--	114	--
Bonds & Loans Payable - Current.....	5,500	22,410	27,910	--
<b>Total Current Liabilities.....</b>	<b>42,071</b>	<b>167,191</b>	<b>209,262</b>	<b>52</b>
<b>Noncurrent Liabilities</b>				
Compensated Absences.....	3,153	3,288	6,441	17
Customer Contracts Payable.....	--	1,900	1,900	--
Claims Payable.....	--	9,448	9,448	--
Net OPEB Obligation.....	2,500	--	2,500	--
Bonds & Loans Payable.....	84,975	957,812	1,042,787	--
Unamortized Bond Premium .....	1,853	21,508	23,361	--
Deferment of Loss on Early Retirement of Debt	--	(5,402)	(5,402)	--
<b>Total Noncurrent Liabilities.....</b>	<b>92,481</b>	<b>988,554</b>	<b>1,081,035</b>	<b>17</b>
<b>Total Liabilities.....</b>	<b>134,552</b>	<b>1,155,745</b>	<b>1,290,297</b>	<b>69</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of Related Debt	834,489	757,983	1,592,472	--
Restricted for:.....				
Capital Projects.....	64,690	148,058	212,748	--
Debt Service.....	10,363	37,621	47,984	--
Cemetery .....	6,758	--	6,758	--
Unrestricted.....	47,334	211,978	259,312	215
<b>Total Net Assets.....</b>	<b>963,634</b>	<b>1,155,640</b>	<b>2,119,274</b>	<b>215</b>
<b>Total Liabilities and Net Assets.....</b>	<b>\$ 1,098,186</b>	<b>\$ 2,311,385</b>	<b>\$ 3,409,571</b>	<b>\$ 284</b>

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, 2012  
(in thousands)

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government.....	\$ 19,068	\$ 1,923	\$ 10	\$ --
Public Safety.....	55,934	2,806	1,769	114
Transportation.....	20,531	2,509	4,101	4,384
Human Services.....	3,117	969	717	--
Economic Development.....	8,710	--	3,628	3,665
Physical Environment.....	3,354	1,139	452	(30)
Culture and Recreation.....	21,374	3,759	354	(12)
Unallocated Depreciation on Infrastructure.....	26,401	--	--	--
Interest on Long-Term Debt.....	4,740	--	--	--
<b>Total governmental activities.....</b>	<b>163,229</b>	<b>13,105</b>	<b>11,031</b>	<b>8,121</b>
<b>Business-type Activities:</b>				
Electric.....	266,145	285,660	3,513	--
Gas.....	30,121	34,082	--	--
Sewer.....	47,279	60,172	--	--
Water.....	26,277	30,321	--	--
Airport.....	12,861	11,660	--	12,719
StarMetro.....	19,123	5,008	3,360	6,335
Solid Waste.....	21,269	23,046	--	--
Golf.....	1,037	1,024	--	--
Stormwater Management.....	15,064	20,812	--	27
Fire Services.....	32,054	31,399	--	945
<b>Total business-type activities.....</b>	<b>471,230</b>	<b>503,184</b>	<b>6,873</b>	<b>20,026</b>
<b>Total primary government.....</b>	<b>\$ 634,459</b>	<b>\$ 516,289</b>	<b>\$ 17,904</b>	<b>\$ 28,147</b>
<b>Component Unit:</b>				
Downtown Improvement Authority.....	\$ 316	\$ --	\$ --	\$ --

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.....	
Change in fair value of investments.....	
Miscellaneous.....	
Net transfers.....	
<b>Total general revenues and transfers.....</b>	
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, 2012**  
**(in thousands)**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (17,135)	\$ --	\$ (17,135)	\$ --
(51,245)	--	(51,245)	--
(9,537)	--	(9,537)	--
(1,431)	--	(1,431)	--
(1,417)	--	(1,417)	--
(1,793)	--	(1,793)	--
(17,273)	--	(17,273)	--
(26,401)	--	(26,401)	--
(4,740)	--	(4,740)	--
<u>(130,972)</u>	<u>--</u>	<u>(130,972)</u>	<u>--</u>
--	23,028	23,028	--
--	3,961	3,961	--
--	12,893	12,893	--
--	4,044	4,044	--
--	11,518	11,518	--
--	(4,420)	(4,420)	--
--	1,777	1,777	--
--	(13)	(13)	--
--	5,775	5,775	--
--	290	290	--
<u>--</u>	<u>58,853</u>	<u>58,853</u>	<u>--</u>
<u>(130,972)</u>	<u>58,853</u>	<u>(72,119)</u>	<u>--</u>
			<u>(316)</u>
33,483	--	33,483	193
22,524	--	22,524	--
5,157	--	5,157	--
24,260	--	24,260	--
3,499	7,177	10,676	4
11	25	36	--
76	426	502	1
5,058	(1)	5,057	120
29,246	(29,246)	--	--
<u>123,314</u>	<u>(21,619)</u>	<u>101,695</u>	<u>318</u>
<u>(7,658)</u>	<u>37,234</u>	<u>29,576</u>	<u>2</u>
<u>963,261</u>	<u>1,090,409</u>	<u>2,053,670</u>	<u>213</u>
<u>8,031</u>	<u>27,997</u>	<u>36,028</u>	<u>--</u>
<u>971,292</u>	<u>1,118,406</u>	<u>2,089,698</u>	<u>213</u>
<u>\$ 963,634</u>	<u>\$ 1,155,640</u>	<u>\$ 2,119,274</u>	<u>\$ 215</u>

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

# FUNDS

## GOVERNMENTAL FUNDS

<b>General</b>	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.
<b>Community Redevelopment Agency</b>	Accounts for the general tax revenue collected on and the expenses incurred in the redevelopment of properties in the community redevelopment area.
<b>Other Governmental Funds</b>	Detailed descriptions of these funds are provided on page 101.

## PROPRIETARY FUNDS

<b>Electric</b>	Accounts for the assets, operation and maintenance of the City-owned electric generation, transmission, and distribution system.
<b>Gas</b>	Accounts for the assets, operation and maintenance of the City-owned gas system.
<b>Sewer</b>	Accounts for the assets, operation and maintenance of the City's wastewater collection and treatment system.
<b>Water</b>	Accounts for the assets, operation and maintenance of the City's water production and distribution system.
<b>Airport</b>	Accounts for the assets, operation and maintenance of the City-owned regional airport.
<b>Stormwater Management</b>	Accounts for the operation, maintenance, and expansion of the City-owned stormwater utility system.
<b>Other Enterprise Funds</b>	Detailed descriptions of these funds are provided on page 106.
<b>Internal Service Funds</b>	Detailed descriptions of these funds are provided on page 111.

# **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.

### **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).

### **OPEB Trust**

Accounts for the accumulation of resources to be used for benefit payments for retirees health care costs.

**CITY OF TALLAHASSEE, FLORIDA**  
**BALANCE SHEET**  
**Governmental Funds**  
**September 30, 2012**  
(in thousands)

	<b>General</b>	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents.....	\$ 25,502	\$ --	\$ 54,113	\$ 79,615
Securities Lending Collateral .....	3,375	--	7,179	10,554
Receivables:				
Accrued Interest.....	60	--	141	201
Customers and Other.....	1,981	--	859	2,840
Notes.....	--	--	137	137
Special Assessments - Current.....	--	--	182	182
Less: Allowance for Doubtful Accounts.....	(800)	--	--	(800)
Due From Other Governments.....	2,419	--	6,084	8,503
Advances to Other Funds.....	1,857	--	--	1,857
Inventory .....	304	--	--	304
Cash and Cash Equivalents - Restricted.....	287	9,335	18,587	28,209
Investments - Restricted.....	--	--	7,730	7,730
Securities Lending Collateral - Restricted.....	38	1,235	3,484	4,757
Receivables - Restricted:				
Accrued Interest Receivable.....	--	22	804	826
Customers.....	--	491	4	495
Notes Receivable.....	--	--	278	278
Due from Other Governments.....	--	--	2,396	2,396
<b>Total Assets.....</b>	<b>\$ 35,023</b>	<b>\$ 11,083</b>	<b>\$ 101,978</b>	<b>\$ 148,084</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Obligations Under Securities Lending .....	\$ 3,375	\$ --	\$ 7,179	\$ 10,554
Accounts and Retainage Payable.....	3,360	--	2,499	5,859
Unearned Revenue.....	1,508	--	160	1,668
Accounts and Retainage Payable - Restricted...	287	235	3,417	3,939
Obligations Under Securities Lending - Restricted	38	1,235	3,484	4,757
Due to Other Funds.....	66	--	--	66
Advances from Other Funds.....	1,997	--	2,035	4,032
Unearned Revenue - Restricted.....	--	--	114	114
<b>Total Liabilities.....</b>	<b>10,631</b>	<b>1,470</b>	<b>18,888</b>	<b>30,989</b>
<b>FUND BALANCES</b>				
Non-spendable.....	709	146	1,550	2,405
Spendable:				
Restricted.....	--	9,467	55,223	64,690
Committed.....	21,746	--	25,612	47,358
Assigned.....	1,777	--	2,586	4,363
Unassigned.....	160	--	(1,881)	(1,721)
<b>Total Fund Balances.....</b>	<b>24,392</b>	<b>9,613</b>	<b>83,090</b>	<b>117,095</b>
<b>Total Liabilities and Fund Balances.....</b>	<b>\$ 35,023</b>	<b>\$ 11,083</b>	<b>\$ 101,978</b>	<b>\$ 148,084</b>

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, 2012**  
**(in thousands)**

<b>Total Fund Balances - Governmental Funds</b>	\$	117,095
---	----	---------

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.		898,220
---	--	---------

Long-term receivables will not be collected in the current period and, therefore, are not reported in the funds.		15,540
--	--	--------

Unamortized Bond Issue Costs are not financial resources and, therefore, are not reported in the funds.		499
---	--	-----

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.		35,882
---	--	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(103,602)
--	--	-----------

<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>963,634</u></b>
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**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, 2012**  
**(in thousands)**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes.....	\$ 54,925	\$ 1,081	\$ --	\$ 56,006
Licenses and Permits.....	2,582	--	3,385	5,967
Intergovernmental Revenues.....	13,923	1,571	27,611	43,105
Charges for Services.....	8,253	--	613	8,866
Fines and Forfeitures.....	2,142	--	505	2,647
Net Investment Earnings.....	543	143	2,379	3,065
Securities Lending Income.....	11	--	40	51
Change in the Fair Value of Investments.....	129	22	(121)	30
Miscellaneous Revenues.....	13,191	448	1,732	15,371
<b>Total Revenues.....</b>	<b>95,699</b>	<b>3,265</b>	<b>36,144</b>	<b>135,108</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government.....	21,885	--	5,030	26,915
Public Safety.....	49,351	--	4,677	54,028
Transportation.....	16,384	--	23,636	40,020
Human Services.....	2,212	--	765	2,977
Economic Environment.....	1,435	2,778	7,781	11,994
Physical Environment.....	2,306	--	894	3,200
Cultural and Recreation.....	19,448	--	1,004	20,452
<b>Securities Lending Expense:</b>				
Interest.....	8	--	32	40
Agent Fees.....	1	--	1	2
<b>Debt Service:</b>				
Principal Retired.....	--	--	10,675	10,675
Interest and Fiscal Charges.....	148	--	4,862	5,010
<b>Total Expenditures.....</b>	<b>113,178</b>	<b>2,778</b>	<b>59,357</b>	<b>175,313</b>
Excess of Revenues Over (Under) Expenditures....	(17,479)	487	(23,213)	(40,205)
<b>Other Financing Sources (Uses):</b>				
Transfers In.....	39,401	--	15,368	54,769
Transfers Out.....	(16,269)	--	(7,538)	(23,807)
Proceeds from Sale of Capital Assets.....	--	--	--	--
<b>Total Other Financing Sources (Uses).....</b>	<b>23,132</b>	<b>--</b>	<b>7,830</b>	<b>30,962</b>
Net Change in Fund Balances.....	5,653	487	(15,383)	(9,243)
Fund Balances - October 1.....	18,739	9,126	98,473	126,338
Adjustment to October 1 Fund Balance.....	--	--	--	--
Fund Balances - October 1, as restated.....	18,739	9,126	98,473	126,338
Fund Balances - September 30.....	\$ 24,392	\$ 9,613	\$ 83,090	\$ 117,095

**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, 2012**  
**(in thousands)**

**Net Changes in Fund Balances - Total Governmental Funds** \$ (9,243)

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. (5,839)

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. (3,252)

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. 10,675

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. 203

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. (202)

**Change in Net Assets of Governmental Activities** \$ (7,658)

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, 2012**  
**(in thousands)**

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and Cash Equivalents.....	\$ 76,867	\$ 2,728	\$ --	\$ 2,178	\$ 3,250	\$ 61,321	\$ 13,309	\$ 159,653	\$ 57,339	
Investments.....	10,174	361	--	288	430	8,116	1,761	21,130	7,591	
Securities Lending Collateral.....	--	--	--	--	--	--	--	--	--	
Receivables:										
Accrued Interest.....	179	6	--	4	7	143	31	370	134	
Notes.....	8,421	--	730	--	--	--	--	9,151	--	
Customers and Others.....	21,371	1,522	3,612	1,771	1,189	1,073	4,190	34,728	1,662	
Due From Other Governments.....	3,026	--	3,055	439	--	2	3,879	10,401	--	
Less: Allowance for Doubtful Accounts.....	(1,750)	(100)	(232)	(140)	(215)	--	(794)	(3,231)	--	
Prepaid Expenses.....	--	--	--	--	--	--	--	--	1,287	
Due from Other Funds.....	3,582	--	--	--	--	--	--	3,582	76	
Inventory.....	45,061	56	1,723	77	--	--	980	47,897	2,687	
Cash and Cash Equivalents - Restricted.....	213,915	8,023	83,777	40,648	7,727	--	2,100	356,190	--	
Investments - Restricted.....	--	--	--	--	752	--	--	752	--	
Securities Lending Collateral - Restricted.....	28,314	1,062	11,148	5,321	1,122	--	--	46,967	--	
Receivables - Restricted.....	--	--	--	--	--	--	--	--	--	
Other .....	--	--	--	--	--	--	--	--	--	
Accrued Interest.....	495	15	199	78	18	--	--	805	--	
Due from Other Governments.....	--	--	--	--	2,756	--	--	2,756	--	
<b>Total Current Assets.....</b>	<b>409,655</b>	<b>13,673</b>	<b>104,012</b>	<b>50,664</b>	<b>17,036</b>	<b>70,655</b>	<b>25,456</b>	<b>691,151</b>	<b>70,776</b>	
<b>Noncurrent Assets</b>										
Advances to Other Funds.....	--	--	--	--	--	178	--	178	5,029	
Derivative Instruments.....	--	--	--	--	--	--	--	--	118	
Deferred Outflows of Resources.....	--	--	--	--	--	--	--	--	109	
Deposits.....	--	--	--	--	--	--	--	--	4,475	
Unamortized Bond Issue Costs.....	5,589	141	2,114	450	--	--	--	8,294	--	
Capital Assets										
Land and Construction in Progress.....	176,763	3,785	109,784	11,774	53,869	98,859	14,881	469,715	5,353	
Other, Net of Accumulated Depreciation.....	494,274	52,057	291,072	110,995	48,314	35,424	38,654	1,070,790	47,729	
<b>Total Noncurrent Assets.....</b>	<b>676,626</b>	<b>55,983</b>	<b>402,970</b>	<b>123,219</b>	<b>102,183</b>	<b>134,461</b>	<b>53,535</b>	<b>1,548,977</b>	<b>62,813</b>	
<b>Total Assets.....</b>	<b>\$ 1,086,281</b>	<b>\$ 69,656</b>	<b>\$ 506,982</b>	<b>\$ 173,883</b>	<b>\$ 119,219</b>	<b>\$ 205,116</b>	<b>\$ 78,991</b>	<b>\$ 2,240,128</b>	<b>\$ 133,589</b>	

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, 2012**  
**(in thousands)**

	Enterprise Funds										Internal Service Funds	
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds				
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Accounts Payable.....	\$ 8,914	\$ 2,957	\$ 5,096	\$ 2,322	\$ 2,179	\$ 374	\$ 9,823	\$ 31,665	\$ 10,270			
Due to Other Funds.....	--	--	--	--	--	--	10	10	3,582			
Compensated Absences.....	1,816	143	900	406	298	380	2,771	6,714	2,214			
Obligations Under Securities Lending.....	10,174	361	--	288	430	8,116	1,761	21,130	7,591			
Customer Contracts Payable.....	--	--	480	285	--	--	--	765	--			
Unearned Revenue.....	--	--	--	--	--	--	33	33	94			
Utility Deposits Payable.....	15,345	403	--	1,319	--	--	--	17,067	--			
Obligations Under Securities Lending - Restricted.....	28,314	1,062	11,148	5,321	1,122	--	--	46,967	--			
Retainage Payable and Accounts Payable - Restricted.....	778	109	444	220	2,484	--	--	4,035	--			
Loans Payable - Current.....	1,235	160	--	979	--	--	--	2,374	--			
Bonds Payable - Current.....	11,446	1,400	5,631	634	925	--	--	20,036	--			
<b>Total Current Liabilities.....</b>	<b>78,022</b>	<b>6,595</b>	<b>23,699</b>	<b>11,774</b>	<b>7,438</b>	<b>8,870</b>	<b>14,398</b>	<b>150,796</b>	<b>23,751</b>			
<b>Noncurrent Liabilities</b>												
Loans Payable.....	17,338	2,240	--	13,754	--	--	--	33,332	--			
Claims Payable.....	--	--	--	--	--	--	--	--	9,448			
Customer Contracts Payable.....	--	--	1,284	616	--	--	--	1,900	--			
Advances from Other Funds.....	9,048	6,492	--	--	577	--	1,519	17,636	774			
Compensated Absences.....	1,086	98	316	196	191	130	784	2,801	782			
Net OPEB Obligations.....	--	--	--	--	--	--	--	--	--			
Derivative Instruments.....	--	--	--	--	--	--	--	--	118			
Deferred Inflows of Resources.....	--	--	--	--	--	--	--	--	109			
Bonds Payable.....	576,244	18,266	270,304	59,666	--	--	--	924,480	--			
Unamortized Bond Premium (Discount).....	14,758	265	5,304	1,181	--	--	--	21,508	--			
Deferment of Gain (Loss) on Early Retirement of Debt..	(4,929)	(68)	(944)	539	--	--	--	(5,402)	--			
<b>Total Noncurrent Liabilities.....</b>	<b>613,545</b>	<b>27,293</b>	<b>276,264</b>	<b>75,952</b>	<b>768</b>	<b>130</b>	<b>2,303</b>	<b>996,255</b>	<b>11,231</b>			
<b>Total Liabilities.....</b>	<b>691,567</b>	<b>33,888</b>	<b>299,963</b>	<b>87,726</b>	<b>8,206</b>	<b>9,000</b>	<b>16,701</b>	<b>1,147,051</b>	<b>34,982</b>			
<b>NET ASSETS</b>												
Investment in Capital Assets, Net of Related Debt.....	160,520	33,185	162,767	77,647	100,680	134,284	48,414	717,497	53,044			
Restricted for Debt Service.....	20,918	1,573	12,800	1,590	740	--	--	37,621	--			
Restricted for Renewal, Replacement, and Improvements	90,162	6,323	31,324	10,113	8,036	--	2,100	148,058	--			
Unrestricted.....	123,114	(5,313)	128	(3,193)	1,557	61,832	11,776	189,901	45,563			
<b>Total Net Assets.....</b>	<b>\$ 394,714</b>	<b>\$ 35,768</b>	<b>\$ 207,019</b>	<b>\$ 86,157</b>	<b>\$ 111,013</b>	<b>\$ 196,116</b>	<b>\$ 62,290</b>	<b>1,093,077</b>	<b>\$ 98,607</b>			

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds..... 62,563  
Net Assets of business-type activities..... \$ 1,155,640

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, 2012**

(in thousands)

	Enterprise Funds									
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
<b>Operating Revenues:</b>										
Charges for Services:										
Residential Sales.....	\$ 122,905	\$ 10,350	\$ 28,530	\$ 14,179	\$ --	\$ 7,465	\$ 26,190	\$ 209,619	\$ --	
Commercial and Industrial Sales.....	141,629	17,134	19,204	9,091	--	10,366	23,777	221,201	--	
Public Street and Highway Lighting.....	4,001	--	--	--	--	--	--	4,001	--	
Sales for Resale.....	3,655	--	--	--	--	--	--	3,655	--	
Surcharge.....	2,019	161	1,018	1,584	--	--	--	4,782	--	
Tapping Fees.....	--	9	65	448	--	--	--	522	--	
Landing and Tie Down Fees.....	--	--	--	--	1,444	--	--	1,444	--	
Late Fees.....	674	80	--	77	--	--	--	831	--	
Initiating Service.....	857	122	--	496	--	--	--	1,475	--	
Rentals.....	856	--	--	371	8,245	--	--	9,472	--	
Cut-ins and Cut-fees.....	1,285	26	--	111	--	--	--	1,422	--	
County Government.....	--	--	--	--	--	--	2,822	2,822	--	
Recyclable Sales.....	--	--	--	--	--	--	1,018	1,018	--	
Recreation Fees.....	--	--	--	--	--	--	869	869	--	
Transportation Fees.....	--	--	--	--	--	--	4,615	4,615	--	
Other.....	5,769	1,190	4,984	2,407	1,971	923	683	17,927	230,174	
<b>Total Operating Revenues.....</b>	<b>283,650</b>	<b>29,072</b>	<b>53,801</b>	<b>28,764</b>	<b>11,660</b>	<b>18,754</b>	<b>59,974</b>	<b>485,675</b>	<b>230,174</b>	
<b>Operating Expenses:</b>										
Personnel Services.....	24,728	1,886	12,916	5,387	3,912	5,383	36,357	90,569	30,949	
Fossil Fuel.....	127,367	15,897	--	--	--	--	--	143,264	--	
Power Purchased.....	14,660	--	--	--	--	--	--	14,660	--	
Contractual Services.....	35,344	3,094	15,079	10,022	3,350	7,504	27,809	102,202	178,791	
Materials and Supplies.....	6,930	147	3,002	1,291	174	508	3,830	15,882	7,886	
Other Expenses.....	5,507	1,061	2,459	3,712	497	549	903	14,688	6,033	
Depreciation.....	32,813	1,819	9,096	3,807	3,800	959	3,682	55,976	7,876	
Amortization.....	248	17	106	16	27	--	--	414	--	
<b>Total Operating Expenses.....</b>	<b>247,597</b>	<b>23,921</b>	<b>42,658</b>	<b>24,235</b>	<b>11,760</b>	<b>14,903</b>	<b>72,581</b>	<b>437,655</b>	<b>231,535</b>	
<b>Operating Income (Loss).....</b>	<b>\$ 36,053</b>	<b>\$ 5,151</b>	<b>\$ 11,143</b>	<b>\$ 4,529</b>	<b>\$ (100)</b>	<b>\$ 3,851</b>	<b>\$ (12,607)</b>	<b>\$ 48,020</b>	<b>\$ (1,361)</b>	

**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, 2012**  
**(in thousands)**

	Enterprise Funds										Internal Service Funds	
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds				
Non-Operating Revenues (Expenses):												
Net Investment Earnings.....	\$ 4,469	\$ 158	\$ 709	\$ 113	\$ 129	\$ 834	\$ 181	\$ 6,593	\$ 1,018			
Change in the Fair Value of Investments.....	583	(15)	(377)	22	32	134	41	420	52			
Securities Lending:												
Income.....	90	6	11	--	--	17	6	130	23			
Interest Expense.....	(70)	(5)	(8)	--	--	(13)	(5)	(101)	(18)			
Agent Fees.....	(4)	--	(1)	--	--	(1)	--	(6)	(1)			
Grant Revenues.....	3,513	--	--	--	--	--	3,360	6,873	--			
Other Revenues.....	223	93	6,371	1,557	--	2,058	503	10,805	1,067			
Interest Expense.....	(16,452)	(1,135)	(4,513)	(1,940)	(119)	--	(86)	(24,245)	(9)			
Gain (Loss) on Sale of Assets.....	--	--	--	--	--	--	--	--	22			
Other Expenses.....	--	(91)	(40)	(10)	(948)	--	--	(1,089)	(1,877)			
Total Non-Operating Revenues (Expenses)...	(7,648)	(989)	2,152	(258)	(906)	3,029	4,000	(620)	277			
Income (Loss) Before Capital Contributions and Operating Transfers.....	28,405	4,162	13,295	4,271	(1,006)	6,880	(8,607)	47,400	(1,084)			
Capital Contributions and Transfers:												
Capital Contributions.....	--	--	--	--	12,719	27	7,280	20,026	6			
Transfers In.....	61	--	--	--	--	--	9,462	9,523	856			
Transfers Out.....	(24,350)	(2,601)	(3,843)	(3,194)	(1,033)	(1,320)	(2,008)	(38,349)	(2,992)			
Total Capital Contributions and Transfers....	(24,289)	(2,601)	(3,843)	(3,194)	11,686	(1,293)	14,734	(8,800)	(2,130)			
Change in Net Assets.....	4,116	1,561	9,452	1,077	10,680	5,587	6,127	38,600	(3,214)			
Net Assets - October 1.....	386,294	34,207	188,429	85,080	91,404	185,067	56,163	95,362	6,459			
Adjustment to October 1 Net Assets.....	4,304	--	9,138	--	8,929	5,462	--	101,821	--			
Net Assets - October 1, as restated.....	390,598	34,207	197,567	85,080	100,333	190,529	56,163	95,362	6,459			
Net Assets - September 30	\$ 394,714	\$ 35,768	\$ 207,019	\$ 86,157	\$ 111,013	\$ 196,116	\$ 62,290	\$ 98,607	\$ 98,607			

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds..... (1,366)  
Change in net assets of business-type activities..... \$ 37,234

