

In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2014 Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2014 Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2014 Bonds.

**\$40,225,000****CITY OF TALLAHASSEE, FLORIDA****Capital Bonds, Series 2014****Dated: Date of Delivery****Due: October 1, as shown on the inside cover**

The City of Tallahassee, Florida (the "City") Capital Bonds, Series 2014 (the "Series 2014 Bonds") are issuable as fully registered bonds and when issued will be registered in the name of Cede & Co., as Bondholder and Securities Depository Nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through DTC Participants, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2014 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2014 Bonds is payable in arrears semiannually on each April 1 and October 1, commencing April 1, 2015. Payments of principal of and interest on the Series 2014 Bonds will be made to purchasers by DTC Participants. U.S. Bank National Association, Jacksonville, Florida, will serve as Paying Agent and Registrar for the Series 2014 Bonds.

Certain of the Series 2014 Bonds are subject to optional redemption prior to maturity as described herein.

The Series 2014 Bonds are being issued by the City, together with other available funds, to (i) finance certain capital projects in and for the City as more particularly described herein; and (ii) pay certain costs of issuance of the Series 2014 Bonds.

The Series 2014 Bonds will be payable solely from and secured as to payment of principal thereof and interest thereon in accordance with their terms and the provisions of Resolution No. 12-R-42, adopted by the City Commission of the City on September 19, 2012, as supplemented by Resolution No. 12-R-49, adopted on September 19, 2012 and Resolution No. 14-R-10, adopted on May 14, 2014 (collectively, the "Resolution"), solely by a pledge of and lien on the Pledged Funds, which consist of (a) the City's receipts from the Local Government Half-Cent Sales Tax; (b) the City's Guaranteed Entitlement Revenues; (c) the proceeds of the City's Local Communications Services Tax; (d) the City's Public Service Tax Revenues; and (e) earnings on the investment of all funds and accounts created by the Resolution, except the Rebate Fund and the Unrestricted Revenue Account; all as described in the Resolution. The Series 2014 Bonds are secured by the Pledged Funds on a parity with the City's Outstanding Capital Refunding Bonds, Series 2012, and any Additional Parity Obligations issued pursuant to the terms of the Resolution.

The Series 2014 Bonds shall not be or constitute general obligations or indebtedness of the City as "bonds" within the meaning of the Constitution of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Funds as herein provided. No Holder or Holders of any Series 2014 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form of any real or personal property therein, or to compel the City to pay such principal and interest from any other funds or property of the City except the Pledged Funds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2014 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the delivery of an opinion as to legality by Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel. Certain legal matters in connection with the issuance, sale and delivery of the Series 2014 Bonds will be passed upon for the City by Lewis E. Shelley, Esq., City Attorney, and Nabors, Giblin & Nickerson, P.A., Tallahassee, Florida, as Disclosure Counsel and for the Underwriters by Greenberg Traurig, P.A., Miami, Florida. Public Financial Management Inc., Orlando, Florida, is serving as Financial Advisor to the City. It is expected that the Series 2014 Bonds in full book-entry form will be available for delivery in New York, New York, on or about June 12, 2014.

Loop Capital Markets**Ramirez & Co., Inc.**

Dated: May 20, 2014

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES
AND INITIAL CUSIP NUMBERS***

<u>Maturity (Due October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Initial CUSIP No.*</u>
2015	\$375,000	2.000%	102.248%	874458JJ2
2016	1,045,000	3.000	105.787	874458JK9
2017	2,030,000	2.000	103.836	874458JL7
2018	1,215,000	3.000	107.874	874458JM5
2019	1,400,000	5.000	117.942	874458JN3
2020	1,470,000	5.000	119.312	874458JP8
2021	1,545,000	3.000	106.551	874458JQ6
2022	1,590,000	5.000	120.801	874458JR4
2023	1,855,000	5.000	119.546†	874458JS2
2024	1,950,000	5.000	118.718†	874458JT0
2025	2,045,000	5.000	117.570†	874458JU7
2026	2,150,000	5.000	116.758†	874458JV5
2027	2,255,000	5.000	115.952†	874458JW3
2028	2,370,000	5.000	115.472†	874458JX1
2029	2,490,000	5.000	114.835†	874458JY9
2030	2,615,000	5.000	113.967†	874458JZ6
2031	2,745,000	5.000	113.418†	874458KA9
2032	2,880,000	5.000	112.640†	874458KB7
2033	3,025,000	5.000	112.099†	874458KC5
2034	3,175,000	5.000	111.638†	874458KD3

†Priced to the first optional redemption date of October 1, 2022.

* The City is not responsible for the use of CUSIP numbers, nor is a representation made as to their correctness. The CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

No dealer or any other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Series 2014 Bonds and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of any of the Series 2014 Bonds to any person in any jurisdiction to whom it is unlawful to make such solicitation or offer to sell in such jurisdiction. The information contained in this Official Statement has been compiled or prepared from information obtained from the City, publicly available documents and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE SERIES 2014 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2014 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2014 BONDS HAVE BEEN QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2014 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. SUCH FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO CERTAIN STATEMENTS CONTAINED IN THE INFORMATION UNDER THE CAPTIONS "ESTIMATED SOURCES AND USES OF FUNDS" IN THIS OFFICIAL STATEMENT. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS,

PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ASIDE FROM ITS CUSTOMARY FINANCIAL REPORTING ACTIVITIES, THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

CITY OF TALLAHASSEE, FLORIDA

CITY COMMISSIONERS

John Marks, Mayor
Andrew Gillum
Scott Maddox
Nancy Miller
Gil Ziffer

ADMINISTRATION

City Manager
Anita Favors Thompson

City Treasurer – Clerk
James O. Cooke, IV

City Attorney
Lewis E. Shelley

City Auditor
T. Bert Fletcher, CPA

CONSULTANTS

Bond Counsel

Bryant Miller Olive P.A.
Tallahassee, Florida

Disclosure Counsel

Nabors, Giblin & Nickerson, P.A.
Tallahassee, Florida

Financial Advisor

Public Financial Management Inc.
Orlando, Florida

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OFFICIAL STATEMENT

Relating to

\$40,225,000

CITY OF TALLAHASSEE, FLORIDA Capital Bonds, Series 2014

INTRODUCTION

This Introduction is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement, and should not be considered to be a complete statement of the facts material to making an investment decision. The offering by the City of Tallahassee, Florida (the "City") of its \$40,225,000 aggregate principal amount of Capital Bonds, Series 2014 (the "Series 2014 Bonds") to potential investors is made only by means of this entire Official Statement, including all appendices attached hereto. All capitalized undefined terms used in this Official Statement shall have the meanings set forth elsewhere in this Official Statement or in "APPENDIX C-- FORM OF THE RESOLUTION."

The City of Tallahassee

The City is the capital of the State of Florida (the "State"). It is a municipal corporation located in the panhandle, midway between Jacksonville and Pensacola, Florida. The City covers an area of 103.25 square miles and has a 2010 U.S. Census population of 181,376 with an estimated population of more than 183,727 for calendar year 2014. For more information concerning the City, see "APPENDIX A -- CITY OF TALLAHASSEE GENERAL INFORMATION AND ECONOMIC DATA" hereto.

Authority and Purpose for Issuance

The Series 2014 Bonds are being issued pursuant to Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and Resolution No. 12-R-42, adopted by the City on September 19, 2012 (the "Master Resolution"), as supplemented by Resolution No. 12-R-49, adopted by the City on September 19, 2012 (the "Series 2012 Resolution") and Resolution No. 14-R-10, adopted by the City on May 14, 2014 (the "Series 2014 Resolution"). The Master Resolution, the Series 2012 Resolution and the Series 2014 Resolution are referred to collectively herein as the "Resolution". The Series 2014 Bonds are being issued under the Resolution by the City to (i) finance certain capital projects in and for the City, and (ii) pay certain costs of issuance of the Series 2014 Bonds.

Security and Sources of Payment for the Series 2014 Bonds

The Series 2014 Bonds are secured by a pledge of and lien on (i) the City's receipts from the Local Government Half-Cent Sales Tax; (ii) the City's Guaranteed Entitlement Revenues; (iii) the proceeds from the City's Local Communications Services Tax; and (iv) the City's Public Service Tax Revenues (collectively, the "Pledged Revenues"); and together with earnings on the

investment of all funds and accounts created under the Resolution, except the Rebate Fund and the Unrestricted Revenue Account (collectively, with the Pledged Revenues, the "Pledged Funds"). The Series 2014 Bonds are secured by the Pledged Funds on a parity with the City's Capital Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), currently outstanding in the aggregate principal amount of \$46,705,000, and any Additional Parity Obligations issued in the future, all as described in the Resolution and subject to the provisions of the Resolution permitting the application thereof for the purposes of and on the terms and conditions set forth therein. The Series 2014 Bonds, together with the Series 2012 Bonds and any Additional Parity Obligations hereinafter issued under the Resolution, are hereinafter collectively referred to as "Bonds". The pledge of the Pledged Funds as security for the Series 2014 Bonds is more fully described under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS - Pledged Funds" herein.

The Series 2014 Bonds shall not be or constitute general obligations or indebtedness of the City as "bonds" within the meaning of the Constitution of Florida or laws of the State of Florida, but shall be special obligations of the City, payable solely from and secured by a lien upon and pledge of the Pledged Funds as provided in the Resolution on a parity with any Additional Parity Obligations hereinafter issued under the Resolution. No Holder or Holders of any Series 2014 Bonds shall ever have the right to compel the exercise of any ad valorem taxing power to pay the Series 2014 Bonds or be entitled to payment of the Series 2014 Bonds from any moneys of the City except from the Pledged Funds in the manner provided in the Resolution.

Redemption Provisions

Certain of the Series 2014 Bonds are subject to optional redemption prior to maturity as described herein.

Description of the Series 2014 Bonds

The Series 2014 Bonds will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Series 2014 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2014 Bonds will be made in book-entry-only form (without certificates). As long as the Series 2014 Bonds shall be in book-entry-only form, the principal of and interest on the Series 2014 Bonds are payable by wire or check mailed or delivered to Cede & Co. as registered owner thereof and will be redistributed by DTC and the DTC Participants. See "DESCRIPTION OF THE SERIES 2014 BONDS - Book-Entry-Only System" herein for additional information. The Series 2014 Bonds shall be dated their date of delivery and shall mature on the dates and in the principal amounts as set forth on the cover page of this Official Statement.

The Series 2014 Bonds shall bear interest payable semiannually in arrears on each April 1 and October 1, commencing April 1, 2015. See "DESCRIPTION OF THE SERIES 2014 BONDS -- General Description" herein for additional information.

Tax Status

In the opinion of Bond Counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the Series 2014 Bonds will be excluded from gross income for federal income taxation purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a description of alternative minimum tax treatment and certain other tax consequences to the holders of the Series 2014 Bonds.

Delivery of the Series 2014 Bonds

The Series 2014 Bonds are offered when, as and if issued and accepted by the Underwriters listed on the cover hereof, subject to the delivery of an opinion as to legality by Bond Counsel. It is anticipated that the Series 2014 Bonds in full book-entry-only form will be available for delivery in New York, New York, on or about June 12, 2014.

Continuing Disclosure

The City has covenanted in the Resolution with respect to the provision of continuing financial information and operating data for the benefit of the registered and beneficial owners of the Series 2014 Bonds. See "CONTINUING DISCLOSURE" and "APPENDIX E -- FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Descriptions of the Series 2014 Bonds, the Resolution, and other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. Reference is made to the Resolution and such other agreements and documents for a more complete description of such provisions.

Investors should contact the City Treasurer-Clerk's office, 300 South Adams Street, Tallahassee, Florida 32301, (850) 891-8130, to obtain copies of the Resolution or basic documentation or with questions concerning this Official Statement or the Series 2014 Bonds.

THE PROJECT

The proceeds of Series 2014 Bonds, together with certain other available funds, will be used to (i) finance certain capital projects in and for the City (the "Project"), and (ii) pay certain costs of issuance of the Series 2014 Bonds. The Project consists of (a) reimbursing the City for its portion of the cost of constructing the public safety complex, (b) providing for the construction of a new fire station, and (c) providing for the construction of various road and sidewalk improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds from the sale of the Series 2014 Bonds:

Sources:

Principal Amount of Series 2014 Bonds	\$40,225,000.00
Original Issue Premium	<u>5,585,540.00</u>
Total	<u>\$45,810,540.00</u>

Uses:

Deposit to Construction Fund	\$45,440,000.00
Costs of Issuance ⁽¹⁾	<u>370,540.00</u>
Total	<u>\$45,810,540.00</u>

⁽¹⁾ Includes underwriters' discount and costs of issuance.

DESCRIPTION OF THE SERIES 2014 BONDS

The following is a summary of certain provisions of the Series 2014 Bonds. Reference is made to the Resolution and to the Series 2014 Bonds themselves for the complete text thereof, and the discussion herein is qualified by such reference.

General Description

The Series 2014 Bonds will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Series 2014 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2014 Bonds will be made in book-entry-only form (without certificates). See "Book-Entry-Only System" herein for additional information.

The Series 2014 Bonds shall be dated their date of delivery and shall mature on the dates and in the principal amounts as set forth on the inside cover page of this Official Statement. The Series 2014 Bonds shall bear interest at the rates set forth on the inside cover page of this Official Statement, calculated on the basis of a 360 day year consisting of twelve 30-day months, payable semiannually in arrears on each April 1 and October 1, commencing April 1, 2015.

Interest on the Series 2014 Bonds shall be payable on each interest payment date to the person whose name appears on the registration books as the registered owner thereof on the fifteenth day of the month immediately preceding that interest payment date. U.S. Bank National Association, Jacksonville, Florida, will serve as Bond Registrar and Paying Agent pursuant to the Resolution. So long as the Series 2014 Bonds shall be in book-entry-only form, the principal of

and interest on the Series 2014 Bonds are payable by wire or check mailed or delivered to Cede & Co., as registered owner thereof and will be redistributed by DTC and the DTC Participants (see "Book-Entry-Only System").

All of the funds and accounts created under the Resolution, other than the Rebate Fund, constitute trust funds for the security of the Holders of the Bonds. Each of such funds and accounts will be held by the City and will not be established with a separate trustee. Moneys on deposit in such funds and accounts will be invested in authorized investments, as set forth in the Resolution. See "APPENDIX C -- FORM OF THE RESOLUTION."

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not

receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings

shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2014 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but the City and the Underwriters take no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2014 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF SERIES 2014 BONDS UNDER THE RESOLUTION, THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2014 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2014 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE HOLDERS OF SERIES 2014 BONDS OR REGISTERED OWNERS OF THE SERIES 2014 BONDS SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2014 BONDS.

Discontinuance of Securities Depository

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Principal of, Redemption Price and Interest Payments. The principal of or Redemption Price, if applicable, on the Series 2014 Bonds are payable upon presentation and surrender of the Series 2014 Bonds at the designated office of the Paying Agent. Interest payable on any Series 2014 Bond on any Interest Payment Date will be paid by check or draft of the Paying Agent to

the Holder in whose name such Series 2014 Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Payment Date, or, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 2014 Bond is not punctually paid or duly provided for by the City on such Interest Payment Date, such defaulted interest will be paid to the Holder in whose name such Series 2014 Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 2014 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Registration, Transfer and Exchange. Series 2014 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 2014 Bonds of the same Series, maturity of any other authorized denominations and type.

Each Series 2014 Bond shall be transferable only upon the books of the City, at the office of the Registrar, under such reasonable regulations as the City may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Series 2014 Bond, the City shall issue, and cause to be authenticated, in the name of the transferee a new Series 2014 Bond or Series 2014 Bonds of the same aggregate principal amount and Series and maturity as the surrendered Series 2014 Bond. The City, the Registrar and any Paying Agent or fiduciary of the City may deem and treat the Person in whose name any Outstanding Series 2014 Bond shall be registered upon the books of the City as the absolute owner of such Series 2014 Bond, whether such Series 2014 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Series 2014 Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Series 2014 Bond to the extent of the sum or sums so paid, and neither the City nor the Registrar nor any Paying Agent or other fiduciary of the City shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an Interest Payment Date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Series 2014 Bond shall effect payment of interest on such Series 2014 Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer or other such electronic method of payment for the account of such Holder.

In all cases in which the privilege of exchanging Series 2014 Bonds or transferring Series 2014 Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver such Series 2014 Bonds in accordance with the provisions of the Resolution. Execution of Bonds pursuant to the Resolution for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Series 2014 Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the City to be canceled by the Registrar. For every such exchange or transfer of Series 2014 Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The City and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen days next preceding an Interest Payment Date on the Bonds of such Series (other than Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Mutilated, Destroyed, Stolen or Lost Bonds. In case any Series 2014 Bond shall become mutilated, or be destroyed, stolen or lost, the City may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Series 2014 Bond of like tenor as the Series 2014 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2014 Bond upon surrender and cancellation of such mutilated Series 2014 Bond or in lieu of and substitution for the Series 2014 Bond destroyed, stolen or lost, and upon the Holder furnishing the City and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe, and paying such expenses as the City and the Registrar may incur. All Series 2014 Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Series 2014 Bonds shall have matured or be about to mature, instead of issuing a substitute Series 2014 Bond, the City may pay the same or cause the Series 2014 Bond to be paid, upon being indemnified as aforesaid, and if such Series 2014 Bonds be lost, stolen or destroyed, without surrender thereof.

Redemption Provisions

Optional Redemption. The Series 2014 Bonds maturing on or prior to October 1, 2022 are not subject to optional redemption prior to maturity. The Series 2014 Bonds maturing after October 1, 2022 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2022 at a redemption price of 100% of the principal amount of the Series 2014 Bonds to be redeemed, plus accrued interest to the date of redemption.

Notice and Effect of Redemption. Unless waived by any Holder of the Series 2014 Bonds to be redeemed, notice of any redemption made pursuant to the Resolution shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of the Series 2014 Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as

shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to the Resolution to any Holder of Series 2014 Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of the Series 2014 Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state: (i) the redemption date, (ii) the Redemption Price, (iii) if less than all Outstanding Series 2014 Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Series 2014 Bond, the principal amount) of each Series 2014 Bond to be redeemed, (iv) that, on the redemption date, the Redemption Price will become due and payable upon each such Series 2014 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (v) that such Series 2014 Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the redemption price at the designated office of the Registrar.

Notice of redemption having been given substantially as aforesaid and the Redemption Price having been deposited, the Series 2014 Bonds or portions of Series 2014 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2014 Bonds or portions of Series 2014 Bonds shall cease to bear interest. Upon surrender of such Series 2014 Bonds for redemption in accordance with said notice, such Series 2014 Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate redemption price, plus accrued interest. All Series 2014 Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

Notwithstanding the foregoing or any other provision of the Resolution, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as may be specified in each notice of optional redemption and may also be subject to rescission by the City if expressly set forth in such notice.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

General

The Series 2014 Bonds shall not be or constitute general obligations or indebtedness of the City as "bonds" within the meaning of the Constitution of Florida or law of the State of Florida, but shall be special obligations of the City, payable solely from and secured by a lien upon and pledge of the Pledged Funds as provided in the Resolution on a parity with the Series 2012 Bonds and any Additional Parity Obligations hereinafter issued under the Resolution. No Holder or Holders of any Series 2014 Bonds shall ever have the right to compel the exercise of any ad valorem taxing power to pay the Series 2014 Bonds or be entitled to payment of the Series 2014 Bonds from any moneys of the City, except from the Pledged Funds in the manner provided in the Resolution.

The Series 2014 Bonds are payable solely from and secured as to the payment of the principal of and interest thereon, in accordance with the terms and the provisions of the Resolution, solely by a lien on and pledge of (i) the City's receipts from the Local Government Half-Cent Sales Tax; (ii) the City's Guaranteed Entitlement Revenues; (iii) the proceeds of the

City's Local Communications Services Tax and (iv) the City's Public Service Tax Revenues (collectively, the "Pledged Revenues"); and, together with investment income earned on moneys in all funds and accounts created by the Resolution, except the Rebate Fund and the Unrestricted Revenue Account (collectively, with the Pledged Revenues, the "Pledged Funds"). The Series 2014 Bonds are issued on a parity with the Series 2012 Bonds and any Additional Parity Obligations issued in the future, all as more fully described herein and in the Resolution and subject to the provisions of the Resolution permitting the application thereof for the purposes of and on the terms and conditions set forth therein. The Series 2014 Bonds do not constitute indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation, and are payable as described above and in the Resolution.

All Pledged Revenues shall, promptly upon receipt, be deposited in the Restricted Revenue Account of the Revenue Fund created by the Resolution. The moneys in the Restricted Revenue Account are to be deposited or credited monthly on or before the 21st day of such month, and applied first to make the required deposits for such month to the Debt Service Fund in the manner required by the Resolution. The balance of any moneys remaining in the Restricted Revenue Account of the Revenue Fund after the required monthly payments have been made may be transferred, at the discretion of the City, to the Unrestricted Revenue Account or any other appropriate fund or account of the City and may be used for any lawful purpose and therefore are no longer subject to the lien and pledge of the Resolution.

The Resolution provides that the provisions thereof and of the Bonds constitute a contract with Holders of the Bonds and, in accordance with the Resolution, the Holders of the Bonds or any trustee acting for such Holders may, either at law or in equity, by suit, mandamus or other proceeding in any court of competent jurisdiction, protect, enforce or compel the performance of all duties required under the Resolution.

The Pledged Revenues shall immediately be subject to the lien of the pledge described in the Resolution without any physical delivery thereof or further act, and the lien of the pledge described in the Resolution shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, until such time as the Pledged Revenues are deposited in the Unrestricted Revenue Account or any other appropriate fund or account of the City.

Pledged Funds

The following describes the Pledged Funds, which consist of proceeds from the Local Government Half-Cent Sales Tax, the Guaranteed Entitlement Revenues, the Local Communications Services Tax and the Public Service Tax Revenues, as well as investment income earned on moneys in all funds and accounts created by the Resolution or any supplemental resolution, except the Rebate Fund and the Unrestricted Revenue Account, all as described in the Resolution, and subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein.

Local Government Half-Cent Sales Tax. The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982,

the Florida legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program") which distributes sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

Effective July 1, 2004, the proportion of sales tax revenues deposited in the Local Government Half-Cent Sales Tax Trust Fund in the State Treasury (the "Trust Fund") was reduced to 8.714% of the sales tax remitted to the State of Florida by each sales tax dealer located within a particular county (the "Half-Cent Sales Tax Revenues"). Such proportion of the Half-Cent Sales Tax Revenues is deposited in the Trust Fund and is earmarked for distribution to the governing body of such county and each participating municipality within that county pursuant to a distribution formula. The Half-Cent Sales Tax Revenues are distributed from the Trust Fund on a monthly basis to participating units of local government in accordance with Part VI, Chapter 218, Florida Statutes (the "Sales Tax Act"). The general rate of sales tax in the State is currently 6%. The rate of sales tax collected within the City is currently 7.5%, reflecting the addition of certain local option increases.

The amount of Half-Cent Sales Tax Revenues distributed to the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within Leon County, (ii) legislative changes relating to the sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Trust Fund, (iii) changes in the relative population of Leon County and the City which affect the percentage of Half-Cent Sales Tax Revenues distributed to the City and (iv) other factors, some or all of which may be beyond the control of the City or the Bondholders.

In order to be eligible to receive distributions of the Local Government Half-Cent Sales Tax, each participating county and eligible municipalities must satisfy the conditions for eligibility for distribution of certain revenue-sharing moneys pursuant to Section 218.23, Florida Statutes. These requirements include: (i) compliance with financial reporting requirements, (ii) compliance with audit requirements, (iii) compliance with minimum millage levy requirements, (iv) filing of certifications regarding law enforcement personnel, (v) filing of certifications regarding firefighting personnel, (vi) filing of certifications regarding audits of dependent special districts within the local government's boundaries, and (vii) filing of certifications regarding compliance with Section 200.065, Florida Statutes, with respect to the levy of millage.

Failure by the City to meet the foregoing eligibility requirements results in the deposit of the City's share of the Local Government Half-Cent Sales Tax into the General Fund of the State for the twelve-month period following the determination of noncompliance. There is no provision for the City to recover moneys that are deposited into the State General Fund.

The City has complied with all the requirements for participation in the Local Government Half-Cent Sales Tax distribution as set forth in Chapter 218, Part VI, Florida

Statutes, including the filing of a certificate of compliance with the State Department of Revenue, which are necessary in order for the City to receive its distribution of funds from the Trust Fund during the current fiscal year. Moreover, the City historically has not failed to satisfy the eligibility requirements for distribution of its share of the Local Government Half-Cent Sales Tax. The City has covenanted in the Resolution to take all lawful action necessary or required to remain an eligible recipient of its portion of the moneys in the Trust Fund so long as any Bonds remain outstanding.

Although no limitation is imposed on the number of years during which the City can receive distributions of the Local Government Half-Cent Sales Tax from the Trust Fund, there may be future amendments to Chapter 218, Part VI, Florida Statutes, imposing additional requirements of eligibility for municipalities and counties to receive distribution of the Local Government Half-Cent Sales Tax, or the distribution formulas in Section 212.20 and 218.62, Florida Statutes, may be revised.

The Local Government Half-Cent Sales Tax collected within a county is distributed to each participating county and municipality in accordance with the formula set forth in Section 218.62, Florida Statutes. The distribution formula is as follows:

$$\begin{array}{lcl}
 \text{County's share} & = & \text{unincorporated} \\
 \text{(percentage of total Local} & & \text{area population} \\
 \text{Government Half-Cent} & & + \text{ } \frac{2/3 \text{ incorporated}}{\text{area population}} \\
 \text{Sales Tax receipts)} & & \frac{\text{total county}}{\text{population}} + \frac{2/3 \text{ incorporated}}{\text{area population}}
 \end{array}$$

$$\begin{array}{lcl}
 \text{Municipality's share} & = & \frac{\text{municipality population}}{\text{total county}} \\
 \text{(percentage of total Local} & & \text{population} + \frac{2/3 \text{ incorporated}}{\text{area population}} \\
 \text{Sales Tax receipts)} & &
 \end{array}$$

As used in the above formula, "population" means the latest official state estimate of population certified pursuant to Section 186.901, Florida Statutes, prior to the beginning of the local government fiscal year. For the fiscal year ended September 30, 2013, the City received 45.78% of the Half-Cent Sales Tax Revenues distributed as a whole to Leon County.

Moneys in the Trust Fund are earmarked for distribution to the governing body of the county in which collected and to each municipality within that county, subject to the eligibility requirements in Section 218.23, Florida Statutes, and pursuant to the distribution formula described above. Money in the Trust Fund is distributed on a monthly basis to eligible cities and counties. When distributed to the City, the moneys become subject to the lien of the Resolution and are referred to herein as the "Local Government Half-Cent Sales Tax."

Section 218.64, Florida Statutes, permits local governments to pledge their share of the proceeds of the Local Government Half-Cent Sales Tax for the payment of the principal of and interest on bonds issued for the financing of any capital project.

Guaranteed Entitlement Revenues. The definition of Guaranteed Entitlement, as it applies to Florida municipalities, was amended in 2003 and is currently defined in the Florida Revenue Sharing Act of 1972, which is contained in Chapter 218, Part II, Florida Statutes (the

"Revenue Sharing Act") to mean the amount of revenue which must be shared with an eligible unit of local government so that no eligible municipality will receive less funds from the Revenue Sharing Trust Fund for Municipalities established by the Revenue Sharing Act in any State fiscal year, to the extent available, than the amount received by that municipality in the aggregate from certain State taxes in the State 1971-72 fiscal year.

The guaranteed entitlement portion of State revenue sharing which accrues annually to the City totals \$1,251,000, and this amount is received by the City in substantially equal monthly payments. The City has pledged for the payment of the Bonds its guaranteed entitlement portion of state revenue sharing. The City has covenanted in the Resolution to perform all of the conditions precedent for eligibility under the Revenue Sharing Act.

Revenue Sharing Act. The Revenue Sharing Act creates a Revenue Sharing Trust Fund for Municipalities and sets forth criteria for participation in revenue sharing, the method of distribution and a formula basis for apportionment of receipts available for distribution. For municipalities, the apportionment factors are composed of three equally weighted portions: (a) the proportion of the population of a given municipality to the total population of all eligible municipalities in the State, adjusted for certain factors; (b) the proportion of the sales tax collected within a given municipality to the total sales tax collections within all eligible municipalities in the State during the preceding year; and (c) the ratio of the relative local ability to raise revenue, based on population and non-exempt assessed property valuation of the municipality and all eligible municipalities in the State.

The following taxes, or portions thereof, are required to be deposited in the Revenue Sharing Trust Fund for Municipalities after deducting therefrom certain charges for administration and collection:

State Sales Taxes. There was a major reform of the formula for allocating revenues to the Revenue Sharing Trust Fund for Municipalities during the 2000 Florida Legislative Session. Beginning July 1, 2004, after certain other distributions required by Section 212.20(6), Florida Statutes, 1.3409 percent of the available proceeds of the state taxes on sales, use and other transactions imposed pursuant to Chapter 212, Florida Statutes will be transferred monthly to the Revenue Sharing Trust Fund for Municipalities. Pursuant to Section 212.20(6)(d)6, Florida Statutes, if the total revenues to be distributed pursuant to this subparagraph (d)6 are at least as great as the amount due from the Revenue Sharing Trust Fund for Municipalities and the Municipal Financial Assistance Trust Fund in State fiscal year 2000, no municipality shall receive less than the amount due in the State fiscal year 2000. If the total proceeds are less than the amounts received in Fiscal Year 2000, each participating municipality will receive an additional distribution proportionate to the amount received in Fiscal Year 2000.

Fuel Taxes. Pursuant to Chapter 206, Florida Statutes, in addition to other like taxes, a State tax of one cent (1¢) per gallon is levied on motor-vehicle fuel and shall be deposited in the Revenue Sharing Trust Fund for Municipalities (the "Municipal Fuel Tax"). Municipalities must use the funds derived from the Municipal Fuel Tax only for transportation-related expenditures.

Diesel Fuel and Motor Fuel Use Tax. Pursuant to Chapter 207, Florida Statutes, a portion of the revenues from the state tax levied upon every motor carrier for the privilege of

operating commercial motor vehicles upon the public highways of the State, which includes a tax upon each gallon of diesel fuel or motor fuel used for the propulsion of a commercial motor vehicle by such motor carrier within the State, shall be transferred to the Revenue Sharing Trust Fund for Municipalities following certain transfers required by Sections 207.026, Florida Statutes, and in the same manner as the transfer of the Municipal Fuel Tax revenues pursuant to Chapter 206.605, Florida Statutes.

The following table shows the receipts deposited into the Revenue Sharing Trust Fund for Municipalities, the amount of the guaranteed entitlements of all Florida municipalities and the ratio by which such receipts cover the total guaranteed entitlements of all Florida municipalities.

**Revenue Sharing Trust Fund for Municipalities
Receipts and Coverage of Guaranteed Entitlements**

	<u>Fiscal Years Ended June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
State Sales Tax Distribution ⁽¹⁾	\$215,543,021	\$207,888,538	\$217,216,599	\$227,474,337	\$240,332,962
Motor Fuel Tax	86,592,431	85,886,475	86,074,835	84,748,397	85,175,854
Diesel Fuel and Motor Fuel Use Tax ⁽²⁾	<u>798,834</u>	<u>664,266</u>	<u>593,678</u>	<u>544,646</u>	<u>446,165</u>
Total Receipts	<u>\$302,934,286</u>	<u>\$294,439,279</u>	<u>\$303,885,112</u>	<u>\$312,767,380</u>	<u>\$325,954,981</u>
Guaranteed Entitlements for all Florida Municipalities	\$124,697,122	\$124,683,365	\$124,683,365	\$124,683,365	\$124,683,365
Coverage of Guaranteed Entitlements to Total Receipts	2.43x	2.36x	2.44x	2.51x	2.61x

Source: State of Florida, Department of Revenue.

⁽¹⁾ A portion of State Sales Tax Revenues collected pursuant to Chapter 212 are deposited in the Revenue Sharing Fund for Municipalities pursuant to Section 212.20, Florida Statutes in lieu of the Cigarette Tax.

⁽²⁾ Including the transfer of 25% of the proceeds of the State alternative fuel user decal fee collections pursuant to Section 206.879, Florida Statutes.

Local Communications Services Tax. Section 202.19(1), Florida Statutes, as amended, authorizes any State of Florida municipality or county to levy, by ordinance, a discretionary communications services tax on the sale of communications services (the "Local Communications Services Tax"). Communications services means the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of protocol used for such transmission or conveyance (the "Communications Services"). This tax may not exceed 5.10% of the payments received by the providers of such communications services from purchasers. The maximum rate does not include add-ons of up to 0.12%, nor does it supersede conversion or emergency rates authorized by Section 202.20, Florida Statutes, which are in excess of the maximum rate.

Purchases by the United States Government, the State of Florida, other public bodies and any religious institution or educational institution that is exempt from federal income tax under

Section 501(c)(3) of the Internal Revenue Code are exempt from the Local Communications Services Tax.

