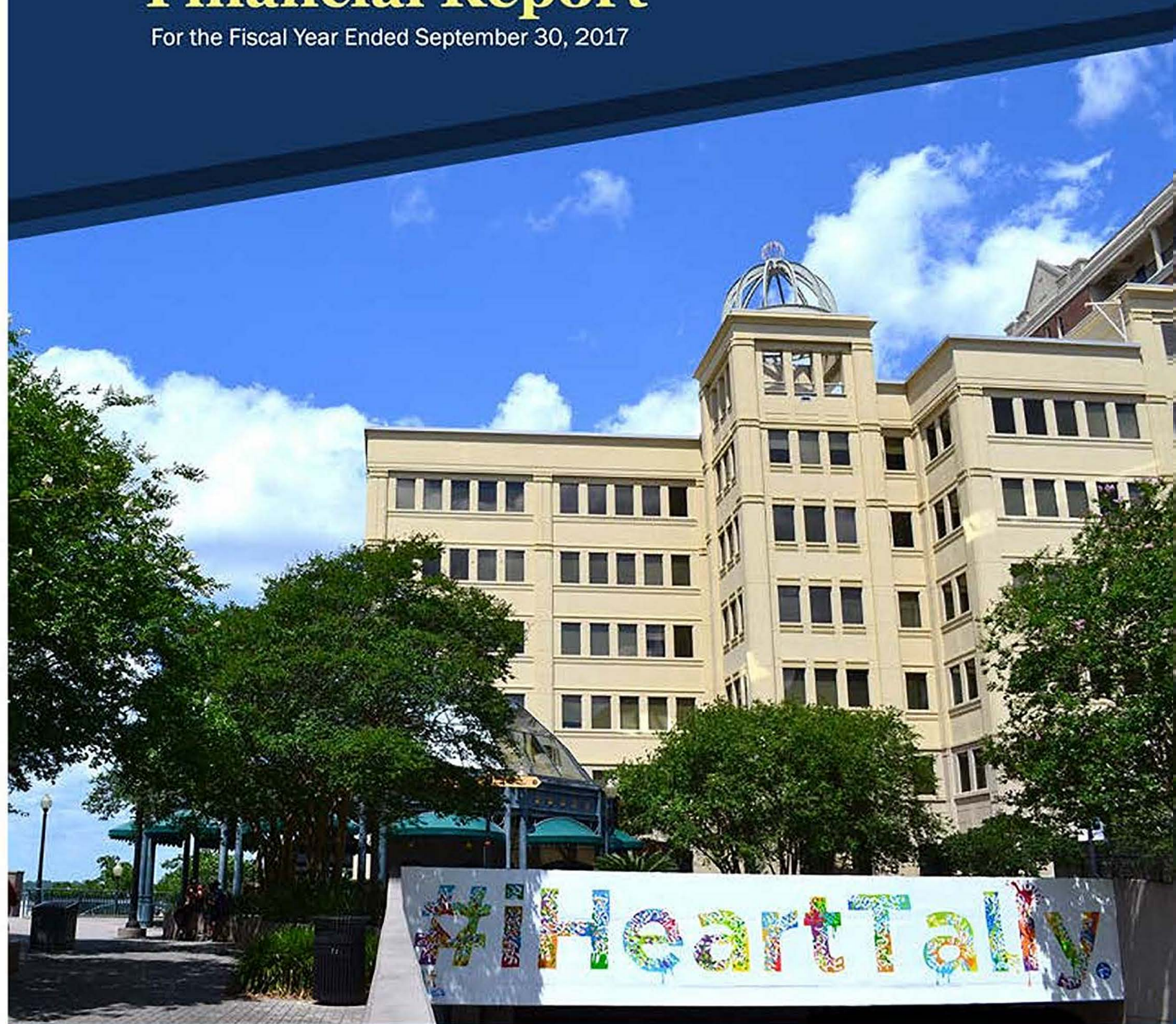


FLORIDA'S CAPITAL CITY
**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended September 30, 2017



An All-America City



CITY OF TALLAHASSEE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
September 30, 2017**



PREPARED BY:

**Financial Reporting Division
Financial Services Department**

CITY OF TALLAHASSEE, FLORIDA

CITY COMMISSION

ANDREW GILLUM, Mayor

CURTIS RICHARDSON, Pro Tem

NANCY MILLER, Commissioner

SCOTT MADDOX, Commissioner

GIL ZIFFER, Commissioner

INTERIM CITY MANAGER

Reese Goad

INTERIM CITY AUDITOR

Don Hancock, CPA

CITY TREASURER-CLERK

James O. Cooke, IV

CITY ATTORNEY

Cassandra Jackson

ASSISTANT CITY MANAGER,

**ADMINISTRATIVE AND
PROFESSIONAL SERVICES**

Raoul A. Lavin

CITY OF TALLAHASSEE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

I. Introductory Section	Page
Letter of Transmittal.....	8
Government Finance Officers Association Certificate of Achievement.....	12
Organization Chart.....	13
List of Elected and Appointed Officials and Directors.....	14
List of Accounting Services Division Staff.....	15
II. Financial Section	
Independent Auditors' Report.....	18
A. Management's Discussion and Analysis	21
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	36
Statement of Activities.....	38
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet.....	42
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	43
Statement of Revenues, Expenditures and Changes in Fund Balance.....	44
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	45
Proprietary Funds Financial Statements:	
Statement of Net Position.....	46
Statement of Revenues, Expenses and Changes in Net Position.....	48
Statement of Cash Flows.....	50
Fiduciary Funds Financial Statements:	
Statement of Net Position.....	52
Statement of Changes in Net Position.....	53
Notes to Financial Statements:	
Notes to the Financial Statements.....	56
C. Required Supplementary Information (Other than MD&A):	
Budgetary Comparison Schedule - General Fund.....	114
Note to Required Supplementary Information.....	115
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - General	116
Schedule of Net Pension Liability by Employer - General Employees.....	117
Schedule of Contributions - General Employees.....	118
Notes to Schedule of Contributions - General Employees.....	118
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Police Officers.....	119
Schedule of Contributions - Police Officers.....	120
Notes to Schedule of Contributions - Police Officers.....	120
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Firefighters...	121
Schedule of Contributions - Firefighters.....	122

**CITY OF TALLAHASSEE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE OF CONTENTS

CONTENTS

PAGE

Notes to Schedule of Contributions - Firefighters.....	122
Schedule of Investment Returns - Pension Plans.....	123
Schedule of Changes in Net OPEB Liability and Related Ratios.....	124
Schedule of Net OPEB Liability.....	125
Notes to Schedule of Net OPEB Liability.....	125
Schedule of Contributions - OPEB.....	126
Notes to Schedule of Contributions - OPEB.....	126
Schedule of Investment Returns - OPEB.....	127
Schedule of Funding Progress - OPEB.....	127
Schedule of Employer Contributions - OPEB.....	127

D. Combining Financial Statements:

Nonmajor Governmental Funds:

Balance Sheet.....	132
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	134

Nonmajor Enterprise Funds:

Statement of Net Position.....	138
Statement of Revenues, Expenses, and Changes in Net Position.....	139
Statement of Cash Flows.....	140

Internal Service Funds:

Statement of Net Position.....	142
Statement of Revenues, Expenses, and Changes in Net Position.....	144
Statement of Cash Flows.....	146

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Function and Activity.....	150
Schedule of Changes by Function and Activity.....	151

E. Supplementary Information:

Capital Bonds, Series 2009.....	154
Capital Bonds, Series 2012.....	155
Capital Bonds, Series 2014.....	156
Energy System Refunding Revenue Bonds, Series 2010.....	157
Energy System Refunding Revenue Bonds, Series 2010A.....	158
Energy System Revenue Bonds, Series 2010B.....	159
Energy System Revenue Bonds, Series 2010C.....	160
Energy System Refunding Revenue Bonds, Series 2011.....	161
Energy System Refunding Revenue Bonds, Series 2015.....	162
Energy System Refunding Revenue Bonds, Series 2017.....	163
Consolidated Utility System Revenue Bonds, Series 2001.....	164
Consolidated Utility System Revenue Bonds, Series 2007.....	165
Consolidated Utility System Revenue Bonds, Series 2010A.....	166
Consolidated Utility System Revenue Bonds, Series 2010B.....	167
Consolidated Utility System Refunding Revenue Bonds, Series 2015.....	168
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill.....	169

**CITY OF TALLAHASSEE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

TABLE OF CONTENTS

CONTENTS

	PAGE
III. Statistical Section	
Net Position by Component.....	173
Changes in Net Position.....	174
Fund Balances, Governmental Funds.....	177
Changes in Fund Balances, Governmental Funds.....	178
Assessed Value and Estimated Actual Value of Taxable Property.....	179
Direct and Overlapping Property Tax Rates.....	180
Principal Property Taxpayers.....	181
Property Tax Levies and Collections.....	182
Assessed Valuations, Millage, and Taxes Levied and Collected.....	183
Ratios of Outstanding Debt by Type.....	184
Ratios of General Bonded Debt Outstanding.....	185
Direct and Overlapping Governmental Activities Debt.....	186
Computation of Legal Debt Margin.....	187
Revenue Bond Coverage - Energy Revenue Bonds.....	188
Revenue Bond Coverage - Consolidated Utility Revenue Bonds.....	189
Demographic Statistics	190
Principal Employers.....	191
Full-time Equivalent City Government Employees by Function/Program.....	192
Operating Indicators by Function / Program.....	193
Capital Asset Statistics by Function/Program.....	194
Miscellaneous Statistical Data.....	195
Schedule of Insurance.....	196
IV. Single Audit and Other Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	202
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Internal Control Over Compliance; and Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.....	204
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	207
Schedule of Findings and Questioned Costs.....	210
Summary Schedule of Prior Audit Findings.....	218
Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance.....	219
Schedule of Expenditures of Passenger Facility Charges.....	222
Schedule of Findings - Passenger Facility Charges.....	223
Summary Schedule of Prior Audit Findings - Passenger Facility Charges.....	224
Independent Accountants' Report on Compliance with Local Government Investment Policies.....	225
Management Letter.....	226



THIS PAGE INTENTIONALLY LEFT BLANK.

INTRODUCTORY SECTION

Letter of Transmittal

Government Finance Officers Association Certificate of Achievement

Organizational Chart

List of Elected and Appointed Officials and Directors

List of Financial Reporting Division Staff

March 29, 2018
Honorable Mayor, Commissioners, and City Manager
City of Tallahassee, Florida

The Comprehensive Annual Financial Report of the City of Tallahassee, Florida, for the fiscal year ended September 30, 2017, is hereby submitted pursuant to Section 11.45, Florida Statutes and Chapter 10.550 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 firms of Thomas Howell Ferguson, P.A. and Law Redd Crona & Munroe, P.A. have issued an unmodified opinion on the City's financial statements for the year ended September 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

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

PROFILE OF THE CITY

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

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

The City provides a full range of municipal services. These services include public safety (police and fire), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, general administrative services, five utilities (electric, gas, water, sewer, and solid waste collection), a mass transit bus system, and an international 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 Resource Management, the executive team, the City Commission, and the citizens of Tallahassee.

A budget review team composed of various members of the leadership team and executive teams is established to set budget direction and priorities for the City. Annually, issues are selected by the City Commission to represent those programs and community needs, which are to be given priority attention during the year.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Leon County is a racially diverse community. Minorities account for 37.87% of the population, with African-Americans comprising 31.22%.

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

The 2012-2016 American Community Survey 5 year estimates report median family income in Leon County is \$48,248, which is comparable to the national median. Of the workers in Leon County, 61.07% are in management or professional occupations compared to 52.83% nationally.

The level of governmental employment has a stabilizing effect on the economy and helps to minimize unemployment. In December 2016, the unemployment rate was 4.6% in the City as compared to the State's unemployment rate of 4.7%. The percentage of employees employed by local, state, and federal government is approximately 31.5% of the work force. The unemployment rate is one of many economic indicators utilized to evaluate the condition of the economy.

POPULATION GROWTH

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

Year	Tallahassee	Unincorporated	Leon
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
2010	181,376	94,111	275,487
2012	183,643	94,027	277,670
2015	188,000	95,200	283,200
2020	199,100	97,100	296,200
2030	219,600	100,700	320,300
2040	237,500	103,700	341,200

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. Single-family residential building permits in Leon County were up 30% in fiscal year 2017, following a 5% increase in fiscal year 2016. Permits for multi-family units were up 37% in fiscal year 2017 (following a 69% increase in fiscal year 2016). There were six multi-family apartment communities (50 units or more) permitted in fiscal year 2017 (Arbor Crossing at Buck Lake, Lumberyard, Players Club, Stadium Enclave, College Town Phase 3 and Casanas Village) and two assisted living/senior living facilities (Brookstone Senior Apartments and Red Hills Village Retirement Community).

Commercial Development

In fiscal year 2017, approximately \$80 million of new commercial construction was permitted in Leon County, a 10% increase compared with \$72 million permitted in fiscal year 2016. Larger commercial permits in fiscal year 2017 include three hotel developments: a \$13 million, six-story, 124 room Hampton Inn & Suites, an \$8 million, four-story, 103 room Holiday Inn & Suites and a \$4 million, four-story, 90 room Tru by Hilton; In addition, a five-story, 343,000 square foot Tallahassee Memorial Health Care's Surgical Center, valued at \$250 million was permitted as an expansion to Tallahassee Memorial Hospital.

MILLAGE RATES

As indicated below, the City enjoys the lowest millage rate of the comparable largest cities in Florida for 2017 and 2016. Tallahassee's low and stable millage rate should act as an incentive to economic growth and stability.

Comparable City	Millage Rates	
	2017	2016
Clearwater	5.15	5.16
Daytona	7.05	7.24
Ft. Lauderdale	4.12	4.12
Gainesville	4.74	4.58
Hollywood	7.45	7.45
Lakeland	5.56	4.67
Largo	5.37	5.47
Orlando	6.65	6.65
Pensacola	4.29	4.29
Tallahassee	4.10	4.20
West Palm Beach	8.35	8.35

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 2017 operating budget of \$700.6 million and an approved capital budget of \$143.3 million. The Plan for the ensuing five years (including 2017) results in projected capital expenditures of approximately \$890 million.

AWARDS AND ACKNOWLEDGEMENT

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, 2016. 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
Assistant City Manager



Patrick Twyman
Director of Financial Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Tallahassee
Florida**

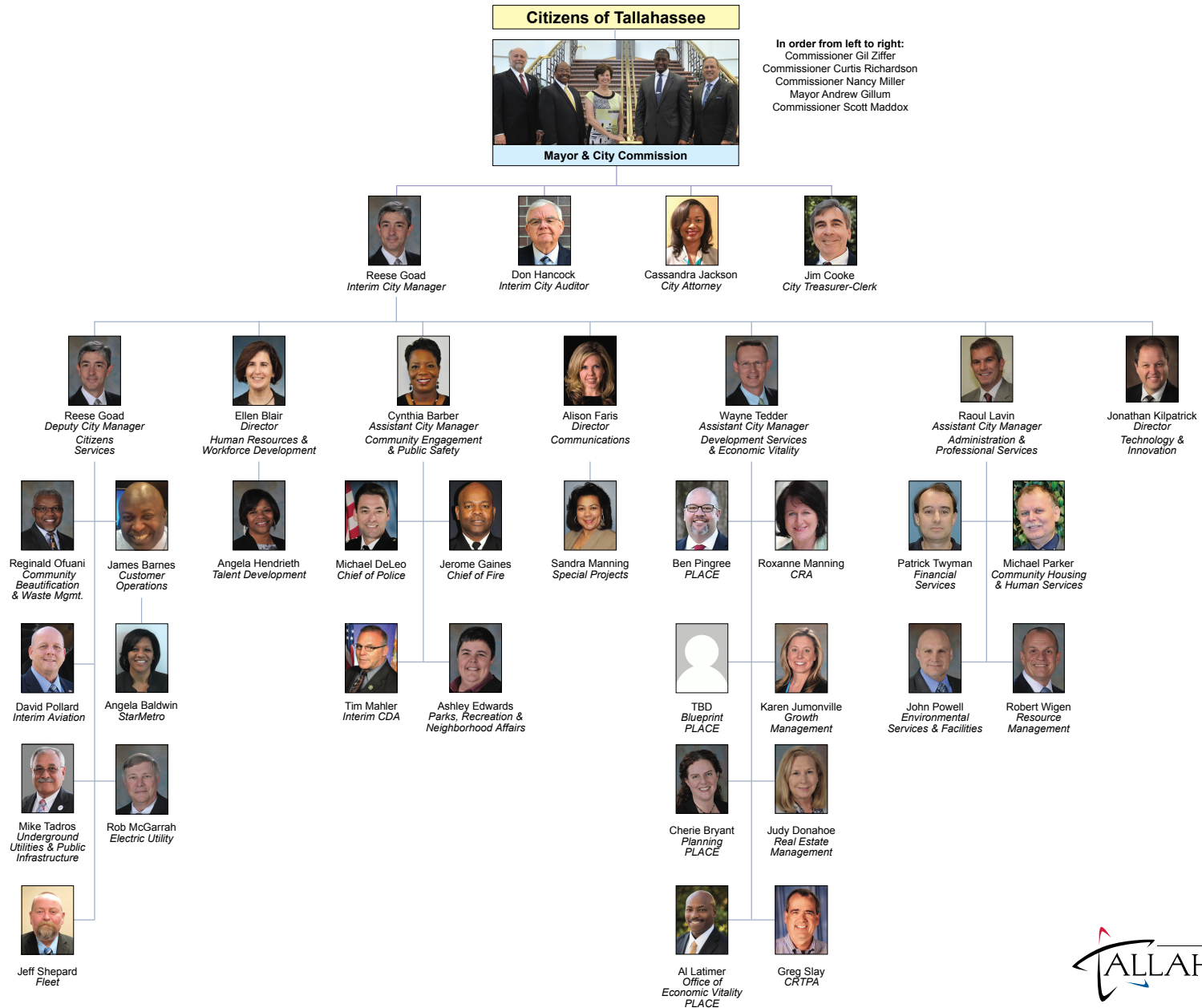
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrell

Executive Director/CEO

City of Tallahassee 2018 Organization Chart



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

Elected Officials

Mayor.....	Andrew Gillum
Mayor Pro-Tem.....	Curtis Richardson
Commissioner.....	Scott Maddox
Commissioner.....	Nancy Miller
Commissioner.....	Gil Ziffer

Appointed Officials

Interim City Manager.....	Reese Goad
City Treasurer-Clerk.....	James O. Cooke, IV
Interim City Auditor.....	Don Hancock
City Attorney.....	Cassandra Jackson

Assistant City Managers

Assistant City Manager for Administrative and Professional Services.....	Raoul Lavin
Assistant City Manager for Community Engagement and Public Safety.....	Cynthia Barber
Assistant City Manager for Development Services and Economic Vitality.....	Wayne Tedder

Department Directors

Interim Aviation.....	David Pollard
Communications.....	Allison Faris
Community Beautification and Waste Management.....	Reginald Ofuani
Community Housing and Human Services.....	Michael Parker
Customer Operations.....	James Barnes
Electric Utility.....	Rob McGarrah
Environmental Services and Facilities.....	John Powell
Financial Services.....	Patrick Twyman
Fire.....	Jerome Gaines
Fleet.....	Jeff Shepard
Growth Management.....	Karen Jumonville
Human Resources and Workforce Development.....	Ellen Blair
Parks, Recreation and Neighborhood Affairs.....	Ashley Edwards
Planning, Land Management and Community Enhancement.....	Benjamin Pingree
Police.....	Michael DeLeo
Resource Management.....	Robert Wigen
StarMetro.....	Angela Baldwin
Technology and Innovation.....	Jonathan Kilpatrick
Underground Utilities.....	Mike Tadros

The Comprehensive Annual Financial Report for the City of Tallahassee, Florida was produced by the combined efforts of the Financial Reporting Division of the Financial Services Department as well as the accounting staff of the Tallahassee International Airport. The following staff had primary responsibility for preparing and ensuring the accuracy of this report.

Assistant City Manager, Administrative and
Professional Services, Raoul A. Lavin

Director of Financial Services
Patrick Twyman

Manager, Financial Reporting
Rita Stevens, CPA

Patsy Capps, CPA*	Latrenda Johnson	Angela Roberts
Ben Halvorsen, CPA*	Kereen Jones	Reginald Rodney
George Robbins, CPA	Vernessa McMillon	Keith Srinivasan
Taylor Buckley	Julie Paniucki	EmersonThompson
Mazie Crumbie	Lajja Patel	Rosie Tu

Manager, Fixed Assets and Accounts Receivable
Robert Bechtol, CPA

* Tallahassee International Airport Staff



THIS PAGE INTENTIONALLY LEFT BLANK.

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Combining Financial Statements

Supplementary Information

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tallahassee, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tallahassee, Florida, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note III. D. to the financial statements, October 1, 2016 net position balances were restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and other information on pages 21-33 and 114-127 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, other supplementary information, and the introductory and statistical section as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
March 29, 2018



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida

MANAGEMENT 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, 2017. 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, 2017 by \$2.06 billion (net position). Of this amount, \$133 million represents unrestricted net position that is available to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$54.2 million as a result of fiscal year 2017 operations which increased net position by \$57.7 million and a reduction of net position of \$3.5 million resulting from prior period restatements.
- As of September 30, 2017, the City's Governmental Funds reported combined ending fund balances of \$100.2 million, an increase of \$0.2 million in comparison with the prior year. Approximately \$4.0 million of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the fiscal year, spendable fund balance for the general fund was \$34.6 million, or 25.2% of general fund expenditures.
- As of September 30, 2017, the City's enterprise funds reported combined net position of \$1.21 billion, an increase of \$33.0 million in comparison with the prior year. Approximately \$190.3 million of this amount is unrestricted.
- Capital assets, net of accumulated depreciation, as of September 30, 2017, totaled \$2.61 billion, an increase of \$75.9 million in comparison with prior year (Note IV.D.).
- The City's outstanding long-term debt (Note IV.G.) decreased from \$1.20 billion to \$1.16 billion, or 2.6%.

AN OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of 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 position* and the *statement of activities*, are utilized to provide information on a government-wide basis.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported 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 services 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).

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.

Because 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. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and the Community Redevelopment Agency Funds, both of which are considered major funds. Data from the other eleven (11) funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided on pages 132 - 135 of 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 position and in the proprietary funds statement of revenues, expenses, and changes in net position 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 138 - 140 of 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 142 - 147 of 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 three fiduciary funds. The basic financial statements for these funds are provided on pages 52 - 53 of 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 a 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 2017 Statement of Net Position found on pages 36 - 37 with comparative information for fiscal year 2016.

Table 1
Statement of Net Position
As of September 30
(in millions)

	Governmental Activities		Business-type Activities		Total	
			2016 As Restated		2016 As Restated	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 156.3	\$ 162.5	\$ 494.3	\$ 546.7	\$ 650.6	\$ 709.2
Capital Assets	840.7	811.4	1,774.2	1,727.6	2,614.9	2,539.0
Total Assets	997.0	1,053.8	2,268.5	2,300.7	3,265.5	3,248.2
Deferred Outflow of Resources	85.2	79.9	26.2	23.4	111.4	103.3
Total Assets and Deferred Outflows	1,082.2	1,053.8	2,294.7	2,297.7	3,376.9	3,351.5
Liabilities						
Current and Other Liabilities	163.3	157.6	147.6	151.2	310.9	308.8
Long-term Debt Outstanding	89.4	97.8	872.8	905.1	962.2	1,002.9
Total Liabilities	252.7	255.4	1,020.4	1,056.3	1,273.1	1,311.7
Deferred Inflows of Resources	32.2	25.8	10.6	10.8	42.8	36.6
Total Liabilities and Deferred Inflows of Resources	284.9	281.2	1,031.0	1,067.1	1,315.9	1,348.3
Net Investment in Capital Assets	762.8	729.3	863.2	838.6	1,626.0	1,567.9
Restricted	100.1	100.0	202.2	194.2	302.3	294.2
Unrestricted	(65.6)	(56.7)	198.2	197.8	132.6	141.1
Total Net Position	797.3	772.6	1,263.6	1,230.6	2,060.9	2,003.2
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,082.2	\$ 1,053.8	\$ 2,294.6	\$ 2,297.7	\$ 3,376.8	\$ 3,351.5

Changes in net position over time can be one of the best and most useful indicators of financial position. Total net position of the City increased from \$2.00 billion in 2016 to \$2.06 billion in 2017, an increase of \$54.2 million or 2.71%.

The largest portion of the City's net position, \$1.63 billion or 79.0%, reflects its substantial investment in capital assets (e.g., land, buildings, equipment, etc.), less the related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the City's net position, \$302.3 million or 14.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$132.6 million or 6.4%, 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 reported categories of net position for the government as a whole. The unrestricted net position in governmental activities is negative as a result of the implementation of GASB 68, which requires the recording of net pension asset/liability. The remaining net position categories for governmental activities and all of the net position for business-type activities have positive balances.

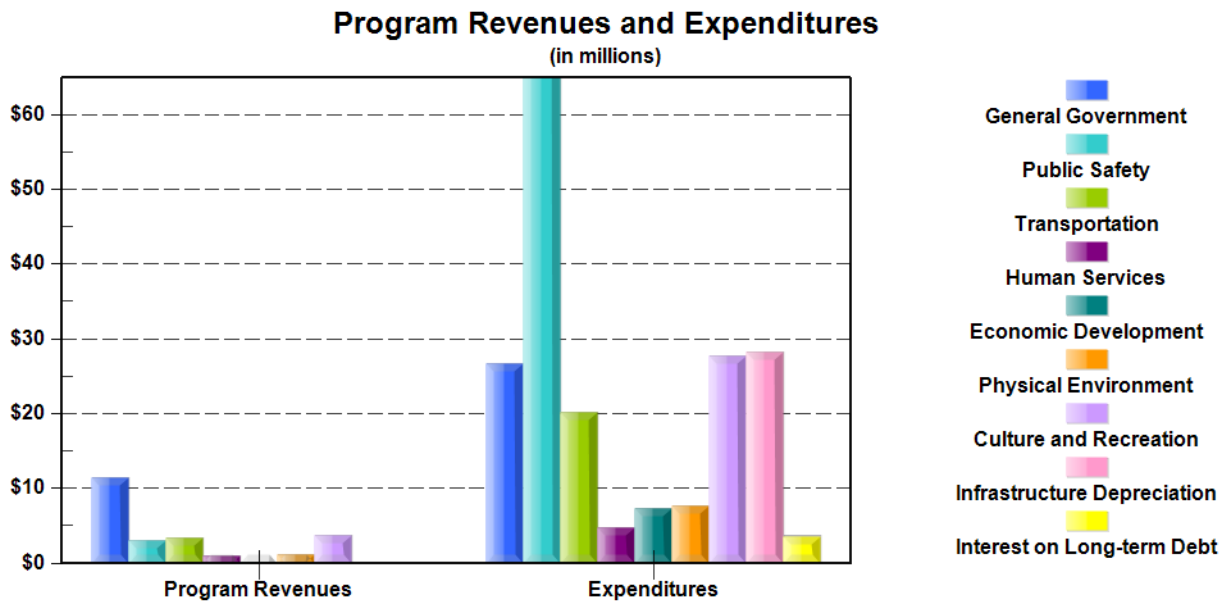
The following table is a summary of the fiscal year 2017 Statement of Activities found on pages 38 - 39 with comparative information for fiscal year 2016.

Table 2
Changes in Net Position
For the Year Ended September 30
(in millions)

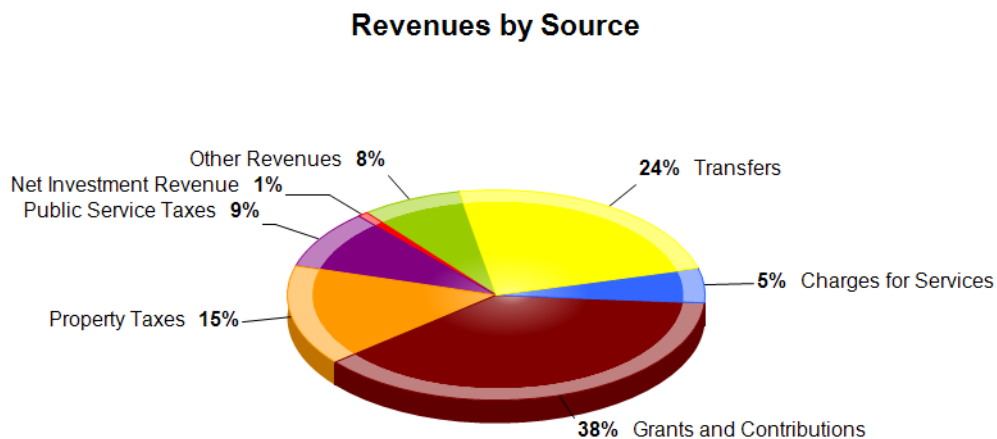
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	2017	2016	2017	2016 As Restated	2017	2016 As Restated
Revenues						
Program revenues						
Charges for Services	\$ 13.4	\$ 13.2	\$ 497.5	\$ 492.6	\$ 510.9	\$ 505.8
Operating Grants and Contributions	10.3	8.3	4.8	9.0	15.1	17.3
Capital Grants and Contributions	-	-	13.3	12.9	13.3	12.9
General revenues						
Property Taxes	39.4	38.9	-	-	39.4	38.9
Public Service Taxes	22.8	23.0	-	-	22.8	23.0
Grants and Contributions	85.0	30.2	2.0	2.0	87.0	32.2
Net Investment Revenue	1.9	3.4	2.1	8.3	4.0	11.7
Other Revenues	20.1	20.5	(0.3)	1.0	19.8	21.5
Total Revenues	<u>192.9</u>	<u>137.5</u>	<u>519.4</u>	<u>525.8</u>	<u>712.3</u>	<u>663.3</u>
Expenses						
General Government	26.6	15.3	-	-	26.6	15.3
Public Safety	77.1	68.9	-	-	77.1	68.9
Transportation	20.2	20.5	-	-	20.2	20.5
Cultural and Recreation	27.6	26.4	-	-	27.6	26.4
Depreciation on Infrastructure	28.3	29.2	-	-	28.3	29.2
Other Primary Government	23.2	24.6	-	-	23.2	24.6
Electric	-	-	228.1	247.4	228.1	247.4
Gas	-	-	21.0	20.7	21.0	20.7
Sewer	-	-	51.6	53.3	51.6	53.3
Water	-	-	32.0	29.4	32.0	29.4
Airport	-	-	18.1	16.9	18.1	16.9
StarMetro	-	-	20.8	22.0	20.8	22.0
Solid Waste	-	-	21.2	20.9	21.2	20.9
Golf	-	-	0.9	0.9	0.9	0.9
Stormwater Management	-	-	15.4	14.9	15.4	14.9
Fire Services	-	-	42.5	40.8	42.5	40.8
Total Expenses	<u>203.0</u>	<u>184.9</u>	<u>451.6</u>	<u>467.2</u>	<u>654.6</u>	<u>652.1</u>
Excess (Deficiency) before transfers	(10.1)	(47.4)	67.8	58.6	57.7	11.2
Transfers	34.8	35.5	(34.8)	(35.5)	-	-
Increase (Decrease) in Net Position From Operations	24.7	(11.9)	33.0	23.1	57.7	11.2
Net Position - October 1 as restated	772.6	784.5	1,230.6	1,207.5	2,003.2	1,992.0
Net Position - September 30	<u>\$ 797.3</u>	<u>\$ 772.6</u>	<u>\$ 1,263.6</u>	<u>\$ 1,230.6</u>	<u>\$ 2,060.9</u>	<u>\$ 2,003.2</u>

GOVERNMENTAL ACTIVITIES - During the fiscal year, net position for governmental activities increased \$24.7 million from the prior fiscal year for an ending balance of \$797.3 million. The primary reason net position increased is that the Blueprint Intergovernmental Agency contributed Cascades Park to the City worth approximately \$54 million. Offsetting this large contribution was an increase in the current year general government expenses of \$11.3 million primarily related to operating projects and increased public safety expenses of \$8.2 million primarily related to pension costs.

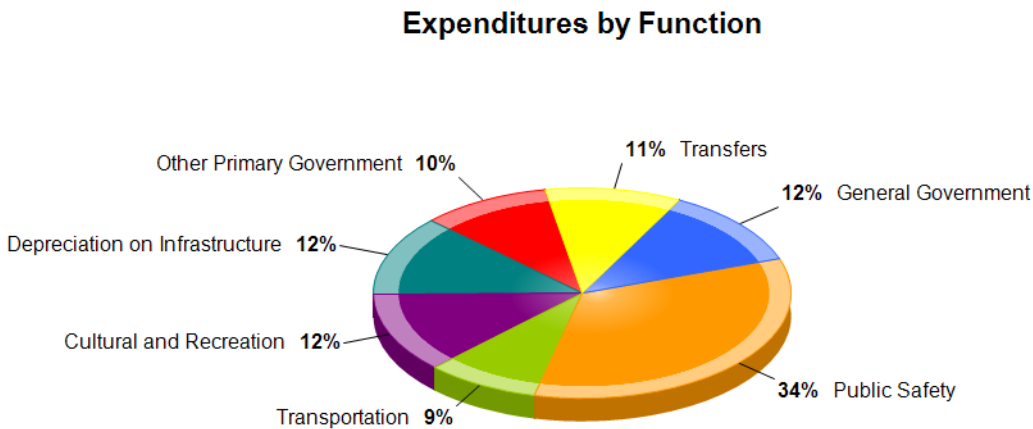
The following chart compares expenditures and program revenues for the governmental activities.



The following chart illustrates the City's revenues by source for the City's governmental activities.

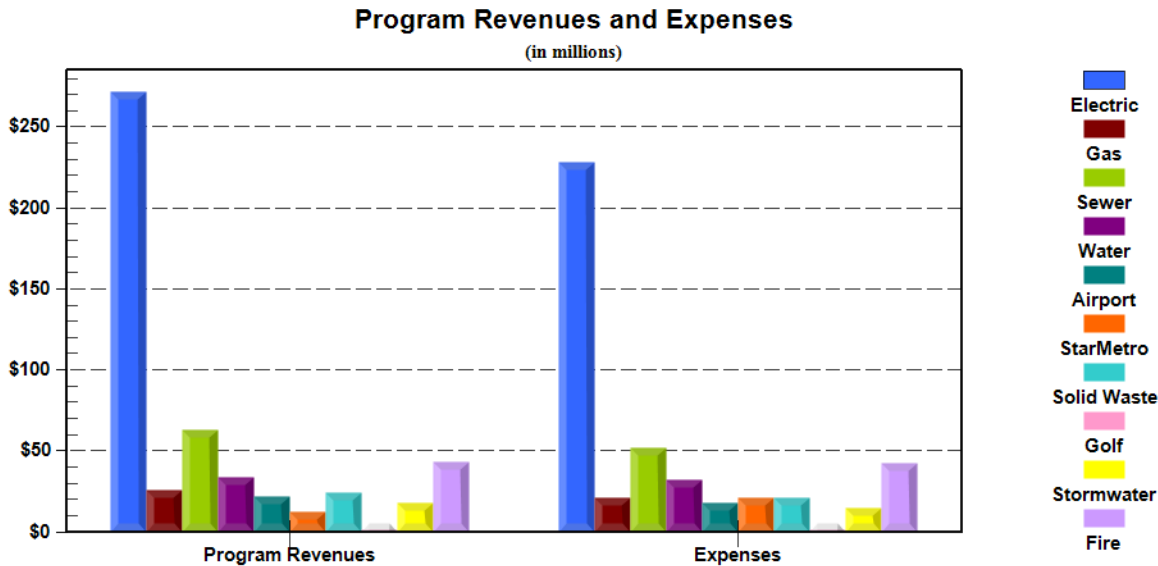


The following chart illustrates the City's expenditures by function for the City's governmental activities.



BUSINESS-TYPE ACTIVITIES - For the City's Business-type activities, the results for the current fiscal year were positive. Net position increased to reach an ending balance of \$1.26 billion. The increase in net position for business-type activities, including the effect of a prior period restatement of \$3.5 million, was \$29.5 million, or a 2.40% increase from the prior fiscal year.

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



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 42 - 45. 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, 2017, the City's governmental funds reported combined ending fund balances of \$100.2 million, an increase of \$0.2 million in comparison with the prior year. Of this amount \$1.8 million is considered non-spendable; \$39.5 million is restricted for purposes which are externally imposed by providers; \$49.7 million is committed for specific purposes that are internally imposed by the government through the City Commission; \$5.2 million is assigned for specific purposes that are internally established by management; and \$4.0 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 9/30/2016	Sources	Uses	Sources Over (Under) Uses	Fund Balances 9/30/2017
General Fund	\$ 35.8	\$ 156.4	\$ 156.4	\$ -	\$ 35.8
Community Redevelopment	4.9	6.1	3.0	3.1	8.0
Other Funds	59.3	45.6	48.5	(2.9)	56.4
Total City Funds	<u>\$ 100.0</u>	<u>\$ 208.1</u>	<u>\$ 207.9</u>	<u>\$ 0.2</u>	<u>\$ 100.2</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 \$35.8 million, or 22.9% of general fund expenditures and other financing uses. Of this amount, \$1.1 million is non-spendable, \$26.5 million is committed, \$5.2 million is assigned, and \$3.0 million is unassigned.

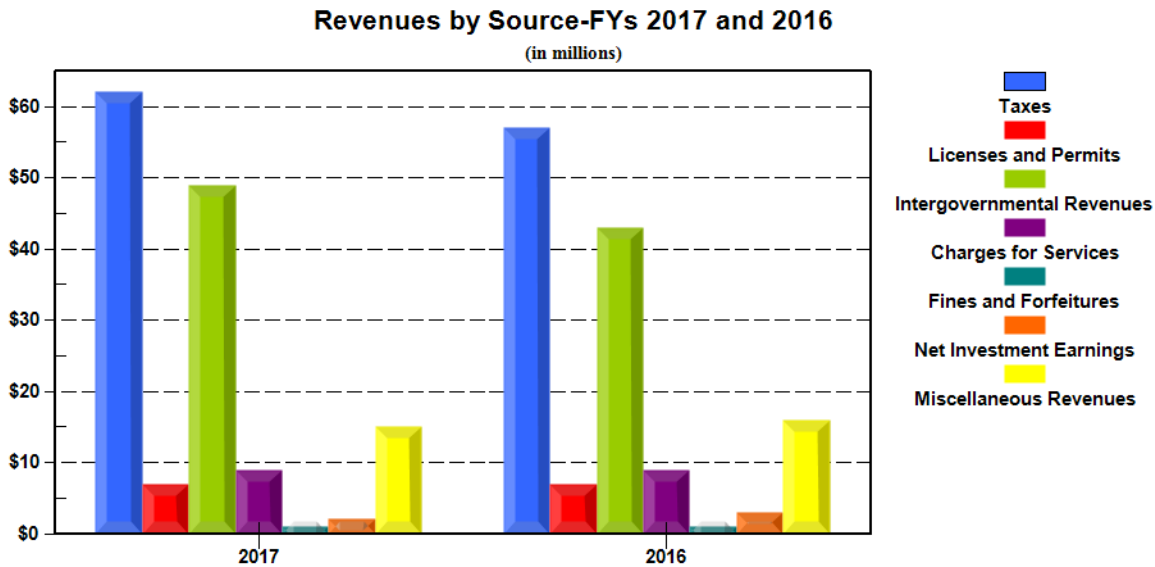
The fund balance for the City's General Fund remained constant during fiscal year 2017. Revenues and other sources decreased \$7.0 million or 4.3%, as compared to the prior year. The reduction of revenue was primarily because in 2016, the City sold a property for \$5 million and also in 2016 there was \$2 million in revenue recognized when the general fund was found to have been overcharged for gross receipts tax on power used and was reimbursed. In 2017, a property was sold for \$975,000. Expenditures and other uses decreased \$1.0 million or 0.6%, as compared to the prior year. This decrease resulted mainly because in the prior year the city had a Department of Economic Development which was closed at the end of 2016 as a result of the opening of the Office of Economic Vitality (OEV) in February 2016. In 2017, the City contributed \$175,000 for economic development to the OEV as compared to 2016 in which the City spent \$674,000 for economic development. This 2016 expenditure included a contribution to the OEV of \$475,000. Additionally, in 2016, the City spent \$308,000 on economic development and historic preservation projects for which there were no comparable expenses in 2017.