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

**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**  
**(in thousands)**

	Enterprise Funds										Internal Service Funds	
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Cash Received from Customers.....	\$ 295,150	\$ 28,731	\$ 51,119	\$ 28,241	\$ 12,334	\$ 17,844	\$ 59,148	\$ 492,567	\$	--	\$ 249,898	
Cash Received from Other Funds.....	--	--	--	--	--	--	--	--	--	--	--	
Cash Received from Other Revenues.....	--	93	2,896	958	71	71	503	4,521	--	--	--	
Cash Paid to Suppliers for Goods and Services.....	(162,169)	(18,642)	(10,660)	(7,155)	(5,290)	(4,976)	(15,825)	(224,717)	(217,110)	--	(217,110)	
Cash Paid to Employees for Services.....	(24,659)	(1,855)	(12,914)	(5,397)	(3,904)	(5,377)	(36,429)	(90,535)	(31,029)	--	(31,029)	
Cash Paid to Other Funds.....	(32,582)	(2,239)	(5,966)	(5,756)	(970)	(3,914)	(16,185)	(67,612)	--	--	--	
Cash Paid for Other Expenses.....	(492)	(91)	--	--	(948)	--	--	(1,531)	--	--	--	
Net Cash Provided by (Used For) Operating Activities.....	75,248	5,997	24,475	10,891	1,222	3,648	(8,788)	112,693	1,759	--	1,759	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>												
T transfers In from Other Funds.....	61	--	--	--	--	--	9,462	9,523	856	--	856	
Operating Grants Received.....	3,513	--	--	--	--	--	1,473	4,986	--	--	--	
Other.....	--	--	--	--	--	--	--	--	750	--	750	
Repayment of Advances.....	--	--	--	--	(266)	--	--	(266)	--	--	--	
T transfers Out to Other Funds.....	(24,350)	(2,601)	(3,843)	(3,194)	(1,033)	(1,320)	(2,008)	(38,349)	(2,992)	--	(2,992)	
Net Cash Provided by (Used for) Noncapital Financing Activities.....	(20,776)	(2,601)	(3,843)	(3,194)	(1,299)	(1,320)	8,927	(24,106)	(1,386)	--	(1,386)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Receipts from Energy Loan Program.....	--	--	--	--	10,059	715	7,280	18,054	--	--	--	
Capital Contributions.....	--	--	3,475	896	--	--	--	4,371	--	--	--	
System Charges.....	--	--	--	--	--	--	--	--	--	--	--	
Proceeds from Sale of Property.....	--	--	--	--	--	--	--	--	--	--	(144)	
Bond and Loan Proceeds.....	--	--	--	--	--	--	--	--	--	--	79	
Acquisition, Construction and Sale of Capital Assets.....	(25,407)	(2,384)	(47,483)	(7,584)	(8,526)	(3,839)	(6,213)	(101,436)	(6,393)	--	(6,393)	
Principal and Refunding Payments.....	(10,914)	(2,401)	(5,403)	(1,549)	(885)	--	--	(21,152)	--	--	--	
Repayment of Loans Payable.....	(1,186)	--	--	--	--	--	--	(1,186)	--	--	--	
Repayment of Loans from Other Funds.....	(319)	--	--	--	--	--	(472)	(791)	--	--	--	
Loan Issue Costs.....	--	--	--	--	--	--	--	--	--	--	--	
Funding of Energy Loan Program.....	--	--	--	--	--	--	--	--	--	--	--	
Interest Paid.....	(31,447)	(1,255)	(13,911)	(3,647)	(92)	--	(86)	(50,438)	(5)	--	(5)	
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(69,273)	(6,040)	(63,322)	(11,884)	556	(3,124)	509	(152,578)	(6,463)	--	(6,463)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Proceeds from Sale and Maturities of Investment Securities.....	--	--	--	--	(2)	--	--	(2)	--	--	--	
Interest Received on Investments.....	5,340	196	1,969	639	154	989	211	9,498	1,121	--	1,121	
Purchase of Investment Securities.....	--	--	--	--	--	--	--	--	--	--	--	
Increase in the Fair Value of Cash and Cash Equivalents.....	583	(15)	(377)	22	32	134	41	420	52	--	52	
<b>Net Change in Cash and Cash Equivalents.....</b>	<b>\$ 5,923</b>	<b>\$ 181</b>	<b>\$ 1,592</b>	<b>\$ 661</b>	<b>\$ 184</b>	<b>\$ 1,123</b>	<b>\$ 252</b>	<b>\$ 9,916</b>	<b>\$ 1,173</b>	<b>\$</b>	<b>\$ 1,173</b>	

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, 2012**  
(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.....	\$ (8,878)	\$ (2,463)	\$ (41,098)	\$ (3,526)	\$ 663	\$ 327	\$ 900	\$ (54,075)	\$ (4,917)	
Cash and Cash Equivalents - October 1.....	299,660	13,214	124,875	46,352	10,314	60,994	14,509	569,918	62,256	
Cash and Cash Equivalents - September 30.....	\$ 290,782	\$ 10,751	\$ 83,777	\$ 42,826	\$ 10,977	\$ 61,321	\$ 15,409	\$ 515,843	\$ 57,339	
Classified As:										
Unrestricted Assets.....	\$ 76,867	\$ 2,728	\$ --	\$ 2,178	\$ 3,250	\$ 61,321	\$ 13,309	\$ 159,653	\$ 57,339	--
Restricted Assets.....	213,915	8,023	83,777	40,648	7,727	--	2,100	356,190	--	--
	\$ 290,782	\$ 10,751	\$ 83,777	\$ 42,826	\$ 10,977	\$ 61,321	\$ 15,409	\$ 515,843	\$ 57,339	--
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	\$ 36,053	\$ 5,151	\$ 11,143	\$ 4,529	\$ (100)	\$ 3,851	\$ (12,607)	\$ 48,020	\$ (1,361)	
Operating Income (Loss).....										
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:										
Depreciation.....	32,813	1,819	9,096	3,807	3,800	959	3,682	55,976	7,876	
Amortization.....	248	17	106	16	27	--	--	414	--	
Provision for Uncollectible Accounts.....	--	(7)	(63)	(10)	(181)	--	134	(127)	--	
Net OPEB Obligation.....	--	--	--	--	--	--	--	--	--	
Other.....	(492)	2	2,896	958	(948)	71	503	2,990	--	
(Increase) Decrease in Accounts Receivable.....	(917)	(335)	(535)	(380)	76	(910)	(860)	(3,861)	(705)	
Decrease in Other Accounts Receivable.....	--	--	--	--	--	--	--	--	66	
(Increase) Decrease in Inventory.....	526	18	(234)	--	--	--	(155)	155	(812)	
(Increase) Decrease in Deposits.....	--	--	--	--	--	--	--	--	20,579	
(Increase) Decrease in Notes Receivable.....	1,196	--	84	--	--	--	--	1,280	--	
(Increase) Decrease in Due From Other Funds.....	18,882	--	--	--	--	--	--	18,882	--	
(Increase) Decrease in Due From Other Governments.....	(3,026)	--	(2,168)	--	--	--	--	(5,194)	--	
Increase (Decrease) in Accounts Payable.....	(5,469)	(700)	4,327	2,200	(2,045)	(302)	(530)	(2,519)	(6,677)	
Decrease in Due To Other Funds.....	--	--	--	--	--	--	--	--	(18,882)	
Increase in Prepaid Expenses.....	--	--	--	--	--	--	1,039	1,039	--	
Increase in loans to other funds.....	--	--	--	--	--	--	--	--	1,728	
Increase in Utility Deposits Payable.....	(4,635)	1	--	(133)	--	--	--	(4,767)	--	
Increase (Decrease) in Deferred Revenue.....	--	--	--	--	--	(27)	--	(27)	--	
Increase (Decrease) in Customer Contracts Payable.....	--	--	(179)	(86)	--	--	--	(265)	--	
Increase (Decrease) in Compensated Absences.....	69	31	2	(10)	17	6	6	121	(53)	
Increase in Prepaid Fees Credit.....	--	--	--	--	576	--	--	576	--	
Decrease in Insurance Deposits.....	--	--	--	--	--	--	--	--	--	
Total Adjustments.....	39,195	846	13,332	6,362	1,322	(203)	3,819	64,673	3,120	
Net Cash Provided by (Used for) Operating Activities.....	\$ 75,248	\$ 5,997	\$ 24,475	\$ 10,891	\$ 1,222	\$ 3,648	\$ (8,788)	\$ 112,693	\$ 1,759	

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, 2012**  
**(in thousands)**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Nuclear Decommissioning Private-Purpose Trust Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ --	\$ 4,409	\$ --
Receivables			
Other Receivables.....	44,978	--	--
Accrued Interest.....	1,452	10	--
Total Receivables.....	<u>46,430</u>	<u>10</u>	<u>--</u>
Investments, at Fair Value			
Mutual Index Funds.....	312,270	--	--
Fixed Income Securities.....	287,272	--	--
Domestic Stock.....	358,488	--	--
International Stock.....	156,184	--	--
Short-term Investments.....	16,011	--	6,309
Real Estate.....	130,766	--	--
Total Investments.....	<u>1,260,991</u>	<u>--</u>	<u>6,309</u>
Securities Lending Collateral.....	62,881	584	831
Total Assets.....	<u>\$ 1,370,302</u>	<u>\$ 5,003</u>	<u>\$ 7,140</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Obligations Under Securities Lending.....	\$ 62,881	\$ 584	\$ 831
Other Payables.....	58,477	4	--
Total Liabilities.....	<u>121,358</u>	<u>588</u>	<u>831</u>
<b>NET ASSETS</b>			
Held in Trust for Benefits and Other Purposes.....	<u>1,248,944</u>	<u>4,415</u>	<u>6,309</u>
Total Liabilities and Net Assets.....	<u>\$ 1,370,302</u>	<u>\$ 5,003</u>	<u>\$ 7,140</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, 2012**  
**(in thousands)**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Nuclear Decommissioning Private-Purpose Trust Fund</b>
<b>ADDITIONS</b>			
Contributions			
Employer.....	\$ 20,110	\$ 2,052	\$ --
Plan Members.....	8,483	--	--
Miscellaneous.....	135	--	--
Total Contributions.....	<u>28,728</u>	<u>2,052</u>	<u>--</u>
Investment Income			
<i>From Investment Activities:</i>			
Unrealized Appreciation (Depreciation)			
In Fair Value of Investments.....	194,576	11	31
Interest.....	22,631	61	20
Dividends.....	8,458	--	--
Total Investment Income.....	<u>225,665</u>	<u>72</u>	<u>51</u>
Less Investment Expenses:			
Investment Management Fees.....	5,380	--	--
Interest Expenses.....	93	--	--
Net Income from Investing Activities.....	<u>220,192</u>	<u>72</u>	<u>51</u>
<i>From Securities Lending Activities:</i>			
Securities Lending Income.....	203	--	--
Less Securities Lending Expenses:			
Interest Expenses.....	--	--	--
Investment Management Fees.....	41	--	--
Net Income from Securities Lending Activities.....	<u>162</u>	<u>--</u>	<u>--</u>
Total Net Investment Income.....	<u>220,354</u>	<u>72</u>	<u>51</u>
Total Additions.....	<u>249,082</u>	<u>2,124</u>	<u>51</u>
<b>DEDUCTIONS</b>			
Benefits.....	59,586	2,036	--
Refunds of Contributions.....	327	--	--
Administrative Expense.....	903	--	--
Total Deductions.....	<u>60,816</u>	<u>2,036</u>	<u>--</u>
Change in Net Assets.....	188,266	88	51
Net Assets - October 1.....	<u>1,060,678</u>	<u>4,327</u>	<u>6,258</u>
Net Assets - September 30.....	<u>\$ 1,248,944</u>	<u>\$ 4,415</u>	<u>\$ 6,309</u>

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

# **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, 2012

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### **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, 2012

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#### 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.

#### BLENDING COMPONENT UNIT

Community Redevelopment Agency (CRA) - The Tallahassee Community Redevelopment Agency and the CRA Board were created in 1998. Governed by an interlocal agreement between the City of Tallahassee, Leon County and CRA, the CRA 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, 2012, 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, the City of West Palm Beach, Florida, participate in the Commission's programs as non-member participants. Other Florida local governments may in the

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE I (CONTINUED)

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 to the Agency. During the fiscal year ended September 30, 2012, the City paid nothing under these JPAs.

Current audited financial statements may be obtained from Blueprint 2000, 2727 Apalachee Parkway, Suite 200, Tallahassee, Florida 32301.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

## **CITY OF TALLAHASSEE, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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#### **NOTE I (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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, 2012

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#### NOTE I (CONTINUED)

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 Fund accounts 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 assets, 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, fleet management, employee relations operations, employee retirement plan's administrative operation, risk management operation, internal loans program, utility services functions, and wholesale energy operations.
- 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.

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE I (CONTINUED)

- 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 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.

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE I (CONTINUED)

**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.

**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.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

**NOTE I (CONTINUED)**

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

**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 Service Hours</u>	<u>Leave earned per hour</u>	<u>Creditable Service Hours</u>	<u>Leave earned per hour</u>	<u>Creditable Service Hours</u>	<u>Leave earned 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		

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

**NOTE I (CONTINUED)**

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.

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.

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE I (CONTINUED)

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 employees 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 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% (1/4) 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 and vacation 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.

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE I (CONTINUED)

**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.

**10. FUELS MANAGEMENT PROGRAM** - In connection with the purchase of natural gas, diesel fuel, and unleaded gasoline, the City has developed and implemented a fuels management program intended to manage the risk of changes in the market prices of natural gas, diesel fuel, and unleaded gasoline. Pursuant to this program the City may execute fixed price and option contracts from time to time to help manage fluctuations in the market price of such fuels. The fair value of such contracts are recorded at fair value on the Statement of Net Assets as they have been determined to qualify as derivative instruments under GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". Such amounts are included in noncurrent assets and liabilities. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under expired or closed contracts are recorded as an adjustment to fuel expense in the period realized. See Note V, section J.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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**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 \$103,602 difference are as follows (in thousands):

Bonds and loan payable including premiums & discount.....	\$	92,328
Compensated absences.....		8,774
Net OPEB Obligation.....		<u>2,500</u>
Net adjustments to reduce fund balances-		
Total governmental funds to arrive at net assets.....	\$	<u>103,602</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 \$ (5,839) difference are as follows (in thousands):

Capital Outlay.....	\$	25,433
Depreciation Expense.....		<u>(31,272)</u>
Net adjustment to increase net changes in Fund Balances		
Total Governmental Funds to arrive at changes in Net Assets		
Governmental Activities.....	\$	<u>(5,839)</u>

## **CITY OF TALLAHASSEE, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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#### **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, had a fund deficit of \$1,881,000 at fiscal year end. The Pension Administration Fund, an Internal Service Fund had a fund deficit of \$733,000 at fiscal year end. It is anticipated that future revenues will fund these deficits.

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE III (CONTINUED)

#### D. PRIOR PERIOD ADJUSTMENT

Net Assets as of September 30, 2011 have been restated as follows:

- A review of the City's open projects resulted in an adjustment to Construction in Progress. This resulted in the net assets of the Airport Fund (a major enterprise fund) increasing by \$7,491,000, net assets of the Sewer Fund (a major enterprise fund) increasing by \$9,138,000, net assets of the Stormwater Fund (a major enterprise fund) increasing by \$6,690,000 and General Government net assets increasing by \$8,031,000.
- Prior period depreciation was misstated related to certain fixed assets. This resulted in the net assets of the Electric Fund (a major enterprise fund) increasing by \$4,304,000, net assets of the Airport Fund (a major enterprise fund) decreasing by \$504,000 and net assets of the Garage fund (an Internal Service Fund) increasing by \$164,000.
- Two airport capital projects were not capitalized when placed in service. This resulted in the net assets of the Airport Fund (a major enterprise fund) increasing by \$1,942,000.
- An accrued receivable was overstated resulting in the overstatement of net assets of the Stormwater Fund (a major enterprise fund) by \$1,228,000.
- The Capital Bonds, Series 2008 were moved from the Internal Loan Fund to the General Long Term Debt Account Group. This resulted in the net assets of the Internal Loan Fund (an Internal Service Fund) decreasing by \$6,295,000.

## **CITY OF TALLAHASSEE, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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#### **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 \$19,264,000 and the bank balance was \$20,552,000. Also included within deposits is \$20,381,000 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. Three city funds had deficit cash balances at year end totaling \$17,043,000 which is reported in accounts payable at September 30, 2012. 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, 2012

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#### 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, 2012 was \$115,000 and the bank balance was \$1,402,000. The Public Funds balances are included in the above discussed City deposit balances.

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 Core Portfolio includes investments administered internally by the City of Tallahassee, funds invested in two external investment pools and the external portfolio administered by Galliard Asset Management (Galliard) and Cutwater Asset Management (Cutwater). The two external investment pools are 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, 2012, the City owns \$70,032,000 in shares in the Florida League of Cities Pool, not the individual securities within the portfolio. The effective duration of the Florida League of Cities Pool as of September 30, 2012 is 1.64 years. At September 30, 2012, the City has \$250,441,000 invested in shares of the SPIA Pool, not the individual securities within the portfolio. The SPIA Pool has a rating of A+f from Standard and Poor's. The unaudited fair value factor for September 30, 2012 was 1.0187. The effective duration of the SPIA Pool is 2.58 years as of September 30, 2012.

The Nuclear Decommissioning Private Purpose Fund is a Specialized Portfolio. As of September 30, 2012, the Nuclear Fuel Decommissioning Private-Purpose Fund held \$6,305,000 in the Florida State Board of Administration (SBA) Local Government Investment Prime Pool and \$4,000 in the SBA's Pool B. The Prime Pool is a 2a-7 like pool which maintains a stable net asset value of \$1, is rated AAAM and has an average weighted maturity of 39 days. Pool B does not meet the qualifications of a 2a-7 like pool. The Pool is not rated, and has an estimated weighted average maturity of 4.08 years at September 30, 2012. The Fair Value factor for Pool B at September 30, 2012 is .9490.

**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, 2012. The City's Investment Policy provides that the structure of the non-pension portfolio is designed to minimize credit risk, with the majority of the securities held to be those of the highest available credit quality ratings. The non-pension portfolio's credit quality is measured using the Standard & Poor's rating scale.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

**NOTE IV (CONTINUED)**

As of September 30, 2012, the City had the following non-pension investments subject to credit risk in the internal, Galliard and Cutwater portion of the portfolio:

<b>Credit Quality</b>	
<b>September 30, 2012</b>	
<b>Quality Breakdown</b>	<b>Portfolio Percentage</b>
US Treasury	35.31%
US Agency	4.14%
AAA	2.66%
AA	46.67%
A	7.80%
BBB	0.04%
Other	3.37%
<b>Total</b>	<b>100.00%</b>

In addition, the City owns \$70,032,000 shares in the Florida League of Cities Pool , and \$250,441,000 shares in the SPIA Pool, as noted above.

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 duration of the non-pension portfolio as of September 30, 2012 was 1.87 years.

As of September 30, 2012, the non-pension portfolio that encompasses the internal portion as well as those assets under the management of Galliard and Cutwater, had the following investments on a time-segmented basis (in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6 – 10 Years</b>	<b>10+ Years</b>
US Treasury	213,180	99,699	112,127	1,354	--
US Agencies	13,382	--	--	5,010	8,372
Asset backed	59,239	--	1,687	12,706	44,846
Corporate Bonds	101,697	23,702	76,890	1,105	--
Municipals	20,189	5,872	14,317	--	--
Other	12,651	--	--	--	12,651
<b>Total</b>	<b>\$ 420,338</b>	<b>\$ 129,273</b>	<b>\$ 205,021</b>	<b>20,175</b>	<b>\$ 65,869</b>

**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 requires its fixed-income managers to manage a high-grade portfolio of bonds. The individual money managers evaluate risk in their selection of bond securities to hold in their portfolios. The Pension Plan measures credit quality using the Standard & Poor’s rating scale.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

**NOTE IV (CONTINUED)**

As of September 30, 2012, the City had the following pension investments subject to credit risk:

<b>Credit Quality</b>	
<b>September 30, 2012</b>	
<b>Quality Breakdown</b>	<b>Portfolio Percentage</b>
U S Treasury	7.76 %
U S Agency	1.25 %
A A A	7.30 %
A A	18.85 %
A	4.92 %
B B B -B	3.26 %
C C C -C	1.21 %
O ther	2.09 %
C o m m i n g l e d	53.36 %
<b>Total</b>	<b>100.00 %</b>

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.

The table below shows the Foreign Currency Risk for the City’s Pension Plan (in thousands):

	<b>Exposure</b>	<b>Percentage</b>
US Dollar	\$ 1,072,367	91.53%
Euro Currency	35,253	3.01%
Japanese Yen	19,465	1.66%
Pound Sterling	17,634	1.51%
Hong Kong Dollar	11,135	0.95%
Swiss Franc	7,020	0.60%
Australian Dollar	3,315	0.29%
Canadian Dollar	1,788	0.15%
South Korean Won	1,561	0.13%
Norwegian Krone	936	0.08%
Singapore Dollar	565	0.05%
Brazilian Real	280	0.02%
Polish Zloty	193	0.02%
Indonesian Rupiah	51	0.00%
Swedish Krona	7	0.00%
Danish Krone	5	0.00%
Turkish Lira	5	0.00%
South African Rand	3	0.00%
New Taiwan Dollar	-	0.00%
<b>Total</b>	<b>\$ 1,171,583</b>	<b>100.00%</b>

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

#### NOTE IV (CONTINUED)

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, 2012 (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>
Asset Backed	\$ 54,676	\$ --	\$ 72	\$ 12,209	\$ 42,395
Corporate Bonds	27,500	2,726	13,785	7,258	3,731
Municipal	3,372	--	486	1,245	1,641
US Agency	2,554	--	--	--	2,554
US Treasury	40,585	10,427	20,484	9,674	--
Commingled	153,288	--	76,644	76,644	--
Cash and Equivalents	5,297	654	--	--	4,643
Total	<u>\$ 287,272</u>	<u>\$ 13,807</u>	<u>\$ 111,471</u>	<u>\$ 107,030</u>	<u>\$ 54,964</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 Deutsche 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.

During the fiscal year ended September 30, 2012, the Bank loaned, 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, 2012. Moreover, there were no losses during the fiscal year ended September 30, 2012 resulting from a default of any borrower.

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE IV (CONTINUED)

During the fiscal year ended September 30, 2012, 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, 2012 was 1.9 days with an average weighted maturity of 281 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, 2012, the City had no credit risk exposure to borrowers.

As of September 30, 2012, for the City's pension fund, the collateral held and the market value of securities on loan were \$62,881,000 and \$61,378,000, respectively; for the City's non-pension funds, the collateral held and the market value of securities on loan were \$92,448,000 and \$90,549,000 respectively.

A summary of the fair market value of the securities on loan as of September 30, 2012 follows:

	Pension Fund	Non-Pension Fund
American Depository Receipts (ADR)	\$ 412,000	\$ --
Agencies	1,029,000	--
Corporate Bonds	2,034,000	9,618,000
Common Stock	51,038,000	--
U.S. Government Treasury Notes	6,865,000	80,931,000
	<u>\$ 61,378,000</u>	<u>\$ 90,549,000</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, 2012 was 3.7000.

All property is assessed by the county according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

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.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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**NOTE IV (CONTINUED)**

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 seven 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, 2012 (in thousands):

<u>Years ending September 30,</u>	
2013.....	2,659
2014.....	2,674
2015.....	1,528
2016.....	931
2017.....	922
2018-2022.....	4,213
2023-2027.....	4,101
2028-2032.....	3,707
2033-2037.....	3,755
2038-2042.....	1,702
Thereafter.....	3,987
	<u>\$ 30,179</u>

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, 2012 amounted to \$223,601.

## CITY OF TALLAHASSEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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#### NOTE IV (CONTINUED)

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 provides 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 such difference in the event of an overpayment and, in the event of an underpayment, apply such difference to the Prepaid Fees Credit for the next Fiscal Year.

The allocation of the Prepaid Fees Credit for fiscal year 2012 True-Up of Signatory Airline Rates was 54.90% toward terminal rentals and 45.10% 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 \$1,338,992.