The Local Communications Services Tax must be collected by the provider from purchasers at the time of sale and remitted to the Department of Revenue (the "Department"). The proceeds of the Local Communications Services Tax, less the Department's costs of administration, shall be transferred to the Local Communications Services Tax Clearing Trust Fund and held there to be distributed to the City.

If actual revenues do not reach expectations, as measured by comparing actual revenues to previously collected revenues increased by the average five-year growth rates, Section 202.20 (2), Florida Statutes, authorizes local governments to adjust its Local Communications Services Tax. In March 2006, based upon a study that documented that the City was experiencing a revenue shortfall in Local Communications Services Tax, the City increased its rate.

Beginning July 1, 2007, a government may make an adjustment in its rate only if the Department reallocates other Local Communication Services Tax revenues away from the local government. In July of 2008, the Department determined the State had remitted more funds to the City than should have been during fiscal years 2002-2006. After the adjustment for such reallocation, it was determined that in 2008, the City's Local Communication Service Tax revenues were well below expectations and another increase in rate was necessary.

On June 13, 2001, the City adopted Resolution No. 01-R-33 increasing the Local Communications Services Tax rate from 4.70% to 5.40% from the period of October 1, 2001 through September 30, 2002 and thereafter to the maximum rate of 5.1%. In March 2006, the City raised the rate from 5.1% to 5.37% (excluding the add-on of 0.12%) based upon a study that documented the City was experiencing a revenue shortfall in the Local Communications Services Tax. As a result of the shortfall discussed above, in October 2008, the City authorized an increase in the tax rate from 5.37% to 5.98% (none of the rates include the add-on of 0.12%).

Public Service Tax Revenues. Sections 166.231 – 166.235, Florida Statutes, as amended (the "Public Service Tax Law"), authorizes any municipality within the State to levy a public service tax (the "Public Service Tax") on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), manufactured gas (either metered or bottled) and water services, as well as any service competitive with the services specifically enumerated. The Communications Services Tax Simplification Law, as amended, being Chapter 202, Florida Statutes (the "Communications Services Tax Law") replaced the authority previously provided local governments under Chapter 166, Florida Statutes, as amended, to levy a public service tax on the purchase of telecommunications services. Except for certain exceptions for water services, as provided in Section 166.231, Florida Statutes, as amended, public service taxes shall be levied only upon purchases within the City and shall not exceed ten percent (10%) of the payments received by the seller of the taxable item from the purchaser for the purchase of such service; provided, however, that fuel oil shall be taxed at a rate which shall not exceed four cents (\$0.04) per gallon.

City Levy and Exemptions. The City levies its public service tax under the provisions of City Code Section 18-121. Under such provisions of the City Code, the City established a public

service tax rate of ten percent (10%) and a rate of four cents (\$0.04) per gallon on the purchase of fuel oil.

The Public Service Tax is not imposed against any fuel adjustment charge, which is defined as all increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973. Also exempt are purchases by the United States Government, the State of Florida and all counties, school districts and municipalities of the State, and by public bodies exempted by law or court order. The Public Service Tax Law provides for certain other exemptions, and a municipality may also provide for other exemptions. The City Code exempts from its provisions: (i) purchases of electricity, water or gas by the United States Government, the State of Florida, or by any recognized church for use exclusively for church purposes, and (ii) with respect to 50% of the tax on purchases of electric energy for up to and not exceeding five years, certain qualified businesses located within the City's enterprise zone. The purchase of natural gas, manufactured gas or fuel oil by a public or private utility, either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines is exempt from taxation under the Public Service Tax Law. The Public Service Tax is to be collected by the seller of the taxable item from the purchaser at the time of the payment for such service. The seller must remit the taxes collected to the City in the manner prescribed by the City Code. The seller is required to remit to the City on or before the twentieth day of each month the taxes levied and collected during the preceding month. If such taxes are received by the twentieth of the month as aforesaid, the seller is allowed a discount equal to the lesser of two percent of the taxes collected or \$1,000, as compensation for collecting such tax.

The City Code provides that it is unlawful for any person to continue to sell or deliver any electricity, water or gas within the City who shall fail to collect, report and pay over to the City the taxes imposed pursuant to the City Code.

The amount of Public Service Tax collected by the City may fluctuate as the price of fuel, gas, electricity and other services subject to the Public Service Tax fluctuates. The table below sets forth the Public Service Tax Revenues received by the City over the prior six fiscal years of the City:

**Public Service Tax Revenues of the City of Tallahassee
Fiscal Years ended September 30, 2008 - 2013**

<u>Description</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Electricity Tax	\$10,302,685	\$10,482,145	\$10,967,602	\$11,042,122	\$10,633,630	\$10,856,399
Water Tax	1,450,684	1,507,833	1,459,975	1,753,798	1,709,512	1,621,970
Gas Tax	951,233	996,177	1,118,707	1,111,884	1,033,641	1,120,601
Fuel Oil Tax	13,829	2,796	17,679	6,251	4,451	3,633
Propane Tax	<u>283,871</u>	<u>252,734</u>	<u>255,825</u>	<u>233,693</u>	<u>200,705</u>	<u>184,868</u>
Total	\$13,002,303	\$13,241,685	\$13,819,788	\$14,147,748	\$13,581,939	\$13,787,471

Revenue Covenant

As long as any of the Bonds are outstanding, the City will not impair or adversely affect the rights of the City to receive the Pledged Revenues. While any Bonds remain outstanding, the

pledge of the Pledged Revenues is not subject to repeal or impairment by any subsequent act of the City or the Legislature of the State of Florida.

The City has covenanted that it will proceed diligently to perform legally and effectively all steps required on its part to collect and receive the Pledged Revenues.

Reserve Account

The Resolution provides for the establishment of a Reserve Account in the Debt Service Fund with separate subaccounts for each Series of Bonds, which shall be used for the purpose of payment of Amortization Installments, principal of and interest on such Series of Bonds when the moneys allocated to the Debt Service Fund are insufficient therefor. The subaccount in the Reserve Account for the Series 2014 Bonds is required to be funded in an amount equal to the Reserve Account Requirement. Reserve Account Requirement is defined in the Resolution as, an amount equal to the lesser of (i) the Maximum Debt Service Requirement for the outstanding Bonds, (ii) one hundred twenty-five percent (125%) of the average annual Debt Service Requirement for the outstanding Bonds, or (iii) the maximum amount allowed under the Code in order to maintain the exclusion of interest on the outstanding Bonds; provided, however, the City may establish by Supplemental Resolution a different Reserve Account Requirement for a subaccount of the Reserve Account which secures a Series of Bonds, which Reserve Account Requirement may be zero. The City, pursuant to the Series 2014 Resolution, has established a subaccount in the Reserve Account for the Series 2014 Bonds. The Reserve Account Requirement with respect to the Series 2014 Bonds is \$0.00. See "APPENDIX C -- FORM OF THE RESOLUTION," herein.

Additional Parity Obligations

Additional Parity Obligations are defined by the Resolution to mean additional obligations issued in compliance with the terms, conditions and limitations contained therein and which shall have a lien on the Pledged Funds equal to, be payable from the proceeds of the Pledged Funds on a parity with, and rank equally in all other respects with the Series 2014 Bonds. The City has covenanted not to issue Additional Parity Obligations without first meeting certain requirements and conditions set forth in the Resolution.

Before the issuance of Additional Parity Obligations, there must have been obtained and filed with the City a certificate of the City Treasurer-Clerk stating that (a) he or she has examined the books and records of the City relating to the Pledged Revenues which have been deposited to the Restricted Revenue Account; (b) the aggregate amount of the Pledged Revenues received by the City for the fiscal year immediately preceding the date of issuance of such Additional Parity Obligations or any twelve (12) consecutive months designated by the City during the eighteen (18) months immediately preceding the date of issuance of the Additional Parity Obligations; and (c) the aggregate proceeds of the Pledged Revenues for such preceding fiscal year or any twelve (12) consecutive months designated by the City during the eighteen (18) months immediately preceding the date of issuance of the proposed Additional Parity Obligations is equal to at least 125% of the Maximum Debt Service Requirement computed on a basis which includes both (i) all Bonds then Outstanding, and (ii) the Additional Parity Obligations, after adjustment for retirements, if any, from the proceeds of the Additional Parity Obligations.

In the event that Additional Parity Obligations are issued for the purpose of refunding any Bonds then Outstanding, the certificate required above shall not apply, provided that the issuance of such Additional Parity Obligations will not result in an increase in the aggregate amount of principal and interest on the Outstanding Bonds becoming due.

The City may not issue any bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Series 2014 Bonds with respect to payment or lien, nor may the City create, cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Series 2014 Bonds upon said Pledged Revenues, other than Additional Parity Obligations. Any obligations of the City, other than the Bonds, which are payable from the Pledged Revenues, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to a lien on and source and security for payment from such Pledged Revenues.

Other Outstanding Indebtedness

The City also has outstanding its Capital Improvement Refunding Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), currently outstanding in the aggregate principal amount of \$3,905,000, and its Capital Improvement Refunding Revenue Bonds, Series 2009 (the "Series 2009 Bonds"), currently outstanding in the aggregate principal amount of \$21,190,000. The Series 2008 Bonds are secured by a covenant to budget and appropriate legally available non-ad valorem revenues, and have no lien on the Pledged Revenues, although legally available Pledged Revenues might be used for such payment after payment on the Bonds. The Series 2009 Bonds are secured by the Pledged Revenues on a junior lien basis to the Series 2012 Bonds, Series 2014 Bonds and any Additional Parity Obligations issued pursuant to the Resolution. The Resolution does not restrict the issuance of any additional covenant-to-budget indebtedness or junior lien indebtedness by the City.

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Historical Guaranteed Entitlement Revenues, Local Government Half-Cent Sales Tax Receipts, Local Communications Services Tax, Public Service Tax Revenues and Coverage

The following table identifies the historical Guaranteed Entitlement Revenues, Public Service Tax Revenues, and receipts of the Local Government Half-Cent Sales Tax and the Local Communications Services Tax for fiscal years 2008 through 2013.

	<u>Fiscal Years Ended September 30</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Guaranteed Entitlement	\$1,251,000	\$1,251,000	\$1,251,000	\$1,251,000	\$1,251,000	\$1,251,000
Half-Cent Sales Tax	9,658,000	8,569,000	7,738,000	8,619,000	8,779,023	9,166,000
Communications Service Tax	9,140,000	9,557,000	9,319,000	8,447,000	8,961,889	9,047,000
Public Service Tax ⁽¹⁾	<u>13,002,000</u>	<u>13,242,000</u>	<u>13,820,000</u>	<u>14,148,000</u>	<u>13,582,000</u>	<u>13,787,000</u>
Total	\$33,051,000	\$32,619,000	\$32,128,000	\$32,465,000	\$32,573,912	\$33,251,000
Debt Service ⁽²⁾	\$9,647,250	\$9,647,250	\$9,647,250	\$9,647,250	\$9,647,250	\$9,647,250
Coverage	3.43x	3.38x	3.33x	3.37x	3.38x	3.45x

Source: City of Tallahassee Comprehensive Annual Financial Report.

- (1) The Public Service Tax Revenues were not pledged to secure the Bonds until 2014. The historical numbers and coverage figures are shown for comparative purposes.
- (2) Represents the Maximum Bond Service Requirements for the Series 2012 Bonds and the Series 2014 Bonds.

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DEBT SERVICE SCHEDULE

Bond Year <u>Ending</u>	Series 2014 <u>Principal</u>	Series 2014 <u>Interest</u>	Total Series <u>2014 Bonds</u>	Series 2012 <u>Bonds</u>	Total Debt <u>Service</u>
10/1/2015	\$375,000	\$2,427,075	\$2,802,075	\$5,246,200	\$8,048,275
10/1/2016	1,045,000	1,855,500	2,900,500	5,249,200	8,149,700
10/1/2017	2,030,000	1,824,150	3,854,150	5,787,000	9,641,150
10/1/2018	1,215,000	1,783,550	2,998,550	5,543,000	8,541,550
10/1/2019	1,400,000	1,747,100	3,147,100	6,498,500	9,645,600
10/1/2020	1,470,000	1,677,100	3,147,100	6,496,750	9,643,850
10/1/2021	1,545,000	1,603,600	3,148,600	6,497,500	9,646,100
10/1/2022	1,590,000	1,557,250	3,147,250	6,500,000	9,647,250
10/1/2023	1,855,000	1,477,750	3,332,750	4,073,500	7,406,250
10/1/2024	1,950,000	1,385,000	3,335,000	4,068,750	7,403,750
10/1/2025	2,045,000	1,287,500	3,332,500		3,332,500
10/1/2026	2,150,000	1,185,250	3,335,250		3,335,250
10/1/2027	2,255,000	1,077,750	3,332,750		3,332,750
10/1/2028	2,370,000	965,000	3,335,000		3,335,000
10/1/2029	2,490,000	846,500	3,336,500		3,336,500
10/1/2030	2,615,000	722,000	3,337,000		3,337,000
10/1/2031	2,745,000	591,250	3,336,250		3,336,250
10/1/2032	2,880,000	454,000	3,334,000		3,334,000
10/1/2033	3,025,000	310,000	3,335,000		3,335,000
10/1/2034	<u>3,175,000</u>	<u>158,750</u>	<u>3,333,750</u>		<u>3,333,750</u>
Total	<u>\$40,225,000</u>	<u>\$24,936,075</u>	<u>\$65,161,075</u>	<u>\$55,960,400</u>	<u>\$121,121,475</u>

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INVESTMENTS

The City has in place an investment policy which sets forth the guidelines and general operating procedures for investing the City's general operating funds. The policy provides for an Investment Advisory Committee (the "Investment Committee") made up of three members of the financial community, appointed by and answerable directly to the City Commission. The Investment Committee meets with City staff on a regular basis to review the City's current portfolio and the performance of the same. The Investment Committee provides input on strategic changes in maturity structures of security holdings and recommends changes in the City's investment policy and program.

The policy specifically identifies various portfolio parameters, addressing investment instruments, issuer diversification, maturity constraints, investment ratings and liquidity. The policy is designed to provide the City Treasurer-Clerk sufficient latitude to effectively manage the City's financial assets so as to maximize the return on assets within an acceptable exposure to risk while assuring compliance with the foremost objective of preservation of capital. This is accomplished through diversification among types of investment instruments and maturities. The normal duration range of the portfolios operated under the policy is 0.5 years to 2.5 years. The policy contains constraints by investment type, and specifies maximum portfolio percentages of investment, as well as credit restrictions, as applicable. The performance of the portfolio is measured monthly on a marked-to-market basis.

For 2013, the average duration of the portfolio ranged from 0.5 to 2.5 years. At the end of the 2013 Fiscal Year the portfolio had an asset mix as follows:

U.S. Treasuries	28.87%
U.S. Agencies	39.56
AAA	3.79
AA	20.34
A	7.17
BBB	0.00
Other	0.27

The policy allows for limited investment in derivative products. Derivative Products must have a stated final maturity date at purchase of no longer than 5 years; must mature at par value; and the securities of the issuer must otherwise be authorized investments of the City under the Investment Policy. The Investment Policy specifically prohibits reverse repurchase agreements and inverse floating rate notes.

CONTINUING DISCLOSURE

The City will deliver a certificate dated as of the date of issuance of the Series 2014 Bonds (herein, the "Continuing Disclosure Certificate") for the benefit of the registered and beneficial owners of the Series 2014 Bonds to provide certain financial information relating to the City, the Guaranteed Entitlement Revenues, the Half-Cent Sales Tax Revenues, the Public Service Tax Revenues and the Local Communications Service Tax by March 31 of the year

following the end of each fiscal year of the City, commencing with the City's fiscal year ending September 30, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The City has appointed Digital Assurance Certification LLC, as Dissemination Agent on behalf of the City. The Annual Report and any notices of material events will be filed by the City with the Dissemination Agent, which will file with the Municipal Securities Rulemaking Board by way of EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX E -- FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Except with respect to a late filing of financial statements as discussed below, the City has materially complied with all of its continuing disclosure undertakings pursuant to the Rule. The City was recently made aware of certain interpretative differences in statements made by the SEC with regard to the Rule, which may indicate that its annual reports should have included unaudited financial statements (even though the audited financial statements were later filed, as permitted by the City's undertaking). Audited financial statements for fiscal years 2010 and 2011 were not available at the time of filing of the annual reports. The audited financial statement for fiscal year 2010 became available on April 1, 2011 and the audited financial statement for fiscal year 2011 became available on March 30, 2012. The audited financial statements for fiscal years 2010 and 2011 were filed on April 16, 2013. Audited financial statements for fiscal year 2012 became available in May 2013 and were filed on May 17, 2013. With respect to its required 2014 annual report, the March 13, 2014 filing did not include the City's audited financial statements for fiscal year 2013, which were not available until March 31, 2014. The City attempted to electronically submit the unaudited financial statements to the City's dissemination agent on March 31, but said statements were not received by the City's dissemination agent. As such, a precautionary notice of failure to timely file was posted on April 1, 2014. Submittal to the dissemination agent was completed, and the statements were submitted to EMMA, later on April 1, 2014. The City has taken the following steps to ensure that all annual reports, including unaudited financial statements, are timely filed in the future. The Treasurer-Clerk's Office will check with the Accounting Services Division on a regular basis at the beginning of each March to ascertain the status of issuing the audited financial statements. On or about March 25 of each year, the Treasurer-Clerk's Office will decide whether the audited financial statements will be provided no later than March 29 to the dissemination agent or if unaudited financial statements will be provided by March 29.

The City has aggressively managed its debt program and sought opportunities to expand the market for its bonds and reduce its financing costs. In 1991, the City published its first Annual Report to Bondholders, which it made available to the rating agencies, repositories and current debt holders. The report is designed to provide interested parties with current financial, demographic, operational and planning information about the City and its utilities. In June 1992, the Government Finance Officers Association presented the City an Award of Excellence in Financial Management for its innovative effort in secondary market disclosure. Copies of such report may be obtained by contacting the Office of the City Treasurer-Clerk at (850) 891-8130, or by accessing the City's web site at www.talgov.com, under the Treasurer-Clerk's Department.

OPEB AND PENSION OBLIGATIONS

OPEB

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits referred to as other post-employment benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 establish disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time.

The City administers a single-employer defined benefit healthcare plan (the "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.

Effective October 1, 2010, the City has implemented a cap on employer contributions for retirees. For the year ended September 30, 2013, the City contributed \$1.996 million to the OPEB Plan.

As of October 1, 2010, the most recent actuarial valuation date, the OPEB Plan was 17.03% funded. The actuarial accrued liability ("AAL") as of such date for benefits was \$24.5 million, and the actuarial value of assets was \$4.2 million, resulting in an Unfunded Actuarial Accrued Liability ("UAAL") of \$20.3 million. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$141.3 million, and the ratio of the UAAL to the covered payroll was 14.4%.

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

Annual required contribution (ARC)	\$1,996
Contributions Made	<u>(1,996)</u>
Change in net OPEB obligation	-
Net OPEB obligation – October 1	<u>2,500</u>
Net OPEB obligation – September 30	\$2,500

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

<u>Fiscal Year</u>	<u>ARC</u>	<u>Percent of ARC Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$4,351	72.08%	\$2,500
2011	2,027	100.00	2,500
2012	2,052	100.00	2,500
2013	1,996	100.00	2,500

Pension Plan Obligations

The City established by ordinance the City of Tallahassee Pension Plan (the "Plan") which is codified under Chapter 14 of the City Code of Ordinances. The Plan is administered by the City's Treasurer-Clerk's Office under guidance from the Plan's Board of Trustees. Under the Plan, the City provides a single-employer defined benefit provision covering general employees, police officers and firefighters. The Plan also has a defined contribution provision covering all City employees. All employees may elect to contribute a portion of their salary to the Plan. The City contributes 5% to each general employee's Matching Annuity ("MAP") account. The defined benefit and defined contribution provisions are combined and reported as one plan in the City's financial statements.

As of the September 30, 2012 actuarial valuation, the unfunded actuarial accrued liability ("UAAL") contribution for the defined benefit Plan is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization periods are as follows: general employees, 17 years; police officers, 30 years; and firefighters, 30 years. The unfunded initial liability for the MAP program is being amortized over 9 years for general employees as a percentage of payroll.

The following historical trend information, prepared in accordance with GASB No. 27, provides information on progress made in accumulating sufficient assets to pay benefits when due.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$14,379,000	100%	\$0.00
2011	17,657,000	100	0.00
2012	17,797,000	100	0.00
2013	22,275,000	100	0.00

For a further discussion of the Plan, the actuarial determined contribution requirements and contributions made See Note V, Section G entitled "Pension Plan Obligations" under "APPENDIX B -- EXCERPTS OF COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013."

UNDERWRITING

The Series 2014 Bonds are being purchased by Loop Capital Markets, as representative of the underwriters set forth on the cover of this Official Statement (collectively, the "Underwriters"), subject to certain terms and conditions set forth in a Contract of Purchase between the City and the Underwriters, including the approval of certain legal matters by Bond Counsel and the existence of no material adverse change in the City's financial condition from that set forth in this Official Statement.

The aggregate purchase price payable by the Underwriters is \$45,634,118.10 (representing the principal amount of the Series 2014 Bonds, less an Underwriters' discount of \$176,421.90, plus original issue premium of \$5,585,540.00). The Series 2014 Bonds are offered for sale to the public at the prices or yields set forth on the inside cover page of this Official Statement. The Series 2014 Bonds may be offered and sold to certain dealers at prices lower than such offering prices or yields higher than the offering yields, and such public offering prices and yields may be changed, from time to time, by the Underwriters.

Loop Capital Markets LLC ("LCM"), one of the Underwriters of the Series 2014 Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS and DBS will purchase Series 2014 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2014 Bonds that such firm sells.

CONTINGENT FEES

The City has retained Bond Counsel, the Financial Advisor, the Underwriters, Disclosure Counsel and the Paying Agent, with respect to the authorization, sale, execution and delivery of the Series 2014 Bonds. Payment of the fees of such professionals are each contingent upon the issuance of the Series 2014 Bonds.

FINANCIAL ADVISOR

Public Financial Management Inc., Orlando, Florida, is serving as financial advisor (the "Financial Advisor") to the City. The Financial Advisor has assisted in the preparation of the Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2014 Bonds, and has provided additional advice. Public Financial Management Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

RISK MANAGEMENT

The City's risk management program provides for coverage of all potential claims either through transfer of those risks to a third party insurance carrier or through an actuarially funded self-insurance program. The City self-insures general liability, automobile liability, workers' compensation claims and employee practice liability. Other risks are covered through various

forms of insurance. All departments are charged with their pro rata share of costs and expenses based upon actual losses and overall risk assumed. The self-insurance program is actuarially reviewed annually.

LITIGATION

There is no litigation of any nature now pending or, to the best knowledge of the City, threatened against the City which, in the opinion of the City Attorney, will have any material effect on the Pledged Revenues. There are no judicial, administrative or regulatory proceedings pending or, to the best knowledge of the City, threatened against the City which, in the opinion of the City, may significantly affect the City's ability to perform its obligations to the Holders of the Series 2014 Bonds or result in a redemption or prepayment of the Series 2014 Bonds.

At the time of the delivery of the Series 2014 Bonds, the City will deliver a certificate to the effect that no litigation or other proceedings are pending or, to the best knowledge of the City, threatened against the City in any way (i) restraining or enjoining the issuance, sale or delivery of the Series 2014 Bonds or (ii) questioning or affecting the validity of said Series 2014 Bonds or any proceedings of the City taken with respect to the authorization, sale, execution or issuance of the Series 2014 Bonds or of the pledge of the Pledged Revenues or other security provided for the Series 2014 Bonds.

The City is currently actively engaged in numerous lawsuits. These include cases where the redress sought is for other than monetary damages, that is, mandamus, injunction and declaratory relief, and cases for which the City has insurance or is named as a nominal defendant. The City Attorney is of the opinion that, except as described below, the possible exposure resulting from any ultimate resolution of litigation in which the City is a defendant would not have a material adverse economic effect upon the City or the Pledged Revenues. The City is self-insured with respect to certain general liability, automobile, workers' compensation claims and employee practice liability. See "RISK MANAGEMENT" herein.

The City is a defendant in a class action lawsuit, Joseph Childs, Jr. and Lori Owen v. City of Tallahassee and Leon County, in which the plaintiffs allege that the City's fire services fee is an unconstitutional tax, and request, among other things, the return of all fees paid since October 2009. The City collects its fire services fee by means of utility bills, and the complainants allege that in the case of properties which are leased, the fees should have been paid by the property owners rather than the tenant/utility customers. The City believes it has substantial defenses both to the certification of a plaintiff class and with respect to the merits of the complaint. Further, the City contends that even if the collection was deemed invalid, the court should not order a refund of the fees. However, no assurance can be given as to the ultimate outcome of the case. If the court was to rule against the City and order the refund of all fire service fees paid by tenants of properties since October 2009, the City estimates that this amount could be in excess of \$40 million. In such eventuality, (i) the City would contend that it has recourse to charge the property owners deemed to have received the benefit of fire protection, and (ii) it is likely that substantial portions of the purported class (e.g., short-term tenants) might not participate. The City is unable to determine the members of the purported class with certainty at this time and the potential liability is estimated utilizing the broad parameters of the class as alleged by the plaintiffs. Based

on its assessment of the case, the City believes it will prevail in the litigation. The fire services fee is not a part of the Pledged Revenues.

ENFORCEABILITY OF REMEDIES

The remedies available to the Holders of the Series 2014 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Federal Bankruptcy Code, the Resolution, and the Series 2014 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "Aa2" (stable outlook) and "AA" (stable outlook), respectively, to the Series 2014 Bonds, based upon the pledge of the Pledged Revenues. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds. Any such downgrade, revision, or withdrawal of any such rating may have an adverse effect on the market price of the Series 2014 Bonds.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2014 Bonds in order that interest on the Series 2014 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2014 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2014 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2014 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Resolution with respect to the Series 2014 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2014 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2014 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2014 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Series 2014 Bonds may be subject to the federal alternative minimum tax when any Series 2014 Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Series 2014 Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2014 Bonds. Prospective purchasers of Series 2014 Bonds should be aware that the ownership of Series 2014 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2014 Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on Series 2014 Bonds; (iii) the inclusion of interest on Series 2014 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2014 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on Series 2014 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2014 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2014 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Series 2014 Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2014 Bonds from gross income for federal income tax purposes. However, in conjunction with

that information reporting requirement, the Code subjects certain non-corporate owners of Series 2014 Bonds, under certain circumstances, to "backup withholding" at the rate specified by the Code. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2014 Bonds. This withholding generally applies if the owner of Series 2014 Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2014 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2014 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2014 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2014 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2014 Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2014 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2014 Bonds.

Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2014 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Bond Premium

The difference between the principal amount of the Series 2014 Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series 2014 Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Series 2014 Bonds, which ends on the earlier of the maturity or call date for each of the Series 2014 Bonds which minimizes the yield on the Series 2014 Bonds to the purchaser. For purposes of

determining gain or loss on the sale or other disposition of a Series 2014 Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Series 2014 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Series 2014 Bonds. Bondholders of the Series 2014 Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning the Series 2014 Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the validity of the Series 2014 Bonds, including their legality and enforceability and the exclusion of interest on the Series 2014 Bonds from gross income for federal income tax purposes, are subject to the approval of Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel, whose opinion will be delivered with the Series 2014 Bonds. Certain legal matters will be passed upon for the City by Lewis E. Shelley, Esq., City Attorney and Nabors, Giblin & Nickerson, P.A., Tallahassee, Florida, Disclosure Counsel, whose opinions will be delivered with the Series 2014 Bonds.

The proposed text of the separate legal opinion of Bond Counsel is set forth as "APPENDIX D -- FORM OF BOND COUNSEL OPINION". The actual legal opinion to be delivered may vary from the text of APPENDIX D, if necessary, to reflect facts and law on the date of delivery of the Series 2014 Bonds. The opinion will speak only as of its date and subsequent distribution of it by recirculation of this Official Statement or otherwise shall not create any implication that subsequent to the date of the opinion Bond Counsel has affirmed its opinion.

The opinion of Bond Counsel will be limited to matters relating to the authorization, legality and enforceability of the Series 2014 Bonds and the tax-exempt status of interest thereon, as described under "TAX MATTERS," and will make no statement regarding the accuracy and completeness of this Official Statement.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Series 2014 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL STATEMENTS

The Financial Statements of the City for the Fiscal Year ended September 30, 2013 have been audited by Thomas Howell Ferguson, P.A. and Law, Redd, Crona and Munroe, P.A., independent certified public accountants, as stated in their report, which is included in Appendix B. Thomas Howell Ferguson, P.A. and Law, Redd, Crona and Munroe, P.A. (the "Auditors") have not participated in the preparation of or review of this Official Statement. The Financial Statements are attached hereto as a matter of public record. Such financial statements speak only as of September 30, 2013. The consent of the Auditors has not been sought. See "APPENDIX B -- EXCERPTS OF COMPREHENSIVE FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013."

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the City to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). The City is not and has not been in default as to principal and interest on bonds or other debt obligations, which it has issued as the principal obligor.

The City may serve as a conduit issuer of private activity bonds for purposes such as housing, industrial development, education and health care. Defaults may have occurred in connection with some of those private activity bonds; however, such defaults affect only the defaulted issues and will have no effect on the payment of the Series 2014 Bonds. The City has only a limited obligation to pay such bonds from the payments made by the underlying obligors with respect to such issues. Defaults, if any, relating to such conduit bonds are not material with regard to the Series 2014 Bonds.

CERTIFICATE CONCERNING THIS OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2014 Bonds, City officials will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement, as of its date and as of the date of delivery of the Series 2014 Bonds, does not contain an untrue statement of a material fact and does not omit to state a material fact which should be included in this Official Statement for the purpose for which this Official Statement is to be used, or which is necessary to make the statements contained in this Official Statement, in light of the circumstances in which they were made, not misleading.

MISCELLANEOUS

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. The references, excerpts and summaries of all documents referred to in this Official Statement do not purport to be complete statements of the provisions of such documents, and potential investors should refer to all such documents for full and complete statements of all matters relating to the Series 2014 Bonds, the security for the payment of the Series 2014 Bonds and the rights and obligations of the owners of the Series 2014 Bonds. The information set forth

in this Official Statement has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City, and is not to be construed as a representation of the City or the Underwriters. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made shall under any circumstances create any implication that there has been no change in the matters referred to in this Official Statement since its date.

The execution and delivery of this Official Statement by the Mayor and City Treasurer-Clerk has been duly authorized by the City Commission.

CITY OF TALLAHASSEE, FLORIDA

By: /s/John R. Marks, III
Mayor

By: /s/James O. Cooke, IV
City Treasurer-Clerk

APPENDIX A

CITY OF TALLAHASSEE GENERAL INFORMATION AND ECONOMIC DATA

General

The City of Tallahassee (hereinafter referred to as "Tallahassee" or the "City") was established in 1825 following a decision by the Legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola. The capital city of Florida, Tallahassee, is located in the north central portion (the panhandle or big bend area) of Florida, midway between Jacksonville and Pensacola. The Georgia state line is less than 20 miles to the north and the Gulf of Mexico is 25 miles to the south at St. Marks, Florida, on Apalachee Bay. The City covers an area of 103.25 square miles.

Since 1919, when the State Legislature passed the Charter Act, the City has been governed by a modified Commission-Manager form of government with five (5) Commissioners, each selected at-large for four (4) year overlapping terms. Until 1996, when the Charter was amended to provide for direct election of a Mayor, the position of Mayor rotated annually among the Commissioners. The City Manager, the City Treasurer-Clerk, the City Auditor and the City Attorney are appointed by the City Commission. Collectively, the appointed officials are responsible for all administrative functions of the government, with most of the administrative and operational functions falling under the purview of the City Manager. The remaining administrative functions are the responsibility of the other appointed officials as indicated by their titles.

Tallahassee, the county seat, is the only incorporated municipality in Leon County, Florida (the "County"), and is located approximately in the center of the County. With an estimated 2013 population of 183,727, Tallahassee is the largest city in the Tallahassee Metropolitan Statistical Area ("MSA"), which consists of Leon, Wakulla, Jefferson and Gadsden Counties.

The City of Tallahassee is a full-service city providing citizens with a full complement of municipal services. The City owns and operates five (5) utilities, including an electric generation, transmission and distribution system serving an average of 115,393 customers in the City and the adjacent urban area during Fiscal Year 2013; a natural gas distribution system serving 28,576 customers; a water production and distribution system serving 83,095 metered water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving 71,173 customers, principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving 91,698 customers. Additional enterprise activities owned and operated by the City include the Tallahassee Regional Airport and a public transit system.

The Tallahassee economy can be characterized as stable, but growing, with increasing elements of diversification. The major economic factor historically has been the State government. However, the City also services as an educational center, with three (3) major institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region serving a population of over 560,000. With over 290,000 acres of

commercial forest in Leon County, timber and forest products add significantly to the economic diversification of the City.