The fund balance for the City's Community Redevelopment Agency (CRA) Fund increased \$3.1 million from

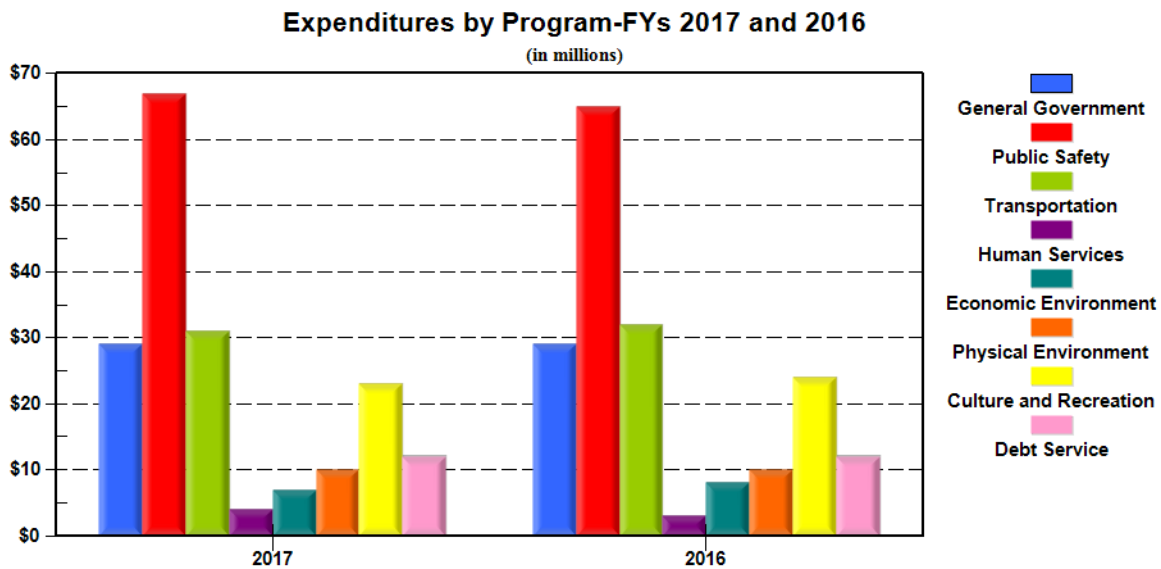
2016. Revenues increased \$2.3 million or 61% primarily due to an increase of \$555,000 in tax revenues resulting from increased property values plus new properties added to the tax roll and increased revenues of \$1.7 million from the sale of land which did not occur in 2016. Expenses also decreased \$410,000 primarily because in 2016 the CRA spent \$464,000 on a historic building renovation which they did not have in 2017.

The fund balance in the City's other non-major governmental funds decreased \$2.9 million from 2016. This decrease was primarily a result of the City's deliberate increased focus on investment in infrastructure.

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 114 of the financial statements.

There was an increase to the original budget for \$20,000 from State Law Enforcement Trust Funds to increase crime prevention and drug education funding to meet new State law requirements. In addition, there were changes to the budgeted transfers, which increased by \$1.65 million, and various other expense categories that decreased to fund additional 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 \$1.1 million between the final amended budget and actual results of operation. Actual revenues were less than final budgeted revenues by \$5.4 million, or 3.5%; these variances were spread across most revenue sources. Actual expenditures for the year were less than final budgeted expenditures by \$6.4 million, or 4.2%, these variances were spread across most expenditure line items due to regular budget monitoring.

CAPITAL ASSETS

The City's capital assets for its governmental and business-type activities, net of depreciation, as of September 30, 2017, were approximately \$2.6 billion. This represents a net increase of approximately \$74 million, or 2.9%, over last year. See Note IV.D. for more information about the City's capital assets.

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

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2017	2016	2017	2016	2017	2016	2017-2016
Land	\$ 364	\$ 368	\$ 130	\$ 129	\$ 494	\$ 497	(0.6)%
Buildings	44	47	141	134	185	181	2.2 %
Equipment	12	13	412	421	424	434	(2.3)%
Improvements (Other than Buildings)	7	8	26	24	33	32	3.1 %
Infrastructure	391	361	732	736	1,123	1,097	2.4 %
Intangibles	-	-	160	153	160	153	4.6 %
Construction in Progress	23	15	173	132	196	147	33.3 %
Total	<u>\$ 841</u>	<u>\$ 812</u>	<u>\$ 1,774</u>	<u>\$ 1,729</u>	<u>\$ 2,615</u>	<u>\$ 2,541</u>	

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

- Aviation infrastructure - \$6.6 million
- Electric generation, transmission and distribution infrastructure - \$63.8 million
- Gas transmission and distribution infrastructure - \$1.8 million
- Sewer collection, treatment, and disposal infrastructure - \$16.8 million
- StarMetro acquisition of buses and system improvements - \$4.5 million
- Stormwater infrastructure - \$12.2 million
- Street construction, widening and expansion projects improvements, park improvements, and vehicles and equipment for public safety purposes, - \$10.9 million
- Water transmission and distribution infrastructure - \$6.5 million

LONG-TERM DEBT

As shown in the following table, as of September 30, 2017, the City had \$932.7 million in total debt outstanding. This amount represents bonds and loans secured by specified revenue sources and excludes issuance premium and discounts.

Table 5
Outstanding Debt at September 30
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Revenue Bonds	\$ 83.9	\$ 91.8	\$ -	\$ -	\$ 83.9	\$ 91.8
Proprietary Revenue Bonds	-	-	825.5	877.6	825.5	877.6
Other Loans	1.5	1.7	21.8	24.4	23.3	26.1
Total	<u>\$ 85.4</u>	<u>\$ 93.5</u>	<u>\$ 847.3</u>	<u>\$ 902.0</u>	<u>\$ 932.7</u>	<u>\$ 995.5</u>

The City's total bonded debt decreased by \$62.8 million, or 6.31%, during the current fiscal year primarily due to the scheduled pay down of existing debt and due to the refunding of Energy Revenue Bonds, Series 2007.

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
Capital Bonds	Aa2	NR	AA+
Consolidated Utility Systems Bonds	Aa1	AA	AA+
Energy System Bonds	Aa3	AA	AA-

The ratings for Moody's on the Consolidated Utility Systems Bonds only apply to debt issued prior to 2015. The ratings for Fitch on the Energy System Bonds only apply to debt issued before 2015. 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 for the City continues to show improvement as the economy recovers. Unemployment has consistently been lower than both the state and national levels. In December 2017, the unemployment rate in Tallahassee was 3.5% as compared to the state's unemployment rate of 3.9%. For December 2016, Tallahassee's unemployment rate was 4.6% as compared with the statewide rate of 4.7%. The percentage of employees employed by local, state, and federal government in Tallahassee is approximately 36.7% of the work force.
- The ratio of taxable assessed value to total estimated value for ad valorem tax purposes equals 48.0%, demonstrating the large amount of state-owned tax-exempt property located in the City. In 2017, the approved budget included a millage decrease from 4.2 mills to 4.1 mills. For 2018, the millage will remain at 4.1 mills.
- The presence of two state universities, a community college and the state government provides a stabilizing influence on the City of Tallahassee's financial position. Unemployment has decreased from its peak, and Leon County's unemployment has consistently been lower than both the state and national levels. According to the Bureau of Economic Analysis, real per capita GDP growth for the Tallahassee MSA increased by 3.8%, making it the fastest growing MSA in Florida in real per capita GDP growth. This growth rate also outpaced the State of Florida overall (0.6%) and the United States (0.8%).
- As with any capital city, the health of the state government will continue to have a substantial impact on the economic or financial health of the City of Tallahassee. With the state government seeing some stability in revenues, it appears that the City will not endure additional hardships as a result of state budget cuts. The City continues to monitor state and local revenue streams, such as the Communication Services Tax, and contracts lobbying services to advocate for its financial interest at both the state and federal level. Additionally, the City is deliberate in seeking out state and federal grant opportunities to support the services it provides to its citizens.
- Alongside the state workforce, Tallahassee's institutions of higher learning continue to be major economic drivers in the community. Ongoing partnership with these institutions represents significant economic and development opportunities for the City. Most recently, increased partnership between the universities and the City have helped attract companies to relocate to Tallahassee, especially those companies that are interested in the research being performed by Florida State University's National High Magnetic Field Laboratory. Furthermore, while the cost of college education has come under increased scrutiny in the past couple of years, tuition at the state universities remains affordable when compared to public universities in other states.
- The City is actively involved in recruiting new businesses and employers to the area by providing a number of incentives and funding for eligible businesses as well as planning tools designed to promote economic development. This strategy has been successful in attracting new businesses as well as helping existing businesses remain in the City. This is highlighted by the increasing number of new developments that have occurred throughout the City. In October 2016, the Veteran's Administration 191,000 square foot outpatient clinic opened its doors for patients in the area. The redevelopment of the old Tallahassee Mall now known as the Centre of Tallahassee, opened its new amphitheatre in the summer of 2016 as well as numerous new restaurants and stores. The Ballard Building, a six story, 62,000 square feet mixed use structure in downtown that opened at the end of 2017, includes an upscale steak restaurant on the ground floor. Other projects expected to be completed over the next couple of years include the construction of a 340,000 square foot surgical center at Tallahassee Memorial Hospital; Washington Square, a 15-story, 576,000 square foot mixed-use development in the heart of downtown; a mixed-use development of the 430-acre Welaunee property in the City's northeast section; commercial and residential development around the universities; and ten new assisted living facilities throughout the City. New subdivisions continue their construction of single family homes in the

City's northeast, northwest and east sectors as well as continuing on the south side in several subdivisions. Construction of new apartment complexes are planned or underway in Midtown, downtown and on the west, southeast and south sides, with new condominium units planned in the western and eastern parts of the community.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2018. The total fiscal year 2018 Citywide operating budget totals \$729.4, an increase of \$28.8 million, over fiscal year 2017. The operating budget increase includes \$8 million in increased transfers for Electric generation and distribution, \$6.5 million for roads and sidewalks and \$3.5 million for grant funds that were formerly adopted in a separate process. The capital budget for FY18 totals \$177.3, an increase of \$33.9 million over FY17. This includes a total increase in public infrastructure projects of \$12.5 million, an increase of \$11.2 million in aviation projects (primarily grant funded), an increase of \$5.8 million in Technology & Innovation investments and an increase of \$4 million in fleet funding.

Personnel expenditures account for approximately 27.9% of the City's operating budget. The City's fiscal year 2018 operating budget includes a net decrease of 20 positions, bringing the budgeted full time equivalent staff count to 2,844.

The City's fiscal year 2018 capital budget totals \$177.3 million with the City's utilities accounting for \$118.2 million or 66.7%; other major uses include transportation, general government, and culture and recreation. Bond proceeds (new and existing) will fund approximately 28.3% 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 2022 that totals \$960.2 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 Financial Reporting Manager at Mailbox A-29, 300 South Adams Street, Tallahassee, Florida 32301-1731 or via email at Rita.Stevens@talgov.com.



THIS PAGE INTENTIONALLY LEFT BLANK.

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 POSITION September 30, 2017 (in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Improvement Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and Cash Equivalents	\$ 87,787	\$ 208,933	\$ 296,720	\$ 112
Securities Lending Collateral	874	2,096	2,970	-
Receivables:				
Accrued Interest	184	435	619	-
Customers and Other	346	38,412	38,758	-
Notes	184	7,861	8,045	-
Special Assessments	88	-	88	-
Less: Allowance for Doubtful Accounts	(85)	(3,140)	(3,225)	-
Due From Other Governments	24,328	1,567	25,895	-
Prepaid Expenses	-	1,910	1,910	-
Inventory	439	45,334	45,773	-
Cash and Cash Equivalents - Restricted	11,408	212,709	224,117	-
Securities Lending Collateral - Restricted	102	1,932	2,034	-
Receivables - Restricted:				
Accrued Interest	20	395	415	-
Other	11	-	11	-
Notes	604	-	604	-
Due From Other Governments	1,014	674	1,688	-
Total Current Assets	127,304	519,118	646,422	112
Noncurrent Assets				
Internal Balances	29,080	(29,080)	-	-
Deposits	-	4,242	4,242	-
Capital Assets				
Land and Construction in Progress	386,827	302,667	689,494	-
Other, Net of Accumulated Depreciation	453,828	1,471,504	1,925,332	-
Total Noncurrent Assets	869,735	1,749,333	2,619,068	-
Total Assets	997,039	2,268,451	3,265,490	112
Deferred Outflows of Resources				
Effect of Deferred Loss on Bond Refunding	2,983	-	2,983	-
Pension related deferred outflows	82,220	26,186	108,406	59
Total Deferred Outflows of Resources	85,203	26,186	111,389	59
Assets and Deferred Outflows of Resources	\$ 1,082,242	\$ 2,294,637	\$ 3,376,879	\$ 171

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

CITY OF TALLAHASSEE, FLORIDA

STATEMENT OF NET POSITION September 30, 2017 (in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Improvement Authority
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Obligations Under Securities Lending	\$ 874	\$ 2,096	\$ 2,970	\$ -
Accounts Payable	9,123	48,977	58,100	14
Customer Contracts Payable	-	383	383	-
Utility Deposits Payable	-	21,524	21,524	-
Unearned Revenue	297	54	351	-
Due to Other Governments	891	-	891	-
Capital Lease Payable	462	-	462	-
Compensated Absences	7,104	9,439	16,543	11
Accounts Payable - Restricted	1,754	2,144	3,898	-
Obligations Under Securities Lending - Restricted	102	1,932	2,034	1
Unearned Revenue - Restricted	1,638	291	1,929	-
Bonds and Loans Payable	7,325	27,479	34,804	-
Total Current Liabilities	29,570	114,319	143,889	26
Noncurrent Liabilities				
Compensated Absences	2,879	3,579	6,458	12
Customer Contracts Payable	-	1,410	1,410	-
Claims Payable	-	14,199	14,199	-
Net OPEB Obligation	5,388	-	5,388	-
Net Pension Liability	125,415	14,103	139,518	32
Bonds and Loans Payable	89,434	872,752	962,186	-
Total Noncurrent Liabilities	223,116	906,043	1,129,159	44
Total Liabilities	252,686	1,020,362	1,273,048	70
Deferred Inflows of Resources				
Pension Related Deferred Inflows	32,239	10,654	42,893	23
Total Deferred Inflows of Resources	32,239	10,654	42,893	23
Total Liabilities and Deferred Inflows of Resources	284,925	1,031,016	1,315,941	93
Net Position				
Net Investment in Capital Assets	762,798	863,179	1,625,977	-
Restricted for:				
Capital Projects	39,341	183,261	222,602	-
Debt Service	-	18,949	18,949	-
Other Purposes	60,826	-	60,826	-
Unrestricted	(65,648)	198,232	132,584	78
Total Net Position	797,317	1,263,621	2,060,938	78
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,082,242	\$ 2,294,637	\$ 3,376,879	\$ 171

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, 2017 (in thousands)

Function/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 26,625	\$ 2,991	\$ 8,435	\$ -
Public Safety	77,197	2,026	1,023	-
Transportation	20,164	2,550	811	-
Human Services	4,652	953	-	-
Economic Development	7,238	10	-	-
Physical Environment	7,693	1,174	1	-
Culture and Recreation	27,620	3,745	-	-
Unallocated Depreciation on Infrastructure	28,297	-	-	-
Interest on Long-Term Debt	3,572	-	-	-
Total governmental activities	<u>203,058</u>	<u>13,449</u>	<u>10,270</u>	<u>-</u>
Business-type Activities:				
Electric	228,137	269,704	2,378	-
Gas	20,962	25,889	-	-
Sewer	51,629	63,351	-	-
Water	32,093	34,342	-	-
Airport	18,053	13,241	-	8,286
StarMetro	20,753	5,007	2,417	5,061
Solid Waste	21,285	24,215	-	-
Golf	864	794	-	-
Stormwater Management	15,440	18,198	30	-
Fire Services	42,475	42,777	-	-
Total business-type activities	<u>451,691</u>	<u>497,518</u>	<u>4,825</u>	<u>13,347</u>
Total primary government	<u>\$ 654,749</u>	<u>\$ 510,967</u>	<u>\$ 15,095</u>	<u>\$ 13,347</u>
Component Unit:				
Downtown Improvement Authority	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
 Total General Revenues and Transfers
 Change in Net Position
 Net Position - October 1
 Adjustment to October 1 Net Position
 Net Position - October 1 as restated
 Net Position - September 30

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

STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2017
(in thousands)

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



THIS PAGE INTENTIONALLY LEFT BLANK.

FUNDS

GOVERNMENTAL FUNDS

General	Accounts for all financial resources except those required to be accounted for in another fund. The functions paid for by the general fund include police, protective inspection, code enforcement, culture and recreation, general government, transportation, human services, economic development, and physical environment.
Community Redevelopment Agency	Accounts for the general tax revenue collected on and the expenses incurred in the redevelopment of properties in the community redevelopment area.
Other Governmental Funds	Detailed descriptions of these funds are provided on page 131.

PROPRIETARY FUNDS

Electric	Accounts for the assets, operation and maintenance of the City-owned electric generation, transmission, and distribution system.
Gas	Accounts for the assets, operation and maintenance of the City-owned gas system.
Sewer	Accounts for the assets, operation and maintenance of the City's wastewater collection and treatment system.
Water	Accounts for the assets, operation and maintenance of the City's water production and distribution system.
Airport	Accounts for the assets, operation and maintenance of the City-owned international airport.
Stormwater Management	Accounts for the operation, maintenance, and expansion of the City-owned stormwater utility system.
Other Enterprise Funds	Detailed descriptions of these funds are provided on page 137.
Internal Service Funds	Detailed description of these funds are provided on page 141.

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, 2017 (in thousands)

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 22,541	\$ -	\$ 53,307	\$ 75,848
Securities Lending Collateral	244	-	516	760
Receivables:				
Accrued Interest	50	-	111	161
Customers and Others	313	-	14	327
Notes	-	-	184	184
Special Assessments	-	-	88	88
Less: Allowance for Doubtful Accounts	(85)	-	-	(85)
Due From Other Governments	19,874	-	4,204	24,078
Inventory	439	-	-	439
Cash and Cash Equivalents - Restricted	708	7,770	2,800	11,278
Securities Lending Collateral - Restricted	-	75	27	102
Receivables - Restricted:				
Accrued Interest	-	15	5	20
Customers and Others	-	1	10	11
Notes	-	312	292	604
Due From Other Governments	-	-	1,014	1,014
Total Assets	\$ 44,084	\$ 8,173	\$ 62,572	\$ 114,829
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Obligations Under Securities Lending	\$ 244	\$ -	\$ 516	\$ 760
Accounts and Retainage Payable	5,700	-	2,378	8,078
Unearned Revenue	151	-	2	153
Accounts and Retainage Payable - Restricted	708	169	878	1,755
Obligations Under Securities Lending - Restricted	-	75	27	102
Due To Other Funds	53	-	-	53
Due To Other Governments	891	-	-	891
Advances from Other Funds	554	-	678	1,232
Unearned Revenue - Restricted	-	-	1,638	1,638
Total Liabilities	8,301	244	6,117	14,662
FUND BALANCES				
Nonspendable	1,147	312	308	1,767
Spendable:				
Restricted	-	7,617	31,870	39,487
Committed	26,492	-	23,160	49,652
Assigned	5,192	-	57	5,249
Unassigned	2,952	-	1,060	4,012
Total Fund Balances	35,783	7,929	56,455	100,167
Total Liabilities and Fund Balances	\$ 44,084	\$ 8,173	\$ 62,572	\$ 114,829

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

CITY OF TALLAHASSEE, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

September 30, 2017
(in thousands)

Total Fund Balances - Governmental Funds	\$ 100,167
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	833,206
Long-term receivables will not be collected in the current period and, therefore, are not reported in the funds.	28,831
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 service funds are included in the Statement of Net Position.	18,268
Certain amounts related to the Net Pension Liability are deferred and amortized over time and are not reported in the funds.	31,235
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the fund statements but must be deferred in the Statement of Net Position.	18,746
Long-term liabilities, including bonds payable, deferred outflows of resources, and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	<u>(233,136)</u>
Net Position - Governmental Activities	<u>\$ 797,317</u>

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

CITY OF TALLAHASSEE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Funds
for the fiscal year ended September 30, 2017
(in thousands)

	General	Community Redevelopment Agency	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 60,654	\$ 1,589	\$ -	\$ 62,243
Licenses and Permits	2,910	-	4,068	6,978
Intergovernmental Revenues	26,322	2,489	20,340	49,151
Charges for Services	8,367	129	334	8,830
Fines and Forfeitures	833	-	137	970
Net Investment Earnings	722	80	1,367	2,169
Securities Lending Income	3	-	3	6
Change in Fair Value of Investments	(351)	(32)	(46)	(429)
Miscellaneous Revenues	10,541	71	4,277	14,889
Total Revenues	<u>110,001</u>	<u>4,326</u>	<u>30,480</u>	<u>144,807</u>
Expenditures:				
General Government	27,266	-	1,345	28,611
Public Safety	61,611	-	5,197	66,808
Transportation	14,408	-	16,804	31,212
Human Services	3,741	-	746	4,487
Economic Environment	367	2,990	3,821	7,178
Physical Environment	7,952	-	1,729	9,681
Culture and Recreation	22,249	-	1,057	23,306
Securities Lending Expense:				
Interest Expense	2	-	-	2
Debt Service:				
Principal Retired	-	-	8,119	8,119
Interest and Fiscal Charges	11	-	4,215	4,226
Bond Issuance Costs	5	-	-	5
Total Expenditures	<u>137,612</u>	<u>2,990</u>	<u>43,033</u>	<u>183,635</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,611)</u>	<u>1,336</u>	<u>(12,553)</u>	<u>(38,828)</u>
Other Financing Sources (Uses):				
Transfers In	45,422	-	15,011	60,433
Transfers Out	(18,790)	-	(5,493)	(24,283)
Proceeds from Sale of Capital Assets	975	1,729	142	2,846
Total Other Financing Sources (Uses)	<u>27,607</u>	<u>1,729</u>	<u>9,660</u>	<u>38,996</u>
Net Change in Fund Balances	<u>(4)</u>	<u>3,065</u>	<u>(2,893)</u>	<u>168</u>
Fund Balances - October 1	35,787	4,864	59,348	99,999
Fund Balances - September 30	<u>\$ 35,783</u>	<u>\$ 7,929</u>	<u>\$ 56,455</u>	<u>\$ 100,167</u>

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

CITY OF TALLAHASSEE, FLORIDA

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES for the fiscal year ended September 30, 2017 (in thousands)

Net Change in Fund Balances - Total Governmental Funds	\$	168
--	----	-----

Amounts reported for governmental activities in the Statement of Activities 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.	29,023
--	--------

Internal Service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	(1,179)
--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,497
---	-------

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.	(260)
--	-------

The change in the unfunded Net OPEB Obligation which is included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.	(831)
--	-------

Pension related items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	<u>(8,743)</u>
---	----------------

Change in Net Position of Governmental Activities	\$	<u>24,675</u>
---	----	---------------

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

CITY OF TALLAHASSEE, FLORIDA

STATEMENT OF NET POSITION

Proprietary Funds

September 30, 2017

(in thousands)

	Enterprise Funds							Total Enterprise Funds	Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Enterprise Funds	Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Current Assets									
Cash and Cash Equivalents	\$ 72,884	\$ 2,892	\$ 1,272	\$ 2,198	\$ 1,914	\$ 44,945	\$ 12,430	\$ 138,535	\$ 83,054
Securities Lending Collateral	813	27	12	21	18	426	96	1,413	797
Receivables:									
Accrued Interest	168	6	3	4	6	88	22	297	164
Notes	7,016	-	845	-	-	-	-	7,861	-
Customers and Others	23,450	1,467	3,932	2,127	1,185	1,121	4,791	38,073	358
Due From Other Governments	-	-	224	-	-	2	1,270	1,496	319
Less: Allowance for Doubtful Accounts	(1,680)	(83)	(341)	(180)	(376)	(115)	(365)	(3,140)	-
Prepaid Expenses	-	-	-	-	-	-	-	-	1,910
Due From Other Funds	34,090	-	-	-	-	-	-	34,090	63
Inventory	42,227	205	1,197	74	-	-	669	44,372	961
Cash and Cash Equivalents - Restricted	116,891	5,030	56,947	18,459	14,665	-	-	211,992	-
Securities Lending Collateral - Restricted	1,005	49	546	177	141	-	13	1,931	-
Accrued Interest	208	10	112	36	27	-	-	393	-
Due From Other Governments	-	-	-	-	674	-	-	674	-
Total Current Assets	297,072	9,603	64,749	22,916	18,254	46,467	18,926	477,987	87,626
Noncurrent Assets									
Advances To Other Funds	500	-	-	-	-	178	-	678	1,534
Deposits	-	-	-	-	-	-	254	254	3,988
Capital Assets:									
Land and Construction in Progress	127,631	1,767	39,407	10,908	15,195	100,287	7,428	302,623	3,223
Other, Net of Accumulated Depreciation	593,307	56,520	416,937	139,155	103,564	71,670	43,916	1,425,069	50,705
Total Noncurrent Assets	721,438	58,287	456,344	150,063	118,759	172,135	51,598	1,728,624	59,450
Total Assets	1,018,510	67,890	521,093	172,979	137,013	218,602	70,524	2,206,611	147,076
Deferred Outflows of Resources									
Pension Related Deferred Outflows	9,984	733	4,856	2,441	1,997	2,078	4,097	26,186	-
Total Assets and Deferred Outflows of Resources	\$ 1,028,494	\$ 68,623	\$ 525,949	\$ 175,420	\$ 139,010	\$ 220,680	\$ 74,621	\$ 2,232,797	\$ 147,076

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET POSITION
Proprietary Funds
September 30, 2017
(in thousands)

	Enterprise Funds							Total Enterprise Funds	Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Enterprise Funds	Service Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Current Liabilities									
Accounts and Retainage Payable	\$ 24,231	\$ 2,892	\$ 1,933	\$ 888	\$ 1,212	\$ 3,818	\$ 3,708	\$ 38,682	\$ 11,636
Due To Other Funds	-	-	-	-	-	-	10	10	34,090
Compensated Absences	2,194	162	1,025	589	348	469	3,038	7,825	2,508
Obligations Under Securities Lending	813	27	12	21	18	426	96	1,413	797
Customer Contracts Payable	-	-	259	123	-	-	-	382	-
Unearned Revenue	-	-	-	-	-	-	54	54	83
Utility Deposits Payable	19,455	507	-	1,562	-	-	-	21,524	-
Obligations Under Securities Lending - Restricted	1,005	49	546	177	141	-	13	1,931	-
Accounts and Retainage Payable - Restricted	498	25	482	338	573	-	-	1,916	-
Unearned Revenue - Restricted	-	-	-	-	291	-	-	291	-
Loans Payable	1,558	227	31	1,298	34	-	-	3,148	-
Bonds Payable	14,908	1,353	6,712	1,358	-	-	-	24,331	-
Capital Lease Payable	-	-	-	-	-	-	-	-	462
Total Current Liabilities	<u>64,662</u>	<u>5,242</u>	<u>11,000</u>	<u>6,354</u>	<u>2,617</u>	<u>4,713</u>	<u>6,919</u>	<u>101,507</u>	<u>49,576</u>
Noncurrent Liabilities									
Loans Payable	9,175	1,318	162	7,603	367	-	-	18,625	-
Claims Payable	-	-	-	-	-	-	-	-	14,199
Customer Contracts Payable	-	-	870	540	-	-	-	1,410	-
Advances from Other Funds	7,200	1,154	-	-	-	-	11,856	20,210	-
Compensated Absences	1,412	141	265	225	206	129	591	2,969	1,007
Net Pension Liability	5,406	395	2,637	1,245	1,045	1,119	2,256	14,103	-
Bonds Payable	513,547	6,955	265,619	68,005	-	-	-	854,126	-
Total Noncurrent Liabilities	<u>536,740</u>	<u>9,963</u>	<u>269,553</u>	<u>77,618</u>	<u>1,618</u>	<u>1,248</u>	<u>14,703</u>	<u>911,443</u>	<u>15,206</u>
Total Liabilities	<u>601,402</u>	<u>15,205</u>	<u>280,553</u>	<u>83,972</u>	<u>4,235</u>	<u>5,961</u>	<u>21,622</u>	<u>1,012,950</u>	<u>64,782</u>
Deferred Inflows of Resources									
Pension Related Deferred Inflows	4,032	298	1,956	1,062	841	846	1,619	10,654	-
Total Liabilities and Deferred Inflows of Resources	<u>605,434</u>	<u>15,503</u>	<u>282,509</u>	<u>85,034</u>	<u>5,076</u>	<u>6,807</u>	<u>23,241</u>	<u>1,023,604</u>	<u>64,782</u>
NET POSITION									
Net Investment in Capital Assets	145,584	47,272	197,375	84,811	118,358	171,957	51,344	816,701	53,466
Restricted for Debt Service	2,974	1,032	13,118	1,825	-	-	-	18,949	-
Restricted for Renewal, Replacement and Improvements	141,766	5,144	19,895	2,444	14,012	-	-	183,261	-
Unrestricted	132,736	(328)	13,052	1,306	1,564	41,916	36	190,282	28,828
Total Net Position	<u>423,060</u>	<u>53,120</u>	<u>243,440</u>	<u>90,386</u>	<u>133,934</u>	<u>213,873</u>	<u>51,380</u>	<u>1,209,193</u>	<u>82,294</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 1,028,494</u>	<u>\$ 68,623</u>	<u>\$ 525,949</u>	<u>\$ 175,420</u>	<u>\$ 139,010</u>	<u>\$ 220,680</u>	<u>\$ 74,621</u>		<u>\$ 147,076</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds								54,428	
Net Position of Business-type Activities								<u>\$ 1,263,621</u>	

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 NET POSITION

Proprietary Funds

For the fiscal year ended September 30, 2017

(in thousands)

	Enterprise Funds								Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues:									
Charges for Services:									
Residential Sales	\$ 115,205	\$ 9,982	\$ 30,123	\$ 15,442	\$ -	\$ 7,882	\$ 33,508	\$ 212,142	\$ -
Commercial and Industrial Sales	126,878	14,891	21,492	9,843	-	9,129	27,945	210,178	-
Public Street and Highway Lighting	4,088	-	-	-	-	-	-	4,088	-
Sales for Resale	3,710	-	-	-	-	-	-	3,710	-
Surcharge	2,342	268	1,085	1,744	-	-	-	5,439	-
Tapping Fees	-	11	185	579	-	-	-	775	-
Landing Fees	-	-	-	-	1,340	-	-	1,340	-
Late Fees	679	78	-	84	-	-	-	841	-
Initiating Service	884	129	-	479	-	-	-	1,492	-
Rentals	1,490	-	-	537	7,895	-	-	9,922	-
Cut-ins and Cut Fees	1,451	24	-	92	-	-	-	1,567	-
County Government	-	-	-	-	-	-	3,128	3,128	-
Recyclable Sales	-	-	-	-	-	-	362	362	-
Recreation Fees	-	-	-	-	-	-	794	794	-
Transportation Fees	-	-	-	-	-	-	4,904	4,904	-
Other Charges	12,510	426	2,235	3,539	1,748	1,360	2,341	24,159	185,631
Total Operating Revenues	269,237	25,809	55,120	32,339	10,983	18,371	72,982	484,841	185,631
Operating Expenses:									
Personnel Services	31,208	2,335	14,295	7,947	4,913	6,003	43,957	110,658	37,086
Fossil Fuel	80,210	10,447	-	-	-	-	-	90,657	-
Power Purchased	8,310	-	-	-	-	-	-	8,310	-
Contractual Services	37,627	4,012	14,188	12,171	4,777	6,334	32,537	111,646	123,809
Materials and Supplies	8,462	286	2,696	1,091	133	481	2,591	15,740	5,211
Other	5,161	1,629	3,022	4,143	82	367	2,891	17,295	10,201
Depreciation	40,979	1,995	17,086	5,189	7,241	1,775	3,815	78,080	9,613
Total Operating Expenses	211,957	20,704	51,287	30,541	17,146	14,960	85,791	432,386	185,920
Operating Income (Loss)	\$ 57,280	\$ 5,105	\$ 3,833	\$ 1,798	\$ (6,163)	\$ 3,411	\$ (12,809)	\$ 52,455	\$ (289)

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 NET POSITION

Proprietary Funds

For the fiscal year ended September 30, 2017

(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	\$ 2,709	\$ 149	\$ 591	\$ 55	\$ 185	\$ 548	\$ 146	\$ 4,383	\$ 991
Change in Fair Value of Investments	(1,978)	(130)	(336)	(58)	(34)	(8)	(20)	(2,564)	(573)
Securities Lending:									
Securities Lending Income	9	-	3	-	-	3	-	15	3
Interest Expense	(5)	-	(2)	-	-	(2)	-	(9)	(2)
Agent Fees	(1)	-	-	-	-	-	-	(1)	-
Intergovernmental Revenues	2,378	-	14	-	-	-	2,418	4,810	-
Other Revenues	466	155	11,198	2,537	973	30	1,958	17,317	2,879
Interest Expense	(16,680)	(448)	(2,033)	(2,069)	-	-	(495)	(21,725)	(17)
Gain (Loss) on Sale of Assets	-	-	-	-	(252)	-	-	(252)	-
Other Expenses	(1,131)	(32)	(22)	(2)	(465)	(808)	(532)	(2,992)	(60)
Total Non-Operating Revenues (Expenses)	(14,233)	(306)	9,413	463	407	(237)	3,475	(1,018)	3,221
Income (Loss) Before Capital Contributions and Operating Transfers	43,047	4,799	13,246	2,261	(5,756)	3,174	(9,334)	51,437	2,932
Capital Contributions and Transfers:									
Capital Contributions	-	-	-	-	8,286	-	5,061	13,347	-
Transfers In	1,089	376	490	861	-	109	8,535	11,460	1,318
Transfers Out	(29,432)	(2,838)	(4,738)	(3,470)	-	(458)	(2,336)	(43,272)	(5,656)
Total Capital Contributions and Transfers	(28,343)	(2,462)	(4,248)	(2,609)	8,286	(349)	11,260	(18,465)	(4,338)
Change in Net Position	14,704	2,337	8,998	(348)	2,530	2,825	1,926	32,972	(1,406)
Net Position - October 1	408,356	50,783	235,646	90,734	131,404	209,746	51,389		85,366
Adjustments to October 1 Net Position	-	-	(1,204)	-	-	1,302	(1,935)		(1,666)
Net Position - October 1, as restated	408,356	50,783	234,442	90,734	131,404	211,048	49,454		83,700
Net Position - September 30	\$ 423,060	\$ 53,120	\$ 243,440	\$ 90,386	\$ 133,934	\$ 213,873	\$ 51,380		\$ 82,294
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds								33	
Change in net position of Business-type Activities								\$ 33,005	

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 fiscal year ended September 30, 2017 (in thousands)

	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities									
Cash Received from Customers	\$ 268,922	\$ 25,586	\$ 54,844	\$ 32,051	\$ 10,728	\$ 18,317	\$ 75,414	\$ 485,862	\$ -
Cash Received for Interfund Services	-	-	-	-	-	-	-	-	185,454
Cash Received from Other Revenues	466	155	6,028	552	871	30	1,957	10,059	166
Cash Paid to Suppliers for Goods and Services	(122,096)	(14,020)	(12,794)	(8,035)	(3,775)	(290)	(20,482)	(181,492)	(137,623)
Cash Paid to Employees for Services	(31,273)	(2,346)	(14,448)	(7,910)	(4,998)	(6,046)	(44,555)	(111,576)	(36,823)
Cash Paid to Other Funds	(21,082)	(2,607)	(7,515)	(9,055)	(1,645)	(4,854)	(17,682)	(64,440)	-
Cash Paid for Other Expenses	(1,131)	(32)	(22)	-	-	(808)	-	(1,993)	-
Net Cash Provided by (Used for) Operating Activities	93,806	6,736	26,093	7,603	1,181	6,349	(5,348)	136,420	11,174
Cash Flows from Noncapital Financing Activities									
Transfers In from Other Funds	1,089	376	490	861	-	109	8,535	11,460	1,623
Operating Grants Received	2,378	-	-	-	113	-	2,418	4,909	-
Other	-	-	-	-	-	-	-	-	2,707
Repayment of Advances	(397)	(1,114)	-	-	-	-	-	(1,511)	-
Transfers Out to Other Funds	(29,432)	(2,838)	(4,738)	(3,470)	-	(458)	(2,336)	(43,272)	(6,022)
Net Cash Provided by (Used for) Noncapital Financing Activities	(26,362)	(3,576)	(4,248)	(2,609)	113	(349)	8,617	(28,414)	(1,692)
Cash Flows from Capital and Related Financing Activities									
Capital Contributions	-	-	-	-	8,558	-	5,061	13,619	-
Systems Charges	-	-	5,170	1,121	-	-	-	6,291	-
Bond and Loan Proceeds	174,143	585	-	-	-	-	-	174,728	-
Acquisition, Construction and Sale of Capital Assets	(58,422)	(1,763)	(9,517)	(5,838)	(7,544)	(11,472)	(7,724)	(102,280)	(11,548)
Intergovernmental Revenues	-	-	14	-	-	-	-	14	-
Principal and Refunding Payments	(189,871)	(6,727)	(6,421)	(2,533)	-	-	-	(205,552)	-
Repayment of Loans from Other Funds	-	-	-	-	-	-	(730)	(730)	-
Interest Paid	(25,946)	(631)	(13,436)	(3,532)	-	-	(495)	(44,040)	(19)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(100,096)	(8,536)	(24,190)	(10,782)	1,014	(11,472)	(3,888)	(157,950)	(11,567)
Cash Flows from Investing Activities									
Interest Received on Investments	3,015	158	866	65	179	557	152	4,992	997
Increase (Decrease) in the Fair Value of Investments	(1,978)	(130)	(336)	(58)	(34)	(8)	(20)	(2,564)	(573)
Net Cash Provided by (Used for) Investing Activities	\$ 1,037	\$ 28	\$ 530	\$ 7	\$ 145	\$ 549	\$ 132	\$ 2,428	\$ 424

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 fiscal year ended September 30, 2017 (in thousands)

	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Net Increase (Decrease) in Cash and Cash Equivalents	(31,615)	(5,348)	(1,815)	(5,781)	2,453	(4,923)	(487)	(47,516)	(1,661)
Cash and Cash Equivalents - October 1	221,390	13,270	60,034	26,438	14,126	49,868	12,917	398,043	84,715
Cash and Cash Equivalents - September 30	<u>\$ 189,775</u>	<u>\$ 7,922</u>	<u>\$ 58,219</u>	<u>\$ 20,657</u>	<u>\$ 16,579</u>	<u>\$ 44,945</u>	<u>\$ 12,430</u>	<u>\$ 350,527</u>	<u>\$ 83,054</u>
Classified As:									
Unrestricted Assets	\$ 72,884	\$ 2,892	\$ 1,272	\$ 2,198	\$ 1,914	\$ 44,945	\$ 12,430	\$ 138,535	\$ 83,054
Restricted Assets	116,891	5,030	56,947	18,459	14,665	-	-	211,992	-
	<u>\$ 189,775</u>	<u>\$ 7,922</u>	<u>\$ 58,219</u>	<u>\$ 20,657</u>	<u>\$ 16,579</u>	<u>\$ 44,945</u>	<u>\$ 12,430</u>	<u>\$ 350,527</u>	<u>\$ 83,054</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:									
Operating Income (Loss)	\$ 57,280	\$ 5,105	\$ 3,833	\$ 1,798	\$ (6,163)	\$ 3,411	\$ (12,809)	\$ 52,455	\$ (289)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:									
Depreciation	40,979	1,995	17,086	5,189	7,241	1,775	3,815	78,080	9,613
Pension adjustment for GASB 68	(359)	(27)	(177)	(95)	(75)	(75)	(146)	(954)	-
Provision for Uncollectible Accounts	139	12	17	(80)	1	(17)	(25)	47	-
Other	(665)	123	6,006	552	758	(778)	1,957	7,953	112
(Increase) Decrease in Accounts Receivable	(1,836)	(241)	(470)	(237)	(144)	(37)	(487)	(3,452)	(236)
(Increase) Decrease in Inventory	243	(6)	(23)	2	-	-	(77)	139	290
(Increase) Decrease in Deposits	-	-	-	-	1	-	50	51	2,500
Decrease in Notes Receivables	609	-	(101)	-	-	-	-	508	-
(Increase) Decrease in Due From Other Governments	-	-	276	-	-	-	3,070	3,346	112
Increase (Decrease) in Accounts Payable	(3,649)	(247)	(363)	289	(421)	2,038	(119)	(2,472)	(879)
Increase (Decrease) in Utility Deposits Payable	771	6	-	31	-	-	-	808	-
Increase (Decrease) in Deferred Revenue	-	-	-	-	-	-	(125)	(125)	-
Increase (Decrease) in Customer Contracts Payable	-	-	(15)	22	-	-	-	7	-
Increase (Decrease) in Compensated Absences	294	16	24	132	(17)	32	(452)	29	262
Increase in Insurance Deposits	-	-	-	-	-	-	-	-	(311)
Total Adjustments	<u>36,526</u>	<u>1,631</u>	<u>22,260</u>	<u>5,805</u>	<u>7,344</u>	<u>2,938</u>	<u>7,461</u>	<u>83,965</u>	<u>11,463</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 93,806</u>	<u>\$ 6,736</u>	<u>\$ 26,093</u>	<u>\$ 7,603</u>	<u>\$ 1,181</u>	<u>\$ 6,349</u>	<u>\$ (5,348)</u>	<u>\$ 136,420</u>	<u>\$ 11,174</u>

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

CITY OF TALLAHASSEE, FLORIDA

STATEMENT OF NET POSITION

Fiduciary Funds
September 30, 2017
(in thousands)

	Pension Trust Fund	OPEB Trust Fund	Nuclear Decommissioning Private-Purpose Trust Fund
ASSETS			
Cash and Cash Equivalents	\$ 22,989	\$ -	\$ -
Receivables			
Other Receivables	996	-	-
Accrued Interest	238	-	-
Due From Other Governments	80	-	-
Total Receivables	<u>1,314</u>	<u>-</u>	<u>-</u>
Investments, at Fair Value			
Mutual Index Funds	132,741	-	-
Fixed Income Securities	313,753	-	-
Domestic Stock	695,986	8,156	-
International Stock	248,503	-	-
Short-term Investments	-	-	6,951
Alternative Investments	309,756	-	-
Total Investments	<u>1,700,739</u>	<u>8,156</u>	<u>6,951</u>
Securities Lending Collateral	141,406	-	-
Total Assets	<u>\$ 1,866,448</u>	<u>\$ 8,156</u>	<u>\$ 6,951</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Obligations Under Securities Lending	\$ 141,406	\$ -	\$ -
Other Payables	-	583	-
Total Liabilities	<u>141,406</u>	<u>583</u>	<u>-</u>
NET POSITION			
Net Position Restricted for Pensions	<u>1,725,042</u>	<u>7,573</u>	<u>6,951</u>
Total Liabilities and Net Position	<u>\$ 1,866,448</u>	<u>\$ 8,156</u>	<u>\$ 6,951</u>

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

CITY OF TALLAHASSEE, FLORIDA

STATEMENT OF CHANGES IN NET POSITION Fiduciary Funds For the fiscal year ended September 30, 2017 (in thousands)

	Pension Trust Fund	OPEB Trust Fund	Nuclear Decommissioning Private-Purpose Trust Fund
ADDITIONS			
Contributions:			
Employer	\$ 27,680	\$ 2,014	\$ -
Plan Members	11,913	-	-
Miscellaneous Contributions	531	-	-
Total Contributions	<u>40,124</u>	<u>2,014</u>	<u>-</u>
Investment Income			
From Investment Activities:			
Gain/Loss on Sale of Investments	53,608	-	-
Change in Fair Value of Investments	134,935	1,283	-
Interest Income	7,856	-	74
Dividends	17,343	-	-
Total Investment Income	<u>213,742</u>	<u>1,283</u>	<u>74</u>
Less Investment Expenses:			
Investment Management Fees	7,163	4	-
Interest Expense	114	6	-
Net Income from Investing Activities	<u>206,465</u>	<u>1,273</u>	<u>74</u>
From Securities Lending Activities:			
Securities Lending Income	1,988	-	-
Less Securities Lending Expenses:			
Investment Management Fees	1,177	-	-
Net Income from Securities Lending Activities	<u>811</u>	<u>-</u>	<u>-</u>
Total Net Investment Income	<u>207,276</u>	<u>1,273</u>	<u>74</u>
Total Additions	<u>247,400</u>	<u>3,287</u>	<u>74</u>
DEDUCTIONS			
Benefits	88,952	2,170	-
Refunds of Contributions	326	-	-
Administrative Expense	1,811	-	-
Total Deductions	<u>91,089</u>	<u>2,170</u>	<u>-</u>
Change in Net Position	156,311	1,117	74
Net Position - October 1	1,568,731	6,456	6,877
Net Position - September 30	<u>\$ 1,725,042</u>	<u>\$ 7,573</u>	<u>\$ 6,951</u>

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



THIS PAGE INTENTIONALLY LEFT BLANK.