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.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE IV (CONTINUED)**

**D. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2012 was as follows (in thousands):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental Activities</b>				
<b>Non-Depreciable Assets:</b>				
Land.....	\$ 357,014	\$ 3,209	\$ (3,486)	\$ 356,737
Construction in Progress.....	61,048	27,789	(4,141)	84,696
<b>Depreciable Assets:</b>				
Buildings.....	113,983	32	(1)	114,014
Equipment.....	38,446	6,249	(5,087)	39,608
Improvements other than buildings.....	12,416	--	--	12,416
Infrastructure.....	797,604	908	--	798,512
Intangibles.....	14	--	--	14
	<u>1,380,525</u>	<u>38,187</u>	<u>(12,715)</u>	<u>1,405,997</u>
<b>Less accumulated depreciation for:</b>				
Buildings.....	(52,271)	(2,855)	--	(55,126)
Equipment.....	(30,885)	(3,550)	2,002	(32,433)
Improvements other than buildings.....	(4,674)	(715)	--	(5,389)
Infrastructure.....	(375,828)	(26,402)	--	(402,230)
Intangibles.....	(3)	0	--	(3)
	<u>(463,661)</u>	<u>(33,522)</u>	<u>2,002</u>	<u>(495,181)</u>
<b>Governmental Activities capital assets, net</b>	<u>\$ 916,864</u>	<u>\$ 4,665</u>	<u>\$ (10,713)</u>	<u>\$ 910,816</u>
<b>Business-type Activities</b>				
<b>Non-Depreciable Assets:</b>				
Land.....	\$ 123,382	\$ 1,604	\$ (861)	\$ 124,125
Construction in Progress.....	382,418	136,063	(172,750)	345,731
<b>Depreciable Assets:</b>				
Buildings.....	118,165	1,438	(20)	119,583
Equipment.....	735,059	12,382	(7,822)	739,619
Improvements other than buildings.....	14,501	--	--	14,501
Infrastructure.....	855,272	156,460	(10)	1,011,722
Intangibles.....	115,960	6,331	--	122,291
	<u>2,344,757</u>	<u>314,278</u>	<u>(181,463)</u>	<u>2,477,572</u>
<b>Less accumulated depreciation for:</b>				
Buildings.....	(53,784)	(2,956)	--	(56,740)
Equipment.....	(361,439)	(27,928)	5,844	(383,523)
Improvements other than buildings.....	(4,923)	(1,704)	--	(6,627)
Infrastructure.....	(360,287)	(27,061)	77	(387,271)
Intangibles.....	(58,688)	(3,732)	--	(62,420)
	<u>(839,121)</u>	<u>(63,381)</u>	<u>5,921</u>	<u>(896,581)</u>
<b>Business-type Activities, net</b>	<u>\$ 1,505,636</u>	<u>\$ 250,897</u>	<u>\$ (175,542)</u>	<u>\$ 1,580,991</u>

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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**NOTE IV (CONTINUED)**

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

**GOVERNMENTAL ACTIVITIES:**

General Government.....	\$	1,662
Public Safety.....		815
Transportation.....		886
Human Services.....		145
Economic Development.....		372
Physical Environment.....		9
Culture and Recreation.....		982
General Infrastructure.....		26,401
Capital Assets held by the governmental type internal service funds are charged to the various functions based on their usage of assets.....		862
Total depreciation expense-governmental activities	\$	<u>32,134</u>

**BUSINESS-TYPE ACTIVITIES:**

Electric.....	\$	32,813
Gas.....		1,819
Sewer.....		9,096
Water.....		3,807
Airport.....		3,800
Star Metro.....		2,292
Solid Waste.....		190
Golf.....		223
Stormwater Management.....		959
Fire Services.....		977
Capital Assets held by the business-type internal service funds are charged to the various functions based on their usage of assets.....		7,014
Total depreciation expense-business-type activities	\$	<u>62,990</u>

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

**NOTE IV (CONTINUED)**

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, 2012 (in thousands):

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>
Total interest cost incurred	\$ 31,011	\$ 3,568	\$ 13,840	\$ 1,232
Decrease as a result of capitalizing interest as a cost of construction	(14,559)	(1,628)	(9,327)	(97)
Interest charged to operations	<u>\$ 16,452</u>	<u>\$ 1,940</u>	<u>\$ 4,513</u>	<u>\$ 1,135</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, 2012 (in thousands):

Interest expense incurred during construction and capitalized	\$ 14,559	\$ 1,628	\$ 9,327	\$ 97
Interest earned on bond proceeds	(85)	(418)	(853)	(3)
Net interest capitalized	<u>\$ 14,474</u>	<u>\$ 1,210</u>	<u>\$ 8,474</u>	<u>\$ 94</u>

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

**1. INTERFUND RECEIVABLES/PAYABLES** - At September 30, 2012, Interfund Receivables and Payables are as follows (in thousands):

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Advance To</u>	<u>Advance From</u>
General.....	\$ --	66	1,857	1,997
Electric.....	3,582	--	--	9,048
Gas.....	--	--	--	6,492
Water.....	--	--	--	--
Sewer.....	--	--	--	--
Airport.....	--	--	--	577
Stormwater.....	--	--	178	--
Nonmajor governmental.....	--	--	15,378	2,035
Nonmajor business-type.....	--	10	--	1,519
Internal service funds.....	76	3,582	5,029	774
	<u>\$ 3,658</u>	<u>3,658</u>	<u>22,442</u>	<u>22,442</u>

\$5,693,000 of the interfund receivables and payables balances represent amounts remaining from loans to fund operations. \$20,407,000 of these balances represent amounts loaned for capital funding.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**NOTE IV (CONTINUED)**

**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, 2012 are as follows (in thousands):

General.....	\$ 17,409
Electric.....	14,756
Gas.....	2,123
Sewer.....	4,685
Water.....	5,160
Airport.....	1,111
Stormwater management.....	2,792
Nonmajor business type.....	11,652
Nonmajor governmental type.....	364
Fiduciary type.....	901
Internal service type.....	6,182
	<u>\$ 67,135</u>

**3. INTERFUND TRANSFERS** - At September 30, 2012, Interfund Transfers are as follows (in thousands)

	<b>Transfers In</b>					<b>Total</b>
	<b>General</b>	<b>Electric</b>	<b>Nonmajor Governmental</b>	<b>Nonmajor Business-type</b>	<b>Internal Service Funds</b>	
<b>Transfers Out</b>						
General	\$ --	\$ 61	\$ 7,777	\$ 8,329	\$ 102	\$ 16,269
Electric	23,885	--	163	--	302	24,350
Gas	2,518	--	27	--	56	2,601
Sewer	3,715	--	32	--	96	3,843
Water	3,024	--	21	--	149	3,194
Airport	--	--	--	1,033	--	1,033
Stormwater	1,277	--	39	--	4	1,320
Nonmajor governmental	1,275	--	6,074	100	89	7,538
Nonmajor business-type	1,755	--	199	--	54	2,008
Internal service	1,952	--	1,036	--	4	2,992
<b>Total</b>	<u>\$ 39,401</u>	<u>\$ 61</u>	<u>\$ 15,368</u>	<u>\$ 9,462</u>	<u>\$ 856</u>	<u>\$ 65,148</u>

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

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

**NOTE IV (CONTINUED)**

**F. LEASE COMMITMENTS**

**OPERATING** - The City has entered into operating leases for buildings and equipment. The leases are for one to three years, expiring in 2013 through 2015. Total rent expenses incurred by the City for the year ended September 30, 2012, was \$1,332,731. The remaining future minimum lease obligations are as follows (in thousands):

	<u>Year Ending Sept. 30</u>
2013.....	\$ 165
2014.....	135
2015.....	<u>104</u>
Total.....	<u>\$ 404</u>

**G. LONG-TERM DEBT**

**1.** The following is a summary of the changes in Long-Term Debt for the year ended September 30, 2012 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Revenue Bonds.....	\$ 101,150	\$ --	\$ 10,675	\$ 90,475	\$ 5,500
Compensated Absences.....	9,592	6,644	6,422	9,814	6,644
OPEB Obligation.....	2,500	2,052	2,052	2,500	--
Total Governmental-Type Debt	<u>113,242</u>	<u>8,696</u>	<u>19,149</u>	<u>102,789</u>	<u>12,144</u>
<b>Business-Type Activities:</b>					
Energy System – 1998 A.....	19,445	--	4,495	14,950	4,730
Energy System Refunding 2001.....	5,420	--	1,075	4,345	1,140
Energy System 2005.....	119,060	--	2,715	116,345	2,940
Energy System 2007.....	193,550	--	2,690	190,860	2,725
Energy System 2010.....	77,845	--	--	77,845	--
Energy System 2010A.....	43,055	--	195	42,860	195
Energy System 2010B.....	122,280	--	--	122,280	--
Energy System 2010C.....	35,485	--	1,045	34,440	1,095
Energy System 2011.....	3,440	--	9	3,431	21
Airport Refunding 2004.....	1,810	--	885	925	925
CURSB 2001.....	13,305	--	1,195	12,110	1,260
CURSB 2005.....	24,975	--	3,025	21,950	3,140
CURSB 2007.....	161,130	--	1,790	159,340	1,865
CURSB 2010A.....	117,015	--	--	117,015	--
CURSB 2010B.....	25,820	--	--	25,820	--
Compensated Absences.....	11,423	8,211	8,135	11,499	8,211
AMI Loan Payable.....	37,987	--	2,281	35,706	2,374
Total Business-Type Debt	<u>1,013,045</u>	<u>8,211</u>	<u>29,535</u>	<u>991,721</u>	<u>30,621</u>
Total Long-Term Debt	<u>\$ 1,126,287</u>	<u>\$ 16,907</u>	<u>\$ 48,684</u>	<u>\$ 1,094,510</u>	<u>\$ 42,765</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, 2012

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### NOTE IV (CONTINUED)

2. Summarized below are the City's individual bond issues which were outstanding at September 30, 2012 (in thousands):

#### GENERAL REVENUE BONDS:

\$86,210,000 Capital Bonds - Series 2004, due in annual installments ranging from \$3,220,000 to \$7,310,000 ending on October 1, 2024, interest rates at 3.00% to 5.00% depending on maturity date. Bonds are payable from and secured by a first lien and pledge of the Local Government Half-cent Sales Tax, Guaranteed Entitlement Revenues, Communications Service Tax, and earnings on the investment of all funds and accounts created by and described in the Bond Resolutions.	\$ 62,520
\$9,400,000 Capital Improvement Refunding Revenue Bonds – Series 2008, due in annual installments ranging from \$1,175,000 to \$1,345,000 ending on October 1, 2016, interest rate at 3.410% . Bonds are payable from and secured by a first lien and pledge of the Local Government Half-cent Sales Tax, Guaranteed Entitlement Revenues, Communications Service Tax, and earnings on the investment of all funds and accounts created by and described in the Bond Resolutions.	5,120
\$26,975,000 Capital Improvement Refunding Revenue Bonds – Series 2009, due in annual installments ranging from \$550,000 to \$1,975,000 ending on April 1, 2031, interest rate at 3.710% . Bonds are payable from and secured by a first lien and pledge of the Local Government Half-cent Sales Tax, Guaranteed Entitlement Revenues, Communications Service Tax, and earnings on the investment of all funds and accounts created by and described in the Bond Resolutions.	<u>22,835</u>
Total General Revenue Bonds	<u>90,475</u>

#### PROPRIETARY REVENUE BONDS:

\$143,800,000 Energy System Refunding Revenue Bonds - Series 1998A , due in annual installments ranging from \$4,495,000 to \$5,240,000 ending on October 1, 2028, interest rates at 5.00% 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.	14,950
\$17,680,000 Energy System Refunding Revenue Bonds - Series 2001, due in annual installments ranging from \$1,000,000 to \$1,200,000 ending on October 1, 2019, interest rates at 4.40% 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.	4,345

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE IV (CONTINUED)

\$128,920,000 Energy System Revenue Bonds - Series 2005, due in annual installments ranging from \$2,715,000 to \$8,140,000 ending on 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. 116,345

\$203,230,000 Energy System Revenue Bonds - Series 2007, due in annual installments ranging from \$670,000 to \$19,275,000 ending on 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. 190,860

\$77,845,000 Energy System Refunding Revenue Bonds – Series 2010, due in annual installments ranging from \$2,005,000 to \$14,225,000 ending on October 1, 2028, interest rates at 3.0% to 5.0% depending upon 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. 77,845

\$43,245,000 Energy System Refunding Revenue Bonds – Series 2010A, due in annual installments ranging from \$195,000 to \$8,825,000 ending on October 1, 2026, interest rates at 2.0% to 4.0% depending upon 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. 42,860

\$122,280,000 Energy System Revenue Bonds – Series 2010B, due in annual installments ranging from \$930,000 to \$32,445,000 ending on October 1, 2040, interest rate at 5.969% . 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. 122,280

\$35,485,000 Energy System Revenue Bonds – Series 2010C, due in annual installments ranging from \$900,000 to \$4,040,000 ending on October 1, 2029, interest rates at 4.0% to 5.0% 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. 34,440

\$3,440,000 Energy System Refunding Revenue Bonds – Series 2011, due in annual installments ranging from \$9,000 to \$1,142,000 ending on October 1, 2019, interest rate at 2.37% . 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. 3,431

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE IV (CONTINUED)

\$23,900,000 Consolidated Utility System Refunding Revenue Bonds - Series 2001, due in annual installments ranging from \$1,260,000 to \$2,110,000 ending on 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.	12,110
\$36,110,000 Consolidated Utility Systems Refunding Revenue Bonds - Series 2005, due in annual installments ranging from \$3,140,000 to \$3,265,000 ending on October 1, 2014 and ranging from \$1,105,000 to \$1,785,000 from October 1, 2020 to October 1, 2030, interest rates at 3.25% 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.	21,950
\$164,460,000 Consolidated Utility Systems Revenue Bonds – Series 2007, due in annual installments ranging from \$1,865,000 to \$10,910,000 ending on 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).	159,340
\$117,015,000 Consolidated Utility Systems Revenue Bonds – Series 2010A, due in annual installments ranging from \$3,530,000 to \$20,010,000 ending on October 1, 2040, interest rates at 5.068% to 5.218% depending upon maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution and the net revenues of the City's Utility System (consisting of the City's water and sewer systems).	117,015
\$25,820,000 Consolidated Utility Systems Revenue Bonds – Series 2010B, due in annual installments ranging from \$1,155,000 to \$3,255,000 ending on October 1, 2026, interest rates at 2.0% to 5.0% depending upon maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution and the net revenues of the City's Utility System (consisting of the City's water and sewer systems).	25,820
\$7,355,000 Airport System Revenue Refunding Bonds - Series 2004, with final payment of \$925,000 due on October 1, 2013. 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.	925
	<hr/>
Total Proprietary Revenue Bonds	944,516
Total Bonds Payable	<u>\$ 1,034,991</u>

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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**NOTE IV (CONTINUED)**

**3. DEFEASED DEBT** - On December 1, 2011, the City cash defeased \$5,375,000 of the Capital Bonds, Series 2004. As a result of this defeasance, the City reduced its total debt service requirements by \$2,574,530.42 which resulted in an economic gain of \$589,530.42.

**4. 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>\$9,260,104</u>
Debt Limit - 20 Percent of Assessed Value .....	<u>\$1,852,021</u>

**5. 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 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, 2012, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$161.4 million and the outstanding balance is \$117,415,000.
- As of September 30, 2012, there was one Florida State University School Lease Revenue Bond outstanding. The original issue amount totaled \$18.1 million and the outstanding balance is \$16,482,171.
- As of September 30, 2012, there was one Industrial Revenue Bond outstanding. The original issue amount totaled \$5.4 million and the outstanding balance is \$5,400,000.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

**NOTE IV (CONTINUED)**

**6. AMI LOAN PROGRAM**

On December 27, 2007, the City entered into a loan with the Bank of America Capital Corp to provide \$35,500,000 of financing to fund the City’s Smart Metering program. The loan is due in semi-annual installments ranging from \$1,042,000 to \$1,633,000 ending on June 27, 2024, bearing interest at 3.9459%. Additionally, on September 25, 2010, the City entered into a supplemental loan for additional funding of the Smart Metering program in the amount of \$4,700,000. The loan is due in semi-annual installments ranging from \$133,000 to \$219,000 ending on June 27, 2024, bearing interest at 4.59%. Both loans are 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	
2013	\$ 5,500	\$ 4,059	\$ 22,410	\$ 48,819	\$ 80,788
2014	6,780	3,836	22,482	47,778	80,876
2015	7,075	3,537	23,423	46,712	80,747
2016	7,340	3,272	24,497	45,635	80,744
2017	6,270	2,949	25,652	44,480	79,351
2018-2022	35,150	10,170	147,217	203,638	396,175
2023-2027	20,035	2,061	172,359	167,149	361,604
2028-2032	2,325	176	176,765	124,850	304,116
2033-2037	--	--	213,590	77,255	290,845
2037-2040	--	--	151,827	17,461	169,288
Totals	<u>\$ 90,475</u>	<u>\$ 30,060</u>	<u>\$ 980,222</u>	<u>\$ 823,777</u>	<u>\$ 1,924,534</u>

**H. NET ASSETS**

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

**1. INVESTMENT 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, 2012

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### NOTE IV (CONTINUED)

The net assets shown in Government-wide fund financial statements were changed for FY2011 to comply with GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The details of net asset presentation are explained in Note IV.1. "Fund Balance" below.

#### I. FUND BALANCE

The City classifies governmental fund balances as follows:

Non-spendable Fund Balance - includes fund balance amounts that cannot be spent either because they are either a) not in a spendable form, such as inventory, or b) because they are legally or contractually required to be maintained intact.

#### Spendable Fund Balance

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through the City Commission through an ordinance.
- Assigned – includes spendable fund balance amounts established by the City Manager that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Commission has established an emergency reserve policy and fund, referred to as the Deficiencies Fund, in order to meet unforeseen expenditures. The target amount per the policy is a maximum level of two (2) months of general government operating expenditures of the ensuing fiscal year's operating budget. Use of the Deficiencies Fund requires approval by the City Commission. The Deficiencies Fund is contained as a separate sub-fund within the General Fund and the balance is classified as committed fund balance within the General Fund.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**NOTE IV (CONTINUED)**

A schedule of City fund balances is provided below:

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Total Other Governmental</u>	<u>Total Governmental</u>
<b>FUND BALANCES</b>				
Non-spendable:				
Inventory .....	\$ 305	\$ --	\$ --	\$ 305
Notes Receivable .....	--	--	415	415
FMV Cash .....	404	146	1,135	1,685
Total Non-Spendable .....	<u>709</u>	<u>146</u>	<u>1,550</u>	<u>2,405</u>
Restricted for:				
Debt Service .....	--	--	10,363	10,363
General Government .....	--	--	27,425	27,425
Public Safety .....	--	--	14	14
Transportation .....	--	--	16,764	16,764
Human Services .....	--	--	--	--
Economic Environment .....	--	9,467	--	9,467
Physical Environment .....	--	--	--	--
Culture and Recreation .....	--	--	657	657
Total Restricted .....	<u>--</u>	<u>9,467</u>	<u>55,223</u>	<u>64,690</u>
Committed to:				
General Government .....	21,746	--	13,927	35,673
Public Safety .....	--	--	858	858
Transportation .....	--	--	31	31
Human Services .....	--	--	1,369	1,369
Economic Environment .....	--	--	3,058	3,058
Physical Environment .....	--	--	5,808	5,808
Culture and Recreation .....	--	--	561	561
Total Committed .....	<u>21,746</u>	<u>--</u>	<u>25,612</u>	<u>47,358</u>
Assigned to:				
General Government .....	845	--	2,559	3,404
Public Safety .....	56	--	--	56
Transportation .....	390	--	20	410
Human Services .....	243	--	--	243
Economic Environment .....	103	--	--	103
Physical Environment .....	140	--	--	140
Culture and Recreation .....	--	--	7	7
Total Assigned .....	<u>1,777</u>	<u>--</u>	<u>2,586</u>	<u>4,363</u>
Unassigned :				
	<u>160</u>	<u>--</u>	<u>(1,881)</u>	<u>(1,721)</u>
Total Fund Balances .....	<u>\$ 24,392</u>	<u>\$ 9,613</u>	<u>\$ 83,090</u>	<u>\$ 117,095</u>

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

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**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, 2012, in the respective funds are as follows (in thousands):

General Fund.....	\$	754
Electric.....		28,138
Gas.....		687
Sewer.....		35,523
Stormwater Management.....		2,559
Water.....		4,293
Airport.....		5,557
Nonmajor Governmental.....		23,318
Nonmajor Enterprise.....		5,551
Internal Service Funds.....		15,406
CRA.....		792
Total.....	\$	<u>122,578</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 and 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 in the past three years. The Risk Management program is also responsible for the purchase of certain other coverages including airport liability coverage. The City's buildings and contents are covered by an all-risk, blanket program with varying deductibles. Statutory death benefits for police and firefighters are 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 Employment Practice Liability such as allegations of race, gender and other discrimination or disparate treatment allegations. This exposure is also self-insured.

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, 2012

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**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.

Changes in the balances of self-insured claims for the year ended September 30, 2012 are as follows (in thousands):

	2012
Unpaid claims – October 1 (including IBNRs).....	\$ 14,772
Expenses.....	1,364
Claim payments.....	(6,688)
Unpaid claims – September 30 (including IBNRs).....	9,448
Estimated amount due in one year.....	\$ 4,020

**C. LITIGATION**

The City is involved in pending lawsuits. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial position of the City.

**D. FEDERAL AND STATE GRANTS**

The City has received numerous federal and state grants that are subject to financial and compliance audits made in accordance with the Office of Management and Budget Circular A-133.

Certain grants, such as the Community Development Block Grant, Home grant, State Housing Initiatives Partnership, and others, provide for the issuance of loans to qualifying individuals or non-profit entities. Loans to individuals include down payment assistance loans that are not repaid unless certain events occur, such as the sale or refinancing of a purchased home within a certain time period. Loans to non-profit entities are sometimes only payable if the entity has sufficient annual cash flow, or may be forgiven by the City Commission to prevent economic hardship for the entity. Since repayment of these loans is contingent upon various factors, the loans are not reported in the Financial Statements. Down payment assistance loans for Special Projects totaled \$4.7 million and other loans approximately \$1.1million. Down payment assistance loans for SHIP totaled \$2.1 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 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.

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE V (CONTINUED)

#### F. LONG-TERM CONTRACTS

The City acquires natural gas and power through a combination of short, medium and long-term contracts. The City currently has one long-term (20 Year) contract with Tennessee Energy Acquisition Corporation and another 30-year contract with MainStreet for natural gas discounted from an index. These contracts save the City between \$98,000 and \$155,000 each month through 2040. 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 Clause (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 had one such contract with Progress Energy Florida (PEF) for 11.4 MWs. The contract with PEF began in December 1998 and ended December 31, 2012. Revenues from customers through the ECRC are designed to recover costs incurred by these purchase commitments.

The following is a schedule, by years, of approximate minimum future purchase commitments on long-term purchase contracts as of September 30, 2012 (in thousands):

Years ending September 30,	Gas Contracts	Energy Contract PEF	Total
2013	\$ 11,473	\$ 1,183	\$ 12,656
2014	9,350	--	9,350
2015	10,247	--	10,247
2016	11,111	--	11,111
2017	12,079	--	12,079
Thereafter	261,768	--	261,768
Total	<u>\$ 316,028</u>	<u>\$ 1,183</u>	<u>\$ 317,211</u>

#### G. PENSION PLAN OBLIGATIONS

The City of Tallahassee Pension Plan (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 for the Plan. The provisions of the Plan are "qualified" under the Internal Revenue Service Code, and employee contributions are tax deferred.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

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**NOTE V (CONTINUED)**

**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 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**

2012 Membership Statistical Information

A. Retirees and beneficiaries of deceased retirees currently receiving benefits.....	1,514
B. Terminated employees entitled to benefits but not yet receiving benefits.....	244
C. Active Employees.....	2,576
D. Total current year's pay roll.....	\$ 160,419,000
E. Current year pay roll for employees covered by the plan.....	\$ 129,959,000

**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, 2010 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, 17 years; police officers, 30 years; and firefighters, 30 years. The unfunded initial liability for the MAP program is being amortized over 9 years for general employees as a percentage of payroll.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**NOTE V (CONTINUED)**

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 2012 totaling \$13,746,000 (\$7,716,000 employer contributions representing 7.35% covered payroll for general employees and \$6,029,000 voluntary employee contributions representing 4.18% of total covered MAP payroll), were made in accordance with contribution requirements determined through an actuarial valuation performed as of September 30, 2010. Total covered payroll for the MAP program was \$105,000,000 for general employees. Total covered payroll for fiscal year 2012 was \$144,084,000. Contributions are based on rates of covered payroll of 7.15% (5% employer contribution and 2.15 actuarial contribution) for the City and voluntary employee contributions ranging from 0% to the IRS limit for general employees, firefighters and police officers.

Contributions to the Defined Benefit Plan in 2012 amounted to \$26,281,000 of which \$17,798,000 and \$8,483,000 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, 2010 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 that follows.

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 for Police Officers, 5% for Firefighters, and 4% per annum for general employees 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:	\$ 14,886	15.57%	\$ 6,377	29.04%	\$ 5,018	40.55%
Contribution Made:						
City.....	\$ 10,523	11.01%	\$ 4,251	19.36%	\$ 3,024	24.44%
Employee.....	4,363	4.56%	2,126	9.68%	1,994	16.11%
Total.....	\$ 14,886	15.57%	\$ 6,377	29.04%	\$ 5,018	40.55%

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 7.35%, 7.39% and 7.14% for 2012, 2011 and 2010, 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.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**NOTE V (CONTINUED)**

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
2010	\$ 14,379	100%	\$ --
2011	17,657	100	--
2012	17,797	100	--

Contributions were made in accordance with actuarially determined contribution requirements.

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 Accrued 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)
9/30/1994	\$ 307.00	\$ 300.80	\$ 6.20	102.0%	\$ 79.00	7.8%
9/30/1996	396.6	384.6	12.0	103.1	87.9	13.7
9/30/1997	476.4	427.3	49.1	111.5	86.6	56.7
9/30/1999	613.0	496.2	116.8	123.5	90.7	128.8
9/30/2001	723.6	597.6	126.0	121.1	99.9	126.1
9/30/2003	796.6	719.2	77.4	110.8	113.7	68.1
9/30/2005	916.3	842.1	74.2	108.8	118.6	62.6
9/30/2007	1,076.7	994.1	82.6	108.2	129.6	63.7
9/30/2009	1,127.8	1,088.1	39.7	103.7	129.4	30.7
9/30/2010**	1,150.3	1,150.2	0.1	100.0	126.8	0.1

# CITY OF TALLAHASSEE, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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### NOTE V (CONTINUED)

#### Schedule of Employer Contributions

(in thousands)

<u>Fiscal Year</u>	<u>*Employer Annual Required Contributions</u>	<u>Percentage Contributed</u>
2008	\$14,695	100%
2009	14,987	100
2010	14,379	100
2011	17,657	100
2012	17,797	100

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

\*\*Actuarial valuation prepared as of September 30, 2010 to determine annual contributions for the plan year beginning October 1, 2011.

### 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 dependents 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 dependents 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.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

**NOTE V (CONTINUED)**

**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. Effective October 1, 2010, the City implemented a “cap” on employer contributions for retirees. Accordingly, the City’s subsidy was frozen at the 2010 levels, and retirees must absorb all future premium rate increases.

**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). 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.....	\$ 2,052
Contributions made.....	<u>(2,052)</u>
Change in net OPEB obligation.....	--
Net OPEB obligation - October 1.....	<u>2,500</u>
Net OPEB obligation - September 30 .....	<u>\$ 2,500</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):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 8,353	29.43%	\$ 5,895
2009	\$ 8,622	36.07%	\$ 11,407
2010	\$ 4,351	72.08%	\$ 2,500
2011	\$ 2,027	100.00%	\$ 2,500
2012	\$ 2,052	100.00%	\$ 2,500

**4. FUNDED STATUS AND FUNDING PROGRESS** - As of October 1, 2010, the most recent actuarial valuation date, the plan was .21% funded. The actuarial accrued liability for benefits was \$24.5 million, and the actuarial value of assets was \$4.2 million resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$20.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$141.3 million, and the ratio of the UAAL to the covered payroll was 14.4 %. The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**CITY OF TALLAHASSEE, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

**NOTE V (CONTINUED)**

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.

In the October 1, 2010 actuarial valuation, the pay related entry age actuarial cost method was used. The actuarial assumptions included a 7.75 % investment rate of return and a 4.0 % inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open basis over a period of thirty years.

**J. DERIVATIVE FUEL INSTRUMENTS**

The fair value balances and notional amounts of derivative instruments, all of which are accounted for within the City’s business-type activities, as of September 30, 2012, and the changes in fair value of such derivative instruments for the year then ended, are as follows (\$ amounts in thousands; debit (credit)):

	<u>Changes in Fair Value</u>		<u>Fair Value at September 30, 2012</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount (\$)</u>	<u>Classification</u>	<u>Amount (\$)</u>	
Cash Flow Hedges:					
Commodity Forward - Natural Gas	Deferred Outflow of Resources	108	Derivative Instrument	(108)	7,240,000 MMBTUs
Commodity Forward - Gasoline	Deferred Inflow of Resources	(118)	Derivative Instrument	118	462,000 Gallons

The fair values of the forward contracts are estimated based upon the present value of their estimated cash flows.