Climate/Geography

Tallahassee has the mild, moist climate characteristic of the states located on the Gulf of Mexico and experiences a subtropical summer similar to the rest of Florida. However, in contrast to the Florida peninsula itself, the panhandle (which includes Tallahassee) experiences four seasons. Prevailing winds average 6.5 miles per hour. They are from a southerly direction in the spring and summer and then shift to a more northerly direction near the end of the year. The City's average temperature and rainfall are shown below:

<u>Temperature and Rainfall</u>	
Annual Average Temperature	68.1 Degrees
Annual Average Rainfall	63.2 Inches

Tallahassee's rolling landscape, typical of regions further north, is unique among the major cities of Florida. Some areas of Leon County exceed elevations of 200 feet. However, south of the City, the hills yield to the terrain that is typical of the rest of Florida. The northern portion of the County consists of a thick layer of sand, silt and clay overlying limestone forms while most of the southern area is characterized by flat sandy lowlands.

The Tallahassee-Leon County area possesses excellent wildlife reserves located in the terrain north of Tallahassee and in the Apalachicola National Forest south of Tallahassee. Numerous lakes are available for fresh water fishing, including, Lake Talquin, Lake Iamonia, Lake Jackson and Lake Miccosukee.

Population

The 2012 American Community Survey (the "Survey") results show a racially diverse community, with minorities accounting for 37% of the County. The population is young, with a median age of 26.0. Tallahassee residents have historically attained a comparatively high level of education. According to the Survey, 47% of area residents ages 25 or older have completed at least four (4) years of college, compared to 26.2% for the State of Florida. These population characteristics largely reflect the influence of the two (2) major universities, a large community college, state government, and the resulting high level of professional employment.

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The City and Leon County have generally experienced and are expected to continue to experience a steady increase in population as depicted in the following table:

Population								
Tallahassee			Leon County		Florida		United States	
Year	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change
1950	27,237 ⁽¹⁾	--	51,590 ⁽¹⁾	--	2,771,000 ⁽¹⁾	--	151,326,000 ⁽¹⁾	--
1960	48,174 ⁽¹⁾	5.9%	74,225 ⁽¹⁾	3.7%	4,952,000 ⁽¹⁾	6.0%	179,323,000 ⁽¹⁾	1.7%
1970	72,624 ⁽¹⁾	4.2	103,047 ⁽¹⁾	3.3	6,791,000 ⁽¹⁾	3.2	203,304,000 ⁽¹⁾	1.3
1980	81,548 ⁽¹⁾	1.2	148,655 ⁽¹⁾	3.7	9,740,000 ⁽¹⁾	3.7	226,505,000 ⁽¹⁾	1.1
1990	124,773 ⁽¹⁾	5.3	192,493 ⁽¹⁾	2.9	12,938,000 ⁽¹⁾	3.3	248,710,000 ⁽¹⁾	1.0
2000	150,624 ⁽¹⁾	1.9	239,452 ⁽¹⁾	2.2	15,982,400 ⁽¹⁾	2.1	281,422,500 ⁽¹⁾	1.2
2010	181,376 ⁽¹⁾	0.6	275,487 ⁽¹⁾	1.5	18,801,310 ⁽¹⁾	1.8	308,745,538 ⁽¹⁾	0.9
2013	183,727 ⁽²⁾		278,377 ⁽²⁾		19,259,543 ⁽²⁾		316,128,839 ⁽¹⁾	
2020	200,900 ⁽³⁾		298,400 ⁽²⁾		21,141,318 ⁽²⁾		333,896,000 ⁽¹⁾	
2030	221,800 ⁽³⁾		322,900 ⁽²⁾		23,601,075 ⁽²⁾		358,471,000 ⁽¹⁾	
2040	237,700 ⁽³⁾		341,500 ⁽²⁾		25,583,157 ⁽²⁾		380,016,000 ⁽¹⁾	

Source:

(1) U.S. Census Report.

(2) University of Florida's Bureau of Economic and Business Research.

(3) Tallahassee/Leon County Planning Department.

Employment

Tallahassee's employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 36% of all non-agricultural employment, has helped to keep unemployment relatively low. In addition, due to government employment, which calls for large numbers of professional and white collar employees, Tallahassee and the County enjoy relatively high income levels, especially when compared to surrounding counties.

Nationally, there is a trend to limit the scope and resources of government at all levels. Therefore, state government may in the future not fuel the local economy to the same extent as it has in the past. In an effort to diversify the area's economy, the local government and the Chamber of Commerce are working closely together to attract additional employers to the area and to assist the expansion of existing local industries. Since 1992, the Economic Development Council of Tallahassee/Leon County has marketed Tallahassee's economic advantages- research and high technology, healthcare providers and human resources – focusing on companies in financial services, education, technology, light manufacturing, distribution and healthcare.

The City's employment base has provided its citizens with an economic environment which historically has been insulated from national economic trends. As a result, the City and the County have been able to maintain an unemployment rate substantially below the State of Florida and the United States average as shown in the following table:

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Average Annual Unemployment Rate

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
2004	3.7%	4.7%	5.5%
2005	3.1	3.8	5.1
2006	2.7	3.4	4.6
2007	3.1	4.1	4.6
2008	4.4	6.2	5.8
2009	6.8	10.2	9.3
2010	7.9	11.3	9.4
2011	8.0	10.3	8.7
2012	7.2	8.6	8.1
2013	5.9	7.0	7.4

Source: Department of Economic Opportunity, Labor Market Statistics, Local Area Unemployment Statistics.

The table below depicts the employment distribution within the County.

Employment Distribution

	<u>2012</u>	<u>Percent</u>
State Government	34,523	25.15%
Trade, Transportation and Utilities	18,275	13.32
Education & Health Services	18,215	13.27
Professional & Business Services	15,542	11.32
Leisure & Hospitality	15,259	11.12
Local Government	12,203	8.89
Financial Activities	6,418	4.68
Other Services & Not Classified	5,983	4.36
Construction	4,344	3.17
Information	2,924	2.13
Federal Government	1,679	1.22
Manufacturing	1,660	1.21
Natural Resources & Mining	221	0.16
TOTAL	137,246	100.00%

Source: Department of Economic Opportunity, Labor Market Statistics, Census of Employment and Wages.

Note: The above figures are for non-agricultural employment and do not include self-employed, unpaid family or domestic personnel.

Trade and Service Area

As the largest city in north-central Florida, Tallahassee has naturally assumed the role as a regional trade center. Located just 20 miles south of the Georgia state line, this regional trading activity encompasses the County as well as four (4) south Georgia counties and eight (8)

surrounding north Florida counties. Tallahassee has over forty-five (45) shopping centers including two enclosed malls.

Construction

The construction industry is another important part of Tallahassee's economy. The construction industry in Tallahassee-Leon County consists of two (2) distinctly separate entities, a private and a public component. Each is guided by a different economic future. The private component is divided into two (2) segments, residential and commercial.

The public construction component also has considerable impact on the local building industry. The fact that Tallahassee serves as the State capital and is home to two (2) major universities influences public construction significantly. The Tallahassee-Leon County Planning Department monitors the public sector construction activities. The table below reflects the construction values and property values for the City for the past ten (10) years.

Construction Values and Property Values (in thousands)

Fiscal Year	New Commercial Construction ⁽¹⁾⁽³⁾		New Residential Construction ⁽¹⁾⁽³⁾		Total Just Value	Property Value ⁽²⁾	
	Number of Permits	Value	Number of Units	Value		Exempt from Taxation	Taxable
2004	116	\$88,148	2,514	\$219,413	\$12,560,990	\$5,826,031	\$6,734,959
2005	79	61,465	2,605	247,329	13,321,051	5,950,867	7,370,184
2006	100	74,165	1,783	212,205	14,983,276	6,382,758	8,600,518
2007	71	78,981	1,562	146,201	17,643,758	7,560,579	10,083,179
2008	85	195,767	596	77,584	19,251,581	8,088,767	11,162,814
2009	55	79,714	562	50,993	19,580,463	8,789,036	10,791,427
2010	26	65,265	303	39,625	17,774,239	7,854,304	9,919,935
2011	34	22,473	776	82,605	17,337,336	7,665,541	9,671,795
2012	46	119,709	1,142	114,236	17,095,072	7,834,968	9,260,104
2013	37	37,828	961	102,419	16,163,157	7,364,930	8,798,227

⁽¹⁾ Source: Tallahassee-Leon County Planning Department.

⁽²⁾ Source: Leon County Property Appraiser.

⁽³⁾ Source: City of Tallahassee Building Inspection, Growth Management Department.

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Taxpayers

The following table shows the top nine principal taxpayers in Leon County for the Fiscal Year ended September 30, 2013.

**Leon County, Florida
Principal Taxpayers
September 30, 2013
(in thousands)**

Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total City Taxable
Smith Interest General Partnership	Retail	\$123,878	1.41%
Century Link (aka Embarq, Sprint)	Communications	114,254	1.30%
Florida Gas Transmission Company	Utilities	77,460	0.88%
Tallahassee Medical Center, Inc.	Medical	68,643	0.78%
DRA CRT Tallahassee Center	Real Estate	59,539	0.68%
Talquin Electric Coop	Utilities	64,928	0.74%
Walmart Stores, Inc.	Retail	50,006	0.57%
St. Joe Company	Real Estate	45,236	0.51%
Comcast Cablevision, Inc.	Communications	37,592	0.43%
Capital City Bank	Banking	35,457	0.40%
Total		\$676,993	7.70%

Source: Leon County Property Appraiser.

Education

In addition to being the Capital, Tallahassee is the site of two (2) major state universities and a regional community college. Total enrollment in these institutions is approximately 66,000 students.

The largest and oldest university in the City is Florida State University ("FSU"), which was founded in 1851 and is the home of the Florida State University Seminoles. Its undergraduate and graduate colleges, schools and divisions were attended by over 41,000 students in the 2013-14 school year. FSU is nationally known for its outstanding programs in natural sciences, fine arts, business, law and education. A medical school was recently added, which now enrolls a full complement of 480 students.

The other nationally known university in Tallahassee is the Florida Agricultural and Mechanical University ("FAMU"), which was founded in 1887 and is the home of the Florida A&M Rattlers. FAMU offers extensive undergraduate and graduate courses to approximately 11,000 students. Programs offered at FAMU complement those at FSU and have received recognition in the fields of architecture, agriculture and pharmacy. Both universities offer programs leading to doctorate degrees.

Tallahassee Community College ("TCC") presently serves approximately 14,000 students. TCC offers the same curriculum for college transfer as that offered at the universities for the first two (2) years. Associate degrees are awarded in over thirty (30) fields, some through special cooperative programs with the local universities. TCC formed the first University Partnership with Flagler College in Fall 2000 and has since partnered with Embry-Riddle Aeronautical University in 2001, Barry University in 2003 and St. Leo University in 2006. TCC students can pursue bachelor and graduate degrees on TCC's campus through the programs of its four University Partners.

Enrollment at the universities and the community college has increased steadily as shown in the following table:

**Students Enrolled in
Tallahassee Area Universities and the
Community College**

<u>Year</u>	<u>FSU</u>	<u>FAMU</u>	<u>TCC</u>	<u>Total</u>
2003	37,328	13,023	12,572	62,923
2004	38,886	13,070	12,784	64,740
2005	39,652	12,176	13,439	65,267
2006	40,474	11,913	13,526	65,913
2007	41,065	11,567	13,891	66,523
2008	39,136	11,848	14,016	65,000
2009	40,255	12,261	14,472	66,988
2010	40,838	13,277	14,756	68,871
2011	41,710	13,207	15,338	70,255
2012	41,301	12,051	14,613	67,965
2013	41,477	10,734	13,634	65,845

Source: Florida Department of Education and State of Florida Student Database Reports. All figures are for Fall semesters.

Medical Facilities

Tallahassee also provides Northwest Florida and South Georgia with extensive medical facilities. There are currently two full service acute care facilities: Tallahassee Memorial Healthcare, Inc. ("TMH"), a 772-bed hospital, and Capital Regional Medical Center ("CRMC"), a 242-bed hospital. Founded in 1949, TMH is the largest general hospital in the big bend area of Florida and is the seventh largest hospital in Florida. TMH's primary service area is defined as the Florida counties of Leon, Gadsden, Wakulla and Jefferson. The secondary service area is comprised of six (6) other adjacent Florida counties. In addition to TMH and CRMC, medical care treatment is provided to the regional area through outside public and private facilities, including a number of skilled nursing, convalescent and extended care facilities.

Annexation - Process and History

The City of Tallahassee has had a long history of annexation activity as a means of achieving growth. During its first 150 years, Tallahassee expanded from one-quarter (1/4) of a mile in size to 28.12 square miles in 1980. During the last thirty-five years, the City embarked on an aggressive annexation program to ensure its economic stability and better manage the developing urban area. The City has successfully annexed numerous parcels of developed and undeveloped land since 1979. Fourteen (14) of these annexations were passed through a double referendum as set forth by Florida law, requiring passage by the majority of the City residents and the residents in the affected area. Since 1985 virtually all of the City's annexations occurred when all of the property owners in the affected areas requested incorporation of their property into the City. Since 1980 these annexed areas have added 74.94 square miles to the City swelling its size to 103.25 square miles.

Comprehensive Plan

In 1985, the Florida Legislature passed the Local Government Comprehensive Planning and Land Development Regulation Act (the "Planning Act"). This Act required all local governments to develop comprehensive plans designed to plan for and control the impact of growth. As applied to the City, the local plan includes the following elements:

1. Future Land Use
2. Transportation
3. Utilities (except electric)
4. Economic Development
5. Housing
6. Historic Preservation
7. Conservation
8. Recreation and Open Space
9. Intergovernmental Coordination
10. Capital Improvements

All local governmental plans must be fundable, implementable and consistent with State and regional plans. They must discuss existing facilities, adopt levels of service to be provided and project future demands. The plans have the force of law (mandated by State statute and adopted by local ordinance) and are implemented through local development regulations, local activities and programs and intergovernmental agreements.

The City originally adopted its Comprehensive Plan (the "Plan") on July 16, 1990. As required by the Act, the Plan was submitted to the State of Florida Department of Community Affairs (the "Department") for consistency review with the State and regional plans and to ensure compliance with all aspects of the Act and adopted rules of the Department. Additionally, pursuant to Section 163.3191, Florida Statutes, "each local government shall adopt an evaluation and appraisal report (EAR) once every seven years assessing the progress in implementing the local government comprehensive plan." The last EAR for the City and the County was submitted and approved in 2007. Effective beginning in 2011, local governments no longer need to submit evaluation and appraisal reports to the Department for a sufficiency determination. At least every

seven years, pursuant to Rule Chapter 73C-49, Florida Administrative Code, the local government determines whether the need exists to amend the comprehensive plan to reflect changes in state requirements since the last time the comprehensive plan was updated.

Enforcement of the Plan is achieved through three (3) elements provided in the Planning Act: concurrency, consistency and citizen standing. The City is prohibited from issuing permits for new construction or development (residential or commercial) until the City determines that all necessary infrastructure, including utilities, is available at the appropriate levels of service, concurrent with the construction, and that the development of the facility is consistent with all elements of the Plan. The required utilities services include electric service, although it is not necessarily required that such electric service be provided by the City. This requires the City to more accurately project future needs and related capital improvements to ensure maintenance of standards set forth in the Plan.

The Act provides that all citizens are given standing in a court of law and, through appropriate judicial processes, can require the City to implement and enforce the Plan. The City may amend the Plan twice a year after conducting a public hearing and subject to approval by the Department.

City Investment Policy

The City Treasurer-Clerk administers the City's investment program and is responsible for insuring the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. The City has promulgated a non-pension investment policy to govern the investment of all financial assets held or controlled by the City, not otherwise classified as restricted assets requiring separate investing (the "Investment Policy"). The Investment Policy sets forth standards for investing, safekeeping and custody requirements, and reporting requirements. Individual criteria consisting of, at a minimum, objectives, authorized investments and performance evaluation criteria, are established on an individual basis for specialized portfolios governed under specific legal constraints. Criteria for the City's core portfolio are also set forth in the Investment Policy. A copy of the Investment Policy may be obtained from the City Treasurer-Clerk's office.

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APPENDIX B

EXCERPTS OF COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Set forth in this Appendix B are excerpts of the City's Comprehensive Annual Financial Report, including the audited Financial Statements of the City for the Fiscal Year ended September 30, 2013. These financial statements are included in this Official Statement as a public document.

THE CONSENT OF THOMAS HOWELL FERGUSON, P.A. AND LAW, REDD, CRONA AND MUNROE, P.A. WAS NOT REQUESTED. THOMAS HOWELL FERGUSON, P.A. AND LAW, REDD, CRONA AND MUNROE, P.A. WERE NOT REQUESTED TO PERFORM AND HAVE NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, AND ARE THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE SERIES 2014 BONDS.

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CITY OF TALLAHASSEE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For The Fiscal Year Ended
September 30, 2013**



PREPARED BY:

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

CITY OF TALLAHASSEE, FLORIDA

CITY COMMISSION

JOHN MARKS, Mayor

NANCY MILLER, Pro Tem

SCOTT MADDOX, Commissioner

ANDREW GILLUM, Commissioner

GIL ZIFFER, Commissioner

CITY MANAGER

ANITA FAVORS THOMPSON

CITY AUDITOR

T. Bert Fletcher, CPA

CITY ATTORNEY

Lewis E. Shelley

CITY TREASURER-CLERK

James O. Cooke, IV

DIRECTOR OF MANAGEMENT AND ADMINISTRATION

Raoul A. Lavin

CITY OF TALLAHASSEE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2013

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INTRODUCTORY SECTION
Intentionally Omitted

FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

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

Independent Auditors' Report

Honorable Mayor, City Commission, 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 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, 2013, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tallahassee, Florida, as of September 30, 2013, 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.

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 information on pages 19-31 and 98-100 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 schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the*

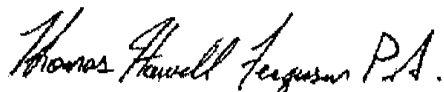
Auditor General and is not a required part of the basic financial statements. The schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as described in the *Passenger Facility Charge Audit Guide for Public Companies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, the schedule of expenditures of federal awards and state financial assistance, and the schedule of expenditures of passenger facility charges 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

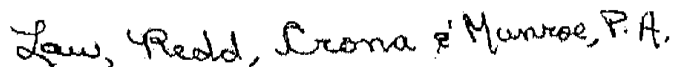
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the City of Tallahassee, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tallahassee, Florida's internal control over financial reporting and compliance.



THOMAS HOWELL FERGUSON P.A.
Tallahassee, Florida
March 20, 2014



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Tallahassee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year that ended September 30, 2013. 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, 2013 by \$2.11 billion (net assets). Of this amount, \$254 million represents unrestricted net position that are available to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$10.6 million as a result of fiscal 2013 operations.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$83 million, a decrease of \$34.1 million in comparison with the prior year. Approximately \$500,000 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 (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$23.9 million, or 20.5% of general fund expenditures.
- As of September 30, 2013, the City's enterprise funds reported combined net position of \$1,113.5 million, an increase of \$15.9 million in comparison with the prior year. Approximately \$180.5 million of this amount is unrestricted.
- Capital assets, net of accumulated depreciation, as of September 30, 2013 fiscal year totaled \$2.57 billion, an increase of \$76 million in comparison with prior year (Note- IV-D).
- The City's outstanding long-term debt (Note IV-G) decreased from \$1,094.5 million to \$1,053.5million, or 3.8%.

AN OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies. Two statements, the *statement of net 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets 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 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 103 to 107 in this report.

PROPRIETARY FUNDS

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains ten (10) individual enterprise funds. Information is presented separately in the proprietary funds statement of net assets and in the proprietary funds statement of revenues, expenses, and changes in net assets for the Electric, Gas, Sewer, Water, Airport, and Stormwater Management Funds, all of which are considered major funds. Data from the other four (4) funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major proprietary funds is provided on pages 108 to 111 in this report.

Internal Service Funds are used to account for activities that provide goods and services to the City's other programs and activities. The City maintains thirteen (13) individual internal service funds. These internal service funds are allocated between governmental activities and business-type activities in the government-wide financial statements based upon the activity that receives the predominant benefit. Internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided on pages 113 to 119 in this report.

FIDUCIARY FUNDS--Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs and activities. The City reports three fiduciary funds. The basic financial statements for these funds are provided on pages 50 to 51 in this report.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table is a summary of the fiscal year 2013 Statement of Net Position found on pages 34 to 35 with comparative information for fiscal year 2012.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012 As Restated	2013	2012 As Restated
Assets						
Current and other assets	\$ 143.9	\$ 187.4	\$ 633.4	\$ 730.4	\$ 777.3	\$ 917.8
Capital assets	908.9	910.8	1,663.4	1,585.5	2,572.3	2,496.3
Total Assets	<u>1,052.8</u>	<u>1,098.2</u>	<u>2,296.8</u>	<u>2,315.9</u>	<u>3,349.6</u>	<u>3,414.1</u>
Liabilities						
Current and other liabilities	41.4	47.8	173.9	181.8	215.3	229.6
Long-term debt outstanding	70.3	86.8	950.8	973.9	1,021.1	1,060.7
Total Liabilities	<u>111.7</u>	<u>134.6</u>	<u>1,124.7</u>	<u>1,155.7</u>	<u>1,236.4</u>	<u>1,290.3</u>
Net Position						
Invested in capital assets, net of related debt	847.1	834.5	785.3	762.5	1,632.4	1,597.0
Restricted	36.6	81.8	190.3	185.7	226.9	267.5
Unrestricted	57.4	47.3	196.5	212.0	253.9	259.3
Total Net Position	<u>\$ 941.1</u>	<u>\$ 963.6</u>	<u>\$ 1,172.1</u>	<u>\$ 1,160.2</u>	<u>\$ 2,113.2</u>	<u>\$ 2,123.8</u>

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 decreased from \$2.123 billion in 2012 to \$2.113 billion in 2013, a decrease of \$10.6 million or 0.5%.

The largest portion of the City's net position, \$1.63 billion or 77.2%, 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 \$226.9 million (10.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$253.9 million (12.0%) 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, both for the government as a whole, as well as its separate governmental and business-type activities. The same held true for the prior year.

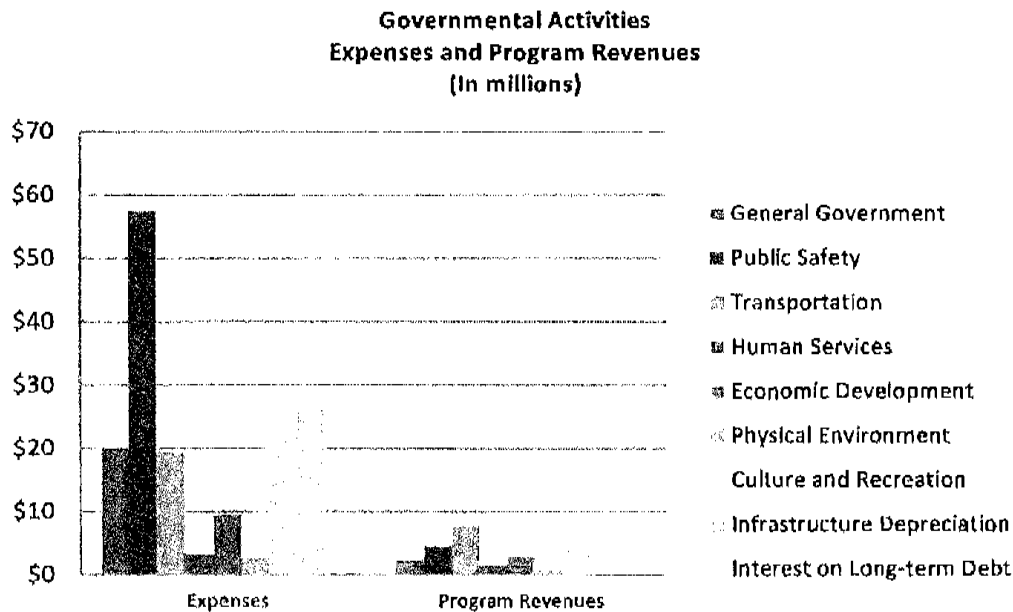
The following table is a summary of the fiscal year 2013 Statement of Activities found on pages 31 to 32 with comparative information for fiscal year 2012.

Table 2
Changes in Net Position
(in millions)

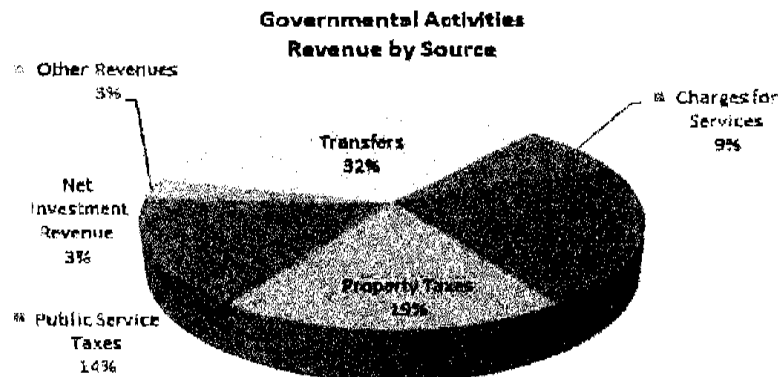
	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for Services	\$14.1	\$13.1	\$468.8	\$503.2	\$482.9	\$516.3
Operating Grants and Contributions	5.7	11.0	5.9	6.9	11.6	17.9
Capital Grants and Contributions	5.1	8.1	11.6	20.0	16.7	28.1
General revenues						
Property Taxes	31.5	33.5	--	--	31.5	33.5
Public Service Taxes	22.8	22.5	--	--	22.8	22.5
Grants and Contributions	24.0	24.3	--	--	24.0	24.3
Net Investment Revenue	4.1	3.5	6.9	7.2	11.0	10.7
Other Revenues	5.1	10.3	(7.5)	0.5	(2.4)	10.8
Total Revenues	112.4	126.3	485.7	537.8	598.1	664.1
Expenses						
General Government	20.2	19.1	--	--	20.2	19.1
Public Safety	57.6	56.0	--	--	57.6	56.0
Transportation	19.4	20.4	--	--	19.4	20.4
Cultural and Recreation	21.9	21.4	--	--	21.9	21.4
Depreciation on Infrastructure	26.4	26.4	--	--	26.4	26.4
Other Primary Government	18.5	19.8	--	--	18.5	19.8
Electric	--	--	237.4	266.2	237.4	266.2
Gas	--	--	27.5	30.1	27.5	30.1
Sewer	--	--	48.4	47.3	48.4	47.3
Water	--	--	26.5	26.3	26.5	26.3
Airport	--	--	13.8	12.9	13.8	12.9
StarMetro	--	--	20.9	19.1	20.9	19.1
Solid Waste	--	--	22.0	21.3	22.0	21.3
Golf	--	--	1.0	1.0	1.0	1.0
Stormwater Management	--	--	13.9	15.1	13.9	15.1
Fire Services	--	--	33.3	32.1	33.3	32.1
Total Expenses	164.0	163.1	444.7	471.4	608.7	634.5
Excess (Deficiency) before transfers	(51.6)	(36.8)	41.0	66.4	(10.6)	29.6
Transfers	29.1	29.2	(29.1)	(29.2)	--	--
Increase (Decrease) in Net Position	(\$22.5)	(\$7.6)	\$11.9	\$37.2	(\$10.6)	\$29.6

GOVERNMENTAL ACTIVITIES - During the fiscal year, net position for governmental activities decreased \$22.5 million from the prior fiscal year for an ending balance of \$941.1 million. Contributing to the decrease in net position is the impact the City continues to experience from the recession, revenues such as property taxes and grants were lower than the previous year. In addition, the investments of the City's governmental activities experienced a decrease in fair market value.

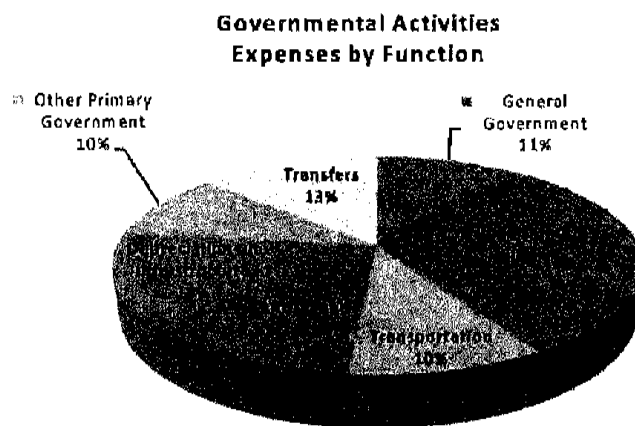
The following chart compares expenses and program revenues for the governmental activities.



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



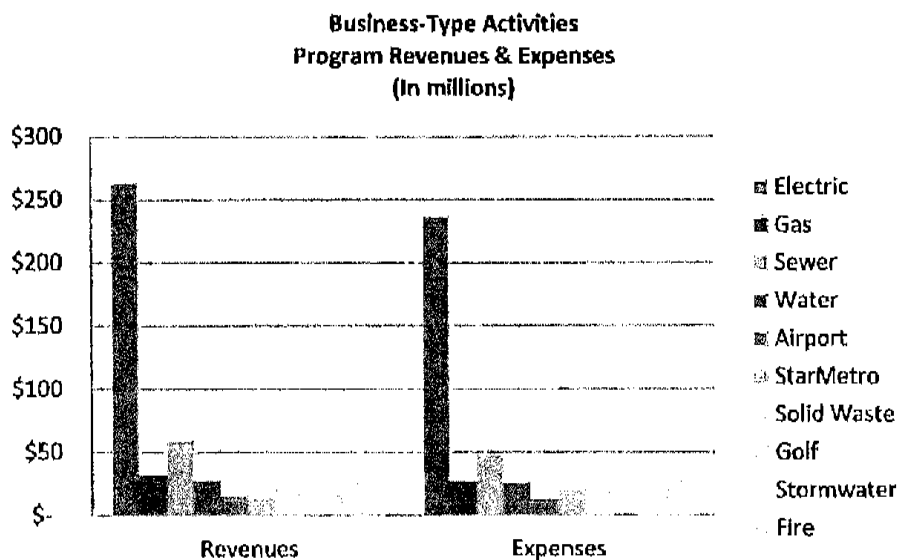
The following chart illustrates the City's Expenses by Function for the City's governmental activities.



BUSINESS-TYPE ACTIVITIES

For the City's Business-type activities, the results for the current fiscal year were positive. The net position increased to reach an ending balance of \$1,172.1 billion. The total increase in net position for business-type activities was \$11.9 million, or 1.0% 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 40 to 43. 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, 2013, the City's governmental funds reported combined ending fund balances of \$83 million, a decrease of \$34.1 million in comparison with the prior year. Of this amount \$1.9 million is considered non-spendable; \$29.5 million is restricted for purposes which are externally imposed by providers; \$47.2 million is committed for specific purposes that are internally imposed by the government through the City Commission; \$3.9 million is assigned for specific purposes that are that are internally established by management; and \$0.5 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 9/30/2012	Sources	Uses	Sources Over (Under) Uses	Fund Balances 9/30/2013
General Fund	\$ 24.4	\$ 133.3	\$ 133.1	\$ 0.2	\$ 24.6
Community Redevelopment	9.6	2.3	5.3	(3.0)	6.6
Other Funds	83.1	100.2	131.4	(31.2)	51.9
Total City Funds	\$ 117.1	\$ 235.8	\$ 269.8	\$ (34.0)	\$ 83.1

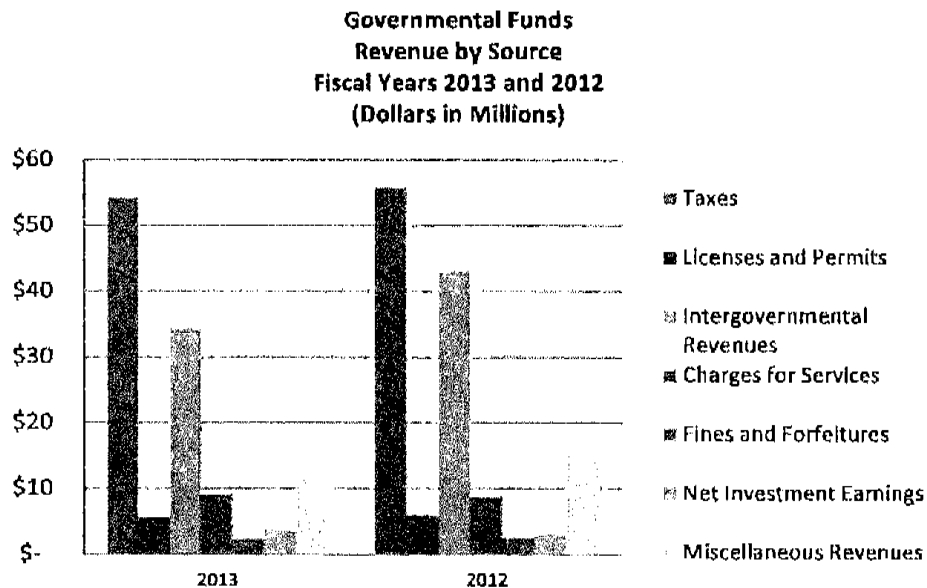
The General Fund is the chief operating fund of the City. At the end of the fiscal year, fund balance for the general fund was \$24.6 million, or 18.5% of general fund expenditures and other financing uses. Of this amount, \$0.7 million is non-spendable, \$20.6 million is committed, \$1.7 million is assigned, and \$1.6 million is unassigned.