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, 2017

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 103 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 Florida 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/she 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 an international 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.

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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

1. BLENDED 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, management of the City has operational responsibility for this component unit. Thus the CRA is blended in the City's financial statements in accordance with GASB 14, as amended by GASB 61. 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. In FY 2017, the City Commission approved the expansion of the GFSCRA District boundaries by 26 parcels on the east side of South Monroe Street from Van Buren Street to Perkins Street, adding an additional 23.5 acres to the District.
- 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.

2. 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.

3. 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, 2017, 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, participates in the Commission's programs as a non-member participant. Other Florida local governments may in the future become members or non-member participants including units of government such as special districts or other qualifying public agencies. Each member government appoints a representative to the Commission. These representatives elect a five-member board of directors to administer the loan program.

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

3. JOINT VENTURES EXCLUDED FROM THE REPORTING ENTITY

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 at website: www.ssgfc.com.

- Capital Region Transportation Planning Agency

In December 2004, the Capital Region Transportation Planning Agency (CRTPA) was created through an inter-local agreement between the Florida Department of Transportation; the Counties of Leon, Gadsden, Jefferson and Wakulla; the Cities of Chattahoochee, Gretna, Midway, Monticello, Quincy, St. Marks, Sopchoppy and Tallahassee; the Towns of Greensboro, Havana and the Leon County School Board as authorized by Section 163.01 Florida Statutes. It was established in order for the members to participate cooperatively in the development of transportation related plans and programs. The governing board consists of voting representatives from the Counties of Leon, Gadsden, Jefferson and Wakulla; the Cities of Midway, Quincy, Tallahassee, Chattahoochee and Gretna; the Towns of Greensboro and Havana, the Leon County School Board, and three nonvoting representatives from the Florida Department of Transportation, the Federal Highway Administration, and StarMetro.

The CRTPA receives federal and state transportation funds for the performance of its transportation planning and programming activities. If operating expenses exceed the external funding obtained, the deficit is funded by the members of the CRTPA in proportion to their weighted votes. As a participating member of CRTPA, the City therefore has a limited share of financial responsibility for any such deficits.

Current audited financial statements may be obtained from the Capital Region Transportation Planning Agency, 300 S. Adams Street, Box A-19, Tallahassee, Florida 32301.

- Consolidated Dispatch Agency

In December 2006, the Consolidated Dispatch Agency (CDA) was created through an inter-local agreement between the City of Tallahassee (City) and Leon County, Florida (County), and the Leon County Sheriff (Sheriff). The purpose of the CDA is to provide law enforcement and emergency dispatch services to the City and Leon County, Florida. On April 1, 2014, the commencement date, all existing dispatch operations personnel of the City, Sheriff, and the County became part of the CDA. The City of Tallahassee City Manager, the Leon County Administrator and the Leon County Sheriff constitute the CDA's Board of Directors.

The CDA is primarily funded by the City of Tallahassee and the Leon County Sheriff based upon the per capita population within the incorporated limits of the City of Tallahassee and within the unincorporated area of Leon County. For the twelve month period ended September 30, 2017, the City's contribution to the CDA was \$5,126,396.

Current audited financial statements may be obtained from the Consolidated Dispatch Agency, 300 S. Adams Street, Box A-19, Tallahassee, Florida 32301.

4. JOINTLY GOVERNED ORGANIZATION

- City of Tallahassee-Leon County Blueprint Intergovernmental Agency

In October 2000, the City entered into an inter-local agreement with Leon County as authorized by Section 163.01(7) Florida Statutes. This agreement created the Blueprint Intergovernmental Agency (Blueprint) to govern the project management for the project planning and construction of a list of projects known as the

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

4. JOINTLY GOVERNED ORGANIZATION

Blueprint projects. The Board of County Commissioners and the City Commission constitute the Blueprint 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, 2039. In response to the passage of the extension, Blueprint also opened the Office of Economic Vitality whose purpose is to invest in and cultivate the evolving economic development landscape.

Periodically, Blueprint provides construction management services to the City. For these services, Blueprint and the City enter into Joint Participation Agreements (JPAs) whereby the City agrees to pay an administrative fee to Blueprint. No fees were paid by the City to Blueprint in fiscal year 2017.

Current audited financial statements may be obtained from Blueprint Intergovernmental Agency, 315 S. Calhoun St., Suite 450, Tallahassee, Florida 32301.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. With the exception of interfund services provided and used, the effect of interfund activity has been eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

The government-wide financial statements, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 taxes 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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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 international airport.
- The Stormwater Management 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, purchasing, fleet management, human resources, employee retirement plan's administrative operation, risk management operation, internal loan program, utility services functions, environmental policy initiatives, and community relations.
- The Nuclear Decommissioning 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 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the general employees, police officers and fire fighters pension plans, and additions to/deductions from the respective plan's fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- The OPEB Trust Fund accounts for the accumulation of resources to be used for benefit payments for retirees health care costs.

The private sector standards of accounting and financial reporting are generally 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.

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 POSITION

1. CASH AND CASH EQUIVALENTS

The City considers cash on hand, demand deposits, liquid investments with an original maturity of 90 days or less, and balances included within its cash and investments pool to be cash and cash equivalents. The City's cash and investments pool is an internal cash management pool used to obtain efficiencies of operation and improved financial performance, and includes certain non-pension cash, cash equivalent, and investment securities. Each fund maintains a share in the equity of the pool which is reported as cash and cash equivalents in the statements of net position since cash may be withdrawn from the pool at any time without penalty. Liquid investments classified as cash and cash equivalents 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 the Florida League of Cities 0-2 Year Pool funds. Interest earned by the cash and investments pool is distributed to each fund monthly based on daily balances.

The City's bank balances are insured by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Depository Act (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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. ASSETS, LIABILITIES, AND NET POSITION

2. INVESTMENTS

The City's investments are pension and other trust fund assets held in the fiduciary funds. Investments are carried at fair value, except for those investments for which net asset value or amortized cost is the most appropriate measurement.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Only equities (stock holdings) held by the City's pension trust fund are classified as Level 1 investments. Investments classified in Level 2 of the fair value hierarchy are based upon observable, market-based inputs for similar, but not identical, investments. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 of the fair value hierarchy are based upon extrapolated data, proprietary pricing models and indicative quotes for similar securities. The City has relatively few investments that are classified as Level 3 for securities that are not traded frequently. The City has a number of investments that have their fair value determined by the net asset value of the investment holding. Investments in this category are not classified according to Levels 1, 2 and 3 of the fair value hierarchy.

3. INVENTORY

The City maintains a variety of inventory types, such as fuel, materials 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(non-spendable), 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 Position because their use is limited by applicable bond covenants. Assets are set aside for the following uses:

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. ASSETS, LIABILITIES, AND NET POSITION

6. CAPITAL ASSETS

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

Other capital assets are recorded at historical cost when purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition cost. 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:

ASSETS	YEARS
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:

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. ASSETS, LIABILITIES, AND NET POSITION

7. COMPENSATED ABSENCES

EXECUTIVE		SENIOR MANAGEMENT		GENERAL	
Creditable Service Hours	Leave earned per hour	Creditable Service Hours	Leave earned per hour	Creditable Service Hours	Leave earned per hour
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	20,801 - 41,600	0.092308	over 41,600	0.092308
		over 41,600	0.103847		

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

Sick leave is earned at the rate of .023077 hours for each hour of service with no maximum limit on the number of hours which may be accumulated. A non-unionized employee who terminates from the City for any reason other than termination for cause will be paid one-half of the total amount of sick leave (without regard to catastrophic illness leave) accumulated by the employee 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 the employee 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:

POLICE BARGAINING UNIT		FIRE BARGAINING UNIT			
		SUPPRESSION PERSONNEL		FORTY-HOUR PERSONNEL	
Creditable Service Hours	Leave Earned Per Hour	Years of Continuous Service	Hours Accrued Monthly	Years of Continuous Service	Hours Accrued Monthly
0-10,400	0.046154	1-5 years	13.25	1-5 years	10
10,401-20,800	0.057693	6-10 years	15.90	6-10 years	12
20,801-41,600	0.069231	11-15 years	18.55	11-15 years	14
over 41,600	0.080770	16-20 years	21.20	16-20 years	16
		over 20 years	23.85	over 20 years	18

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. ASSETS, LIABILITIES, AND NET POSITION

7. COMPENSATED ABSENCES

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

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

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

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

For 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 the employee at the time of retirement or death, provided that the unused sick leave balance credited to the employee 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 398 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 the employee at the time of retirement or death, 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 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 their firefighter duties, or who receives accidental bodily injury which subsequently results in the loss of their 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 them 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 PREMIUMS, DISCOUNTS AND REFUNDING GAINS AND LOSSES

In the government-wide financial statements and in the proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premium and discounts 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 expensed in the year they are incurred in accordance with GASB Statement No. 65. 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. As a result of adopting GASB Statement No. 65, a

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. ASSETS, LIABILITIES, AND NET POSITION

8. BOND PREMIUMS, DISCOUNTS AND REFUNDING GAINS AND LOSSES

deferred loss on bond refunding is reported as a Deferred Outflow of Resources on the government-wide Statement of Net Position and it is being amortized over the life of the bond. 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 and premiums on debt issuances are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. INDIRECT COST ALLOCATION

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

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 Position 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 deferred outflows 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, 2017

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 POSITION

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, deferred outflows of resources, and net pension liability are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$233,136 difference are as follows (in thousands):

Bonds and Loans Payable including Premiums and Discounts	\$ (96,759)
Effect of Deferred Loss on Refunding	2,983
Compensated Absences	(8,689)
Net OPEB Obligation	(5,388)
Net Pension Liability	(125,415)
Cash Balances in Long Term Debt Fund	<u>132</u>
Net adjustments to reduce long-term liabilities of Total Governmental Funds to arrive at Net Position	<u>\$ (233,136)</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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states, “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 and reported as depreciation expense.” The details of this \$29,023 difference are as follows (in thousands):

Capital Outlay	\$ 60,815
Depreciation Expense	<u>(31,792)</u>
Net adjustment to increase net change in Fund Balances Total Governmental Funds to arrive at Changes in Net Position Governmental Activities	<u>\$ 29,023</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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.

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

At fiscal year end, the Human Resources fund had a deficit of \$290,000, the Environmental Policy fund had a deficit of \$81,000, and the Community Relations fund had a deficit of \$3,000. All three funds are internal service funds.

D. PRIOR PERIOD ADJUSTMENTS

Net Position at October 1, 2016 has been restated to reflect the following adjustments:

- A review of the City's capital projects resulted in an adjustment to Construction in Progress. This resulted in the net position of the Stormwater fund (a major enterprise fund) increasing by \$1,302,000 and the net position of the Stormetro fund (a non-major enterprise fund) decreasing by \$1,935,000.
- Prior period depreciation was misstated related to certain fixed assets which were not capitalized when placed in service. This resulted in the net position of the Sewer fund (a major enterprise fund) decreasing by \$1,204,000.
- An inventory balance in the Garage fund (an Internal Service Fund) was overstated and this resulted in net position decreasing by \$1,186,000.
- In the Risk Management fund (an Internal Service Fund), there was an overstatement of prior year revenue of \$680,000 which resulted in a decrease to net position. Additionally, there was an overstatement of a liability which resulted in an increase to net position of \$200,000.

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City reports the following cash, cash equivalents and investments in the statements of net position at September 30, 2017 (in thousands):

	Primary Government	Component Unit	Fiduciary Funds
Cash and cash equivalents	\$ 296,720	\$ 112	\$ 22,989
Cash and cash equivalents – restricted	224,117	-	-
Investments	-	-	1,715,846
Total	<u>\$ 520,837</u>	<u>\$ 112</u>	<u>\$ 1,738,835</u>

As discussed in Note I.D. the City's cash and cash equivalents include cash, cash equivalents, and funds held in a cash and investments pool. The City's investments are monies held by the City's pension funds.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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. 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 has two approved investment policies: 1) the Non-Pension Investment Policy, which is approved by the City Commission and governs the investment of all non-pension monies of the City, including the previously referenced cash and investments pool, and 2) the Pension Investment Policy, which is approved by the Sinking Fund Commission and governs the investment of assets of the City's 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 Fund monies. The Non-Pension Investment Policy specifies the investments that are authorized for purchase within the Core Portfolio. The Non-Pension Investment Policy further provides for the establishment of 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. In addition to authorizing investment instruments, the City's investment 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.

1. CASH AND CASH EQUIVALENTS

The following table presents the City's primary government cash and cash equivalent balances at September 30, 2017 carried at fair value by level within the valuation hierarchy, financial assets carried at net asset value or amortized cost, and other cash and cash equivalent balances. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position (in thousands).

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash equivalents type by fair value level				
Debt securities	\$ 455,375	\$ -	\$ 450,499	\$ 4,876
Total cash equivalents at fair value	455,375	-	450,499	4,876
Cash equivalents recorded at net asset value				
FL League of Cities 0-2 Year Pool	10,129			
Other cash and cash equivalent balances	55,333			
Total cash and cash equivalents	\$ 520,837			

At year-end, the book balance of the City's deposits was \$(3,094,000) and the bank balance was \$3,897,000, which is included in total cash and cash equivalent balance. The difference between the book balance and bank balance is due to outstanding checks and deposits. Two City funds had deficit cash balances at year end totaling \$1,390,000 which is reported in accounts payable at September 30, 2017.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

The City's Core Portfolio includes investments administered internally by the City, funds invested in an external investment pool, and an external portfolio administered by Galliard Asset Management (Galliard). The external investment pool is the Florida Municipal Investment Trust Portfolio 0-2 Year High Quality Bond Fund (the "Florida League of Cities 0-2 Year Pool"), administered by the Florida League of Cities. A copy of the Florida Municipal Investment Trust audited financial statements can be obtained from the Florida Municipal Investment Trust, 301 South Bronough Street, Suite 300, Tallahassee, FL 32301.

The Florida League of Cities 0-2 Year Pool is measured at net asset value (NAV). At September 30, 2017, the City owns \$10,129,000 in shares of the Florida League of Cities 0-2 Year Pool, not the individual securities within the portfolio. The modified duration of the Florida League of Cities 0-2 Year Pool as of September 30, 2017, was 0.70 years. The Florida League of Cities 0-2 Year Bond Fund (Florida League of City's Fund) allows the City to withdraw any or all of its assets on the 15th and last day of each month, provided the City gives the Florida League of City's Fund advance notice of at least 10 business days of the withdrawal.

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 not 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, 2017. 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.

As of September 30, 2017, the City had the following non-pension investments subject to credit risk in the internal and Galliard portion of the portfolio, in addition to the previously discussed shares in the Florida League of Cities 0-2 Year Pool:

Quality Breakdown	Portfolio Percentage
U.S. Treasury	15.70 %
U.S. Agency	31.88
AAA	8.70
AA	17.78
A	19.76
BBB	5.01
Other	1.17
Total	100.00 %

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 maximum duration of the various investments within the internally managed portion of the non-pension portfolio ranges from 60 days to 3.5 years. The maximum duration for externally managed investments ranges from 3.0 years to 6.0 years. The option adjusted duration of the non-pension portfolio as of September 30, 2017 was 2.38 years.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

As of September 30, 2017, the Core Portfolio had the following investments on a time-segmented basis (in thousands):

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10+ Years
U.S. Treasury	\$ 79,098	\$ 5,617	\$ 73,057	\$ 424	\$ -
U.S. Agency	153,601	1,299	22,214	28,332	101,756
Asset-backed	38,008	-	24,577	500	12,931
Corporate Bonds	166,655	31,231	113,380	20,896	1,148
Municipal	61,754	14,874	43,607	1,559	1,714
Other	4,756	-	-	-	4,756
Subtotal	503,872	\$ 53,021	\$ 276,835	\$ 51,711	\$ 122,305
Commingled	9,930				
Total	<u>\$ 513,802</u>				

2. INVESTMENTS

The following table presents investments held in the City's fiduciary funds at September 30, 2017 carried at fair value by level within the valuation hierarchy and investments carried at net asset value or amortized cost (in thousands).

Investment type by fair value level	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Debt securities	\$ 116,813	\$ -	\$ 116,813	\$ -
Equity securities	952,645	951,785	-	860
REIT securities	50,598	50,598	-	-
Total investments at fair value	1,120,056	\$ 1,002,383	\$ 116,813	\$ 860
Investments measured at net asset value				
Mutual funds	132,741			
Debt securities	196,940			
Real estate funds	188,956			
Private equity funds	44,862			
Timber funds	25,340			
Local government investment prime pool	6,951			
Total investments measured at net asset value	595,790			
Total investments	\$ 1,715,846			

The Mutual funds category is the invested assets of the defined contribution portion of the City's pension plan which are used to pay matching contributions to City retirees. As of September 30, 2017, these investments totaled \$132,741,000.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

2. INVESTMENTS

The Debt securities category is comprised of two, commingled accounts in the Pension Fund: one investing in core fixed-income, the second investing in bank loans. The Pension Fund may withdraw from the core fixed-income account at any time with reasonable notice (five business days are recommended); the fund may withdraw from the bank loans account by providing advance notice of 30 days, with redemptions made on the 15th day of the month.

Real estate funds consist of the following:

The City has invested in one commingled fund. The commingled fund permits withdrawals once per quarter by providing advance notice of 45 days prior to the end of the quarter; all withdrawals are subject to available cash, as determined by the fund's Trustee. Available cash is defined as excess cash after provision for outstanding future capital commitments and other operating reserves. If withdrawal requests exceed available cash, distributions are made on a pro rata basis. Withdrawal requests are typically paid on the final day of the quarter. As of September 30, 2017, the commingled fund had a NAV of approximately \$78 million.

Limited partnerships cannot be redeemed at the option of the Pension Fund; the Pension Fund will receive distributions over the life of each limited partnership. Each partnership is expected to distribute the principal and earnings to the Pension Fund over a period of approximately 12 years from the establishment date of the partnership. The Pension Fund has investment commitments in 13 active limited partnerships, all of which have varying start dates and commitment amounts. As of September 30, 2017, the Pension Fund had approximately \$94 million in remaining commitments to these various real estate partnerships, with an expectation that the total contributions to each partnership will ultimately reach about 95% of the total commitment amount for each individual partnership.

Private equity funds consist of several limited partnerships as of September 30, 2017. The limited partnerships cannot be redeemed at the option of the Pension Fund; the Pension Fund will receive distributions over the life of each limited partnership. Each partnership is expected to distribute the principal and earnings to the pension fund over a period of approximately 12 years from the establishment date of the partnership. The Pension Fund has investment commitments in ten active limited partnerships, all of which have varying start dates and commitment amounts. As of September 30, 2017, the Pension Fund had approximately \$167 million in remaining commitments to these various partnerships, with an expectation that the total contributions to each partnership will ultimately reach about 65% of the total commitment amount for each individual partnership.

Timber funds are comprised of several limited partnerships. The limited partnerships cannot be redeemed at the option of the Pension Fund; the Pension Fund will receive distributions over the life of each limited partnership. Each partnership is expected to distribute the principal and earnings to the Pension Fund over a period of approximately 12 years from the establishment date of the partnership. The Pension Fund has investment commitments in three active limited partnerships, all of which have varying start dates and commitment amounts. As of September 30, 2017, the Pension Fund had approximately \$51 million in remaining commitments to these various timber partnerships, with an expectation that the total contributions to each partnership will ultimately reach about 85% of the total commitment amount.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

2. INVESTMENTS

The Local Government Investment Prime Pool is composed of the Nuclear Fuel Decommissioning Private-Purpose Fund which is a Specialized Portfolio. As of September 30, 2017, the Nuclear Fuel Decommissioning Private-Purpose Fund held \$6,951,000 in the Florida State Board of Administration (SBA) Local Government Investment Prime Pool. The Prime Pool is a 2a-7 like pool which maintains a stable net asset value of \$1, is rated AAA, and has an average weighted maturity of 51 days. A copy of the audited financial statements of the Florida State Board of Administration (SBA) Local Government Investment Prime Pool can be obtained from the Florida State Board of Administration website.

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.

As of September 30, 2017, the City had the following pension investments subject to credit risk:

<u>Quality Breakdown</u>	<u>Portfolio Percentage</u>
US Treasury	16.42 %
US Agency	4.95
AAA	1.87
AA	2.19
A	2.76
BBB	5.47
BB	0.08
B	0.02
CCC	0.12
CC	0.01
C	0.09
D	0.18
NR	8.36
Commingled	57.48
Total	<u>100.00 %</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

2. INVESTMENTS

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 as a percentage of total fiduciary fund cash, cash equivalents, and investments (in thousands):

	Exposure	Percentage
United States Dollar	\$ 1,600,202	92.03 %
Euro	64,175	3.69
Japanese Yen	27,913	1.61
British Pound Sterling	16,812	0.97
Swiss Franc	6,641	0.38
Hong Kong Dollar	6,491	0.37
South Korean Won	3,694	0.21
Australian Dollar	3,635	0.21
Danish Krone	3,132	0.18
Norwegian Krone	2,021	0.12
Brazilian Real	1,209	0.07
Swedish Krone	1,110	0.06
Canadian Dollar	1,063	0.06
Indonesian Rupiah	553	0.03
Israeli Shekel	134	0.01
Mexican Peso	50	-
Total	<u>\$ 1,738,835</u>	<u>100 %</u>

Interest Rate Risk: The City of Tallahassee's Investment Policy for the Pension Plan does not explicitly address interest rate risk. The investment policy specifies the market sectors of the investments and the benchmark for each sector. Individual money managers are hired to manage each sector and 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 City of Tallahassee held the following debt securities for its Pension Fund on a time-segmented basis as of September 30, 2017 (in thousands):

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10+ Years
US Treasury	\$ 56,011	\$ -	\$ 51,638	\$ 4,373	\$ -
US Agency	16,888	-	5,622	2,245	9,021
Asset Backed	10,449	-	-	816	9,633
Corporate Bonds	30,282	7,288	9,567	10,941	2,486
Municipal	3,882	-	362	1,340	2,180
Other	27,590	27,590	-	-	-
Subtotal	<u>145,102</u>	<u>\$ 34,878</u>	<u>\$ 67,189</u>	<u>\$ 19,715</u>	<u>\$ 23,320</u>
Commingled	<u>168,651</u>				
Total	<u>\$ 313,753</u>				

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

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 The Northern Trust Company ("Northern") 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 Northern are reported in the City's statements. Assets and liabilities include the value of the collateral held.

During the fiscal year ended September 30, 2017, the Northern 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. Northern does 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 102% of the initial market value of the loaned securities or if the borrowed securities and the collateral were denominated in different currencies, equal to 105% of the market value of the securities.

There are no restrictions on the amount of securities that may be loaned. The Agreement requires Northern to indemnify the City for losses attributable to violations by Northern of the Standard of Care set out in the Agreement. There were no such violations during the fiscal year ended September 30, 2017. Moreover, there were no losses during the fiscal year ended September 30, 2017 resulting from a default of any borrower.

During the fiscal year ended September 30, 2017, the City and each borrower maintained the right to terminate all securities lending transactions on demand. For the pension fund, the cash collateral received on each loan of securities together with the cash collateral of other qualified plan lenders were invested in a collective investment pool with Northern. The cash collateral for the non-pension funds lending activity was invested in a liquid assets portfolio institutional account. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. For the pension fund, the average term of the loan was approximately 35 days, while the average duration of the investment pool as of September 30, 2017 was 30 days. For the non-pension funds, the average term of the loan was approximately 12 days, while the average duration of the investment pool as of September 30, 2017 was 22 days. On September 30, 2017, the City had no credit risk exposure to borrowers.

As of September 30, 2017, for the City's pension fund, the collateral held and the market value of securities on loan were \$141,406,000 and \$138,311,000, respectively; for the City's non-pension funds, the collateral held and the market value of securities on loan were \$5,004,000 and \$4,889,000 respectively.

A summary of the fair market value of the securities on loan as of September 30, 2017 follows (in thousands):

	Pension Fund	Non-Pension Fund
Corporate Bonds	\$ 2,263	\$ 2,618
Common Stock	120,368	-
U.S. Agencies	662	-
U.S. Government Treasury Notes	15,018	2,271
	<u>\$ 138,311</u>	<u>\$ 4,889</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

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, 2017 was 4.1. 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.

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.

In August 2015, the GASB issued Statement No. 77, *Tax Abatements Disclosures*. The objective of this Statement is to require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Tax abatements are widely used by state and local governments, particularly to encourage economic development. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2017. This statement requires governments that enter into tax abatement agreements to disclose information regarding the agreement. Implementation of GASB 77 had no effect on the financial statements of the City.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

C. RECEIVABLES

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 thirty-two 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, 2017 (in thousands):

Years ending September 30,	
2018	\$ 2,953
2019	2,949
2020	2,871
2021	2,866
2022	1,627
2023-2027	4,501
2028-2032	3,386
2033-2037	3,279
2038-2042	1,467
2043-2047	604
	<u>\$ 26,503</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, 2017 amounted to \$329,758.

Effective October 2016, the City entered into five-year lease and use agreements with its major airline tenants (the Signatory Airline Agreements). The agreement requires that rates for rentals, fees and charges be reviewed annually and adjusted so that the total airline revenues equal the Signatory Airline's share of the applicable costs. Year-end settlement provisions under the agreement provides for a recalculation of rates and charges. Upon determination of any difference between the actual rentals, fees and charges paid by Signatory Airlines, the City shall return to the airlines the amount of such difference in the event of an overpayment and, in the event of an underpayment, the City will invoice the airlines for the amount of such underpayment.

At the end of the fiscal year, after determination of settlement, the City will share with the Signatory Airlines a portion of net remaining revenues. The Signatory Airlines' percentage of revenue sharing on net remaining revenues will be forty percent (40%) and the City's share will be sixty percent (60%). Availability of revenue sharing will be based on City's ability to satisfy its obligations and meet Debt Service Coverage requirements in each fiscal year.

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 is reliant on the ongoing operations of the signatory airlines.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows (in thousands):

	Primary Government			
	Beginning Balance As Restated	Increases	Decreases	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 367,933	\$ 50,113	\$ (53,919)	\$ 364,127
Construction-in-Progress	15,288	12,488	(5,076)	22,700
Total Non-Depreciable Assets	<u>\$ 383,221</u>	<u>\$ 62,601</u>	<u>\$ (58,995)</u>	<u>\$ 386,827</u>
Depreciable Assets:				
Buildings	\$ 114,031	\$ -	\$ -	\$ 114,031
Equipment	53,617	2,175	(392)	55,400
Improvements other than buildings	14,344	10	-	14,354
Infrastructure	872,825	58,965	(1,871)	929,919
Intangibles	14	-	-	14
Total Depreciable Assets	<u>1,054,831</u>	<u>61,150</u>	<u>(2,263)</u>	<u>1,113,718</u>
Less accumulated depreciation for:				
Buildings	(67,140)	(2,728)	-	(69,868)
Equipment	(40,845)	(2,423)	229	(43,039)
Improvements other than buildings	(6,569)	(446)	-	(7,015)
Infrastructure	(512,100)	(27,862)	-	(539,962)
Intangibles	(5)	(1)	-	(6)
Total Accumulated Depreciation	<u>(626,659)</u>	<u>(33,460)</u>	<u>229</u>	<u>(659,890)</u>
Total Depreciable Assets, net	<u>\$ 428,172</u>	<u>\$ 27,690</u>	<u>\$ (2,034)</u>	<u>\$ 453,828</u>
Business-Type Activities				
Non-Depreciable Assets:				
Land	\$ 129,416	\$ 3,642	\$ (3,513)	\$ 129,545
Construction-in-Progress	130,310	110,371	(67,559)	173,122
Total Non-Depreciable Assets	<u>\$ 259,726</u>	<u>\$ 114,013</u>	<u>\$ (71,072)</u>	<u>\$ 302,667</u>
Depreciable Assets:				
Buildings	\$ 213,939	\$ 14,628	\$ (2,031)	\$ 226,536
Equipment	900,970	35,045	(7,639)	928,376
Improvements other than buildings	39,725	4,635	-	44,360
Infrastructure	1,220,650	61,000	(34,888)	1,246,762
Intangibles	233,575	14,459	-	248,034
Total Depreciable Assets	<u>2,608,859</u>	<u>129,767</u>	<u>(44,558)</u>	<u>2,694,068</u>
Less accumulated depreciation for:				
Buildings	(79,734)	(6,183)	303	(85,614)
Equipment	(479,823)	(40,783)	3,804	(516,802)
Improvements other than buildings	(15,624)	(2,941)	85	(18,480)
Infrastructure	(483,315)	(30,253)	352	(513,216)
Intangibles	(80,816)	(7,636)	-	(88,452)
Total Accumulated Depreciation	<u>(1,139,312)</u>	<u>(87,796)</u>	<u>4,544</u>	<u>(1,222,564)</u>
Total Depreciable Assets, net	<u>\$ 1,469,547</u>	<u>\$ 41,971</u>	<u>\$ (40,014)</u>	<u>\$ 1,471,504</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

D. CAPITAL ASSETS

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

Governmental Activities:

General Government	\$	671
Public Safety		575
Transportation		1,116
Human Services		123
Economic Development		131
Physical Environment		13
Culture and Recreation		866
General Infrastructure		28,297
Capital Assets held by the governmental type internal service funds are charged to the various functions based on their usage of assets		1,351
Total depreciation expense-governmental activities	\$	<u>33,143</u>

Business-Type Activities:

Electric	\$	40,979
Gas		1,995
Sewer		17,086
Water		5,189
Airport		7,241
StarMetro		2,705
Solid Waste		239
Golf		95
Stormwater Management		1,775
Fire Services		776
Capital Assets held by the governmental type internal service funds are charged to the various functions based on their usage of assets		8,262
Total depreciation expense-business-type activities	\$	<u>86,342</u>

Interest incurred during long-term construction projects is included as part of the capitalized value of the assets constructed. Interest costs incurred in proprietary funds consisted of the following at September 30, 2017 (in thousands):

	Electric	Water	Sewer	Gas
Total interest cost incurred	\$ 25,001	\$ 3,713	\$ 13,237	\$ 652
Decrease as a result of capitalizing interest as a cost of construction	(8,321)	(1,644)	(11,204)	(204)
Interest Charged to Operations	<u>\$ 16,680</u>	<u>\$ 2,069</u>	<u>\$ 2,033</u>	<u>\$ 448</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, 2017 (in thousands):

	Electric	Water	Sewer	Gas
Interest expense incurred during construction and capitalized	\$ 8,321	\$ 1,644	\$ 11,204	\$ 204
Interest earned on bond proceeds	(259)	(245)	(273)	-
Net Interest Capitalized	<u>\$ 8,062</u>	<u>\$ 1,399</u>	<u>\$ 10,931</u>	<u>\$ 204</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

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

At September 30, 2017, Interfund Receivables and Payables are as follows (in thousands):

Fund	Due From	Due To	Advance To	Advance From
General	\$ -	\$ 53	\$ -	\$ 554
Electric	34,090	-	500	7,200
Gas	-	-	-	1,154
Stormwater	-	-	178	-
Nonmajor governmental/Account group	-	-	19,230	678
Nonmajor business-type	-	10	-	11,856
Internal service funds	63	34,090	1,534	-
	<u>\$ 34,153</u>	<u>\$ 34,153</u>	<u>\$ 21,442</u>	<u>\$ 21,442</u>

\$34,330,000 of the interfund receivables and payables balances represent amounts remaining from loans to fund operations. \$21,265,000 of these balances represent amounts loaned for capital funding.

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, 2017 are as follows (in thousands):

General	\$ 18,293
Community Redevelopment Agency	34
Electric	21,082
Gas	2,607
Sewer	7,515
Water	9,055
Airport	1,645
Stormwater management	4,854
Nonmajor business type	17,105
Nonmajor governmental type	755
Fiduciary type	1,811
Internal service type	6,844
Total	<u>\$ 91,600</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

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

3. INTERFUND TRANSFERS

At September 30, 2017, Interfund Transfers are as follows (in thousands):

Transfer Out	Transfers In									Total
	General	Electric	Gas	Sewer	Water	Stormwater Management	Nonmajor Governmental	Nonmajor Business-type	Internal Service Funds	
General	-	\$ 78	\$ -	\$ -	\$ -	\$ -	\$ 12,183	\$ 5,325	\$ 1,204	\$ 18,790
Electric	29,251	-	-	-	-	-	181	-	-	29,432
Gas	2,834	-	-	-	-	-	4	-	-	2,838
Sewer	4,703	-	-	-	-	-	35	-	-	4,738
Water	3,446	-	-	-	-	-	24	-	-	3,470
Stormwater	415	-	-	-	-	-	43	-	-	458
Nonmajor governmental	648	-	-	-	-	-	1,762	3,011	72	5,493
Nonmajor business-type	2,073	-	-	-	-	-	263	-	-	2,336
Internal Service	2,052	1,011	376	490	861	109	516	199	42	5,656
Total	<u>\$ 45,422</u>	<u>\$ 1,089</u>	<u>\$ 376</u>	<u>\$ 490</u>	<u>\$ 861</u>	<u>\$ 109</u>	<u>\$ 15,011</u>	<u>\$ 8,535</u>	<u>\$ 1,318</u>	<u>\$ 73,211</u>

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

F. LEASE COMMITMENTS

1. Operating

The City has entered into operating leases for buildings and equipment. The leases are for one to five years, expiring in 2018 through 2021. Total rent expenses incurred by the City for the year ended September 30, 2017, was \$1,184,000. The remaining future minimum lease obligations are as follows (in thousands):

Year Ending September 30,	
2018	\$ 71
2019	69
2020	57
2021	52
Total	<u>\$ 249</u>

2. Capital

The City of Tallahassee leases certain specialized equipment under a lease classified as a capital lease. The leased equipment is depreciated on a straight line basis over 5 years and is included in depreciation expense. The gross amount of the equipment recorded under the capital lease is \$2,354,635 as of September 30, 2017. In 2018, the final payment will be made for \$471,000. The present value of this payment net of the amount representing interest is \$462,000.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

1. SUMMARY OF CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in Long-Term Debt for the year ended September 30, 2017 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current	Noncurrent
Governmental Activities:						
General Revenue Bonds	\$ 91,825	\$ -	\$ 7,910	\$ 83,915	\$ 7,080	\$ 76,835
Unamortized Premiums	12,343	-	1,026	11,317	-	11,317
Bank of America Loan	1,736	-	209	1,527	245	1,282
Bonds and Loans Payable	<u>105,904</u>	<u>-</u>	<u>9,145</u>	<u>96,759</u>	<u>7,325</u>	<u>89,434</u>
Compensated Absences	9,569	7,104	6,690	9,983	7,104	2,879
Net Pension Liability	117,449	40,635	32,669	125,415	-	125,415
OPEB Obligation	4,557	831	-	5,388	-	5,388
Total Governmental-Type Debt	<u>237,479</u>	<u>48,570</u>	<u>48,504</u>	<u>237,545</u>	<u>14,429</u>	<u>223,116</u>
Business-Type Activities:						
Energy System 2007	179,005	-	179,005	-	78,441	(78,441)
Energy System 2010	72,465	-	5,610	66,855	5,850	61,005
Energy System 2010A	42,035	-	220	41,815	230	41,585
Energy System 2010B	122,280	-	-	122,280	-	122,280
Energy System 2010C	28,980	-	1,815	27,165	1,885	25,280
Energy System 2011	3,342	-	1,084	2,258	1,116	1,142
Energy System Refunding 2015	91,340	-	4,020	87,320	4,180	83,140
Energy System Refunding 2017	-	147,295	-	147,295	3,000	144,295
CURSB 2001	6,010	-	1,900	4,110	2,000	2,110
CURSB 2007	147,655	-	4,220	143,435	4,430	139,005
CURSB 2010A	117,015	-	-	117,015	-	117,015
CURSB 2010B	23,545	-	1,215	22,330	1,240	21,090
CURSB 2015	43,955	-	350	43,605	400	43,205
Unamortized Premiums/Discounts	29,857	27,555	4,438	52,974	-	52,974
AMI Loan	23,514	-	2,880	20,634	2,996	17,638
Bank of America Loan	840	-	101	739	118	621
Republic Parking Loan	-	410	9	401	34	367
Bonds and Loans Payable	<u>931,838</u>	<u>175,260</u>	<u>206,867</u>	<u>900,231</u>	<u>105,920</u>	<u>794,311</u>
Compensated Absences	12,884	9,439	9,305	13,018	9,439	3,579
Net Pension Liability	13,371	7,383	6,651	14,103	-	14,103
Total Business-Type Debt	<u>958,093</u>	<u>192,082</u>	<u>222,823</u>	<u>927,352</u>	<u>115,359</u>	<u>811,993</u>
Total Long-Term Debt	<u>\$ 1,195,572</u>	<u>\$ 240,652</u>	<u>\$ 271,327</u>	<u>\$ 1,164,897</u>	<u>\$ 129,788</u>	<u>\$ 1,035,109</u>

For governmental activities, claims, judgments, pension obligations, OPEB obligations and compensated absences have been primarily liquidated by the General Fund.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

2. SUMMARY OF INDIVIDUAL BOND ISSUES

Summarized below are the City's individual bond issues outstanding at September 30, 2017 (in thousands):

GENERAL REVENUE BONDS:

\$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 junior lien and pledge of the Local Government Half-cent Sales Tax, Guaranteed Entitlement Revenues, and the Communications Service Tax.

\$ 13,975

\$49,165,000 Capital Bonds - Series 2012, due in annual installments ranging from \$525,000 to \$5,830,000 ending on October 1, 2024, interest rates at 2.00% 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 Resolution, except the Rebate Fund and the Unrestricted Revenue Account.

33,165

\$40,225,000 Capital Bonds – Series 2014, due in annual installments ranging from \$375,000 to \$3,175,000 ending on October 1, 2034, with interest rates at 2.0% to 5.0% 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 Services Tax, Public Service Tax Revenues and earnings on the investment of all funds and accounts created by the Bond Resolution, except the Rebate Fund and Unrestricted Revenue Account.