**CITY OF TALLAHASSEE, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**NOTE V (CONTINUED)**

The following table displays the objectives and terms of the City’s derivative instruments outstanding at September 30, 2012:

<u>Type</u>	<u>Objective</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
Commodity Forward Contract	Hedge of changes in cash flows due to market price fluctuations related to expected purchases of natural gas	Various	November 2012 - March 2013	Pay various prices per MMBTU; settlement based on Henry Hub pricing point at expiration date
Commodity Forward Contract	Hedge of changes in cash flows due to market price fluctuations related to expected purchases of gasoline	Various	September 2012 - November 2013	Pay various prices per gallon; settlement based on New York Harbor Gasoline pricing point at expiration date

**CREDIT RISK** – The City is exposed to credit risk on derivative instruments that are in asset positions. All applicable fuel related counterparties have a minimum credit rating of “A-” issued from Standard & Poor’s Investors Service or “A1” issued from Moody’s Investors Service.

**K. SUBSEQUENT EVENT**

On November 27, 2012, the City issued \$49,165,000 of Capital Refunding Bonds, Series 2012, to advance refund the \$62,520,000 in outstanding bonds from the City’s Capital Bonds, Series 2004.

# **REQUIRED SUPPLEMENTARY INFORMATION**

THIS SUBSECTION CONTAINS THE FOLLOWING:

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

**CITY OF TALLAHASSEE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended September 30, 2012**  
**(in thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
<b>Budgetary Fund Balance - October 1</b>	\$ 970	\$ 970	\$ 970	\$ --
<b>Resources</b>				
Taxes	56,140	56,140	55,856	(284)
Licenses and Permits	2,802	2,802	2,582	(220)
Intergovernmental Revenues	14,789	14,789	13,923	(866)
Charges for Services	8,708	8,708	8,252	(456)
Fines and Forfeitures	3,184	3,184	2,142	(1,042)
Interest Earned	500	500	346	(154)
Miscellaneous	11,360	11,360	12,309	949
Transfers from Other Funds	37,612	37,612	37,467	(146)
Amounts Available for Appropriations	<u>136,065</u>	<u>136,065</u>	<u>133,847</u>	<u>(2,218)</u>
<b>Charges to Appropriations</b>				
General Government	23,670	21,992	20,561	1,431
Public Safety	50,532	50,104	49,128	976
Transportation	17,524	17,770	16,080	1,690
Human Services	2,477	1,214	1,037	177
Economic Development	1,975	1,943	1,416	527
Physical Environment	1,849	1,848	1,712	135
Culture and Recreation	19,627	19,448	19,236	213
Transfers to Other Funds	18,412	21,746	24,270	(2,523)
Total Charges to Appropriations	<u>136,065</u>	<u>136,065</u>	<u>133,439</u>	<u>2,626</u>
<b>Budgetary fund balance, September 30</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 408</u>	<u>\$ 408</u>

**CITY OF TALLAHASSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Note to Required Supplementary Information**  
**General Fund**  
**For the Year Ended September 30, 2012**  
**(in thousands)**

**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.	\$ 133,847
<b>Differences - budget to GAAP</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(970)
The increase in the fair market value of investments is an increase in revenue for financial reporting purposes but is considered a budgetary inflow.	129
The revenues of the City's Deficiency Reserve and Scholarship Reserve are current year revenues for reporting purposes but are not considered budgetary inflows.	2,837
Current year nonbudgeted transfer is treated as revenue for financial reporting purposes but not as a budgetary inflow.	90
Miscellaneous items treated as budgetary inflows but not as revenues for financial reporting purposes.	(833)
Total Revenues/Transfers In as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 135,100

**Outflows of Resources**

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule.	\$ 133,439
<b>Differences - budget to GAAP</b>	
The expenditures of the City's Deficiency Reserve and Scholarship reserve are current year expenditures for reporting purposes but are not considered budgetary outflows.	4,201
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	(943)
Miscellaneous items treated as budgetary outflows but not as expenditures for financial reporting purposes.	(7,767)
Miscellaneous items treated as expenditures for financial reporting purposes but not as budgetary outflows.	517
Total Expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 129,447

**CITY OF TALLAHASSEE, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION (Continued)  
September 30, 2012

The following historical trend information, prepared in accordance with Governmental Accounting Standards Board Statement No. 43, (Financial Reporting for Post Employment Benefit Plans other than Pension Plans) provides information on progress made in accumulating sufficient assets to pay benefits when due.

**Schedule of Funding Progress**

(in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (( a-b)/c)
10/1/2007	\$ --	\$ 101.8	\$ 101.8	0.00%	\$ 133.4	76.3%
10/1/2009	\$ 2.7	\$ 44.6	\$ 41.9	6.05%	\$ 142.7	29.4%
10/1/2010	\$ 4.2	\$ 24.5	\$ 20.3	17.14%	\$ 141.3	14.4%

**Schedule of Employer Contributions**

(in thousands)

Fiscal Year	Employer Annual Required Contributions	Percentage Contributed
2008	\$ 8,353	29.4%
2009	\$ 8,622	36.1%
2010	\$ 4,350	72.1%
2011	\$ 2,027	100.0%
2012	\$ 2,052	100.0%

# **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

<b>Special Projects</b>	Accounts for federal, state and local grants. These grants include but are not limited to the Community Development Block Grant, the Neighborhood Stabilization Program, the Homeless Prevention and Rapid Re-Housing Program, Emergency Shelter Grants, the HOME program and other miscellaneous grants. This fund includes other miscellaneous items that are to be used for general government purposes that are not appropriated in another fund.
<b>Law Enforcement</b>	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.
<b>Building Code Enforcement</b>	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.
<b>Concurrency</b>	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.
<b>State Housing Partnership</b>	Accounts for State funding to be used as an incentive to produce and preserve affordable housing for very low, low and moderate income families.
<b>Debt Service</b>	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.
<b>Capital Improvement</b>	Accounts for general revenue used for the acquisition or construction of general fixed assets.
<b>Capital Bonds</b>	Accounts for bond proceeds used for the acquisition or construction of general fixed assets.
<b>Sales Tax Construction</b>	Accounts for tax proceeds used for the acquisition or construction of public safety and transportation improvements.
<b>Gas Tax</b>	Accounts for tax proceeds used for the acquisition or construction of transportation improvements.
<b>Cemetery</b>	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, 2012**  
**(in thousands)**

	Special Revenue Funds				
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency Fund	State Housing Partnership
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 706	\$ 949	\$ 143	\$ 9,629	\$ --
Securities Lending Collateral .....	109	126	19	1,275	--
Receivables:					
Accrued Interest.....	7	2	--	22	--
Customers and Other.....	443	5	15	--	--
Notes.....	23	--	--	--	--
Special Assessments.....	--	--	--	--	--
Due From Other Governments.....	5,468	--	--	--	--
Advances to Other Funds.....	--	--	--	--	--
Cash and Cash Equivalents - Restricted.....	--	--	--	--	111
Investments - Restricted.....	--	--	--	--	--
Securities Lending Collateral - Restricted.....	--	--	--	--	15
Receivables - Restricted:					
Accrued Interest Receivable.....	1	--	--	--	--
Customers.....	4	--	--	--	--
Notes Receivable.....	--	--	--	--	278
Due from Other Governments.....	2,396	--	--	--	--
Total Assets.....	<u>\$ 9,157</u>	<u>\$ 1,082</u>	<u>\$ 177</u>	<u>\$ 10,926</u>	<u>\$ 404</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Obligations Under Securities Lending .....	\$ 109	\$ 126	\$ 19	\$ 1,275	\$ --
Accounts and Retainage Payable.....	640	82	48	--	--
Unearned Revenue.....	12	16	132	--	--
Advance from Other Funds.....	--	--	1,857	--	--
Accounts and Retainage Payable - Restricted.....	2,062	--	2	2	--
Obligations Under Securities Lending - Restricted..	--	--	--	--	15
Unearned Revenue - Restricted.....	5	--	--	--	109
Total Liabilities.....	<u>2,828</u>	<u>224</u>	<u>2,058</u>	<u>1,277</u>	<u>124</u>
<b>FUND BALANCES</b>					
Non-spendable.....	34	1	--	151	280
Spendable:					
Restricted.....	--	14	--	9,498	--
Committed.....	3,709	843	--	--	--
Assigned.....	2,586	--	--	--	--
Unassigned.....	--	--	(1,881)	--	--
Total Fund Balances.....	<u>6,329</u>	<u>858</u>	<u>(1,881)</u>	<u>9,649</u>	<u>280</u>
Total Liabilities and Fund Balances.....	<u>\$ 9,157</u>	<u>\$ 1,082</u>	<u>\$ 177</u>	<u>\$ 10,926</u>	<u>\$ 404</u>

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING BALANCE SHEET**  
**Nonmajor Governmental Funds**  
**September 30, 2012**  
**(in thousands)**

Debt Service	Capital Projects Funds				Permanent Fund	Total
	Capital Improvement	Capital Bonds	Sales Tax	Gas Tax	Cemetery	
\$ --	\$ 16,207	\$ --	\$ 14,141	\$ 6,437	\$ 5,901	\$ 54,113
--	2,145	--	1,872	852	781	7,179
--	48	--	33	15	14	141
--	10	--	--	386	--	859
--	114	--	--	--	--	137
--	182	--	--	--	--	182
--	--	--	616	--	--	6,084
--	--	--	--	--	--	--
1,899	--	16,577	--	--	--	18,587
7,730	--	--	--	--	--	7,730
1,275	--	2,194	--	--	--	3,484
764	--	39	--	--	--	804
--	--	--	--	--	--	4
--	--	--	--	--	--	278
--	--	--	--	--	--	2,396
<u>\$ 11,668</u>	<u>\$ 18,706</u>	<u>\$ 18,810</u>	<u>\$ 16,662</u>	<u>\$ 7,690</u>	<u>\$ 6,696</u>	<u>\$ 101,978</u>
\$ --	\$ 2,145	\$ --	\$ 1,872	\$ 852	\$ 781	\$ 7,179
--	763	--	489	462	15	2,499
--	--	--	--	--	--	160
--	178	--	--	--	--	2,035
--	--	1,351	--	--	--	3,417
1,275	--	2,194	--	--	--	3,484
--	--	--	--	--	--	114
<u>1,275</u>	<u>3,086</u>	<u>3,545</u>	<u>2,361</u>	<u>1,314</u>	<u>796</u>	<u>18,888</u>
30	368	277	221	96	92	1,550
10,363	--	14,988	14,080	6,280	--	55,223
--	15,252	--	--	--	5,808	25,612
--	--	--	--	--	--	2,586
--	--	--	--	--	--	(1,881)
<u>10,393</u>	<u>15,620</u>	<u>15,265</u>	<u>14,301</u>	<u>6,376</u>	<u>5,900</u>	<u>83,090</u>
<u>\$ 11,668</u>	<u>\$ 18,706</u>	<u>\$ 18,810</u>	<u>\$ 16,662</u>	<u>\$ 7,690</u>	<u>\$ 6,696</u>	<u>\$ 101,978</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, 2012**  
**(in thousands)**

	Special Revenue Funds				
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency	State Housing Partnership
<b>Revenues:</b>					
Taxes.....	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses and Permits.....	--	--	3,044	341	--
Intergovernmental Revenues.....	13,949	335	--	--	255
Charges for Services.....	--	--	124	--	--
Fines and Forfeitures.....	--	437	68	--	--
Net Investment Earnings.....	50	16	7	128	4
Securities Lending Income.....	--	--	--	--	--
Change in Fair Value of Investments.....	(60)	1	(7)	25	(3)
Miscellaneous Revenues.....	189	--	191	--	--
Total Revenues.....	<u>14,128</u>	<u>789</u>	<u>3,427</u>	<u>494</u>	<u>256</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government.....	112	--	--	--	--
Public Safety.....	1,184	844	2,503	--	--
Transportation.....	4,681	--	--	110	--
Human Services.....	765	--	--	--	--
Economic Environment.....	7,423	--	--	--	252
Physical Environment.....	459	--	--	--	--
Cultural and Recreation.....	411	--	--	--	--
<b>Securities Lending Expense:</b>					
Interest.....	--	--	--	--	--
Agent Fees.....	--	--	--	--	--
<b>Debt Service:</b>					
Principal Retired.....	--	--	--	--	--
Interest and Fiscal Charges.....	--	--	--	--	--
Total Expenditures.....	<u>15,035</u>	<u>844</u>	<u>2,503</u>	<u>110</u>	<u>252</u>
Excess of Revenues Over (Under) Expenditures.....	<u>(907)</u>	<u>(55)</u>	<u>924</u>	<u>384</u>	<u>4</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In.....	942	315	23	--	--
Transfers Out.....	(199)	(305)	(247)	(100)	--
Proceeds from Sale of Capital Assets.....	--	--	--	--	--
Total Other Financing Sources (Uses).....	<u>743</u>	<u>10</u>	<u>(224)</u>	<u>(100)</u>	<u>--</u>
Net Change in Fund Balances.....	(164)	(45)	700	284	4
Fund Balances - October 1.....	6,493	903	(2,581)	9,365	276
Adjustment to October 1 Fund Balance.....	--	--	--	--	--
Fund Balances - October 1, as restated.....	6,493	903	(2,581)	9,365	276
Fund Balances - September 30.....	<u>\$ 6,329</u>	<u>\$ 858</u>	<u>\$ ( 1,881)</u>	<u>\$ 9,649</u>	<u>\$ 280</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, 2012**  
**(in thousands)**

Debt Service	Capital Projects Funds				Permanent Fund	Total
	Capital Improvement	Capital Bonds	Sales Tax	Gas Tax	Cemetery	
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--	3,385
--	4,339	--	4,623	4,110	--	27,611
--	22	114	4	--	349	613
--	--	--	--	--	--	505
1,348	226	369	62	91	78	2,379
28	6	6	--	--	--	40
4	36	(205)	71	5	12	(121)
1,256	50	1	23	22	--	1,732
<u>2,636</u>	<u>4,679</u>	<u>285</u>	<u>4,783</u>	<u>4,228</u>	<u>439</u>	<u>36,144</u>
--	420	3,365	1,019	114	--	5,030
--	146	--	--	--	--	4,787
--	4,380	9,077	1,080	4,308	--	23,526
--	--	--	--	--	--	765
--	106	--	--	--	--	7,781
--	--	--	--	--	435	894
--	581	--	12	--	--	1,004
22	5	5	--	--	--	32
1	--	--	--	--	--	1
10,675	--	--	--	--	--	10,675
4,862	--	--	--	--	--	4,862
<u>15,560</u>	<u>5,638</u>	<u>12,447</u>	<u>2,111</u>	<u>4,422</u>	<u>435</u>	<u>59,357</u>
(12,924)	(959)	(12,162)	2,672	(194)	4	(23,213)
13,688	400	--	--	--	--	15,368
--	--	(5,996)	--	(663)	(28)	(7,538)
--	--	--	--	--	--	--
<u>13,688</u>	<u>400</u>	<u>(5,996)</u>	<u>--</u>	<u>(663)</u>	<u>(28)</u>	<u>7,830</u>
764	(559)	(18,158)	2,672	(857)	(24)	(15,383)
9,629	16,179	33,423	11,629	7,233	5,924	98,473
--	--	--	--	--	--	--
<u>9,629</u>	<u>16,179</u>	<u>33,423</u>	<u>11,629</u>	<u>7,233</u>	<u>5,924</u>	<u>98,473</u>
<u>\$ 10,393</u>	<u>\$ 15,620</u>	<u>\$ 15,265</u>	<u>\$ 14,301</u>	<u>\$ 6,376</u>	<u>\$ 5,900</u>	<u>\$ 83,090</u>

# **NONMAJOR FUNDS**

## **ENTERPRISE FUNDS**

<b>StarMetro</b>	Accounts for the operations and maintenance of the City's public transit system.
<b>Solid Waste</b>	Accounts for the assets, operation, and maintenance of the City-owned solid waste operation.
<b>Golf</b>	Accounts for the operations of the City's eighteen-hole Hilaman Park Golf Course.
<b>Fire Services</b>	Accounts 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, 2012**  
**(in thousands)**

	<u>StarMetro</u>	<u>Solid Waste</u>	<u>Golf</u>	<u>Fire Services</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents.....	\$ --	\$ 12,785	\$ 524	\$ --	\$ 13,309
Securities Lending Collateral.....	--	1,692	69	--	1,761
Receivables:					
Accrued Interest.....	--	30	1	--	31
Customers and Others.....	891	1,488	--	1,811	4,190
Due From Other Governments.....	3,432	1	--	446	3,879
Less: Allowance for Doubtful Accounts.....	(4)	(590)	--	(200)	(794)
Inventory.....	953	--	27	--	980
Cash and Cash Equivalents - Restricted.....	2,100	--	--	--	2,100
<b>Total Current Assets.....</b>	<u>7,372</u>	<u>15,406</u>	<u>621</u>	<u>2,057</u>	<u>25,456</u>
<b>Noncurrent Assets</b>					
Capital Assets					
Land and Construction in Progress.....	8,176	--	144	6,561	14,881
Other, Net of Accumulated Depreciation.....	21,504	2,168	1,566	13,416	38,654
<b>Total Noncurrent Assets.....</b>	<u>29,680</u>	<u>2,168</u>	<u>1,710</u>	<u>19,977</u>	<u>53,535</u>
<b>Total Assets.....</b>	<u>\$ 37,052</u>	<u>\$ 17,574</u>	<u>\$ 2,331</u>	<u>\$ 22,034</u>	<u>\$ 78,991</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable.....	\$ 2,753	\$ 975	\$ 27	\$ 6,068	\$ 9,823
Due to Other Funds.....	8	--	2	--	10
Compensated Absences.....	541	266	15	1,949	2,771
Obligations Under Securities Lending.....	--	1,692	69	--	1,761
Unearned Revenue.....	--	--	33	--	33
<b>Total Current Liabilities.....</b>	<u>3,302</u>	<u>2,933</u>	<u>146</u>	<u>8,017</u>	<u>14,398</u>
<b>Noncurrent Liabilities:</b>					
Advances from Other Funds.....	--	--	--	1,519	1,519
Compensated Absences.....	158	199	21	406	784
<b>Total Noncurrent Liabilities.....</b>	<u>158</u>	<u>199</u>	<u>21</u>	<u>1,925</u>	<u>2,303</u>
<b>Total Liabilities.....</b>	<u>3,460</u>	<u>3,132</u>	<u>167</u>	<u>9,942</u>	<u>16,701</u>
<b>Net Assets</b>					
Investment in Capital Assets, net of related debt..	29,680	2,168	1,710	14,856	48,414
Restricted for					
Renewal, Replacement, and Improvements.....	2,100	--	--	--	2,100
Unrestricted.....	1,812	12,274	454	(2,764)	11,776
<b>Total Net Assets.....</b>	<u>33,592</u>	<u>14,442</u>	<u>2,164</u>	<u>12,092</u>	<u>62,290</u>
<b>Total Liabilities and Net Assets.....</b>	<u>\$ 37,052</u>	<u>\$ 17,574</u>	<u>\$ 2,331</u>	<u>\$ 22,034</u>	<u>\$ 78,991</u>

**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, 2012**  
**(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.....	\$ --	\$ 9,477	\$ --	\$ 16,713	\$ 26,190
Commercial and Industrial Sales.....	--	12,403	--	11,374	23,777
County Government.....	--	--	--	2,822	2,822
Recyclable Sales.....	--	1,018	--	--	1,018
Recreation Fees.....	--	--	869	--	869
Transportation Fees.....	4,615	--	--	--	4,615
Other.....	45	148	--	490	683
Total Operating Revenues.....	<u>4,660</u>	<u>23,046</u>	<u>869</u>	<u>31,399</u>	<u>59,974</u>
Operating Expenses:					
Personnel Services.....	9,910	4,279	443	21,725	36,357
Contractual Services.....	3,738	16,014	195	7,862	27,809
Materials and Supplies.....	3,090	57	142	541	3,830
Other Expenses.....	92	171	34	606	903
Depreciation.....	2,292	190	223	977	3,682
Total Operating Expenses.....	<u>19,122</u>	<u>20,711</u>	<u>1,037</u>	<u>31,711</u>	<u>72,581</u>
Operating Income (Loss).....	<u>(14,462)</u>	<u>2,335</u>	<u>(168)</u>	<u>(312)</u>	<u>(12,607)</u>
Non-Operating Revenues (Expenses):					
Net Investment Earnings.....	--	176	5	--	181
Change in the Fair Value of Investments.....	--	39	1	1	41
Securities Lending:					
Income.....	--	6	--	--	6
Interest.....	--	(5)	--	--	(5)
Agent Fees.....	--	--	--	--	--
Other Revenues (Expenses).....	348	--	155	--	503
Grant Revenues.....	3,360	--	--	--	3,360
Gain (Loss) on Sale of Assets.....	--	--	--	--	--
Interest Expense.....	--	--	--	(86)	(86)
Total Non-Operating Revenues (Expenses).....	<u>3,708</u>	<u>216</u>	<u>161</u>	<u>(85)</u>	<u>4,000</u>
Income (Loss) Before Capital Contributions and Operating Transfers.....	<u>(10,754)</u>	<u>2,551</u>	<u>(7)</u>	<u>(397)</u>	<u>(8,607)</u>
Operating Transfers:					
Capital Contributions.....	6,335	--	--	945	7,280
Transfers In.....	8,429	--	--	1,033	9,462
Transfers Out.....	(51)	(1,467)	(1)	(489)	(2,008)
Total Operating Transfers.....	<u>14,713</u>	<u>(1,467)</u>	<u>(1)</u>	<u>1,489</u>	<u>14,734</u>
Change in Net Assets.....	<u>3,959</u>	<u>1,084</u>	<u>(8)</u>	<u>1,092</u>	<u>6,127</u>
Net Assets - October 1.....	29,633	13,358	2,172	11,000	56,163
Adjustment to October 1 Net Assets.....	--	--	--	--	--
Net Assets - October 1, as restated.....	<u>29,633</u>	<u>13,358</u>	<u>2,172</u>	<u>11,000</u>	<u>56,163</u>
Net Assets - September 30.....	<u>\$ 33,592</u>	<u>\$ 14,442</u>	<u>\$ 2,164</u>	<u>\$ 12,092</u>	<u>\$ 62,290</u>

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2012**  
**(in thousands)**

	StarMetro	Solid Waste	Golf	Fire Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers.....	\$ 4,467	\$ 22,753	\$ 869	\$ 31,059	\$ 59,148
Cash Received from Other Revenues.....	348	--	155	--	503
Cash Paid to Suppliers for Goods and Services.....	(1,034)	(11,070)	(253)	(3,468)	(15,825)
Cash Paid to Employees for Services.....	(9,897)	(4,282)	(437)	(21,813)	(36,429)
Cash Paid for Other Expenses.....	--	--	--	--	--
Cash Paid to Other Funds.....	(4,674)	(5,168)	(104)	(6,239)	(16,185)
Net Cash Provided by (Used for) Operating Activities.....	<u>(10,790)</u>	<u>2,233</u>	<u>230</u>	<u>(461)</u>	<u>(8,788)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In from Other Funds.....	8,429	--	--	1,033	9,462
Transfers Out to Other Funds.....	(51)	(1,467)	(1)	(489)	(2,008)
Operating Grants Received.....	1,473	--	--	--	1,473
Repayment of Advances to Other Funds.....	--	--	--	--	--
Net Cash Provided by (Used for) Noncapital Financing Activities.....	<u>9,851</u>	<u>(1,467)</u>	<u>(1)</u>	<u>544</u>	<u>8,927</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions.....	6,335	--	--	945	7,280
Acquisition, Construction, and Sale of Capital Assets.....	(5,397)	(144)	(201)	(471)	(6,213)
Repayment of Loans from Other Funds.....	--	--	--	(472)	(472)
Interest Paid.....	--	--	--	(86)	(86)
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	<u>938</u>	<u>(144)</u>	<u>(201)</u>	<u>(84)</u>	<u>509</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received on Investments.....	--	205	6	--	211
Increase in the Fair Value of Cash and Cash Equivalents.....	--	39	1	1	41
Net Cash Provided by (Used for) Investing Activities.....	<u>--</u>	<u>244</u>	<u>7</u>	<u>1</u>	<u>252</u>
Net Increase in Cash and Cash Equivalents/Investments.....	(1)	866	35	--	900
Cash and Cash Equivalents - October 1.....	2,101	11,919	489	--	14,509
Cash and Cash Equivalents - September 30.....	<u>\$ 2,100</u>	<u>\$ 12,785</u>	<u>\$ 524</u>	<u>\$ --</u>	<u>\$ 15,409</u>
<b>Classified As:</b>					
Unrestricted Assets.....	\$ --	\$ 12,785	\$ 524	\$ --	\$ 13,309
Restricted Assets.....	\$ 2,100	\$ --	\$ --	\$ --	\$ 2,100
	<u>\$ 2,100</u>	<u>\$ 12,785</u>	<u>\$ 524</u>	<u>\$ --</u>	<u>\$ 15,409</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating Income (Loss).....	\$ (14,462)	\$ 2,335	\$ (168)	\$ (312)	\$ (12,607)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation.....	2,292	190	223	977	3,682
Provision for Uncollectible Accounts.....	1	33	--	100	134
Net OPEB Obligation.....	--	--	--	--	--
Other.....	348	--	155	--	503
Increase in Accounts Receivable.....	(194)	(326)	--	(340)	(860)
(Increase) Decrease in Inventory.....	(162)	--	7	--	(155)
Increase (Decrease) in Due to Other Funds.....	--	--	--	--	--
Increase (Decrease) in Accounts Payable.....	335	4	7	(876)	(530)
Increase in Prepaid Expenses.....	1,039	--	--	--	1,039
Increase (Decrease) in Deferred Revenue.....	--	--	--	--	--
Increase (Decrease) in Accrued Leave.....	13	(3)	6	(10)	6
Total Adjustments.....	<u>3,672</u>	<u>(102)</u>	<u>398</u>	<u>(149)</u>	<u>3,819</u>
Net Cash Provided by (Used for) Operating Activities.....	<u>\$ (10,790)</u>	<u>\$ 2,233</u>	<u>\$ 230</u>	<u>\$ (461)</u>	<u>\$ (8,788)</u>



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## INTERNAL SERVICE FUNDS

<b>800 MHz Communications</b>	Supports the 800 MHz Radio Communications unit within the Information System Services. Revenues for the fund are derived from Leon County 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.
<b>Information Systems Services</b>	Accounts for the costs of the City's data processing operations.
<b>Accounting</b>	Accounts for the costs of the City's accounting operations.
<b>Purchasing</b>	Accounts for the costs of the City's procurement operations.
<b>Garage</b>	Accounts for the costs of maintaining and operating the City's fleet management operation.
<b>Human Resources</b>	Accounts for the costs of the City's employee relations operations.
<b>Pension Administration</b>	Accounts for the costs of the City's employee retirement plan's administrative operation.
<b>Risk Management</b>	Accounts for the costs of the City's risk management.
<b>Internal Loan</b>	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.
<b>Revenue Collection</b>	Accounts for the costs of the City's revenue collection services.
<b>Utility Services</b>	Accounts for the costs of centralizing safety and training, environmental, GIS, sales, rate design, and marketing functions of the City's utilities.
<b>Wholesale Energy Services</b>	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.
<b>Environmental Policy and Energy Resources</b>	Accounts for the City's environmental policy development and initiatives and environmental regulatory compliance.