The fund balance for the City's General Fund increased \$176,000 from 2012. During fiscal year 2013, revenues and other sources decreased \$1.8 million, 1.3%, as compared to the prior year while expenditures and other uses increased \$3.7 million, 2.9%, as compared to the prior year.

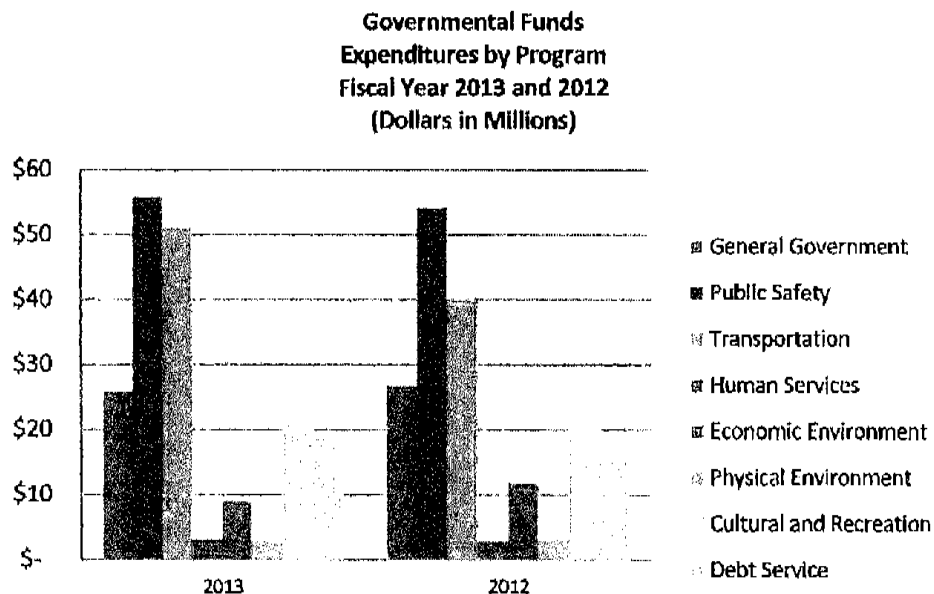
The fund balance for the City's Community Redevelopment Agency Fund decreased \$3.0 million from 2012.

The fund balance in the City's other non-major governmental funds decreased \$31.2 million from 2012 as a result of the expenditure of bond proceeds received in prior years and the use of cash reserves to fund the advance refunding of the Capital Bonds, Series 2004.

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 98 of the financial statements.

There was no material change between the original and final amended general fund operating budget for 2013; however changes to the budgets between functions occurred between the budget for transfers, which increased by \$3.3 million, and various other expense categories that decreased to fund projects. Project priorities change during the year based on needs, assessments, availability of grant funding or other issues that impact the start or completion of projects or their cost.

The City's general fund generated a positive variance of approximately \$680,000 between the final amended budget and actual results of operation. Actual revenues were less than final budgeted revenues by \$3.3 million, or 2.4%; these variances were spread across most revenue sources as the City's revenue stream continues to be impacted by the economic environment. Actual expenditures for the year were less than final budgeted expenditures by \$4.0 million, or 2.9%, these variances were spread across most expenditure line items due to regular budget monitoring and continuation of soft freezes on hiring for vacant positions.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities, net of depreciation, as of September 30, 2013, was approximately \$2.6 billion. This represents a net increase of approximately \$76 million, or 3.0%, over last year. See Note IV-D for more information about the City's capital assets.

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

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2013	2012	2013	2012 As Restated	2013	2012 As Restated	2013-2012
Land	\$ 358	\$ 357	\$ 125	\$ 124	\$ 483	\$ 481	0.4%
Buildings	56	59	124	63	180	122	47.5%
Equipment	6	7	394	359	400	366	9.2%
Improvements (Other than Buildings)	7	7	23	8	30	15	100.0%
Infrastructure	377	396	555	624	932	1,020	-8.6%
Intangibles	1	--	71	60	72	60	20.0%
Construction in Progress	104	85	371	347	475	432	9.9%
Total	\$ 909	\$ 911	\$ 1,663	\$ 1,585	\$ 2,572	\$ 2,496	3.0%

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

- Aviation infrastructure - \$3.7 million
- Electric generation, transmission and distribution infrastructure - \$62.8 million
- Gas transmission and distribution infrastructure - \$4.1 million
- Public Safety Complex construction - \$11.8 million
- Sewer collection, treatment, and disposal infrastructure - \$36.7 million
- StarMetro acquisition of buses and system improvements - \$6.0 million
- Stormwater infrastructure - \$5.6 Million
- Street construction, widening and expansion projects - \$17.1 million
- Water transmission and distribution infrastructure - \$11.0 million

LONG-TERM DEBT

As shown in the following table, as of September 30, 2013, the City had \$1,029.6 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	
	2013	2012	2013	2012	2013	2012
General Revenue Bonds	\$ 71.8	\$ 90.5	\$ --	\$ --	\$ 71.8	\$ 90.5
Proprietary Revenue Bonds	--	--	924.5	944.5	924.5	944.5
Other Loans	--	--	33.3	35.7	33.3	35.7
Total	<u>\$ 71.8</u>	<u>\$ 90.5</u>	<u>\$ 957.8</u>	<u>\$ 980.2</u>	<u>\$ 1,029.6</u>	<u>\$ 1,070.7</u>

The City's total bonded debt decreased by \$41.1 million, or 3.84%, during the current fiscal year. In addition to the scheduled pay down of existing debt, the City advanced refunded the outstanding balance (\$62.5 million) of the Capital Bonds, Series 2004 utilizing \$10.4 million of cash and the issuance of the Capital Bonds, Series 2012 (\$49.2 million).

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

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

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 Tallahassee Metropolitan Statistical Area (MSA) continue to show improvement as the impact of the recession lessens. In November 2013, the Tallahassee MSA unemployment rate was 5.3% as compared to the state's unemployment rate of 6.4%. For December 2012, the Tallahassee MSA unemployment rate was 7.1% as compared with the statewide rate of 8.6%.
- The percentage of employees employed by local, state, and federal government in Tallahassee is approximately 31.7 % of the work force.
- The ratio of taxable assessed value to total estimated value for ad valorem tax purposes equals 46.27 percent, demonstrating the lack of taxable property in the City due to the large amount of tax-exempt property. In addition, property tax reform initiated at the state level and the general slowdown in the state economy, especially in the housing market, continues to have significant impact on the revenues of the City.
- Inflationary pressures, the lack of growth, increased conservation, and environmental issues continue to impact the City's electric, gas, water and sewer utilities.
- The Florida Legislature continues to consider various proposals relating to caps on the growth of state and local government revenues and expenditures. Potential legislation could have a significant impact on the City's ability to meet the service level expectations of its residents. The City is carefully monitoring these initiatives and their potential future impact.

These indicators, as well as others, were taken into account when adopting the City's budget for fiscal year 2014. The City's total operating budget for fiscal year 2014 totals \$689.2 million, which is \$4.1 million more than the fiscal year 2013 approved budget. The 2014 budget allocates \$138.4 million to the general fund, \$525.2 million to the enterprise funds, and \$25.6 million to other funds.

For the fiscal year 2014 budget, the ad valorem tax rate remains at 3.700 mills. In addition, no fee or utility rate adjustments, except for annual CPI adjustments, are included in the 2014 budget.

Personnel expenditures account for approximately 25.4% of the City's Operating Budget. The City's fiscal year 2014 operating budget includes a net increase of 10 positions, bringing the budgeted full time equivalent staff count to 2,811.

The City's fiscal year 2014 Capital Budget totals \$163.0 million with the City's utilities accounting for \$88.0 million (54.0%); other major uses include transportation, general government, and culture and recreation. Bond proceeds (new and existing) will fund approximately 32.7% 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 2018 that totals \$764.0 million with appropriations of funding made on an annual basis.

FINANCIAL CONTACT

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

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, 2013
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Authority
ASSETS				
Current Assets				
Cash and Cash Equivalents.....	\$ 88,539	\$ 205,126	\$ 293,665	\$ 142
Securities Lending Collateral.....	8,951	20,738	29,689	14
Receivables:				
Accrued Interest.....	221	538	759	--
Customers and Other.....	3,273	36,287	39,560	--
Notes.....	141	9,461	9,602	--
Special Assessments.....	160	--	160	--
Property Taxes-Delinquent.....	--	--	--	--
Less: Allowance for Doubtful Accounts.....	(500)	(3,489)	(3,989)	--
Due from Other Governments.....	4,934	7,115	12,049	--
Prepaid Expenses.....	--	2,214	2,214	--
Inventory.....	296	52,070	52,366	--
Cash and Cash Equivalents - Restricted.....	9,154	284,560	293,714	--
Investments - Restricted.....	--	752	752	--
Securities Lending Collateral - Restricted.....	927	28,203	29,130	--
Receivables - Restricted:				
Accrued Interest.....	24	692	716	--
Other.....	11	--	11	--
Notes.....	905	--	905	--
Due from Other Governments.....	1,776	1,324	3,100	--
Total Current Assets	118,812	645,591	764,403	156
Noncurrent Assets				
Internal Balances.....	24,680	(24,680)	--	--
Deposits.....	--	4,569	4,569	--
Unamortized Bond Issue Costs.....	421	7,931	8,352	--
Capital Assets				
Land and Construction in Progress.....	462,472	496,012	958,484	--
Other, Net of Accumulated Depreciation.....	446,475	1,167,428	1,613,903	--
Total Noncurrent Assets	934,048	1,651,260	2,585,308	--
Total Assets	\$ 1,052,860	\$ 2,296,851	\$ 3,349,711	\$ 156

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF NET POSITION
September 30, 2013
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Authority
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Obligations Under Securities Lending	\$ 8,951	\$ 20,738	\$ 29,689	\$ 14
Accounts Payable	7,199	51,428	58,627	34
Customer Contracts Payable	--	765	765	--
Utility Deposits Payable	--	18,060	18,060	--
Unearned Revenue	1,784	5	1,789	--
Compensated Absences	6,402	8,341	14,743	8
Accounts Payable - Restricted	4,273	8,143	12,416	--
Obligations Under Securities Lending - Restricted	927	28,203	29,130	--
Unearned Revenue - Restricted	436	--	436	--
Bonds & Loans Payable - Current	6,050	22,482	28,532	--
Total Current Liabilities	36,022	158,165	194,187	56
Noncurrent Liabilities				
Compensated Absences	2,931	3,414	6,345	5
Customer Contracts Payable	--	1,662	1,662	--
Claims Payable	--	10,699	10,699	--
Net OPEB Obligation	2,500	--	2,500	--
Bonds & Loans Payable	70,295	950,826	1,021,121	--
Total Noncurrent Liabilities	75,726	966,601	1,042,327	5
Total Liabilities	111,748	1,124,766	1,236,514	61
NET POSITION				
Invested in Capital Assets, net of Related Debt	847,097	785,276	1,632,373	--
Restricted for:				
Capital Projects	29,526	153,154	182,680	--
Debt Service	783	37,141	37,924	--
Cemetery	6,339	--	6,339	--
Unrestricted	57,367	196,514	253,881	95
Total Net Position	941,112	1,172,085	2,113,197	95
Total Liabilities and Net Position	\$ 1,052,860	\$ 2,296,851	\$ 3,349,711	\$ 156

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, 2013
(in thousands)

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government.....	\$ 20,184	\$ 2,074	\$ 401	\$ --
Public Safety.....	57,637	3,376	1,042	176
Transportation.....	19,432	2,911	11	4,905
Human Services.....	3,428	787	861	--
Economic Development.....	9,564	--	2,978	--
Physical Environment.....	2,829	979	47	(7)
Culture and Recreation.....	21,907	3,956	364	--
Unallocated Depreciation on Infrastructure.....	26,413	--	--	--
Interest on Long-Term Debt.....	2,718	--	--	--
Total governmental activities.....	164,112	14,083	5,704	5,074
Business-type Activities:				
Electric.....	237,360	257,511	3,180	--
Gas.....	27,454	32,731	--	--
Sewer.....	48,372	59,624	--	--
Water.....	26,511	28,137	--	--
Airport.....	13,837	11,561	--	4,533
StarMetro.....	20,853	4,759	2,681	7,051
Solid Waste.....	22,013	23,249	--	--
Golf.....	1,023	893	--	--
Stormwater Management.....	13,941	17,670	--	--
Fire Services.....	33,256	32,659	--	--
Total business-type activities.....	444,620	468,794	5,861	11,584
Total primary government.....	\$ 608,732	\$ 482,877	\$ 11,565	\$ 16,658
Component Unit:				
Downtown Improvement Authority.....	\$ 394	\$ --	\$ --	\$ --

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.

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2013
(in thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (17,709)	\$ --	\$ (17,709)	\$ --
(53,043)	--	(53,043)	--
(11,605)	--	(11,605)	--
(1,780)	--	(1,780)	--
(6,586)	--	(6,586)	--
(1,810)	--	(1,810)	--
(17,587)	--	(17,587)	--
(26,413)	--	(26,413)	--
(2,718)	--	(2,718)	--
(139,251)	--	(139,251)	--
--	23,331	23,331	--
--	5,277	5,277	--
--	11,252	11,252	--
--	1,626	1,626	--
--	2,257	2,257	--
--	(6,362)	(6,362)	--
--	1,236	1,236	--
--	(130)	(130)	--
--	3,729	3,729	--
--	(597)	(597)	--
--	41,619	41,619	--
(139,251)	41,619	(97,632)	--
<hr/>			
			(394)
31,522	--	31,522	183
22,835	--	22,835	--
4,973	--	4,973	--
24,046	--	24,046	--
4,086	6,861	10,947	3
14	30	44	--
(1,658)	(7,494)	(9,152)	(4)
1,808	--	1,808	92
29,103	(29,103)	--	--
116,729	(29,706)	87,023	274
(22,522)	11,913	(10,609)	(120)
963,634	1,155,640	2,119,274	215
--	4,532	4,532	--
963,634	1,160,172	2,123,806	215
\$ 941,112	\$ 1,172,085	\$ 2,113,197	\$ 95

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

FUNDS

GOVERNMENTAL FUNDS

General	Accounts for all financial resources except those required to be accounted for in another fund. The functions paid for by the general fund include police, protective inspection, code enforcement, culture and recreation, general government, transportation, human services, economic development, and physical environment.
Community Redevelopment Agency	Accounts for the general tax revenue collected on and the expenses incurred in the redevelopment of properties in the community redevelopment area.
Other Governmental Funds	Detailed descriptions of these funds are provided on page 103.

PROPRIETARY FUNDS

Electric	Accounts for the assets, operation and maintenance of the City-owned electric generation, transmission, and distribution system.
Gas	Accounts for the assets, operation and maintenance of the City-owned gas system.
Sewer	Accounts for the assets, operation and maintenance of the City's wastewater collection and treatment system.
Water	Accounts for the assets, operation and maintenance of the City's water production and distribution system.
Airport	Accounts for the assets, operation and maintenance of the City-owned regional airport.
Stormwater Management	Accounts for the operation, maintenance, and expansion of the City-owned stormwater utility system.
Other Enterprise Funds	Detailed descriptions of these funds are provided on page 108.
Internal Service Funds	Detailed descriptions of these funds are provided on page 113.

FUNDS

(continued)

FIDUCIARY FUNDS

Pension Trust

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

Nuclear Decommissioning

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

OPEB Trust

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

CITY OF TALLAHASSEE, FLORIDA
BALANCE SHEET
Governmental Funds
September 30, 2013
(in thousands)

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 26,676	\$ --	\$ 50,542	\$ 77,218
Securities Lending Collateral.....	2,697	--	5,110	7,807
Receivables:				
Accrued Interest.....	67	--	130	197
Customers and Other.....	2,815	--	335	3,150
Notes.....	--	--	141	141
Special Assessments - Current.....	--	--	160	160
Less: Allowance for Doubtful Accounts.....	(500)	--	--	(500)
Due From Other Governments.....	1,320	--	3,246	4,566
Advances to Other Funds.....	1,080	--	--	1,080
Inventory.....	296	--	--	296
Cash and Cash Equivalents - Restricted.....	477	6,338	2,339	9,154
Investments - Restricted.....	--	--	--	--
Securities Lending Collateral - Restricted.....	48	641	238	927
Receivables - Restricted:				
Accrued Interest Receivable.....	--	15	9	24
Customers.....	--	--	11	11
Notes Receivable.....	--	624	281	905
Due from Other Governments.....	--	--	1,776	1,776
Total Assets.....	\$ 34,976	\$ 7,618	\$ 64,318	\$ 106,912
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Obligations Under Securities Lending.....	\$ 2,697	\$ --	\$ 5,110	\$ 7,807
Accounts and Retainage Payable.....	3,677	--	1,389	5,066
Unearned Revenue.....	1,575	--	126	1,701
Accounts and Retainage Payable - Restricted.....	477	391	3,405	4,273
Obligations Under Securities Lending - Restricted.....	48	641	238	927
Due to Other Funds.....	66	--	--	66
Due to Other Governments.....	676	--	--	676
Advances from Other Funds.....	1,192	--	1,758	2,950
Unearned Revenue - Restricted.....	--	--	436	436
Total Liabilities.....	10,408	1,032	12,462	23,902
FUND BALANCES				
Non-spendable.....	700	14	1,212	1,926
Spendable:				
Restricted.....	--	6,572	22,954	29,526
Committed.....	20,552	--	26,627	47,179
Assigned.....	1,741	--	2,136	3,877
Unassigned.....	1,575	--	(1,073)	502
Total Fund Balances.....	24,568	6,586	51,856	83,010
Total Liabilities and Fund Balances.....	\$ 34,976	\$ 7,618	\$ 64,318	\$ 106,912

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

CITY OF TALLAHASSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2013
(in thousands)

Total Fund Balances - Governmental Funds	\$	83,010
---	-----------	---------------

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.		895,754
---	--	---------

Long-term receivables will not be collected in the current period and, therefore, are not reported in the funds.		14,074
--	--	--------

Unamortized Bond Issue Costs are not financial resources and, therefore, are not reported in the funds.		421
---	--	-----

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the governmental-type internal services funds are included in the Statement of Net Position.		35,073
---	--	--------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(87,220)
--	--	----------

Net Position - Governmental Activities	\$	<u>941,112</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, 2013
(in thousands)

	General Fund	Community Redevelopment Agency	Other Governmental Funds	Total
Revenues:				
Taxes.....	\$ 53,613	\$ 744	\$ --	\$ 54,357
Licenses and Permits.....	2,538	--	3,207	5,745
Intergovernmental Revenues.....	14,108	1,328	18,915	34,351
Charges for Services.....	8,719	--	465	9,184
Fines and Forfeitures.....	2,212	--	265	2,477
Net Investment Earnings.....	783	115	2,852	3,750
Securities Lending Income.....	11	--	38	49
Change in the Fair Value of Investments.....	(342)	(132)	(1,017)	(1,491)
Miscellaneous Revenues.....	10,588	262	2,165	13,015
Total Revenues.....	92,230	2,317	26,890	121,437
Expenditures:				
Current:				
General Government.....	24,058	--	1,950	26,008
Public Safety.....	51,905	--	3,956	55,861
Transportation.....	15,965	--	35,260	51,225
Human Services.....	2,481	--	803	3,284
Economic Environment.....	724	5,344	3,126	9,194
Physical Environment.....	2,120	--	571	2,891
Cultural and Recreation.....	19,038	--	2,204	21,242
Securities Lending Expense:				
Interest.....	7	--	26	33
Agent Fees.....	1	--	2	3
Debt Service:				
Principal Retired.....	--	--	5,320	5,320
Interest and Fiscal Charges.....	96	--	2,860	2,956
Bond Issuance Costs.....	--	--	236	236
Advance Refunding Escrow.....	--	--	10,340	10,340
Total Expenditures.....	116,595	5,344	66,654	188,593
Excess of Revenues Over (Under) Expenditures.....	(24,365)	(3,027)	(39,764)	(67,156)
Other Financing Sources (Uses):				
Transfers In.....	41,095	--	12,063	53,158
Transfers Out.....	(16,554)	--	(6,588)	(23,142)
Refunding Bond Issue.....	--	--	58,164	58,164
Payment to Refunded Bond Escrow Agent.....	--	--	(58,164)	(58,164)
Proceeds from Sale of Capital Assets.....	--	--	3,055	3,055
Total Other Financing Sources (Uses).....	24,541	--	8,530	33,071
Net Change in Fund Balances.....	176	(3,027)	(31,234)	(34,085)
Fund Balances - October 1.....	24,392	9,613	83,090	117,095
Fund Balances - September 30.....	\$ 24,568	\$ 6,586	\$ 51,856	\$ 83,010

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, 2013
(in thousands)

Net Changes in Fund Balances - Total Governmental Funds **\$ (34,085)**

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. (2,245)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain internal services funds is reported with governmental activities. (2,473)

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 issuance costs, 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. 16,113

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. 168

Change in Net Position of Governmental Activities \$ (22,522)

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, 2013

(in thousands)

ASSETS	Enterprise Funds						Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management			
Current Assets									
Cash and Cash Equivalents.....	\$ 80,671	\$ 2,627	\$ 774	\$ 1,862	\$ 3,634	\$ 59,798	\$ 13,551	\$ 162,917	\$ 53,530
Investments.....	--	--	--	--	--	--	--	--	--
Securities Lending Collateral.....	8,156	266	78	188	367	6,046	1,370	16,471	5,411
Receivables:									
Accrued Interest.....	199	6	5	4	9	148	33	404	158
Notes.....	8,616	--	845	--	--	--	--	9,461	--
Customers and Others.....	22,036	1,002	3,810	1,769	1,035	1,086	4,842	35,580	830
Due From Other Governments.....	1,758	--	887	4	--	2	4,082	6,733	750
Less: Allowance for Doubtful Accounts.....	(1,750)	(88)	(223)	(206)	(241)	(225)	(756)	(3,489)	--
Prepaid Expenses.....	--	--	--	--	--	--	--	--	2,214
Due from Other Funds.....	3,490	--	--	--	--	--	--	3,490	76
Inventory.....	46,782	116	1,603	77	--	--	947	49,525	2,545
Cash and Cash Equivalents - Restricted.....	179,311	6,143	60,625	28,334	8,047	--	2,100	284,560	--
Investments - Restricted.....	--	--	--	--	752	--	--	752	--
Securities Lending Collateral - Restricted.....	18,052	575	6,129	2,633	814	--	--	28,203	--
Receivables - Restricted:									
Accrued Interest.....	442	14	150	65	21	--	--	692	--
Due from Other Governments.....	--	--	--	--	1,324	--	--	1,324	--
Total Current Assets.....	367,763	10,661	74,683	34,730	15,762	66,855	26,169	596,623	65,514
Noncurrent Assets									
Advances to Other Funds.....	500	--	--	--	--	178	--	678	2,628
Deposits.....	--	--	--	--	--	--	7	7	4,562
Unamortized Bond Issue Costs.....	5,353	128	2,015	435	--	--	--	7,931	--
Capital Assets									
Land and Construction in Progress.....	219,936	6,346	113,353	18,113	12,585	104,287	21,348	495,968	6,552
Other, Net of Accumulated Depreciation.....	485,977	51,185	312,758	112,277	89,303	35,912	37,439	1,124,851	49,262
Total Noncurrent Assets.....	711,766	57,659	428,126	130,825	101,888	140,377	58,794	1,629,435	63,004
Total Assets.....	\$ 1,079,529	\$ 68,320	\$ 502,809	\$ 165,555	\$ 117,650	\$ 207,232	\$ 84,963	\$ 2,226,058	\$ 128,518

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, 2013
(in thousands)

	Enterprise Funds						Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management			
LIABILITIES									
Current Liabilities									
Accounts Payable.....	\$ 20,364	\$ 1,762	\$ 1,098	\$ 303	\$ 2,537	\$ 1,165	\$ 13,445	\$ 40,674	\$ 12,211
Due to Other Funds.....	--	--	--	--	--	--	9	9	3,491
Compensated Absences.....	1,887	153	962	385	279	384	2,763	6,813	2,239
Obligations Under Securities Lending.....	8,156	266	78	188	367	6,046	1,370	16,471	5,411
Customer Contracts Payable.....	--	--	480	285	--	--	--	765	--
Unearned Revenue.....	--	--	--	--	--	--	--	--	88
Utility Deposits Payable.....	16,268	448	--	1,344	--	--	--	18,060	--
Obligations Under Securities Lending - Restricted.....	18,052	575	6,129	2,633	814	--	--	28,203	--
Retainage Payable and Accounts Payable - Restricted.....	2,101	109	4,505	436	992	--	--	8,143	--
Loans Payable - Current.....	1,285	166	--	1,019	--	--	--	2,470	--
Bonds Payable - Current.....	12,011	1,471	5,869	661	--	--	--	20,012	--
Total Current Liabilities.....	80,124	4,950	19,121	7,254	4,989	7,595	17,587	141,620	23,440
Noncurrent Liabilities									
Loans Payable.....	16,053	3,075	--	12,735	--	--	--	30,863	--
Claims Payable.....	--	--	--	--	--	--	--	--	10,699
Customer Contracts Payable.....	--	--	1,081	581	--	--	--	1,662	--
Advances from Other Funds.....	8,705	5,479	--	--	296	--	1,030	15,510	--
Compensated Absences.....	1,177	102	373	158	206	102	852	2,970	691
Net OPEB Obligations.....	--	--	--	--	--	--	--	--	--
Derivative Instruments.....	--	--	--	--	--	--	--	--	--
Deferred Inflows of Resources.....	--	--	--	--	--	--	--	--	--
Bonds Payable.....	573,617	16,974	268,716	60,656	--	--	--	919,963	--
Total Noncurrent Liabilities.....	599,552	24,630	270,170	74,130	502	102	1,882	970,968	11,390
Total Liabilities.....	679,676	29,580	289,291	81,384	5,491	7,697	19,469	1,112,588	34,830
NET POSITION									
Investment in Capital Assets, Net of Related Debt.....	168,141	36,251	173,508	71,112	101,592	140,200	51,851	742,655	55,814
Restricted for Debt Service.....	20,991	1,574	12,963	1,613	--	--	--	37,141	--
Restricted for Renewal, Replacement, and Improvements...	98,717	4,869	26,964	11,352	9,152	--	2,100	153,154	--
Unrestricted.....	112,004	(3,954)	83	94	1,415	59,335	11,543	180,520	37,874
Total Net Position.....	\$ 399,853	\$ 38,740	\$ 213,518	\$ 84,171	\$ 112,159	\$ 199,535	\$ 65,494	1,113,470	\$ 93,688
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.....									58,615
Net Position of business-type activities.....									\$ 1,172,085

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the fiscal year ended September 30, 2013
(in thousands)

	Enterprise Funds								
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues:									
Charges for Services:									
Residential Sales.....	\$ 112,491	\$ 10,589	\$ 28,764	\$ 13,452	\$ --	\$ 7,509	\$ 28,163	\$ 200,968	\$ --
Commercial and Industrial Sales.....	122,539	15,738	19,208	7,752	--	8,749	24,093	198,079	--
Public Street and Highway Lighting.....	3,694	--	--	--	--	--	--	3,694	--
Sales for Resale.....	4,109	--	--	--	--	--	--	4,109	--
Surcharge.....	2,103	188	1,055	1,487	--	--	--	4,833	--
Tapping Fees.....	--	10	114	436	--	--	--	560	--
Landing and Tie Down Fees.....	--	--	--	--	1,380	--	--	1,380	--
Late Fees.....	657	69	--	74	--	--	--	800	--
Initiating Service.....	862	124	--	494	--	--	--	1,480	--
Rentals.....	1,048	--	--	359	8,397	--	--	9,804	--
Cut-ins and Cut-fees.....	1,350	25	--	107	--	--	--	1,482	--
County Government.....	--	--	--	--	--	--	2,194	2,194	--
Recyclable Sales.....	--	--	--	--	--	--	822	822	--
Recreation Fees.....	--	--	--	--	--	--	908	908	--
Transportation Fees.....	--	--	--	--	--	--	4,863	4,863	--
Other.....	6,691	702	2,210	2,378	1,784	1,066	640	15,471	195,441
Total Operating Revenues.....	255,544	27,445	51,351	26,539	11,561	17,324	61,683	451,447	195,441
Operating Expenses:									
Personnel Services.....	26,883	1,946	13,287	5,494	4,217	5,611	37,904	95,342	32,744
Fossil Fuel.....	97,569	12,518	--	--	--	--	--	110,087	--
Power Purchased.....	6,959	--	--	--	--	--	--	6,959	--
Contractual Services.....	37,820	2,592	12,812	10,664	3,539	6,128	29,452	103,007	139,755
Materials and Supplies.....	7,671	135	2,785	865	108	557	4,367	16,488	7,749
Other Expenses.....	6,897	1,650	1,919	3,350	435	542	1,337	16,130	8,779
Depreciation.....	32,631	1,808	12,971	3,883	3,882	1,012	3,600	59,787	7,552
Amortization.....	239	13	99	15	--	--	--	366	--
Total Operating Expenses.....	216,669	20,662	43,873	24,271	12,181	13,850	76,660	408,166	196,579
Operating Income (Loss).....	\$ 38,875	\$ 6,783	\$ 7,478	\$ 2,268	\$ (620)	\$ 3,474	\$ (14,977)	\$ 43,281	\$ (1,138)

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the fiscal year ended September 30, 2013
(in thousands)

	Enterprise Funds								Internal Service Funds
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	
Non-Operating Revenues (Expenses):									
Net Investment Earnings.....	\$ 4,239	\$ 128	\$ 692	\$ 140	\$ 155	\$ 800	\$ 177	\$ 6,331	\$ 866
Change in the Fair Value of Investments.....	(3,960)	(119)	(1,173)	(489)	(145)	(823)	(177)	(6,886)	(775)
Securities Lending:									
Income.....	66	3	11	7	4	11	4	106	10
Interest Expense.....	(43)	(2)	(7)	(4)	(3)	(7)	(3)	(69)	(8)
Agent Fees.....	(5)	--	(1)	(1)	--	(1)	--	(8)	--
Grant Revenues.....	3,180	--	--	--	--	--	2,681	5,861	--
Other Revenues.....	--	61	8,273	1,598	--	346	(123)	10,155	2,329
Interest Expense.....	(18,943)	(1,089)	(4,125)	(2,165)	(69)	--	(120)	(26,511)	(1)
Gain (Loss) on Sale of Assets.....	--	--	--	--	(3)	--	--	(3)	1
Other Expenses.....	(264)	(179)	(411)	(6)	(1,623)	--	--	(2,483)	(1,684)
Total Non-Operating Revenues (Expenses).....	(15,730)	(1,197)	3,259	(920)	(1,684)	326	2,439	(13,507)	738
Income (Loss) Before Capital Contributions and Operating Transfers.....	23,145	5,586	10,737	1,348	(2,304)	3,800	(12,538)	29,774	(400)
Capital Contributions and Transfers:									
Capital Contributions.....	--	--	--	--	4,533	--	7,051	11,584	--
Transfers In.....	1,850	--	5	5	--	10	10,722	12,592	1,439
Transfers Out.....	(24,388)	(2,614)	(4,243)	(3,339)	(1,083)	(391)	(2,031)	(38,089)	(5,958)
Total Capital Contributions and Transfers.....	(22,538)	(2,614)	(4,238)	(3,334)	3,450	(381)	15,742	(13,913)	(4,519)
Change in Net Position.....	607	2,972	6,499	(1,986)	1,146	3,419	3,204	15,861	(4,919)
Net Position - October 1.....	394,714	35,768	207,019	86,157	111,013	196,116	62,290		98,607
Adjustment to October 1 Net Position.....	4,532	--	--	--	--	--	--		--
Net Position - October 1, as restated.....	399,246	35,768	207,019	86,157	111,013	196,116	62,290		98,607
Net Position - September 30	\$ 399,853	\$ 38,740	\$ 213,518	\$ 84,171	\$ 112,159	\$ 199,535	\$ 65,494		\$ 93,688
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.....								(3,948)	
Change in net position of business-type activities.....								\$ 11,913	

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended September 30, 2013
(in thousands)