36,775

Total General Revenue Bonds

\$ 83,915

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

2. SUMMARY OF INDIVIDUAL BOND ISSUES

PROPRIETARY REVENUE BONDS

\$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 4.0% 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.	\$ 66,855
\$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.	41,815
\$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.	27,165
\$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.	2,258
\$94,615,000 Energy System Refunding Revenue Bonds - Series 2015, due in annual installments ranging from \$3,275,000 to \$7,880,000 ending on October 1, 2032, interest rates at 3.0% 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.	87,320
\$147,295,000 Energy System Refunding Revenue Bonds - Series 2017, due in annual installments ranging from \$2,010,000 to \$15,000,000 ending on October 1, 2037, interest rates at 3.00% in 2018 and 5.00% for the remaining maturity dates. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution, which includes the net revenues of the City's Energy System.	147,295
\$23,900,000 Consolidated Utility System Refunding Revenue Bonds - Series 2001, due in annual installments ranging from \$1,195,000 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.	4,110

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

2. SUMMARY OF INDIVIDUAL BOND ISSUES

\$164,460,000 Consolidated Utility Systems Revenue Bonds - Series 2007, due in annual installments ranging from \$1,790,000 to \$10,910,000 ending on October 1, 2037, interest rates of 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 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.

143,435

\$117,015,000 Consolidated Utility Systems Revenue Bonds - Series 2010A, due in annual installments ranging from \$3,415,000 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) and the gross revenues of the City's Stormwater Drainage System.

117,015

\$25,820,000 Consolidated Utility Systems Revenue Bonds - Series 2010B, due in annual installments ranging from \$1,120,000 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) and the gross revenues of the City's Stormwater Drainage System.

22,330

\$44,255,000 Consolidated Utility System Refunding Revenue Bonds - Series 2015, due in annual installments ranging from \$300,000 to \$3,665,000 ending on October 1, 2035, interest rates at 3.0% to 5.0% 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.

43,605

Total Proprietary Revenue Bonds

\$ 825,483

Total Bonds Payable

\$ 909,398

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

3. 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, 2017, there were two series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$357.3 million and the outstanding balance is \$355.4 million.
- As of September 30, 2017, there was one Florida State University School Lease Revenue Bond outstanding. The original issue amount totaled \$18.1 million and the outstanding balance is \$11.6 million.
- As of September 30, 2017, there was one Industrial Revenue Bond outstanding. The original issue amount totaled \$5.4 million and the outstanding balance is \$5.1 million.

4. LOANS PAYABLE

AMI Loan Program

On December 27, 2007, the City entered into a loan with the Bank of America Capital Corporation to provide \$35,300,000 of financing to fund the City's Smart Metering program. The loan is due in semi-annual installments ranging from \$1,083,000 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 \$4,670,000. The supplemental loan is due in semi-annual installments ranging from \$189,000 to \$219,000 ending on June 27, 2024, bearing interest at 4.59%. In prior years, the City reduced the outstanding amount of the supplemental loan through application of unused proceeds. The installment payment schedule was unchanged but the maturity of the supplemental loan will now occur on June 27, 2019. Both loans are payable and secured by the Smart Energy Metering and Management System, consisting of meters and communication devices. The outstanding balance of this loan was \$20.6 million as of September 30, 2017.

Bank of America Loan

On May 20, 2016, the City entered into a loan with the Bank of America Public Capital Corporation to provide \$2,575,875 of financing to fund the purchase of Sports Lighting Equipment at various parks and Communications Equipment for the City's utility operations. Interest payments on the loan are due semi-annually, with principal payments due annually, ending on April 1, 2023, bearing interest at 1.5494%. The annual debt service for the loan ranges from \$347,236 to \$395,621. The loan is payable and secured by the City's pledge to budget and appropriate the debt service payments. The outstanding balance of this loan was \$2.3 million as of September 30, 2017.

Republic Parking System, Inc. Loan

In accordance with the Management Agreement for Management and Operation of Parking Services at Tallahassee International Airport, Republic Parking System, Inc. acquired a new Revenue Control System in the amount of \$410,000 for the Airport's parking operation. Under the terms of the Agreement, which include an interest rate of 7.25%, monthly payments of \$5,173.47 will be made to Republic Parking over a nine-year period. The outstanding balance of this loan was \$401,000 as of September 30, 2017.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

G. LONG-TERM DEBT

5. SCHEDULE OF DEBT SERVICE REQUIREMENTS, FOR ALL OUTSTANDING DEBT INCLUDING PRINCIPAL AND INTEREST (IN THOUSANDS)

Year ending September 30	Governmental Activities		Business - Type Activities		Total Debt Service
	Principal	Interest	Principal	Interest	
2018	\$ 7,325	\$ 3,942	\$ 27,479	\$ 44,097	\$ 82,843
2019	7,614	3,654	28,404	41,434	81,106
2020	7,967	3,298	30,268	40,095	81,628
2021	8,346	2,920	31,943	38,669	81,878
2022	8,710	2,554	34,068	37,136	82,468
2023-2027	23,854	7,972	189,951	160,828	382,605
2028-2032	15,425	3,755	190,280	113,795	323,255
2033-2037	6,201	468	163,040	68,601	238,310
2038-2041	-	-	151,824	17,460	169,284
Totals	<u>\$ 85,442</u>	<u>\$ 28,563</u>	<u>\$ 847,257</u>	<u>\$ 562,115</u>	<u>\$ 1,523,377</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

H. NET POSITION

The business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted or unrestricted.

1. NET INVESTMENT IN CAPITAL ASSETS

Net Investment in Capital Assets is intended to reflect the portion of net position 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 attributable to the acquisition, construction, or improvement of capital assets of the City.

2. RESTRICTED ASSETS

Restricted Assets are subject to constraints that are either (a) externally imposed by creditors (such as 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

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

The net position shown in government-wide financial statements was changed beginning in fiscal year 2012 to comply with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The details of net position presentation are explained in Note IV.I. "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 it is a) not in a spendable form, such as inventory or b) because it is legally or contractually required to be maintained intact.

Spendable Fund Balance

- Restricted – fund balance amounts constrained for specific purposes that are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – fund balance amounts constrained for specific purposes imposed by majority vote of the City Commission.
- Assigned – spendable fund balance amounts transferred from committed funds into projects or other funds under the control of the department budgeted to receive the committed funds. Budgetary control is established within each fund and department. The City Manager or designee may transfer amounts between departments within the same fund. These transfers are not specifically approved by the City Commission.
- Unassigned – residual positive fund balance within the General Fund that was not classified within the categories defined above. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

I. FUND BALANCE

The City spends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as 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.

A schedule of City fund balances is provided below (in thousands):

	General	Community Redevelopment Agency	Total Other Governmental	Total Governmental Funds
Non-spendable				
Inventory	\$ 439	\$ -	\$ -	\$ 439
Notes Receivable	-	312	308	620
Police Evidence Holding Cash	708	-	-	708
Total Non-Spendable	<u>1,147</u>	<u>312</u>	<u>308</u>	<u>1,767</u>
Restricted for:				
Animal Services	-	-	820	820
Building Improvements	-	-	227	227
Community Development	-	7,617	271	7,888
Educational Programs	-	-	(2)	(2)
Emergency Management	-	-	(13)	(13)
Environmental Clean Up	-	-	(85)	(85)
Fire Programs	-	-	(11)	(11)
Housing	-	-	169	169
Land/Neighborhood Improvements	-	-	87	87
Park Enhancements	-	-	(3)	(3)
Police Enforcement/Crime Prevention	-	-	(82)	(82)
Police Equipment	-	-	(22)	(22)
Police Mentoring	-	-	3	3
Public Infrastructure	-	-	418	418
Regional Transportation Management Center	-	-	(17)	(17)
Road Improvements	-	-	10,280	10,280
Sidewalks/Pedestrian & Bike Paths	-	-	13,929	13,929
Technology Upgrades	-	-	288	288
Traffic Signals	-	-	1,171	1,171
Transportation Improvements	-	-	4,452	4,452
Youth Programs	-	-	(10)	(10)
Total Restricted	<u>-</u>	<u>7,617</u>	<u>31,870</u>	<u>39,487</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE IV. DETAILED NOTES - ALL FUNDS

I. FUND BALANCE

	General	Community Redevelopment Agency	Total Other Governmental	Total Governmental Funds
Committed to:				
Cemetery Grounds Maintenance	-	-	4,284	4,284
City Building Improvements	-	-	3,644	3,644
Community Development	485	-	3,031	3,516
Computer Equipment	-	-	335	335
Emergency Management	25,755	-	-	25,755
Historic Property Preservation	-	-	222	222
Housing	-	-	3,465	3,465
Land/Neighborhood Improvements	-	-	491	491
Park Enhancements	-	-	(6)	(6)
Police Enforcement/Crime Prevention	-	-	383	383
Police Equipment	-	-	1,660	1,660
Public Infrastructure	-	-	215	215
Recreation Facilities	-	-	230	230
Road Improvements	-	-	1,074	1,074
Scholarship Assistance	252	-	-	252
Sidewalks/Pedestrian & Bike Paths	-	-	2,721	2,721
Technology Upgrades	-	-	896	896
Trail Enhancements	-	-	218	218
Transportation Improvements	-	-	297	297
Total Committed	<u>26,492</u>	<u>-</u>	<u>23,160</u>	<u>49,652</u>
Assigned to:				
City Building Improvements	482	-	-	482
Community Development	541	-	-	541
Community Outreach	117	-	-	117
Cultural Events	18	-	-	18
General Government	1,061	-	-	1,061
Health and Wellness	80	-	-	80
Information Technology	1,228	-	-	1,228
Physical Environment	1,028	-	-	1,028
Police Mentoring	-	-	4	4
Police Training	-	-	53	53
Public Safety	120	-	-	120
Transportation Improvements	517	-	-	517
Total Assigned	<u>5,192</u>	<u>-</u>	<u>57</u>	<u>5,249</u>
Unassigned:	<u>2,952</u>	<u>-</u>	<u>1,060</u>	<u>4,012</u>
Total Fund Balance	<u>\$ 35,783</u>	<u>\$ 7,929</u>	<u>\$ 56,455</u>	<u>\$ 100,167</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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, 2017, in the respective funds are as follows (in thousands):

General Fund	\$	2,624
Electric		79,992
Gas		657
Sewer		6,826
Stormwater Management		10,267
Water		4,383
Airport		1,847
Nonmajor Governmental		10,312
Nonmajor Enterprise		3,157
Internal Service Funds		4,254
CRA		190
Total	\$	<u>124,509</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 \$200,000 per person and \$300,000 per accident. Prior to October, 2011, the statutory limit was \$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 (2.0%).

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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

B. RISK MANAGEMENT PROGRAM

Changes in the balances of self-insured claims for the year ended September 30, 2017 are as follows (in thousands):

Unpaid claims - October 1 (including IBNRs)	\$	13,611
Expenses		4,942
Claim payments		(4,354)
Unpaid claims - September 30 (including IBNRs)	\$	<u>14,199</u>

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. The City has replied to subpoenas as part of an on-going investigation by a federal government agency into potential criminal activities. The City has not been advised of any specific criminal violations or individuals targeted in this investigation and cannot predict at this time whether criminal charges will be filed and, if so, whether there will be any impact on the City's financial condition.

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 uniform administrative requirements, cost principles and audit requirements.

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. As of September 30, 2017, the contingent loans for Special Projects totaled \$6.1 million. The contingent down payment assistance loan balance for SHIP totaled \$1.9 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.

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 three long-term natural gas contracts discounted from an index: 1) 20-Year contract with Tennessee Energy Acquisition Corporation; 2) 30-year contract with MainStreet; 3) 30-Year contract with Tennessee Energy Acquisition Corporation. These contracts save the City between \$30,000 and \$80,000 each month through 2048. These contracts are managed and monitored by the City's Utility 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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

F. LONG-TERM CONTRACTS

The City engages in the wholesale power markets on a short-term and long-term basis to buy or sell power when market prices are more economical than native generation. The City participates daily in the power markets for short-term opportunities to deliver the lowest cost power to our customers. The City continuously evaluates long-term purchase or sales offers through our internal planning process and participation in Request for Proposals (RFP). The City signed a Purchased Power Agreement (PPA) for 20 MW of solar PV energy for a 20-year term starting in the fall of 2017. Negotiations for an additional 40 MW of solar power are ongoing but not final at this time. These contracts are managed and monitored by the City's Energy Services Department and Electric Utility. 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, 2017 (in thousands):

Years ending September 30,	Gas Contracts	Energy Contracts (including Solar PPA)	Total
2018	\$ 7,745	\$ 1,069	\$ 8,814
2019	12,727	1,489	14,216
2020	12,520	1,556	14,076
2021	12,715	1,626	14,341
2022	12,902	1,699	14,601
Thereafter	299,711	29,841	329,552
Total	<u>\$ 358,320</u>	<u>\$ 37,280</u>	<u>\$ 395,600</u>

G. PENSION PLAN OBLIGATIONS

The City of Tallahassee sponsors and administers the Pension Plan (Plan), established by Chapter 14 of the City Code of Ordinances, as separate plans as follows:

Plan Name	Plan Type
General Employees Pension Plan (Article II)	Cost-sharing multiple-employer, defined benefit
Police Officers Pension Plan (Article III)	Single-employer, defined benefit
Firefighters Pension Plan (Article IV)	Single-employer, defined benefit
Matched Annuity Pension Plan (Article V)	Multiple-employer, defined contribution

The Plan is administered by the City of Tallahassee Treasurer-Clerk's Office, under guidance from the Plan's Board of Trustees, which is composed of the members of the City Commission and one City police officer or firefighter. The City police officer or firefighter is elected by a majority of the police officers and firefighters who are members of the Plan. The City's general employee defined benefit provision and defined contribution provision is also provided for the employees of Blueprint Intergovernmental Agency (Blueprint), the Capital Region Transportation Planning Agency (CRTPA) and the Consolidated Dispatch Agency (CDA). Blueprint is a jointly governed organization, while CRTPA and CDA are both joint ventures. The defined benefit plans for police officers and firefighters are comprised only of City employees.

CITY OF TALLAHASSEE, FLORIDA**NOTES TO FINANCIAL STATEMENTS**

September 30, 2017

NOTE V. OTHER INFORMATION**G. PENSION PLAN OBLIGATIONS**

The aggregate amount of net pension liabilities, related deferred inflows and outflows of resources, and pension expense for the City's defined benefit pension plans are summarized as follows:

Plan Obligations and Expenses:	General Employees - City	Police Officers	Firefighters	Total
Net Pension Liability	\$ 40,798	\$ 50,998	\$ 47,754	\$ 139,550
Pension Related Deferred Outflows	63,549	24,396	20,520	108,465
Pension Related Deferred Inflows	(31,687)	(7,735)	(3,494)	(42,916)
Pension Expense	\$ 17,895	\$ 8,986	\$ 6,625	\$ 33,506

2016 Membership Statistical Information	General Employees - City	Police Officers	Firefighters	Total
Retirees and beneficiaries of deceased retirees currently receiving benefits	1,540	262	230	2,032
Terminated employees entitled to benefits but not yet receiving benefits	217	37	7	261
Active Employees	2,016	330	246	2,592

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.

1. DEFINED BENEFIT PROVISION

The Plan is established for all three programs in Chapter 14 of the City Code of Ordinances, through Parts A, B, C and D in Article II for general employees with Parts A, B and C closed to new participants. Effective April 1, 2013, the City Commission approved changes to the City's General Employees' Pension Plan creating Part D participants. Part D provides coverage to all new employees hired after that date. For police officers and firefighters, Article III and IV, respectively, Parts A and B are closed to new participants 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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

	General Employees		Police Officers	Firefighters
	Part C-Employees hired prior to April 1, 2013	Part D-Employees hired after April 1, 2013		
Normal Retirement Benefits:				
Age	62 (or 30 years of Credited Service, regardless of age)	65 (or 33 years of Credited Service, regardless of age)	55 (or 25 years of Credited Service, regardless of age)	55 (or 25 years of Credited Service, regardless of age)
Years of Credited Service (minimum)	5	5	5	5
Benefit calculation	2.25% x AFC x Years of Credited Service	2.25% x AFC x Years of Credited Service	2% - Purchased military or other public service 3% - first 20 yrs of Credited Service 4% - after 20 yrs of Credited Service (up to an add'l 5 yrs and 3 mths)	2% - Purchased military or other public service 3% - first 20 yrs of Credited Service 4% - after 20 yrs of Credited Service (up to an add'l 5 yrs and 3 mths)
Average Final Compensation (AFC)	Higher of: 1) final 3 yrs; 2) any consecutive 3 yrs – 1/1987 to 12/2005, escalated by 3%; or 3) any consecutive 3 yrs during 1/1987 to the date of retirement.	Average of the highest consecutive 5 years of Credited Service	Higher of: 1) final 3 yrs; 2) any consecutive 3 yrs – 1/1987 to 12/2005, escalated by 3%; or 3) any consecutive 3 yrs during 1/1987 to the date of retirement.	Higher of: 1) final 3 yrs; 2) any consecutive 3 yrs – 1/1987 to 12/2005, escalated by 3%; or 3) any consecutive 3 yrs during 1/1987 to the date of retirement.
Maximum Benefit	81% of AFC	81% of AFC	81% of AFC	81% of AFC
COLA	3% increase in benefits each 10/1 starting at the later of normal retirement date, or age 55 (under age and service eligibility); or age 50 (under service eligibility)	3% increase in benefits each 10/1 starting at the later of normal retirement date or age 65	3% increase in benefits each 10/1 starting between age 52 and 62 depending on pension entry date.	3% increase in benefits each 10/1 starting between age 52 and 62 depending on pension entry date.
	General Employees		Police Officers and Firefighters	
Early Retirement	<p>If a member is retiring under the age and service eligibility, Normal Retirement Benefit is reduced by 4.8% per year for each year by which the Early Retirement date precedes the Normal Retirement date.</p> <p>If a member is retiring under the service eligibility, the Normal Retirement Benefit is reduced by 5% per year for each year by which the Early Retirement date precedes the Normal Retirement date.</p>		<p>At age 50 and 5 years of Credited Service or after completion of 20 years of Credited Service. If the member is retiring after attainment of age 50 and 5 years of Credited Service eligibility, the normal benefit is reduced by 3.0% per year for each year by which the Early Retirement date precedes the Normal Retirement date. If the member is retiring after attainment of 20 years of Credited Service, the Normal Retirement Benefit is reduced by 7.2% per year for each year by which the Early Retirement date precedes the 25 years of service attainment date.</p>	

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

I. DEFINED BENEFIT PROVISION			
	General Employees	Police Officers and Firefighters	
Disability	Five years of Credited Service for non-service connected disability. None for service connected disability. Benefit: The greater of 1) the member's accrued benefit to date of disability; and 2) the member's benefit with service projected to normal retirement date not to exceed 50% of AFC in effect on the date of disability.	Two years of Credited Service for non-service connected disability. None for service connected disability. Benefit: The greater of 1) The member's accrued benefit to date of disability; and 2) The member's benefit with service projected to normal retirement date not to exceed 50% of AFC in effect on the date of disability.	
Contribution Rates - actuarially determined as of September 30, 2017			
City	13.07%	25.75%	26.47%
Employee	3.75%	11.25% (hire date prior to 10/1/2012) 13.69% (hire date after 10/1/2012)	17.67%

Net Pension Liability - The total pension liability was determined by an actuarial valuation as of October 1, 2016, using a measurement date of September 30, 2017. The net pension liability was also determined using a measurement date of September 30, 2017. The components of the net pension liability of the participating employers in the general employees, police officers and firefighters plans as of September 30, 2017 were as follows (in thousands):

	General Employees	Police Officers	Firefighters
Total pension liability	\$ 1,118,980	\$ 357,060	\$ 252,931
Plan fiduciary net position	1,074,804	312,205	205,257
Net pension liability	44,176	44,855	47,674
Plan fiduciary net position as a % of total pension liability	96.05 %	87.44 %	81.15 %
City's proportion of the net pension liability	96.1 %	100.0 %	100.0 %

The City's proportionate share of the General Employees Pension Plan is based on the covered pensionable payroll, which was the basis for determining employer contributions. The City's portion of the net pension liability of the general employees plan was as follows (in thousands):

	General Employees-City	General Employees City
Measurement Date	September 30, 2017	September 30, 2016
Total pension liability	1,064,392	969,698
Plan fiduciary net position	1,022,370	945,297
Net pension liability	42,022	24,401
Plan fiduciary net position as a % of total pension liability	96.05%	97.48%
City's proportion of the net pension liability	95.1%	96.1%

The total pension liability and contribution rates were determined by an actuarial valuation as of October 1, 2016, using the following significant actuarial assumptions applied to all periods included in the measurement: The actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is projected to the

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

contribution year using conventional actuarial projection methods.

	General Employees	Police Officers	Firefighters
Valuation Date	October 1, 2016	October 1, 2016	October 1, 2016
Actuarial Cost Method	Entry age, normal	Entry age, normal	Entry age, normal
Amortization Method	Level percentage, closed	Level percentage, closed	Level percentage, closed
Remaining Amortization Period	20 years	28 years	28 years
Asset Valuation Method	20% of the difference between expected actuarial value and market value is recognized annually with a 20% corridor around market value	20% of the difference between expected actuarial value and market value is recognized annually with a 20% corridor around market value	20% of the difference between expected actuarial value and market value is recognized annually with a 20% corridor around market value
Inflation rate	2.50%	2.50%	2.50%
Salary Increase	2.95 to 5.0% based on years of service	4.5 to 6.4% based on years of service	4.4 to 5.75% based on years of service
Investment rate of return	7.70%	7.70%	7.70%
Mortality Rate:	RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment	RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale. BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment.	RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale. BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment.
Experience Study	The last experience study was prepared on June 24, 2016. Assumption changes resulting from this experience study were implemented for the fiscal year ending September 30, 2017.	The last experience study was prepared on June 24, 2016. Assumption changes resulting from this experience study were implemented for the fiscal year ending September 30, 2017.	The last experience study was prepared on June 24, 2016. Assumption changes resulting from this experience study were implemented for the fiscal year ending September 30, 2017.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

Changes in the Net Pension Liability - The Plan is presenting net pension liability for the year ended September 30, 2017 based on the September 30, 2017 measurement date as follows (in thousands):

General Employees Pension Plan - Increase(Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 1,009,166	\$ 983,771	\$ 25,395
Changes for the year:			
Service Cost	15,008	-	15,008
Interest	78,568	-	78,568
Differences between Expected and Actual Experiences	17,064	-	17,064
Benefit Changes	-	-	-
Assumption Changes	54,077	-	54,077
Employer Contributions	-	14,486	(14,486)
Employee Contributions	-	5,160	(5,160)
Other Contributions	-	356	(356)
Net Investment Income	-	127,148	(127,148)
Benefit Payments	(54,634)	(54,634)	-
Refunds	(269)	(269)	-
Administrative Expense	-	(1,214)	1,214
Other Charges	-	-	-
Net Changes	109,814	91,033	18,781
Balances at September 30, 2017	\$ 1,118,980	\$ 1,074,804	\$ 44,176

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

Police Officers Pension Plan - Increase(Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 322,731	\$ 279,774	\$ 42,957
Changes for the year:			
Service Cost	6,031	-	6,031
Interest	25,451	-	25,451
Differences between Expected and Actual Experiences	8,041	-	8,041
Benefit Changes	-	-	-
Assumption Changes	11,610	-	11,610
Employer Contributions	-	6,996	(6,996)
Employee Contributions	-	3,483	(3,483)
Other Contributions	-	109	(109)
Net Investment Income	-	39,016	(39,016)
Benefit Payments	(16,699)	(16,699)	-
Refunds	(105)	(105)	-
Administrative Expense	-	(369)	369
Other Charges	-	-	-
Net Changes	34,329	32,431	1,898
Balances at September 30, 2017	\$ 357,060	\$ 312,205	\$ 44,855

Firefighters Pension Plan - Increase(Decrease)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 226,836	\$ 187,102	\$ 39,734
Changes for the year:			
Service Cost	3,863	-	3,863
Interest	17,968	-	17,968
Differences between Expected and Actual Experiences	8,020	-	8,020
Benefit Changes	-	-	-
Assumption Changes	9,978	-	9,978
Employer Contributions	-	4,970	(4,970)
Employee Contributions	-	3,270	(3,270)
Other Contributions	-	66	(66)
Net Investment Income	-	23,810	(23,810)
Benefit Payments	(13,669)	(13,669)	-
Refunds	(65)	(65)	-
Administrative Expense	-	(227)	227
Other Charges	-	-	-
Net Changes	26,095	18,155	7,940
Balances at September 30, 2017	\$ 252,931	\$ 205,257	\$ 47,674

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

Investments - Plan assets are managed in accordance with the Pension Investment Policy. The table below presents the adopted asset allocation as of September 30, 2017.

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	40 %	6.4 %
International Equity	10	6.9
Emerging Markets Equity	5	9.2
Fixed Income	20	1.4
Real Estate	15	4.2
Private Equity	5	11.5
Timber	5	5.2
Total	100 %	

The Plan's investments are managed by various investment managers under contract with the Boards who have discretionary authority of the assets managed by them and within the Plan's investment guidelines as established by the Board. The investments are held in trust by the Plan's custodian in the Plan's name. The City of Tallahassee Sinking Fund Commission is responsible for making investment policy changes. These assets are held exclusively for the purpose of providing benefits to members of the Plan and their beneficiaries.

For the year ended September 30, 2017, the annual money-weighted rate of return on the General Employees, Police Officers, and Firefighters pension plan investments, net of investment expense, was 13.1%. The money-weighted rate of return takes into account cash flows into and from the various investments of the Plan.

The long-term expected rate of return on pension plan investment is based upon an asset allocation study that was conducted for the Plan by its investment consultant toward the end of fiscal year 2013. The study was prepared by the Pension Plan's investment consultant, and went through numerous iterations before a final asset allocation was established. The study looked at expected rates of return for twenty-one (21) different asset classes, as well as examining expected standard deviations and correlations among these various asset classes.

Discount Rates – The discount rates used to measure the total pension liability of the Plan are indicated below. This single discount rate was based on the expected rate of return on pension plan investments of 7.70%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.70%) was applied to all periods of projected benefits payments to determine the total pension liability.

CITY OF TALLAHASSEE, FLORIDA**NOTES TO FINANCIAL STATEMENTS**
September 30, 2017

NOTE V. OTHER INFORMATION**G. PENSION PLAN OBLIGATIONS****1. DEFINED BENEFIT PROVISION**

The discount rates as of September 30, 2017 were as follows:

General Employees	Police Officers	Firefighters
7.70 %	7.70 %	7.70 %

The following presents the Plan's net pension liability, calculated using a single discount rate of 7.70%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption (in thousands)

	1% Decrease 6.70%	Current Single Discount Rate	1% Increase 8.70%
General Employees	\$ 194,812	\$ 44,176	\$ (79,603)
General Employees-City	184,308	42,022	(75,719)
Police Officers	95,621	44,855	3,558
Firefighters	81,283	47,674	20,144

Pension Expense and Deferred Outflows (Inflows) of Resources Related to Pensions - In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized as pension expense in the current measurement period, except as shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes in proportion and differences between contributions and proportionate share of contributions which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

General Employees – Plan - For the year ended September 30, 2017, the general employees pension plan recognized pension expense of \$18,676,000 for the plan. At September 30, 2017, the plan reported deferred outflows of resources and deferred inflows of resources related to the general employee pension plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 13,961	\$ (11,623)	\$ 2,338
Change in Net Pension Liability due to Change in Cost-Sharing Allocation Percentages	138	(138)	-
Net difference between projected and actual earnings on pension plan investments	37,680	(21,089)	16,591
Total	\$ 51,779	\$ (32,850)	\$ 18,929

Net amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense, as follows:

Year Ending September 30,	Net Amount (in thousands)
2018	\$ 3,953
2019	3,954
2020	9,396
2021	77
2022	1,549
Total	<u>\$ 18,929</u>

General Employees – City – For the year ended September 30, 2017, the City recognized pension expenses of \$17,895,000 for its proportionate share of the general employees pension plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the general employee pension plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference between expected and actual experience	\$ 13,415	\$ (11,276)	\$ 2,139
Net difference between projected and actual experience on pension investments	36,283	(20,345)	15,938
Change in Net Pension Liability due to change in cost sharing allocation percentage	72	(66)	6
Total	\$ 49,770	\$ (31,687)	\$ 18,083

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE V. OTHER INFORMATION

G. PENSION PLAN OBLIGATIONS

1. DEFINED BENEFIT PROVISION

Deferred outflows of resources related to the general employee pension plan of \$13,779,000, resulting from City contributions to the plan paid subsequent to the measurement date and prior to the City's fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan pension expense will be recognized in future pension expenses as follows:

Year Ending September 30,	Net Amount (in thousands)
2018	\$ 3,748
2019	3,752
2020	9,027
2021	75
2022	1,481
Total	<u>\$ 18,083</u>

Police officers - For the year ended September 30, 2017, the police officers pension plan recognized pension expense of \$8,986,000. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers employee pension plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,998	\$ -	\$ 6,998
Net difference between projected and actual earnings on pension plan investments	10,402	(7,735)	2,667
Assumption Changes	-	-	-
Total	<u>\$ 17,400</u>	<u>\$ (7,735)</u>	<u>\$ 9,665</u>

Deferred outflows of resources related to the police officers pension plan of \$6,996,000, resulting from City contributions to the plan paid subsequent to the measurement date and prior to the City's fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan pension expense will be recognized in future pension expenses, as follows:

Year Ending September 30,	Net Amount (in thousands)
2018	\$ 2,587
2019	2,589
2020	3,924
2021	409
2022	156
Total	<u>\$ 9,665</u>

CITY OF TALLAHASSEE, FLORIDA**NOTES TO FINANCIAL STATEMENTS**

September 30, 2017

NOTE V. OTHER INFORMATION**G. PENSION PLAN OBLIGATIONS****1. DEFINED BENEFIT PROVISION**

Firefighters - For the year ended September 30, 2017, the firefighters pension plan recognized pension expense of \$6,625,000. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters pension plan from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 8,381	\$ -	\$ 8,381
Net difference between projected and actual earnings on pension plan investments	7,169	(3,494)	3,675
Total	\$ 15,550	\$ (3,494)	\$ 12,056

Deferred outflows of resources related to the firefighters pension plan of \$4,970,000, resulting from City contributions to the plan paid subsequent to the measurement date and prior to the City's fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan pension expense will be recognized in future pension expenses, as follows:

Year Ending September 30,	Net Amount (in thousands)
2018	\$ 2,719
2019	2,718
2020	3,477
2021	932
2022	1,162
Thereafter	1,048
Total	<u>\$ 12,056</u>

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. Each employer contributes 5% to each general employee's Matched Annuity Plan (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 receive an annuitized payment stream, the Plan will increase the amount of funds (only on the employer'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 employee's 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. For the year ended September 30, 2017, the contributions and forfeitures to the MAP account totaled \$1,538,000 and \$508,000, respectively.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

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. OPEB PLAN DESCRIPTION

The City administers a single-employer defined benefit –other post employment benefits plan, The City of Tallahassee Retiree Medical Insurance Plan (OPEB Plan). The OPEB 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.

The OPEB Plan is established by City Commission Policy 150. To aid in the administration of the OPEB Plan, the City of Tallahassee created the Retiree Medical Trust (RMI Trust) in January 2010, the provisions of which are in Article VII of Chapter 2 of the City Code of Ordinances. 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. The OPEB Plan provides the following:

The OPEB Plan and the RMI Trust are administered by the City of Tallahassee Treasurer-Clerk's Office, under guidance from the Plan's Board of Trustees, which is composed of the members of the City Commission and the chairperson of the general employees' pension advisory committee. The City of Tallahassee does not issue a stand-alone financial report for the RMI Trust.

OPEB Plan membership at October 1, 2016 was as follows:

Inactive Members or Beneficiaries	
Currently Receiving Benefits	1,165
Inactive Members Entitled to But Not Yet Receiving Benefits	-
Active Members	2,710
Total Members	<u>3,875</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

1. OPEB PLAN DESCRIPTION

Benefits - A member receives a reduced rate on the health insurance premium for the City's health insurance plan. All reduced rate premiums will be deducted from the retiree's pension benefit. If the health insurance premium exceeds the pension benefit amount, the member will pay the City for the difference. The following tables provide the amounts of the City's monthly retiree subsidy that reduces the member's health insurance premium, which were established by Resolution 11-R-04, effective January 1, 2011:

Retiree with No Medicare Coverage	Monthly Subsidy Amount
Individual	\$174.88
Two-Party	\$315.71
Three or More	\$443.22

Retiree with Medicare CHP* Coverage	Monthly Subsidy Amount
Individual	\$37.76
Two-Party(Both Medicare)	\$71.74
Two-Party (One Medicare)	\$183.40
Family (One or two Medicare)	\$298.82

*Capital Health Plan

Retiree with Medicare BCBS** Coverage	Monthly Subsidy Amount
Individual	\$159.78
Two-Party (Both Medicare)	\$336.07
Two-Party (One Medicare)	\$336.07
Family (One or two Medicare)	\$463.39

**Blue Cross/Blue Shield

Eligibility - A member may continue on the City's health insurance plan upon retirement if the member is drawing a pension for Normal Retirement, Early Retirement or Disability Retirement. The retiree may continue to cover any qualified dependents that were on the City's health insurance plan at the time of retirement. If the retiree's spouse or domestic partner is an active permanent City employee, the member may choose to be covered under the spouse's or domestic partner's insurance coverage. When the spouse or domestic partner retires and begins to draw a pension, both individuals will be covered as retirees under the City's health insurance policy.

A member who is a Deferred Retiree (eligible to retire upon termination but chooses to defer the commencement of a pension benefit) may choose to remain on the City's health insurance plan and pay the unreduced health insurance premium until the commencement of a pension benefit. A Deferred Retiree may also choose to terminate health

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

1. OPEB PLAN DESCRIPTION

insurance coverage and be allowed to rejoin the City's health insurance plan upon commencement of a pension benefit and pay the reduced health insurance premium if they are able to prove they maintained continuous health insurance coverage during the period between terminating from the City's health insurance plan and when they rejoined the City's health insurance plan.

A Long-Term Vested Participant (10 years or more service time in the City's pension plan, but not yet eligible to receive a pension benefit) may choose to remain on the City's health insurance plan at their expense. The Participant will be required to pay the unreduced health insurance premium cost until the Participant retires. If the Participant chooses to terminate the City's health insurance coverage, the Participant will no longer be eligible to participate in the OPEB Plan.

A surviving spouse of a deceased retiree may continue or join the City's health insurance plan only if the deceased retiree was enrolled in the City's health insurance plan at the time of death. The surviving spouse may join the OPEB Plan without being subject to the evidence of insurability requirements. The surviving spouse may cover any qualified dependents.

2. OPEB PLAN INVESTMENTS

Due to its small size, there is not a separate investment policy specifically for the assets of the RMI Trust. Chapter 2 of the Municipal Code provides that the RMI Trust invests in instruments similar to those invested in by the City's Pension Fund. There were no significant changes to the investment of the RMI Trust assets during Fiscal Year 2017. More than 5% of the RMI Trust's net position was invested in a S&P 500 index fund.

3. NET OPEB LIABILITY

The components of the net OPEB liability were as follows (in thousands):

Total OPEB liability	\$	94,224
Plan fiduciary net position		<u>7,573</u>
Employers' net OPEB liability	\$	<u>86,651</u>
Plan fiduciary net position as a percentage of the total OPEB liability		8.04 %

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The total OPEB liability was determined by an actuarial valuation as of October 1, 2016 rolled forward one year. The significant assumptions used were as follows:

Actuarial Cost Method	Entry Age
Normal Inflation	2.5%.
Discount Rate	3.54%, the resulting Single Discount Rate based on the expected rate of return on OPEB Plan investments as of September 30, 2017 at 7.70% and the long term municipal bond rate as of September 29, 2017 at 3.50%.
Salary Increases	3.32% to 5.47%, including inflation; varies by plan type and years of service.
Retirement Age	Experience based table of rates that are specific to the plan and type of eligibility condition.
Mortality	RP 2000 Healthy Annuitant Mortality Table, with mortality improvements projected to all future years using Scale BB. For females, the base mortality rates include a 100% white collar adjustment. For males, the base mortality rates include a 50% white collar adjustment and a 50% blue collar adjustment. These are the same mortality rates currently in use for Regular Class members of the Florida Retirement System (FRS). They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.72% (including the impact of the excise tax).
Aging factors to Death Expenses	Based on the 2013 SOA Study "Health Care Costs From Birth Investment expenses are net of the investment returns; and, Administrative expenses are included in the premium costs.
Other Information: Notes	There were no benefit changes during the year. Assumption changes reflect the change in the Single Discount Rate from the beginning of the year at 3.09% (the resulting Single Discount Rate based on the expected rate of return on OPEB Plan investments as of September 30, 2016 at 7.70% and the long-term municipal bond rate as of September 29, 2016 at 3.06%) to the end of the year at 3.54%.

Sensitivity of Net OPEB Liability to changes in the Single Discount Rate –The following presents the plan's net OPEB liability, calculated using a Single Discount Rate of 3.54%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher (in thousands):

1% Decrease 2.54%	Current Single Discount Rate Assumption 3.54%	1% Increase 4.54%
\$ 98,420	\$ 86,651	\$ 76,903

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher (in thousands):

1% Decrease (6.5% down to 3.72%)	Current Healthcare Cost Trend Rate Assumption	1% Increase (8.5% down to 5.72%)
\$ 78,441	\$ 86,651	\$ 96,698

4. FUNDING POLICY

The contribution requirements of OPEB 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.

5. 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 (in thousands):

Annual required contribution	\$ 5,323
Interest on net OPEB obligation	208
Adjustment to annual required contribution	(198)
Annual OPEB cost	5,333
Contributions made	(4,502)
Increase in net OPEB obligation	831
Net OPEB Obligation - October 1	4,557
Net OPEB obligation - September 30	\$ 5,388

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

5. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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 (in thousands):

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 6,019	\$ 5,193	86.28 %	\$ 3,776
2016	6,289	5,508	87.59	4,557
2017	5,333	4,502	84.42	5,388

6. FUNDED STATUS AND FUNDING PROGRESS

In accordance with GASB Statement No. 45 as of October 1, 2016, the most recent actuarial valuation date, the plan was 7.8% funded. The actuarial accrued liability for benefits was \$83.1 million, and the actuarial value of assets was \$6.5 million resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$76.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$149.2 million, and the ratio of the UAAL to the covered payroll was 51.33%. 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.

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.

7. 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. 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, 2016 actuarial valuation, the entry age normal actuarial cost method was used with an increasing normal cost pattern consistent with salary increase assumptions. The actuarial assumptions included a 4.56% investment rate of return and a 2.5% inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open basis over a period of thirty years.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

J. DERIVATIVE INSTRUMENTS

The contracts are recorded at fair value on the Statement of Net Position as they have been determined to qualify as derivative instruments under GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". The fair values of the forward contracts are estimated based upon the present value of their estimated cash flows. The City's sole counterparty for hedging, ADM Investor Services Inc. (ADM) was rated A2 by Moody's on September 30, 2017. All of the City's hedging positions as of September 30, 2017 are with the City's Futures Commission Merchant (FCM): ADM. Positions are cleared on a daily basis, so neither party incurs credit risk. As of September 30, 2017 the City had no hedged positions with counterparties. All of the City's positions are with ADM and cleared on a daily basis. No amounts due either party are outstanding and netting and/or master netting does not apply. Energy hedging derivatives with ADM may be terminated at any time.

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' from Standard and Poor's Investment Services (S&P) or 'A2' from Moody's Investment Services (Moody's).

K. CONTINGENCY

Cascade Park Superfund Site

The City of Tallahassee (City) excavated approximately 85,000 tons of contaminated soil from the Cascades Park site in 2005-2006 pursuant to the requirements of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund). Additionally, Blueprint conducted subsequent excavation and contaminated soil disposal as part of park construction activities. Despite these efforts, residual groundwater and soil contamination remained at the site. As a result, in December 2011, the City as the CERCLA "responsible party" and the U.S. Environmental Protection Agency (EPA) entered into a new "Administrative Settlement Agreement and Order on Consent for Remedial Investigation / Feasibility Study." This Settlement Agreement, which is still in effect today, requires the City to determine the most appropriate remedial technology to address the subsurface contamination and make recommendations to the EPA on how to move forward. In accordance with the Settlement Agreement, and as part of this evaluation, a field-scale pilot injection study was completed in February 2013. Following the pilot study, the City finalized its recommendations which were formally submitted in the form of a Draft Feasibility Study Report in February 2014. Throughout 2017 and into 2018, the City, the Florida Department of Environmental Protection and the EPA met to discuss the results of the work completed to date including the annual monitoring results. Based on the data and these discussions, the EPA has indicated its intention to issue a "No Action" Record of Decision (ROD) by the summer of 2018. The issuance of a No Action ROD will mean that no further assessment, remediation or monitoring work is required by the City, thereby allowing for official regulatory closure including well abandonment. As mandated, the City will be liable for any direct and indirect costs incurred by EPA associated with the site including development of the ROD. However, no additional costs are expected for subsequent years following official site closure.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE V. OTHER INFORMATION

L. RELATED PARTY TRANSACTIONS

Related party transactions during the year ended September 30, 2017 included the following:

- 1) Periodically, the City will enter into Joint Project Agreements (JPA) with Blueprint Intergovernmental Agency (Blueprint) whereby Blueprint will provide construction management services to the City for an administrative fee. For the year ended September 30, 2017, the City paid no fees to Blueprint.
- 2) On June, 22, 2012, the City and Blueprint entered into a Joint Project Agreement (JPA) whereby Blueprint will provide "right of way" services to the City for the City's FAMU Way Road Project. For the year ended September 30, 2017, the City paid no fees to Blueprint for this project.
- 3) In the current year, the City contributed to the OEV \$174,500 to fund operations.
- 4) The City paid the following contributions to the Consolidated Dispatch Agency:
 - a. \$4,814,096 for operations.
 - b. \$312,300 for Fire/EMS revenue.