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Internal Service Funds**  
**September 30, 2012**  
(in thousands)

ASSETS	Information					
	800 Mhz	Systems Services	Accounting	Purchasing	Garage	Human Resources
<b>Current Assets</b>						
Cash and Cash Equivalents.....	\$ 1,600	\$ 6,972	\$ 331	\$ 134	\$ 10,575	\$ 515
Securities Lending Collateral.....	213	923	44	18	1,400	68
Receivables:						
Other.....	41	1	--	--	464	5
Accrued Interest.....	4	16	1	1	25	1
Inventory .....	--	--	--	--	2,390	--
Prepaid Expenses.....	--	--	--	--	--	--
Due from Other Funds.....	--	--	--	--	--	--
<b>Total Current Assets.....</b>	<b>1,858</b>	<b>7,912</b>	<b>376</b>	<b>153</b>	<b>14,854</b>	<b>589</b>
<b>Noncurrent Assets</b>						
Advances to Other Funds.....	--	--	--	--	--	--
Derivative Instruments.....	--	--	--	--	118	--
Deferred Outflow of Resources.....	--	--	--	--	--	--
Deposits.....	--	--	--	--	533	--
Capital Assets						
Land and Construction in Progress.....	440	4,772	--	44	97	--
Other, Net of Accumulated Depreciation....	6,114	1,248	6	751	38,017	20
	<b>6,554</b>	<b>6,020</b>	<b>6</b>	<b>795</b>	<b>38,765</b>	<b>20</b>
<b>Total Assets.....</b>	<b>\$ 8,412</b>	<b>\$ 13,932</b>	<b>\$ 382</b>	<b>\$ 948</b>	<b>\$ 53,619</b>	<b>\$ 609</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Obligations Under Securities Lending.....	\$ 213	\$ 923	\$ 44	\$ 18	\$ 1,400	\$ 68
Accounts Payable.....	34	1,226	52	33	163	77
Due to Other Funds.....	--	--	--	--	--	--
Unearned Revenue.....	83	--	--	--	11	--
Compensated Absences.....	18	474	172	122	262	188
<b>Total Current Liabilities.....</b>	<b>348</b>	<b>2,623</b>	<b>268</b>	<b>173</b>	<b>1,836</b>	<b>333</b>
<b>Noncurrent Liabilities</b>						
Advances from Other Funds.....	--	38	--	--	--	--
Claims Payable.....	--	--	--	--	--	--
Derivative Instruments.....	--	--	--	--	118	--
Deferred Inflow of Resources.....	--	--	--	--	--	--
Compensated Absences.....	--	250	32	13	182	21
<b>Total Noncurrent Liabilities.....</b>	<b>--</b>	<b>288</b>	<b>32</b>	<b>13</b>	<b>300</b>	<b>21</b>
<b>Total Liabilities.....</b>	<b>348</b>	<b>2,911</b>	<b>300</b>	<b>186</b>	<b>2,136</b>	<b>354</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt...	6,554	5,982	6	795	38,114	20
Unrestricted.....	1,510	5,039	76	(33)	13,369	235
<b>Total Net Assets.....</b>	<b>8,064</b>	<b>11,021</b>	<b>82</b>	<b>762</b>	<b>51,483</b>	<b>255</b>
<b>Total Liabilities and Net Assets.....</b>	<b>\$ 8,412</b>	<b>\$ 13,932</b>	<b>\$ 382</b>	<b>\$ 948</b>	<b>\$ 53,619</b>	<b>\$ 609</b>

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Internal Service Funds**  
**September 30, 2012**  
**(in thousands)**

	<b>Pension Administration</b>	<b>Risk Management</b>	<b>Internal Loan</b>	<b>Revenue Collection</b>	<b>Utility Services</b>	<b>Environmental Policy</b>	<b>Wholesale Energy Services</b>	<b>Total</b>
\$	78	\$ 18,772	\$ 2,992	\$ 99	\$ 2,715	\$ 142	\$ 12,414	\$ 57,339
	10	2,485	396	13	359	19	1,643	7,591
	1	--	--	8	--	--	1,142	1,662
	--	44	7	--	6	--	29	134
	--	--	--	--	--	--	297	2,687
	--	1,287	--	--	--	--	--	1,287
	--	--	--	76	--	--	--	76
	<u>89</u>	<u>22,588</u>	<u>3,395</u>	<u>196</u>	<u>3,080</u>	<u>161</u>	<u>15,525</u>	<u>70,776</u>
	--	--	5,029	--	--	--	--	5,029
	--	--	--	--	--	--	--	118
	--	--	--	--	--	--	109	109
	--	--	--	--	--	--	3,942	4,475
	--	--	--	--	--	--	--	5,353
	2	1	--	796	760	--	14	47,729
	<u>2</u>	<u>1</u>	<u>5,029</u>	<u>796</u>	<u>760</u>	<u>--</u>	<u>4,065</u>	<u>62,813</u>
\$	<u>91</u>	<u>\$ 22,589</u>	<u>\$ 8,424</u>	<u>\$ 992</u>	<u>\$ 3,840</u>	<u>\$ 161</u>	<u>\$ 19,590</u>	<u>\$ 133,589</u>
\$	10	\$ 2,485	\$ 396	\$ 13	\$ 359	\$ 19	\$ 1,643	7,591
	17	42	--	35	176	21	8,394	10,270
	--	--	--	--	--	--	3,582	3,582
	--	--	--	--	--	--	--	94
	37	87	--	90	472	99	193	2,214
	<u>64</u>	<u>2,614</u>	<u>396</u>	<u>138</u>	<u>1,007</u>	<u>139</u>	<u>13,812</u>	<u>23,751</u>
	736	--	--	--	--	--	--	774
	--	9,448	--	--	--	--	--	9,448
	--	--	--	--	--	--	--	118
	--	--	--	--	--	--	109	109
	24	14	--	24	128	22	72	782
	<u>760</u>	<u>9,462</u>	<u>--</u>	<u>24</u>	<u>128</u>	<u>22</u>	<u>181</u>	<u>11,231</u>
	<u>824</u>	<u>12,076</u>	<u>396</u>	<u>162</u>	<u>1,135</u>	<u>161</u>	<u>13,993</u>	<u>34,982</u>
	2	1	--	796	760	--	14	53,044
	(735)	10,512	8,028	34	1,945	--	5,583	45,563
	<u>(733)</u>	<u>10,513</u>	<u>8,028</u>	<u>830</u>	<u>2,705</u>	<u>--</u>	<u>5,597</u>	<u>98,607</u>
\$	<u>91</u>	<u>\$ 22,589</u>	<u>\$ 8,424</u>	<u>\$ 992</u>	<u>\$ 3,840</u>	<u>\$ 161</u>	<u>\$ 19,590</u>	<u>\$ 133,589</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, 2012**  
**(in thousands)**

	<b>800Mhz</b>	<b>Information Systems Services</b>	<b>Accounting</b>	<b>Purchasing</b>	<b>Garage</b>	<b>Human Resources</b>
<b>Operating Revenues:</b>						
Charges for Service.....	\$ 1,711	\$ 16,991	\$ 3,579	\$ 2,104	\$ 17,033	\$ 3,731
Total Operating Revenues.....	<u>1,711</u>	<u>16,991</u>	<u>3,579</u>	<u>2,104</u>	<u>17,033</u>	<u>3,731</u>
<b>Operating Expenses:</b>						
Personnel Services.....	498	6,342	2,265	1,774	3,871	2,559
Contractual Services.....	1,089	9,333	931	248	1,469	544
Materials and Supplies.....	42	38	14	49	6,849	17
Other Expenses.....	2	744	17	31	1	270
Depreciation.....	553	306	3	41	6,126	2
Total Operating Expenses.....	<u>2,184</u>	<u>16,763</u>	<u>3,230</u>	<u>2,143</u>	<u>18,316</u>	<u>3,392</u>
Operating Income (Loss).....	<u>(473)</u>	<u>228</u>	<u>349</u>	<u>(39)</u>	<u>(1,283)</u>	<u>339</u>
<b>Non-Operating Revenues (Expenses):</b>						
Net Investment Earnings.....	19	73	5	4	156	8
Change in the Fair Value of Investments.....	3	26	1	--	33	2
<b>Securities Lending:</b>						
Income.....	--	--	--	--	6	--
Interest Expense.....	--	--	--	--	(5)	--
Agent Fees.....	--	--	--	--	--	--
Other Revenue.....	--	241	--	1	748	--
Gain (Loss) on the sale of surplus property.....	23	--	--	--	--	--
Interest Expense.....	--	(4)	--	--	--	--
Other Expense.....	--	(93)	--	--	(1,784)	--
Total Non-Operating Revenues.....	<u>45</u>	<u>243</u>	<u>6</u>	<u>5</u>	<u>(846)</u>	<u>10</u>
<b>Income (Loss) Before Capital Contributions and Transfers.....</b>						
	<u>(428)</u>	<u>471</u>	<u>355</u>	<u>(34)</u>	<u>(2,129)</u>	<u>349</u>
<b>Capital Contributions and Transfers</b>						
Capital Contributions.....	--	--	--	--	--	--
Transfers In.....	13	24	77	--	--	19
Transfers Out.....	--	(5)	(430)	(13)	(20)	(377)
Total Capital Contributions and Transfers.....	<u>13</u>	<u>19</u>	<u>(353)</u>	<u>(13)</u>	<u>(20)</u>	<u>(358)</u>
Change in Net Assets.....	<u>(415)</u>	<u>490</u>	<u>2</u>	<u>(47)</u>	<u>(2,149)</u>	<u>(9)</u>
Net Assets - October 1.....	8,479	10,531	80	809	53,468	264
Adjustment to October 1 Net Assets.....	--	--	--	--	164	--
Net Assets - October 1, as restated.....	<u>8,479</u>	<u>10,531</u>	<u>80</u>	<u>809</u>	<u>53,632</u>	<u>264</u>
Net Assets - September 30.....	<u>\$ 8,064</u>	<u>\$ 11,021</u>	<u>\$ 82</u>	<u>\$ 762</u>	<u>\$ 51,483</u>	<u>\$ 255</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, 2012**  
**(in thousands)**

<u>Pension Administration</u>	<u>Risk Management</u>	<u>Internal Loan</u>	<u>Revenue Collection</u>	<u>Utility Services</u>	<u>Environmental Policy</u>	<u>Wholesale Energy Services</u>	<u>Total</u>
\$ 901	\$ 5,799	\$ --	\$ 2,214	\$ 11,870	\$ 1,921	\$ 162,320	\$ 230,174
901	5,799	--	2,214	11,870	1,921	162,320	230,174
549	1,169	--	1,225	7,339	1,273	2,085	30,949
353	324	--	423	3,339	479	160,259	178,791
23	24	--	238	405	30	157	7,886
14	4,437	--	14	371	32	100	6,033
1	1	--	631	206	--	6	7,876
940	5,955	--	2,531	11,660	1,814	162,607	231,535
(39)	(156)	--	(317)	210	107	(287)	(1,361)
--	319	334	2	33	3	62	1,018
(1)	(29)	16	--	15	1	(15)	52
--	6	11	--	--	--	--	23
--	(5)	(8)	--	--	--	--	(18)
--	--	(1)	--	--	--	--	(1)
--	--	--	--	77	--	--	1,067
--	--	--	--	--	--	(1)	22
(4)	--	--	--	(1)	--	--	(9)
--	--	--	--	--	--	--	(1,877)
(5)	291	352	2	124	4	46	277
(44)	135	352	(315)	334	111	(241)	(1,084)
--	--	--	6	--	--	--	6
--	66	--	5	652	--	--	856
--	--	(1,390)	(314)	(326)	(54)	(63)	(2,992)
--	66	(1,390)	(303)	326	(54)	(63)	(2,130)
(44)	201	(1,038)	(618)	660	57	(304)	(3,214)
(689)	10,312	2,771	1,448	2,045	(57)	5,901	95,362
--	--	6,295	--	--	--	--	6,459
(689)	10,312	9,066	1,448	2,045	(57)	5,901	101,821
\$ (733)	\$ 10,513	\$ 8,028	\$ 830	\$ 2,705	\$ --	\$ 5,597	\$ 98,607

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Internal Service Funds**  
**For the Year Ended September 30, 2012**  
(in thousands)

	<u>800 MHz</u>	<u>Information System Services</u>	<u>Accounting</u>	<u>Purchasing</u>	<u>Garage</u>	<u>Human Resources</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Other Funds.....	\$ 1,675	\$ 17,004	\$ 3,580	\$ 2,104	\$ 16,640	\$ 3,732
Cash Paid to Suppliers for Goods and Services.....	(1,273)	(9,148)	(963)	(328)	(7,316)	(816)
Cash Paid to Employees for Services.....	(499)	(6,413)	(2,250)	(1,799)	(3,850)	(2,528)
Cash Paid to Other Funds.....	--	--	--	--	--	--
Net Cash Provided by (Used for) Operating Activities...	<u>(97)</u>	<u>1,443</u>	<u>367</u>	<u>(23)</u>	<u>5,474</u>	<u>388</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from Other Funds.....	13	24	77	--	--	19
Other.....	--	--	--	--	748	--
Transfers to Other Funds.....	--	(5)	(430)	(13)	(20)	(377)
Net Cash Flows Provided by (Used for) Noncapital Financing Activities.....	<u>13</u>	<u>19</u>	<u>(353)</u>	<u>(13)</u>	<u>728</u>	<u>(358)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital contributions from other funds.....	--	--	--	--	--	--
Proceeds from sale of properties.....	--	--	--	--	--	--
Loan Proceeds.....	--	38	--	--	--	--
Acquisition and Construction of Capital Assets.....	1	(689)	--	1	(5,684)	(4)
Loan Issue Costs.....	--	--	--	--	--	--
Proceeds from Sale of Capital Assets.....	--	--	--	--	--	--
Repayment of Loans.....	--	--	--	--	--	--
Interest Paid.....	--	(4)	--	--	--	--
Net Cash Provided by (Used For) Capital and Related Financing Activities.....	<u>1</u>	<u>(655)</u>	<u>--</u>	<u>1</u>	<u>(5,684)</u>	<u>(4)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received on Investments.....	19	73	5	4	180	8
Non Interest bearing Deposit.....	--	--	--	--	--	--
Increase in the Fair Value of Cash & Cash Equivalents....	3	26	1	--	33	2
Net Cash Provided by (Used for) Investing Activities....	<u>22</u>	<u>99</u>	<u>6</u>	<u>4</u>	<u>213</u>	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	(61)	906	20	(31)	731	36
Cash and Cash Equivalents - October 1.....	1,661	6,066	311	165	9,844	479
Cash and Cash Equivalents - September 30.....	<u>\$ 1,600</u>	<u>\$ 6,972</u>	<u>\$ 331</u>	<u>\$ 134</u>	<u>\$ 10,575</u>	<u>\$ 515</u>
<b>Classified As:</b>						
Unrestricted Assets.....	\$ 1,600	\$ 6,972	\$ 331	\$ 134	\$ 10,575	515
Restricted Assets.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
	<u>\$ 1,600</u>	<u>\$ 6,972</u>	<u>\$ 331</u>	<u>\$ 134</u>	<u>\$ 10,575</u>	<u>\$ 515</u>
<b>OPERATING ACTIVITIES:</b>						
Operating Income (Loss).....	\$ ( 473)	\$ 228	\$ 349	\$ ( 39)	\$ ( 1,283)	\$ 339
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation.....	553	306	3	41	6,126	2
Net OPEB Obligation.....	--	--	--	--	--	--
(Increase) Decrease in Accounts Receivable.....	(40)	--	--	--	(393)	1
Increase (Decrease) in Other Accounts Receivable.....	4	13	1	--	--	--
Increase (Decrease) in Prepaid Expenses.....	--	--	--	--	--	--
Increase (Decrease) in Due to Other Funds.....	--	--	--	--	--	--
Increase (Decrease) in Deposits.....	--	--	--	--	1,944	--
Increase in Loans to Other Funds.....	--	--	--	--	--	--
(Increase) Decrease in Inventory.....	--	--	--	--	(842)	--
Increase (Decrease) in Accounts Payable.....	(140)	940	(1)	--	(99)	15
Increase (Decrease) in Accrued Leave.....	(1)	(44)	15	(25)	21	31
Decrease in Insurance Deposits.....	--	--	--	--	--	--
Total Adjustments.....	<u>376</u>	<u>1,215</u>	<u>18</u>	<u>16</u>	<u>6,757</u>	<u>49</u>
Net Cash Provided by (Used For) Operating Activities.....	<u>\$ ( 97)</u>	<u>\$ 1,443</u>	<u>\$ 367</u>	<u>\$ ( 23)</u>	<u>\$ 5,474</u>	<u>\$ 388</u>

**CITY OF TALLAHASSEE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Internal Service Funds**  
**For the Year Ended September 30, 2012**  
(in thousands)

<b>Pension Administration</b>	<b>Risk Management</b>	<b>Internal Loan</b>	<b>Revenue Collection</b>	<b>Utility Services</b>	<b>Environmental Policy</b>	<b>Wholesale Energy Services</b>	<b>Total</b>
\$ 902	\$ 5,800	\$ 1,728	\$ 2,213	\$ 11,874	\$ 1,921	\$ 180,725	\$ 249,898
(390)	(10,122)	--	(698)	(4,086)	(557)	(181,413)	(217,110)
(543)	(1,163)	--	(1,268)	(7,363)	(1,271)	(2,082)	(31,029)
--	--	--	--	--	--	--	--
(31)	(5,485)	1,728	247	425	93	(2,770)	1,759
--	66	--	5	652	--	--	856
(4)	--	--	6	--	--	--	750
--	--	(1,390)	(314)	(326)	(54)	(63)	(2,992)
(4)	66	(1,390)	(303)	326	(54)	(63)	(1,386)
--	--	--	--	--	--	--	--
--	--	--	--	(144)	--	--	(144)
--	--	--	--	41	--	--	79
--	--	--	(18)	--	--	--	(6,393)
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
--	--	--	--	(1)	--	--	(5)
--	--	--	(18)	(104)	--	--	(6,463)
--	391	340	3	33	3	62	1,121
--	--	--	--	--	--	--	--
(1)	(29)	16	--	15	1	(15)	52
(1)	362	356	3	48	4	47	1,173
(36)	(5,057)	694	(71)	695	43	(2,786)	(4,917)
114	23,829	2,298	170	2,020	99	15,200	62,256
\$ 78	\$ 18,772	\$ 2,992	\$ 99	\$ 2,715	\$ 142	\$ 12,414	\$ 57,339
78	18,772	2,992	99	2,715	142	12,414	57,339
--	--	--	--	--	--	--	--
\$ 78	\$ 18,772	\$ 2,992	\$ 99	\$ 2,715	\$ 142	\$ 12,414	\$ 57,339
\$ (39)	\$ (156)	\$ --	\$ (317)	\$ 210	\$ 107	\$ (287)	\$ (1,361)
1	1	--	631	206	--	6	7,876
--	--	--	--	--	--	--	--
1	1	--	(1)	--	--	(274)	(705)
--	--	--	--	4	--	44	66
--	--	--	--	--	--	--	--
--	--	--	--	--	--	(18,882)	(18,882)
--	--	--	--	--	--	18,635	20,579
--	--	1,728	--	--	--	--	1,728
--	--	--	--	--	--	30	(812)
--	(5,337)	--	(23)	29	(16)	(2,045)	(6,677)
6	6	--	(43)	(24)	2	3	(53)
--	--	--	--	--	--	--	--
8	(5,329)	1,728	564	215	(14)	(2,483)	3,120
\$ (31)	\$ (5,485)	\$ 1,728	\$ 247	\$ 425	\$ 93	\$ (2,770)	\$ 1,759

**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 Activity<sup>1</sup>**  
**September 30, 2012**  
**(in thousands)**

Function and Activity	Land	Buildings	Equipment	Improvements Other Than Buildings	Infrastructure	Total
<b>General Government:</b>						
Legislative	\$ --	\$ --	\$ 56	\$ --	\$ --	\$ 56
Executive	--	--	134	--	--	134
Financial & Administrative	--	600	1,181	--	--	1,781
Legal	--	--	56	--	--	56
Comprehensive Planning	218	--	263	--	--	481
Other General Government	89,378	51,351	5,258	635	3,533	150,155
Total General Government	<u>89,596</u>	<u>51,951</u>	<u>6,948</u>	<u>635</u>	<u>3,533</u>	<u>152,663</u>
<b>Public Safety:</b>						
Law Enforcement	809	11,064	11,728	451	--	24,052
Protective Inspection	--	--	131	--	--	131
Total Public Safety	<u>809</u>	<u>11,064</u>	<u>11,859</u>	<u>451</u>	<u>--</u>	<u>24,183</u>
<b>Other:</b>						
Physical Environment	--	--	139	--	--	139
Road and Street Facilities	255,580	427	4,696	5	796,964	1,057,672
Economic Development	2,100	9,483	56	3,859	715	16,213
Human Services	516	5,763	103	267	455	7,104
Cultural and Recreation	7,697	23,843	3,699	7,199	258	42,696
Total Other	<u>265,893</u>	<u>39,516</u>	<u>8,693</u>	<u>11,330</u>	<u>798,392</u>	<u>1,123,824</u>
Total capital assets allocated to functions	<u>\$ 356,298</u>	<u>\$ 102,531</u>	<u>\$ 27,500</u>	<u>\$ 12,416</u>	<u>\$ 801,925</u>	1,300,670
Construction in Progress						<u>79,924</u>
Total capital assets						<u>\$ 1,380,594</u>

<sup>1</sup>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.

**CITY OF TALLAHASSEE, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**Schedule of Changes By Function and Activity<sup>1</sup>**  
**For the fiscal year ended September 30, 2012**  
**( in thousands)**

Function and Activity	Governmental Funds Capital Assets October 1, 2011	Additions	Deductions	Governmental Funds Capital Assets September 30, 2012
<b>General Government:</b>				
Legislative	\$ 60	\$ --	\$ 4	\$ 56
Executive	134	38	38	134
Financial & Administrative	1,477	314	10	1,781
Legal	56	--	--	56
Comprehensive Planning	472	14	5	481
Other General Government	146,682	8,871	5,398	150,155
Total General Government	<u>148,881</u>	<u>9,237</u>	<u>5,455</u>	<u>152,663</u>
<b>Public Safety:</b>				
Law Enforcement	23,397	2,136	1,481	24,052
Protective Inspection	250	1	120	131
Total Public Safety	<u>23,647</u>	<u>2,137</u>	<u>1,601</u>	<u>24,183</u>
<b>Other:</b>				
Physical Environment	135	4	--	139
Road and Street Facilities	1,056,694	1,156	178	1,057,672
Economic Development	16,217	--	4	16,213
Human Services	7,104	--	--	7,104
Cultural and Recreation	42,458	459	221	42,696
Total Other:	<u>1,122,608</u>	<u>1,619</u>	<u>403</u>	<u>1,123,824</u>
Total capital assets allocated to functions	1,295,136	12,993	7,459	1,300,670
Construction in Progress	<u>56,877</u>	<u>27,188</u>	<u>4,141</u>	<u>79,924</u>
Total capital assets	<u>\$ 1,352,013</u>	<u>\$ 40,181</u>	<u>\$ 11,600</u>	<u>\$ 1,380,594</u>

<sup>1</sup> 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 issues:

Capital Bonds, Series 2004

Capital Bonds, Series 2008

Capital Bonds, Series 2009

Energy System Refunding Revenue Bonds, Series 1998A

Energy System Refunding Revenue Bonds, Series 2001

Energy System Revenue Bonds, Series 2005

Energy System Refunding Revenue Bonds, Series 2007

Energy System Refunding Revenue Bonds, Series 2010

Energy System Refunding Revenue Bonds, Series 2010A

Energy System Revenue Bonds, Series 2010B

Energy System Revenue Bonds, Series 2010C

Energy System Refunding Revenue Bonds, Series 2011

Consolidated Utility System Refunding Revenue Bonds, Series 2001

Consolidated Utility System Refunding Revenue Bonds, Series 2005

Consolidated Utility System Refunding Revenue Bonds, Series 2007

Consolidated Utility System Refunding Revenue Bonds, Series 2010A

Consolidated Utility System Refunding Revenue Bonds, Series 2010B

Airport System Revenue Refunding Bonds, Series 2004

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL BONDS**  
**SERIES 2004**  
**September 30, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
2013	2,640	3,067	5,707
2014	3,815	2,948	6,763
2015	4,005	2,757	6,762
2016	4,160	2,603	6,763
2017	4,365	2,395	6,760
2018	4,585	2,177	6,762
2019	5,725	1,948	7,673
2020	6,010	1,661	7,671
2021 - 2024	27,215	3,485	30,700
Totals	<u>\$ 62,520</u>	<u>\$ 23,041</u>	<u>\$ 85,561</u>

Bonds Dated: November 17, 2004  
Original Issue Amount: \$86,210,000.00  
Principal Due: October 1, beginning 2009  
Interest Due: April 1 and October 1 of each year, beginning 2009  
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**  
**CAPITAL BONDS**  
**SERIES 2008**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,215	175	1,390
2014	1,260	133	1,393
2015	1,300	90	1,390
2016	<u>1,345</u>	<u>46</u>	<u>1,391</u>
Totals	<u>\$ 5,120</u>	<u>\$ 444</u>	<u>\$ 5,564</u>

Bonds Dated: December 11, 2008  
Original Issue Amount: \$9,400,000.00  
Principal Due: October 1, beginning 2009  
Interest Due: April 1 and October 1 of each year, beginning 2009  
Paying Agent: BB&T

Security: The Issuer covenants and agrees to appropriate in its annual budget for each Fiscal Year in which the Bond remains outstanding, sufficient amounts of Non-Ad Valorem Revenues for the payment of principal of and interest on the Bond in each such Fiscal Year.