	Enterprise Funds							Total	Internal
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Enterprise Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash Received from Customers.....	\$ 256,467	\$ 27,998	\$ 53,197	\$ 27,067	\$ 11,914	\$ 17,535	\$ 61,432	\$ 455,610	\$ --
Cash Received from Other Funds.....	--	--	--	--	--	--	--	--	197,233
Cash Received from Other Revenues.....	--	61	4,798	796	--	346	--	6,001	--
Cash Paid to Suppliers for Goods and Services.....	(126,627)	(16,089)	(15,794)	(11,011)	(2,843)	(3,209)	(25,477)	(201,050)	(153,420)
Cash Paid to Employees for Services.....	(26,721)	(1,932)	(13,168)	(5,553)	(4,184)	(5,635)	(37,645)	(94,838)	(32,783)
Cash Paid to Other Funds.....	(20,560)	(2,061)	(5,803)	(5,922)	(1,091)	(4,058)	(13,241)	(52,736)	--
Cash Paid for Other Expenses.....	(264)	(179)	--	--	(1,623)	--	--	(2,066)	--
Net Cash Provided by (Used For) Operating Activities.....	82,295	7,798	23,230	5,377	2,173	4,979	(14,931)	110,921	11,030
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers In from Other Funds.....	1,850	--	5	5	--	10	10,722	12,592	1,439
Operating Grants Received.....	3,180	--	--	--	--	--	2,032	5,212	--
Other.....	--	--	--	--	--	--	--	--	2,219
Repayment of Advances.....	--	--	--	--	(281)	--	197	(84)	--
Transfers Out to Other Funds.....	(24,388)	(2,614)	(4,243)	(3,339)	(1,083)	(389)	(2,031)	(38,087)	(5,958)
Net Cash Provided by (Used for) Noncapital Financing Activities.....	(19,358)	(2,614)	(4,238)	(3,334)	(1,364)	(579)	10,920	(20,367)	(2,300)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Capital Contributions.....	--	--	--	--	5,965	--	7,051	13,016	--
System Charges.....	--	--	3,475	(802)	--	--	--	2,673	--
Proceeds from Sale of Property.....	--	--	--	--	--	--	--	--	(61)
Bond and Loan Proceeds.....	--	--	--	--	--	--	--	--	40
Acquisition, Construction and Sale of Capital Assets.....	(50,277)	(3,382)	(25,606)	(8,488)	(5,082)	(6,098)	(2,187)	(101,122)	(12,610)
Principal and Refunding Payments.....	(11,446)	(1,400)	(5,631)	(1,613)	(925)	--	--	(21,015)	--
Repayment of Loans Payable.....	(1,235)	(160)	--	--	--	--	--	(1,395)	--
Repayment of Loans from Other Funds.....	(343)	(1,012)	--	--	--	--	(489)	(1,844)	--
Interest Paid.....	(30,848)	(1,222)	(13,552)	(3,456)	(69)	--	(120)	(49,247)	(1)
Net Cash Provided by (Used for) Capital and Related Financing Activities.....	(94,149)	(7,176)	(41,216)	(14,339)	(111)	(6,058)	4,255	(158,934)	(12,632)
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from Sale and Maturities of									
Interest Received on Investments.....	4,372	130	1,119	155	151	798	175	6,900	868
Purchase of Investment Securities.....	--	--	--	--	--	--	--	--	--
Decrease in the Fair Value of Cash and Cash Equivalents.....	(3,960)	(119)	(1,173)	(489)	(145)	(823)	(177)	(6,886)	(775)
	\$ 412	\$ 11	\$ (54)	\$ (334)	\$ 6	\$ (25)	\$ (21)	\$ 14	\$ 93

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

CITY OF TALLAHASSEE, FLORIDA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended September 30, 2013
(in thousands)

	Enterprise Funds								
	Electric	Gas	Sewer	Water	Airport	Stormwater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Net Increase (Decrease) in Cash and Cash Equivalents.....	\$ (30,800)	\$ (1,981)	\$ (22,378)	\$ (12,630)	\$ 704	\$ (1,523)	\$ 242	\$ (68,366)	\$ (3,809)
Cash and Cash Equivalents - October 1.....	290,782	10,751	83,777	42,826	10,977	61,321	15,409	515,843	57,359
Cash and Cash Equivalents - September 30.....	\$ 259,982	\$ 8,770	\$ 61,399	\$ 30,196	\$ 11,681	\$ 59,798	\$ 15,651	\$ 447,477	\$ 53,550
Classified As:									
Unrestricted Assets.....	\$ 80,671	\$ 2,627	\$ 774	\$ 1,862	\$ 3,634	\$ 59,798	\$ 13,551	\$ 162,917	\$ 33,536
Restricted Assets.....	179,311	6,143	60,625	28,334	8,047	—	2,100	284,560	—
	\$ 259,982	\$ 8,770	\$ 61,399	\$ 30,196	\$ 11,681	\$ 59,798	\$ 15,651	\$ 447,477	\$ 53,530
Reconciliation of Operating Income (Loss)									
to Net Cash Provided by (Used for)									
Operating Activities:									
Operating Income (Loss).....	\$ 38,875	\$ 6,783	\$ 7,478	\$ 2,268	\$ (620)	\$ 3,474	\$ (14,977)	\$ 43,281	\$ (1,138)
Adjustments to Reconcile Operating Income (Loss)									
to Net Cash Provided by (Used for) Operating Activities:									
Depreciation.....	32,631	1,808	12,971	3,883	3,882	1,012	3,600	59,787	7,552
Amortization.....	239	13	99	15	—	—	—	366	—
Provision for Uncollectible Accounts.....	—	(12)	(9)	66	26	—	(38)	33	—
Other.....	(264)	(118)	4,798	796	(1,623)	346	—	3,935	—
(Increase) Decrease in Accounts Receivable.....	(665)	520	(198)	437	154	212	(205)	255	783
Decrease in Other Accounts Receivable.....	—	—	—	—	—	—	—	—	(21)
(Increase) Decrease in Inventory.....	(436)	(60)	120	—	—	—	33	(343)	142
(Increase) Decrease in Deposits.....	—	—	—	—	—	—	—	—	(86)
(Increase) Decrease in Notes Receivable.....	(195)	—	(115)	—	—	—	—	(310)	—
(Increase) Decrease in Due From Other Funds.....	(408)	—	—	—	—	—	—	(408)	—
(Increase) Decrease in Due From Other Governments.....	1,268	—	2,168	—	—	—	—	3,436	(648)
Increase (Decrease) in Accounts Payable.....	10,165	(1,195)	(3,998)	(2,019)	138	(41)	(3,364)	(314)	2,232
Decrease in Due To Other Funds.....	—	—	—	—	—	—	—	—	(92)
Increase in Prepaid Expenses.....	—	—	—	—	—	—	(7)	(7)	—
Increase in loans to other funds.....	—	—	—	—	—	—	—	—	2,344
Increase in Utility Deposits Payable.....	923	45	—	25	—	—	—	993	—
Increase (Decrease) in Deferred Revenue.....	—	—	—	—	—	—	(33)	(33)	—
Increase (Decrease) in Customer Contracts Payable.....	—	—	(203)	(35)	—	—	—	(238)	—
Increase (Decrease) in Compensated Absences.....	162	14	119	(59)	(4)	(24)	60	268	(39)
Increase in Prepaid Fees Credit.....	—	—	—	—	220	—	—	220	—
Decrease in Insurance Deposits.....	—	—	—	—	—	—	—	—	1
Total Adjustments.....	43,420	1,015	15,752	3,109	2,793	1,505	46	67,640	12,168
Net Cash Provided by (Used for) Operating									
Activities.....	\$ 82,295	\$ 7,798	\$ 23,230	\$ 5,377	\$ 2,173	\$ 4,979	\$ (14,931)	\$ 110,921	\$ 11,030

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, 2013
(in thousands)

	Pension Trust Fund	OPEB Trust Fund	Nuclear Decommissioning Private-Purpose Trust Fund
ASSETS			
Cash and Cash Equivalents.....	\$ 1,420	\$ 148	\$ --
Receivables			
Other Receivables.....	38,564	--	--
Accrued Interest.....	1,528	--	--
Due from Other Governments.....	11	--	--
Total Receivables.....	40,103	--	--
Investments, at Fair Value			
Mutual Index Funds.....	323,538	--	--
Fixed Income Securities.....	298,892	--	--
Domestic Stock.....	443,946	--	--
International Stock.....	184,846	--	--
Short-term Investments.....	14,604	4,996	6,802
Real Estate.....	142,073	--	--
Total Investments.....	1,407,899	4,996	6,802
Securities Lending Collateral.....	49,530	15	--
Total Assets.....	\$ 1,498,952	\$ 5,159	\$ 6,802
LIABILITIES AND NET POSITION			
LIABILITIES			
Obligations Under Securities Lending.....	\$ 49,530	\$ 15	\$ --
Other Payables.....	54,655	--	--
Total Liabilities.....	104,185	15	--
NET POSITION			
Held in Trust for Benefits and Other Purposes.....	1,394,767	5,144	6,802
Total Liabilities and Net Position.....	\$ 1,498,952	\$ 5,159	\$ 6,802

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, 2013
(in thousands)

	Pension Trust Fund	OPEB Trust Fund	Nuclear Decommissioning Private-Purpose Trust Fund
ADDITIONS			
Contributions			
Employer.....	\$ 24,721	\$ 2,022	\$ --
Plan Members.....	9,164	--	--
Miscellaneous.....	135	--	--
Total Contributions.....	<u>34,020</u>	<u>2,022</u>	<u>--</u>
Investment Income			
From Investment Activities:			
Unrealized Appreciation (Depreciation)			
In Fair Value of Investments.....	152,883	828	478
Interest.....	21,075	21	15
Dividends.....	10,646	--	--
Total Investment Income.....	<u>184,604</u>	<u>849</u>	<u>493</u>
Less Investment Expenses:			
Investment Management Fees.....	5,487	--	--
Interest Expenses.....	55	--	--
Net Income from Investing Activities.....	<u>179,062</u>	<u>849</u>	<u>493</u>
From Securities Lending Activities:			
Securities Lending Income.....	258	--	--
Less Securities Lending Expenses:			
Interest Expenses.....	--	--	--
Investment Management Fees.....	50	--	--
Net Income from Securities Lending Activities.....	<u>208</u>	<u>--</u>	<u>--</u>
Total Net Investment Income.....	<u>179,270</u>	<u>849</u>	<u>493</u>
Total Additions.....	<u>213,290</u>	<u>2,871</u>	<u>493</u>
DEDUCTIONS			
Benefits.....	65,977	2,142	--
Refunds of Contributions.....	447	--	--
Administrative Expense.....	1,043	--	--
Total Deductions.....	<u>67,467</u>	<u>2,142</u>	<u>--</u>
Change in Net Position.....	145,823	729	493
Net Position - October 1.....	<u>1,248,944</u>	<u>4,415</u>	<u>6,309</u>
Net Position - September 30.....	<u>\$ 1,394,767</u>	<u>\$ 5,144</u>	<u>\$ 6,802</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note I – Summary of Significant Accounting Policies

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

Note III – Stewardship, Compliance, and Accountability

Note IV – Detailed Notes (All Funds)

Note V – Other Information

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The City is a political subdivision of the State of Florida, located in Leon County in the center of the Florida Panhandle. It is approximately 102 square miles in area. It is the capital of Florida, the county seat, and the only incorporated municipality in Leon County. The City was incorporated in 1825 following a decision by the 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 is able to serve as an ongoing contact for matters involving other governmental or institutional organizations, including the state legislature, county government, and local universities.

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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

BLENDING COMPONENT UNIT

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

JOINT VENTURES EXCLUDED FROM THE REPORTING ENTITY

- Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in November 1985, initially by the cities of Tallahassee and Orlando, Florida to operate and administer a loan program. As of September 30, 2012, the Commission's membership consists of the following governmental units: City of Coral Gables, Florida; City of Coral Springs, Florida; City of Daytona Beach, Florida; City of Ft. Lauderdale, Florida; City of Hollywood, Florida; City of Jacksonville, Florida; City of Lakeland, Florida; City of Miami, Florida; City of Miami Beach, Florida; City of Orlando, Florida; City of St. Petersburg, Florida; City of Tallahassee, Florida; City of Vero Beach, Florida; Miami-Dade County, Florida; Palm Beach County, Florida;

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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.

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.

- Capital Regional Transportation Planning Agency

In December 2004, the Capital Regional 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 Regional 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 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 1st, the commencement date, all existing dispatch operations personnel of

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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 Agency's Board of Directors.

The Agency 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 six month period ended September 30, 2013, the City's contribution to the CDA was \$2,780,000.

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

JOINTLY GOVERNED ORGANIZATION

- City of Tallahassee-Leon County Blueprint 2000 Intergovernmental Agency

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

Periodically, the Agency provides construction management services to the City. For these services the Agency and the City enter into Joint Participation Agreements (JPAs) whereby the City agrees to pay an administrative fee to the Agency.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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

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

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

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

The government-wide financial statements, 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 thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

- Internal Service Funds account for various services provided to other departments of the government and to other governments on a cost reimbursement basis. The services provided include an 800 megahertz system, revenue collection, information systems services, accounting operations, fleet management, employee relations operations, employee retirement plan's administrative operation, risk management operation, internal loans program, utility services functions, wholesale energy operations, and environmental policy initiatives.
- 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 plant's decommissioning is anticipated to begin in 2016.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

- The Pension Trust Fund includes a Defined Benefit Plan and a Defined Contribution Plan. It is used to account for the accumulation of resources to be used for retirement annuity payments to City employees. The Defined Benefit Plan accounts for general employees, police officers, and fire fighters separately. The Defined Contribution Plan covers all employees who elect to contribute a portion of their salary to the plan.
- The 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 issued prior to December 1, 1989, 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. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

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

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

D. ASSETS, LIABILITIES, AND NET POSITION

1. **CASH AND CASH EQUIVALENTS/INVESTMENTS** - The City considers cash on hand, demand deposits and liquid investments with an original maturity of 90 days or less to be cash and cash equivalents/investments. Liquid investments include repurchase agreements purchased under the terms of the City's depository contract, open repurchase agreements, certificates of deposit, banker's acceptances, commercial paper, U.S. Treasury direct and agency obligations and Florida Department of Treasury Special Purpose Investment Account (SPIA) funds. The City "pools" its cash and cash equivalent/investments in order to obtain efficiencies of operation and improved investment performance. Each fund maintains a share in the equity of the pooled cash and cash equivalents/investments. Each fund's equity in the City's cash and investment pool has been treated as cash equivalents/investments since cash may be withdrawn from the pool at any time without prior notice or penalty.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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

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

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

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

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1 (CONTINUED)

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

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

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

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:

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1 (CONTINUED)

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

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

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

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

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

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

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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

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

For employees covered by the Fire bargaining unit, a fire suppression employee who retires or dies will be paid for 33 1/3% (1/3) of the unused sick leave balance credited to him at the time of retirement or death, provided that the unused sick leave balance credited to him at the time of retirement or death equals at least three hundred ninety-eight (398) hours. If the unused sick leave balance credited to the employee at the time of retirement or death equals less than three hundred ninety-eight hours, the employee who retires or dies will be paid 25% (1/4) of the unused balance. A 40-hour employee who retires or dies will be paid for 33 1/3% (1/3) of the unused sick leave balance credited to him at the time of retirement or death, provided that the unused sick leave balance credited to him at the time of retirement or death equals at least three hundred (300) hours. If the unused sick leave balance credited to the employee at the time of retirement or death equals less than three hundred (300) hours, the employee will be paid for 25% (1/4) of the unused balance. An employee who accidentally dies while engaged in the performance of his firefighter duties, or who receives accidental bodily injury which subsequently results in the loss of his life within one (1) year after being received, provided that such a death is not the result of suicide and that such bodily injury is not intentionally self-inflicted, and the accidental death occurs as a result of the firefighter's response to what is reasonably believed to be an emergency involving the protection of life or property, will be paid 100% of the accrued but unused sick leave credited to him at the time of death.

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

8. BOND DISCOUNTS, ISSUANCE COSTS, AND REFUNDING GAINS AND LOSSES - In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds at the rate at which principal payments are made which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond refunding gains and losses are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method, and presented as other liabilities. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE I (CONTINUED)

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

10. FUELS MANAGEMENT PROGRAM - In connection with the purchase of natural gas, diesel fuel, and unleaded gasoline, the City has developed and implemented a fuels management program intended to manage the risk of changes in the market prices of natural gas, diesel fuel, and unleaded gasoline. Pursuant to this program the City may execute fixed price and option contracts from time to time to help manage fluctuations in the market price of such fuels. The fair value of such contracts are recorded at fair value on the Statement of Net 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 noncurrent assets and liabilities. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under expired or closed contracts are recorded as an adjustment to fuel expense in the period realized. See Note V, section J.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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 assets – 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, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$87,220 difference are as follows (in thousands):

Bonds and loan payable including premiums & discount.....	\$ 76,345
Compensated absences.....	8,375
Net OPEB Obligation.....	<u>2,500</u>
Net adjustments to reduce fund balances-	
Total governmental funds to arrive at net position.....	<u>\$ 87,220</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, “Governmental funds report capital outlays as expenditures.” However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$ (2,245) difference are as follows (in thousands):

Capital Outlay.....	\$ 28,600
Depreciation Expense	<u>(30,845)</u>
Net adjustment to increase net changes in Fund Balances	
Total Governmental Funds to arrive at changes in Net Position	
Governmental Activities.....	<u>\$ (2,245)</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

The Building Code Enforcement Fund had a fund deficit of \$1,073,000 at fiscal year end. The Capital Bonds Fund had a deficit of \$1,738,000 at fiscal year end. Both are Governmental Funds.

D. PRIOR PERIOD ADJUSTMENT

Net Position as of September 30, 2012 has been restated to reflect adjustments to Construction in Progress of the Electric Fund (a major enterprise fund) that were previously reported as operating expenses, which resulted in an increase in net assets of \$4,532,000.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV - DETAILED NOTES - ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

1. DEPOSITS - At year-end, the book balance of the City's deposits was \$13,615,000 and the bank balance was \$18,537,000. Also included within deposits is \$28,318,000 of the Cash Equivalent or liquid portion of the City's investments.

The difference between the book balance and bank balance is due to outstanding checks and deposits. Three city funds had deficit cash balances at year end totaling \$10,603,000 which is reported in accounts payable at September 30, 2013. The bank balance is insured by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Depository (the Act). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

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

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.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

The City's banking arrangement requires daily cash balances to be invested in a Public Funds NOW account at the federal fund rate, less ten basis points. The Public Funds book balance at September 30, 2013 was \$3,936,000 and the bank balance was \$2,173,000. The Public Funds balances are included in the above discussed City deposit balances.

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

The non-pension Core Portfolio includes investments administered internally by the City of Tallahassee, funds invested in three external investment pools and the external portfolio administered by Galliard Asset Management (Galliard). The three external investment pools are 1) the Florida Municipal Investment Trust Portfolio 1-3 year High Quality Bond Fund (the "Florida League of Cities 1-3 Year Pool") 2) the Florida Municipal Investment Trust Portfolio 0-2 year High Quality Bond Fund (the "Florida League of Cities 0-2 Year Pool"), both of which pools are administered by the Florida League of Cities and 3) the Special Purpose Investment Account administered by the Florida Department of Financial Services, Division of Treasury, Internal Investments (the "SPIA Pool"). At September 30, 2013, the City owns \$25,048,000 in shares of the Florida League of Cities 1-3 Year Pool and \$25,002,000 in shares of the Florida League of Cities 0-2 Year Pool, not the individual securities within the portfolio. The effective duration of the Florida League of Cities 1-3 Year Pool as of September 30, 2013 is 1.59 years; the effective duration of the Florida League of Cities 0-2 Year Pool as of September 30, 2013 is .72 years. At September 30, 2013, the City has \$175,473,000 invested in shares of the SPIA Pool, not the individual securities within the portfolio. The SPIA Pool has a rating of A+ from Standard and Poor's. The unaudited fair value factor for September 30, 2013 was .9983. The effective duration of the SPIA Pool as of September 30, 2013 was 2.55 years.

The Nuclear Fuel Decommissioning Private Purpose Fund is a Specialized Portfolio. As of September 30, 2013, the Nuclear Fuel Decommissioning Private-Purpose Fund held \$6,747,000 in the Florida State Board of Administration (SBA) Local Government Investment Prime Pool and \$55,000 in the SBA's Pool B. The Prime Pool is a 2a-7 like pool which maintains a stable net asset value of \$1, is rated AAAm and has an average weighted maturity of 43.9 days. Pool B does not meet the qualifications of a 2a-7 like pool. The Pool is not rated, and has an estimated weighted average maturity of 4.04 years at September 30, 2013. The Fair Value factor for Pool B at September 30, 2013 is 1.1326.

Credit Risk: The structure of the City's non-pension portfolio is designed to minimize credit risk. To limit the City's risk against possible credit losses, a maximum of 5% of the total portfolio may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds. No corporate entity represented more than 5% of the portfolio at September 30, 2013. The City's Investment Policy provides that the structure of the non-pension portfolio is designed to minimize credit risk, with the majority of the securities held to be those of the highest available credit quality ratings. The non-pension portfolio's credit quality is measured using the Standard & Poor's rating scale.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

As of September 30, 2013, the City had the following non-pension investments subject to credit risk in the internal and Galliard portion of the portfolio (in thousands):

Credit Quality September 30, 2013	
Quality Breakdown	Portfolio Percentage
US Treasury	28.87%
US Agency	39.56%
AAA	3.79%
AA	20.34%
A	7.17%
BBB	0.00%
Other	0.27%
Total	100.00%

In addition, the City owns \$25,048,000 shares in the Florida League of Cities 1-3 Year Pool, \$25,002,000 shares in the Florida League of Cities 0-2 Year Pool, and \$175,473,000 shares in the SPIA Pool, as noted above.

Interest Rate Risk: In accordance with the City's non-pension investment policy, the City has established maturity limitations for each authorized investment category. The normal duration of the non-pension portfolio is defined as .5 years to 2.5 years. The option adjusted duration of the non-pension portfolio as of September 30, 2013 was 1.93 years.

As of September 30, 2013, the non-pension portfolio that encompasses the internal portion as well as those assets under the management of Galliard, 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
US Treasury	\$ 131,715	\$ 69,663	\$ 62,052	\$ --	\$ --
US Agency	71,219	2,995	63,226	4,998	--
Asset Backed	91,111	--	10,370	12,583	68,158
Corporate Bonds	88,677	22,049	66,628	--	--
Municipal	37,099	8,356	28,743	--	--
Other	4,554	3,038	1,516	--	--
Total	\$ 424,375	\$ 106,101	\$ 232,535	\$ 17,581	\$ 68,158

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

As of September 30, 2013, the City had the following pension investments subject to credit risk:

Credit Quality September 30, 2013	
Quality Breakdown	Portfolio Percentage
US Treasury	5.25%
US Agency	20.96%
AAA	4.30%
AA	5.96%
A	5.29%
BBB-B	4.51%
CCC-C	0.57%
Other	2.27%
Commingled	50.89%
Total	100.00%

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

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

	Exposure	Percentage
US Dollar	\$ 1,179,959	90.32%
Euro Currency	45,423	3.48%
Japanese Yen	23,489	1.80%
Pound Sterling	25,936	1.99%
Hong Kong Dollar	7,085	0.54%
Swiss Franc	13,761	1.05%
Australian Dollar	4,480	0.34%
Canadian Dollar	11	0.00%
South Korean Won	1,828	0.14%
Norwegian Krone	1,056	0.08%
Singapore Dollar	413	0.03%
Brazilian Real	386	0.03%
Polish Zloty	6	0.00%
Israeli Shekel	659	0.05%
Indonesian Rupiah	451	0.04%
Swedish Krona	269	0.02%
Danish Krone	933	0.07%
Turkish Lira	4	0.00%
Malaysian Ringgit	93	0.01%
Mexican Peso	108	0.01%
New Taiwan Dollar	--	0.00%
Total	\$ 1,306,350	100.00%

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

Interest Rate Risk: The City of Tallahassee held the following investments for its pension funds as of September 30, 2013 (in thousands):

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6 - 10 Years	10+ Years
Asset Backed	\$ 64,874	\$ --	\$ 525	\$ 10,584	\$ 53,765
Corporate Bonds	30,331	6,274	13,994	5,184	4,879
Municipal	3,527	--	1,150	1,239	1,138
US Agency	13,842	2,072	9,542	1,585	643
US Treasury	13,701	4,122	11,579	--	--
Commingled	152,097	--	--	--	--
Cash and Equivalents	18,520	18,520	--	--	--
Total	\$ 298,892	\$ 30,988	\$ 36,790	\$ 18,592	\$ 60,425

B. SECURITIES LENDING TRANSACTIONS

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

During the fiscal year ended September 30, 2013, the Bank loaned, at the direction of the City's Treasurer-Clerk, securities and received cash, securities issued or guaranteed by the United States government, and irrevocable bank letters of credit as collateral. The Bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver cash collateral for each loan equal to at least 100% of the market value of the loaned securities or U.S. Government Securities equal to 102% of the market value of the securities.

There are no restrictions on the amount of securities that may be loaned. The Agreement requires the Bank to indemnify the City for losses attributable to violations by the Bank of the Standard of Care set out in the Agreement. There were no such violations during the fiscal year ended September 30, 2013. Moreover, there were no losses during the fiscal year ended September 30, 2013 resulting from a default of any borrower.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

During the fiscal year ended September 30, 2013, the City and each borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan of securities together with the cash collateral of other qualified tax-exempt plan lenders were invested in a collective investment pool with the Bank. The average duration of the investment pool as of September 30, 2013 was 1.9 days with an average weighted maturity of 284 days. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On September 30, 2013, the City had no credit risk exposure to borrowers.

As of September 30, 2013, for the City's pension fund, the collateral held and the market value of securities on loan were \$49,530,000 and \$48,462,000, respectively; for the City's non-pension funds, the collateral held and the market value of securities on loan were \$58,849,000 and \$57,686,000 respectively.

A summary of the fair market value of the securities on loan as of September 30, 2013 follows:

	Pension Fund	Non-Pension Fund
Corporate Bonds	\$ 675,000	\$ 7,255,000
Common Stock	37,790,000	--
U.S. Government Treasury Notes	9,997,000	50,431,000
	<u>\$ 48,462,000</u>	<u>\$ 57,686,000</u>

C. RECEIVABLES

1. **PROPERTY TAXES** - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Leon County Property Appraiser and the Leon County Tax Collector. The laws of the State regulating tax assessment are also designed to ensure consistent property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2013 was 3.7000.

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

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

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

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

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

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

The following is a schedule, by years, of minimum future rentals on noncancelable operating leases of the Airport Fund as of September 30, 2013 (in thousands):

<u>Years ending September 30.</u>	
2014.....	\$ 2,679
2015.....	1,398
2016.....	788
2017.....	763
2018.....	771
2019-2023.....	4,077
2024-2028.....	4,052
2029-2033.....	3,608
2034-2038.....	3,567
2039-2043.....	1,229
Thereafter.....	4,467
	<u>\$ 27,399</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, 2013 amounted to \$219,134.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2013 was as follows (in thousands):

	Primary Government			
	Beginning Balance As Related	Increases	Decreases	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land.....	\$ 356,737	\$ 10,229	\$ (8,514)	\$ 358,452
Construction in Progress.....	84,696	34,020	(14,696)	104,020
Depreciable Assets:				
Buildings.....	114,014	11	--	114,025
Equipment.....	39,608	1,355	(995)	39,968
Improvements other than buildings.....	12,416	142	--	12,558
Infrastructure.....	798,512	11,298	(3,474)	806,336
Intangibles.....	14	--	--	14
	<u>1,405,997</u>	<u>57,055</u>	<u>(27,679)</u>	<u>1,435,373</u>
Less accumulated depreciation for:				
Buildings.....	(55,126)	(3,298)	--	(58,424)
Equipment.....	(32,433)	(1,909)	635	(33,707)
Improvements other than buildings.....	(5,389)	(271)	--	(5,660)
Infrastructure.....	(402,330)	(26,401)	--	(428,631)
Intangibles.....	(3)	(1)	--	(4)
	<u>(495,181)</u>	<u>(31,880)</u>	<u>635</u>	<u>(526,426)</u>
Governmental Activities capital assets, net	\$ 910,816	\$ 25,175	\$ (27,044)	\$ 908,947
Business-type Activities				
Non-Depreciable Assets:				
Land.....	\$ 124,125	\$ 2,883	\$ (2,453)	\$ 124,555
Construction in Progress.....	347,001	132,976	(108,520)	371,457
Depreciable Assets:				
Buildings.....	119,583	66,594	--	186,177
Equipment.....	742,881	214,813	(152,654)	805,040
Improvements other than buildings.....	14,501	17,394	--	31,895
Infrastructure.....	1,011,722	4,541	(53,324)	962,939
Intangibles.....	122,291	15,267	--	137,558
	<u>2,482,104</u>	<u>454,468</u>	<u>(316,951)</u>	<u>2,619,621</u>
Less accumulated depreciation for:				
Buildings.....	(56,740)	(5,601)	--	(62,341)
Equipment.....	(383,523)	(48,337)	21,280	(410,580)
Improvements other than buildings.....	(6,627)	(2,191)	--	(8,818)
Infrastructure.....	(387,271)	(20,714)	64	(407,921)
Intangibles.....	(62,420)	(4,101)	--	(66,521)
	<u>(896,581)</u>	<u>(80,944)</u>	<u>21,344</u>	<u>(956,181)</u>
Business-type Activities, net	\$ 1,585,523	\$ 373,524	\$ (295,607)	\$ 1,663,440

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

GOVERNMENTAL ACTIVITIES:

General Government.....	\$	1,267
Public Safety.....		787
Transportation.....		882
Human Services.....		145
Economic Development.....		369
Physical Environment.....		8
Culture and Recreation.....		974
General Infrastructure.....		26,413
Capital Assets held by the governmental type internal service funds are charged to the various functions based on their usage of assets.....		779
Total depreciation expense-governmental activities	\$	<u>31,624</u>

BUSINESS-TYPE ACTIVITIES:

Electric.....	\$	32,631
Gas.....		1,808
Sewer.....		12,971
Water.....		3,883
Airport.....		3,882
Star Metro.....		2,381
Solid Waste.....		98
Golf.....		203
Stormwater Management.....		1,012
Fire Services.....		918
Capital Assets held by the governmental type internal service funds are charged to the various functions based on their usage of assets.....		6,773
Total depreciation expense-business-type activities	\$	<u>66,560</u>

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

Interest incurred during long-term construction projects is included as part of the capitalized value of the assets constructed. Interest costs incurred in proprietary funds consisted of the following at September 30, 2013 (in thousands):

	Electric	Water	Sewer	Gas
Total interest cost incurred	\$ 30,403	\$ 3,646	\$ 13,473	\$ 1,203
Decrease as a result of capitalizing interest as a cost of construction	(11,460)	(1,481)	(9,348)	(114)
Interest charged to operations	<u>\$ 18,943</u>	<u>\$ 2,165</u>	<u>\$ 4,125</u>	<u>\$ 1,089</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, 2013 (in thousands):

Interest expense incurred during construction and capitalized	\$ 11,460	\$ 1,481	\$ 9,348	\$ 114
Interest earned on bond proceeds	(82)	(279)	(380)	--
Net interest capitalized	<u>\$ 11,378</u>	<u>\$ 1,202</u>	<u>\$ 8,968</u>	<u>\$ 114</u>

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

1. **INTERFUND RECEIVABLES/PAYABLES** - At September 30, 2013, Interfund Receivables and Payables are as follows (in thousands):

Fund	Due From	Due To	Advance To	Advance From
General.....	\$ --	66	1,080	1,192
Electric.....	3,490	--	500	8,705
Gas.....	--	--	--	5,479
Water.....	--	--	--	--
Sewer.....	--	--	--	--
Airport.....	--	--	--	296
Stormwater.....	--	--	178	--
Nonmajor governmental.....	--	--	14,074	1,758
Nonmajor business-type.....	--	9	--	1,030
Internal service funds.....	76	3,491	2,628	--
	<u>\$ 3,566</u>	<u>\$ 3,566</u>	<u>\$ 18,460</u>	<u>\$ 18,460</u>

\$5,324,000 of the interfund receivables and payables balances represent amounts remaining from loans to fund operations. \$16,702,000 of these balances represent amounts loaned for capital funding.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

Such costs allocated to the funds for the year ended September 30, 2013 are as follows (in thousands):

General.....	\$ 17,620
Electric.....	17,729
Gas.....	1,997
Sewer.....	4,841
Water.....	5,350
Airport.....	1,242
Stormwater management.....	2,744
Nonmajor business type.....	12,351
Nonmajor governmental type.....	733
Fiduciary type.....	1,043
Internal service type.....	5,932
	<u>\$ 71,582</u>

3. INTERFUND TRANSFERS - At September 30, 2013, Interfund Transfers are as follows (in thousands)

		Transfers In							
		General	Electric	Sewer	Water	Stormwater	Nonmajor Governmental	Nonmajor Business-type	Internal Service Funds
Transfers Out	General	\$ --	\$ 63	\$ 5	\$ 5	\$ 10	\$ 6,846	\$ 9,614	\$ 11
	Electric	23,953	--	--	--	--	124	--	311
	Gas	2,531	--	--	--	--	27	--	56
	Sewer	4,126	--	--	--	--	24	--	93
	Water	3,174	--	--	--	--	16	--	149
	Airport	--	--	--	--	--	--	1,083	--
	Stormwater	361	--	--	--	--	30	--	--
	Nonmajor governmental	1,303	--	--	--	--	4,500	25	760
	Nonmajor business-type	1,826	--	--	--	--	151	--	54
	Internal service	3,821	1,787	--	--	--	345	--	5
	Total	<u>\$ 41,095</u>	<u>\$ 1,850</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$ 12,063</u>	<u>\$ 10,722</u>	<u>\$ 1,439</u>
									<u>\$ 67,189</u>

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

F. LEASE COMMITMENTS

OPERATING - The City has entered into operating leases for buildings and equipment. The leases are for one to three years, expiring in 2014 through 2016. Total rent expenses incurred by the City for the year ended September 30, 2013, was \$1,062,411. The remaining future minimum lease obligations are as follows (in thousands):

Year Ending Sept. 30	
2014.....	\$ 169
2015.....	164
2016.....	59
Total.....	<u>\$ 392</u>

G. LONG-TERM DEBT

1. The following is a summary of the changes in Long-Term Debt for the year ended September 30, 2013 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Revenue Bonds.....	\$ 90,475	\$ 49,165	\$ 67,840	\$ 71,800	\$ 6,050
Compensated Absences.....	9,814	6,402	6,571	9,645	6,402
OPEB Obligation.....	2,500	1,996	1,996	2,500	--
Total Governmental-Type Debt	<u>102,789</u>	<u>57,563</u>	<u>76,407</u>	<u>83,945</u>	<u>12,452</u>
Business-Type Activities:					
Energy System -- 1998 A.....	14,950	--	4,730	10,220	4,980
Energy System Refunding 2001.....	4,345	--	1,140	3,205	1,200
Energy System 2005.....	116,345	--	2,940	113,405	3,065
Energy System 2007.....	190,860	--	2,725	188,135	2,865
Energy System 2010.....	77,845	--	--	77,845	--
Energy System 2010A.....	42,860	--	195	42,665	205
Energy System 2010B.....	122,280	--	--	122,280	--
Energy System 2010C.....	34,440	--	1,095	33,345	1,145
Energy System 2011.....	3,431	--	21	3,410	22
Airport Refunding 2004.....	925	--	925	--	--
CURSB 2001.....	12,110	--	1,260	10,850	1,330
CURSB 2005.....	21,950	--	3,140	18,810	3,265
CURSB 2007.....	159,340	--	1,865	157,475	1,935
CURSB 2010A.....	117,015	--	--	117,015	--
CURSB 2010B.....	25,820	--	--	25,820	--
Compensated Absences.....	11,499	8,341	8,135	11,705	8,341
AML Loan Payable.....	35,706	--	2,374	33,332	2,470
Total Business-Type Debt	<u>991,721</u>	<u>8,341</u>	<u>30,545</u>	<u>969,517</u>	<u>30,823</u>
Total Long-Term Debt	<u>\$ 1,094,510</u>	<u>\$ 65,904</u>	<u>\$ 106,952</u>	<u>\$ 1,053,462</u>	<u>\$ 43,275</u>

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

\$128,920,000 Energy System Revenue Bonds - Series 2005, due in annual installments ranging from \$2,715,000 to \$8,140,000 ending on October 1, 2035, interest rates at 3.50% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy system.	113,405
\$203,230,000 Energy System Revenue Bonds - Series 2007, due in annual installments ranging from \$670,000 to \$19,275,000 ending on October 1, 2037, interest rates at 4.00% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy system.	188,135
\$77,845,000 Energy System Refunding Revenue Bonds -- Series 2010, due in annual installments ranging from \$2,005,000 to \$14,225,000 ending on October 1, 2028, interest rates at 3.0% to 5.0% depending upon maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy System.	77,845
\$43,245,000 Energy System Refunding Revenue Bonds -- Series 2010A, due in annual installments ranging from \$195,000 to \$8,825,000 ending on October 1, 2026, interest rates at 2.0% to 4.0% depending upon maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy System.	42,665
\$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.	33,345
\$3,440,000 Energy System Refunding Revenue Bonds -- Series 2011, due in annual installments ranging from \$9,000 to \$1,142,000 ending on October 1, 2019, interest rate at 2.37%. Bonds are payable and secured by a lien on and pledge of certain funds provided by the 1998 General Resolution which includes net revenues of the City's Energy System.	3,410

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

\$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.