M. SUBSEQUENT EVENTS

1. CONSOLIDATED UTILITY SYSTEMS REFUNDING BONDS - SERIES 2017

On November 29, 2017, the City issued \$115,060,000 of Consolidated Utility Systems Refunding Bonds, Series 2017, for the purposes of refunding all of the City's outstanding Consolidated Utility Systems Revenue Bonds, Series 2007 and paying certain costs of issuance in connection with the Series 2017 bonds.

2. ENERGY SYSTEM REVENUE BONDS - SERIES 2018

On February 27, 2018, the City issued \$104,975,000 of Energy System Revenue Bonds, Series 2018, for the purposes of paying the costs of certain capital improvements relating to the City's electric system and paying certain issuance costs in connection with the Series 2018 bonds.

REQUIRED SUPPLEMENTARY INFORMATION

THIS SUBSECTION CONTAINS THE FOLLOWING:

Budgetary Comparison Schedule-General Fund

Note to Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - General Employees

Schedule of Net Pension Liability by Employer - General Employees

Schedule of Contributions - General Employees

Notes to the Schedule of Contributions - General Employees

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Police Officers

Schedule of Contributions - Police Officers

Notes to the Schedule of Contributions - Police Officers

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Firefighters

Schedule of Contributions - Firefighters

Notes to the Schedule of Contributions - Firefighters

Schedule of Investment Returns - Pension Plans

Schedule of Changes in the Net OPEB Liability and Related Ratios

Schedules of the Net OPEB Liability

Notes to the Schedule of Net OPEB Liability

Schedule of Contributions - OPEB

Notes to the Schedule of Contributions - OPEB

Schedule of Investment Returns - OPEB

Schedule of Funding Progress - OPEB

Schedule of Employer Contributions - OPEB

CITY OF TALLAHASSEE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

General Fund

for the fiscal year ended September 30, 2017

(in thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance - October 1	\$ 963	\$ 963	\$ 963	\$ -
Resources				
Taxes	62,864	62,864	62,244	(620)
Licenses and Permits	2,937	2,937	2,910	(27)
Intergovernmental Revenues	18,747	18,747	17,876	(871)
Charges for Services	9,851	9,851	8,367	(1,484)
Fines and Forfeitures	870	870	833	(37)
Interest Earned	525	525	443	(82)
Miscellaneous	12,168	12,168	10,797	(1,371)
Transfers from Other Funds	43,624	43,644	42,774	(870)
Amounts Available for Appropriations	152,549	152,569	147,207	(5,362)
Charges to Appropriations				
General Government	25,082	23,857	22,418	1,439
Public Safety	56,493	56,377	55,918	459
Transportation	16,015	15,884	14,041	1,843
Human Services	1,524	1,574	1,466	108
Economic Development	358	308	193	115
Physical Environment	1,753	1,745	1,510	235
Culture and Recreation	22,220	22,071	21,929	142
Transfers to Other Funds	29,104	30,753	28,675	2,078
Total Charges to Appropriations	152,549	152,569	146,150	6,419
Budgetary Fund Balance - September 30	\$ -	\$ -	\$ 1,057	\$ 1,057

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION Note to Required Supplementary Information

General Fund
September 30, 2017
(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. \$ 147,207

Differences - budget to GAAP

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes. (963)

The increase in the fair market value of investments is an increase in revenue for financial reporting purposes but is considered a budgetary inflow. (351)

The revenues of the City's Deficiency Reserve and Scholarship Reserve are current year revenues for reporting purposes but are not considered budgetary inflows. 12,359

Current year nonbudgeted transfer is treated as revenue for financial reporting purposes but not as a budgetary inflow. 106

Miscellaneous items treated as budgetary inflows but not as revenues for financial reporting purposes. (1,589)

Miscellaneous items treated as revenues for financial reporting purposes but not as budgetary inflows (371)

Total Revenues and Other Financing Sources as reported on the statement of revenues, expenditures, and changes in fund balances. \$ 156,398

Outflows of Resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule. \$ 146,150

Difference - budget to GAAP

The expenditures of the City's Deficiency Reserve and Scholarship reserve are current year expenditures for reporting purposes but are not considered budgetary outflows. 12,044

Current year nonbudgeted transfer is treated as expense for financial reporting purposes but not as a budgetary outflow. (1,810)

Miscellaneous items treated as budgetary outflows but not as expenditures for financial reporting purposes. 18

Total Expenditures and Other Financing Uses as reported on the statement of revenues, expenditures, and changes in fund balances. \$ 156,402

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - GENERAL EMPLOYEES PENSION PLAN

(BASED ON MEASUREMENT PERIOD ENDING SEPTEMBER 30, 2016)

Fiscal Year Ending September 30

(in thousands)

(Unaudited)

	2017	2016	2015	2014
Total pension liability				
Service Cost	\$ 15,008	\$ 14,964	\$ 14,592	\$ 16,333
Interest	78,568	74,426	71,570	70,460
Difference between actual & expected experience	17,064	-	(24,196)	-
Assumption Changes	54,077	-	-	-
Benefit Payments	(54,634)	(50,887)	(47,928)	(44,510)
Refunds	(269)	(312)	(241)	(385)
Net Change in Total Pension Liability	109,814	38,191	13,797	41,898
Total Pension Liability - Beginning	1,009,166	970,975	957,178	915,280
Total Pension Liability - Ending (a)	1,118,980	1,009,166	970,975	957,178
Plan Fiduciary Net Position				
Contributions - Employer	\$ 14,486	\$ 14,591	\$ 16,537	\$ 16,110
Contributions - Other	356	-	23	92
Contributions - Member	5,160	4,523	4,719	4,607
Net Investment Income	127,148	85,979	9,640	89,958
Benefits Payments	(54,634)	(50,887)	(47,928)	(44,510)
Refunds	(269)	(312)	(241)	(385)
Administrative Expense	(1,214)	(705)	(637)	(668)
Net Change in Plan Fiduciary Net Position	91,033	53,189	(17,887)	65,204
Plan Fiduciary Net Position - Beginning	983,771	930,582	948,469	883,265
Plan Fiduciary Net Position - Ending (b)	\$ 1,074,804	\$ 983,771	\$ 930,582	\$ 948,469
Net Pension Liability - Ending (a) - (b)	\$ 44,176	\$ 25,395	\$ 40,393	\$ 8,709
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.05 %	97.48 %	95.84 %	99.09 %
Covered Employee Payroll	\$ 110,835	\$ 111,638	\$ 108,866	\$ 106,057
Net Pension Liability as a Percentage of Covered Employee Payroll	39.86 %	22.75 %	37.10 %	8.21 %

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF NET PENSION LIABILITY BY EMPLOYER - GENERAL EMPLOYEES (BASED ON MEASUREMENT PERIOD ENDING SEPTEMBER 30, 2016)

(in thousands)

(Unaudited)

Measurement year ending September 30, 2016	BLUEPRINT	CRTPA	CDA	CITY OF TALLAHASSEE	GENERAL EMPLOYEES TOTAL
Total Pension Liability - Beginning	\$ 5,162	\$ 2,658	\$ 31,648	\$ 969,698	\$ 1,009,166
Total Pension Liability - Ending (a)	<u>11,590</u>	<u>3,836</u>	<u>39,162</u>	<u>1,064,392</u>	<u>1,118,980</u>
Plan Fiduciary Net Position - Beginning	5,032	2,591	30,851	945,297	983,771
Plan Fiduciary Net Position - Ending (b)	<u>11,133</u>	<u>3,685</u>	<u>37,616</u>	<u>1,022,370</u>	<u>1,074,804</u>
Net Pension Liability - Ending (a) - (b)	457	151	1,546	42,022	44,176
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	96.06 %	96.06 %	96.05 %	96.05 %	96.05 %
Covered Employee Payroll	\$ 1,148	\$ 380	\$ 3,879	\$ 105,428	\$ 110,835
Net Pension Liability as a percentage of Covered					
Employee Payroll	39.81 %	39.74	39.86	39.86	39.86 %
Employer's proportion of the Net Pension Liability	0.51 %	0.26 %	3.14 %	96.09 %	100.00 %
	1.04 %	0.34 %	3.50 %	95.12 %	100.00 %

Note: The Total Pension Liability, the Plan Fiduciary Net Position, the Net Pension Liability, and the Pension Expense are allocated by department based on the covered pensionable payroll for each department, since that was the basis for determining employer contributions.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CONTRIBUTIONS - GENERAL EMPLOYEES Last Ten Fiscal Years (in thousands) (Unaudited)

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 9,609	\$ 9,609	\$ -	\$ 95,233	10.09 %
2009	9,547	9,547	-	99,241	9.62
2010	8,862	8,862	-	93,383	9.49
2011	10,408	10,408	-	97,362	10.69
2012	10,523	10,523	-	95,577	11.01
2013	14,335	14,335	-	99,067	14.47
2014	16,110	16,110	-	106,057	15.19
2015	16,537	16,537	-	108,866	15.19
2016	14,591	14,591	-	111,638	13.07
2017	14,486	14,486	-	110,835	13.07

NOTES TO SCHEDULE OF CONTRIBUTIONS - GENERAL EMPLOYEES

Valuation Date: October 1, 2014
Measurement Date: September 30, 2016

Notes: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay (with 1.99% payroll growth assumption), Closed
Remaining Amortization Period	13 years
Asset Valuation Method	20% of the difference between expected actuarial value (based on assumed return) and market value is recognized each year with 20% corridor around market value
Inflation	3.0%
Salary Increases	3.5%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Mortality Table with 40%/60% blend of white/blue collar rates for males and females with mortality improvement projected using Scale AA for 15 years from the valuation date (to October 1, 2029)

Notes: Covered Employee Payroll includes all (total) payroll during the fiscal year (not just pensionable payroll). Therefore, the Actual Contribution as a % of Payroll is different from the required contribution as a percentage of covered payroll that is reported in the actuarial valuations for funding purposes.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS POLICE OFFICERS (BASED ON MEASUREMENT PERIOD ENDING SEPTEMBER 30, 2016) Fiscal Year Ending September 30 (in thousands) (Unaudited)

	2017	2016	2015
Total pension liability			
Service Cost	\$ 6,031	\$ 5,573	\$ 5,570
Interest	25,451	23,784	22,775
Difference between actual & expected experience	8,041	-	1,263
Assumption Changes	11,610	-	-
Benefit Payments	(16,699)	(15,737)	(14,684)
Refunds	(105)	(156)	(64)
Net Change in Total Pension Liability	34,329	13,464	14,860
Total Pension Liability - Beginning	322,731	309,267	294,407
Total Pension Liability - Ending (a)	<u>\$ 357,060</u>	<u>\$ 322,731</u>	<u>\$ 309,267</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 6,996	\$ 6,585	\$ 5,940
Contributions - Non-Employer Contributing Entity	109	-	6
Contributions - Member	3,483	3,230	3,104
Net Investment Income	39,016	25,772	2,843
Benefits Payments	(16,699)	(15,737)	(14,684)
Refunds	(105)	(156)	(64)
Administrative Expense	(369)	(200)	(187)
Net Change in Plan Fiduciary Net Position	32,431	19,494	(3,042)
Plan Fiduciary Net Position - Beginning	279,774	260,280	263,322
Plan Fiduciary Net Position - Ending (b)	<u>\$ 312,205</u>	<u>\$ 279,774</u>	<u>\$ 260,280</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 44,855</u>	<u>\$ 42,957</u>	<u>\$ 48,987</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.44 %	86.69 %	84.16 %
Covered Employee Payroll	\$ 27,170	\$ 25,573	\$ 25,559
Net Pension Liability as a Percentage of Covered Employee Payroll	165.09 %	167.98 %	191.66 %

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CONTRIBUTIONS - POLICE OFFICERS (in thousands) (Unaudited)

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 3,014	\$ 3,014	\$ -	\$ 20,873	14.44 %
2009	3,064	3,064	-	21,547	14.22
2010	3,071	3,071	-	20,680	14.85
2011	4,228	4,228	-	22,067	19.16
2012	4,251	4,251	-	21,958	19.36
2013	4,787	4,787	-	22,548	21.23
2014	5,779	5,779	-	24,865	23.24
2015	5,940	5,940	-	25,559	23.24
2016	6,585	6,585	-	25,573	25.75
2017	6,996	6,996	-	27,170	25.75

NOTES TO SCHEDULE OF CONTRIBUTIONS - POLICE OFFICERS

Valuation Date: October 1, 2014
Measurement Date: September 30, 2016

Notes: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay (with 3.24% payroll growth assumption), Closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between expected actuarial value (based on assumed return) and market value is recognized each year with 20% corridor around market value
Inflation	3.0%
Salary Increases	5.0%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Mortality Table with 40%/60% blend of white/blue collar rates for males and females with mortality improvement projected using Scale AA for 15 years from the valuation date (to October 1, 2029)

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - FIREFIGHTERS (BASED ON MEASUREMENT PERIOD ENDING SEPTEMBER 30, 2016) Fiscal Year Ending September 30 (in thousands) (Unaudited)

	2017	2016	2015
Total pension liability			
Service Cost	\$ 3,863	\$ 3,564	\$ 3,288
Interest	17,968	16,774	16,205
Difference between actual & expected experience	8,020	-	2,783
Assumption Changes	9,978	-	-
Benefit Payments	(13,669)	(12,701)	(12,074)
Refunds	(65)	(65)	(5)
Net Change in Total Pension Liability	26,095	7,572	10,197
Total Pension Liability - Beginning	226,836	219,264	209,067
Total Pension Liability - Ending (a)	\$ 252,931	\$ 226,836	\$ 219,264
Plan Fiduciary Net Position			
Contributions - Employer	\$ 4,970	\$ 4,671	\$ 4,104
Contributions - Non-Employer Contributing Entity	66	-	4
Contributions - Member	3,270	3,092	2,774
Net Investment Income	23,810	15,933	1,782
Benefits Payments	(13,669)	(12,701)	(12,074)
Refunds	(65)	(65)	(5)
Administrative Expense	(227)	(124)	(117)
Net Change in Plan Fiduciary Net Position	18,155	10,806	(3,532)
Plan Fiduciary Net Position - Beginning	187,102	176,296	179,828
Plan Fiduciary Net Position - Ending (b)	\$ 205,257	\$ 187,102	\$ 176,296
Net Pension Liability - Ending (a) - (b)	47,674	39,734	42,968
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.15 %	82.48 %	80.40 %
Covered Employee Payroll	\$ 18,774	\$ 17,645	\$ 16,280
Net Pension Liability as a Percentage of Covered Employee Payroll	253.94 %	225.19 %	263.93 %

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CONTRIBUTIONS - FIREFIGHTERS (in thousands) (Unaudited)

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	2,072	\$ 2,072	\$ -	\$ 12,061	17.18 %
2009	2,376	2,376	-	12,760	18.62
2010	2,447	2,447	-	12,649	19.35
2011	3,022	3,022	-	13,401	22.55
2012	3,024	3,024	-	12,373	24.44
2013	3,154	3,154	-	12,718	24.80
2014	3,894	3,894	-	15,446	25.21
2015	4,104	4,104	-	16,280	25.21
2016	4,671	4,671	-	17,645	26.47
2017	4,970	4,970	-	18,774	26.47

NOTES TO SCHEDULE OF CONTRIBUTIONS - FIREFIGHTERS

Valuation Date: October 1, 2014
Measurement Date: September 30, 2016

Notes: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumption Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay (with 2.9% payroll growth assumption), Closed
Remaining Amortization Period	30 years
Asset Valuation Method	20% of the difference between expected actuarial value (based on assumed return) and market value is recognized each year with 20% corridor around market value
Inflation	3.0%
Salary Increases	4.0%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Mortality Table with 40%/60% blend of white/blue collar rates for males and females with mortality improvement projected using Scale AA for 15 years from the valuation date (to October 1, 2029)

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF INVESTMENT RETURNS - PENSION PLANS For the Fiscal Year Ended September 30 (Unaudited)

Year	Annual money-weighted rate of return, net of investment income	
2008	14.28	%
2009	-1.41	
2010	10.62	
2011	-0.26	
2012	20.85	
2013	14.65	
2014	10.34	
2015	0.29	
2016	9.04	
2017	13.12	

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS Fiscal year ending September 30 (in thousands) (Unaudited)

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 2,467
Interest on the total OPEB liability	3,040
Change of assumptions	(5,015)
Benefit payments	<u>(4,412)</u>
Net change in total OPEB liability	(3,920)
Total OPEB liability - beginning	<u>98,144</u>
Total OPEB liability - ending (a)	<u><u>\$ 94,224</u></u>
Plan Fiduciary Net Pension	
Employer Contributions	\$ 2,015
OPEB plan net investment income	1,273
Benefit payments	<u>(2,171)</u>
Net change in plan fiduciary net position	1,117
Plan fiduciary net position - beginning	<u>6,456</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,573</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 86,651</u></u>
Plan fiduciary net position as a % of the total OPEB liability	8.04 %
Covered payroll*	\$ 149,247
Net OPEB liability as a % of covered employee payroll	58.06 %

**Estimate*

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF NET OPEB LIABILITY (in thousands) (Unaudited)

FY Ending September 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 94,224	\$ 7,573	\$ 86,651	8.04 %	\$ 149,247	58.06 %

NOTES TO SCHEDULE OF NET OPEB LIABILITY

Valuation date: October 1, 2016

Methods and Assumptions Used to Determine Net OPEB Liability::

Actuarial Cost Method	Entry Age Normal.
Inflation	2.5%.
Discount Rate	3.54%, the resulting Single Discount Rate based on the expected rate of return on OPEB plan investments as of September 30, 2017 at 7.70% and the long-term municipal bond rate as of September 29, 2017 at 3.50%.
Salary Increases	3.32% to 5.47%, including inflation; varies by plan type and years of service.
Retirement Age	Experience-based table of rates that are specific to the plan and type of eligibility condition.
Mortality	RP-2000 Healthy Annuitant Mortality Table, with mortality improvements projected to all future years using Scale BB. For females, the base mortality rates include a 100% white collar adjustment. For males, the base mortality rates include a 50% white color adjustment and a 50% blue collar adjustment. These are the same mortality rates currently in use for Regular Class members of the Florida Retirement System (FRS). They are based on the results of a statewide experience study covering the period 2008 through 2013.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.72% (including the impact of the excise tax).
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Investment expenses are net of the investment returns; and, Administrative expenses are included in the premium costs.

Other Information:

Notes	There were no benefit changes during the year. Assumption changes reflect the change in the Single Discount Rate from the beginning of the year at 3.09% (the resulting Single Discount Rate based on the expected rate of return on OPEB plan investments as of September 30, 2016 at 7.70% and the long-term municipal bond rate as of September 29, 2016 at 3.06%) to the end of the year at 3.54%.
-------	--

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF CONTRIBUTIONS - OPEB (in thousands) (Unaudited)

FY ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 5,323	\$ 2,015	\$ 3,308	\$ 149,247	1.35 %

NOTES TO SCHEDULE OF CONTRIBUTIONS - OPEB

Valuation date: October 1, 2016

Notes: Actuarially determined contribution rates are calculated as of October 1, which is 12 months prior to the end of the fiscal year in which contributions are made and reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal.
Amortization method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	28 years.
Asset Valuation Method	Market Value.
Inflation	2.5%.
Salary increases	3.32% to 5.47%, including inflation; varies by plan type and years of service.
Investment rate of return	4.56%, net of OPEB plan investment expense, including inflation.
Retirement Age	Experience-based table of rates that are specific to the plan and type of eligibility condition.
Mortality	RP-2000 Healthy Annuitant Mortality Table, with mortality improvements projected to all future years using Scale BB. For females, the base mortality rates include a 100% white collar adjustment. For males, the base mortality rates include a 50% white collar adjustment and a 50% blue collar adjustment. These are the same mortality rates currently in use for Regular Class members of the Florida Retirement System (FRS). They are based on the results of a statewide experience study covering the period 2008 through 2013.
Health Care Trend Rates	Based on the Getzen Model, with trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.72% (including the impact of the excise tax).
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Investment expenses are net of the investment returns; and, Administrative expenses are included in the premium costs.

Other Information:

Notes: There were no benefit changes during the year.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF INVESTMENT RETURNS - OPEB (Unaudited)

FY Ending September 30,	Annual Return*	
2017	19.96	%

** Estimated Annual money-weighted rate of return, net of investment expenses.*

SCHEDULE OF FUNDING PROGRESS - OPEB (in thousands) (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability- Entry Age (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Actuarial Accrued Liability as a Percentage of Covered Payroll ((b- a)/c)
10/1/2012	\$ 4,415	\$ 61,464	\$ 57,049	7.18 %	\$ 139,478	40.90 %
10/1/2014	5,945	97,327	91,382	6.11 %	145,355	62.87 %
10/1/2016	\$ 6,457	\$ 83,059	\$ 76,602	7.77 %	\$ 149,247	51.33 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB (in thousands) (Unaudited)

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 6,019	\$ 5,193	86.28 %	\$ 3,776
2016	6,289	5,508	87.58 %	4,556
2017	\$ 5,332	\$ 4,502	84.43 %	\$ 5,387

See Independent Auditors' Report



THIS PAGE INTENTIONALLY LEFT BLANK.

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



THIS PAGE INTENTIONALLY LEFT BLANK.

NONMAJOR GOVERNMENTAL FUNDS

Special Projects	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.
Law Enforcement	For the accounting of state and federal forfeitures received by the City as prescribed by Florida Statutes. Also included: the Federal Law Enforcement Block Grant revenues and expenditures; and Second Dollar funding revenues received from the County who collects fines from citizens guilty of a statute violation or local ordinance.
Building Code Enforcement	Accounts for all assets, operations, and maintenance of the City's Building Inspection Division of the Growth Management Department. Revenues accounted for in this fund are derived from fees, fines, and investment earnings from the enforcement and implementation of the Florida Building code. Revenues in this fund were previously captured and reported in the General Revenue Fund.
Concurrency	Accounts for activity resulting from the State's new concurrency requirements outlined in Chapter 163, F.S. This statute allows developers the opportunity to move forward with development despite concurrency constraints by contributing their fair share of the cost to improve the impacted transportation facilities.
State Housing Partnership	Accounts for State funding to be used as an incentive to produce and preserve affordable housing for very low, low, and moderate income families.
Debt Service	Accounts for the accumulation of resources for, and the payment of, interest and principal on all general long-term debt other than that payable from Proprietary Funds.
Capital Improvement	Accounts for general revenue used for the acquisition or construction of general fixed assets.
Capital Bonds	Accounts for bond proceeds used for the acquisition or construction of general fixed assets.
Sales Tax Construction	Accounts for tax proceeds used for the acquisition or construction of public safety and transportation improvements.
Gas Tax	Accounts for tax proceeds used for the acquisition or construction of transportation improvements.
Cemetery	To accumulate resources for the perpetual maintenance of the City's cemeteries which include the sale and maintenance of plots.

CITY OF TALLAHASSEE, FLORIDA

COMBINING BALANCE SHEET Nonmajor Governmental Funds September 30, 2017 (in thousands)

	Special Revenue Funds				
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency	State Housing Partnership
ASSETS					
Cash and Cash Equivalents	\$ 1,603	\$ -	\$ 1,262	\$ 4,971	\$ -
Securities Lending Collateral	22	-	12	48	-
Receivables:					
Accrued Interest	8	-	-	10	-
Customers and Others	15	-	-	-	-
Notes	53	-	-	-	-
Special Assessments	-	-	-	-	-
Due From Other Governments	1,752	-	-	-	-
Cash and Cash Equivalents - Restricted	567	708	-	-	1,525
Securities Lending Collateral - Restricted	5	7	-	-	15
Receivables - Restricted:					
Accrued Interest	1	1	-	-	3
Customers and Others	4	6	-	-	-
Notes	-	-	-	-	292
Due From Other Governments	1,014	-	-	-	-
Total Assets	\$ 5,044	\$ 722	\$ 1,274	\$ 5,029	\$ 1,835
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Obligations Under Securities Lending	\$ 22	\$ -	\$ 12	\$ 48	\$ -
Accounts and Retainage Payable	86	-	202	13	-
Unearned Revenue	2	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Accounts and Retainage Payable - Restricted	822	3	-	-	53
Obligations Under Securities Lending - Restricted	5	7	-	-	15
Unearned Revenue - Restricted	-	126	-	-	1,512
Total Liabilities	937	136	214	61	1,580
FUND BALANCES					
Nonspendable	53	-	-	-	255
Spendable:					
Restricted	167	146	-	4,968	-
Committed	3,887	383	-	-	-
Assigned	-	57	-	-	-
Unassigned	-	-	1,060	-	-
Total Fund Balances	4,107	586	1,060	4,968	255
Total Liabilities and Fund Balances	\$ 5,044	\$ 722	\$ 1,274	\$ 5,029	\$ 1,835

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING BALANCE SHEET Nonmajor Governmental Funds September 30, 2017 (in thousands)

		Capital Project Funds				Permanent Fund	
Debt Service		Capital Improvement	Capital Bonds	Sales Tax Construction	Gas Tax	Cemetery	Total
\$	-	\$ 17,274	\$ 7,331	\$ 13,023	\$ 3,559	\$ 4,284	\$ 53,307
	-	164	70	125	34	41	516
	-	37	15	26	7	8	111
	-	(1)	-	-	-	-	14
	-	131	-	-	-	-	184
	-	88	-	-	-	-	88
	-	500	-	664	1,288	-	4,204
	-	-	-	-	-	-	2,800
	-	-	-	-	-	-	27
	-	-	-	-	-	-	5
	-	-	-	-	-	-	10
	-	-	-	-	-	-	292
	-	-	-	-	-	-	1,014
<u>\$</u>	<u>-</u>	<u>\$ 18,193</u>	<u>\$ 7,416</u>	<u>\$ 13,838</u>	<u>\$ 4,888</u>	<u>\$ 4,333</u>	<u>\$ 62,572</u>
\$	-	\$ 164	\$ 70	\$ 125	\$ 34	\$ 41	\$ 516
	-	507	79	1,213	270	8	2,378
	-	-	-	-	-	-	2
	-	678	-	-	-	-	678
	-	-	-	-	-	-	878
	-	-	-	-	-	-	27
	-	-	-	-	-	-	1,638
	-	1,349	149	1,338	304	49	6,117
	-	-	-	-	-	-	308
	-	2,238	7,267	12,500	4,584	-	31,870
	-	14,606	-	-	-	4,284	23,160
	-	-	-	-	-	-	57
	-	-	-	-	-	-	1,060
	-	16,844	7,267	12,500	4,584	4,284	56,455
<u>\$</u>	<u>-</u>	<u>\$ 18,193</u>	<u>\$ 7,416</u>	<u>\$ 13,838</u>	<u>\$ 4,888</u>	<u>\$ 4,333</u>	<u>\$ 62,572</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Nonmajor Governmental Funds for the fiscal year ended September 30, 2017 (in thousands)

	Special Revenue Funds				
	Special Projects	Law Enforcement	Building Code Enforcement	Concurrency	State Housing Partnership
Revenues:					
Licenses and Permits	\$ -	\$ -	\$ 3,982	\$ 86	\$ -
Intergovernmental Revenues	7,311	158	-	-	867
Charges for Services	-	-	192	-	-
Fines and Forfeitures	-	103	34	-	-
Net Investment Earnings	64	8	12	61	24
Securities Lending Income	-	-	-	-	-
Change in Fair Value of Investments	-	-	(6)	-	-
Miscellaneous Revenues	1,086	-	221	-	-
Total Revenues	<u>8,461</u>	<u>269</u>	<u>4,435</u>	<u>147</u>	<u>891</u>
Expenditures:					
Current:					
General Government	152	-	-	-	-
Public Safety	1,053	311	3,392	-	-
Transportation	1,867	-	-	111	-
Human Services	636	-	-	-	-
Economic Environment	2,869	-	-	-	928
Physical Environment	1,155	-	-	-	-
Culture and Recreation	183	-	-	-	-
Debt Service:					
Principal Retired	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>7,915</u>	<u>311</u>	<u>3,392</u>	<u>111</u>	<u>928</u>
Excess of Revenues Over (Under)					
Expenditures	<u>546</u>	<u>(42)</u>	<u>1,043</u>	<u>36</u>	<u>(37)</u>
Other Financing Sources (Uses):					
Transfers In	243	225	-	-	-
Transfers Out	(72)	(225)	(124)	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>171</u>	<u>-</u>	<u>(124)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	717	(42)	919	36	(37)
Fund Balances - October 1	3,390	628	141	4,932	292
Fund Balances - September 30	<u>\$ 4,107</u>	<u>\$ 586</u>	<u>\$ 1,060</u>	<u>\$ 4,968</u>	<u>\$ 255</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Nonmajor Governmental Funds for the fiscal year ended September 30, 2017 (in thousands)

Debt Service	Capital Project Funds				Permanent Fund	Total
	Capital Improvement	Capital Bonds	Sales Tax Construction	Gas Tax	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,068
-	-	-	4,289	7,715	-	20,340
-	26	-	-	-	116	334
-	-	-	-	-	-	137
803	212	107	(30)	53	53	1,367
3	-	-	-	-	-	3
-	-	-	-	-	(40)	(46)
2,032	899	-	39	-	-	4,277
<u>2,838</u>	<u>1,137</u>	<u>107</u>	<u>4,298</u>	<u>7,768</u>	<u>129</u>	<u>30,480</u>
-	1,069	121	-	3	-	1,345
-	441	-	-	-	-	5,197
-	2,788	3,313	5,735	2,990	-	16,804
-	110	-	-	-	-	746
-	24	-	-	-	-	3,821
-	-	-	-	-	574	1,729
-	873	-	1	-	-	1,057
8,119	-	-	-	-	-	8,119
4,215	-	-	-	-	-	4,215
<u>12,334</u>	<u>5,305</u>	<u>3,434</u>	<u>5,736</u>	<u>2,993</u>	<u>574</u>	<u>43,033</u>
<u>(9,496)</u>	<u>(4,168)</u>	<u>(3,327)</u>	<u>(1,438)</u>	<u>4,775</u>	<u>(445)</u>	<u>(12,553)</u>
9,496	5,047	-	-	-	-	15,011
-	(62)	-	-	(4,977)	(33)	(5,493)
-	142	-	-	-	-	142
<u>9,496</u>	<u>5,127</u>	<u>-</u>	<u>-</u>	<u>(4,977)</u>	<u>(33)</u>	<u>9,660</u>
-	959	(3,327)	(1,438)	(202)	(478)	(2,893)
-	15,885	10,594	13,938	4,786	4,762	59,348
<u>\$ -</u>	<u>\$ 16,844</u>	<u>\$ 7,267</u>	<u>\$ 12,500</u>	<u>\$ 4,584</u>	<u>\$ 4,284</u>	<u>\$ 56,455</u>

See Independent Auditors' Report



THIS PAGE INTENTIONALLY LEFT BLANK.

NONMAJOR ENTERPRISE FUNDS

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

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF NET POSITION Nonmajor Enterprise Funds September 30, 2017 (in thousands)

	StarMetro	Solid Waste	Golf	Fire Services	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets:					
Cash and Cash Equivalents	\$ 629	\$ 9,909	\$ 559	\$ 1,333	\$ 12,430
Securities Lending Collateral	6	85	2	3	96
Receivables:					
Accrued Interest	-	18	1	3	22
Customers and Others	926	1,523	-	2,342	4,791
Due From Other Governments	832	-	-	438	1,270
Less: Allowance for Doubtful Accounts	(8)	(183)	-	(174)	(365)
Inventory	633	-	36	-	669
Securities Lending Collateral - Restricted	-	-	4	9	13
Total Current Assets	<u>3,018</u>	<u>11,352</u>	<u>602</u>	<u>3,954</u>	<u>18,926</u>
Noncurrent Assets:					
Deposits	254	-	-	-	254
Capital Assets:					
Land and Construction in Progress	5,006	458	144	1,820	7,428
Other, Net of Accumulated Depreciation	23,178	4,755	835	15,148	43,916
Total Noncurrent Assets	<u>28,438</u>	<u>5,213</u>	<u>979</u>	<u>16,968</u>	<u>51,598</u>
Total Assets	<u>31,456</u>	<u>16,565</u>	<u>1,581</u>	<u>20,922</u>	<u>70,524</u>
Deferred Outflows of Resources					
Pension Related Deferred Outflows	2,557	1,447	93	-	4,097
Total Assets and Deferred Outflows of Resources	<u>\$ 34,013</u>	<u>\$ 18,012</u>	<u>\$ 1,674</u>	<u>\$ 20,922</u>	<u>\$ 74,621</u>
LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities:					
Accounts and Retainage Payable	560	1,952	42	1,154	3,708
Due To Other Funds	8	-	2	-	10
Compensated Absences	515	308	19	2,196	3,038
Obligations Under Securities Lending	6	85	2	3	96
Unearned Revenue	54	-	-	-	54
Obligations Under Securities Lending - Restricted	-	-	4	9	13
Total Current Liabilities	<u>1,143</u>	<u>2,345</u>	<u>69</u>	<u>3,362</u>	<u>6,919</u>
Noncurrent Liabilities:					
Advances from Other Funds	-	-	-	11,856	11,856
Compensated Absences	89	231	13	258	591
Net Pension Liability	1,431	777	48	-	2,256
Total Noncurrent Liabilities	<u>1,520</u>	<u>1,008</u>	<u>61</u>	<u>12,114</u>	<u>14,703</u>
Total Liabilities	<u>2,663</u>	<u>3,353</u>	<u>130</u>	<u>15,476</u>	<u>21,622</u>
Deferred Inflows of Resources					
Pension Related Deferred Inflows	988	592	39	-	1,619
Total Liabilities and Deferred Inflows of Resources	<u>3,651</u>	<u>3,945</u>	<u>169</u>	<u>15,476</u>	<u>23,241</u>
NET POSITION					
Net Investment in Capital Assets	28,184	5,213	979	16,968	51,344
Unrestricted	2,178	8,854	526	(11,522)	36
Total Net Position	<u>30,362</u>	<u>14,067</u>	<u>1,505</u>	<u>5,446</u>	<u>51,380</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 34,013</u>	<u>\$ 18,012</u>	<u>\$ 1,674</u>	<u>\$ 20,922</u>	<u>\$ 74,621</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Nonmajor Enterprise Funds

For the fiscal year ended September 30, 2017

(in thousands)

	StarMetro	Solid Waste	Golf	Fire Services	Total
Operating Revenues:					
Charges for Services:					
Residential Sales	\$ -	\$ 10,187	\$ -	\$ 23,321	\$ 33,508
Commercial and Industrial Sales	-	13,140	-	14,805	27,945
County Government	-	-	-	3,128	3,128
Recyclable Sales	-	362	-	-	362
Recreation Fees	-	-	794	-	794
Transportation Fees	4,904	-	-	-	4,904
Other Charges	103	350	-	1,888	2,341
Total Operating Revenues	<u>5,007</u>	<u>24,039</u>	<u>794</u>	<u>43,142</u>	<u>72,982</u>
Operating Expenses:					
Personnel Services	10,317	4,754	468	28,418	43,957
Contractual Services	2,893	17,372	193	12,079	32,537
Materials and Supplies	1,722	92	96	681	2,591
Other	2,600	89	12	190	2,891
Depreciation	2,705	239	95	776	3,815
Total Operating Expenses	<u>20,237</u>	<u>22,546</u>	<u>864</u>	<u>42,144</u>	<u>85,791</u>
Operating Income (Loss)	<u>(15,230)</u>	<u>1,493</u>	<u>(70)</u>	<u>998</u>	<u>(12,809)</u>
Non-Operating Revenues (Expenses):					
Net Investment Earnings	-	126	7	13	146
Change in Fair Value of Investments	-	(19)	(1)	-	(20)
Other Expenses	(531)	-	(1)	-	(532)
Intergovernmental Revenues	2,418	-	-	-	2,418
Other Revenues	-	1,223	-	735	1,958
Interest Expense	-	-	-	(495)	(495)
Total Non-Operating Revenues (Expenses)	<u>1,887</u>	<u>1,330</u>	<u>5</u>	<u>253</u>	<u>3,475</u>
Income (Loss) Before Capital Contributions and Operating Transfers	<u>(13,343)</u>	<u>2,823</u>	<u>(65)</u>	<u>1,251</u>	<u>(9,334)</u>
Operating Transfers:					
Capital Contributions	5,061	-	-	-	5,061
Transfers In	8,336	199	-	-	8,535
Transfers Out	(45)	(1,990)	(2)	(299)	(2,336)
Total Operating Transfers	<u>13,352</u>	<u>(1,791)</u>	<u>(2)</u>	<u>(299)</u>	<u>11,260</u>
Change in Net Position	9	1,032	(67)	952	1,926
Net Position - October 1	32,288	13,035	1,572	4,494	51,389
Adjustments to October 1 Net Position	<u>(1,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,935)</u>
Net Position - September 30	<u>\$ 30,362</u>	<u>\$ 14,067</u>	<u>\$ 1,505</u>	<u>\$ 5,446</u>	<u>\$ 51,380</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the fiscal year ended September 30, 2017 (in thousands)

	StarMetro	Solid Waste	Golf	Fire Services	Total
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 7,530	\$ 23,854	\$ 793	\$ 43,237	\$ 75,414
Cash Paid to Suppliers for Goods and Services	(5,388)	(11,931)	(242)	(2,921)	(20,482)
Cash Paid to Employees for Services	(10,404)	(4,808)	(473)	(28,870)	(44,555)
Cash Paid to Other Funds	(2,381)	(5,195)	(46)	(10,060)	(17,682)
Cash Received (Paid) for Other Revenues (Expenses)	-	1,223	(1)	735	1,957
Net Cash Provided by (Used for) Operating Activities	<u>(10,643)</u>	<u>3,143</u>	<u>31</u>	<u>2,121</u>	<u>(5,348)</u>
Cash Flows from Noncapital Financing Activities					
Transfers In from Other Funds	8,336	199	-	-	8,535
Transfers Out to Other Funds	(45)	(1,990)	(2)	(299)	(2,336)
Operating Grants Received	2,418	-	-	-	2,418
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>10,709</u>	<u>(1,791)</u>	<u>(2)</u>	<u>(299)</u>	<u>8,617</u>
Cash Flows from Capital and Related Financing Activities					
Capital Contributions	5,061	-	-	-	5,061
Acquisition, Construction, and Sale of Capital Assets	(4,500)	(1,974)	(2)	(1,248)	(7,724)
Repayment of Loans from Other Funds	-	-	-	(730)	(730)
Interest Paid	-	-	-	(495)	(495)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>561</u>	<u>(1,974)</u>	<u>(2)</u>	<u>(2,473)</u>	<u>(3,888)</u>
Cash Flows from Investing Activities					
Interest Received on Investments	2	128	7	15	152
Increase in the Fair Value of Cash and Cash Equivalents	-	(19)	(1)	-	(20)
Net Cash Provided by (Used for) Investing Activities	<u>2</u>	<u>109</u>	<u>6</u>	<u>15</u>	<u>132</u>
Net Increase (Decrease) in Cash and Cash Equivalents/Investments	629	(513)	33	(636)	(487)
Cash and Cash Equivalents - October 1	-	10,422	526	1,969	12,917
Cash and Cash Equivalents - September 30	<u>\$ 629</u>	<u>\$ 9,909</u>	<u>\$ 559</u>	<u>\$ 1,333</u>	<u>\$ 12,430</u>
Classified As:					
Unrestricted Assets	<u>\$ 629</u>	<u>\$ 9,909</u>	<u>\$ 559</u>	<u>\$ 1,333</u>	<u>\$ 12,430</u>
	<u>\$ 629</u>	<u>\$ 9,909</u>	<u>\$ 559</u>	<u>\$ 1,333</u>	<u>\$ 12,430</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	\$ (15,230)	\$ 1,493	\$ (70)	\$ 998	\$ (12,809)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation	2,705	239	95	776	3,815
Provision for Uncollectible Accounts	15	(21)	-	(19)	(25)
Other	-	1,223	(1)	735	1,957
Pension Adjustment for GASB 68	(88)	(54)	(4)	-	(146)
Increase (Decrease) in Accounts Receivable	(190)	(164)	-	(133)	(487)
Decrease in Inventory	(77)	-	-	-	(77)
Increase(Decrease) in Deposits	50	-	-	-	50
(Decrease) in Accounts Payable	(526)	427	11	(31)	(119)
(Increase) in Due From Other Governments	2,823	-	-	247	3,070
Increase (Decrease) in Deferred Revenue	(125)	-	-	-	(125)
Increase (Decrease) in Accrued Leave	-	-	-	(452)	(452)
Total Adjustments	<u>4,587</u>	<u>1,650</u>	<u>101</u>	<u>1,123</u>	<u>7,461</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (10,643)</u>	<u>\$ 3,143</u>	<u>\$ 31</u>	<u>\$ 2,121</u>	<u>\$ (5,348)</u>

See Independent Auditors' Report

INTERNAL SERVICE FUNDS

800 MHz Communication	Supports the 800 MHz Radios 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.
Information Systems Services	Accounts for the costs of the City's data processing operations.
Accounting	Accounts for the costs of the City's accounting operations.
Purchasing	Accounts for the costs of the City's procurement operations.
Garage	Accounts for the costs of maintaining and operating the City's fleet management operation.
Human Resources	Accounts for the costs of the City's employee relations operations.
Pension Administration	Accounts for the costs of the City's employee retirement plan's administrative operation.
Risk Management	Accounts for the costs of the City's risk management.
Internal Loan	Accounts for the loans received from the Sunshine State Governmental Financing Commission, which in turn are loaned to other funds to provide financing for capital projects.
Revenue Collection	Accounts for the costs of the City's revenue collection services.
Utility Services	Accounts for the costs of centralizing safety and training, environmental, GIS, sales, rate design, and marketing functions of the City's utilities.
Environmental Policy and Energy Resources	Accounts for the City's environmental policy development and initiatives and environmental regulatory compliance.
Community Relations	Accounts for the City's community relations function which serves to engage citizens through interactive educational outreach efforts focused on a variety of City services and programs ranging from utility services to transportation.