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**CAPITAL BONDS**  
**SERIES 2009**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,645	817	2,462
2014	1,705	755	2,460
2015	1,770	690	2,460
2016	1,835	623	2,458
2017	1,905	554	2,459
2018	1,975	482	2,457
2019	925	428	1,353
2020	960	393	1,353
2021-2031	<u>10,115</u>	<u>1,833</u>	<u>11,948</u>
Totals	<u>\$ 22,835</u>	<u>\$ 6,575</u>	<u>\$ 29,410</u>

Bonds Dated: April 4, 2009  
Original Issue Amount: \$26,975,000.00  
Principal Due: April 1, beginning 2010  
Interest Due: October 1 and April 1 of each year, beginning 2009  
Paying Agent: Bank of America

Security: This resolution is adopted pursuant to the provisions of the Constitution of Florida Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, in accordance with their terms and the provisions of Resolution No. 09-R-09. 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.

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**ELECTRIC ENERGY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 1998A**  
**September 30, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
2013	4,730	785	5,515
2014	4,980	537	5,517
2015	5,240	275	5,515
Totals	<u>\$ 14,950</u>	<u>\$ 1,597</u>	<u>\$ 16,547</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	Redemption Price
October 1, 2008 to September 30, 2009	One Hundred and One Percent
October 1, 2009 and thereafter	One Hundred Percent

Bond Ratings: 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, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
2013	1,140	239	1,379
2014	1,200	176	1,376
2015	1,000	110	1,110
2016	1,005	55	1,060
Totals	<u>\$ 4,345</u>	<u>\$ 580</u>	<u>\$ 4,925</u>

Bonds Dated: May 1, 2001  
Original Issue Amount: \$17,680,000  
Principal Due: October 1, 2010  
Interest Due: April 1 and October 1 of each year, beginning 2001

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.

<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

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, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,840	4,708	8,548
2020	4,010	4,540	8,550
2021 - 2035	<u>88,920</u>	<u>39,268</u>	<u>128,188</u>
Totals	<u>\$ 116,345</u>	<u>\$ 80,119</u>	<u>\$ 196,464</u>

Bonds Dated: December 8, 2005  
Original Issue Amount: \$128,920,000  
Principal Due: October 1, 2010  
Interest Due: April 1 and October 1 of each year, beginning 2006

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.

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

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, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
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	3,645	8,607	12,252
2020	3,825	8,425	12,250
2021 - 2037	<u>164,735</u>	<u>98,372</u>	<u>263,107</u>
Totals	<u>\$ 190,860</u>	<u>\$ 170,440</u>	<u>\$ 361,300</u>

Bonds Dated: August 9, 2007  
Original Issue Amount: \$203,230,000  
Principal Due: October 1, 2010  
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 lien 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**  
**ENERGY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2010**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	--	3,777	3,777
2014	--	3,777	3,777
2015	--	3,777	3,777
2016	5,380	3,777	9,157
2017	5,610	3,558	9,168
2018	5,850	3,308	9,158
2019	6,135	3,036	9,171
2020	6,435	2,730	9,165
2021-2028	<u>48,435</u>	<u>13,993</u>	<u>62,428</u>
Totals	<u>\$ 77,845</u>	<u>\$ 41,733</u>	<u>\$ 119,578</u>

Bonds Dated: April 7, 2010  
Original Issue Amount: \$77,845,000  
Principal Due: October 1, 2016  
Interest Due: April 1 and October 1 of each year, beginning April 1, 2010  
Paying Agent: US Bank, National Association, Jacksonville, Florida

Security: The Series 2010 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, 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 Resolution, (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 Resolution.

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2020 and prior	No optional redemption
October 1, 2021 and thereafter	One Hundred Percent

Bond Rating: Moody's Aa3, Standard and Poor's AA, Fitch AA-

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**ENERGY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2010A**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	195	1,697	1,892
2014	205	1,691	1,896
2015	210	1,683	1,893
2016	215	1,676	1,891
2017	220	1,671	1,891
2018	230	1,665	1,895
2019	235	1,658	1,893
2020	240	1,651	1,891
2021-2026	<u>41,110</u>	<u>6,674</u>	<u>47,784</u>
Totals	<u>\$ 42,860</u>	<u>\$ 20,066</u>	<u>\$ 62,926</u>

Bonds Dated: July 23, 2010  
Original Issue Amount: \$43,245,000  
Principal Due: October 1, 2011  
Interest Due: April 1 and October 1 of each year, beginning April 1, 2010  
Paying Agent: US Bank, National Association, Jacksonville, Florida

Security: The Series 2010 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, 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 Resolution, (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 Resolution.

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2020 and prior	No optional redemption
October 1, 2021 and thereafter	One Hundred Percent

Bond Rating: Moody's Aa3, Standard and Poor's AA, Fitch AA-

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**ENERGY SYSTEM REVENUE BONDS**  
**SERIES 2010B**  
**(FEDERALLY TAXABLE - BUILD AMERICA BONDS)**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	--	7,299	7,299
2014	--	7,299	7,299
2015	--	7,299	7,299
2016	--	7,299	7,299
2017	--	7,299	7,299
2018	--	7,299	7,299
2019	--	7,299	7,299
2020	--	7,299	7,299
2021	--	7,299	7,299
2022-2040	<u>122,280</u>	<u>124,581</u>	<u>246,861</u>
Totals	<u>\$ 122,280</u>	<u>\$ 190,272</u>	<u>\$ 312,552</u>

Bonds Dated: October 27, 2010  
Original Issue Amount: \$122,280,000  
Principal Due: October 1, 2029  
Interest Due: April 1 and October 1 of each year, beginning April 1, 2011  
Paying Agent: US Bank, National Association, Jacksonville, Florida

Security: The Series 2010 Bonds will be payable solely from and secured as to payment of principal and interest thereon in accordance with their terms and the provisions of the 1998 General Resolution, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolution, (ii) the Net Revenues of the City's Energy System, and (iii) certain amounts, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

<u>Optional Redemption</u>	<u>Redemption Price</u>
Any Date	100% of principal amount or Discounted Value thereof

Bond Rating: Moody's Aa3, Standard and Poor's AA, Fitch AA-

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**ENERGY SYSTEM REVENUE BONDS**  
**SERIES 2010C**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,095	1,658	2,753
2014	1,145	1,603	2,748
2015	1,485	1,546	3,031
2016	1,735	1,472	3,207
2017	1,815	1,385	3,200
2018	1,885	1,312	3,197
2019	1,980	1,218	3,198
2020	3,325	1,119	4,444
2021	3,485	953	4,438
2022-2029	<u>16,490</u>	<u>2,404</u>	<u>18,894</u>
Totals	<u>\$ 34,440</u>	<u>\$ 14,670</u>	<u>\$ 49,110</u>

Bonds Dated: October 27, 2010  
Original Issue Amount: \$35,485,000  
Principal Due: October 1, 2012  
Interest Due: April 1 and October 1 of each year, beginning April 1, 2011  
Paying Agent: US Bank, National Association, Jacksonville, Florida

Security: The Series 2010 Bonds will be payable solely from and secured as to payment of principal and interest thereon in accordance with their terms and the provisions of the 1998 General Resolution, solely by a pledge and assignment of (i) money in certain of the funds and accounts established under the Resolution, (ii) the Net Revenues of the City's Energy System, and (iii) certain amounts, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2021 and thereafter	100% plus interest to the redemptive date

Bond Rating: Moody's Aa3, Standard and Poor's AA, Fitch AA-

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**ENERGY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2011**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	21	81	102
2014	22	81	103
2015	23	80	103
2016	23	80	103
2017	1,084	79	1,163
2018	1,116	54	1,170
2019	1,142	27	1,169
Totals	<u>\$ 3,431</u>	<u>\$ 482</u>	<u>\$ 3,913</u>

Bonds Dated: August 8, 2011  
Original Issue Amount: \$3,440,000  
Principal Due: October 1, 2012  
Interest Due: April 1 and October 1 of each year, beginning April 1, 2012  
Paying Agent: US Bank, National Association, Jacksonville, Florida

Security: The Series 2011 Bonds will be payable solely from and secured by a lien upon and pledge of the Pledged Receivables, as defined in the Resolution, in the manner and to the extent provided in the Resolution.

<u>Optional Redemption</u>	<u>Redemption Price</u>
Date of closing thru fifth anniversary	101%
After fifth anniversary	100%

Bond Rating: Moody's Aa3, Standard and Poor's AA, Fitch AA-

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2001**  
**September 30, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
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>\$ 12,110</u>	<u>\$ 2,888</u>	<u>\$ 14,998</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, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
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	--	753	753
2020	1,105	753	1,858
2021 - 2030	14,440	4,128	18,568
Totals	<u>\$ 21,950</u>	<u>\$ 10,561</u>	<u>\$ 32,511</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, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
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	4,655	6,805	11,460
2020	4,885	6,572	11,457
2021 - 2030	129,465	65,303	194,768
Totals	<u>\$ 159,340</u>	<u>\$ 123,389</u>	<u>\$ 282,729</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**  
**CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2010A**  
**(FEDERALLY TAXABLE - BUILD AMERICA BONDS)**  
**September 30, 2012**  
**(in thousands)**

Fiscal Year	Principal	Interest	Total
2013	--	6,084	6,084
2014	--	6,084	6,084
2015	--	6,084	6,084
2016	--	6,084	6,084
2017	--	6,084	6,084
2018	--	6,084	6,084
2019	--	6,084	6,084
2020	--	6,084	6,084
2021 - 2040	117,015	96,733	213,748
Totals	<u>\$ 117,015</u>	<u>\$ 145,405</u>	<u>\$ 262,420</u>

Bonds Dated: September 9, 2010  
Original Issue Amount: \$117,015,000  
Principal Due: October 1, beginning 2027  
Interest Due: April 1 and October 1 of each year, beginning 2011

Security: The Series 2010A 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 2010 BONDS." The lien of the Series 2010 Bonds on the Pledged Revenues is secured on a parity with the lien thereon of the City's Consolidated Utility Systems Revenue Bonds, Series 2001, 2005 and 2007.

Bond Ratings: Moody's Aa1, Standard and Poor's AA+ and Fitch AA+

**CITY OF TALLAHASSEE, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2010B**  
**September 30, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	--	1,169	1,169
2014	--	1,169	1,169
2015	1,120	1,169	2,289
2016	1,155	1,136	2,291
2017	1,215	1,078	2,293
2018	1,240	1,054	2,294
2019	1,290	1,004	2,294
2020	2,450	966	3,416
2021 - 2040	<u>17,350</u>	<u>3,159</u>	<u>20,509</u>
Totals	<u>\$ 25,820</u>	<u>\$ 11,904</u>	<u>\$ 37,724</u>

Bonds Dated: September 9, 2010  
Original Issue Amount: \$25,820,000  
Principal Due: October 1, beginning 2015  
Interest Due: April 1 and October 1 of each year, beginning 2011

Security: The Series 2010B 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 x 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 2010 BONDS." The lien of the Series 2010 Bonds on the Pledged Revenues is on a parity with the lien thereon of the City's Consolidated Utility Systems Revenue Bonds, Series 2001, 2005 and 2007.

<u>Optional Redemption</u>	<u>Redemption Price</u>
October 1, 2010 and prior	No optional redemption
October 1, 2020 and thereafter	One Hundred Percent

Bond Ratings: Moody's Aa1, 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, 2012**  
**(in thousands)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>925</u>	<u>37</u>	<u>962</u>
Totals	<u>\$ 925</u>	<u>\$ 37</u>	<u>\$ 962</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



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## STATISTICAL SECTION

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

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### Financial Trends

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

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### Revenue Capacity

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

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**STATSTICAL 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 City's Comprehensive Annual Financial Reports for the relevant year.

CITY OF TALLAHASSEE, FLORIDA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 834,489	\$ 828,993	\$ 845,995	\$ 856,883	\$ 814,842	\$ 818,366	\$ 850,484	\$ 873,202	\$ 962,870	\$ 971,000
Restricted	81,811	100,242	20,868	23,760	19,365	19,618	18,882	17,340	9,589	9,437
Unrestricted	47,334	34,026	123,832	120,014	123,446	148,298	166,196	183,146	131,729	137,394
Total governmental activities net assets	\$ 963,634	\$ 963,261	\$ 990,695	\$ 1,000,657	\$ 957,653	\$ 986,282	\$ 1,035,562	\$ 1,073,688	\$ 1,104,188	\$ 1,117,831
<b>Business activities</b>										
Invested in capital assets, net of related debt	\$ 757,983	\$ 661,648	\$ 681,553	\$ 614,673	\$ 628,969	\$ 665,127	\$ 609,204	\$ 679,304	\$ 612,237	\$ 551,075
Restricted	185,679	157,107	157,342	144,224	124,090	107,926	127,256	98,568	108,015	113,173
Unrestricted	211,978	271,654	235,337	262,443	242,474	195,053	142,816	79,933	133,455	176,153
Total Business activities net assets	\$ 1,155,640	\$ 1,090,409	\$ 1,074,232	\$ 1,021,340	\$ 995,533	\$ 968,106	\$ 879,276	\$ 857,805	\$ 853,707	\$ 840,401
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 1,592,472	\$ 1,490,641	\$ 1,527,548	\$ 1,471,556	\$ 1,443,383	\$ 1,483,493	\$ 1,459,688	\$ 1,552,506	\$ 1,575,107	\$ 1,522,075
Restricted	267,490	257,349	178,210	167,984	143,455	127,544	146,138	115,908	117,604	122,610
Unrestricted	259,312	305,680	359,169	382,457	365,920	343,351	309,012	263,079	265,184	313,547
Total primary government net assets	\$ 2,119,274	\$ 2,053,670	\$ 2,064,927	\$ 2,021,997	\$ 1,952,758	\$ 1,954,388	\$ 1,914,838	\$ 1,931,493	\$ 1,957,895	\$ 1,958,232

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 19,068	\$ 22,409	\$ 22,575	\$ 22,254	\$ 20,737	\$ 23,047	\$ 26,495	\$ 28,203	\$ 22,207	\$ 21,390
Public Safety	56,044	54,676	50,298	53,819	54,416	50,875	48,312	47,794	43,835	42,498
Transportation	20,421	23,648	19,571	23,193	23,314	20,896	28,614	17,739	17,983	31,834
Human Services	3,117	2,897	2,715	3,984	6,863	6,182	5,710	12,085	10,733	10,233
Economic Development	8,710	11,277	9,265	10,575	7,828	9,143	9,241	3,980	1,809	2,019
Physical Environment	3,354	2,158	2,350	5,318	4,739	3,499	2,864	2,667	3,203	3,702
Culture and Recreation	21,374	20,642	20,264	20,650	19,459	18,168	26,335	17,461	14,991	14,238
Unallocated Depreciation on Infrastructure	26,401	26,733	26,210	26,584	23,956	24,002	24,110	23,848	22,478	22,289
Interest on Long-Term Debt	4,740	4,556	4,528	5,205	5,798	4,855	6,396	4,191	1,007	1,173
Total governmental activities expenses	163,229	168,996	157,776	171,582	167,110	160,667	178,077	157,968	138,246	149,376
Business-type activities										
Electric	266,145	303,715	307,823	347,955	346,318	323,181	315,083	262,050	250,349	214,350
Gas	30,121	44,773	47,823	42,618	51,609	40,063	52,383	33,746	29,314	23,781
Sewer	47,279	42,411	42,792	39,515	37,855	35,747	33,839	32,409	30,514	28,592
Water	26,277	28,942	21,402	24,764	21,083	19,057	20,684	19,253	17,332	16,151
Airport	12,861	14,635	18,656	20,141	16,298	16,084	13,301	15,236	12,759	12,080
StarMetro	19,123	18,581	17,364	18,059	18,358	16,299	15,374	14,152	13,495	13,137
Solid Waste	21,269	19,066	20,126	20,075	20,579	20,791	19,333	18,081	16,966	17,550
Golf	1,037	870	889	1,389	1,264	1,165	1,432	1,168	1,189	1,223
Stormwater Management	15,064	17,522	13,213	12,098	10,629	9,878	9,950	8,619	10,346	7,970
Fire Services	32,054	30,764	27,597	28,099	27,612	25,197	24,790	24,051	22,375	21,141
Total business-type activities expenses	471,230	521,279	517,685	554,713	551,605	507,462	506,169	428,765	404,639	355,975
Total primary government expenses	634,459	690,275	675,461	726,295	718,715	668,129	684,246	586,733	542,885	505,351

**CITY OF TALAHASSEE, FLORIDA**  
**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
*(accrual basis of accounting)*  
*(in thousands)*

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	1,923	1,813	1,638	2,096	1,665	1,835	1,986	1,766	1,761	1,746
Public Safety	2,806	3,133	2,071	4,156	2,173	3,726	3,364	4,055	3,810	4,654
Transportation	2,509	2,547	2,821	2,330	2,250	2,224	2,459	2,542	2,317	2,292
Human Services	969	612	503	770	692	1,347	1,088	1,120	1,030	551
Economic Development	-	-	220	-	-	-	61	111	93	542
Physical Environment	1,139	997	861	873	4,049	2,082	2,036	2,600	2,153	2,390
Culture and Recreation	3,759	3,697	3,378	3,260	3,142	3,859	3,614	3,390	3,408	2,239
Operating Grants and Contributions	11,031	8,791	9,923	8,006	9,510	9,635	22,238	9,370	7,907	8,252
Capital Grants and Contributions	8,121	6,800	383	72,446	742	5,375	110	204	496	332
<b>Total Governmental Activities Program Revenues</b>	<b>32,257</b>	<b>28,390</b>	<b>21,798</b>	<b>93,937</b>	<b>24,223</b>	<b>30,083</b>	<b>36,956</b>	<b>25,158</b>	<b>22,975</b>	<b>22,998</b>
Business-type Activities:										
Charges for Services:										
Electric	285,660	317,647	341,778	369,923	369,483	347,388	341,203	281,800	259,164	233,534
Gas	34,082	48,311	52,697	46,521	53,691	43,321	55,684	35,871	33,695	27,195
Sewer	60,172	59,046	53,648	48,061	45,668	39,721	35,896	35,695	34,800	33,917
Water	30,321	30,515	25,673	26,230	25,764	27,988	24,813	22,927	23,558	22,581
Airport	11,660	11,498	11,729	12,203	12,713	12,494	11,437	11,179	9,550	9,635
StarMetro	5,008	4,542	4,509	6,496	4,258	3,640	3,231	3,402	3,431	4,843
Solid Waste	23,046	21,859	21,200	21,658	19,746	18,778	18,326	18,069	17,278	17,145
Golf	1,024	876	858	1,070	936	1,007	981	909	1,012	1,029
Stormwater Management	20,812	17,732	18,906	18,417	16,516	15,350	14,557	13,088	11,874	11,511
Fire Services	31,399	31,194	30,297	23,952	23,962	23,663	23,002	20,733	19,343	18,267
Operating Grants and Contributions	6,873	5,541	3,648	4,148	3,407	3,875	5,021	4,121	3,857	2,314
Capital Grants and Contributions	20,026	7,659	14,261	12,624	7,245	18,969	10,600	14,891	12,916	11,010
<b>Total Business-type Activities Program Revenues</b>	<b>530,083</b>	<b>536,420</b>	<b>579,204</b>	<b>591,303</b>	<b>583,389</b>	<b>556,194</b>	<b>544,751</b>	<b>462,685</b>	<b>430,478</b>	<b>392,981</b>
<b>Total Primary Government Program Revenues</b>	<b>562,340</b>	<b>584,810</b>	<b>601,002</b>	<b>685,240</b>	<b>607,612</b>	<b>586,277</b>	<b>581,707</b>	<b>487,843</b>	<b>453,453</b>	<b>415,979</b>
<b>Net (Expenses) Revenues</b>										
Governmental Activities	(130,972)	(140,606)	(135,978)	(77,645)	(142,887)	(130,584)	(141,121)	(132,810)	(115,271)	(126,378)
Business-type Activities	58,853	35,141	61,519	36,590	31,784	48,732	38,582	33,920	25,839	37,006
<b>Total Primary Government Net Expenses</b>	<b>(72,119)</b>	<b>(105,465)</b>	<b>(74,459)</b>	<b>(41,055)</b>	<b>(111,103)</b>	<b>(81,852)</b>	<b>(102,539)</b>	<b>(98,890)</b>	<b>(89,432)</b>	<b>(89,372)</b>

CITY OF TALLAHASSEE, FLORIDA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes, Levied for General Purposes	33,483	34,438	35,113	34,001	33,570	35,650	31,583	27,319	24,517	19,778
Local Option Sales Tax	--	--	--	--	--	--	3,915	8,709	14,247	16,049
Local Option Gas Tax	--	--	--	--	--	--	4,118	4,314	3,522	3,701
Public Service Tax	22,524	22,595	23,140	22,834	22,144	21,747	19,930	18,977	19,237	19,856
Business License Tax	5,157	6,229	5,214	1,808	1,825	1,799	--	--	--	--
Occupational Licenses and Franchise Fees	--	--	--	--	--	--	1,654	1,655	1,602	1,503
Grants and Contributions Not Restricted to Specific Programs	24,260	24,051	24,181	23,265	24,969	26,216	15,811	14,964	14,009	12,995
Unrestricted Investment Earnings	3,499	3,431	5,985	5,054	7,039	8,373	9,861	7,150	4,838	7,670
Net Securities Lending Income	11	15	12	224	268	90	--	--	--	--
Net Increase (Decrease) in Fair Value of Investments	76	(689)	1,045	3,719	(2,091)	1,282	933	(2,045)	(2,339)	(1,862)
Miscellaneous	5,058	1,455	1,738	4,284	2,008	3,120	131	5,558	4,783	1,684
Gain (Loss) on the Sale of Capital Assets	--	--	--	--	599	853	--	--	--	--
Special Item - Reclassification of Internal Service Funds	--	--	--	--	--	(54,332)	--	--	(11,676)	--
Capital Contributions To / From Other Funds	--	--	--	--	--	--	--	--	--	--
Transfers	29,246	26,978	29,588	25,888	21,470	25,830	27,410	18,858	28,888	20,186
Total Governmental Activities	123,314	118,503	126,016	121,077	111,801	70,608	115,346	105,459	101,628	101,560
Business-type Activities:										
Unrestricted Investment Earnings	7,177	7,939	12,374	6,499	12,937	13,219	9,162	6,635	8,057	11,458
Net Securities Lending Income	25	40	31	286	441	142	--	--	--	--
Net Increase (Decrease) in Fair Value of Investments	426	2,235	3,912	8,320	(6,602)	3,513	1,137	(2,609)	(3,378)	(3,056)
Miscellaneous	(1)	18	381	--	--	--	--	--	--	--
Capital Contributions To / From Other Funds	--	--	--	--	--	--	--	--	11,676	--
Gain (Loss) on Sale of Capital Assets	--	--	--	--	(1,615)	(4,232)	--	--	--	--
Special Item - Reclassification of Internal Service Funds	--	--	--	--	--	54,332	--	--	--	--
Transfers	(29,246)	(26,978)	(29,588)	(25,888)	(21,470)	(25,830)	(27,410)	(18,858)	(28,888)	(20,186)
Total Business-type Activities	(21,619)	(16,746)	(12,890)	(10,783)	(16,309)	41,144	(17,111)	(14,832)	(12,533)	(11,784)
Total Primary Government	101,695	101,757	113,126	110,294	95,492	111,752	98,235	90,627	89,095	89,776
Change in Net Assets										
Governmental Activities	(7,658)	(22,103)	(9,962)	43,432	(31,086)	(59,976)	(25,775)	(27,351)	(13,643)	(24,818)
Business Activities	37,234	18,395	48,629	25,807	15,475	89,876	21,471	19,088	13,306	25,222
Total Primary Government	\$ 29,576	\$ (3,708)	\$ 38,667	\$ 69,239	\$ (15,611)	\$ 29,900	\$ (4,304)	\$ (8,263)	\$ (337)	\$ 404

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Fund</b>										
Reserved	\$ --	\$ --	\$ 4,018	\$ 3,649	\$ 2,189	\$ 1,838	\$ 904	\$ 1,130	\$ 1,059	\$ 1,105
Unreserved	--	--	12,594	5,288	5,083	8,075	15,580	11,394	26,779	18,876
Non-Spendable	709	275	--	--	--	--	--	--	--	--
<b>Spendable:</b>										
Restricted	--	--	--	--	--	--	--	--	--	--
Committed	21,746	16,979	--	--	--	--	--	--	--	--
Assigned	1,777	1,417	--	--	--	--	--	--	--	--
Unassigned	160	68	--	--	--	--	--	--	--	--
<b>Total General Fund</b>	<b>\$ 24,392</b>	<b>\$ 18,739</b>	<b>\$ 16,612</b>	<b>\$ 8,937</b>	<b>\$ 7,272</b>	<b>\$ 9,913</b>	<b>\$ 16,484</b>	<b>\$ 12,524</b>	<b>\$ 27,838</b>	<b>\$ 19,981</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ --	\$ --	\$ 88,301	\$ 95,483	\$ 117,767	\$ 122,256	\$ 107,474	\$ 124,439	\$ 59,640	\$ 75,087
Unreserved, reported in:										
Special revenue funds	--	--	9,621	5,813	(1,085)	2,218	1,120	(238)	310	347
Capital Projects funds	--	--	14,028	19,931	3,737	14,472	17,313	20,217	9,978	5,170
Permanent funds	--	--	6,184	6,298	6,457	6,666	6,274	6,258	7,001	7,136
Non-Spendable	1,696	424	--	--	--	--	--	--	--	--
<b>Spendable:</b>										
Restricted	64,690	83,786	--	--	--	--	--	--	--	--
Committed	25,612	23,409	--	--	--	--	--	--	--	--
Assigned	2,586	2,561	--	--	--	--	--	--	--	--
Unassigned	(1,881)	(2,581)	--	--	--	--	--	--	--	--
<b>Total all other Governmental Funds</b>	<b>\$ 92,703</b>	<b>\$ 107,599</b>	<b>\$ 118,134</b>	<b>\$ 127,525</b>	<b>\$ 126,876</b>	<b>\$ 145,612</b>	<b>\$ 132,181</b>	<b>\$ 150,676</b>	<b>\$ 76,929</b>	<b>\$ 87,740</b>