10,850

\$36,110,000 Consolidated Utility Systems Refunding Revenue Bonds - Series 2005, due in annual installments ranging from \$3,025,000 to \$3,265,000 ending on October 1, 2014 and ranging from \$1,105,000 to \$1,785,000 from October 1, 2020 to October 1, 2030, interest rates at 3.25% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, net revenues of the City's Utility System (consisting of the City's water and sewer systems) and the gross revenues of the City's Stormwater Drainage System.

18,810

\$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 4.00% to 5.00% depending on maturity date. Bonds are payable and secured by a lien on and pledge of certain funds provided by Resolution, net revenues of the City's Utility System (consisting of the City's Water and Stormwater Drainage System).

157,475

\$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).

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).

25,820

Total Proprietary Revenue Bonds
Total Bonds Payable

924,480

\$ 996,280

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

3. DEFEASED DEBT - On November 27, 2012, the City defeased and refunded on an advance basis all of the City's outstanding \$86,210,000 original aggregate principal amount of the Capital Bonds, Series 2004. As a result of this defeasance, the City reduced its total debt service requirements by \$10,148,014 which resulted in an economic gain of \$7,291,451.

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

TAXABLE ASSESSED VALUE.....	<u>\$ 8,808,227</u>
Debt Limit - 20 Percent of Assessed Value.....	<u>\$ 1,761,645</u>

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

- As of September 30, 2013, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$161.4 million and the outstanding balance is \$112,265,000.
- As of September 30, 2013, there was one Florida State University School Lease Revenue Bond outstanding. The original issue amount totaled \$18.1 million and the outstanding balance is \$15,581,853.
- As of September 30, 2013, there was one Industrial Revenue Bond outstanding. The original issue amount totaled \$5.4 million and the outstanding balance is \$5,395,284.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

6. AMI LOAN PROGRAM

On December 27, 2007, the City entered into a loan with the Bank of America Capital Corp to provide \$35,500,000 of financing to fund the City's Smart Metering program. The loan is due in semi-annual installments ranging from \$1,083,000 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 \$4,700,000. The loan is due in semi-annual installments ranging from \$139,000 to \$219,000 ending on June 27, 2024, bearing interest at 4.59%. Both loans are payable and secured by the Smart Energy Metering and Management System, consisting of meters and communication devices.

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

Year ending September 30	Governmental Activities		Business - Type Activities		Total Debt Service
	Principal	Interest	Principal	Interest	
2014	\$ 6,050	\$ 3,052	\$ 22,482	\$ 47,779	\$ 79,363
2015	6,245	2,851	23,425	46,711	79,232
2016	6,485	2,613	24,497	45,636	79,231
2017	5,880	2,366	25,652	44,480	78,378
2018	5,865	2,135	26,788	43,343	78,131
2019-2023	30,380	6,443	154,098	196,825	387,746
2024-2028	9,120	971	176,530	159,118	345,739
2029-2033	1,775	100	177,815	115,956	295,646
2034-2038	--	--	223,485	66,287	289,772
2039-2041	--	--	103,040	8,835	111,875
Totals	\$ 71,800	\$ 20,531	\$ 957,812	\$ 774,970	\$ 1,825,113

H. NET POSITION

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

1. **INVESTMENT IN CAPITAL ASSETS (net of related debt)** is intended to reflect the portion of net 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** 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** are the portion of net position that are neither invested in capital assets nor restricted for use by a third party.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

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

I. FUND BALANCE

The City classifies governmental fund balances as follows:

Non-spendable Fund Balance - includes fund balance amounts that cannot be spent either because 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 that are internally imposed by 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 funds by department. 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.

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE IV (CONTINUED)

A schedule of City fund balances is provided below:

	General	Community Redevelopment Agency	Total Other Governmental	Total Governmental
FUND BALANCES				
Non-spendable.....				
Inventory.....	\$ 296	\$ --	\$ --	\$ 296
Notes Receivable.....	--	--	422	422
FMV Cash.....	404	14	790	1,208
Total Non-Spendable.....	700	14	1,212	1,926
Restricted for:				
Debt Service.....	--	--	783	783
General Government.....	--	--	1,925	1,925
Public Safety.....	--	--	6,052	6,052
Transportation.....	--	--	13,475	13,475
Human Services.....	--	--	171	171
Economic Environment.....	--	6,572	190	6,762
Physical Environment.....	--	--	--	--
Culture and Recreation.....	--	--	358	358
Total Restricted.....	--	6,572	22,954	29,526
Committed to:				
General Government.....	20,552	--	821	21,373
Public Safety.....	--	--	15,490	15,490
Transportation.....	--	--	424	424
Human Services.....	--	--	822	822
Economic Environment.....	--	--	3,325	3,325
Physical Environment.....	--	--	5,719	5,719
Culture and Recreation.....	--	--	26	26
Total Committed.....	20,552	--	26,627	47,179
Assigned to:				
General Government.....	710	--	2,101	2,811
Public Safety.....	134	--	34	168
Transportation.....	372	--	1	373
Human Services.....	249	--	--	249
Economic Environment.....	98	--	--	98
Physical Environment.....	128	--	--	128
Culture and Recreation.....	50	--	--	50
Total Assigned.....	1,741	--	2,136	3,877
Unassigned :	1,575	--	(1,073)	502
Total Fund Balances.....	\$ 24,568	\$ 6,586	\$ 51,856	\$ 83,010

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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, 2013, in the respective funds are as follows (in thousands):

General Fund.....	\$	1,325
Electric.....		33,780
Gas.....		891
Sewer.....		20,309
Stormwater Management.....		6,245
Water.....		5,321
Airport.....		2,776
Nonmajor Governmental.....		9,316
Nonmajor Enterprise.....		2,473
Internal Service Funds.....		9,245
CRA.....		1,538
Total.....	\$	93,219

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

B. RISK MANAGEMENT PROGRAM

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

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

Changes in the balances of self-insured claims for the year ended September 30, 2013 are as follows (in thousands):

	2013
Unpaid claims -- October 1 (including IBNRs).....	\$ 9,448
Expenses.....	2,618
Claim payments.....	<u>(1,367)</u>
Unpaid claims -- September 30 (including IBNRs).....	10,699
Estimated amount due in one year.....	<u>\$ 3,845</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.

D. FEDERAL AND STATE GRANTS

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

Certain grants, such as the Community Development Block Grant, Home grant, State Housing Initiatives Partnership, and others, provide for the issuance of loans to qualifying individuals or non-profit entities. Loans to individuals include down payment assistance loans that are not repaid unless certain events occur, such as the sale or refinancing of a purchased home within a certain time period. Loans to non-profit entities are sometimes only payable if the entity has sufficient annual cash flow, or may be forgiven by the City Commission to prevent economic hardship for the entity. Since repayment of these loans is contingent upon various factors, the loans are not reported in the Financial Statements. Down payment assistance loans for Special Projects totaled \$4.8 million and other loans approximately \$.8 million. Down payment assistance loans for SHIP totaled \$2.0 million.

E. ADVANCE FUNDING OF STATE OF FLORIDA ROADWAY PROJECTS

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

F. LONG-TERM CONTRACTS

The City acquires natural gas and power through a combination of short, medium and long-term contracts. The City currently has one long-term (20 Year) contract with Tennessee Energy Acquisition Corporation and another 30-year contract with MainStreet for natural gas discounted from an index. These contracts save the City between \$98,000 and \$155,000 each month through 2040. These contracts are managed and monitored by the City's 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.

The City engages in the wholesale power markets on both 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 recently ended a purchased power contract with Duke Energy Florida/Progress Energy Florida for 11.4 MWs. The contract with PEF began in December 1998 and ended December 31, 2012. These contracts are managed and monitored by the City's Utility Services Department. 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, 2013 (in thousands):

Years ending September 30,	Gas Contracts
2014	\$ 80,284
2015	9,797
2016	10,165
2017	10,724
2018	10,703
Thereafter	216,432
Total	\$ 338,105

G. PENSION PLAN OBLIGATIONS

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

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

2. DEFINED CONTRIBUTION PROVISION - All employees (general, firefighters, and police officers) may elect to contribute a portion of their salary to the Plan. General employees, firefighters and police officers can contribute up to but not to exceed the maximum amount allowed by the Internal Revenue Service. The City contributes 5% to each general employee's MAP account. Upon reaching normal retirement age or retiring under the Plan, a participant shall be paid his and the City's contributions, together with accrued earnings. If a general employee uses the contributions and accrued earnings to purchase an annuity contract, the Plan will increase the amount of funds (only on the City's 5%, employee flex matched contribution and employees' contribution up to the 5%) used by the participant by a factor of 50 %. Employee contributions (including the City's 5% contribution to each general employees MAP account) plus accrued earnings thereon are 100% refundable if the employee elects to terminate his vesting rights or is not vested at the date of employment termination.

3. PENSION PLAN INFORMATION

2013 Membership Statistical Information

A. Retirees and beneficiaries of deceased retirees currently receiving benefits.....	1,636
B. Terminated employees entitled to benefits but not yet receiving benefits.....	294
C. Active Employees.....	2,575
D. Total current year's payroll.....	\$ 164,258,000
E. Current year payroll for employees covered by the plan.....	\$ 134,307,000

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

As of the September 30, 2012 actuarial valuation, the unfunded actuarial accrued liability contribution for the defined benefit plan is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization periods are as follows: general employees, 17 years; police officers, 30 years; and firefighters, 30 years. The unfunded initial liability for the MAP program is being amortized over 9 years for general employees as a percentage of payroll.

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

Employer contributions required to support the benefits under Article V (MAP Program) are determined following a level funding aggregate approach. The present value of prospective employer contributions is determined by subtracting the present value of prospective member contributions and present assets from the total present value of benefits expected to be paid from the program. Contributions during fiscal year 2013 totaling \$14,049,000 (\$7,902,000 employer contributions representing 7.06% covered payroll for general employees and \$6,147,000 voluntary employee contributions representing 3.98% of total covered MAP payroll), were made in accordance with contribution requirements determined through an actuarial valuation performed as of September 30, 2012. Total covered payroll for the MAP program was \$112,000,000 for general employees. Total covered payroll for fiscal year 2013 was \$154,345,000. Contributions are based on rates of covered payroll of 7.15% (5% employer contribution and 2.15 actuarial contribution) for the City and voluntary employee contributions ranging from 0% to the IRS limit for general employees, firefighters and police officers.

Contributions to the Defined Benefit Plan in 2013 amounted to \$31,439,000 of which \$22,275,000 and \$9,164,000 were made by the City and its employees, respectively. The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of September 30, 2010 and include changes in funding due to plan amendments since the valuation was prepared. Contributions made by the City of Tallahassee and its employees are detailed in the table that follows.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements include (a) an interest rate of 7.75% per annum compounded annually, (b) projected salary increases for inflation and merit of 5.0% per annum for Police Officers, 4.0% for Firefighters, and 3.5% per annum for general employees compounded annually, (c) inflation rate of 4.00% and, (d) post retirement benefit increases including 3% cost-of-living adjustments and a health care supplement.

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

	General Employees		Police		Firefighters	
	Amount	Percent of Payroll	Amount	Percent of Payroll	Amount	Percent of Payroll
Contribution Requirements:	\$ 18,956	19.14%	\$ 7,139	31.66%	\$ 5,344	42.02%
Contribution Made:						
City.....	\$ 14,335	14.47%	\$ 4,787	21.23%	\$ 3,154	24.80%
Employee.....	4,621	4.67%	2,352	10.43%	2,190	17.22%
Total.....	\$ 18,956	19.14%	\$ 7,139	31.66%	\$ 5,344	42.02%

A separate Article V MAP employer contribution is also payable for general employees, police officers and firefighters. The Article V MAP employer contribution for general employees was 7.06%, 7.35% and 7.39% for 2013, 2012 and 2011, respectively.

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

The following information presents three year trend information required by GASB No. 27.

Fiscal Year	Annual Pension Cost (APC) (in thousands)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 17,657	100%	\$ --
2012	17,797	100%	--
2013	22,275	100%	--

Contributions were made in accordance with actuarially determined contribution requirements.

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

Schedule of Funding Progress (in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Excess(Deficit) of Assets Over AAL (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	Excess(Deficit) as a Percentage of Covered Payroll ((a-b)/c)
9/30/1996	\$ 396.6	\$ 384.6	\$ 12.0	103.1%	\$ 87.9	13.7%
9/30/1997	476.4	427.3	49.1	111.5	86.6	56.7
9/30/1999	613.0	496.2	116.8	123.5	90.7	128.8
9/30/2001	723.6	597.6	126.0	121.1	99.9	126.1
9/30/2003	796.6	719.2	77.4	110.8	113.7	68.1
9/30/2005	916.3	842.1	74.2	108.8	118.6	62.6
9/30/2007	1,076.7	994.1	82.6	108.2	129.6	63.7
9/30/2009	1,127.8	1,088.1	39.7	103.7	129.4	30.7
9/30/2010	1,150.3	1,150.2	0.1	100.0	126.8	0.1
9/30/2012	1,210.9	1,325.0	(114.1)	91.4	132.9	(85.9)

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

Schedule of Employer Contributions
(in thousands)

<u>Fiscal Year</u>	<u>*Employer Annual Required Contributions</u>	<u>Percentage Contributed</u>
2009	\$14,987	100%
2010	14,379	100%
2011	17,657	100%
2012	17,797	100%
2013	22,275	100%

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

**Actuarial valuation prepared as of September 30, 2012 to determine annual contributions for the plan year beginning October 1, 2012.

H. OTHER EMPLOYEE BENEFITS

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

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

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

I. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

2. FUNDING POLICY - The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to unilaterally modify its payment for retiree health care benefits. Effective October 1, 2010, the City implemented a "cap" on employer contributions for retirees. Accordingly, the City's subsidy was frozen at the 2010 levels, and retirees must absorb all future premium rate increases.

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

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

Annual required contribution.....	\$ 1,996
Contributions made.....	<u>1,996</u>
Change in net OPEB obligation.....	--
Net OPEB obligation - October 1.....	<u>2,500</u>
Net OPEB obligation - September 30	<u>\$ 2,500</u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 8,353	29.43%	\$ 5,895
2009	\$ 8,622	36.07%	\$ 11,407
2010	\$ 4,351	72.08%	\$ 2,500
2011	\$ 2,027	100.00%	\$ 2,500
2012	\$ 2,052	100.00%	\$ 2,500
2013	\$ 1,996	100.00%	\$ 2,500

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

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

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

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

J. DERIVATIVE INSTRUMENTS

The following table displays the objectives and terms of the City's derivative instruments outstanding at September 30, 2013:

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

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

CITY OF TALLAHASSEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE V (CONTINUED)

K. CONTINGENCY

CASCADE PARK SUPERFUND SITE - Although the City of Tallahassee (City) has 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), and subsequent excavation conducted by Blueprint 2000 as part of park construction activities, residual groundwater and soil contamination remain 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 an "Administrative Settlement Agreement and Order on Consent for Remedial Investigation / Feasibility Study." This Settlement Agreement, which is still in effect, 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, a field-scale pilot injection study was completed in February 2013. After several months of groundwater monitoring following the pilot study, and additional negotiations with the EPA, the City is finalizing its recommendations which will be submitted to the EPA by March 2014. Following EPA review, and agreement by the parties, a new Settlement Agreement will be executed requiring the City to implement the EPA-approved path forward. In addition to the ongoing costs associated with developing the recommendations, and the future costs associated with implementing the yet-to-be-determined path forward, the City must also reimburse EPA annually for all direct and indirect costs incurred by EPA, its contractors, and the U.S. Department of Justice, including associated EPA markups for contractor oversight.

L. RELATED PARTY TRANSACTIONS

Related party transactions during the year ended September 30, 2013 included the following:

- 1) Periodically, the City will enter into Joint Project Agreements (JPA) with Blueprint 2000 Intergovernmental Agency (BP2K) whereby the BP2K will provide construction management services to the City for an administrative fee. For the year ended September 30, 2013, the City paid fees to the Agency totaling \$54,702.
- 2) On June, 22, 2011, the City and BP2K entered into a Joint Project Agreement (JPA) whereby the BP2K will provide "right of way" services to the City for the City's FAMU Way Road Project. For the year ended September 30, 2013, the City paid fees to BP2K for this project totaling \$593,869.
- 3) The City paid the following contributions to the following entities:
 - a. \$300,000 to BP2K for a fountain at Cascades Park.
 - b. \$2,780,000 to CDA for operations.
 - c. \$196,000 to CDA for Fire/EMS revenue.
- 4) The City received the following contributions/donations from the following entities:
 - a. \$313,000 from CDA for project implementation costs.
 - b. \$500,000 donation from BP2K for the Lafayette Heritage Trail.

REQUIRED SUPPLEMENTARY INFORMATION

THIS SUBSECTION CONTAINS THE FOLLOWING:

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

CITY OF TALLAHASSEE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2013
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance - October 1	\$ 408	\$ 408	\$ 408	\$ --
Resources				
Taxes	54,649	54,649	54,357	(292)
Licenses and Permits	2,854	2,854	2,538	(316)
Intergovernmental Revenues	14,903	14,903	14,072	(831)
Charges for Services	9,224	9,224	8,714	(510)
Fines and Forfeitures	2,808	2,808	2,213	(595)
Interest Earned	520	520	521	1
Miscellaneous	11,350	11,350	10,442	(908)
Transfers from Other Funds	42,006	42,006	42,166	160
Amounts Available for Appropriations	<u>138,722</u>	<u>138,722</u>	<u>135,431</u>	<u>(3,291)</u>
	-	-	-	-
Charges to Appropriations				
General Government	26,929	25,702	23,337	2,365
Public Safety	49,379	48,913	49,167	(254)
Transportation	16,097	15,820	15,643	177
Human Services	2,710	1,500	1,324	176
Economic Development	603	682	637	45
Physical Environment	1,783	1,783	1,714	69
Culture and Recreation	20,301	20,065	18,938	1,127
Transfers to Other Funds	20,920	24,257	23,991	266
Total Charges to Appropriations	<u>138,722</u>	<u>138,722</u>	<u>134,751</u>	<u>3,971</u>
Budgetary fund balance, September 30	\$ --	\$ --	\$ 680	\$ 680

See Independent Auditors' Report

CITY OF TALLAHASSEE
REQUIRED SUPPLEMENTARY INFORMATION
Note to Required Supplementary Information
General Fund
For the Year Ended September 30, 2013
(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.	\$ 135,431
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.	(408)
The decrease in the fair market value of investments is a decrease in revenue for financial reporting purposes but is considered a budgetary inflow.	(342)
The revenues of the City's Deficiency Reserve and Scholarship Reserve are current year revenues for reporting purposes but are not considered budgetary inflows.	1,305
Current year nonbudgeted transfer is treated as revenue for financial reporting purposes but not as a budgetary inflow.	(1,810)
Miscellaneous items treated as budgetary inflows but not as revenues for financial reporting purposes.	(851)
Total Revenues/Transfers In as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 133,325</u>

Outflows of Resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule.	\$ 134,751
Differences - budget to GAAP	
The expenditures of the City's Deficiency Reserve and Scholarship reserve are current year expenditures for reporting purposes but are not considered budgetary outflows	3,438
Repayment of the principal portion of debt is treated as an outflow for budgetary purposes, but as a reduction of the debt for reporting purposes	(805)
Miscellaneous items treated as budgetary outflows but not as expenditures for financial reporting purposes	(4,235)
Total Expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 133,149</u>

See Independent Auditors' Report

CITY OF TALLAHASSEE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

September 30, 2013

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

Schedule of Funding Progress

(in millions)

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

Schedule of Employer Contributions

(in thousands)

Fiscal Year	Employer Annual Required Contributions	Percentage Contributed
2008	\$ 8,353	29.4%
2009	\$ 8,622	36.1%
2010	\$ 4,350	72.1%
2011	\$ 2,027	100.0%
2012	\$ 2,052	100.0%
2013	\$ 1,996	100.0%

See Independent Auditors' Report

**COMBINING
FINANCIAL STATEMENTS
Intentionally Omitted**

**SUPPLEMENTARY
INFORMATION**
Intentionally Omitted

STATISTICAL SECTION

Intentionally Omitted

APPENDIX C

FORM OF THE RESOLUTION

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TABLE OF CONTENTS

RESOLUTION NO. 12-R-42

A RESOLUTION OF THE CITY OF TALLAHASSEE, FLORIDA, PROVIDING FOR THE ACQUISITION AND CONSTRUCTION OF VARIOUS CAPITAL IMPROVEMENTS LOCATED WITHIN THE CITY OF TALLAHASSEE; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF CAPITAL BONDS OF THE ISSUER TO FINANCE AND REFINANCE THE COST THEREOF; PROVIDING FOR THE PAYMENT THEREOF FROM THE PLEDGED REVENUES; PROVIDING FOR THE RIGHTS, SECURITY AND REMEDIES OF THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE ALL ACTIONS REQUIRED IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE.

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EXHIBIT A. FORM OF BOND

A RESOLUTION OF THE CITY OF TALLAHASSEE, FLORIDA, PROVIDING FOR THE ACQUISITION AND CONSTRUCTION OF VARIOUS CAPITAL IMPROVEMENTS LOCATED WITHIN THE CITY OF TALLAHASSEE; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF CAPITAL BONDS OF THE ISSUER TO FINANCE AND REFINANCE THE COST THEREOF; PROVIDING FOR THE PAYMENT THEREOF FROM THE PLEDGED REVENUES; PROVIDING FOR THE RIGHTS, SECURITY AND REMEDIES OF THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE ALL ACTIONS REQUIRED IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA:

ARTICLE I

GENERAL

SECTION 1.01. Definitions. When used in this Master Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Act" shall mean Chapter 166, Part II, Florida Statutes, the Constitution of the State of Florida, the City Charter, and other applicable provisions of law.

"Additional Parity Obligations" shall mean the obligations issued at any time under the provisions of Section 5.02 and 5.03 hereof on a parity with any Series of Bonds Outstanding.

"Amortization Installment" shall mean an amount designated pursuant to a Supplemental Resolution of the Issuer and established with respect to any Term Bonds.

"Annual Debt Service" shall mean, with respect to any Bond Year, the aggregate amount of (1) all interest required to be paid on the Outstanding Bonds during such Bond Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) all principal of Outstanding Serial Bonds maturing in such Bond Year, and (3) all Amortization Installments herein designated with respect to such Bond Year. Interest on any Series of Bonds issued as Direct Subsidy Bonds shall be included in the Annual Debt Service only on a net basis, after taking into account Direct Subsidy Payments expected to be

received on such Direct Subsidy Bonds on each respective Interest Payment Date. With respect to Variable Rate Bonds, if any, the interest rate used to calculate the Annual Debt Service shall be the higher of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) if the indebtedness has been outstanding for twelve months or less, (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points. The Annual Debt Service on debt that constitutes Balloon Indebtedness, whether bearing interest at a fixed or variable interest rate, shall be determined assuming it is amortized over 20 years on an approximately level annual debt service basis.

"Balloon Indebtedness" shall mean debt 25% or more of the original principal amount of which matures during any one Fiscal Year.

"Bond Amortization Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Bond Counsel" shall mean Bryant Miller Olive P.A., or any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Year" shall mean, with respect to any Series, each twelve-month period beginning the day after a Principal Maturity Date.

"Bondholder" or "Holder" or "holder" or "Registered Owner" or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bonds" shall mean the Bonds authorized to be issued by Supplemental Resolution, together with any Additional Parity Obligations issued pursuant to this Master Resolution.

"Business Day" means any day of the year on which banks in the jurisdiction of the Issuer or in any of the cities in which the designated office of the Paying Agent is located, are not required or authorized by law to remain closed, and on which the Paying Agent and any Insurer and the New York Stock Exchange, Inc. are open for business.

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"Construction Fund" shall mean the City of Tallahassee, Florida, Capital Bonds, Construction Fund established pursuant to Section 4.03 hereof.

"Cost" when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the Project during, and if deemed advisable by the Issuer for up to one year after the end of, the construction period of such Project and for a reasonable period thereafter; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses incidental to the issuance of the Bonds for up to one year, including the fees and expenses of any attorneys, financial advisors, auditors, engineers, Paying Agent, Registrar or depository; (8) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for such Project; (9) costs of machinery or equipment required by the Issuer for the commencement of operation of such Project; or (10) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Current Interest Bonds" means Bonds, the interest on which shall be payable on a periodic basis.

"Debt Service Fund" shall mean the City of Tallahassee, Florida, Capital Bonds Debt Service Fund established pursuant to Section 4.04 hereof.

"Direct Subsidy Bonds" means any subsidy bond which is issued by the Issuer pursuant to the Code for which the Issuer elects to receive Direct Subsidy Payments in an amount equal to a percentage of the interest paid on such bonds.

"Direct Subsidy Payment" means, with respect to Direct Subsidy Bonds issued pursuant to the Master Resolution and a Supplemental Resolution, payments in an amount equal to a percentage of interest paid on such bond provided directly to the Issuer from the United States Treasury Secretary, or other party designated by the federal government to issue such payments.

"Federal Securities" shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of funds of the Issuer:

- (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any federal agency or corporation which has been or may

"Capital Appreciation Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts determined by reference to the Compounded Amounts, all as shall be determined by Supplemental Resolution of the Issuer. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"City Attorney" shall mean the City Attorney or any deputy, assistant, acting or interim City Attorney of the Issuer or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"City Charter" shall mean the municipal charter of the Issuer, as amended from time to time.

"City Treasurer-Clerk" or "Clerk" shall mean the City Treasurer-Clerk or Deputy City Treasurer-Clerk, assistant, acting or interim City Treasurer-Clerk of the Issuer, or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"City Commission" shall mean the City Commission, as the governing body of the Issuer.

"City Manager" shall mean the City Manager or any deputy, assistant, acting or interim City Manager of the Issuer or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Compounded Amounts" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at the applicable rate which shall not exceed the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Compounded Amount as of the immediately preceding Interest Payment Date and the Compounded Amount as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Compounded Amount accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

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hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (i) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the obligations described in this clause (i), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; or

(ii) any bonds or other obligations of any state or governmental unit thereof, the interest on which is exempt from federal income taxation and which are rated at the time of purchase in the then highest rating category of two or more nationally recognized municipal rating agencies; or

(iii) any bonds or other obligations of any federal agency or corporation which has or may hereafter be created pursuant to an act of Congress as an Agency or instrumentality of the United States of America; or

(iv) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (iv) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (iv), as appropriate.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Fitch Ratings" shall mean Fitch Ratings Agency, New York, New York, its successors and assigns.

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"Guaranteed Entitlement Revenues" shall mean the guaranteed entitlement revenues received by the Issuer pursuant to Chapter 281, part II, Florida Statutes, and defined therein as the "Guaranteed Entitlement." In the event the State of Florida increases the portion of the Revenue Sharing Trust Fund guaranteed to the Issuer, the term "Guaranteed Entitlement Revenues" shall include such increased amount.

"Insurance Policy" or "Insurance Policies" shall mean any policy of bond insurance, letter of credit, guarantee, or other similar form of credit enhancement issued by an Insurer and insuring or guaranteeing the payment when due of all or any portion of the principal of and interest on any Series of Bonds. All references in this Master Resolution to the Insurance Policy or Insurance Policies shall be of no force and effect (i) if there is a default in the performance of any obligations thereunder by the applicable Insurer, or (ii) at such time as there are no Bonds Outstanding with respect to which an Insurer has issued an Insurance Policy or Insurance Policies.

"Insurer" shall mean the issuer or issuers of any Insurance Policy or Reserve Account Policy or any successor corporation that assumes the obligations of the issuer of such Insurance Policy or Reserve Account Policy. All references in this Master Resolution to the Insurer and/or an Insurance Policy or Reserve Account Policy shall be of no force and effect to a particular Series of Bonds if such Bonds are not insured, and/or at such time as there are no Bonds Outstanding with respect to which an Insurer has issued an Insurance Policy or a Reserve Account Policy.

"Interest Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Interest Payment Date" shall mean with respect to any Series, (a) any date on which interest is stated to be due on the Current Interest Bonds, as determined by Supplemental Resolution of the City Commission adopted at or prior to the time of sale of such Series, and (b) any date on which interest becomes due thereon on account of early redemption thereof or on account of the happening of an event which under the terms of the Bonds, requires a payment of interest to be made thereon.

"Issuer" or "City" shall mean the City of Tallahassee, Florida, its successors or assigns and any public body organized pursuant to the laws of the State which assumes the duties and responsibilities of the City of Tallahassee, Florida hereunder pursuant to the provisions hereof.

"Local Communications Services Tax" shall mean the Local Communications Services Tax authorized and collected pursuant to Section 220.20, Florida Statutes and Resolution No. 01-R-33 of the Issuer adopted on June 13, 2001.

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"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Funds" shall mean the Pledged Revenues, and until applied in accordance with the provisions of this Master Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder or in a Supplemental Resolution, with the exception of the Rebate Fund and the Unrestricted Revenue Account; provided however, that proceeds deposited in the Construction Fund in connection with the issuance of a particular Series of Bonds shall only secure such Series.

"Pledged Revenues" shall mean collectively, (i) the Local Government Half-Cent Sales Tax, (ii) the Guaranteed Entitlement Revenues and (iii) the Local Communications Services Tax.

"Pledged Revenues" shall also include any fees, commissions, charges or taxes established pursuant to the laws of State or ordinances of the Issuer which replace any of the revenues listed in clauses (i), (ii) or (iii), unless expressly prohibited by law.

"Principal Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Principal Maturity Date" shall mean, with respect to any Series, the annual or other periodic date on which principal matures on the Bonds as determined by Supplemental Resolution of the City Commission adopted at or prior to the sale of such Series, and includes applicable dates on which Amortization Installments are required to be applied to retire Term Bonds.