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF NET POSITION Internal Service Funds September 30, 2017 (in thousands)

	800 Mhz	Information System Services	Accounting	Purchasing	Garage	Human Resources
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current Assets:						
Cash and Cash Equivalents	\$ 1,330	\$ 8,863	\$ 966	\$ 189	\$ 2,241	\$ 27
Securities Lending Collateral	13	85	9	2	22	-
Receivables:						
Other Receivables	6	8	1	1	62	3
Accrued Interest	3	18	2	-	4	-
Due From Other Governments	250	-	-	-	-	-
Inventory	-	-	-	-	1,287	-
Prepaid Expenses	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-
Total Current Assets	<u>1,602</u>	<u>8,974</u>	<u>978</u>	<u>192</u>	<u>3,616</u>	<u>30</u>
Noncurrent Assets:						
Advances To Other Funds	-	-	-	-	-	-
Deposits	-	-	-	-	534	-
Capital Assets:						
Land and Construction in Progress	440	2,739	-	44	-	-
Other, Net of Accumulated Depreciation	3,598	630	11	456	45,053	43
Total Noncurrent Assets	<u>4,038</u>	<u>3,369</u>	<u>11</u>	<u>500</u>	<u>45,587</u>	<u>43</u>
Total Assets	<u>5,640</u>	<u>12,343</u>	<u>989</u>	<u>692</u>	<u>49,203</u>	<u>73</u>
Total Assets and Deferred Outflows of Resources	<u>5,640</u>	<u>12,343</u>	<u>989</u>	<u>692</u>	<u>49,203</u>	<u>73</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Current Liabilities:						
Obligations Under Securities Lending	13	85	9	2	22	-
Accounts Payable	74	873	195	55	1,141	123
Due To Other Funds	-	-	-	-	-	-
Unearned Revenue	83	-	-	-	-	-
Capital Lease Payable	-	462	-	-	-	-
Compensated Absences	33	605	174	114	313	220
Total Current Liabilities	<u>203</u>	<u>2,025</u>	<u>378</u>	<u>171</u>	<u>1,476</u>	<u>343</u>
Noncurrent Liabilities:						
Claims Payable	-	-	-	-	-	-
Compensated Absences	-	351	70	19	177	20
Total Noncurrent Liabilities	<u>-</u>	<u>351</u>	<u>70</u>	<u>19</u>	<u>177</u>	<u>20</u>
Total Liabilities	<u>203</u>	<u>2,376</u>	<u>448</u>	<u>190</u>	<u>1,653</u>	<u>363</u>
Total Liabilities and Deferred Inflows of Resources	<u>203</u>	<u>2,376</u>	<u>448</u>	<u>190</u>	<u>1,653</u>	<u>363</u>
NET POSITION						
Net Investment in Capital Assets	4,038	2,907	11	500	45,053	43
Unrestricted	1,399	7,060	530	2	2,497	(333)
Total Net Position	<u>5,437</u>	<u>9,967</u>	<u>541</u>	<u>502</u>	<u>47,550</u>	<u>(290)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,640</u>	<u>\$ 12,343</u>	<u>\$ 989</u>	<u>\$ 692</u>	<u>\$ 49,203</u>	<u>\$ 73</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF NET POSITION

Internal Service Funds

September 30, 2017

(in thousands)

Pension Administration	Risk Management	Internal Loan	Revenue Collection	Utility Services	Environmental Policy	Community Relations	Total
\$ 118	\$ 19,586	\$ 1,602	\$ 132	\$ 47,815	\$ 57	\$ 128	\$ 83,054
1	188	15	1	459	1	1	797
2	1	-	7	264	3	-	358
-	39	3	-	95	-	-	164
-	68	-	1	-	-	-	319
-	-	-	-	(326)	-	-	961
-	1,910	-	-	-	-	-	1,910
-	-	-	63	-	-	-	63
121	21,792	1,620	204	48,307	61	129	87,626
-	-	1,534	-	-	-	-	1,534
-	-	-	-	3,454	-	-	3,988
-	-	-	-	-	-	-	3,223
-	-	-	617	292	5	-	50,705
-	-	1,534	617	3,746	5	-	59,450
121	21,792	3,154	821	52,053	66	129	147,076
121	21,792	3,154	821	52,053	66	129	147,076
1	188	15	1	459	1	1	797
40	125	-	68	8,812	88	42	11,636
-	-	-	-	34,090	-	-	34,090
-	-	-	-	-	-	-	83
-	-	-	-	-	-	-	462
37	102	-	98	674	54	84	2,508
78	415	15	167	44,035	143	127	49,576
-	14,199	-	-	-	-	-	14,199
28	32	-	4	297	4	5	1,007
28	14,231	-	4	297	4	5	15,206
106	14,646	15	171	44,332	147	132	64,782
106	14,646	15	171	44,332	147	132	64,782
-	-	-	617	292	5	-	53,466
15	7,146	3,139	33	7,429	(86)	(3)	28,828
15	7,146	3,139	650	7,721	(81)	(3)	82,294
\$ 121	\$ 21,792	\$ 3,154	\$ 821	\$ 52,053	\$ 66	\$ 129	\$ 147,076

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION Internal Service Funds for the fiscal year ended September 30, 2017 (in thousands)

	800 Mhz	Information System Services	Accounting	Purchasing	Garage	Human Resources
Operating Revenues:						
Charges for Services	\$ 2,570	\$ 21,018	\$ 3,569	\$ 2,381	\$ 21,324	\$ 4,089
Total Operating Revenues	<u>2,570</u>	<u>21,018</u>	<u>3,569</u>	<u>2,381</u>	<u>21,324</u>	<u>4,089</u>
Operating Expenses:						
Personnel Services	588	8,511	2,439	1,646	4,611	2,951
Contractual Services	1,500	12,360	924	317	4,800	555
Materials and Supplies	8	90	16	34	4,018	29
Other	9	262	48	20	70	276
Depreciation	464	881	2	23	8,074	6
Total Operating Expenses	<u>2,569</u>	<u>22,104</u>	<u>3,429</u>	<u>2,040</u>	<u>21,573</u>	<u>3,817</u>
Operating Income (Loss)	<u>1</u>	<u>(1,086)</u>	<u>140</u>	<u>341</u>	<u>(249)</u>	<u>272</u>
Non-Operating Revenues (Expenses):						
Net Investment Earnings	20	117	16	8	11	9
Change in Fair Value of Investments	(14)	(16)	(11)	(5)	-	(4)
Securities Lending:						
Securities Lending Income	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Other Revenues	-	98	1	2	271	10
Interest Expense	-	(17)	-	-	-	-
Other Expenses	-	-	-	-	(60)	18
Total Non-Operating Revenues (Expenses)	<u>6</u>	<u>182</u>	<u>6</u>	<u>5</u>	<u>222</u>	<u>33</u>
Income (Loss) Before Capital Contributions and Transfers	<u>7</u>	<u>(904)</u>	<u>146</u>	<u>346</u>	<u>(27)</u>	<u>305</u>
Capital Contributions and Transfers						
Transfers In	-	40	54	18	-	102
Transfers Out	(585)	(635)	(114)	(382)	(23)	(308)
Total Capital Contributions and Transfers	<u>(585)</u>	<u>(595)</u>	<u>(60)</u>	<u>(364)</u>	<u>(23)</u>	<u>(206)</u>
Change in Net Position	(578)	(1,499)	86	(18)	(50)	99
Net Position - October 1	6,015	11,466	455	520	48,786	(389)
Adjustments to October 1 Net Position	-	-	-	-	(1,186)	-
Net Position - September 30	<u>\$ 5,437</u>	<u>\$ 9,967</u>	<u>\$ 541</u>	<u>\$ 502</u>	<u>\$ 47,550</u>	<u>\$ (290)</u>

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION Internal Service Funds for the fiscal year ended September 30, 2017 (in thousands)

Pension Administration	Risk Management	Internal Loan	Revenue Collection	Utility Services	Environmental Policy	Community Relations	Total
\$ 1,811	\$ 10,390	\$ 58	\$ 2,046	\$ 112,491	\$ 2,036	\$ 1,848	\$ 185,631
1,811	10,390	58	2,046	112,491	2,036	1,848	185,631
618	1,338	-	1,347	10,476	1,400	1,161	37,086
1,144	480	-	277	100,640	328	484	123,809
22	9	-	161	734	18	72	5,211
17	8,747	-	22	693	31	6	10,201
-	-	-	33	128	2	-	9,613
1,801	10,574	-	1,840	112,671	1,779	1,723	185,920
10	(184)	58	206	(180)	257	125	(289)
4	253	-	9	538	6	-	991
(2)	(129)	-	(5)	(384)	(3)	-	(573)
-	-	-	-	3	-	-	3
-	-	-	-	(2)	-	-	(2)
-	-	-	1	2,496	-	-	2,879
-	-	-	-	-	-	-	(17)
-	-	-	-	-	-	(18)	(60)
2	124	-	5	2,651	3	(18)	3,221
12	(60)	58	211	2,471	260	107	2,932
-	-	-	-	1,104	-	-	1,318
-	-	-	(275)	(2,959)	(265)	(110)	(5,656)
-	-	-	(275)	(1,855)	(265)	(110)	(4,338)
12	(60)	58	(64)	616	(5)	(3)	(1,406)
3	7,686	3,081	714	7,105	(76)	-	85,366
-	(480)	-	-	-	-	-	(1,666)
\$ 15	\$ 7,146	\$ 3,139	\$ 650	\$ 7,721	\$ (81)	\$ (3)	\$ 82,294

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF CASH FLOWS Internal Service Funds for the fiscal year ended September 30, 2017 (in thousands)

	800 Mhz	Information System Services	Accounting	Purchasing	Garage	Human Resources
Cash Flow from Operating Activities						
Cash Received for Interfund Services	\$ 2,312	\$ 21,047	\$ 3,568	\$ 2,384	\$ 21,275	\$ 4,089
Cash Received From Other Revenues	-	98	-	-	-	10
Cash Paid to Suppliers for Goods and Services	(1,496)	(12,364)	(985)	(396)	(7,833)	(947)
Cash Paid to Employees for Services	(590)	(8,376)	(2,423)	(1,663)	(4,579)	(2,923)
Net Cash Provided by (Used for) Operating Activities	226	405	160	325	8,863	229
Cash Flows from Noncapital Financing Activities						
Transfers from Other Funds	-	40	(59)	18	-	102
Other	-	-	-	-	211	18
Transfers to Other Funds	(585)	(635)	-	(382)	(23)	(308)
Net Cash Provided by (Used for) Noncapital Financing Activities	(585)	(595)	(59)	(364)	188	(188)
Cash Flows from Capital and Related Financing Activities						
Acquisition, Construction and Sale of Capital Assets	-	(2,025)	(3)	1	(9,465)	(19)
Interest Paid	-	(17)	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(2,042)	(3)	1	(9,465)	(19)
Cash Flows from Investing Activities						
Interest Received on Investments	20	120	16	8	11	9
Increase in the Fair Value of Cash & Cash Equivalents	(14)	(16)	(11)	(5)	-	(4)
Net Cash Provided by (Used for) Investing Activities	6	104	5	3	11	5
Net Increase (Decrease) in Cash and Cash Equivalents	(353)	(2,128)	103	(35)	(403)	27
Cash and Cash Equivalents - October 1	1,683	10,991	863	224	2,644	-
Cash and Cash Equivalents - September 30	<u>\$ 1,330</u>	<u>\$ 8,863</u>	<u>\$ 966</u>	<u>\$ 189</u>	<u>\$ 2,241</u>	<u>\$ 27</u>
Classified As:						
Unrestricted Assets	<u>\$ 1,330</u>	<u>\$ 8,863</u>	<u>\$ 966</u>	<u>\$ 189</u>	<u>\$ 2,241</u>	<u>\$ 27</u>
	<u>\$ 1,330</u>	<u>\$ 8,863</u>	<u>\$ 966</u>	<u>\$ 189</u>	<u>\$ 2,241</u>	<u>\$ 27</u>
Operating Activities						
Operating Income (Loss)	\$ 1	\$ (1,086)	\$ 140	\$ 341	\$ (249)	\$ 272
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation	464	881	2	23	8,074	6
Other	-	98	-	-	-	10
(Increase) Decrease in Accounts Receivable	(3)	(4)	-	-	(49)	-
(Increase) Decrease in Due From Other Governments	(256)	33	-	-	-	-
(Increase) Decrease in Deposits	-	-	-	-	434	-
(Increase) Decrease in Inventory	-	-	-	-	(244)	-
Increase (Decrease) in Accounts Payable	22	348	2	(22)	865	(86)
Increase (Decrease) in Accrued Leave	(2)	135	16	(17)	32	27
Decrease in Insurance Deposits	-	-	-	-	-	-
Total Adjustments	225	1,491	20	(16)	9,112	(43)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 226</u>	<u>\$ 405</u>	<u>\$ 160</u>	<u>\$ 325</u>	<u>\$ 8,863</u>	<u>\$ 229</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

COMBINING STATEMENT OF CASH FLOWS Internal Service Funds for the fiscal year ended September 30, 2017 (in thousands)

Pension Administration	Risk Management	Internal Loan	Revenue Collection	Utility Services	Environmental Policy	Community Relations	Total
\$ 1,811	\$ 10,389	\$ -	\$ 2,048	\$ 112,650	\$ 2,033	\$ 1,848	\$ 185,454
-	-	58	-	-	-	-	166
(1,172)	(9,160)	-	(457)	(101,948)	(346)	(519)	(137,623)
(623)	(1,316)	-	(1,359)	(10,476)	(1,423)	(1,072)	(36,823)
16	(87)	58	232	226	264	257	11,174
-	-	418	-	1,104	-	-	1,623
-	-	-	-	2,496	-	(18)	2,707
-	(480)	-	(275)	(2,959)	(265)	(110)	(6,022)
-	(480)	418	(275)	641	(265)	(128)	(1,692)
(5)	-	(1)	(1)	(29)	-	(1)	(11,548)
-	-	-	-	(2)	-	-	(19)
(5)	-	(1)	(1)	(31)	-	(1)	(11,567)
4	253	-	9	541	6	-	997
(2)	(129)	-	(5)	(384)	(3)	-	(573)
2	124	-	4	157	3	-	424
13	(443)	475	(40)	993	2	128	(1,661)
105	20,029	1,127	172	46,822	55	-	84,715
\$ 118	\$ 19,586	\$ 1,602	\$ 132	\$ 47,815	\$ 57	\$ 128	\$ 83,054
\$ 118	\$ 19,586	\$ 1,602	\$ 132	\$ 47,815	\$ 57	\$ 128	\$ 83,054
\$ 118	\$ 19,586	\$ 1,602	\$ 132	\$ 47,815	\$ 57	\$ 128	\$ 83,054
\$ 10	\$ (184)	\$ 58	\$ 206	\$ (180)	\$ 257	\$ 125	\$ (289)
-	-	-	33	128	2	-	9,613
4	-	-	-	-	-	-	112
-	(1)	-	-	(176)	(3)	-	(236)
-	-	-	-	335	-	-	112
-	-	-	-	2,066	-	-	2,500
-	-	-	-	534	-	-	290
7	387	-	4	(2,481)	31	44	(879)
(5)	22	-	(11)	-	(23)	88	262
-	(311)	-	-	-	-	-	(311)
6	97	-	26	406	7	132	11,463
\$ 16	\$ (87)	\$ 58	\$ 232	\$ 226	\$ 264	\$ 257	\$ 11,174

See Independent Auditors' Report



THIS PAGE INTENTIONALLY LEFT BLANK.

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

Schedule By Function and Activity
Schedule of Changes By Function and Activity

CITY OF TALLAHASSEE, FLORIDA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS Schedule By Function and Activity¹ September 30, 2017 (in thousands)

Function and Activity	Land	Buildings	Equipment	Improvements Other Than Buildings	Infrastructure	Total
General Government:						
Legislative	\$ -	\$ -	\$ 31	\$ -	\$ -	\$ 31
Executive	96	-	125	-	-	221
Financial & Administrative	-	600	870	-	-	1,470
Legal	39	-	29	-	-	68
Comprehensive Planning	218	-	139	-	-	357
Other General Government	87,946	51,359	4,741	895	1,326	146,267
Total General Government	88,299	51,959	5,935	895	1,326	148,414
Public Safety:						
Law Enforcement	806	11,063	24,987	441	-	37,297
Protective Inspection	-	8	180	-	-	188
Total Public Safety	806	11,071	25,167	441	-	37,485
Other:						
Physical Environment	-	-	97	-	-	97
Road and Street Facilities	255,580	433	5,593	1,823	873,695	1,137,124
Economic Development	11,139	9,483	19	3,859	715	25,215
Human Services	167	5,748	25	7	-	5,947
Cultural and Recreation	7,697	23,853	3,577	7,329	54,131	96,587
Parking Facilities	-	-	-	-	-	-
Total Other	274,583	39,517	9,311	13,018	928,541	1,264,970
Total capital assets allocated to functions	<u>\$ 363,688</u>	<u>\$ 102,547</u>	<u>\$ 40,413</u>	<u>\$ 14,354</u>	<u>\$ 929,867</u>	1,450,869
Construction in Progress						19,961
Total Capital Assets						<u>\$ 1,470,830</u>

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

CITY OF TALLAHASSEE, FLORIDA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS Schedule of Changes by Function and Activity¹ for the fiscal year ended September 30, 2017 (in thousands)

Function and Activity	Governmental Funds Capital Assets October 1, 2016	Additions	Deductions	Governmental Funds Capital Assets September 30, 2017
General Government:				
Legislative	\$ 30	\$ 1	\$ -	\$ 31
Executive	218	4	1	221
Financial & Administrative	1,475	3	8	1,470
Legal	68	-	-	68
Comprehensive Planning	397	3	43	357
Other General Government	149,416	19	3,168	146,267
Total General Government	<u>151,604</u>	<u>30</u>	<u>3,220</u>	<u>148,414</u>
Public Safety:				
Law Enforcement	36,609	688	-	37,297
Protective Inspection	165	23	-	188
Total Public Safety	<u>36,774</u>	<u>711</u>	<u>-</u>	<u>37,485</u>
Other:				
Physical Environment	97	-	-	97
Road and Street Facilities	1,132,942	5,749	1,567	1,137,124
Economic Development	26,326	4,614	5,725	25,215
Human Services	5,957	-	10	5,947
Cultural and Recreation	42,126	54,532	71	96,587
Parking Facilities	-	-	-	-
Total Other	<u>1,207,448</u>	<u>64,895</u>	<u>7,373</u>	<u>1,264,970</u>
Total capital assets allocated to functions	1,395,826	65,636	10,593	1,450,869
Construction in Progress	<u>14,017</u>	<u>10,888</u>	<u>4,944</u>	<u>19,961</u>
Total Capital Assets	<u>\$ 1,409,843</u>	<u>\$ 76,524</u>	<u>\$ 15,537</u>	<u>\$ 1,470,830</u>

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



THIS PAGE INTENTIONALLY LEFT BLANK.

SUPPLEMENTARY INFORMATION

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

Capital Bonds, Series 2009

Capital Bonds, Series 2012

Capital Bonds, Series 2014

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

Energy System Refunding Revenue Bonds, Series 2015

Energy System Refunding Revenue Bonds, Series 2017

Consolidated Utility System Refunding Revenue Bonds, Series 2001

Consolidated Utility System Refunding Revenue Bonds, Series 2007

Consolidated Utility System Refunding Revenue Bonds, Series 2010A

Consolidated Utility System Refunding Revenue Bonds, Series 2010B

Consolidated Utility System Refunding Revenue Bonds, Series 2015

Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill

CITY OF TALLAHASSEE, FLORIDA

CAPITAL BONDS, SERIES 2009 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,975	\$ 482	\$ 2,457
2019	925	428	1,353
2020	960	393	1,353
2021	995	357	1,352
2022	1,030	319	1,349
2023	1,070	280	1,350
2024	1,110	240	1,350
2025	1,150	198	1,348
2026	1,195	155	1,350
2027	1,240	109	1,349
2028	550	76	626
2029	570	55	625
2030	590	34	624
2031	<u>615</u>	<u>11</u>	<u>626</u>
Totals	<u>\$ 13,975</u>	<u>\$ 3,137</u>	<u>\$ 17,112</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CAPITAL BONDS, SERIES 2012 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 3,890	\$ 1,653	\$ 5,543
2019	5,040	1,459	6,499
2020	5,285	1,212	6,497
2021	5,550	947	6,497
2022	5,830	670	6,500
2023	3,695	378	4,073
2024	<u>3,875</u>	<u>194</u>	<u>4,069</u>
Totals	<u>\$ 33,165</u>	<u>\$ 6,513</u>	<u>\$ 39,678</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CAPITAL BONDS, SERIES 2014 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,215	\$ 1,784	\$ 2,999
2019	1,400	1,747	3,147
2020	1,470	1,677	3,147
2021	1,545	1,604	3,149
2022	1,590	1,557	3,147
2023	1,855	1,478	3,333
2024	1,950	1,385	3,335
2025	2,045	1,287	3,332
2026	2,150	1,185	3,335
2027	2,255	1,078	3,333
2028	2,370	965	3,335
2029	2,490	846	3,336
2030	2,615	722	3,337
2031	2,745	591	3,336
2032	2,880	454	3,334
2033	3,025	310	3,335
2034	<u>3,175</u>	<u>159</u>	<u>3,334</u>
Totals	<u>\$ 36,775</u>	<u>\$ 18,829</u>	<u>\$ 55,604</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 5,850	\$ 3,308	\$ 9,158
2019	6,135	3,036	9,171
2020	6,435	2,729	9,164
2021	6,755	2,408	9,163
2022	-	2,070	2,070
2023	2,005	2,070	4,075
2024	3,775	1,970	5,745
2025	3,960	1,790	5,750
2026	4,155	1,593	5,748
2027	13,560	1,385	14,945
2028	<u>14,225</u>	<u>707</u>	<u>14,932</u>
Totals	<u>\$ 66,855</u>	<u>\$ 23,066</u>	<u>\$ 89,921</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010A SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 230	\$ 1,665	\$ 1,895
2019	235	1,658	1,893
2020	240	1,651	1,891
2021	250	1,643	1,893
2022	7,550	1,634	9,184
2023	7,845	1,332	9,177
2024	8,155	1,019	9,174
2025	8,485	692	9,177
2026	<u>8,825</u>	<u>353</u>	<u>9,178</u>
Totals	<u>\$ 41,815</u>	<u>\$ 11,647</u>	<u>\$ 53,462</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REVENUE BONDS, SERIES 2010B (FEDERALLY TAXABLE - BUILD AMERICA BONDS) SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ -	\$ 7,299	\$ 7,299
2019	-	7,299	7,299
2020	-	7,299	7,299
2021	-	7,299	7,299
2022	-	7,299	7,299
2023	-	7,299	7,299
2024	-	7,299	7,299
2025	-	7,299	7,299
2026	-	7,299	7,299
2027	-	7,299	7,299
2028	-	7,299	7,299
2029	930	7,299	8,229
2030	1,855	7,243	9,098
2031	1,930	7,133	9,063
2032	1,240	7,017	8,257
2033	1,280	6,943	8,223
2034	1,335	6,867	8,202
2035	1,385	6,787	8,172
2036	9,110	6,705	15,815
2037	9,465	6,161	15,626
2038	30,070	5,596	35,666
2039	31,235	3,801	35,036
2040	<u>32,445</u>	<u>1,936</u>	<u>34,381</u>
Totals	<u>\$ 122,280</u>	<u>\$ 153,777</u>	<u>\$ 276,057</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REVENUE BONDS, SERIES 2010C SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,885	\$ 1,313	\$ 3,198
2019	1,980	1,218	3,198
2020	3,325	1,119	4,444
2021	3,485	953	4,438
2022	3,465	779	4,244
2023	3,835	606	4,441
2024	4,040	414	4,454
2025	1,430	212	1,642
2026	910	155	1,065
2027	935	118	1,053
2028	975	81	1,056
2029	<u>900</u>	<u>39</u>	<u>939</u>
Totals	<u>\$ 27,165</u>	<u>\$ 7,007</u>	<u>\$ 34,172</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2011 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,116	\$ 54	\$ 1,170
2019	<u>1,142</u>	<u>27</u>	<u>1,169</u>
Totals	<u>\$ 2,258</u>	<u>\$ 81</u>	<u>\$ 2,339</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REFUNDING REVENUE BONDS SERIES 2015 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 4,180	\$ 4,366	\$ 8,546
2019	4,390	4,157	8,547
2020	4,610	3,938	8,548
2021	4,840	3,707	8,547
2022	5,080	3,465	8,545
2023	5,335	3,211	8,546
2024	5,600	2,944	8,544
2025	5,880	2,664	8,544
2026	6,170	2,370	8,540
2027	6,485	2,062	8,547
2028	6,805	1,737	8,542
2029	7,145	1,397	8,542
2030	7,500	1,040	8,540
2031	7,880	665	8,545
2032	<u>5,420</u>	<u>271</u>	<u>5,691</u>
Totals	<u>\$ 87,320</u>	<u>\$ 37,994</u>	<u>\$ 125,314</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2017

September 30, 2017

(in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 3,000	\$ 8,745	\$ 11,745
2019	3,200	7,214	10,414
2020	3,500	7,054	10,554
2021	3,800	6,880	10,680
2022	4,500	6,690	11,190
2023	3,515	6,465	9,980
2024	2,010	6,289	8,299
2025	4,900	6,188	11,088
2026	5,725	5,943	11,668
2027	6,000	5,657	11,657
2028	6,350	5,357	11,707
2029	12,500	5,040	17,540
2030	12,500	4,415	16,915
2031	12,500	3,790	16,290
2032	13,500	3,165	16,665
2033	14,500	2,490	16,990
2034	15,000	1,765	16,765
2035	7,520	1,015	8,535
2036	7,000	639	7,639
2037	<u>5,775</u>	<u>289</u>	<u>6,064</u>
Totals	<u>\$ 147,295</u>	<u>\$ 95,090</u>	<u>\$ 242,385</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2001 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 2,000	\$ 226	\$ 2,226
2019	<u>2,110</u>	<u>116</u>	<u>2,226</u>
Totals	<u>\$ 4,110</u>	<u>\$ 342</u>	<u>\$ 4,452</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2007 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 4,430	\$ 7,026	\$ 11,456
2019	4,655	6,805	11,460
2020	4,885	6,572	11,457
2021	5,100	6,357	11,457
2022	5,330	6,128	11,458
2023	5,570	5,888	11,458
2024	5,825	5,632	11,457
2025	6,095	5,364	11,459
2026	6,380	5,077	11,457
2027	6,700	4,758	11,458
2028	7,035	4,423	11,458
2029	7,385	4,072	11,457
2030	7,755	3,702	11,457
2031	8,145	3,315	11,460
2032	8,550	2,907	11,457
2033	8,975	2,480	11,455
2034	9,425	2,031	11,456
2035	9,895	1,560	11,455
2036	10,390	1,065	11,455
2037	<u>10,910</u>	<u>546</u>	<u>11,456</u>
Totals	<u>\$ 143,435</u>	<u>\$ 85,708</u>	<u>\$ 229,143</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010A (FEDERALLY TAXABLE - BUILD AMERICA BONDS)

SEPTEMBER 30, 2017

(in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ -	\$ 6,084	\$ 6,084
2019	-	6,084	6,084
2020	-	6,084	6,084
2021	-	6,084	6,084
2022	-	6,084	6,084
2023	-	6,084	6,084
2024	-	6,084	6,084
2025	-	6,085	6,085
2026	-	6,085	6,085
2027	3,415	6,085	9,500
2028	3,530	5,911	9,441
2029	3,650	5,732	9,382
2030	3,765	5,547	9,312
2031	5,745	5,357	11,102
2032	5,945	5,057	11,002
2033	6,145	4,747	10,892
2034	6,355	4,426	10,781
2035	6,570	4,094	10,664
2036	6,795	3,752	10,547
2037	7,025	3,397	10,422
2038	18,715	3,030	21,745
2039	19,350	2,054	21,404
2040	<u>20,010</u>	<u>1,044</u>	<u>21,054</u>
Totals	<u>\$ 117,015</u>	<u>\$ 114,991</u>	<u>\$ 232,006</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010B SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 1,240	\$ 1,054	\$ 2,294
2019	1,290	1,004	2,294
2020	2,450	966	3,416
2021	2,555	866	3,421
2022	2,680	740	3,420
2023	2,810	606	3,416
2024	2,950	465	3,415
2025	3,100	318	3,418
2026	<u>3,255</u>	<u>163</u>	<u>3,418</u>
Totals	<u>\$ 22,330</u>	<u>\$ 6,182</u>	<u>\$ 28,512</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2015 SEPTEMBER 30, 2017 (in thousands)

Fiscal Year	Principal	Interest	Total
2018	\$ 400	\$ 2,130	\$ 2,530
2019	450	2,110	2,560
2020	1,895	2,088	3,983
2021	2,115	1,993	4,108
2022	2,300	1,887	4,187
2023	2,485	1,797	4,282
2024	2,590	1,698	4,288
2025	2,715	1,568	4,283
2026	2,855	1,433	4,288
2027	2,995	1,290	4,285
2028	3,205	1,140	4,345
2029	3,425	980	4,405
2030	3,665	809	4,474
2031	2,060	625	2,685
2032	2,265	522	2,787
2033	2,490	409	2,899
2034	2,725	285	3,010
2035	<u>2,970</u>	<u>148</u>	<u>3,118</u>
Totals	<u>\$ 43,605</u>	<u>\$ 22,912</u>	<u>\$ 66,517</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL for the fiscal year ended September 30, 2017 (in thousands)

Source	Amount Received in the 2016-2017 Fiscal Year	Amount Expended in the 2016-2017 Fiscal Year
--------	--	--

British Petroleum:

Agreement No. <u>2:10-md-02179-CJB-SS</u>	\$	-	\$	551
---	----	---	----	-----

Note: This schedule does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The City did not receive or expend any Federal awards or State financial assistance related to the Deepwater Horizon Oil Spill.



THIS PAGE INTENTIONALLY LEFT BLANK.

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.

CONTENTS	PAGE
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.	
Net Position by Component	173
Changes in Net Position	174
Fund Balances, Governmental Funds	177
Changes in Fund Balances, Governmental Funds	178
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.	
Assessed Value and Estimated Actual Value of Taxable Property	179
Direct and Overlapping Property Tax Rates	180
Principal Property Taxpayers	181
Property Tax Levies and Collections	182
Assessed Valuations, Millage and Taxes Levied and Collected	183
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type	184
Ratios of General Bonded Debt Outstanding	185
Direct and Overlapping Governmental Activities Debt	186
Computation of Legal Debt Margin	187
Revenue Bond Coverage:	
Energy System Revenue Bonds	188
Consolidated System Utility Revenue Bonds	189

Sources: Unless otherwise noted, the information in these schedules is derived from the City's Comprehensive Annual Financial Reports for the relevant year.

STATISTICAL SECTION

(Continued)

Demographic and economic Information

PAGE

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

Demographic Statistics	190
Principal Employers	191

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.

Full-time Equivalent City Government Employees by Function/Program	192
Operating Indicators by Function/Program	193
Capital Assets Statistics by Function/Program	194
Miscellaneous Statistical Data	195
Schedule of Insurance	196

CITY OF TALLAHASSEE, FLORIDA

NET POSITION BY COMPONENT Last Ten Fiscal Years (accrual basis of accounting) (in thousands)

	2017	2016	2015	2014 As Restated	2013	2012	2011	2010	2009	2008
Governmental activities										
Net Investment in Capital Assets	\$ 762,798	\$ 729,307	\$ 742,216	\$ 756,332	\$ 836,872	\$ 834,489	\$ 828,993	\$ 845,995	\$ 856,883	\$ 814,842
Restricted	100,167	99,999	99,012	62,644	36,648	81,811	100,242	20,868	23,760	19,365
Unrestricted	(65,648)	(56,664)	(56,651)	(2,497)	57,367	47,334	34,026	123,832	120,014	123,446
Total governmental activities net position	<u>\$ 797,317</u>	<u>\$ 772,642</u>	<u>\$ 784,577</u>	<u>\$ 816,479</u>	<u>\$ 930,887</u>	<u>\$ 963,634</u>	<u>\$ 963,261</u>	<u>\$ 990,695</u>	<u>\$ 1,000,657</u>	<u>\$ 957,653</u>
Business activities										
Net Investment in Capital Assets	\$ 863,179	\$ 840,415	\$ 809,395	\$ 763,439	\$ 772,446	\$ 760,472	\$ 661,648	\$ 681,553	\$ 614,673	\$ 628,969
Restricted	202,210	194,185	201,116	198,491	190,295	185,679	157,107	157,342	144,224	124,090
Unrestricted	198,232	199,519	202,099	210,447	196,515	211,978	271,654	235,337	262,443	242,474
Total Business activities net position	<u>\$ 1,263,621</u>	<u>\$ 1,234,119</u>	<u>\$ 1,212,610</u>	<u>\$ 1,172,377</u>	<u>\$ 1,159,256</u>	<u>\$ 1,158,129</u>	<u>\$ 1,090,409</u>	<u>\$ 1,074,232</u>	<u>\$ 1,021,340</u>	<u>\$ 995,533</u>
Primary government										
Net Investment in Capital Assets	\$ 1,625,977	\$ 1,569,722	\$ 1,551,611	\$ 1,519,771	\$ 1,609,318	\$ 1,594,961	\$ 1,490,641	\$ 1,527,548	\$ 1,471,556	\$ 1,443,383
Restricted	302,377	294,184	300,128	261,135	226,943	267,490	257,349	178,210	167,984	143,455
Unrestricted	132,584	142,855	145,448	207,950	253,882	259,312	305,680	359,169	382,457	365,920
Total primary government net position	<u>\$ 2,060,938</u>	<u>\$ 2,006,761</u>	<u>\$ 1,997,187</u>	<u>\$ 1,988,856</u>	<u>\$ 2,090,143</u>	<u>\$ 2,121,763</u>	<u>\$ 2,053,670</u>	<u>\$ 2,064,927</u>	<u>\$ 2,021,997</u>	<u>\$ 1,952,758</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CHANGES IN NET POSITION Last of Ten Fiscal Years (accrual basis of accounting) (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General Government	\$ 26,625	\$ 15,295	\$ 32,352	\$ 16,581	\$ 20,184	\$ 19,068	\$ 22,409	\$ 22,575	\$ 22,254	\$ 20,737
Public Safety	77,197	68,901	61,703	75,241	57,636	56,044	54,676	50,298	53,819	54,416
Transportation	20,164	20,530	19,928	35,786	19,430	20,421	23,648	19,571	23,193	23,314
Human Services	4,652	3,565	3,097	2,516	3,428	3,117	2,897	2,715	3,984	6,863
Economic Development	7,238	8,996	7,337	5,616	9,564	8,710	11,277	9,265	10,575	7,828
Physical Environment	7,693	7,943	1,489	2,528	2,829	3,354	2,158	2,350	5,318	4,739
Culture and Recreation	27,620	26,396	22,289	23,414	21,906	21,374	20,642	20,264	20,650	19,459
Unallocated Depreciation on Infrastructure	28,297	29,228	27,477	26,633	26,413	26,401	26,733	26,210	26,584	23,956
Interest on Long-Term Debt	3,572	4,058	4,966	2,805	2,718	4,740	4,556	4,528	5,205	5,798
Total governmental activities expenses	\$ 203,058	\$ 184,912	\$ 180,638	\$ 191,120	\$ 164,108	\$ 163,229	\$ 168,996	\$ 157,776	\$ 171,582	\$ 167,110
Business-type activities										
Electric	\$ 228,137	\$ 247,370	\$ 248,266	\$ 256,301	\$ 237,358	\$ 266,145	\$ 303,715	\$ 307,823	\$ 347,955	\$ 346,318
Gas	20,962	20,744	28,480	25,304	27,452	30,121	44,773	47,823	42,618	51,609
Sewer	51,629	53,274	46,804	51,258	48,374	44,790	42,411	42,792	39,515	37,855
Water	32,093	29,401	24,770	25,133	26,509	26,277	28,942	21,402	24,764	21,083
Airport	18,053	16,885	19,120	16,733	13,840	12,861	14,635	18,656	20,141	16,298
StarMetro	20,753	22,018	21,397	20,706	20,851	19,123	18,581	17,364	18,059	18,358
Solid Waste	21,285	20,874	20,700	25,346	22,016	21,269	19,066	20,126	20,075	20,579
Golf	864	927	973	1,012	1,023	1,037	870	889	1,389	1,264
Stormwater Management	15,440	14,944	14,837	14,585	13,939	15,064	17,522	13,213	12,098	10,629
Fire Services	42,475	40,797	36,787	41,237	33,256	32,054	30,764	27,597	28,099	27,612
Total business-type activities expenses	\$ 451,691	\$ 467,234	\$ 462,134	\$ 477,615	\$ 444,618	\$ 468,741	\$ 521,279	\$ 517,685	\$ 554,713	\$ 551,605
Total primary government expenses	\$ 654,749	\$ 652,146	\$ 642,772	\$ 668,735	\$ 608,726	\$ 631,970	\$ 690,275	\$ 675,461	\$ 726,295	\$ 718,715

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CHANGES IN NET POSITION Last of Ten Fiscal Years (accrual basis of accounting) (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Program Revenues</u>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,991	\$ 2,520	\$ 2,192	\$ 2,106	\$ 2,074	\$ 1,923	\$ 1,813	\$ 1,638	\$ 2,096	\$ 1,665
Public Safety	2,026	2,051	2,487	2,649	3,377	2,806	3,133	2,071	4,156	2,173
Transportation	2,550	2,698	2,540	2,484	2,911	2,509	2,547	2,821	2,330	2,250
Human Services	953	1,022	965	888	787	969	612	503	770	692
Economic Development	10	14	-	-	-	-	-	220	-	-
Physical Environment	1,174	1,004	1,187	1,057	980	1,139	997	861	873	4,049
Culture and Recreation	3,745	3,903	3,956	3,895	3,956	3,759	3,697	3,378	3,260	3,142
Operating Grants and Contributions	10,270	8,250	1,549	566	5,705	11,031	8,791	9,923	8,006	9,510
Capital Grants and Contributions	-	-	13	1	5,073	8,121	6,800	383	72,446	742
Total Governmental Activities Program Revenues	\$ 23,719	\$ 21,462	\$ 14,889	\$ 13,646	\$ 24,863	\$ 32,257	\$ 28,390	\$ 21,798	\$ 93,937	\$ 24,223
Business-type Activities:										
Charges for Services:										
Electric	\$ 269,704	\$ 268,262	\$ 286,271	\$ 280,317	\$ 257,511	\$ 285,660	\$ 317,647	\$ 341,778	\$ 369,923	\$ 369,483
Gas	25,889	26,963	34,564	33,225	32,731	34,082	48,311	52,697	46,521	53,691
Sewer	63,351	61,759	62,184	60,126	59,624	60,172	59,046	53,648	48,061	45,668
Water	34,342	33,290	30,787	29,631	28,137	30,321	30,515	25,673	26,230	25,764
Airport	13,241	14,090	12,840	13,328	11,564	11,660	11,498	11,729	12,203	12,713
StarMetro	5,007	5,548	4,705	4,954	4,759	5,008	4,542	4,509	6,496	4,258
Solid Waste	24,215	22,508	23,553	24,751	23,252	23,046	21,859	21,200	21,658	19,746
Golf	794	786	771	885	894	1,024	876	858	1,070	936
Stormwater Management	18,198	17,946	18,380	17,552	17,669	20,812	17,732	18,906	18,417	16,516
Fire Services	42,777	41,469	32,772	32,260	32,660	31,399	31,194	30,297	23,952	23,962
Operating Grants and Contributions	4,825	8,977	5,465	9,295	5,861	6,873	5,541	3,648	4,148	3,407
Capital Grants and Contributions	13,347	12,865	16,395	14,767	11,584	20,026	7,659	14,261	12,624	7,245
Total Business-type Activities Program Revenues	\$ 515,690	\$ 514,463	\$ 528,687	\$ 521,091	\$ 486,246	\$ 530,083	\$ 556,420	\$ 579,204	\$ 591,303	\$ 583,389
Total Primary Government Program Revenues	\$ 539,409	\$ 535,925	\$ 543,576	\$ 534,737	\$ 511,109	\$ 562,340	\$ 584,810	\$ 601,002	\$ 685,240	\$ 607,612
<u>Net (Expenses) Revenues</u>										
Governmental Activities	\$ (179,339)\$	(163,450)\$	(165,749)\$	(177,474)\$	(139,245)\$	(130,972)\$	(140,606)\$	(135,978)\$	(77,645)\$	(142,887)
Business-Type Activities	63,999	47,229	66,553	43,476	41,628	61,342	35,141	61,519	36,590	31,784
Total Primary Government Net Expenses	\$ (115,340)\$	(116,221)\$	(99,196)\$	(133,998)\$	(97,617)\$	(69,630)\$	(105,465)\$	(74,459)\$	(41,055)\$	(111,103)