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

	2012	2011	2010	2009	2008	2007 (as restated)	2006 (as restated)	2005	2004	2003
<b>Revenues:</b>										
Taxes.....	\$ 56,006	\$ 57,033	\$ 58,253	\$ 56,835	\$ 57,714	\$ 57,377	\$ 59,546	\$ 59,319	\$ 61,523	\$ 59,384
Licenses and Permits.....	5,967	7,132	5,936	11,072	6,149	7,061	6,058	6,780	6,276	6,520
Intergovernmental Revenues.....	43,105	39,637	34,376	38,892	34,474	39,534	37,641	25,328	22,269	21,069
Charges for Services.....	8,866	8,210	8,020	7,783	7,048	7,028	7,032	7,011	6,455	6,205
Fines and Forfeitures.....	2,647	2,436	1,162	1,361	1,594	1,549	1,613	1,820	1,876	1,490
Special Assessments.....	--	--	--	--	--	--	--	--	--	50
Net Investment Earnings.....	3,065	2,964	5,312	4,094	5,690	7,010	7,371	5,589	3,322	5,567
Securities Lending Income.....	51	38	33	320	1,592	2,720	--	--	--	--
Net Inc (Dec) in the Fair Value of Investments.....	30	(617)	919	3,279	(1,637)	1,100	680	(1,458)	(1,679)	(1,301)
Miscellaneous Revenues.....	15,371	11,719	11,045	12,509	12,032	11,900	10,491	11,176	9,575	9,083
<b>Total Revenues.....</b>	<b>135,108</b>	<b>128,552</b>	<b>125,056</b>	<b>136,145</b>	<b>124,656</b>	<b>135,279</b>	<b>130,432</b>	<b>115,565</b>	<b>109,617</b>	<b>108,067</b>
<b>Expenditures:</b>										
General Government.....	26,915	29,833	29,689	30,095	30,766	27,690	38,237	33,695	28,347	25,751
Public Safety.....	54,138	52,502	50,499	51,110	51,730	50,247	45,381	45,627	42,726	40,698
Transportation.....	39,910	32,498	28,670	30,653	35,718	32,858	39,794	49,675	36,559	63,899
Human Services.....	2,977	2,781	2,639	3,585	6,594	6,139	5,524	11,879	10,919	9,935
Economic Environment.....	11,994	11,577	12,096	11,189	7,811	9,939	12,852	2,701	1,822	2,016
Physical Environment.....	3,200	2,452	2,539	4,130	5,259	3,617	2,829	2,642	3,554	4,433
Cultural and Recreation.....	20,452	19,894	19,845	19,426	18,981	18,134	26,018	17,402	20,396	14,426
Securities Lending Expense:										
Interest.....	40	21	20	92	1,317	2,624	--	--	--	--
Agent Fees.....	2	3	2	47	56	20	--	--	--	--
Capital Outlay.....	--	--	--	--	--	--	--	--	--	--
Debt Service:										
Principal Retired.....	10,675	4,615	6,890	4,750	4,160	4,055	3,955	5,797	1,713	1,665
Interest and Fiscal Charges.....	5,010	4,571	4,657	4,821	4,917	4,795	5,410	3,791	670	719
Advance Refunding Escrow.....	--	--	--	--	--	--	--	--	--	--
<b>Total Expenditures.....</b>	<b>175,313</b>	<b>160,747</b>	<b>157,546</b>	<b>159,898</b>	<b>167,309</b>	<b>160,118</b>	<b>180,000</b>	<b>173,209</b>	<b>146,706</b>	<b>163,542</b>
<b>Excess of Revenues Over (Under) Expenditures.....</b>	<b>(40,205)</b>	<b>(32,195)</b>	<b>(32,490)</b>	<b>(23,753)</b>	<b>(42,653)</b>	<b>(24,839)</b>	<b>(49,568)</b>	<b>(57,644)</b>	<b>(37,089)</b>	<b>(55,475)</b>
<b>Other Financing Sources (Uses):</b>										
Transfers In.....	54,769	56,428	49,992	53,681	45,652	48,134	48,607	58,172	49,089	43,244
Transfers Out.....	(23,807)	(27,310)	(19,218)	(27,614)	(24,128)	(21,970)	(22,233)	(36,119)	(16,940)	(19,550)
Sale of Capital Assets.....	--	--	--	--	--	--	--	90,516	--	--
Proceeds from Loans from Other Funds.....	--	--	--	--	--	--	--	--	--	--
Bond Issue Costs.....	--	--	--	--	--	--	--	(1,159)	--	--
Refunding Bond Issue.....	--	--	--	--	--	--	--	--	--	--
Payment to Refunded Bond Escrow Agent.....	--	--	--	--	--	--	--	--	--	--
Proceeds from Sale of Capital Assets.....	--	--	--	--	1,752	852	--	4,667	1,986	320
Operating Transfer From Component Unit.....	--	--	--	--	--	--	--	--	--	--
<b>Total Other Financing Sources (Uses).....</b>	<b>30,962</b>	<b>29,118</b>	<b>30,774</b>	<b>26,067</b>	<b>23,276</b>	<b>27,016</b>	<b>26,374</b>	<b>116,077</b>	<b>34,135</b>	<b>24,014</b>
<b>Net Change in Fund Balances.....</b>	<b>(\$9,243)</b>	<b>(\$3,077)</b>	<b>(\$1,716)</b>	<b>\$2,314</b>	<b>(\$19,377)</b>	<b>\$2,177</b>	<b>(\$23,194)</b>	<b>\$58,433</b>	<b>(\$2,954)</b>	<b>(\$31,461)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>10.47%</b>	<b>6.18%</b>	<b>8.03%</b>	<b>10.52%</b>	<b>6.12%</b>	<b>6.14%</b>	<b>6.01%</b>	<b>6.83%</b>	<b>2.03%</b>	<b>1.87%</b>

(1) Capital Outlay is reported in Note II.B.

**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 <sup>(1)</sup>	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>(2)</sup>	Taxable Assessed Value as a Percentage of Actual Value <sup>(3)</sup>
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	3.20	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
2009	17,722,358	1,855,027	3,078	8,789,036	10,791,427	3.21	23,035,839	46.85
2010	15,900,917	1,872,241	1,081	7,854,304	9,919,935	3.70	20,910,869	47.44
2011	15,489,525	1,844,995	2,816	7,665,541	9,671,795	3.70	20,396,867	47.42
2012	15,333,433	1,756,386	5,253	7,834,968	9,260,104	3.70	20,111,850	46.04

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	
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
2009	3.21	7.60	0.22	7.85	0.05	18.93
2010	3.70	7.75	0.00	7.85	0.05	19.35
2011	3.70	8.03	0.00	7.85	0.05	19.63
2012	3.70	7.78	0.00	7.85	0.04	19.37

Source: Leon County Tax Collector

**CITY OF TALLAHASSEE, FLORIDA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(in thousands)**

Taxpayer	Type of Business	2012			2003		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Smith Interest General Partnership	Retail	\$ 123,896	1	17.89%	108,557	2	18.74%
Century Link (aka Embarq, Sprint)	Communications	119,969	2	17.32%	154,415	1	26.66%
Florida Gas Transmission Company	Utilities	83,849	3	12.11%	27,411	7	4.73%
Tallahassee Medical Center, Inc.	Medical	65,333	4	9.43%	--	--	--
DRA CRT Tallahassee Center	Real Estate	59,944	5	8.66%	--	--	--
Talquin Electric Coop	Utilities	64,676	6	9.34%	86,922	3	15.01%
Walmart Stores, Inc	Retail	52,455	7	7.57%	28,896	6	4.99%
St. Joe Company	Communications	45,737	8	6.60%	--	--	--
Capital City Bank	Banking	37,513	9	5.42%	26,919	10	4.65%
Comcast Cablevision, Inc.	Communications	39,172	10	5.66%	27,208	9	4.70%
Koger Properties	Retail	N/A		N/A	46,747	4	8.07%
Stiles, J.A. III Etal, Trust	Real Estate	N/A		N/A	44,841	5	7.74%
Blairstone Properties	Real Estate	N/A		N/A	27,285	8	4.71%
Total		<u>\$ 692,544</u>		<u>100%</u>	<u>579,201</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 Ended September 30,	Total Tax Levy Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy <sup>(1)</sup>
2003	N/A	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A	N/A
2007	37,308	35,440	95.0%	23	35,463	95.1%
2008	35,370	33,595	95.0%	75	33,670	95.2%
2009	34,657	33,063	95.4%	104	33,167	95.7%
2010	36,704	35,031	95.4%	85	35,116	95.7%
2011	35,918	34,076	94.9%	229	34,305	95.5%
2012	34,707	33,055	95.2%			

<sup>(1)</sup> 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.

N/A=Not Available

**CITY OF TALLAHASSEE, FLORIDA**  
**ASSESSED VALUATIONS, MILLAGE AND TAXES**  
**LEVIED AND COLLECTED**  
**Last Ten Fiscal Years**  
*(in thousands)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>TOTAL VALUATIONS</b>	\$ 11,718,892	\$ 12,560,990	\$ 13,321,051	\$ 14,983,276	\$ 17,643,758	\$ 19,251,581	\$ 19,580,463	\$ 17,774,239	\$ 17,337,336	\$ 17,095,072
<b>EXEMPTIONS</b>										
Agricultural Adjustment	40,308	38,911	40,454	34,920	37,636	66,919	72,812	37,371	38,591	38,367
Government Exemption	4,139,584	4,455,255	4,235,264	4,230,744	4,843,510	5,033,493	5,107,970	4,742,678	4,691,503	4,782,072
Institutional Exemption	307,189	314,938	391,109	503,931	597,011	667,120	698,220	638,457	663,234	667,240
Individual / Homestead Exemptions	878,034	993,843	1,257,938	1,581,633	2,044,997	2,277,245	2,862,860	2,362,458	1,402,154	1,382,463
Other Exemptions & Adjustments	18,564	23,084	26,102	31,530	37,425	43,990	47,173	73,340	870,059	964,826
<b>TOTAL EXEMPTION AND ADJUSTMENTS</b>	5,383,679	5,826,031	5,950,867	6,382,758	7,560,579	8,088,767	8,789,036	7,854,304	7,665,541	7,834,968
<b>TAXABLE VALUATION</b>	\$ 6,335,213	\$ 6,734,959	\$ 7,370,184	\$ 8,600,518	\$ 10,083,179	\$ 11,162,814	\$ 10,791,427	\$ 9,919,935	\$ 9,671,795	\$ 9,260,104
<b>MILLAGE LEVIED</b>	3.200	3.200	3.700	3.700	3.700	3.170	3.212	3.700	3.700	3.700
<b>TOTAL TAXES LEVIED</b>	\$ 20,363	\$ 24,988	\$ 27,306	\$ 31,875	\$ 37,370	\$ 35,416	\$ 34,704	\$ 36,704	\$ 35,918	\$ 34,707
Less: Adjustments & Discount	681	848	937	1,079	1,253	1,172	1,130	1,213	1,180	1,167
<b>Net Taxes Levied</b>	\$ 19,682	\$ 24,140	\$ 26,369	\$ 30,796	\$ 36,117	\$ 34,244	\$ 33,574	\$ 35,491	\$ 34,739	\$ 33,540
<b>NET COLLECTED <sup>(1), (2)</sup></b>	\$ 19,503	\$ 24,053	\$ 26,349	\$ 30,191	\$ 35,442	\$ 33,592	\$ 33,100	\$ 35,114	\$ 34,224	\$ 33,055

Source: Leon County Property Appraiser

<sup>(1)</sup> 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.

<sup>(2)</sup> 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
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	--
2009	115,760	2,300	--
2010	106,905	2,300	--
2011	101,150	--	--
2012	90,475	--	--

**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
								Utility Systems Revenue Bonds	Revenue Bonds					
2002	--	--	--	185,005	43,025	8,465	57,920	--	--	65,528	--	397,586	4.73%	2,547
2003	--	--	--	180,300	36,610	7,940	55,115	--	--	63,072	--	379,129	4.38%	2,345
2004	--	--	--	171,410	34,005	7,295	51,965	--	--	61,064	--	452,244	3.90%	2,139
2005	--	--	--	166,395	27,095	6,570	60,855	--	--	54,320	--	437,785	4.54%	2,527
2006	--	--	--	290,100	19,975	5,830	57,360	--	--	61,506	--	553,266	5.10%	3,161
2007	--	--	--	487,910	12,635	5,070	53,680	--	--	61,143	--	734,773	6.41%	4,188
2008	--	--	--	479,590	11,730	4,290	214,485	--	--	57,030	35,300	916,760	7.50%	5,155
2009	--	--	--	479,590	11,730	4,290	214,485	--	--	38,200	37,431	903,786	7.42%	5,081
2010	--	--	--	462,580	9,805	2,665	348,020	--	--	35,961	40,230	1,008,466	8.09%	5,636
2011	--	--	--	614,160	5,420	1,810	342,245	--	--	--	--	1,102,772	N/A	6,043
2012	--	--	--	603,011	4,345	925	336,235	--	--	--	35,706	1,070,697	N/A	5,830

**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**

<b>Fiscal Year Ended Sept. 30</b>	<b>General Revenue Bonds</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
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
2009	115,760	115,760	0.51%	651
2010	106,905	106,905	0.53%	598
2011	101,150	101,150	0.50%	554
2012	90,475	90,475	0.45%	493

**Source:** City of Tallahassee, Accounting Services

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

<sup>(2)</sup> See Demographic and Economic Statistics Schedule for Population data.

**CITY OF TALLAHASSEE, FLORIDA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES**  
**September 30, 2012**  
*(in thousands)*

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Leon County School Board <sup>(2)</sup>	12,868	67%	8,622
Debt repaid with non self-supporting revenue debt			
Leon County <sup>(3)</sup>	23,116	67%	15,488
Subtotal, Overlapping Debt			24,110
City Direct Debt			90,475
Total Direct and Overlapping Debt			<u><u>114,585</u></u>

<sup>(1)</sup> City's share calculated based on 2011 County Taxable Value of \$13,862,796,032 and City's Taxable Value of \$9,260,103,724 which results in 67 percent overlapping

<sup>(2)</sup> Leon County School Board

<sup>(3)</sup> Leon County

**CITY OF TALLAHASSEE, FLORIDA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**SEPTEMBER 30, 2012**  
*(in thousands)*

TAXABLE ASSESSED VALUE	<u>\$ 9,260,104</u>
Debt Limit 20 Percent of Assessed Value	<u>\$ 1,852,021</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 <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(3)</sup>			Coverage
				Principal	Interest	Total	
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
2009	405,440	323,803	81,637	9,635	24,051	33,686	2.42
2010	373,938	287,738	86,200	10,025	22,691	32,716	2.63
2011	359,940	271,399	88,541	14,010	28,613	42,623	2.08
2012	316,839	236,621	80,218	12,224	31,307	43,531	1.84

<sup>(1)</sup> Total operating revenues plus operating interest earned.

<sup>(2)</sup> Total operating expenses exclusive of depreciation and amortization.

<sup>(3)</sup> 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 <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(3)</sup>			Coverage
				Principal	Interest	Total	
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	13,941	9,104	4,837	760	202	962	5.03
2008	12,851	9,323	3,528	780	183	963	3.66
2009	12,284	9,150	3,134	800	159	959	3.27
2010	12,797	8,398	4,399	825	133	958	4.59
2011	11,552	8,791	2,761	855	105	960	2.88
2012	11,716	7,933	3,783	885	72	957	3.95

<sup>(1)</sup> Total operating revenues (plus operating interest revenue & prepaid fees credit).

<sup>(2)</sup> Total operating expenses exclusive of depreciation and amortization.

<sup>(3)</sup> 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 <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(3)</sup>			Coverage
				Principal	Interest	Total	
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
2009	88,883	48,839	40,044	3,780	10,256	14,036	2.85
2010	94,458	50,949	43,509	5,520	10,122	15,642	2.78
2011	100,908	53,628	47,280	5,775	15,178	20,953	2.26
2012	101,822	53,868	47,954	6,010	16,939	22,949	2.09

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

<sup>(2)</sup> Total operating expenses exclusive of depreciation and amortization.

<sup>(3)</sup> Includes principal and interest of revenue bonds only.

**CITY OF TALLAHASSEE, FLORIDA**  
**DEMOGRAPHIC STATISTICS**  
 Last Ten Calendar Years

Year	Estimated <sup>(1)</sup> Population	Airline Passengers	Electric KWH Sold (000's)	Water Consumed (Gals) (Millions)	Gas Used (Cu. Ft.) (Millions)	Housing Units	Leon County School <sup>(2)</sup> Enrollment
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	993,860	2,809,418	10,747	2,318	80,096	34,944
2007	176,429	947,165	2,758,101	11,209	2,315	80,138	37,515
2008	177,852	820,943	2,725,363	10,161	2,439	83,288	40,653
2009	177,879	734,151	2,657,425	9,554	2,550	83,609	33,360
2010	178,923	670,978	2,838,640	8,755	2,792	83,906	36,964
2011	182,482	633,706	2,848,889	9,881	2,696	84,413	33,754
2012	183,643	684,990	2,698,016	9,434	2,505	85,066	34,157

Source: City records, except as noted.

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

Year	City Personal Income <sup>(3)</sup> (Thousands)	Per Capita Personal Income <sup>(3)</sup>	Number of Labor Force <sup>(4)</sup>	Number of Employed <sup>(4)</sup>	Number of Unemployed <sup>(4)</sup>	Unemployment Rate (Percent) <sup>(4)</sup>
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	9,721,000	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	12,217,000	33,819	90,972	86,980	3,992	4.4%
2009	12,180,000	33,399	92,543	86,156	6,387	6.9%
2010	12,467,000	33,869	95,693	87,674	8,019	8.4%
2011	N/A	N/A	94,927	87,142	7,785	8.2%
2012	N/A	N/A	96,530	89,636	6,894	7.1%

Source:

<sup>(3)</sup> Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>(4)</sup> Florida Department of Economic Opportunity  
 N/A = Not Available

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

	2012 <sup>(1)</sup>			2003 <sup>(2)</sup>			
	Type of Business	Number of Employees	Rank	Percentage of Total	Number of Employees	Rank	Percentage of Total
State of Florida	Government	19,562	1	36.49%	25,204	1	47.92%
Florida State University	Education	14,186	2	26.46%	8,784	2	16.70%
Leon Co. School Board	Education	4,329	3	8.08%	4,403	3	8.37%
Tallahassee Memorial Healthcare	Healthcare	4,273	4	7.97%	2,850	5	5.42%
City of Tallahassee	Government	2,846	5	5.31%	3,327	4	6.32%
Tallahassee Community College	Education	1,953	6	3.64%	1,090	9	2.07%
Publix	Retail	1,924	7	3.59%	2,000	7	3.80%
Florida A & M University	Education	1,727	8	3.22%	2,681	6	5.10%
Leon County	Government	1,767	9	3.30%	1,522	8	2.89%
Capital Regional Medical Center <sup>(3)</sup>	Healthcare	1,040	10	1.94%	--		0.00%
Sprint	Telecommunications	--		0.00%	740	10	1.41%
<b>Total</b>		<b>53,607</b>		<b>100.00%</b>	<b>52,601</b>		<b>100.00%</b>

(1) Data from employers or their website

(2) Data from Leon County CAFR 2003.

(3) Formerly known as the "Tallahassee Community Hospital".

**CITY OF TALLAHASSEE, FLORIDA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**LAST TEN YEARS**

Function/Program	Full Time Equivalent Employees as of September 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Commission & Appointed Official	130	130	130	139	132	133	132	131	132	126
Administration	182	181	184	198	188	191	187	185	184	184
Aviation	53	53	53	54	54	54	54	53	53	52
Communications	12	12	11	12	13	13	12	10	10	10
Customer Services	1	1	1	1	2	2	2	2	2	3
Economic and Community Development	37	38	38	57	N/A	N/A	N/A	N/A	N/A	N/A
Economic Development	--	--	--	--	7	8	9	9	9	9
Electric	298	295	295	291	290	290	282	280	282	282
Emergency Management	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Energy Services	29	29	31	23	N/A	N/A	N/A	N/A	N/A	N/A
EPER	13	12	12	12	N/A	N/A	N/A	N/A	N/A	N/A
Fire	280	280	272	263	267	267	265	265	265	263
Fleet	57	57	58	57	58	59	60	60	N/A	N/A
Gas	--	--	--	--	40	40	40	40	41	42
Growth Management	61	61	58	75	83	83	80	80	79	77
Neighborhood & Community Services	N/A	N/A	N/A	N/A	85	86	83	79	81	80
Parks & Recreation & Neighborhood Affairs	172	171	172	176	152	154	154	154	149	150
Planning	27	27	27	28	29	29	28	28	36	36
Police	483	485	485	489	498	499	492	491	492	487
Public Works	278	279	283	301	254	260	265	266	326	328
Solid Waste	88	89	91	99	102	108	107	103	103	98
Stormwater	--	--	--	--	91	94	85	83	84	83
StarMetro	170	168	168	169	167	169	140	138	138	139
Utility Services	112	112	114	120	167	166	165	165	165	157
Underground Utilities	362	360	364	367	N/A	N/A	N/A	N/A	N/A	N/A
Water Utility	--	--	--	--	303	304	301	298	296	297
<b>Total</b>	<b>2,846</b>	<b>2,841</b>	<b>2,848</b>	<b>2,932</b>	<b>2,982</b>	<b>3,009</b>	<b>2,943</b>	<b>2,920</b>	<b>2,927</b>	<b>2,903</b>

Source: City of Tallahassee Budget

Note: The City was reorganized in FY 2009, combining some departments and creating new departments. Deleted departments are shown with "0" FTE employees.

N/A = Not Available

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

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Arrests	5,362	5,777	7,171	6,619	N/A	7,002	7,033	6,329	7,847	6,562
Traffic violations	31,508	32,838	25,757	21,319	34,300	32,015	36,991	30,756	30,933	29,159
Parking violations	16,104	15,385	18,187	19,333	19,711	25,186	25,548	28,306	35,192	33,453
Fire										
Emergency responses	22,920	21,856	21,541	17,786	25,101	15,896	16,415	14,700	11,125	7,918
Fires reported	1,379	1,537	1,172	1,511	1,443	1,973	1,793	1,593	1,429	970
Gas										
Daily average consumption (M CF)	6,959	7,387	7,650	6,878	6,111	6,347	6,392	7,058	6,351	6,400
Number of service connections	28,018	27,654	26,948	26,448	26,447	26,348	25,888	24,322	24,322	21,940
Water										
Daily average consumption (M GD)	26	27	26	N/A	33.03	33.03	27.00	28.00	30.43	28.89
Number of service connections	82,606	82,133	81,945	82,016	82,069	81,275	79,887	77,866	76,039	69,480
Electric										
Net System Energy Generated (KWH) (Millions)	2,248	2,374	2,293	2,657	2,725	2,758	2,758	2,698	2,684	2,607
Average number residential customers	86,921	86,945	86,041	85,889	86,151	93,258	91,490	88,788	87,071	86,377
Average residential monthly bill	118	138	143.25	153.23	148.74	147.68	140.50	111.51	115.31	102.07
Sewage										
Daily average treatment (MDG)	16	15	16.47	N/A	N/A	16.89	17.24	19.53	16.61	16.47
Number of service connections	70,660	70,279	70,015	69,966	69,913	69,048	66,063	66,603	64,406	58,531
Transit										
Total revenue miles	2,089,369	2,060,351	2,035,922	1,966,766	N/A	1,604,339	1,908,268	1,747,116	1,720,087	1,721,087
Passengers trips	4,759,287	4,716,971	4,789,938	4,409,041	N/A	4,136,790	4,304,334	4,612,725	4,459,371	4,372,762
Solid Waste										
Number of customers	62,859	62,935	62,585	62,621	63,284	63,608	63,176	62,699	61,782	60,438
Refuse collected (in tons)	137,346	129,091	142,643	145,707	N/A	159,002	157,253	162,737	162,328	156,545
Recyclables collected (in tons)	10,614	19,793	9,925	6,172	6,884	9,361	8,055	7,821	7,861	7,843
Airport										
Number of passengers	684,990	633,706	670,978	734,151	821,716	947,165	993,860	1,129,947	1,155,072	1,113,243

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Vehicular units</b>										
Marked vehicles	266	256	267	295	318	311	291	290	288	283
Motorcycles	9	9	9	9	9	9	9	9	9	9
Unmarked vehicles	133	127	139	137	170	144	132	132	132	132
Bicycle patrol units	7	9	9	9	N/A	12	12	12	15	19
Fire stations	15	15	15	15	15	15	15	15	15	15
<b>Gas</b>										
Gas lines (in miles)	868	860	845	834	818	806	780	744	731	715
Plant Capacity (MCF)	24,000	24,000	24,000	24,000	24,000	24,000	24,000	42,000	24,322	21,900
<b>Water</b>										
Water mains (in miles)	1,193	1,197	1,212	1,212	1,181	1,170	1,147	1,143	1,131	1,172
Deep Wells	27	27	26	27	27	27	27	28	28	28
Plant Capacity (MGD)	73.7	72	74	72.3	72.3	72.3	73.6	73.6	73.6	73.6
<b>Electric</b>										
Generating plants	3	3	3	3	3	3	3	3	3	3
Generating capacity (KW)	805	805	805	805	795	795	795	747	699	699
Transmission lines (in miles)	194	188	188	187	185	185	185	185	188	188
Number of street lights	18,040	17,998	17,971	17,670	N/A	17,168	16,812	16,682	16,466	16,143
Distribution lines (in miles)	2,870	2,839	2,839	2,842	N/A	2,693	2,693	2,586	2,115	2,115
<b>Sewage</b>										
Number of lift stations	111	107	107	N/A	N/A	106	102	96	93	82
Sanitary sewers (in miles)	1,034	1,107	1,019	N/A	N/A	999	865	968	949	928
Number of disposal plants	2	2	2	2	2	2	2	2	2	2
Capacity of treatment plants (MGD)	31	31	31	32	32	32	32	32	32	32
<b>Transit</b>										
Bus Plaza	1	1	1	1	1	1	1	1	1	1
Buses	56	56	66	56	90	66	66	49	49	48
<b>Refuse Collection</b>										
Collection trucks	63	65	61	45	36	62	62	62	62	62
<b>Parks and recreation</b>										
Community centers and specialty centers	11	12	12	12	10	10	10	10	10	10
Summer playgrounds and camps	43	43	43	43	43	43	26	26	26	26
Athletic fields	86	86	86	86	86	86	87	86	86	86
Golf courses	2	2	2	2	2	2	2	2	2	2
Swimming pools	11	13	13	13	13	13	9	9	9	9
Park acreage	3,881	3,529	3,529	3,529	3,881	3,881	3,881	3,881	3,881	3,881
Fitness trails	30	17	17	17	17	17	17	17	17	17
Tennis/racquetball courts	67	67	67	67	72	67	70	69	69	69
Gymnasiums, center sites	7	7	7	7	7	7	7	7	7	7
Gymnasiums, school sites	4	4	4	4	9	9	12	12	12	12
<b>Airport</b>										
Airport	1	1	1	1	1	1	1	1	1	1
<b>Other public works</b>										
Streets (miles)	N/A	N/A	N/A	N/A	N/A	1,394	1,354	1,335	1,253	1,223
Traffic signals <sup>(1)</sup>	71	71	72	128	122	123	114	109	105	101

Source: Various city departments

<sup>(1)</sup> The department did not have asset tracking database prior to FY 04. Only City owned signals are counted.