"Project" shall mean the acquisition and construction of various capital projects located within the territorial limits of the Issuer as shall be determined by Supplemental Resolution.

"Rebate Amount" means the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Rebate Fund" shall mean the City of Tallahassee, Florida Capital Bonds Rebate Fund established pursuant to Section 5.07 hereof.

"Rebate Year" shall mean, with respect to a particular Series of Bonds issued hereunder, a one-year period (or shorter period from the date of issue) that ends at the close of business on the day in the calendar year selected by the Issuer as the last day of a Rebate Year. The final Rebate Year with respect to a particular Series of Bonds issued hereunder, however, shall end on the date of final maturity of that Series of Bonds.

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"Local Government Half-Cent Sales Tax" shall mean the moneys distributed monthly to the Issuer from the Local Government Half-Cent Sales Tax Clearing Trust Fund in the State Treasury received by the Issuer pursuant to Chapter 218, Part VI, Florida Statutes.

"Master Resolution" shall mean this Master Resolution and any resolution amendatory hereof.

"Maximum Debt Service Requirement" shall mean the largest amount of Annual Debt Service for any Bond Year in which Bonds shall be Outstanding, excluding all Bond Years which shall have ended prior to the Bond Year in which Maximum Debt Service Requirement shall be computed.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear in the future in accordance with the terms of such Supplemental Resolution.

"Mayor" shall mean the Mayor of the Issuer, or in the event of the Mayor's absence or unavailability, such other person as may be duly authorized by the Issuer to act on the Mayor's behalf.

"Moody's" shall mean Moody's Investors Service, Inc., New York, New York, or any successor thereto.

"Outstanding" when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, and (3) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to this Master Resolution.

"Permitted Investments" shall mean any securities or obligations which are legal investments for municipal funds under the provisions of Section 166.261, Florida Statutes, authorized pursuant to the investment policy of the Issuer, except as limited by resolution, ordinance or agreement by the Issuer.

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"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or a Supplemental Resolution.

"Refunding" means the retirement or defeasance of particular Bonds through the issuance of other Bonds.

"Refunding Costs" shall mean but shall not necessarily be limited to: the cost of payment of the principal of, premium, if specified, and interest on Bonds to be refunded; expenses for estimates of costs and of revenues; the fees of fiscal agents, financial advisors and consultants; administrative expenses; the establishment of reasonable reserves for the payment of principal and interest on Bonds; discount upon the sale of Bonds; the expenses and costs of issuance of Bonds; the cost of purchasing any Insurance Policy with respect to Bonds; such other expenses as may be necessary or incidental to a Refunding, and to the accomplishing thereof, and reimbursement to the Issuer for any sums expended for the foregoing purposes. Refunding Costs shall also apply to the first Series of Bonds issued hereunder and the initial Supplemental Resolution.

"Registrar" shall mean, with respect to any Series, the Person or corporation designated by the Issuer to maintain the registration books required to be maintained hereunder and to serve as paying agent for purposes of making payments of principal of and interest on the Bonds of such Series to the Registered Owners.

"Reserve Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.04 hereof.

"Reserve Account Policy" shall mean any surety bond, irrevocable letter of credit, guaranty or insurance policy, in lieu of a cash deposit, that satisfies the Reserve Account Requirement following the issuance of the Bonds.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount equal to the lesser of (1) Maximum Debt Service Requirement for all Outstanding Bonds, (2) 125% of the average annual debt service for all Outstanding Bonds, or (3) the maximum amount allowed under the Code in order to maintain the exclusion of interest on the Outstanding Bonds (other than Taxable Bonds); provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Account Requirement for a subaccount of the Reserve Account which secures a Series of Bonds, which Reserve Account Requirement may be zero.

"Resolution" shall mean this Master Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Restricted Revenue Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04 hereof.

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"Revenue Fund" shall mean the City of Tallahassee, Florida Capital Bonds Revenue Fund established pursuant to Section 4.04 hereof.

"S&P" shall mean Standard & Poor's Ratings Service, New York, New York, or any successor thereto.

"Serial Bonds" shall mean any Current Interest Bonds or Capital Appreciation Bonds for the payment of the principal of which no fixed Amortization Installments are required to be made prior to the 12-month period immediately preceding the stated date of maturity of such Bonds.

"Series" shall mean all the Bonds issued pursuant to a Supplemental Resolution and designated by the Issuer as a single series, which may be issued in one or more installments.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 5.01 hereof.

"Supplemental Resolution" shall mean a resolution of the Issuer providing for the issuance of a particular Series of Bonds for the purpose of financing or refinancing the Costs of a Project and any resolution of the Issuer amending or supplementing this Master Resolution adopted and becoming effective in accordance with the terms of Sections 7.01, 7.02 and 7.03 hereof.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for federal income tax purposes or that such interest is subject to federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer and which are subject to mandatory redemption by Amortization Installments.

"Unrestricted Revenue Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04 hereof.

"Variable Rate Bonds" shall mean Bonds or other obligations issued with a variable, adjustable, convertible or other similar rate of interest which is not fixed in percentage for the entire term thereof at the date of issue.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms, shall refer to this Master Resolution; the term heretofore shall mean before the date of adoption of

this Master Resolution; and the term "hereafter" shall mean after the date of adoption of this Master Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. Authority for Resolution. This Master Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Master Resolution shall be a part of the contract of the Issuer with the Holders of the Bonds and shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds. The pledge made in this Master Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and the Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Master Resolution.

SECTION 1.04. Findings. It is hereby ascertained, determined and declared that:

(A) The City Commission may determine from time to time to provide for payment of all or a portion of the Costs of the Project or Refunding Costs from the Pledged Funds, together with certain other legally available funds of the Issuer, if any.

(B) The Issuer may further determine to pay all or part of the Costs related to a particular Project at one time and, in order to accomplish this purpose, may determine to issue a Series of Bonds and to pledge as security therefor, the Pledged Funds. The Issuer is authorized pursuant to the provisions of the Act to issue Bonds and to pledge the Pledged Funds to secure the repayment of a Series of Bonds.

(C) Determinations as to (1) whether to issue a particular Series to finance or refinance a particular Project and (2) the details of such Series shall be made by a Supplemental Resolution and by resolutions supplemental thereto, respectively, of the City Commission, adopted prior to the issuance of any Series hereunder.

(D) The Pledged Funds are not heretofore pledged or encumbered in any manner, except to the payment of bonds being refunded pursuant to a Supplemental Resolution, on the date of issuance of the first Series of Bonds and, prior to the issuance of any Series of Bonds, the City Commission shall determine by Supplemental Resolution that the estimated Pledged Funds will be sufficient to pay the principal of and interest on such Series, as the same become

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due, and all other payments provided for in this Master Resolution and in such Supplemental Resolution.

(E) The principal of and interest on the Bonds and all other payments provided for in this Master Resolution will be payable solely from the Pledged Funds; and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds and, except as otherwise provided herein, the Bonds shall not constitute a lien upon any property of the Issuer.

SECTION 1.05. Project Authorized. The Issuer does hereby authorize the acquisition, construction and equipping of capital improvements within the territorial limits of the Issuer from time to time in accordance with the description of the Project set forth in the Supplemental Resolution providing for a Series of Bonds and the refinancing of such Project.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. Authorization of Bonds. This Master Resolution hereby authorizes the issuance of Bonds of the Issuer to be designated as "City of Tallahassee, Florida, Capital Bonds" or "City of Tallahassee, Florida Capital Refunding Bonds", as appropriate which may be issued from time to time in one or more Series as hereinafter provided to finance Costs of the Project and Refunding Costs. The aggregate principal amount of the Bonds which may be executed and delivered under this Master Resolution is not limited except as is or may hereafter be provided in this Master Resolution or as limited by the Act or by law.

SECTION 2.02. Description of Bonds. The Bonds may, if and when authorized by the Issuer pursuant to a Supplemental Resolution in accordance with this Master Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Issuer.

The Bonds shall be issued in denominations of \$5,000 or integral multiples thereof, in such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; shall provide that the proceeds thereof be used in such manner; may be Current Interest Bonds, Capital Appreciation Bonds, Serial Bonds, Term Bonds or Variable Rate Bonds (provided, however, that the issuance of Variable Rate Bonds which are Additional Parity Obligations is subject to the provisions of Section 5.02(D) hereof); all as determined by Supplemental Resolution of the Issuer.

The principal of or Redemption Price, if applicable, on the Bonds are payable upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest payable on any Bond on any Interest Payment Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Payment Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Bond is not punctually paid or duly provided for by the Issuer on such Interest Payment Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. Application of Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) A sufficient amount shall be applied to the payment of costs and expenses relating to the issuance of the Bonds which must be paid upon delivery of the Bonds. Such amount may, at the option of the Issuer, be deposited in and disbursed from the Construction Fund.

(B) A sufficient amount shall be deposited in the Reserve Account which, together with any moneys and securities on deposit therein and any surety bond, irrevocable letter of credit, guaranty or insurance policies obtained in accordance with Section 4.05 hereof, shall equal the Reserve Account Requirement.

(C) The balance shall be deposited in the Construction Fund to be used to pay the Costs of the Project.

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SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer and signed by, or bear the facsimile signature of the Mayor, and shall be attested and countersigned by or bear the facsimile signature of the City Treasurer-Clerk. The official seal of the Issuer shall be imprinted on each Bond. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although, at the date of such Bond, such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Master Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. Authentication. No Bond of any Series shall be secured hereunder or be entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Master Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

SECTION 2.06. Temporary Bonds. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04 hereof, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by Supplemental Resolution, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Master Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Registrar.

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new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an Interest Payment Date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer or other such electronic method of payment for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Master Resolution. Execution of Bonds pursuant to Section 2.04 hereof for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the Issuer to be canceled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen days next preceding an Interest Payment Date on the Bonds of such Series (other than Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

SECTION 2.09. Coupon Bonds; Capital Appreciation Bonds; Variable Rate Bonds. The Issuer, at its discretion, may by Supplemental Resolution authorize the issuance of coupon Bonds, registrable as to principal only or as to both principal and interest, Capital Appreciation Bonds or Variable Rate Bonds. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and, if applicable, coupons appertaining thereto. Coupon Bonds (other than Taxable Bonds) shall only

SECTION 2.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost (e.g., Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds), in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.08. Transfer. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series, maturity of any other authorized denominations and type (e.g., Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds).

The Bonds issued under this Master Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State, subject to the provisions for registration and transfer contained in this Master Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a

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be issued if an opinion of Bond Counsel is received to the effect that issuance of such coupon Bonds will not adversely affect the exclusion from gross income of interest earned on such Bonds for federal income tax purposes.

SECTION 2.10. Form of Bonds. The text of the Bonds of each Series shall be in the form attached hereto as Exhibit A, except as otherwise provided pursuant to Section 2.09 hereof, with such non-material omissions, insertions and variations as may be necessary and/or desirable and approved by the Mayor prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof), and as may be authorized or permitted by this Master Resolution or Supplemental Resolution.

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Privilege of Redemption. Unless provided to the contrary in a Supplemental Resolution, the terms of this Article III shall apply to redemption of Bonds other than Variable Rate Bonds. The terms and provisions relating to redemption of Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least thirty days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than thirty days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. Notice of Redemption. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least thirty days and not more than sixty days prior to the date fixed for

redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this Section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the Redemption Price,
- (3) if less than all Outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,
- (4) that, on the redemption date, the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar.

Prior to any redemption date, the Issuer shall deposit with the Registrar an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Official notice of redemption having been given and the Redemption Price having been deposited as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

Notwithstanding the foregoing or any other provision hereof, notice of optional redemption pursuant to this Section 3.03 may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the Issuer if expressly set forth in such notice.

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Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof.

SECTION 4.03. Construction Fund. The Issuer covenants and agrees to establish a separate fund in a bank or trust company in the State, which is eligible under the laws of such State to receive funds of the Issuer, to be known as the "City of Tallahassee, Florida Capital Bonds, Construction Fund" (the "Construction Fund"), which shall be used only for payment of the Costs of a Project. Moneys in the Construction Fund which derive from a particular Series of Bonds, until applied as payment of any item of the Project Costs, in the manner hereinafter provided, shall be held in trust by the Issuer and shall be subject to a lien and charge in favor of the Holders of such Series of Bonds and for the further security of such Holders.

SECTION 4.04. Funds and Accounts. The Issuer covenants and agrees to establish with a bank or trust company in the State of Florida, which is eligible under the laws of such State to receive funds of the Issuer, separate funds to be known as the "City of Tallahassee, Florida Capital Bonds Revenue Fund" (the "Revenue Fund") and the "City of Tallahassee, Florida Capital Bonds Debt Service Fund" (the "Debt Service Fund"). The Issuer shall maintain in the Revenue Fund two separate accounts: the "Restricted Revenue Account" and the "Unrestricted Revenue Account." The Issuer shall maintain in the Debt Service Fund four separate accounts: the "Interest Account," the "Principal Account," the "Bond Amortization Account," and the "Reserve Account." Moneys in the aforementioned funds and accounts, other than the Unrestricted Revenue Account, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders and for the further security of the Holders. All Pledged Revenues deposited in the Unrestricted Revenue Account shall no longer be subject to a lien and charge in favor of the Holders.

The Issuer shall at any time, and from time to time, appoint one or more depositories to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than ten million dollars (\$10,000,000).

SECTION 4.05. Flow of Funds.

(A) Upon the issuance of a Series of Bonds, the Issuer shall deposit the Pledged Revenues into the Restricted Revenue Account promptly upon receipt thereof. The moneys in the Restricted Revenue Account shall be deposited or credited on or before the 21st day of each month, commencing with the month in which delivery of the Series of Bonds shall be made to

SECTION 3.04. Redemption of Portions of Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to, the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. Payment of Redeemed Bonds. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. Bonds not to be Indebtedness of Issuer. THE BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE ISSUER AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS. NO HOLDER OF ANY BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE ISSUER EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED HEREIN.

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.02. Security for Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds. The Issuer does hereby irrevocably pledge the

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the purchaser or purchasers thereof, or such later date as hereinafter provided, in the following manner and in the following order of priority:

(1) Interest Account. The Issuer shall deposit into or credit to the Interest Account the sum which, together with the balance in said Interest Account, shall equal the interest on all Outstanding Bonds accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be used to pay interest on the Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Interest Account no later than the month immediately preceding any Interest Payment Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Payment Date.

(2) Principal Account. Next, the Issuer shall deposit into or credit to the Principal Account the sum which, together with the balance in said Principal Account, shall equal the principal amounts on all Outstanding Serial Bonds due and unpaid and that portion of the principal next due within one year which would have accrued on said Serial Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve equivalent calendar months of thirty days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be used to pay the principal of the Serial Bonds as and when the same shall mature, and for no other purpose. The Issuer shall adjust the amount of deposit to the Principal Account no later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Serial Bonds becoming due on such principal payment date.

(3) Bond Amortization Account. Commencing in the month which is one year prior to any Amortization Installment due date, the Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said Bond Amortization Account, shall equal the Amortization Installments on all Term Bonds Outstanding due and unpaid and that portion of the Amortization Installments of all Term Bonds Outstanding next due which would have accrued on such Term Bonds during the then current calendar month if such Amortization Installments were deemed to accrue monthly (assuming that a year consists of twelve equivalent calendar months having thirty days each) in equal amounts from the next preceding Amortization Installment due date, or, if there is no such preceding Amortization Installment due date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Bond Amortization Account shall be used to purchase, redeem or pay Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Bond Amortization Account not later than the 21st day of the month immediately preceding any date for payment of an Amortization

Installment so as to provide sufficient moneys in the Bond Amortization Account to pay the Amortization Installments on the Bonds coming due on such date. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Issuer, on or prior to the sixtieth day preceding the due date of such Amortization Installment (a) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, at a price not greater than the Redemption Price at which such Term Bonds may be redeemed on the first date thereafter on which such Term Bonds shall be subject to redemption, or (b) to the redemption at the applicable Redemption Price of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Bond Amortization Account. As soon as practicable after the sixtieth day preceding the due date of any such Amortization Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Issuer shall pay out of the Bond Amortization Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Revenue Fund.

(4) Reserve Account. Next, the Issuer shall deposit into or credit to the Reserve Account, or subaccount established therein by Supplemental Resolution, a sum sufficient to maintain therein an amount equal to the Reserve Account Requirement. Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of, interest, or Amortization Installments when the other moneys in the Debt Service Fund are insufficient therefor, and for no other purpose. However, whenever the moneys on deposit in the Reserve Account exceed the Reserve Account Requirement, such excess shall be withdrawn and deposited into the Interest Account.

Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as herein provided, unless otherwise provided by

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(B) The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) At least one business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the appropriate account of the Debt Service Fund and deposit such with the Paying Agent for the Bonds to be paid, sufficient moneys to pay such principal of, Redemption Price, if applicable, or interest on said Bonds.

SECTION 4.06. Investments. The Construction Fund, the Restricted Revenue Account and the Debt Service Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State and the investment policy of the Issuer. Moneys on deposit in the Construction Fund, the Restricted Revenue Account and the Debt Service Fund may be invested and reinvested in Permitted Investments maturing no later than the date on which the moneys therein will be needed. Any and all income received by the Issuer from the investment of moneys in each account of the Construction Fund, the Debt Service Fund (but, with respect to the Reserve Account, only to the extent that the amount therein is less than the Reserve Account Requirement) and the Restricted Revenue Account shall be retained in such respective fund or account unless otherwise required by applicable law. To the extent that the amount in the Reserve Account is equal to or greater than the Reserve Account Requirement, any and all income received by the Issuer from the investment of moneys therein shall be transferred, upon receipt, and deposited into the Interest Account.

Nothing contained in this Master Resolution shall prevent any Permitted Investments acquired as investments of or security for funds held under this Master Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.07. Separate Accounts. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts in and by this Master Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for

Supplemental Resolution, the Issuer shall, on the date of delivery of such Additional Parity Obligations, increase the sum required to be accumulated and maintained on deposit in the Reserve Account to be at least equal to the Reserve Account Requirement on all Outstanding Bonds including the Additional Parity Obligations then issued. Such required sum may be paid in full or in part from the proceeds of such Additional Parity Obligations.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided, however, the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate, including an amount equal to zero.

Notwithstanding the foregoing provisions, in lieu of the required cash deposits, if any, into the Reserve Account, subject to the written consent of the Insurer or Insurers, the Issuer may, at any time, cause to be deposited into the Reserve Account a Reserve Account Policy for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Policy shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Payment Date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Master Resolution and available for such purpose. Repayment of draws made from a Reserve Account Policy provided pursuant to this paragraph, shall be made in accordance with a Supplemental Resolution.

Whenever the amount in the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other accounts of the Debt Service Fund for the payment of the Bonds.

(5) Unrestricted Revenue Account. The balance of any moneys after the deposits required by Sections 4.05(A)(1) through 4.05(A)(4) hereof may be transferred, at the discretion of the Issuer, to the Unrestricted Revenue Account or to any other appropriate fund or account of the Issuer and may be used for any lawful purpose.

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certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V

SUBORDINATED INDEBTEDNESS, ADDITIONAL PARITY OBLIGATIONS, AND COVENANTS OF ISSUER

SECTION 5.01. Subordinated Indebtedness. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of the Pledged Funds and which may be secured by a pledge of the Pledged Revenues; provided, however, that such pledge shall be, and shall expressly state therein, subordinated in all respects to the pledge of the Pledged Revenues created by this Master Resolution. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Parity Obligations may be issued pursuant to Section 5.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

SECTION 5.02. Issuance of Additional Parity Obligations. No Additional Parity Obligations, payable on a parity with the Bonds then Outstanding pursuant to this Master Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Parity Obligations to finance the Cost of a Project, or the completion of a Project or refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) There shall have been obtained and filed with the Issuer a certificate of the City Treasurer-Clerk (1) stating that he or she has examined the books and records of the Issuer relating to the Pledged Revenues which have been received by the Issuer for deposit to the Restricted Revenue Account; (2) stating the aggregate amount of the Pledged Revenues received by the Issuer for the fiscal year immediately preceding the date of issuance of such Additional Parity Obligations or for any consecutive twelve (12) months designated by the Issuer within the eighteen (18) months immediately preceding the date of delivery of such Additional Parity Obligations with respect to which such certificate is made; and (3) that the aggregate proceeds of the Pledged Revenues for such preceding fiscal year or any consecutive twelve (12) months

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designated by the Issuer within the eighteen (18) months immediately preceding the date of delivery of such Additional Parity Obligations with respect to which such certificate equals at least one hundred twenty-five percent (125%) of the Maximum Debt Service Requirement computed on a basis which includes both (i) all Bonds then Outstanding and (ii) the Additional Parity Obligations after adjustment for retirements, if any, from the proceeds of the Additional Parity Obligations with respect to which such certificate is made. In the event legislation is amended to provide for additional Pledged Revenues to be distributed to the Issuer, the Issuer may then for the purpose of determining whether there are sufficient Pledged Revenues to meet the coverage tests specified in this Section 5.02(A), have the City Treasurer-Clerk assume that such additional Pledged Revenues were in effect during the applicable Fiscal Year.

(B) Additional Parity Obligations shall be deemed to have been issued pursuant to this Master Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Master Resolution (except as to details of such Additional Parity Obligations inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Master Resolution. All Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefore without preference of any Bond over any other.

(C) In the event any Additional Parity Obligations are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 5.02 (A) shall not apply, provided that the issuance of such Additional Parity Obligations shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Bonds becoming due. The conditions of Section 5.02(A) hereof shall apply to Additional Parity Obligations issued to refund Subordinated Indebtedness and to Additional Parity Obligations issued for refunding purposes which cannot meet the conditions of this paragraph.

(D) The Issuer shall not be in default in the carrying out of any of the obligations assumed under this Master Resolution and no event of default shall have occurred under this Master Resolution and shall be continuing, and all payments required by this Master Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(E) The Supplemental Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

SECTION 5.03. Bond Anticipation Notes. Subject to Sections 5.01 and 5.02 hereof, the Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Master Resolution, as shall be provided by Resolution of the Issuer.

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(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income tax purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in paragraphs (A), (B) and (C) of this Section 5.07 shall not apply to any Taxable Bonds.

(E) There is hereby created and established a fund to be known as the "City of Tallahassee, Florida Capital Bonds Rebate Fund" (the "Rebate Fund"), and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section 5.07. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. The following events shall each constitute an "Event of Default:"

(A) The Issuer shall fail to make a payment of the principal of, Amortization Installment, Redemption Price or interest on any Bond when due.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the

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SECTION 5.04. Books and Records. The Issuer shall keep proper books, records and accounts of the receipts of the Pledged Revenues which shall be separate and apart from all other records and accounts of the Issuer, showing correct and complete entries of revenues collected and any Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, at least once in a year, cause the audit of such books, records and accounts to be made by an independent firm of certified public accountants. The audit shall be prepared in conformity with generally accepted accounting principles.

SECTION 5.05. Pledged Revenues not Subject to Repeal. The Issuer has full power to irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, and the pledging of such Pledged Revenues in the manner provided herein shall not be subject to repeal or impairment by any subsequent ordinance, resolution or other proceedings of the governing body of the Issuer or by any subsequent act of the Legislature of Florida.

SECTION 5.06. Covenant of Pledged Revenues. The Issuer hereby covenants, that as long as the Bonds are outstanding, it will not impair or adversely affect the rights of the Issuer to receive the Pledged Revenues. The Issuer will proceed diligently to perform legally and effectively all steps required on its part to collect and receive the Pledged Revenues.

SECTION 5.07. Federal Income Tax Covenants; Taxable Bonds.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

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benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Master Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty days after written notice of such default shall have been received from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 6.02. Remedies. Any Holder of Bonds issued under the provisions of this Master Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State, or granted and contained in this Master Resolution, and may enforce and compel the performance of all duties required by this Master Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof.

The Holder or Holders of Bonds in an aggregate principal amount of not less than twenty-five percent (25%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Master Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the City Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trust hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

SECTION 6.03. Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds who is not in default in the performance of any of its obligations under its

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Insurance Policy) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any such direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 6.04. Remedies Cumulative. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 6.05. Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 of this Master Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.06. Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds as follows and in the following order:

(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Registrar and Paying Agent hereunder; and

(B) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or as Amortization Installments upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 8.01 of this Master Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal,

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(G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds.

(H) To make any other change that, in the opinion of Bond Counsel, would not materially adversely affect the security for the Bonds.

SECTION 7.02. Supplemental Resolutions with Bondholders' Consent. Subject to the terms and provisions contained in this Section 7.02 and Sections 7.01 and 7.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Master Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Master Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. Unless approved and consented to by all Bondholders of Bonds Outstanding for a particular Series of Bonds, no Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of other than the lien and pledge created by this Master Resolution which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If, at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the City Treasurer-Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the City Treasurer-Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

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ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Master Resolution and the applicable Supplemental Resolution.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. Supplemental Resolutions without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolutions shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Master Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Master Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Master Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Master Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Parity Obligations to finance the Costs of a Project or Refunding Costs, or to change or modify the description of a Project.

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If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Master Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Master Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Master Resolution as so modified and amended.

SECTION 7.03. Supplemental Resolutions with Insurer's Consent in lieu of Bondholders' Consent. Notwithstanding any provisions of Section 7.02 above to the contrary, if the Insurer of a particular Series of Bonds is not then in default in the performance of any of its obligations under its Insurance Policy, the approvals, consents and notifications required by Section 7.02 above to be given by or to the Holders of the Bonds, as the case may be, subject to such Insurance Policy shall be given solely by or to the Insurer, as the case may be, and the instrument contemplated by Section 7.02 above shall be executed solely by the Insurer and the Holders of the Bonds subject to such Insurance Policy shall have no right to receive such notification or give such approvals and consents or to execute such certificate except that the adoption of Supplemental Resolutions that would have any of the effects described in (A) through (E) in Section 7.02 above shall require the approval and consent of all Holders of Bonds then Outstanding and the Insurer.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid to the Holders of all Bonds, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Master Resolution, then the pledge of the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to this Master Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Federal Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Federal Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Federal Securities and moneys for the deposited Federal Securities and moneys if the new Federal Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or specified Federal Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Federal Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Master Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Federal Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be

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SECTION 8.07. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Master Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Master Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

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available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

SECTION 8.02. Sale of Bonds. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Master Resolution and other applicable provisions of law and as shall be approved by Supplemental Resolution of the Issuer.

SECTION 8.03. Capital Appreciation Bonds. For the purposes of (i) receiving payment of the redemption price of a Capital Appreciation Bond if redeemed prior to maturity, (ii) receiving payment if the principal of all Bonds is declared immediately due and payable, (iii) computing Annual Debt Service, and (iv) computing the amount of Holders required for any notice, consent, request or demand hereunder for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Compounded Amount.

SECTION 8.04. General Authority. The members of the City Commission and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Master Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Master Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers, including the execution of any documents or instruments which are necessary to secure an Insurance Policy or Reserve Account Policy.

SECTION 8.05. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Master Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer, the Insurers, and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Master Resolution or any provision hereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Insurers, and the Persons who shall from time to time be the Holders.

SECTION 8.06. No Personal Liability. Neither the members of the City Commission of the Issuer nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

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SECTION 8.08. Effective Date. This Master Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this _____ day of _____, 2012.

CITY OF TALLAHASSEE, FLORIDA

By: _____
Mayor

ATTEST:

By: _____
City Treasurer-Clerk

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

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EXHIBIT A

FORM OF BOND

No. R-_____ \$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
LEON COUNTY, FLORIDA
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS
SERIES _____

Interest Rate Maturity Date Date of Issue CUSIP No.

Registered Holder:

Principal Amount:

The City of Tallahassee, Florida, a municipality created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and interest on such Principal Amount from the Date of Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on [_____] 1 and [_____] 1 of each year commencing _____ 1, _____, until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto. Interest on this Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Such Principal Amount and interest and the Redemption Price, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the Redemption Price, if any, on this Bond, are payable, upon presentation and surrender hereof, at the designated corporate trust office of _____, _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by _____, _____, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the

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Neither the members of the City Commission of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by such Holder's attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or such Holder's attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denominations of \$5,000 and integral multiples thereof, not exceeding the aggregate principal amount of the Bonds maturing on the same date. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated to make any exchange or transfer of the Bonds during the fifteen days next preceding an interest payment date, or in the case of any proposed redemption of the Bonds, then, during the fifteen days next preceding the date of the first mailing of notice of such redemption.

[INSERT REDEMPTION PROVISIONS]

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days prior to the date fixed for redemption to the Registered Holders of the Bonds to be redeemed at such Holders' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such Registered Holders to the Registrar. Provided, however, that no defect in any such notice to any Registered Holder of Bonds to be redeemed nor failure to give such notice to any such Registered Holder nor failure of any such Registered Holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Registered Holders of Bonds to be redeemed. Notice of redemption having been given and the Redemption Price having been deposited as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

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calendar month next preceding each interest payment date and shall be paid by a check or draft of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the option of such Paying Agent, and at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder. In the event interest payable on this Bond is not punctually paid or duly provided for by the Issuer on such interest payment date, payment of each installment of such defaulted interest shall be made to the person in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Registered Holder, not less than ten days preceding such special record date.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued for the purpose of _____, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, the municipal charter of the Issuer, and other applicable provisions of law (collectively, the "Act"), and Resolution No. _____ duly adopted by the City Commission of the Issuer on _____, 2012, as supplemented and amended from time to time, and as particularly supplemented by Resolution No. _____, duly adopted by the City Commission on _____, 2012 (collectively, the "Resolution"), and is subject to the terms and conditions of the Resolution.

The Bonds and the interest thereon are payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, and until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established under the Resolution, with the exception of the Rebate Fund and the Unrestricted Revenue Account; provided, however, that proceeds deposited in the Construction Fund in connection with the issuance of the Bonds of this Series shall only secure this Series of Bonds (collectively, the "Pledged Funds").

IT IS EXPRESSLY AGREED BY THE REGISTERED HOLDER OF THIS BOND THAT THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THIS BOND AND THAT SUCH HOLDER SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, TO THE PAYMENT OF SUCH PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS BOND. THIS BOND AND THE OBLIGATION EVIDENCED HEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS.

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This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, the City of Tallahassee, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Mayor, attested and countersigned by the manual or facsimile signature of its City Treasurer-Clerk, approved as to form by the manual or facsimile signature of its City Attorney, and its official seal or a facsimile thereof to be affixed or reproduced hereon, all as of the ____ day of _____, ____.

CITY OF TALLAHASSEE, FLORIDA

(SEAL)

By: _____
Mayor

ATTESTED AND COUNTERSIGNED:

City Treasurer-Clerk

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

[Insert Name, Address, Social Security or Other Identifying Number of Assignee]

the within Bond and does hereby irrevocably constitute and appoint _____ as attorneys to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN-- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfer to Minors Act of _____
(State)

Additional abbreviations may also be used though not in the list above.

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CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

Registrar

By: _____
Authorized Officer

[End of Bond Form]

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RESOLUTION NO. 12-R-49

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$60,000,000 CITY OF TALLAHASSEE, FLORIDA CAPITAL REFUNDING BONDS, SERIES 2012 TO DEFEASE AND REFUND CERTAIN OUTSTANDING OBLIGATIONS OF THE ISSUER; PLEDGING REVENUES DERIVED FROM THE GUARANTEED ENTITLEMENT, THE LOCAL GOVERNMENT HALF-CENT SALES TAX AND THE LOCAL COMMUNICATIONS SERVICES TAX FOR THE PAYMENT OF SAID BONDS; DELEGATING THE AWARD OF THE SALE OF THE SERIES 2012 BONDS TO THE MAYOR; DELEGATING TO THE MAYOR THE AUTHORITY TO DEEM FINAL FOR CERTAIN PURPOSES AND APPROVE THE USE OF AND DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2012 BONDS; APPOINTING A REGISTRAR AND PAYING AGENT; APPOINTING AN ESCROW AGENT AND APPROVING THE FORM OF THE ESCROW DEPOSIT AGREEMENT; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA, as follows:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 166, Part II, Florida Statutes, Resolution No. 12-R-42 adopted on September 19, 2012 and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the Master Resolution, as hereinafter defined. In addition, the following terms shall have the following meanings herein, unless the text expressly requires otherwise. Words importing singular numbers shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement between the Issuer and the Underwriters dated the date of sale of the Series 2012 Bonds, in substantially the form attached hereto as Exhibit "A".

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. On November 10, 2004, the Issuer issued its Series 2004 Bonds pursuant to Resolution 01-R-48, as supplemented by Resolution No. 04-R-44.

B. In order to provide for the defeasance of the Defeased Bonds and the refunding of the Refunded Bonds, the Issuer has adopted the Master Resolution.

C. The Series 2012 Bonds shall be considered Bonds under the terms and conditions of the Master Resolution.

D. The Pledged Revenues are not now pledged or encumbered in any manner except for the payment of the principal and interest on the Series 2004 Bonds and the payment of the principal and interest on the Issuer's \$26,975,000 Capital Improvement Refunding Revenue Bonds, Series 2009 on a junior and subordinate basis.