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CHANGES IN NET POSITION Last of Ten Fiscal Years (accrual basis of accounting) (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes, Levied for General Purposes	\$ 39,430	\$ 38,908	\$ 32,947	\$ 31,528	\$ 31,520	\$ 33,483	\$ 34,438	\$ 35,113	\$ 34,001	\$ 33,570
Public Service Tax	22,812	22,950	23,728	23,429	22,835	22,524	22,595	23,140	22,834	22,144
Business License Tax	5,817	6,182	5,101	5,123	4,972	5,157	6,229	5,214	1,808	1,825
Grants and Contributions Not Restricted to Specific Programs	85,024	30,154	28,304	27,942	24,046	24,260	24,051	24,181	23,265	24,969
Unrestricted Investment Earnings	2,438	3,204	3,044	1,740	4,084	3,499	3,431	5,985	5,054	7,039
Net Securities Lending Income	2	5	-	5	14	11	15	12	224	268
Net Increase (Decrease) in Fair Value of Investments	(526)	178	14	131	(1,658)	76	(689)	1,045	3,719	(2,091)
Miscellaneous	14,251	14,475	7,634	13,052	1,806	5,058	1,455	1,738	4,284	2,008
Gain (Loss) on the Sale of Capital Assets	-	-	-	-	-	-	-	-	-	599
Transfers	34,766	35,459	33,075	31,021	29,104	29,246	26,978	29,588	25,888	21,470
Total Governmental Activities	\$ 204,014	\$ 151,515	\$ 133,847	\$ 133,971	\$ 116,723	\$ 123,314	\$ 118,503	\$ 126,016	\$ 121,077	\$ 111,801
Business-Type Activities:										
Grants and Contributions, not restricted to specific programs	\$ 1,983	\$ 1,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted Investment Earnings	5,539	7,525	6,684	5,332	6,857	7,177	7,939	12,374	6,499	12,937
Net Securities Lending Income	5	11	-	38	30	25	40	31	286	441
Net Increase (Decrease) in Fair Value of Investments	(3,418)	739	52	202	(7,495)	426	2,235	3,912	8,320	(6,602)
Miscellaneous	(337)	1,094	19	2,058	-	(1)	18	381	-	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	(1,615)
Transfers	(34,766)	(35,459)	(33,075)	(31,021)	(29,104)	(29,246)	(26,978)	(29,588)	(25,888)	(21,470)
Total Business-type Activities	\$ (30,994)	\$ (24,105)	\$ (26,320)	\$ (23,391)	\$ (29,712)	\$ (21,619)	\$ (16,746)	\$ (12,890)	\$ (10,783)	\$ (16,309)
Total Primary Government	\$ 173,020	\$ 127,410	\$ 107,527	\$ 110,580	\$ 87,011	\$ 101,695	\$ 101,757	\$ 113,126	\$ 110,294	\$ 95,492
<u>Change in Net Position</u>										
Governmental Activities	\$ 24,675	\$ (11,935)	\$ (31,902)	\$ (43,503)	\$ (22,522)	\$ 123,314	\$ (22,103)	\$ (9,962)	\$ 43,432	\$ (31,086)
Business Activities	33,005	23,124	40,233	20,085	11,916	39,723	18,395	48,629	25,807	15,475
Total Primary Government	\$ 57,680	\$ 11,189	\$ 8,331	\$ (23,418)	\$ (10,606)	\$ 163,037	\$ (3,708)	\$ 38,667	\$ 69,239	\$ (15,611)

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,018	\$ 3,649	\$ 2,189
Unreserved	-	-	-	-	-	-	-	12,594	5,288	5,083
Nonspendable	1,147	1,513	809	819	700	709	275	-	-	-
Spendable:										
Committed	26,492	25,251	25,420	21,414	20,552	21,746	16,979	-	-	-
Assigned	5,192	2,479	2,479	2,545	1,741	1,777	1,417	-	-	-
Unassigned	2,952	6,544	1,041	2,472	1,575	160	68	-	-	-
Total General Fund	<u>\$ 35,783</u>	<u>\$ 35,787</u>	<u>\$ 29,749</u>	<u>\$ 27,250</u>	<u>\$ 24,568</u>	<u>\$ 24,392</u>	<u>\$ 18,739</u>	<u>\$ 16,612</u>	<u>\$ 8,937</u>	<u>\$ 7,272</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,301	\$ 95,483	\$ 117,767
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	9,621	5,813	(1,085)
Capital Projects funds	-	-	-	-	-	-	-	14,028	19,931	3,737
Permanent funds	-	-	-	-	-	-	-	6,184	6,298	6,457
Non-Spendable	620	584	580	626	1,226	1,696	424	-	-	-
Spendable:										
Restricted	39,487	39,331	44,722	56,705	29,526	64,690	83,786	-	-	-
Committed	23,160	24,227	23,715	25,673	26,627	25,612	23,409	-	-	-
Assigned	57	161	-	-	2,136	2,586	2,561	-	-	-
Unassigned	1,060	(91)	(148)	(605)	(1,073)	(1,881)	(2,581)	-	-	-
Total all Other Governmental Funds	<u>\$ 64,384</u>	<u>\$ 64,212</u>	<u>\$ 68,869</u>	<u>\$ 82,399</u>	<u>\$ 58,442</u>	<u>\$ 92,703</u>	<u>\$ 107,599</u>	<u>\$ 118,134</u>	<u>\$ 127,525</u>	<u>\$ 126,876</u>

Note: In accordance with requirements of GASB Statement 54, which was effective for periods beginning after June 15, 2010, fund balances are classified based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The GASB was implemented in fiscal 2011. Retroactive restatement was not possible due to personnel constraints.

CITY OF TALLAHASSEE, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting) (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
									As Restated	As Restated
Revenues:										
Taxes	\$ 62,243	\$ 61,858	\$ 56,675	\$ 54,962	\$ 54,357	\$ 56,006	\$ 57,033	\$ 58,253	\$ 56,835	\$ 57,714
Licenses and Permits	6,978	7,168	6,176	6,047	5,745	5,967	7,132	5,936	11,072	6,149
Intergovernmental Revenues	49,151	42,605	33,231	39,032	34,350	43,105	39,637	34,376	38,892	34,474
Charges for Services	8,830	9,385	9,043	8,789	9,184	8,866	8,210	8,020	7,783	7,048
Fines and Forfeitures	970	1,119	1,550	1,713	2,478	2,647	2,436	1,162	1,361	1,594
Net Investment Earnings	2,169	2,841	2,847	1,550	3,748	3,065	2,964	5,312	4,094	5,690
Securities Lending Income	6	11	-	10	49	51	38	33	320	1,592
Net Inc (Dec) in the Fair Value of Investments	(429)	145	12	126	(1,491)	30	(617)	919	3,279	(1,637)
Miscellaneous Revenues	14,889	16,070	15,631	12,765	13,013	15,371	11,719	11,045	12,509	12,032
Total Revenues	\$ 144,807	\$ 141,202	\$ 125,165	\$ 124,994	\$ 121,433	\$ 135,108	\$ 128,552	\$ 125,056	\$ 136,145	\$ 124,656
Expenditures:										
General Government	\$ 28,611	\$ 28,589	\$ 30,497	\$ 28,660	\$ 26,007	\$ 26,915	\$ 29,833	\$ 29,689	\$ 30,095	\$ 30,766
Public Safety	66,808	64,603	58,615	57,281	55,861	54,138	52,502	50,499	51,110	51,730
Transportation	31,212	32,026	33,231	34,270	51,224	39,910	32,498	28,670	30,653	35,718
Human Services	4,487	3,415	2,955	2,375	3,284	2,977	2,781	2,639	3,585	6,594
Economic Environment	7,178	8,093	7,636	8,621	9,194	11,994	11,577	12,096	11,189	7,811
Physical Environment	9,681	9,515	3,390	2,406	2,890	3,200	2,452	2,539	4,130	5,259
Cultural and Recreation	23,306	23,770	21,986	22,486	21,242	20,452	19,894	19,845	19,426	18,981
Securities Lending Expense:										
Interest	2	2	-	5	33	40	21	20	92	1,317
Agent Fees	-	1	-	1	3	2	3	2	47	56
Debt Service:										
Principal Retired	8,119	7,530	6,620	6,050	5,320	10,675	4,615	6,890	4,750	4,160
Interest and Fiscal Charges	4,226	4,502	5,324	3,105	2,956	5,010	4,571	4,657	4,821	4,917
Bond Issuance Costs	5	-	-	263	236	-	-	-	-	-
Advance Refunding Escrow	-	-	-	-	10,340	-	-	-	-	-
Total Expenditures	\$ 183,635	\$ 182,046	\$ 170,254	\$ 165,523	\$ 188,590	\$ 175,313	\$ 160,747	\$ 157,546	\$ 159,898	\$ 167,309
Excess of Revenues Over (Under) Expenditures	(38,828)	(40,844)	(45,089)	(40,529)	(67,157)	(40,205)	(32,195)	(32,490)	(23,753)	(42,653)
Other Financing Sources (Uses):										
Transfers In	60,433	\$ 59,942	\$ 55,167	\$ 52,970	\$ 53,159	\$ 54,769	\$ 56,428	\$ 49,992	\$ 53,681	\$ 45,652
Transfers Out	(24,283)	(24,823)	(21,426)	(20,283)	(23,143)	(23,807)	(27,310)	(19,218)	(27,614)	(24,128)
Sale of Capital Assets	2,846	5,370	317	579	3,055	-	-	-	-	-
Proceeds from Loans from Other Funds	-	1,736	-	-	-	-	-	-	-	-
Refunding Bond Issue	-	-	-	33,902	58,164	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	(58,164)	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	1,752
Total Other Financing Sources (Uses)	\$ 38,996	\$ 42,225	\$ 34,058	\$ 67,168	\$ 33,071	\$ 30,962	\$ 29,118	\$ 30,774	\$ 26,067	\$ 23,276
Net Change in Fund Balances	\$ 168	\$ 1,381	\$ (11,031)	\$ 26,639	\$ (34,086)	\$ (9,243)	\$ (3,077)	\$ (1,716)	\$ 2,314	\$ (19,377)
Debt Services as a Percentage of Noncapital Expenditures	10.05 %	7.22 %	7.12 %	6.59 %	5.17 %	10.47 %	6.18 %	8.03 %	10.52 %	6.12 %

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

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (in thousands)

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax-Exempt Property	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value ⁽²⁾	Taxable Assessed Value as a Percentage of Actual Taxable Value ⁽³⁾
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
2013	14,506,724	1,650,817	5,617	7,364,930	8,798,228	3.70	19,015,479	46.27
2014	14,499,790	1,654,905	5,923	7,342,511	8,818,107	3.70	19,012,492	46.38
2015	15,242,081	1,696,448	6,113	7,718,416	9,226,226	3.70	19,934,875	46.28
2016	15,744,126	1,701,380	6,175	7,857,175	9,594,506	4.20	20,531,389	46.73
2017	16,904,533	1,637,177	6,532	8,074,382	10,473,860	4.10	21,821,461	48.00

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 values is 85% of the actual value.

⁽³⁾ Calculated Figure

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate per 1,000 of assessed value)

Direct		Overlapping				
Fiscal Year	City of Tallahassee	Leon County School Board		Leon County	N.W . Fla Water Management	
	Operating	Operating	Debt Service	Operating	Operating	Total
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	-	7.85	0.05	19.35
2011	3.70	8.03	-	7.85	0.05	19.63
2012	3.70	7.78	-	7.85	0.04	19.37
2013	3.70	7.71	-	8.31	0.04	19.76
2014	3.70	7.35	-	8.31	0.04	19.40
2015	3.70	7.38	-	8.31	0.04	19.43
2016	4.20	7.20	-	8.81	0.04	20.25
2017	4.10	6.85	-	8.31	0.04	19.30

Source: Leon County Tax Collector

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS Current and Nine Years Ago (in thousands)

Tax payer	Types of Business	2017				2008	
		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	\$ 145,920	1	1.39 %	\$ 153,163	2	1.37 %
Embarq/CenturyLink	Communication	92,087	2	0.88	205,886	1	1.84
Capital Regional Medical Center *	Medical	72,163	3	0.69	-		-
District Joint Venture, LLC	Real Estate	60,254	4	0.58	-	-	-
DRA CRT Tallahassee Center, LLC	Real Estate	56,199	5	0.54	74,780	5	0.67
Talquin Electric Coop, Inc	Utilities	53,483	6	0.51	104,794	3	0.94
Campus Investors FSU 444	Real Estate	46,966	7	0.45	-		-
Comcast	Communications	44,696	8	0.43	-	-	-
Woodlands of Tallahassee, LLC	Real Estate	43,764	9	0.42	-		-
Wal-Mart	Retail	42,108	10	0.40	50933	7	0.46
Tallahassee Medical Center, LLC	Medical	-	-	-	78,133	4	0.70
City of Tallahassee	Municipality	-	-	-	38,680	10	0.35
Stiles, J.A, III Etal, Trust	Real Estate	-	-	-	59,358	6	0.53
St Joe Company	Real Estate	-		-	42,439	8	0.38
Northwood Associates, LLC	Real Estate	-		-	39,374	9	0.35
Total		\$ 657,640		6.29 %	\$ 847,540		7.59 %

Source: Leon County Property Appraiser

See Independent Auditors' Report

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
2008	\$ 35,416	33,595	94.9 %	\$ 78	35,463	95.1 %
2009	34,704	33,063	95.3	111	33,174	95.6
2010	36,704	35,031	95.4	89	35,120	95.7
2011	35,918	34,076	94.9	244	34,320	95.6
2012	34,707	33,055	95.2	71	33,126	95.4
2013	32,648	31,458	96.4	55	31,513	96.5
2014	32,673	31,471	96.3	53	31,524	96.5
2015	34,392	32,891	95.6	47	32,938	95.8
2016	40,352	38,837	96.2	-	38,837	96.2
2017	40,857	39,628	97.0	71	39,699	97.2

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

ASSESSED VALUATIONS, MILLAGE AND TAXES LEVIED AND COLLECTED Last Ten Fiscal Years (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
TOTAL VALUATIONS	\$ 18,548,241	\$ 17,451,681	\$ 16,944,644	\$ 16,160,618	\$ 16,163,157	\$ 17,095,072	\$ 17,337,336	\$ 17,774,239	\$ 19,580,463	\$ 19,251,581
EXEMPTIONS										
Agricultural Adjustment	\$ 46,859	\$ 49,272	\$ 42,463	\$ 37,998	\$ 38,173	\$ 38,367	\$ 38,591	\$ 37,371	\$ 72,812	\$ 66,919
Government Exemption	5,040,624	4,963,425	4,839,361	4,641,924	4,620,454	4,782,072	4,691,503	4,742,678	5,107,970	5,033,493
Institutional Exemption	631,059	616,233	667,825	658,118	643,767	667,240	663,234	638,457	698,220	667,120
Individual/Homestead Exemptions	1,347,729	1,322,310	1,319,847	1,329,354	1,354,810	1,382,463	1,402,154	2,362,458	2,862,860	2,277,245
Other Exemptions & Adjustments	1,008,110	905,934	848,920	675,118	707,727	964,826	870,059	73,340	47,173	43,990
TOTAL EXEMPTION AND ADJUSTMENTS	\$ 8,074,381	\$ 7,857,174	\$ 7,718,416	\$ 7,342,512	\$ 7,364,931	\$ 7,834,968	\$ 7,665,541	\$ 7,854,304	\$ 8,789,035	\$ 8,088,767
TAXABLE VALUATION	\$ 10,473,860	\$ 9,594,507	\$ 9,226,228	\$ 8,818,106	\$ 8,798,226	\$ 9,260,104	\$ 9,671,795	\$ 9,919,935	\$ 10,791,428	\$ 11,162,814
MILLAGE LEVIED	4.100	4.200	3.700	3.700	3.700	3.700	3.212	3.170	3.700	3.700
TOTAL TAXES LEVIED	\$ 40,857	\$ 40,352	\$ 34,392	\$ 32,673	\$ 32,648	\$ 34,707	\$ 35,918	\$ 36,704	\$ 34,704	\$ 35,416
Less: Adjustments & Discount	1,457	1,433	1,214	1,145	1,129	1,167	1,180	1,213	1,130	1,172
Net Taxes Levied	\$ 39,400	\$ 38,919	\$ 33,178	\$ 31,528	\$ 31,519	\$ 33,540	\$ 34,738	\$ 35,491	\$ 33,574	\$ 34,244
NET COLLECTED ⁽¹⁾⁽²⁾	\$ 39,431	\$ 38,908	\$ 32,891	\$ 31,511	\$ 31,507	\$ 33,055	\$ 33,124	\$ 35,119	\$ 33,172	\$ 33,673

Source: Leon County Property Appraiser

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

⁽²⁾ Net collected includes penalties or late payments.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE Last Ten Fiscal Years (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
General Revenue Bonds	\$ 83,915	\$ 91,825	\$ 99,355	\$ 105,975	\$ 71,800	\$ 90,475	\$ 101,150	\$ 106,905	\$ 115,760	\$ 84,135
Sunshine State Loan Payable	-	-	-	-	-	-	-	2,300	2,300	30,200
Unamortized										
Premiums/Discounts	11,317	12,343	13,107	13,753	8,745	-	-	-	-	-
Bank of America Loan Payable	1,527	1,736	-	-	-	-	-	-	-	-
Total Government Activities	<u>\$ 96,759</u>	<u>\$ 105,904</u>	<u>\$ 112,462</u>	<u>\$ 119,728</u>	<u>\$ 80,545</u>	<u>\$ 90,475</u>	<u>\$ 101,150</u>	<u>\$ 109,205</u>	<u>\$ 118,060</u>	<u>\$ 114,335</u>
Business-Type Activities:										
Energy System	\$ 494,988	\$ 539,447	\$ 557,345	\$ 581,028	\$ 594,510	\$ 607,356	\$ 619,580	\$ 472,385	\$ 491,320	\$ 491,320
Airport Refunding	-	-	-	-	-	925	1,810	2,665	4,290	4,290
Consolidated Utility System	330,495	338,180	345,455	323,440	329,970	336,235	342,245	348,020	214,485	214,485
Unamortized										
Premiums/Discounts	52,974	29,857	31,187	14,877	15,492	16,106	16,698	14,695	9,747	10,003
Sunshine State Loan Payable	-	-	-	-	-	-	-	35,961	38,200	57,030
AMI Loan Payable	20,634	23,514	26,282	28,941	33,332	35,706	37,987	40,230	37,431	35,300
Bank of America Loan Payable	739	840	-	-	-	-	-	-	-	-
Republic Parking Loan	401	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>\$ 900,231</u>	<u>\$ 931,838</u>	<u>\$ 960,269</u>	<u>\$ 948,286</u>	<u>\$ 973,304</u>	<u>\$ 996,328</u>	<u>\$1,018,320</u>	<u>\$ 913,956</u>	<u>\$ 795,473</u>	<u>\$ 812,428</u>
Total Primary Government	<u>\$ 996,990</u>	<u>\$ 1,037,742</u>	<u>\$ 1,072,731</u>	<u>\$ 1,068,014</u>	<u>\$ 1,053,849</u>	<u>\$ 1,086,803</u>	<u>\$1,119,470</u>	<u>\$1,023,161</u>	<u>\$ 913,533</u>	<u>\$ 926,763</u>
Per Capita	<u>\$ 5,258</u>	<u>\$ 5,249</u>	<u>\$ 5,471</u>	<u>\$ 5,595</u>	<u>\$ 5,604</u>	<u>\$ 5,830</u>	<u>\$ 6,043</u>	<u>\$ 5,636</u>	<u>\$ 5,081</u>	<u>\$ 5,155</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING for the fiscal year ended September 30, 2017 Last Ten Fiscal Years (in thousands)

Fiscal Year ended Sept. 30	General Revenue Bonds	Percentage of Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2008	\$ 84,135	0.37 %	\$ 473
2009	115,760	0.51	651
2010	106,905	0.53	598
2011	101,150	0.50	554
2012	90,475	0.45	493
2013	80,545	0.42	438
2014	119,728	0.63	651
2015	112,462	0.56	598
2016	104,168	0.51	549
2017	95,232	0.44	502

Source: City of Tallahassee, Accounting Services

⁽¹⁾ See Assessed Value and Estimated Actual Trend Value of Taxable Property Schedule for Property Value Data.

⁽²⁾ See Demographic and Economic Statistics for Population Data.

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2017

(in thousands)

Government Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Leon County School Board ⁽²⁾	\$ 199,774	67 %	\$ 133,849
Debt repaid with non self-supporting revenue debt:			
Leon County ⁽³⁾	36,683	67 %	<u>24,577</u>
Subtotal, Overlapping Debt			158,426
City Direct Debt			<u>96,759</u>
Total Direct and Overlapping Debt			<u>\$ 255,185</u>

⁽¹⁾ City's share calculated based on 2012 County Taxable Value of \$13,387,231,768 and City's Taxable Value of \$8,808,227,231 which results in 66 percent overlapping

⁽²⁾ Leon County School Board

⁽³⁾ Leon County

CITY OF TALLAHASSEE, FLORIDA

LEGAL DEBT MARGIN SEPTEMBER 30, 2017 (in thousands)

The City has no legal debt margin requirements set forth by either State Statute or City Ordinance.

CITY OF TALLAHASSEE, FLORIDA

REVENUE BOND COVERAGE ENERGY SYSTEM REVENUE BONDS Last Ten Fiscal Years (in thousands)

Fiscal Year Ending	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
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
2013	286,876	202,640	84,236	12,846	30,687	43,533	1.93
2014	310,314	211,408	98,906	13,482	30,048	43,530	2.27
2015	314,807	217,485	97,322	11,058	26,703	37,761	2.58
2016	298,689	202,714	95,975	17,898	28,794	46,692	2.06
2017	326,028	170,978	155,050	191,754	25,734	217,488	0.71

⁽¹⁾ Total operating revenues plus operating interest earned.

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

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

CITY OF TALLAHASSEE, FLORIDA

REVENUE BOND COVERAGE CONSOLIDATED UTILITY SYSTEM REVENUE BONDS Last Ten Fiscal Years (in thousands)

Fiscal Year Ending				Debt Service Requirements ⁽³⁾			Coverage
	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Principal	Interest	Total	
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
2013	95,737	51,176	44,561	6,265	16,684	22,949	1.94
2014	99,063	51,802	47,261	6,530	16,417	22,947	2.06
2015	101,087	52,429	48,658	6,695	15,747	22,442	2.17
2016	103,063	54,501	48,562	7,275	17,251	24,526	1.98
2017	106,599	59,553	47,046	7,685	16,878	24,563	1.92

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

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

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

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

DEMOGRAPHIC STATISTICS Last Ten Fiscal Years

Year	Estimated ⁽¹⁾ Population	Airline Passengers	Electric KWH Sold (000's)	Water Consumed (Gals) (Millions)	Gas Used (Cu. Ft.) (Millions)	Housing Units	Leon County School (2) Enrollment
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
2013	183,727	697,633	2,638,092	8,492	2,714	85,475	34,738
2014	183,784	708,433	2,763,936	8,801	2,931	86,242	34,955
2015	187,996	690,533	2,677,292	8,540	2,930	86,735	34,797
2016	189,675	699,035	2,623,259	8,705	2,719	89,252	33,300
2017	189,625	717,559	2,693,286	9,145	2,705	89,798	33,993

Year	City Personal Income (3) (Thousands)	Per Capita Personal Income (3)	Number of Labor Force (4)	Number of Employed (4)	Numbered of Unemployed (4)	Unemployment Rate (Percent) (4)
2008	12,217,000	\$ 33,819	90,972	86,980	3,992	3.2 %
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	-	94,927	87,142	7,785	8.2
2012	N/A	N/A	96,530	89,636	6,894	7.1
2013	N/A	N/A	97,523	91,785	5,738	5.9
2014	N/A	N/A	101,034	95,302	5,732	5.7
2015	N/A	N/A	99,331	94,321	5,010	5.0
2016	N/A	N/A	99,879	94,852	5,027	5.0
2017	N/A	N/A	101,300	95,674	5,626	4.0

Source: City records, except as noted.

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

⁽²⁾Leon County School Board

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

⁽⁴⁾Florida Department of Economic Opportunity

N/A - Not Available

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

PRINCIPAL EMPLOYERS Current and Nine Years Ago

Employer	Type of Business	2017 ⁽¹⁾			2008 ⁽²⁾		
		Number of Employees	Rank	% age of Total	Number of Employees	Rank	% age of Total
State of Florida	Government	19,136	1	35.1 %	25,204	1	47.9 %
Florida State University	Education	14,378	2	26.4	8,784	2	16.7
Leon Co. School Board	Education	5,383	3	9.9	4,403	3	8.4
Tallahassee Memorial Healthcare	Healthcare	4,583	4	8.4	2,850	5	5.4
City of Tallahassee	Government	2,811	5	5.2	3,327	4	6.3
Publix	Retail	2,200	6	4.0	2,000	7	3.8
Florida A & M University	Education	1,767	7	3.2	2,681	6	5.1
Leon County	Government	1,712	8	3.1	1,522	8	2.9
Tallahassee Community College	Education	1,518	9	2.8	1,090	9	2.1
Capital Regional Medical Center ⁽³⁾	Healthcare	1,051	10	1.9	-		-
Sprint	Telecommunications	-		-	740	10	1.4
Total		<u>54,539</u>		<u>100.0 %</u>	<u>52,601</u>		<u>100.0 %</u>

Note: In previous years, data was presented for Leon County rather than City of Tallahassee.

⁽¹⁾ Data from employers or Website

⁽²⁾ Data from Leon County CAFR 2008.

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

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Commission & Appointed Officials	124	134	134	133	130	130	130	130	139	132
Administration	62	184	183	181	179	182	181	184	198	188
Aviation	55	55	53	53	53	53	53	53	54	54
Communications	8	14	14	13	13	12	12	11	12	13
Customer Services	17	1	1	1	1	1	1	1	1	2
Human Resources & Workforce										
Development	35	-	-	-	-	-	-	-	-	-
Technology and Workforce Development	100	-	-	-	-	-	-	-	-	-
Real Estate Management	11	-	-	-	-	-	-	-	-	-
Economic and Community Development	20	36	36	37	37	37	38	38	57	N/A
Economic Development	-	-	-	-	-	-	-	-	-	7
Electric	336	303	302	298	298	298	295	295	291	290
Emergency Management	5	1	1	1	1	1	1	1	1	N/A
Energy Services	-	-	-	30	29	29	29	31	23	N/A
EPER	12	14	14	14	13	13	12	12	12	N/A
Ethics	-	1	-	-	-	N/A	N/A	N/A	N/A	N/A
Fire	297	296	280	280	280	280	280	272	263	267
Fleet	82	80	61	59	58	57	57	58	57	58
Gas	-	-	-	-	-	-	-	-	-	40
Growth Management	80	63	63	63	62	61	61	58	75	83
Neighborhood & Community Services	-	-	-	-	-	-	-	-	-	85
Parks & Recreation & Neighborhood Affairs	173	173	171	171	170	172	171	172	176	152
Planning	27	26	26	26	26	27	27	27	28	29
Police	466	466	433	427	427	483	485	485	489	498
Public Works	-	286	285	286	283	278	279	283	301	254
Solid Waste	148	83	84	87	88	88	89	91	99	102
Stormwater	-	-	-	-	-	-	-	-	-	91
StarMetro	141	148	170	170	170	170	168	168	169	167
Utility Services	135	148	145	120	120	112	112	114	120	167
Underground Utilities	531	362	361	361	362	362	360	364	367	N/A
Water Utility	-	-	-	-	-	-	-	-	-	303
Total	<u>2,865</u>	<u>2,874</u>	<u>2,817</u>	<u>2,811</u>	<u>2,800</u>	<u>2,846</u>	<u>2,841</u>	<u>2,848</u>	<u>2,932</u>	<u>2,982</u>

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 applicable

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

OPERATING INDICATORS BY FUNCTION / PROGRAM Last Ten Fiscal Years

<u>Function/Program</u>	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Arrests	7,044	5,998	5,933	6,053	5,360	5,362	5,777	7,171	6,619	N/A
Traffic violations	15,459	14,716	13,652	13,039	30,166	31,508	32,838	25,757	21,319	34,300
Parking violations	14,891	18,886	15,948	17,872	17,146	16,104	15,385	18,187	19,333	19,711
Fire										
Emergency responses	27,379	27,849	24,704	22,075	22,820	22,920	21,856	21,541	17,786	25,101
Fires reported	989	1,225	1,047	1,153	1,206	1,379	1,537	1,172	1,511	1,443
Gas										
Daily average consumption (MCF)	7,411	7,450	8,030	8,030	6,800	6,959	7,387	7,650	6,878	6,111
Number of service connections	30,638	30,355	29,659	29,275	28,576	28,018	27,654	26,948	26,448	26,447
Water										
Daily average consumption (MGD)	26	26	26	26	26	26	26	26	N/A	33
Number of service connections	84,783	75,334	83,554	83,384	83,095	82,606	82,133	81,945	82,016	82,069
Electric										
Net System Energy Generated (K W H) (Millions)	2,693	2,630	2,773	2,763	2,638	2,248	2,374	2,293	2,657	2,725
Average number residential customers	89,070	99,793	88,112	87,674	87,862	86,921	86,945	86,041	85,889	86,151
Average residential monthly bill	108	113	123	121	113	118	138	143	153	149
Sewage										
Daily average treatment (MDG)	17	17	16	16	18	16	15	16	-	-
Number of service connections	72,614	72,070	71,556	71,440	71,172	70,660	70,279	70,015	69,966	69,913
Transit										
Total revenue miles	2,133,772	2,254,316	2,246,364	2,591,582	2,140,779	2,089,369	2,060,351	2,035,922	1,966,766	N/A
Passengers trips	3,302,667	3,759,543	4,260,333	4,241,111	4,585,634	4,759,287	4,716,971	4,789,938	4,409,041	N/A
Solid Waste										
Number of customers	52,528	63,455	63,455	63,284	63,190	62,859	62,935	62,585	62,621	63,284
Refuse collected (in tons)	149,560	139,778	144,488	119,659	117,392	137,346	129,091	142,643	145,707	N/A
Recyclables collected (in tons)	13,297	24,474	24,474	33,752	96,405	10,614	19,793	9,925	6,172	6,884
Airport										
Number of passengers	717,559	699,035	690,533	708,433	697,633	684,990	633,706	670,978	734,151	821,716

Source: Various city departments

N / A - Not Available

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

CAPITAL ASSETS STATISTICS BY FUNCTION / PROGRAM Last Ten Fiscal Years

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicular units										
Marked vehicles	300	306	289	284	284	266	256	257	295	318
Motorcycles	9	9	9	9	9	9	9	9	9	9
Unmarked vehicles	152	153	137	143	137	133	127	139	137	170
Bicycle patrol units	16	16	16	15	15	7	9	9	9	N/A
Fire stations	16	16	16	15	15	15	15	15	15	15
Gas										
Gas lines (in miles)	910	905	885	881	878	868	860	845	834	818
Plant Capacity (MCF)	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Water										
Water mains (in miles)	1,202	1,201	1,212	1,206	1,203	1,193	1,197	1,212	1,212	1,181
Deep Wells	27	27	27	27	27	27	27	26	27	27
Plant Capacity (MGD)	76	76	74	76	74	74	72	74	72	72
Electric										
Generating plants	3	3	3	3	3	3	3	3	3	3
Generating capacity (MW)	711	746	746	746	794	805	805	805	805	795
Transmission lines (in miles)	214	214	204	204	204	194	188	188	187	185
Number of street lights	18,825	18,710	18,589	18,188	18,125	18,040	17,998	17,971	17,670	N/A
Distribution lines (in miles)	1,995	1,942	2,937	2,937	2,927	2,870	2,839	2,839	2,842	N/A
Sewage										
Number of lift stations	107	107	109	111	109	111	107	107	N/A	N/A
Sanitary sewers (in miles)	1,039	1,039	1,049	1,046	1,042	1,034	1,107	1,019	N/A	N/A
Number of disposal plants	1	1	1	1	2	2	2	2	2	2
Capacity of treatment plans (MGD)	27	27	27	27	31	31	31	31	32	32
Transit										
Bus Plaza	1	1	1	1	1	1	1	1	1	1
Buses	65	65	58	58	58	56	56	66	56	90
Refuse Collection										
Collection trucks	73	69	69	67	65	63	65	61	45	36
Parks and recreation										
Community centers and specialty center	11	11	11	11	11	11	12	12	12	10
Summer playgrounds and camps	43	43	43	43	43	43	43	43	43	43
Athletic fields	86	86	86	86	86	86	86	86	86	86
Golf courses	2	2	2	2	2	2	2	2	2	2
Swimming pools	11	11	11	11	11	11	13	13	13	13
Park acreage	3,881	3,529	3,529	3,529	3,529	3,881	3,529	3,529	3,529	3,881
Fitness trails	30	30	30	30	30	30	17	17	17	17
Tennis/racquetball courts	67	67	67	67	67	67	67	67	67	72
Gymnasiums, center sites	7	7	7	7	7	7	7	7	7	7
Gymnasiums, school sites	5	4	4	4	4	4	4	4	4	9
Airport	1	1	1	1	1	1	1	1	1	1
Other public works										
Traffic signals ⁽¹⁾	73	73	73	73	71	71	71	72	128	122

Source: Various city departments

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

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA
Miscellaneous Statistical Data
September 30, 2017

Governance		Education:	
Date of Incorporation	1825	Number of Public Schools ⁽¹⁾	49
Date Present Charter Adopted	1996	Number of Public School Instructors ⁽¹⁾	2,343
Form of Government: Commission-Manager		Number of Public School Students, (PK-12) ⁽¹⁾	33,993
Commission Composed of: Mayor and Four Commissioners		Number of Vocational-Technical Schools ⁽¹⁾	1
Terms of Office:		Number of Community Colleges	1
Mayor - Four Years (Elected by Tallahassee Citizens)		Number of Universities	2
Commissioners - Four Years (Elected by Tallahassee Citizens)		Number of College-level Instructors ⁽⁴⁾	3,731
Manager (Appointed by Commission)		Number of College-level Students ⁽²⁾	90,083
Transportation:		Major Annual Events:	
Airlines, Bus Lines, and Railroad Freight and Passenger		Springtime Tallahassee Festival	
Communications:		Fourth of July "Celebrate America"	
Newspapers, Radio Stations, Television Stations;		North Florida Fair	
Cable Television and Telephone Service		Market Days	
Climate		Winter Festival	
Average Annual Temperature - in °F	67.7	Culture, Recreation, and Health:	
Average Annual Rainfall - in inches	63.2	Conference Center, Civic Center, and Theaters	
Area - in square miles	103.29	Seating Capacity (Leon County Civic Center and	13,375
		Museums	12
		Libraries (including branches)	20
		Skating Rinks	2
		Golf Courses	9
		Hospital Beds ⁽³⁾	1,165

Source: City of Tallahassee Records except as noted below:

⁽¹⁾ Leon County School Board

⁽²⁾ Tallahassee Community College; Florida State University; Florida A & M University

⁽³⁾ Tallahassee Memorial Healthcare and Capital Regional Medical Center

⁽⁴⁾ Full Time Faculty at Tallahassee Community College, Florida State University, and Florida A&M University

CITY OF TALLAHASSEE, FLORIDA
Schedule of Insurance
September 30, 2017

Line of Coverage	Carrier	Limits/Coverage	Deductible/Retention	Effective	Expiration	Premium		Policy #
Renaissance Center Property	Westchester Surplus Lines Insurance Co.	Real Property - \$13,200,000	AOP - \$5,000 per Occurrence	3/31/2017	3/31/2018	Premium	\$ 31,350.00	D38074325001
		Earth Movement - \$2,500,000				TRIA	\$ 2,195.00	
		Flood - \$2,500,000	Earth Movement - \$25,000 per Occurrence			EMPA Fee	\$ 4.00	
		Extra Expense - \$1,000,000	Flood - \$100,000 per Occurrence			Total Premium Paid	\$ 33,549.00	
			Named Storm - 1% Per Building/Structure; subject to the minimum deductible of \$25,000 per occurrence					
Terrorism	Lloyds of London	Primary Property Damage:	Property Damage - \$100,000	5/1/2017	5/1/2018		\$ 66,539.00	UTS2538316.17
		Annual Aggregate - \$250,000,000						
		Liability:	Liability - \$100,000					
		Each Claim - \$1,000,000						
		Annual Aggregate - \$2,000,000						
		Biological, Chemical or Nuclear	\$100,000; 72 hour waiting period				\$ 10,039.00	UTS2539580.17
		Annual Aggregate - \$1,000,000						
		Excess Property Damage:	Per Primary				\$ 27,039.00	W1B5B4170201
		Annual Aggregate - \$100,000,000 excess of \$250,000,000				Total Premium Paid	\$ 103,617.00	
Surety	Auto-Owners Insurance Co.	James Cooke Bond		9/8/2016	9/8/2017	Premium	\$259.00	66117834
Fine Arts	Travelers Property Casualty Company of America	Scheduled Property - \$120,000 (6 Anton Refregier Mosaic Murals)	Basic Deductible - \$1,000 Windstorm Deductible: \$5,000	8/19/2017	8/19/2018	Premium	\$ 1,713.60	QT-660-2G88697A

This document is intended as a summary of insurance coverages only. Refer to the actual policy for coverage details.

CITY OF TALLAHASSEE, FLORIDA
Schedule of Insurance
September 30, 2017

Line of Coverage	Carrier	Limits/Coverage	Deductible/Retention	Effective	Expiration	Premium		Policy #
Property	Factory Mutual Insurance Company	Policy Limit - \$1,000,000,000	\$100,000 - per Occurrence	5/1/2017	5/1/2018	Premium	\$ 3,033,123.00	1023237
		Total Insurable Value - \$1,558,022,000 (as of binding)	\$100,000 - Wastewater Treatment Plant \$500,000 - Power Generation Plants			Fire College Trust Fund Total Premium Paid	\$ 1,013.00 \$ 3,034,136.00	
		Automatic Coverage - 90 days, but not to exceed \$100,000,000	\$250,000 - Transformers not at Power Generation locations					
		Computer Systems Non Physical Damage and Data, Programs or Software combined - \$25,000,000	\$750,000 - Steam Turbine Generators					
		Earth Movement - \$250,000,000	\$1,500,000 - Gas Turbine Generators					
		Errors and Omissions - \$100,000,000	\$500,000 - Flood for property at locations identified in policy					
		Expediting Costs - \$50,000,000						
		Extra Expense - \$50,000,000	2% Property Damage, per location					
		Flood - \$250,000,000	2% Time Element, per location The above is subject to a minimum deductible of \$100,000					
		Service Interruption - Property Damage & Time Element - \$25,000,000	combined all coverages, per location Waiting Periods Service Interruption - 24 Hours					
			Computer Systems Non-Physical Damage - 48 Hours Data, Programs or Software - 48 Hours Logistics Extra Cost - 48 Hours, except 168 Hours for Earth Movement, Flood or Wind Off Premises Data Services - 24 Hours					
		Sublimits are noted in the proposal & policies	Refer to policy for full explanation of deductibles					
This document is intended as a summary of insurance coverages only. Refer to the actual policy for coverage details.								