N/A= Not Available

**City of Tallahassee  
Miscellaneous Statistical Data  
September 30, 2012**

Date of Incorporation	1825	Form of Government: Commission-Manager
Date First Charter Adopted	1825	Commission Composed of: Mayor and Four Commissioners
Date Present Charter Adopted	1919	
<b>Terms of Office:</b>		
		Mayor - Four Years (Elected by Tallahassee Citizens)
		Commissioners - Four Years (Elected by Tallahassee Citizens)
		Manager (Appointed by Commission)
<b>Education:</b>		
		Number of Public Schools <sup>(1)</sup> 48
		Number of Public School Instructors <sup>(1)</sup> 2,216
		Number of Public School Students, (PK -12) <sup>(1)</sup> 33,682
		Number of Vocational-Technical Schools <sup>(1)</sup> 1
		Number of Community Colleges 1
		Number of Universities 2
		Number of College-level Instructors <sup>(4)</sup> 2,771
		Number of College-level Students <sup>(2)</sup> 90,558
<b>Transportation:</b>		
Airline, Bus Line, and Railroad Freight and Passenger Services		
<b>Communications:</b>		
Newspapers, Radio Stations, Television Stations;		
Cable Television and Telephone Service		
<b>Culture, Recreation, and Health:</b>		
Conference Center, Civic Center, and Theaters		
Seating Capacity (Leon County Civic Center)	13,000	
Museums	13	
Libraries (including branches)	19	
Skating Rinks	3	
Golf Courses	9	
Hospital Beds <sup>(3)</sup>	968	
Average Annual Temperature	67.9 Degrees	
Average Annual Rainfall	63.2 Inches	
Area	103.06 Square Miles	
<b>Major Annual Events:</b>		
		Springtime Tallahassee Festival
		Fourth of July "Celebrate America"
		North Florida Fair
		Market Days
		Winter Festival

**Source:** City of Tallahassee Records except as noted below:

- <sup>(1)</sup> Leon County
- <sup>(2)</sup> Tallahassee Community College; Florida State University; Florida A & M University
- <sup>(3)</sup> Tallahassee Memorial Healthcare and Capital Regional Medical Center
- <sup>(4)</sup> Full Time Faculty at Tallahassee Community College, Florida State University, and Florida A & M University

City of Tallahassee  
Schedule of Insurance  
September 30, 2012

Type of Coverage	Carrier	Policy Number	Policy Term	Coverage Detail	Limits (in thousands)	Deductible/Retention (in thousands)	Premium (in thousands)
<b>Liability Self-Insurance</b>	N/A	N/A	N/A	General Liability	200/300	N/A	N/A
	Old Republic	PR174510	10/1/11-10/1/12	Police Civil Liability Employment Practice Airport Liability	200/300 200/300 100,000	N/A N/A 10	N/A N/A 94
	Axis	Various	4/1/12-4/1/13	General Government	Combined total 700,000	100 per occurrence	2,617
<b>All Risk Property</b>	National Union Liberty Westport Zurich			Utility Property		500 Wastewater & Power Gen.	
	Landmark AEGIS XL Insurance			Boiler & Machinery		750 Hopkins2 and Purdorm8 Steam	
<b>Health Care</b>	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 Funded
	Federal Ins Co.	9906-39-31	10/1/10-10/1/13	Statutory and Accidental Death (Police & Fire)	50/50/150	N/A	30 (3 year)
<b>Workers Compensation</b>	Self Insured	N/A	N/A	Primary Workers Compensation	Statutory	1,000 SIR	N/A
	Midwest Employers Casualty	EW0008358	10/1/11-10/1/12	Excess Workers Compensation	Statutory in excess of \$1M retention		173
<b>Public Officials Bond</b>	Fidelity Deposit Company	66117834	Continuous	Statutory Position Bond- Treasurer Clerk	100	N/A	N/A
<b>Employee Fidelity Bond</b>	Fidelity Deposit Company	CCP0018136-17	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 that could have a Direct and Material Effect on 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*

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 Letter



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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, Appointed Officials 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 14 2013. 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**

Management of the City is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2012-1 and 2012-2.

### **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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.

*Carr, Riggs + Ingram, LLC*

March 14, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, Appointed Officials 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 could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2012. 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, 2012.

## 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on the responses.

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.

*Cam, Riggs + Ingram, LLC*

March 14, 2013

**City of Tallahassee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	CFDA/CSFA Number	Federal Grant Number	Pass-Through/State Grant Number	Expenditures
<b><u>FEDERAL AWARDS</u></b>				
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>				
<b>Direct Programs:</b>				
Community Development Block Grant-Entitlement	14.218	B-9XMC-12-0019	N/A	\$ 2,215,093
HOME	14.239	M9X-MC-120221	N/A	1,649,342
Emergency Shelter Grant	14.231	S08/09-MC120010	N/A	84,713
<b>ARRA</b> - CDBG - Recovery Administration Funds	14.253	B-09-MY-12-0019	N/A	20,152
<b>Pass through Florida Department of Community Affairs</b>				
Neighborhood Stabilization Program	14.228	B08-DN-12-001	10DB-4X-02-47-02-F24	142,379
CDBG Disaster Housing Authority	14.228	B08-DI-12-001	10DB-K4-02-47-01-K21	<u>3,918,271</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>				<u>8,029,950</u>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>				
<b>Direct Programs:</b>				
<b>ARRA</b> - Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002568	N/A	848,983
<b>ARRA</b> - Electricity Delivery and Energy Reliability	81.122	DE-OE0000391	N/A	1,145,243
<b>ARRA</b> - Renewable Energy Research and Development	81.087	DE-0000277	N/A	<u>24,811</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>				<u>2,019,037</u>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>				
<b>Direct Programs:</b>				
Think About Personal Pollution (TAPP) Grant	66.460	C9-99451505-05	N/A	261
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95408008-0	N/A	451,725
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95481911-0	N/A	<u>3,780</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				<u>455,766</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>				
<b>FEDERAL TRANSIT ADMINISTRATION</b>				
<b>Direct Programs:</b>				
Federal Transit Formula Grant	20.500	FL-04-0120	N/A	970,057
Federal Transit Formula Grant	20.507	FL-04-0152	N/A	57
Federal Transit Formula Grant	20.507	FL-90-X563	N/A	84
Federal Transit Formula Grant	20.507	FL-03-0261	N/A	82
Federal Transit Formula Grant	20.507	FL-90-X708	N/A	14,884
Federal Transit Formula Grant	20.507	FL-90-X803	N/A	21,027
Federal Transit Formula Grant	20.507	FL-90-X746	N/A	1,452,423
Federal Transit Formula Grant	20.507	FL-90-X778	N/A	846,000
Federal Transit Formula Grant	20.507	FL-18-X029	N/A	132,327
Federal Transit Formula Grant	20.507	FL-18-X031	N/A	13,196
Job Access-Reverse Commute Project Grant	20.516	FL-37-X030	N/A	48,129
Job Access-Reverse Commute Project Grant	20.516	FL-37-X040	N/A	42,266
Job Access-Reverse Commute Project Grant	20.516	FL-37-X050	N/A	19,757
Job Access-Reverse Commute Project Grant	20.516	FL-37-X057	N/A	119,425
Job Access-Reverse Commute Project Grant	20.516	FL-37-X070	N/A	483
Job Access-Reverse Commute Project Grant	20.516	FL-37-X067	N/A	893
New Freedom Program	20.521	FL-57-X028	N/A	13,752
New Freedom Program	20.521	FL-57-X039	N/A	483
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	FL-88-0001	N/A	2,588,519

**City of Tallahassee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

<b>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</b>				
<b>Direct Programs:</b>				
Alcohol Open Container Requirements	20.607	K8-11-06-08	N/A	4,828
Alcohol Open Container Requirements	20.607	K8-12-06-08	N/A	118,250
<b>Pass through Florida Department of Transportation:</b>				
State and Community Highway Safety	20.205	8887-896-A	-	57,091
<b>FEDERAL HIGHWAY ADMINISTRATION</b>				
<b>Pass through Florida Department of Environmental Protection</b>				
Recreational Trails Program	20.219	RTP09	998688/T2908	25,865
<b>FEDERAL AVIATION ADMINISTRATION</b>				
<b>Direct Programs:</b>				
Airport Improvement Program	20.106	3-12-0077-36	N/A	10,288,371
Airport Improvement Program	20.106	3-12-0077-34	N/A	157,960
Airport Improvement Program	20.106	3-12-0077-35	N/A	164,653
Airport Improvement Program	20.106	3-12-0077-33	N/A	2,471
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>				<u>17,103,333</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<b>Direct Programs:</b>				
TANF	93.558	HF-08-09-7/HF-09-10-3/HF-09-10-40/HF-09-10-7	N/A	71,903
Transportation Disadvantaged - Medicaid	93.778	BDM79	N/A	596,216
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u>668,119</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<b>Direct Programs:</b>				
Justice Assistance Grant (JAG)	16.738	2010-DJ-BX-1167	N/A	96,178
Justice Assistance Grant (JAG)	16.738	2011-JAGC-LEON-2-B2-050	N/A	11,005
Justice Assistance Grant (JAG)	16.738	2011-DJ-BX-3412	N/A	168,234
Bullet Proof Vest	16.607	2010-BOBX-10053499	N/A	9,444
<b>ARRA</b> - Justice Assistance Grant	16.803	2009-SU-B9-0021	N/A	83,736
<b>ARRA</b> - Justice Assistance Grant	16.803	2009-SB-B9-2375	N/A	94,168
<b>Pass through Florida Department of Law Enforcement</b>				
<b>ARRA</b> - Public Safety Partnership and Policing Grants	16.710	2009-RJ-W X-0029	N/A	292,190
<b>ARRA</b> - Public Safety Partnership and Policing Grants	16.710	2011-UL-W X-0011	N/A	147,641
<b>ARRA</b> - National Asset Forfeiture	16.000	-	-	163,039
<b>Pass through Florida Department of Juvenile Justice</b>				
Juvenile Justice and Delinquency Prevention	16.540	2008-JF-FX-002	2271C	13,526
Juvenile Justice and Delinquency Prevention	16.540	2010-JF-FX-022	2273C	44,401
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>				<u>1,123,562</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
<b>Direct Programs:</b>				
Law Enforcement Officers Reimbursement Agreement Program	97.090	HSTS0208HSLR350	N/A	351,362
Checked Baggage Inline System	97.090	HSTS0411HCT1011	N/A	45,505
<b>Pass through Florida Department of Financial Services</b>				
Homeland Security Grant Program	97.067	-	09DS-51-13-00-16-409	585
Homeland Security Grant Program	97.067	-	09DS-51-13-00-16-409	8,258
Homeland Security Grant Program	97.067	-	09DS-51-13-00-16-409	41,728
Homeland Security Grant Program	97.067	-	09DS-51-13-00-16-409	13,130
Homeland Security Grant Program	97.067	-	11DS-29-02-47-01-106	31,292
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	39,190
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	66,069
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	28,840
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	11,300
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	51,184
Homeland Security Grant Program	97.067	-	11-DS-9Z-13-00-16-436	3,597
Homeland Security Grant Program	97.067	-	09-DS-51-13-00-16-409	4,212
Homeland Security Grant Program	97.067	-	09-DS-51-13-00-16-409	1,275
Homeland Security Grant Program	97.067	-	09-DS-51-13-00-16-409	66,418
Homeland Security Grant Program	97.067	-	09-DS-51-13-00-16-409	20,115
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<u>784,060</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<u>\$ 30,183,827</u>

**City of Tallahassee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

**STATE AWARDS**

**FLORIDA DEPARTMENT OF TRANSPORTATION**

Transportation Disadvantaged	55.001	N/A	22710618401/APL49	\$ 247,169
United We Guide	55.001	N/A	RS-12-15-05	61,477
Transportation Disadvantaged - Capital	55.001	N/A	AQ163	<u>75,780</u>
				384,426
Public Transportation Block Grant	55.010	N/A	42225018401/AQG68	1,012,966
Public Transit Service Development Program	55.012	N/A	4253551/APR40	133,305
Aviation Development Grants	55.004	N/A	226769-19401	798,330
Aviation Development Grants	55.004	N/A	226792-18401	14,804
Aviation Development Grants	55.004	N/A	226781-18401	68,980
Aviation Development Grants	55.004	N/A	420708-19401	77,343
Aviation Development Grants	55.004	N/A	416011-19401	257,372
Aviation Development Grants	55.004	N/A	422301-49401	36,064
Aviation Development Grants	55.004	N/A	405863-19401	8,850
Aviation Development Grants	55.004	N/A	412210-19401	<u>14,187</u>
Total Aviation Development Grants				1,275,930
FDOT - RTMC JPA	55.008	N/A	AP741	4,212,724
Roadside Beautification Assistance Program	55.023	N/A	998625	23,494
Occupant Protection	55.023	N/A	PT-12-12-10	<u>36,337</u>
<b>Total Florida Department of Transportation</b>				<u><u>7,079,182</u></u>

**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

Water Restoration and Wastewater Projects	37.039	N/A	LP6011	25,821
Water Restoration and Wastewater Projects	37.039	N/A	SO605	<u>477,500</u>
<b>Total Florida Department of Environmental Protection</b>				<u><u>503,321</u></u>

**FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

Domestic Marijuana Eradication	52.008	N/A	N/A	<u>6,115</u>
<b>Total Florida Department of Agriculture and Consumer Services</b>				<u><u>6,115</u></u>

**FLORIDA HOUSING FINANCE CORP.**

State Housing Initiatives Partnership Program	52.901	N/A	N/A	<u>252,458</u>
<b>Total Florida Housing Finance Corp.</b>				<u><u>252,458</u></u>

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES**

Underage Drinking Enforcement	66.029	N/A	LD963	<u>986</u>
<b>Total Florida Department of Children and Families</b>				<u><u>986</u></u>

**Total State Awards Expended** \$ 7,842,062

**Total Financial Assistance Expended** \$ 38,025,889

**NOTES**

- 1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the accrual basis of accounting.
- 2) This method is consistent with the method used in the preparation of the City's financial statements.
- 3) No federal or state financial assistance was expended in non-cash assistance.
- 4) During current year audit work, it was discovered that total expenditures for federal program CFDA 66.606 were overstated on the prior year schedule. If the correct amount of expenditures had been reported for this program in the prior year, the Type A program threshold would have been lower, and federal program CFDA 93.778 would have been identified as a Type A program. Therefore, federal program CFDA 93.778 has been selected as a major program for testing for the year ended September 30, 2012.

**Statement in accordance with Florida Section 341.052 F.S.:**

FDOT Public Transportation Block Grant funds did not exceed local revenue, were not expended for depreciation or amortization of capital assets, and did not supplant local tax revenues made available for operations in the previous year.

**City of Tallahassee**  
**Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

**Section 1 – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	<b>Yes</b>
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	<b>Yes</b>
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 programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
20.523	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions
81.122	ARRA-Electricity Delivery and Energy Reliability
81.128	ARRA-Energy Efficiency and Conservation Block Grant
93.778	Medical Assistance Program – Transportation Disadvantaged

Dollar threshold used to distinguish between Type A and Type B programs:	\$905,515
Auditee qualified as low-risk auditee?	Yes

## State Awards

Internal control over major projects:  
Material weaknesses identified? No  
Significant deficiencies 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	FDOT Transportation Disadvantaged
55.008	FDOT County Incentive Grant Program
55.010	FDOT Public Transit Block Grant Program

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

## **Section II – Financial Statement Findings**

### MATERIAL WEAKNESSES

#### **2012-1 Capital Assets / Fixed Asset and Depreciation System**

*Condition:* During our audit procedures, we noted many errors in accounting for capital assets and depreciation, which required adjusting accounting entries to correct material misstatements in the City's financial statements.

*Criteria:* The City of Tallahassee manages over \$3 billion, at cost, of capital assets included in its governmental and business-like (proprietary) activities. To prevent material misstatements in its financial statements, the City should capitalize assets in accordance with its established policies, and where applicable should allocate the cost of those assets over their useful lives by accurately calculating and reporting the depreciation of the capital assets. The City's capital asset and depreciation policies are described in the notes to its financial statements.

*Cause:* Inadequate identification and monitoring of capital projects and expenditures, and uncorrected errors in the City's fixed asset and depreciation system may result in material misstatements of capital assets, accumulated depreciation, and depreciation expense.

*Effect:* For the year ended September 30, 2012, approximately \$33 million of adjusting entries were required during our audit work to correct errors in the reported amount of general and proprietary capital assets and depreciation. The nature of the errors included:

- Projects containing expenditures that should be capitalized according to policy were not flagged as “capital” when the project was created.
- Assets were not entered into the fixed asset and depreciation system when a capital project was completed.
- Certain capital assets were entered into the fixed asset and depreciation system with an “in service” date preceding the current fiscal year.
- An uncorrected problem in the fixed asset and depreciation system causes some capital assets to become over-depreciated, resulting in assets with a negative net book value, while other assets are under-depreciated by the system, causing assets which do not become fully depreciated over their useful lives.

*Recommendations:* The City of Tallahassee should review and improve its procedures regarding capital assets and depreciation to resolve these weaknesses and reduce the risk of material misstatements in its financial statements. Improved procedures will require coordinated effort and communication between City departments and Accounting Services. Departments should understand and comply with procedures for identifying capital projects and notifying the Asset Manager in Accounting Services when a project is complete and ready for capitalization. The Asset Manager in Accounting Services should periodically monitor the City’s accounting system to identify projects flagged as capital, and also review projects not flagged that might also be of a capital nature, to ensure that all capital assets are added to the fixed asset and depreciation system on a timely basis. The problem in the fixed asset and depreciation system which results in over-depreciation and under-depreciation should be corrected.

*City Response:*

The City concurs with the finding. In order to ensure that the City’s fixed asset system is updated on a timely basis, the City will perform the following:

- Update Administrative Policy 662, Property Control, to clarify that project managers are responsible for:
  - Identifying projects which will result in capital assets.
  - Submitting timely, appropriate information to the Accounting Services Division to allow for the capitalization of the applicable costs in the City’s fixed asset system.
- On a quarterly basis, the Accounting Services Division will perform the following:
  - Review the identification of projects opened during the quarter to ensure that they are appropriately identified as capital or not capital.
  - Identify capital projects completed during the quarter to ensure that project managers have provided information necessary to update the fixed asset system.

- The Accounting Services Division will develop training materials and provide training to project managers and other administration personnel.

## **2012-2 Federal Awards and State Financial Assistance**

*Condition:* During audit procedures in the area of federal and state grants, several errors were noted in accounting for federal and state grant expenditures which required material correcting adjustments to amounts reported in the City's *Schedule of Expenditures of Federal Awards and State Financial Assistance*. These errors also required adjusting accounting entries, which were considered to be material, to correct amounts reported in major funds of the City's financial statements.

*Criteria:* The City of Tallahassee administers many programs funded by federal awards and state financial assistance. For the year ended September 30, 2012, the City expended over \$30 million of federal awards and over \$7 million of state financial assistance for these programs. As a condition of receiving federal and state grant funds, the City must comply with federal and state laws and regulations, provisions of the grant agreements, and accounting and reporting requirements associated with the grants.

*Cause:* Within the departments that administer federal and state grant programs, an employee is assigned to each as the program manager. The familiarity with federal and state laws, regulations, and accounting and compliance requirements for the programs varies among individual program managers. Management of a program is typically only one part of an employee's duties. The laws, regulations, and accounting and compliance requirements for each program are often complex. There is no central oversight or monitoring of the administration of federal award and state financial assistance programs, and no internal resource to assist in interpreting and applying the requirements. The City's Accounting Services division relies on information supplied by the program managers in various departments when it prepares the Schedule of Expenditures of Federal Awards and State Financial Assistance. There is no independent review of this information, supplied by the program managers, to verify that it is correct.

*Effect:* The risk of noncompliance with the laws, regulations, and accounting and compliance requirements associated with federal awards and state financial assistance programs is increased by the lack of a central grants administration review process. This risk is evidenced by the misstatements noted during the audit of the City's Schedule of Expenditures of Federal Awards and State Financial Assistance. For the year ended September 30, 2012, material adjustments were required to correct the amount of federal and state expenditures reported on the schedule in 4 major programs selected for testing, and 2 non-major programs. These adjustments affected not only amounts reported on the Schedule, but also required material adjusting entries to the City's accounting records and major funds in its financial statements.

*Recommendations:* To reduce the risk of future accounting and financial reporting misstatements and noncompliance, the City of Tallahassee should consider establishing a position of central responsibility for federal and state grants administration. This position would monitor compliance with laws, regulations, accounting and reporting

standards, and grant contract provisions for federal and state funded programs, throughout City departments. The position would also serve as a resource to individual program managers in understanding grant accounting, reporting, and compliance requirements, and provide independent review to reduce errors in the preparation of the City's annual Schedule of Expenditures of Federal Awards and State Financial Assistance.

*City Response:*

The City concurs with the finding. In order to ensure that federal and state awards and financial assistance are correctly identified and reported, the City will perform the following:

- Develop a Grants Administration Policy with the primary purpose of defining the roles and responsibilities of City personnel in the management of federal and state awards and financial assistance.
- Evaluate the need for a position with centralized responsibility for federal and state grants administration as recommended by the auditor.

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

**SIGNIFICANT DEFICIENCY**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**2012-3 Medical Assistance Program – Transportation Disadvantaged – CFDA 93.778**

Program funding is used by the City's transit operation (StarMetro) to pay vendors for medical transportation for eligible individuals. The source documents that evidence the performance of these services are Operator Manifests, submitted by the vendors to support their invoices, which record the detail of the trips they provided for eligible passengers. Such detail includes passenger names; date, time, and location of pick up and drop off; mileage; and whether the passenger was ambulatory or required a wheelchair. The Operator Manifests are also supposed to indicate the name of the driver, identification of the vehicle used, and a signed certification by the driver that the information on the Operator Manifest is complete and accurate. Many Operator Manifests of one vendor (Sessaly Rose Transit) that were tested during audit work were incomplete in that they did not include a driver name or vehicle identification, and did not include a certification signed by the driver that the Operator Manifest was complete and accurate. Although these Operator Manifests appeared legitimate otherwise, without the missing information and certification the manifests should not be considered proper support for the invoices submitted by the vendor.

*City Response:*

The City concurs with the finding. Procedures will be put in place to ensure that the source documents received from the vendor include all required information.

**City of Tallahassee**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2012**

Federal Programs

**Status:** The following issue reported in the prior year as Finding 2011-1 was resolved for the year ended September 30, 2012.

2011-1 ARRA – Homelessness Prevention and Rapid Re-Housing Program – CFDA  
14.257

*Significant Deficiency: Subrecipient Monitoring*

The City of Tallahassee contracted with subrecipient agencies to administer this program. Monitoring of the subrecipient agencies was limited to obtaining external audit reports. Corrective actions have been completed.

State Projects – None  
(2011)

Financial Statement Findings - None  
(2011)



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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, Appointed Officials 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, 2012. 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, 2012.

**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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a compliance requirement of the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs related to passenger facility charges as item PFC-2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs related to passenger facility charges. We did not audit The City's response and, accordingly, we express no opinion on the response.

### **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, 2012, and have issued our report thereon dated March 14, 2013. 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.

*Carr, Riggs + Ingram, LLC*

March 14, 2013

**City of Tallahassee**  
**Schedule of Findings – Passenger Facility Charges**  
**For the Year Ended September 30, 2012**

SIGNIFICANT DEFICIENCY

**PFC-2012-1 Inconsistent Reporting of Expenditures of Passenger Facility Charges**

The total amount of expenditures reported on the Schedule of Expenditures of Passenger Facility Charges for the year ended September 30, 2012 is \$377,079. This amount represents the actual amount of PFC expenditures during the fiscal year. The City reported a total of \$898,273 on its Passenger Facility Charge Quarterly Reports submitted to the Federal Aviation Administration (FAA), PFC Manager, for the same fiscal year. The difference of \$521,194 was caused by underreporting expenditures of passenger facility charges on the quarterly reports of a prior year, and instead reporting them to FAA on the quarterly reports for year ended September 30, 2012.

It is recommended that the Passenger Facility Charge Quarterly Reports that are submitted to the FAA always include only the expenditures of passenger facility charges that actually occurred in each quarter.

*City Response:*

The City concurs with the finding. Procedures will be put in place to ensure that reports filed with the FAA include the correct amounts.

City of Tallahassee  
Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended September 30, 2012

<u>Program Title</u>	<u>Expenditures</u>
<b>Passenger Facility Charges Used:</b>	
Passenger Facility Charge Application #06-06-C-00-TLH:	
Project 5: Terminal Improvements	\$ 67,450
Project 8: In-Line Baggage Handling System	16,664
Project 9: Terminal Rehabilitation - Phase II	205,566
Project 12: Electronic Airport Layout Plan	55,696
Project 19: Airfield Signage Improvements Design	1,105
Project 20: Airfield Lighting Improvements Design	477
Project 21: Airport Access Control and Monitoring System Design	30,121
	<u>377,079</u>
<b>Total Passenger Facility Charges Used</b>	<u><u>\$ 377,079</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, Appointed Officials 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, 2012, and have issued our report thereon dated March 14, 2013.

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 14, 2013, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report related to sub recipient monitoring.

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 findings reported on the Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance dated March 14, 2013.

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*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we noted no deficiencies in internal control that were not considered to be significant deficiencies.

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, 2011 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, 2012. 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.

*Carri, Riggs + Ingram, LLC*

March 14, 2013