CITY OF TALLAHASSEE, FLORIDA
Schedule of Insurance
September 30, 2017

Line of Coverage	Carrier	Limits/Coverage	Deductible/Retention	Effective	Expiration	Premium		Policy #
Airport Operators Liability	Global Aerospace	Per Occurrence - \$100,000,000 Damage to Premises Rented to You - \$1,000,000 Personal and Advertising Injury Aggregate - \$25,000,000 Products-Completed Operations Aggregate - \$100,000,000 Hangarkeepers' Each Accident - \$100,000,000 Hangarkeepers' Each Aircraft - \$100,000,000 Non-Owned Aircraft - \$100,000,000	\$0 Each Occurrence or Offense Deductible \$0 Aggregate Deductible	10/1/2015	10/1/2018	Premium	\$ 30,563.40	15001414
						Annual Installments		
EMS Liability	General Star Indemnity Co	\$6,000,000/\$8,000,000 - Professional Liability \$1,000,000/\$1,000,000 - Abuse Molestation	\$0 Each Claim	10/1/2016	10/1/2017	Premium	\$ 52,879.85	IJG927317
XS Workers' Compensation / XS General Liability	Colony Insurance Company	Statutory - Workers' Compensation \$1,000,000 - Employers Liability \$1,000,000/\$2,000,000 - General Liability	\$1,000,000 Per Occurrence Retention	10/1/2016	10/1/2017	Premium	\$ 160,756.00	PXL 16106102
Crime	Travelers Casualty and Surety Company of America	\$1,000,000 - Employee Theft Per Loss Coverage \$1,000,000 - Employee theft Per Employee Coverage \$1,000,000 - Forgery or Alteration \$1,000,000 - On Premises \$1,000,000 - In Transit \$1,000,000 - Money Orders & Counterfeit Money \$1,000,000 - Computer Crime \$1,000,000 - Funds Transfer Fraud \$25,000 - Personal Accounts Protection \$25,000 - Identity Fraud Expense Reimbursement \$5,000 - Claim Expense	\$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$0 \$0 \$0	10/1/2016	10/1/2017	Premium	\$ 10,543.10	106175065
Fiduciary Firefighters	Travelers Casualty and Surety Company of America	\$1,000,000 for all Claims Settlement Program Limit of Liability \$100,000 HIPAA Limit of Liability \$100,000 502 (c) Penalties Limit of Liability \$100,000	\$1,000 Retention	10/1/2016	10/1/2017	Premium	\$ 3,966.25	106176744

This document is intended as a summary of insurance coverages only. Refer to the actual policy for coverage details.

CITY OF TALLAHASSEE, FLORIDA
Schedule of Insurance
September 30, 2017

Line of Coverage	Carrier	Limits/Coverage	Deductible/Retention	Effective	Expiration	Premium		Policy #
Fiduciary General Employees	Travelers Casualty and Surety Company of America	\$1,000,000 for all Claims Settlement Program Limit of Liability \$100,000 HIPAA Limit of Liability \$100,000 502 (c) Penalties Limit of Liability \$100,000	\$1,000 Retention	10/1/2016	10/1/2017	Premium	\$ 16,387.50	106176742
Fiduciary Police Officers	Travelers Casualty and Surety Company of America	\$1,000,000 for all Claims Settlement Program Limit of Liability \$100,000 HIPAA Limit of Liability \$100,000 502 (c) Penalties Limit of Liability \$100,000	\$1,000 Retention	10/1/2016	10/1/2017	Premium	\$ 5,216.45	106176738
AD&D	National Union Fire Insurance Company of Pittsburgh, PA	Statutory AD&D Coverage		10/1/2016	10/1/2017	Premium	\$ 11,474.10	SRG 0009140576-B
Bond	Travelers	\$50,000	ROW Leon County	10/24/2016	10/24/2017	Premium	\$ 1,750.00	106189058
Bond	Travelers	\$50,000	ROW Leon County	10/24/2016	10/24/2017			106189059
Bond	Travelers	\$50,000	ROW Leon County	10/24/2016	10/24/2017			106189060
Bond	Travelers	\$50,000	ROW Leon County	10/24/2016	10/24/2017			106189061
Bond	Travelers	\$50,000	ROW Leon County	10/24/2016	10/24/2017			106189062
Appointed Officials' Auto	Auto-Owners Insurance Co.	\$1,000,000 C.S.L		7/1/2017		Premium	\$ 4,890.00	51-278879-00
Broker/Agency Fee - Property	Public Risk Insurance Agency			6/1/2015	6/1/2018	Annual Installments	\$ 115,000	NA
Broker/Agency Fee	Public Risk Insurance Agency			10/1/2014	9/30/2017	Annual Installments	\$ 18,500	NA
TOTAL PREMIUMS							\$3,605,201.25	

This document is intended as a summary of insurance coverages only. Refer to the actual policy for coverage details.



THIS PAGE INTENTIONALLY LEFT BLANK.

SINGLE AUDIT AND OTHER REPORTS

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 For Each Major Program and on Internal Control Over Compliance required by 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

Schedule of Findings - Passenger Facility Charges

Summary Schedule of Prior Audit Findings - Passenger Facility Charges

Independent Accountants' Report on Compliance with Local Government Investment Policies

Management Letter

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tallahassee, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2017-001, 2017-002, 2017-003, and 2017-004.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
May 10, 2018



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida

Independent Auditors' Report on Compliance For Each Major Federal Program and State Project; Internal Control Over Compliance; and Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance And Chapter 10.550, *Rules of the Auditor General*

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Tallahassee, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *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, 2017. The City's major federal programs and state projects are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants, CFDA 14.218; HOME Investment Partnerships Program, CFDA 14.239; and State Housing Initiatives Partnership Program, CSFA 40.901

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the Community Development Block Grants/Entitlement Grants, CFDA 14.218 as described in finding number 2017-002 for Reporting and Subrecipient Monitoring; HOME Investment Partnerships Program, CFDA 14.239 as described in finding number 2017-003 for Reporting and Subrecipient Monitoring; and the State Housing Initiatives Partnership Program, CSFA 40.901 as described in finding number 2017-004 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

Qualified Opinion on Community Development Block Grants/Entitlement Grants, CFDA 14.218; HOME Investment Partnerships Program, CFDA 14.239; and State Housing Initiatives Partnership Program, CSFA 40.901

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/Entitlement Grants, CFDA 14.218; HOME Investment Partnerships Program, CFDA 14.239; and State Housing Initiatives Partnership Program, CSFA 40.901 for the year ended September 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs and State Projects

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs and state projects identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

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 or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001, 2017-002, 2017-003, and 2017-004 to be a significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*

We have audited the financial statements of the City as of and for the year ended September 30, 2017, and have issued our report thereon dated March 29, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statement 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 schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.



THOMAS HOWELL FERGUSON, P.A.
Tallahassee, Florida
May 10, 2018



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida

City of Tallahassee
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	CFDA/CSFA Number	Federal Grant Number	Pass-Through/State Grant Number	Expenditures	Amount Provided to Subrecipients
<u>FEDERAL AWARDS</u>					
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					
Direct Programs:					
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-12-0019 / B-			
Community Development Block Grants/Entitlement Grants	14.218	14-MC-12-0019	N/A	\$ 5,554	
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-12-0019	N/A	337,116	\$ 162,351
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-12-0019	N/A	1,608,486	659,842
HOME Investment Partnerships Program	14.239	M-12-MC-12-0221 /			
HOME Investment Partnerships Program	14.239	M-14-MC-12-0221	N/A	69,357	60,021
HOME Investment Partnerships Program	14.239	M-15-MC-12-0221	N/A	290,464	290,464
HOME Investment Partnerships Program	14.239	M-16-MC-12-0221	N/A	326,348	135,729
Emergency Solutions Grant Program	14.231	E-15-MC-12-0010	N/A	71,101	71,101
Emergency Solutions Grant Program	14.231	E-16-MC-12-0010	N/A	153,017	153,017
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				2,861,443	
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>					
Direct Program:					
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-95481911	N/A	17,127	
Pass through Florida Department of Environmental Protection:					
Nonpoint Source Implementation Grants	66.460	C9-99451512-0/			
Nonpoint Source Implementation Grants	66.460	C9-99451513-0	G0395	19,926	
Nonpoint Source Implementation Grants	66.460	C9-99451515	NF022	14,564	
Nonpoint Source Implementation Grants	66.460	C9-99451515	NF020	75,000	
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				126,617	
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
FEDERAL TRANSIT ADMINISTRATION					
Direct Programs:					
Federal Transit - Formula Grant	20.507	FL-2016-020	N/A	477,828	
Federal Transit - Formula Grant	20.507	FL-2017-080	N/A	3,098,953	
Federal Transit - Formula Grant	20.526	FL-2017-063	N/A	343,743	
Federal Transit - Formula Grant	20.507	FL-90-X862	N/A	275,789	
Federal Transit - Formula Grant	20.507	FL-90-X803	N/A	27,107	
Federal Transit - Formula Grant	20.507	FL-90-X778	N/A	16,900	
TOTAL FEDERAL TRANSIT CLUSTER				4,240,320	
New Freedom Program	20.521	FL-57-X043	N/A	9,938	
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	FL-88-0001	N/A	110,573	
Public Transportation Research	20.514	FL-26-0021	N/A	1,903	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION					
Pass through Florida Department of Transportation:					
National Priority Safety Programs	20.616	M5HVE-16-06-11	G0461	2,901	
National Priority Safety Programs	20.616	M5HVE-17-06-06	G0F18	77,040	
National Priority Safety Programs	20.616	M2HVE-17-20-04	G0F23	62,847	
State and Community Highway Safety	20.600	SC-16-13-06	G0528	5,004	
TOTAL HIGHWAY SAFETY CLUSTER				147,792	
FEDERAL HIGHWAY ADMINISTRATION					
Pass through Florida Department of Transportation:					
Highway Planning and Construction	20.205	430147-1-58-01 / 430147-1-68-01	G0628	511,787	
Highway Planning and Construction	20.205	437144-1-58-01	G0940	209,372	
Highway Planning and Construction	20.205	408049-3-58-01	G0B84	519,812	
Public Transportation for Nonurbanized Areas	20.509	421364-2-84-35	ARM73	249,285	
FEDERAL AVIATION ADMINISTRATION					
Direct Programs:					
Airport Improvement Program	20.106	3-12-0077-37-2013	N/A	187,711	
Airport Improvement Program	20.106	3-12-0077-38-2015	N/A	30,333	
Airport Improvement Program	20.106	3-12-0077-39-2015	N/A	222,279	
Airport Improvement Program	20.106	3-12-0077-40-2016	N/A	3,113,214	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				9,554,319	
<u>U.S. DEPARTMENT OF JUSTICE</u>					
Direct Programs:					
Public Safety Partnership and Community Policing Grant	16.710	2015ULWX0013	N/A	232,454	
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0513	N/A	57,808	
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0740	N/A	41,159	
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0661	N/A	24,836	
Pass through Florida Department of Law Enforcement					
National Asset Forfeiture Strategic Plan	16.UNKNOWN	N/A	N/A	8,689	
Justice Assistance Equipment Grant	16.738	2017-JAGC-LEON-3-F9-135	N/A	33,967	
Pass through Florida Department of Juvenile Justice					
Juvenile Justice and Delinquency Prevention	16.540	10167	N/A	67,516	
Juvenile Justice and Delinquency Prevention	16.540	10436	N/A	18,310	
Juvenile Justice and Delinquency Prevention	16.540	10531	N/A	5,357	
TOTAL U.S. DEPARTMENT OF JUSTICE				490,096	

See independent auditors' report on the financial statements.

City of Tallahassee
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	CFDA/CSFA Number	Federal Grant Number	Pass-Through/State Grant Number	Expenditures	Amount Provided to Subrecipients
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
Direct Program:					
Assistance to Firefighters Grant	97.044	EMW-2014-FP-00327	NA	598	
Pass through Florida Executive Office of the Governor					
Homeland Security Grant Program	97.067	N/A	16-DFS-T9-02-47-23-293	27,624	
Homeland Security Grant Program	97.067	N/A	16-DS-T9-02-47-01-408	16,919	
Homeland Security Grant Program	97.067	N/A	16-DS-T9-02-47-01-362	32,669	
Homeland Security Grant Program	97.067	N/A	17-DS-V4-02-47-02-313	462	
Homeland Security Grant Program	97.067	N/A	17-DS-V4-02-47-02-321	37,489	
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>115,761</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Pass through Florida Executive Office of the Governor					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	17-PA-W1-02-47-01-077	6,533,861	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>6,533,861</u>	
TOTAL FEDERAL AWARDS EXPENDED				<u>\$ 19,682,097</u>	
<u>STATE AWARDS</u>					
<u>FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY</u>					
Local Economic Development Initiatives	40.012	N/A	SL026	970,625	
Division of Community Development	40.038	N/A	HL071	469,910	
TOTAL FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY				<u>1,440,535</u>	
<u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Florida Recreation Development Assistance Program	37.017	N/A	A17011	50,000	
Statewide Surface Water Restoration and Wastewater Projects	37.039	N/A	LP37022	500,000	
Statewide Surface Water Restoration and Wastewater Projects	37.039	N/A	S0729	510,000	
TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION				<u>1,060,000</u>	
<u>NORTH FLORIDA WATER MANAGEMENT DISTRICT</u>					
Florida Springs Grant Program	37.052	N/A	17-056	18,525	
TOTAL NORTH FLORIDA WATER MANAGEMENT DISTRICT				<u>18,525</u>	
<u>FLORIDA DEPARTMENT OF TRANSPORTATION</u>					
Florida Commission for the Transportation Disadvantaged (FCTD)					
Trip and Equipment Grant Program	55.001	NA	43202718401/G0M57	121,738	
Florida Commission for the Transportation Disadvantaged (FCTD)					
Trip and Equipment Grant Program	55.001	NA	43202718401/G0B74	411,066	
Public Transit Block Grant Program	55.010	N/A	42225018401/ARM74	1,142,168	
Public Transit Service Development Program	55.012	N/A	43484618401/ARR77	107,715	
Public Transit Service Development Program	55.012	N/A	430288-4-84-01/ARV75	86,072	
Aviation Development Grants	55.004	N/A	226781-18401/AH990	9,059	
Aviation Development Grants	55.004	N/A	226769-19401/AR051	20,396	
Aviation Development Grants	55.004	N/A	422301-49401/APA37	14,034	
Aviation Development Grants	55.004	N/A	226781-69401/G0419	691,039	
Aviation Development Grants	55.004	N/A	226792-29401/G0418	14,190	
Aviation Development Grants	55.004	N/A	422301-59401/G0420	55,557	
Aviation Development Grants	55.004	N/A	226781-79401/G0G65	16,030	
Aviation Development Grants	55.004	N/A	226781-89401/G0G66	23,919	
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION				<u>2,712,983</u>	
<u>FLORIDA HOUSING FINANCE CORPORATION</u>					
State Housing Initiatives Partnership Program	40.901	N/A	N/A	796,212	436,151
TOTAL FLORIDA HOUSING FINANCE CORPORATION				<u>796,212</u>	
TOTAL STATE AWARDS EXPENDED				<u>\$ 6,028,255</u>	
TOTAL FINANCIAL ASSISTANCE EXPENDED				<u>\$ 25,710,352</u>	<u>\$ 1,968,676</u>

NOTES

- The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all federal programs and state projects of the City of Tallahassee for the year ended September 30, 2017. All expenditures related to federal awards and state projects received directly from federal and state agencies, as well as federal awards and state projects passed through other governmental agencies, are included in the accompanying Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2, *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*.
- The Schedule was prepared on the modified accrual basis of accounting.
- No federal or state financial assistance was expended in non-cash assistance.
- The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Housing loans outstanding at year end:

Community Development Block Grant-Entitlement	14.218	\$ 805,347
HOME Investment Partnerships Program	14.239	4,408,762
State Housing Initiatives Partnership Program	40.901	1,987,409
		<u>\$ 7,201,518</u>
- Expenditures in the amount of \$3,444,965 shown for U.S. Department of Health and Human Services, Pass through Florida Executive Office of the Governor, Disaster Grants-Public Assistance (Presidentially Declared Disasters), CFDA 97.036, grant number 17-PA-W1-02-47-01-077, were incurred during the year ended September 30, 2016.

See independent auditors' report on the financial statements.

City of Tallahassee
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
For the Year Ended September 30, 2017

NOTES (continued)

- 7) Expenditures for the following grants have been overreported on previous Schedules: \$3,340 for the U.S. Department of Transportation, Federal Transit-Formula Grant FL-90-X778; and \$20,602 for the U.S. Department of Transportation, Federal Transit-Formula Grant FL-90-X862.
- 8) Expenditures for the following grants have not been included on previous Schedules: \$163,027 for the Federal Highway Administration, Pass through Florida Department of Transportation, Public Transportation for Nonurbanized Areas grant 421364-2-84-35/ARM73; \$232,419 for the Florida Department of Environmental Protection, Statewide Surface Water Restoration and Wastewater grant LP37021; \$83,524 for the Florida Department of Transportation, Public Transit Service Development Program grant AR974; and \$110,570 for the Florida Department of Transportation, Public Transit Service Development Program grant 430288-4-84-01/ARV75. The omissions of these expenditures would have had no effect on the major federal program/state project determinations in the prior fiscal year.

See independent auditors' report on the financial statements.

City of Tallahassee, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes

Type of auditors' report issued on compliance for major federal programs? Modified

Any audit findings disclosed that are required to be reported in accordance with
 2 CFR 200.516(a)? Yes

Identification of major federal programs: <u>CFDA Number</u>	<u>Name of Federal Program</u>
	U.S. Department of Housing and Urban Development
	Direct Programs
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
	Federal Highway Administration
	Pass through Florida Department of Transportation
20.205	Highway Planning and Construction
	U.S. Department of Health and Human Services
	Pass through Florida Executive Office of the Governor
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

City of Tallahassee, Florida
Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2017

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

State Financial Assistance Awards

Internal control over major projects:

Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes

Type of auditors' report issued on compliance for major state projects?	Modified
---	----------

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.554(1)(1)(4), <i>Rules of the Auditor General</i> ?	Yes
---	-----

Findings required to be reported in a management letter pursuant to Chapter 10.554(1)(i), <i>Rules of the Auditor General</i> ?	Yes
---	-----

Identification of major state projects:

<u>CSFA Number</u>	<u>Name of State Project</u>
	Florida Department of Environmental Protection
37.039	Statewide Surface Water Restoration and Wastewater Projects
	Florida Department of Economic Opportunity
40.012	Local Economic Development Initiatives
40.038	Division of Community Development
	Florida Housing Finance Corporation
40.091	State Housing Initiatives Partnership Program
	Florida Department of Transportation
55.001	Florida Commission for the Transportation Disadvantaged (FCTD) Trip and Equipment Grant Programs

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

City of Tallahassee, Florida
Schedule of Findings and Questioned Costs-Federal Awards
and State Financial Assistance (continued)
For the Year Ended September 30, 2017

Section II – Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operations that we considered to be material weaknesses.

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

We noted the following matters involving noncompliance that are required to be reported in accordance with 2 CFR 200.516(a) and the Chapter 10.554(1)(l)(4), *Rules of the Auditor General*.

SIGNIFICANT DEFICIENCY

2017-001 – Grant Management; Schedule of Expenditures of Federal Awards and State Financial Assistance

Criteria: The City of Tallahassee administers many programs funded by federal awards and state financial assistance. These funds cover the costs of a variety of City programs and projects, including public transportation, roadway construction, water and sewer system projects, airport improvements, and affordable housing programs. For the year ended September 30, 2017, the City expended \$19.7 million of federal awards and \$6 million of state financial assistance for these programs. Accurate accounting, tracking, and reporting of those funds is imperative to ensure compliance with federal and state laws and regulations, and provisions of the grant agreements.

Conditions: During our current year audit, there were various items and omissions noted in regard to the amounts of federal and state expenditures reported on the City's Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule). These items include the following:

- 1) Expenditures have been over reported on previous Schedules for two U.S. Department of Transportation, Federal Transit-Formula grants as follows: \$3,340 for grant FL-90-X778 and \$20,602 for grant FL-90-X862.
- 2) Expenditures for the following grants have not been included on previous Schedules:
 - \$163,027 for the Federal Highway Administration, pass through Florida Department of Transportation, Public Transportation for Nonurbanized Areas grant 421364-2-84-35/ARM73.
 - \$232,419 for the Florida Department of Environmental Protection, Statewide Surface Water Restoration and Wastewater grant LP37021.
 - \$83,254 for the Florida Department of Transportation, Public Transit Service Development Program grant AR974.
 - \$110,570 for the Florida Department of Transportation, Public Transit Service Development Program grant 430288-4-84-01/ARV75.

- 3) Program income is generated or earned as a result of grant funding received for some of the City's programs. We noted that expenditures incurred with program income are commingled with expenditures incurred from the grant funding, and specifically, we noted this in regard to the HOME Investment Partnerships Programs. As a result, expenditures in the amount of \$121,821 incurred with program income were adjusted and excluded in expenditure amounts on the Schedule by the auditor.
- 4) As a follow-up to prior audit finding 2016-001, a draw down for the U.S. Department of Transportation, Federal Transit-Formula grant FL-2016-020-00 was requested, subsequently rejected, and not discovered until requested as part of our audit procedures. During the current year, we noted that minimal drawdowns have occurred during the year and one large drawdown in the amount of \$3.9 million was made during September 2017.

Cause: During the past several years, the Schedule was prepared by the City's Accounting Services Division, who relied on information supplied by the program managers in various departments, and there was no independent review of this information to verify its accuracy. During the audit, we noted a lack of experience and knowledge of the impact of federal and state regulations on the day-to-day operations, grant administration and compliance requirements in the areas of public transit and affordable housing. Audit findings and questioned costs related to the Schedule have been reported as 2016-001 in the preceding fiscal year, 2015-001 in the second preceding fiscal year, 2014-002 in the third preceding fiscal year, and finding 2013-3 in the fourth preceding fiscal year.

Effect: The risk of noncompliance with the laws, regulations, accounting, reporting, and compliance requirements associated with federal awards and state financial assistance programs is increased by the lack of comprehensive internal control procedures over grant activity, and central grants administration personnel to coordinate, provide oversight, and monitor the process. For the years ended September 30, 2013, 2014, 2015, and 2016 adjustments were required to correct the amount of federal and state expenditures reported on the Schedules.

Recommendations: Based on our prior year recommendations, the City has created and staffed a Grants Management Office, who is working to accumulate and track the City's grant activities, and has improved the financial reporting for grant funds. We recommend that efforts be continued to further evaluate the staffing of its grant administration programs, especially in the areas of public transit and affordable housing, to ensure the understanding of program requirements, proper monitoring and reporting, and compliance with all grant requirements.

Views of responsible officials and planned corrective actions:

The Grants Management Office (GMO) will continue its efforts to improve grant reporting and grants administration over the next year. The preparation of the Schedule of Expenditures has been transferred from Accounting to post award staff in the GMO. The FY 2017 schedule was compiled by a manager in the Financial Services department that has specific grants management experience. Some of the items noted were the result of clean up from prior years' errors and omissions. Beginning with the next fiscal year cycle, there will be two GMO staff preparing the schedule and the Manager of Financial Services over grants will review the schedule prior to it being provided to the auditors.

To improve city staff knowledge of the extensive federal and state requirements that must be complied with, the GMO will conduct periodic training and user meetings to reinforce the obligations that come with grant funding. The GMO is currently providing direct grant award management for StarMetro due to the lack of experience and knowledge within the department as a result of recent staff turnover and reorganization of the department. The GMO will continue to work with executive management to develop a plan to ensure that StarMetro has the proper staff in place to manage transit operations which requires extensive knowledge of federal and state regulations related to the transportation industry.

The Community Housing and Human Services (CHHS) department has recently filled a vacant position that is responsible for performing many housing related regulatory duties. Additionally, CHHS now has a position that will be responsible for grants compliance. See responses to Findings 2017-002, 2017-003 and 2017-004 for additional actions being taken to strengthen regulatory subrecipient monitoring knowledge within CHHS.

Lastly, the GMO is in the process of implementing grants software that will semi-automate the application and award aspects of the process. Additional functionality in PeopleSoft Financials will also be implemented to streamline post award management of grants. This will provide the GMO and department staff the ability to monitor deliverables with auto notifications of task due dates. It will also consolidate all billing and accounting for grants in a central location.

SIGNIFICANT DEFICIENCY

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

2017-002 – Community Development Block Grants/Entitlement Grants, Grant Numbers B-15-MC-12-0019 and B-16-MC-12-0019, CFDA 14.218

Criteria: (1) Compliance requirements for the Community Development Block Grants/Entitlement Grants include the submission of HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons on an annual basis.

(2) The Uniform Guidance contained in 2 CFR Part 200, Section 200.331 establishes requirements that a pass-through entity shall perform. Those requirements include: the identification of the CFDA title and number, award name, and the name of the federal awarding agency in all contracts with subrecipients; and monitoring the activities of the subrecipient to ensure that the subaward is used for authorized purposes, is in compliance with Federal statutes, regulations, the terms and conditions of the subaward, and that subaward performance is achieved.

Condition: During audit procedures performed, the following was noted:

- The HUD 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low Income Persons has not been submitted for grants B-15-MC-12-0019 and B-16-MC-12-0019.
- The subrecipient contract with Big Bend Cares, Inc. does not include the identification of the CFDA title and number, award name, or the name of the federal awarding agency.
- Monitoring of four subrecipients has not been completed during the past fiscal year, or within a reasonable time period.
- One monitoring report requested for testing could not be located.

Cause: City personnel indicated that a shortage of staff was responsible for the lack of the submission of the HUD 60002 Reports and the subrecipient monitoring, which has not been adequately completed as required.

Effect: The City is not in compliance with grant reporting requirements, and 2 CFR Part 200, Section 200.331 relating to requirements for pass-through entities, both of which could result in termination of the agreements.

Recommendation: The HUD 60002 reports should be submitted as soon as possible and continue to be submitted in the required period. The contract with Big Bend Cares, Inc. should be amended to include the appropriate identification for the grant funding. All subrecipients should be monitored as soon as possible and future monitoring should be completed on a timely and ongoing basis. Monitoring reports should be retained in accordance with record retention policies.

Views of responsible officials and planned corrective action:

The HUD 60002 report for fiscal year 2017 was submitted April 6, 2018. Housing staff were not able to submit the report electronically as required, because staff was unable to access the system. HUD was made aware of the problems. The City's HUD contact requested that we continue to try to access the system but, thus far, it has not been successful. Housing staff will continue efforts to gain access so that the report will be submitted on time for FY 2018.

All subrecipient contracts will be reviewed and amended as necessary to ensure that the appropriate regulatory language is included.

The Housing staff have already begun an extensive review of the subrecipient monitoring process and will begin monitoring May 2018. A monitoring template has been developed and all subrecipients are scheduled to be monitored over the next year and on a regular schedule thereafter.

SIGNIFICANT DEFICIENCY

U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

2017-003 – HOME Investment Partnerships Programs, Grant Numbers M-15-MC-12-0221 and M-16-MC-12-0221, CFDA 14.239

Criteria: (1) Compliance requirements for the Community Development Block Grants/Entitlement Grants include the submission of HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons on an annual basis.

(2) The Uniform Guidance contained in 2 CFR Part 200, Section 200.331 establishes requirements that a pass-through entity shall perform. These requirements include monitoring the activities of the subrecipient to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, the terms and conditions of the subaward, and that subaward performance is achieved.

Condition: During audit procedures performed, the following was noted:

- The HUD 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low Income Persons has not been submitted for grants M-15-MC-12-0221 and M-16-MC-12-0221.
- Monitoring of four subrecipients has not been completed during the past fiscal year, or within a reasonable time period.

Cause: City personnel indicated that a shortage of staff was responsible for the lack of the submission of the HUD 60002 Reports and the subrecipient monitoring, which has not been adequately completed as required.

Effect: The City is not in compliance with grant reporting requirements, and 2 CFR Part 200, Section 200.331 relating to requirements for pass-through entities, both of which could result in termination of the agreements.

Recommendation: The HUD 60002 reports should be submitted as soon as possible and continue to be submitted in the required period. All subrecipients should be monitored as soon as possible and future monitoring should be completed on a timely and ongoing basis.

Views of responsible officials and planned corrective action:

The HUD 60002 report for fiscal year 2017 was submitted April 6, 2018. Housing staff were not able to submit the report electronically as required, because staff was unable to access the system. HUD was made aware of the problems. The City's HUD contact requested that we continue to try to access the system but thus far it has not been successful. Housing staff will continue efforts to gain access so that the report will be submitted on time for FY 2018.

The Housing staff have already begun an extensive review of the subrecipient monitoring process and will begin monitoring May 2018. A monitoring template has been developed and all subrecipients are scheduled to be monitored over the next year and on a regular schedule thereafter.

SIGNIFICANT DEFICIENCY

FLORIDA HOUSING FINANCE CORPORATION

2017-004 – State Housing Initiatives Partnership (SHIP) Program, Grant Number NA, CSFA 40.901

Criteria: Chapter 67-37 Florida Administrative Code establishes requirements for local governments that pass SHIP Local Housing Distribution Funds through to subrecipients. These requirements include monitoring of the subrecipients by the local government to insure compliance is maintained on all SHIP funded activities.

Condition: During audit procedures performed, the following was noted:

- Monitoring of three subrecipients has not been completed during the past fiscal year, or within a reasonable time period.
- Monitoring of three rental properties previously assisted with SHIP funding have not been monitored.
- There was no formal monitoring tool utilized for the monitoring of one subrecipient.
- One monitoring report requested for testing could not be located.

Page Eight

Cause: City personnel indicated that a shortage of staff was responsible for the lack of subrecipient monitoring, which has not been adequately completed as required.

Effect: The City is not in compliance with Chapter 67-37 Florida Administrative Code relating to requirements for pass-through entities, which could result in termination of the agreements.

Recommendation: All subrecipients and rental properties should be monitored as soon as possible and future monitoring should be completed on a timely and ongoing basis. A formal monitoring tool should be developed and utilized for all subrecipient monitoring. Monitoring reports should be retained in accordance with record retention policies.

Views of responsible officials and planned corrective action:

The Housing staff have already begun an extensive review of the subrecipient monitoring process and will begin monitoring May 2018. A monitoring template has been developed and all subrecipients are scheduled to be monitored over the next year and on a regular schedule thereafter.

City of Tallahassee, Florida
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2017

Section II - Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.

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

2016-001 – Grant Management; Schedule of Expenditures of Federal Awards and State Financial Assistance

Material Weakness: Several errors and omissions were noted in accounting for federal and state grant expenditures, which required correcting adjustments to programs and amounts reported in the City's Schedule of Expenditures of Federal Awards and State Financial Assistance.

In addition, a draw down for reimbursement of expenditures for the U.S. Department of Transportation, Federal Transit-Formula Grant FL-2016-020-00, in the amount of \$805,376 was not received and was not discovered by grant management at Star Metro.

Status: See current year finding 2017-001.

2016-005 – Eligibility Documentation for the Florida Commission for the Transportation Disadvantaged (FCTD) Trip and Equipment Grant Programs, Grant Numbers G0169 and G0B74, CSFA 55.001

Significant Deficiency: Documentation was not retained that evidenced the completion of eligibility assessments for five of 30 riders tested.

Status: See current year finding 2017-008 in the management letter.

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the compliance of the Tallahassee International 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, 2017.

Management's Responsibility

Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management.

Auditors' Responsibility

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 noncompliance with the compliance requirements referred to above, that could have a direct and material effect on the passenger facility charge 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. However, our audit does not provide a legal determination of the Airport's compliance with those requirements.

Opinion

In our opinion, the Airport complied, in all material respects, with the types of requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2017.

Report on 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 types of requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide, 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 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 and correct noncompliance with a type of 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 type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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.

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

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, 2017, and have issued our report thereon dated March 29, 2018. 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.

City of Tallahassee, Florida
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.



THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
May 10, 2018



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida

City of Tallahassee, Florida
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended September 30, 2017

<u>Program Title</u>	<u>Expenditures</u>
Passenger Facility Charges Used:	
Passenger Facility Charge Application #06-06-C-00-TLH	
Project 8: In-Line Baggage Handling System	\$ 456,951
Project 9: Terminal Rehabilitation - Phase II	520,541
Passenger Facility Charge Application #16-07-C-00-TLH	
Project 1: Terminal Rehabilitation	166,551
Project 3: South Ramp Reconstruction and Rehabilitation	23,919
	<hr/>
Total Passenger Facility Charges Used	<u><u>\$ 1,167,962</u></u>

See independent auditors' report and report on compliance with requirements applicable to the passenger facility charge program and on internal control over compliance.

City of Tallahassee, Florida
Schedule of Findings – Passenger Facility Charges
For the Year Ended September 30, 2017

Findings and Questioned Costs – Passenger Facility Charges (PFC) for the Year Ended September 30, 2017

Financial Statement Findings – We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

PFC Findings and Questioned Costs – We noted no matters involving noncompliance that are required to be reported in accordance with the *PFC Audit Guide for Public Agencies*.

City of Tallahassee, Florida
Summary Schedule of Prior Audit Findings – Passenger Facility Charges
For the Year Ended September 30, 2017

Status of Prior Year Findings: We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In addition, we noted no matters involving noncompliance that were required to be reported in accordance with the *PFC Audit Guide for Public Agencies*.

Independent Accountants' Report on Compliance with Local Government Investment Policies

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

We have examined the City of Tallahassee, Florida's (the City) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2017. The City's management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

Thomas Howell Ferguson P.A.

Law Redd Crona & Munroe P.A.

THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
May 10, 2018

LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida

Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Tallahassee, Florida (the City), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 29, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 10, 2018, should be considered in conjunction with this management letter.

Current Year September 30, 2017 Recommendations

2017-005 Financial Reporting Division Structure and Workload

Accounting for local governments and for the activities of the City has become increasingly complex over the last several years. In addition to the accounting required for the City's activities, the Financial Reporting Division is also responsible for maintaining the accounting records for Blueprint Intergovernmental Agency (Blueprint), Capital Region Transportation Planning Agency and the Consolidated Dispatch Agency. The accounting for these entities, in addition to the City's reorganization of its departments, the implementation of several complicated Governmental Accounting Standards Board (GASB) pronouncements, and other special requests, have stretched the resources of the Financial Reporting Division. In response to the management letter comment no. 2016-003 issued in the prior year, an accountant position was approved in the 2017-18 budget for Blueprint. Unfortunately, as of the date of this letter, the position has not been filled and therefore, the responsibilities for the accounting for this entity remain with City staff.

During the audit, we observed that reconciliations of cash and investment accounts were performed as late as six weeks past month-end and that the total unrealized gain/loss calculated as part of the investment reconciliation process did not agree to the year-end balance per the general ledger. As a result of the audit, various adjusting journal entries were identified in the areas of cash and investments and related income accounts. A reserve fund adjustment, identified during the audit, was necessary to meet debt compliance requirements. In addition, various entries were required to correctly classify negative cash balances within the "pooled cash" accounts and to properly reflect due to/due from amounts with other entities. Some accounts receivable, accounts payable and deferred revenues accounts were unchanged from the prior year or netted against each other and should have been evaluated at year end. These issues were not identified in the year end accounting and review process. Staff shortages and unfilled positions, have required the Financial Reporting Division's management to allocate a significant amount of time to day-to-day transactions and preparation of supporting documentation, rather than focusing their time on higher level review and risk assessment associated with the City's financial reports and transactions.

We recommend that the City evaluate the workload of the Financial Reporting Division and evaluate the qualifications of its current staff to ensure that personnel are in place to provide the proper financial accounting and reporting of the City's operations as well as the joint ventures for which it assumes accounting responsibilities. Given the complexities and volume of the City's financial transactions, it is important to continue to cross train staff in new areas. This will improve the continuity of procedures and review processes and facilitate better management of accountant workloads and accounting processes.

Management Response:

The Blueprint Senior Accountant position has been re-advertised and efforts will continue to fill it. Financial Services Department management will review and evaluate current staffing, responsibilities and training within the Financial Reporting division with a view to improving division wide knowledge of, and responsibility for, work assignments.

2017-006 Capital Assets Accounting

The City manages capital assets with a book value, net of depreciation, of approximately \$2.6 billion for the year ended September 30, 2017. The proper capitalization and transfers from construction in progress (CIP) to depreciable assets requires coordination between the departments and the Financial Reporting Division. In addition, due to the nature and size of the City's capitalized assets, an input error of an asset's useful life into the asset management system can result in a significant miscalculation of depreciation expense. During the audit, several adjustments, including adjustments to beginning net positions, were required to properly report values of CIP, capital assets and depreciation expense as of September 30, 2017.

We recommend that additional review procedures be implemented to evaluate CIP projects throughout the year, so that those projects nearing completion are transferred within a timely manner from CIP to depreciable assets. To facilitate the management and accounting of long-term capital projects, the City should consider capitalizing its long-term projects in phases. This approach will require coordination from the various departments involved and the timely exchange of information to determine that the portion of projects that remain in CIP are properly classified and that the portion of the projects transferred to depreciable assets are placed in service and depreciated in an accurate and timely manner.

Management Response:

The City will implement a new quarterly review process of all CIP (Construction In Progress) schedules. Beginning with the quarter ending 3/31/18, the City will create quarterly CIP schedules and review each one. The quarterly CIP schedules will be sent to all impacted departments seeking an update from the appropriate project manager. Input and feedback received from the project managers will be incorporated into the quarterly CIP report. The onus for asset capitalization is charged to the department (project manager), but the ultimate decision resides with the Fixed Assets and Accounts Receivable division of Financial Services. Capital assets will only be added to the PeopleSoft Asset Management system when meeting both criteria for capitalization – substantially complete and placed in service.

2017-007 P-card policies and transactions

The City has issued over 800 P-cards for the use of City employees. Of this total, approximately, 61 P-cards had no activity during the 2016-17 fiscal year. Also, our testing of 15 P-card transactions identified the following matters that indicate revision of P-card policies, processes and oversight is necessary:

- Three P-card holders have P-card limits in excess of their individual authorization established in the Procurement and Purchasing Policies.
- There was no support or an account statement for one of the P-card transactions selected for testing. This documentation was obtained during our audit procedures.
- The approval of one of the P-card statements selected for testing was dated subsequent to our request for documentation of the transaction.

- P-cards are used extensively for City travel expenses. Of the seven (7) travel expenses tested, four did not follow the travel authorization or documentation policies of the City.

We recommend that the City evaluate its policy for issuing, safeguarding and reclaiming P-cards and for the authorization of P-card limits. P-cards that are issued, but not used, may expose the City to the risk of unauthorized transaction. Although there may be valid reason for high limits, especially during emergencies, the City should review the Procurement and Purchasing Policies to ensure that high limit P-cards are authorized by its policies. As part of the continuing employee training and education process, the City should consider reviewing P-card usage, authorization and approvals, and travel procedures to ensure compliance with the City's policies.

Management Response:

All procurement practices are being reviewed and evaluated to identify areas of improvement. There is currently an internal audit being conducted of the P-card program. It is management's intention to take a comprehensive evaluation of P-card usage, limits, authorizations, approvals and general practices after the City Auditor has completed their audit of the program. P-cards with no activity will be closed immediately.

2017-008 – Transportation Disadvantaged Eligibility Testing

During our single audit testing of eligibility for the Florida Commission for the Transportation Disadvantaged (FCTD) Trip and Equipment Grant Programs, Grant Numbers G0B74 and G0M57, CSFA 55.001, we noted the following:

- 1) During eligibility procedures performed on a sample of 40 riders, we noted that one individual's application could not be provided in its entirety.
- 2) One application was not signed or dated by a guardian.
- 3) Nine of the 40 applications tested did not contain the name of the employee who approved the application nor the employee who entered the data into the Trapeze software.
- 4) There is no formal policy to indicate when a new application must be completed for individual's utilizing this service.

We recommend that appropriate policies be developed to ensure that completed eligibility applications are maintained, that all applications are signed and dated by a guardian if the applicant is unable to sign, and that the name of the employee who approves and enters the data into the software are completed. We also recommend that the City include a policy to document the period in which applications are to be completed in the Transportation Disadvantaged Service Plan.

Management Response:

StarMetro staff are in the process of documenting the Dial-A-Ride application process including what individual(s) will be reviewing, approving and entering applicants into Trapeze. The Local Coordinating Board (LCB) approves the Transportation Disadvantaged Service Plan. At the next meeting, StarMetro will request that the period of eligibility be added to the Plan.

Prior Audit Findings

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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations in the preceding annual financial report except for the following:

Finding No. 2016-001, 2015-01, 2014-002 and Finding No. 2013-3, repeated in the current year as Finding No. 2017-001 in the Schedule of Findings and Questioned Costs.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the City and its component units are disclosed in Note 1 of the Notes to the Financial Statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the matters discussed in the Current Year September 30, 2017 Recommendations section of this letter and Section III of the September 30, 2017 Schedule of Findings and Questioned Costs – Federal Awards and State Financial Assistance.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. The final report will be submitted to the Florida Department of Financial Services upon approval of the annual financial audit report by the City Commission.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statement of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Mayor, City Commissioners, City Manager, Audit Committee, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
May 10, 2018



LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida



THIS PAGE INTENTIONALLY LEFT BLANK.