E. The principal of and interest and redemption premium, if any, on the Series 2012 Bonds and all required reserve or other payments shall be payable solely from the Pledged Funds as herein provided. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2012 Bonds herein authorized or to make any other payments provided for herein. The Series 2012 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

F. The estimated Pledged Funds will be sufficient to pay all principal of and interest and redemption premium, if any, on the Series 2012 Bonds as the same become due, and to make all required reserve or other payments required by the Master Resolution and this Resolution.

G. The Issuer desires to sell its Series 2012 Bonds pursuant to a Bond Purchase Agreement subject to certain conditions herein.

H. Due to the present instability in the market for revenue obligations the interest on which is excluded from federal gross income, the critical importance of the timing of the sale of the Series 2012 Bonds, the timing of refunding for savings and due to the willingness of the Underwriters to purchase the Series 2012 Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 2012 Bonds at a negotiated sale.

I. The Issuer has been or will be provided all applicable disclosure information required by Section 218.385(6), Florida Statutes.

"Cede" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2012 Bonds pursuant to Section 6 hereof.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the Issuer and dated the date of issuance and delivery of the Series 2012 Bonds, as it may be amended from time to time in accordance with the terms thereof.

"Defeased Bonds" shall mean the Series 2004 Bonds maturing on October 1 in the years 2013 and 2014 outstanding in the amount of \$6,455,000.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agent" shall mean U.S. Bank National Association, Jacksonville, Florida.

"Escrow Deposit Agreement" shall mean the escrow deposit agreement between the Issuer and the Escrow Agent in substantially such form as attached hereto as Exhibit "B".

"Financial Advisor" shall mean Public Financial Management, Inc., Orlando, Florida.

"Master Resolution" shall mean Resolution No. 12-R-42 of the Issuer adopted on September 19, 2012, as amended and supplemented from time to time.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository.

"Paying Agent" shall mean U.S. Bank National Association, Jacksonville, Florida.

"Refunded Bonds" shall mean the Series 2004 Bonds maturing on October 1 in the years 2015-2024 outstanding in the amount of \$56,065,000.

"Registrar" shall mean U.S. Bank National Association, Jacksonville, Florida or its successors and assigns.

"Series 2004 Bonds" shall mean the Issuer's \$86,210,000 City of Tallahassee, Florida Capital Bonds, Series 2004, outstanding in the amount of \$65,060,000.

"Underwriters" shall mean collectively, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Siebert Brandford Shank & Co., L.L.C.

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SECTION 4. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2012 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution together with the Master Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all Series 2012 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2012 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. AUTHORIZATION OF SERIES 2012 BONDS; DEFEASANCE AND REFUNDING. Subject and pursuant to the provisions hereof of Section 12, obligations of the Issuer to be known as "Capital Refunding Bonds, Series 2012" are hereby authorized in the aggregate principal amount of not exceeding \$60,000,000. The defeasance of the Defeased Bonds and the refunding of the Refunded Bonds are hereby authorized.

SECTION 6. DESCRIPTION OF SERIES 2012 BONDS. Series 2012 Bonds shall be issued in fully registered form; shall be numbered consecutively from R-1 upward; shall be in denominations of \$5,000 each or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate or rates or method of determining rates and the dates of payment shall be set forth in the Bond Purchase Agreement; and shall mature on such date in such years and amounts as will be fixed by the Bond Purchase Agreement prior to or upon the sale of the Series 2012 Bonds and may be Serial and/or Term Bonds or integral multiples thereof.

Each Series 2012 Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Series 2012 Bond shall bear interest from the date to which interest shall have last been paid.

A book-entry-only system of registration is hereby authorized for the Series 2012 Bonds. So long as the Issuer shall maintain a book-entry-only system with respect to the Series 2012 Bonds, the following provisions shall apply:

A blanket issuer letter of representations (the "BLoR") was entered into by the Issuer with The Depository Trust Company ("DTC"). It is intended that the Series 2012 Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such BLoR. The terms and conditions of such BLoR shall govern the registration of the Series 2012 Bonds. The Series 2012 Bonds shall be initially issued in the form of a single fully registered Series 2012 Bond for each maturity of such Series. Upon initial issuance, the ownership of such Series 2012 Bonds shall be registered by the Registrar in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized

representative of DTC. So long as any Series 2012 Bond is registered in the name of DTC (or its nominee), the Issuer, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive holder of such Series 2012 Bonds registered in its name, and all payments with respect to the principal or redemption price of, if any, and interest on such Series 2012 Bond ("Payments") and all notices with respect to such Series 2012 Bond ("Notices") shall be made or given, as the case may be, to DTC. Transfers of Payments and delivery of Notices to DTC Participants shall be the responsibility of DTC and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Transfers of Payments and delivery of Notices to beneficial owners of the Bonds by DTC Participants shall be the responsibility of such participants, indirect participants and other nominees of such beneficial owners and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

Upon (a) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2012 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, (b) termination, for any reason, of the agreement among the Issuer, the Registrar and Paying Agent and DTC evidenced by the BLoR, or (c) determination by the Issuer that such book-entry only system should be discontinued by the Issuer, and compliance with the requirements of any agreement between the Issuer and DTC with respect thereto, the Series 2012 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2012 Bonds consistent with the terms hereof, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the BLoR shall apply to the registration and transfer of the Series 2012 Bonds and to Payments and Notices with respect thereto.

SECTION 7. PROVISIONS FOR REDEMPTION. The Series 2012 Bonds may be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Bond Purchase Agreement at or prior to the time of sale of the Series 2012 Bonds.

SECTION 8. APPLICATION OF PROVISIONS OF THE MASTER RESOLUTION. The Series 2012 Bonds, herein authorized, shall for all purposes (except as herein expressly provided) be considered to be issued under the authority of the Master Resolution, and shall be entitled to all the protection and security provided therein for Bonds issued thereunder.

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Bonds to obtain the most favorable rating and interest rate on the Series 2012 Bonds), and the execution and delivery of the Bond Purchase Agreement by the Mayor and the City Treasurer-Clerk shall be deemed conclusive evidence of the approval of such changes and the full and complete satisfaction of the conditions set forth in this Section.

Notwithstanding the foregoing, the Bond Purchase Agreement shall not be executed by the Mayor and the City Treasurer-Clerk until such time as all of the following conditions have been satisfied:

1. Receipt by the City Treasurer-Clerk of a written offer to purchase the Series 2012 Bonds by the Underwriters substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$60,000,000 principal amount of Series 2012 Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$6.00/\$1,000 of the par amount, (iii) a true interest cost of not more than 3.50%, (iv) the maturities of the Series 2012 Bonds with the final maturity no later than October 1, 2024 and (v) aggregate present value savings of at least 3.0% of par amount refunded.

2. The Series 2012 Bonds shall be subject to such optional and mandatory redemption provisions as provided in the Bond Purchase Agreement.

3. Receipt by the City Treasurer-Clerk from the Underwriters of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes and substantially in the form attached to the Bond Purchase Agreement.

Upon satisfaction of the conditions set forth in this Section, the Mayor and City Treasurer-Clerk are hereby authorized to execute and deliver the Series 2012 Bonds and any other documents, agreements or certificates relating to the Series 2012 Bonds, and are further authorized and directed to prepare and furnish to the purchasers of the Series 2012 Bonds, when the Series 2012 Bonds are issued, certified copies of all the proceedings and records of the Issuer relating to the Series 2012 Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2012 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

SECTION 13. RESERVE FUND. A. Establishment of Reserve Account for the Series 2012 Bonds. Pursuant to the Master Resolution, the Issuer is authorized to establish a separate account within the Reserve Fund for the benefit of the Series 2012 Bonds. The Issuer hereby establishes the Series 2012 subaccount in the Reserve Fund (the "Series 2012 Subaccount"). The Issuer further authorizes the Reserve Account Requirement for the Series 2012 Bonds to be funded by proceeds of the Series 2012 Bonds and deposited into the Series 2012 Subaccount.

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SECTION 9. SUPPLEMENTAL RESOLUTION. This Resolution shall be deemed to be a Supplemental Resolution for purposes of the Master Resolution.

SECTION 10. APPLICATION OF SERIES 2012 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2012 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2012 Bonds to the purchaser thereof, as follows:

A. A sum as specified in the Escrow Deposit Agreement shall be deposited pursuant to the Escrow Deposit Agreement or such sum as specified by written certificate of the City Treasurer-Clerk shall be applied simultaneously with the delivery of the Series 2012 Bonds to defease the Defeased Bonds and defease and pay the Refunded Bonds.

B. To the extent not paid by the original purchaser of the Series 2012 Bonds, the Issuer shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2012 Bonds.

SECTION 11. SPECIAL OBLIGATIONS OF ISSUER. The Series 2012 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Funds. No Holder or Holders of any Series 2012 Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer except the Pledged Funds.

The payment of the principal of and interest on the Series 2012 Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Holders of Series 2012 Bonds an irrevocable lien on the Pledged Funds. The Issuer does irrevocably pledge such Pledged Funds to the payment of the principal of and interest on the Series 2012 Bonds, for the reserves, if any, therefor and for all other required payments. Such amounts hereby pledged shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 12. DELEGATION OF AWARD OF SERIES 2012 BONDS. Subject to full satisfaction of the conditions set forth in this Section, the City Commission of the Issuer hereby authorizes a delegated negotiated sale of the Series 2012 Bonds to the Underwriters in accordance with the terms of a Bond Purchase Agreement to be dated the date of sale and to be substantially in the form attached hereto as Exhibit "A", with such changes, amendments, modifications, omissions and additions thereto as shall be approved by the Mayor or the City Treasurer-Clerk in accordance with the provisions of this Section (including, without limitation, making the final determination concerning the structuring and marketing of the Series 2012

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B. Delegation of Reserve Account Requirement. Subject to parameters set forth in this Section, the City Commission of the Issuer hereby authorizes the City Treasurer-Clerk to determine the Reserve Account Requirement for the Series 2012 Bonds, in consultation with the Issuer's Financial Advisor.

The Reserve Account Requirement for the Series 2012 Bonds shall not exceed an amount which equals the lesser of (1) Maximum Debt Service Requirement for the Series 2012 Bonds, (2) 125% of the average annual debt service for the Series 2012 Bonds or (3) the maximum amount allowed under the Code in order to maintain the exclusion of interest on the Series 2012 Bonds. However, such Reserve Account Requirement may be zero, in such case no Reserve Account would be required for the Series 2012 Bonds.

The City Treasurer-Clerk shall execute a certificate dated the date of delivery of the Series 2012 Bonds certifying the Reserve Account Requirement for the Series 2012 Bonds.

SECTION 14. TRANSFER OF FUNDS. Moneys in the various funds and accounts created under the resolution authorizing the Series 2004 Bonds shall be transferred as provided by a certificate to be executed by the Mayor and the City Treasurer-Clerk.

The City Treasurer-Clerk is hereby authorized to terminate the Debt Service Reserve Forward Delivery Agreement by and among the Issuer, U.S. Bank National Association, successor to Wachovia Bank, National Association and U.S. Bank National Association, successor to Wachovia Bank, National Association, as provider, dated as of December 10, 2004, in connection with the reserve fund for the Series 2004 Bonds.

SECTION 15. AUTHORIZATION TO DEFEASE A PORTION OF THE SERIES 2004 BONDS. Effective upon and subject to the execution and delivery of the Escrow Deposit Agreement, the Issuer hereby directs the City Treasurer-Clerk to take such actions as are necessary to cause the Defeased Bonds to be defeased, including the purchase of federal securities to be deposited into the escrow account pursuant to the Escrow Deposit Agreement. The City Treasurer-Clerk is directed to transfer to the Escrow Agent an amount necessary to effect the defeasance of the Defeased Bonds pursuant to the Escrow Deposit Agreement with irrevocable instructions that the Escrow Agent hold such funds in the escrow account created under the Escrow Deposit Agreement until the funds are applied to pay the Defeased Bonds as set forth in the Escrow Deposit Agreement.

SECTION 16. REDEMPTION OF REFUNDED BONDS. The City Treasurer-Clerk is hereby authorized to redeem the Refunded Bonds in accordance with the Plan of Finance, as described in the Preliminary Official Statement. The paying agent for the Refunded Bonds is hereby authorized to provide written notice of such redemption to the registered owners of such Refunded Bonds and to any bondholder whose name and address are on file with the

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paying agent. The Escrow Agent is hereby authorized and directed to publish a notice of redemption, if required.

SECTION 17. INFORMATION WITH RESPECT TO THE OFFERING AND PRELIMINARY OFFICIAL STATEMENT. The City Treasurer-Clerk, Bond Counsel to the Issuer, Disclosure Counsel to the Issuer and the Issuer's Financial Advisor are hereby authorized to prepare and to disseminate (or cause to be prepared and disseminated) copies of a "Preliminary Official Statement" in the form on file in the City Treasurer-Clerk's Office and are also authorized to prepare and disseminate a final official statement after execution and delivery of the Bond Purchase Agreement. At closing, the appropriate officers of the Issuer are authorized and directed to furnish a certificate to the effect that the Preliminary Official Statement did not as of its date and does not contain any untrue statement or omission of a material fact. The Mayor and City Treasurer-Clerk are authorized to deem final the Preliminary Official Statement prepared pursuant to this section for purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission.

SECTION 18. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Such Continuing Disclosure Certificate shall be in the form attached hereto as Exhibit "C". Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate will not be considered an event of default; however, any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section. Holders of Series 2012 Bonds shall not be entitled to any damages for failure of the Issuer to comply with the terms of the Continuing Disclosure Certificate.

SECTION 19. APPOINTMENT OF VERIFICATION AGENT. The Arbitrage Group, Inc. is hereby appointed to serve as verification agent (the "Verification Agent") with respect to the legal defeasance of the Defeased Bonds and the refunding of the Refunded Bonds.

SECTION 20. APPOINTMENT OF REGISTRAR AND PAYING AGENT. U.S. Bank National Association, Jacksonville, Florida is hereby appointed as Registrar and Paying Agent for the Series 2012 Bonds. The Mayor and the City Treasurer-Clerk are hereby authorized to enter into any agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this Resolution.

SECTION 21. APPOINTMENT OF ESCROW AGENT; AUTHORIZATION OF EXECUTION AND DELIVERY OF ESCROW DEPOSIT AGREEMENT. U.S. Bank National Association, Jacksonville, Florida is hereby appointed to serve as Escrow Agent (the "Escrow Agent") under the Escrow Deposit Agreement which is attached hereto as Exhibit "B", and which the Issuer hereby approves. The Mayor and the City Treasurer-Clerk are hereby

authorized to execute and deliver the Escrow Deposit Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Escrow Deposit Agreement by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 22. CONFLICTS. All resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect.

SECTION 23. SEVERABILITY. If any word, phrase, clause, section, or portion of this Resolution shall be held invalid or unconstitutional by a court of competent jurisdiction, such portion or words shall be deemed a separate and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 24. EFFECTIVE DATE. This Resolution shall have effect upon adoption.

PASSED AND ADOPTED on this _____ day of September, 2012.

CITY OF TALLAHASSEE, FLORIDA

ATTEST:

By: _____
Mayor

By: _____
City Treasurer-Clerk

Approved as to form and legality:

By: _____
City Attorney

RESOLUTION NO. 14-R-10

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$50,000,000 CITY OF TALLAHASSEE, FLORIDA CAPITAL BONDS, SERIES 2014 TO FINANCE CAPITAL PROJECTS; PLEDGING REVENUES DERIVED FROM THE GUARANTEED ENTITLEMENT REVENUES, THE LOCAL GOVERNMENT HALF-CENT SALES TAX, THE LOCAL COMMUNICATIONS SERVICES TAX AND THE PUBLIC SERVICE TAX REVENUES FOR THE PAYMENT OF SAID BONDS; DELEGATING THE AWARD OF THE SALE OF THE SERIES 2014 BONDS TO THE MAYOR; DELEGATING TO THE MAYOR THE AUTHORITY TO DEEM FINAL FOR CERTAIN PURPOSES AND APPROVE THE USE OF AND DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2014 BONDS; APPOINTING A REGISTRAR AND PAYING AGENT; AMENDING RESOLUTION NO. 12-R-42; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF TALLAHASSEE, FLORIDA, as follows:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 166, Part II, Florida Statutes, Resolution No. 12-R-42 adopted on September 19, 2012 and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the Master Resolution, as hereinafter defined. In addition, the following terms shall have the following meanings herein, unless the text expressly requires otherwise. Words importing singular numbers shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement between the Issuer and the Underwriters dated the date of sale of the Series 2014 Bonds, in substantially the form attached hereto as Exhibit "A".

"Cede" shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2014 Bonds pursuant to Section 6 hereof.

D. The principal of and interest and redemption premium, if any, on the Series 2014 Bonds and all required reserve or other payments shall be payable solely from the Pledged Funds as herein provided. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2014 Bonds herein authorized or to make any other payments provided for herein. The Series 2014 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

E. The estimated Pledged Funds will be sufficient to pay all principal of and interest and redemption premium, if any, on the Series 2014 Bonds, the Parity Obligations and the Subordinate Bonds as the same become due, and to make all required reserve or other payments required by the Master Resolution and this Resolution.

F. The Issuer desires to sell its Series 2014 Bonds pursuant to a Bond Purchase Agreement subject to certain conditions herein.

G. Due to the present instability in the market for revenue obligations, the interest on which is excluded from federal gross income, the critical importance of the timing of the sale of the Series 2014 Bonds, and due to the willingness of the Underwriters to purchase the Series 2014 Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 2014 Bonds at a negotiated sale.

H. The Issuer has been or will be provided all applicable disclosure information required by Section 218.385(6), Florida Statutes.

I. The Issuer desires to amend the Master Resolution to add additional security to the Parity Obligations, the Series 2014 Bonds and any Additional Parity Obligations issued hereafter.

SECTION 4. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2014 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution together with the Master Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all Series 2014 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2014 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. AUTHORIZATION OF SERIES 2014 BONDS; AUTHORIZATION OF THE 2014 PROJECT. Subject and pursuant to the provisions of Section 12 hereof, obligations of the Issuer to be known as "Capital Bonds, Series 2014" are hereby authorized in the aggregate principal amount of not exceeding \$50,000,000. The 2014 Project is also hereby authorized.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the Issuer and dated the date of issuance and delivery of the Series 2014 Bonds, as it may be amended from time to time in accordance with the terms thereof.

"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

"Financial Advisor" shall mean Public Financial Management, Inc., Orlando, Florida.

"Master Resolution" shall mean Resolution No. 12-R-42 of the Issuer adopted on September 19, 2012, as amended and supplemented from time to time.

"Parity Obligations" shall mean the remaining outstanding \$49,165,000 City of Tallahassee, Florida Capital Refunding Bonds, Series 2012.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository.

"Paying Agent" shall mean U.S. Bank National Association.

"Series 2014 Bonds" shall mean the Capital Bonds, Series 2014 in the aggregate principal amount not to exceed \$50,000,000, authorized to be issued pursuant to Section 5 hereof.

"Registrar" shall mean U.S. Bank National Association or its successors and assigns.

"2014 Project" shall mean capital projects, consisting of construction of the public safety complex, a new fire station and various road and sidewalk improvements.

"Underwriters" shall mean collectively, Loop Capital Markets LLC and Ramirez & Co., Inc.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. On September 19, 2012, the Issuer adopted its Master Resolution for the purpose of financing and refinancing capital projects.

B. The Series 2014 Bonds shall be considered Bonds under the terms and conditions of the Master Resolution.

C. The Pledged Revenues are not now pledged or encumbered in any manner except for the payment of the principal and interest on the Parity Obligations and the payment of the principal and interest on the Issuer's \$26,975,000 Capital Improvement Refunding Revenue Bonds, Series 2009 (the "Subordinate Bonds") on a junior and subordinate basis.

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SECTION 6. DESCRIPTION OF SERIES 2014 BONDS. Series 2014 Bonds shall be issued in fully registered form; shall be numbered consecutively from R-1 upward; shall be in denominations of \$5,000 each or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate or rates or method of determining rates and the dates of payment shall be set forth in the Bond Purchase Agreement; and shall mature on such date in such years and amounts as will be fixed by the Bond Purchase Agreement prior to or upon the sale of the Series 2014 Bonds and may be Serial and/or Term Bonds.

Each Series 2014 Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Series 2014 Bond shall bear interest from the date to which interest shall have last been paid.

A book-entry-only system of registration is hereby authorized for the Series 2014 Bonds. So long as the Issuer shall maintain a book-entry-only system with respect to the Series 2014 Bonds, the following provisions shall apply:

A blanket issuer letter of representations (the "BLoR") was entered into by the Issuer with The Depository Trust Company ("DTC"). It is intended that the Series 2014 Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such BLoR. The terms and conditions of such BLoR shall govern the registration of the Series 2014 Bonds. The Series 2014 Bonds shall be initially issued in the form of a single fully registered Series 2014 Bond for each maturity of such Series. Upon initial issuance, the ownership of such Series 2014 Bonds shall be registered by the Registrar in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. So long as any Series 2014 Bond is registered in the name of DTC (or its nominee), the Issuer, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive holder of such Series 2014 Bonds registered in its name, and all payments with respect to the principal or redemption price of, if any, and interest on such Series 2014 Bond ("Payments") and all notices with respect to such Series 2014 Bond ("Notices") shall be made or given, as the case may be, to DTC. Transfers of Payments and delivery of Notices to DTC Participants shall be the responsibility of DTC and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Transfers of Payments and delivery of Notices to beneficial owners of the Bonds by DTC Participants shall be the responsibility of such participants, indirect participants and other nominees of such beneficial owners and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

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Upon (a) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2014 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is able to undertake such functions upon reasonable and customary terms, (b) termination, for any reason, of the agreement among the Issuer, the Registrar and Paying Agent and DTC evidenced by the BLoR, or (c) determination by the Issuer that such book-entry only system should be discontinued by the Issuer, and compliance with the requirements of any agreement between the Issuer and DTC with respect thereto, the Series 2014 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2014 Bonds consistent with the terms hereof, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the BLoR shall apply to the registration and transfer of the Series 2014 Bonds and to Payments and Notices with respect thereto.

SECTION 7. PROVISIONS FOR REDEMPTION. The Series 2014 Bonds may be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Bond Purchase Agreement at or prior to the time of sale of the Series 2014 Bonds.

SECTION 8. APPLICATION OF PROVISIONS OF THE MASTER RESOLUTION. The Series 2014 Bonds, herein authorized, shall for all purposes (except as herein expressly provided) be considered to be issued under the authority of the Master Resolution, and shall be entitled to all the protection and security provided therein for Bonds issued thereunder.

SECTION 9. SUPPLEMENTAL RESOLUTION. This Resolution shall be deemed to be a Supplemental Resolution for purposes of the Master Resolution.

SECTION 10. APPLICATION OF SERIES 2014 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2014 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2014 Bonds to the purchaser thereof, as follows:

A. Capitalized interest, if any, shall be deposited into the Interest Account and shall be used only for the purpose of paying interest becoming due on the Series 2014 Bonds.

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Bonds to obtain the most favorable rating and interest rate on the Series 2014 Bonds), and the execution and delivery of the Bond Purchase Agreement by the Mayor and the City Treasurer-Clerk shall be deemed conclusive evidence of the approval of such changes and the full and complete satisfaction of the conditions set forth in this Section.

Notwithstanding the foregoing, the Bond Purchase Agreement shall not be executed by the Mayor and the City Treasurer-Clerk until such time as all of the following conditions have been satisfied:

1. Receipt by the City Treasurer-Clerk of a written offer to purchase the Series 2014 Bonds by the Underwriters substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$50,000,000 principal amount of Series 2014 Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$6.00/\$1,000 of the par amount, (iii) a true interest cost of not more than 5.50%, and (iv) the maturities of the Series 2014 Bonds with the final maturity no later than October 1, 2034.

2. The Series 2014 Bonds shall be subject to such optional and mandatory redemption provisions as provided in the Bond Purchase Agreement.

3. Receipt by the City Treasurer-Clerk from the Underwriters of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes and substantially in the form attached to the Bond Purchase Agreement.

Upon satisfaction of the conditions set forth in this Section, the Mayor and City Treasurer-Clerk are hereby authorized to execute and deliver the Series 2014 Bonds and any other documents, agreements or certificates relating to the Series 2014 Bonds, and are further authorized and directed to prepare and furnish to the purchasers of the Series 2014 Bonds, when the Series 2014 Bonds are issued, certified copies of all the proceedings and records of the Issuer relating to the Series 2014 Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2014 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

SECTION 13. RESERVE ACCOUNT. A. Establishment of a Subaccount in the Reserve Account for the Series 2014 Bonds. Pursuant to the Master Resolution, the Issuer is authorized to establish a separate subaccount within the Reserve Account for the benefit of the Series 2014 Bonds. The Issuer hereby establishes the Series 2014 subaccount in the Reserve Account (the "Series 2014 Subaccount"). The Issuer further authorizes the Reserve Account Requirement for the Series 2014 Bonds to be funded by proceeds of the Series 2014 Bonds and deposited into the Series 2014 Subaccount of the Reserve Account.

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B. The initial Reserve Account Requirement for such Series 2014 Bonds shall be deposited in a subaccount of the Reserve Account created pursuant to the Master Resolution for the benefit of the Series 2014 Bonds, and shall be used only for the purposes provided therefor.

C. A portion of the Series 2014 Bond proceeds shall be deposited in the Construction Fund. The Issuer covenants and agrees to establish a separate account within the Construction Fund to be known as the "City of Tallahassee Capital Bonds, Series 2014 Construction Account" (hereinafter referred to as the "2014 Construction Account") which shall be used only for the payment of the cost of the 2014 Project. Moneys in the 2014 Construction Account until applied in payment of any item of the cost of the 2014 Project, shall be held in trust by the Issuer and shall be subject to a lien and charge in favor of the Holders of the Series 2014 Bonds, and for the further security of such Holders.

D. To the extent not paid by the original purchasers of the Series 2014 Bonds, the Issuer shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2014 Bonds.

SECTION 11. SPECIAL OBLIGATIONS OF ISSUER. The Series 2014 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State of Florida, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Funds. No Holder or Holders of any Series 2014 Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer except the Pledged Funds.

The payment of the principal of and interest on the Series 2014 Bonds shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Holders of Series 2014 Bonds an irrevocable lien on the Pledged Funds. The Issuer does irrevocably pledge such Pledged Funds to the payment of the principal of and interest on the Series 2014 Bonds, for the reserves, if any, therefor and for all other required payments. Such amounts hereby pledged shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 12. DELEGATION OF AWARD OF SERIES 2014 BONDS. Subject to full satisfaction of the conditions set forth in this Section, the City Commission of the Issuer hereby authorizes a delegated negotiated sale of the Series 2014 Bonds to the Underwriters in accordance with the terms of a Bond Purchase Agreement to be dated the date of sale and to be substantially in the form attached hereto as Exhibit "A", with such changes, amendments, modifications, omissions and additions thereto as shall be approved by the Mayor or the City Treasurer-Clerk in accordance with the provisions of this Section (including, without limitation, making the final determination concerning the structuring and marketing of the Series 2014

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B. Delegation of Reserve Account Requirement. Subject to parameters set forth in this Section, the City Commission of the Issuer hereby authorizes the City Treasurer-Clerk to determine the Reserve Account Requirement for the Series 2014 Bonds, in consultation with the Issuer's Financial Advisor.

The Reserve Account Requirement for the Series 2014 Bonds shall not exceed an amount which equals the lesser of (1) Maximum Debt Service Requirement for the Series 2014 Bonds, (2) 125% of the average annual debt service for the Series 2014 Bonds or (3) the maximum amount allowed under the Code in order to maintain the exclusion of interest on the Series 2014 Bonds. However, such Reserve Account Requirement may be zero, in such case no subaccount in the Reserve Account would be required for the Series 2014 Bonds.

The City Treasurer-Clerk shall execute a certificate dated the date of delivery of the Series 2014 Bonds certifying the Reserve Account Requirement for the Series 2014 Bonds.

SECTION 14. INFORMATION WITH RESPECT TO THE OFFERING AND PRELIMINARY OFFICIAL STATEMENT. The City Treasurer-Clerk, Bond Counsel to the Issuer, Disclosure Counsel to the Issuer and the Issuer's Financial Advisor are hereby authorized to prepare and to disseminate (or cause to be prepared and disseminated) copies of a "Preliminary Official Statement" in the form on file in the City Treasurer-Clerk's Office and are also authorized to prepare and disseminate a final official statement after execution and delivery of the Bond Purchase Agreement. At closing, the appropriate officers of the Issuer are authorized and directed to furnish a certificate to the effect that the Preliminary Official Statement did not as of its date and does not contain any untrue statement or omission of a material fact. The Mayor and City Treasurer-Clerk are authorized to deem final the Preliminary Official Statement prepared pursuant to this section for purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission.

SECTION 15. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Such Continuing Disclosure Certificate shall be in the form attached hereto as Exhibit "B". Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate will not be considered an event of default; however, any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section. Holders of Series 2014 Bonds shall not be entitled to any damages for failure of the Issuer to comply with the terms of the Continuing Disclosure Certificate.

SECTION 16. APPOINTMENT OF REGISTRAR AND PAYING AGENT. U.S. Bank National Association is hereby appointed as Registrar and Paying Agent for the Series 2014 Bonds. The Mayor and the City Treasurer-Clerk are hereby authorized to enter into any

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agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this Resolution.

SECTION 17. AMENDMENT OF MASTER RESOLUTION. (a) Section 1.01. of the Master Resolution is hereby amended and supplemented as follows:

"Pledged Revenues" shall mean collectively, (i) the Local Government Half-Cent Sales Tax, (ii) the Guaranteed Entitlement Revenues, (iii) the Local Communications Services Tax and (iv) the Public Service Tax Revenues. "Pledged Revenues" shall also include any fees, commissions, charges or taxes established pursuant to the laws of the State or ordinances of the Issuer which replace any of the revenues listed in clauses (i), (ii), (iii) or (iv), unless expressly prohibited by law.

"Public Service Tax Revenues" means the revenues which are derived from taxes levied and collected by the Issuer under the authority of Section 166.231, Florida Statutes, as amended, and Section 18-121 of City of Tallahassee Code of Ordinances on purchases of electricity, water, metered natural gas, metered or bottled gas (liquefied petroleum gas or manufactured gas) and fuel oil within the corporate limits of the Issuer.

(b) It is the intent of the Issuer that the Public Service Tax Revenues are also pledged to the Parity Obligations and any Additional Parity Obligations.

SECTION 18. CONFLICTS. All resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby supplemented and amended to conform with the provisions herein contained and except as otherwise modified, supplemented and amended hereby shall remain in full force and effect.

SECTION 19. SEVERABILITY. If any word, phrase, clause, section, or portion of this Resolution shall be held invalid or unconstitutional by a court of competent jurisdiction, such portion or words shall be deemed a separate and independent provision and such holding shall not affect the validity of the remaining portions thereof.

SECTION 20. EFFECTIVE DATE. This Resolution shall have effect upon adoption.

PASSED AND ADOPTED on this _____ day of _____, 2014.

CITY OF TALLAHASSEE, FLORIDA

ATTEST:

By: _____
Mayor

By: _____
City Treasurer-Clerk

Approved as to form and legality:

By: _____
City Attorney

APPENDIX D

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds in definitive form, Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel, proposes to render its opinion with respect to the Series 2014 Bonds in substantially the following form:

[Date of Delivery]

City of Tallahassee, Florida
Tallahassee, Florida

\$40,225,000
City of Tallahassee, Florida
Capital Bonds, Series 2014

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Tallahassee, Florida (the "Issuer") in connection with the issuance by the Issuer of its \$40,225,000 Capital Bonds, Series 2014 (the "Series 2014 Bonds") pursuant to and under the authority of the Constitution of the State of Florida, Chapter 166, Part II, Florida Statutes, Resolution No. 12-R-42 adopted by the Commission on September 19, 2012, as amended and supplemented by Resolution No. 14-R-10 adopted on May 14, 2014 (the "Bond Resolution"). In such capacity, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meaning set forth in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Lewis E. Shelley, City Attorney, as to the due creation and valid existence of the

Issuer, the due adoption of the Bond Resolution, the due execution and delivery of the Series 2014 Bonds and the compliance by the Issuer with all conditions contained in ordinances and resolutions of the Issuer precedent to the issuance of the Series 2014 Bonds.

The Series 2014 Bonds are payable from the Pledged Revenues, which consist of proceeds from the Local Government Half-Cent Sales Tax, the Guaranteed Entitlement Revenues, the Local Communications Services Tax and the Public Service Tax Revenues, and certain other investment earnings as described in the Bond Resolution. Pursuant to the terms, conditions and limitations contained in the Bond Resolution, the Issuer has reserved the right to issue Additional Parity Obligations in the future which shall have a lien on the Pledged Revenues equal to that of the Series 2014 Bonds and the Parity Obligations.

The Series 2014 Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Issuer or taxation in any form of any real or personal property for the payment of the principal of or interest on the Series 2014 Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion, that, under existing law:

1. The Bond Resolution constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The Series 2014 Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their terms, payable solely from the Pledged Revenues in the manner and to the extent provided in the Bond Resolution.

3. The Bond Resolution creates a valid lien upon the Pledged Revenues for the security of the Series 2014 Bonds on a parity with the Parity Obligations and any Additional Parity Bonds hereafter issued, all in the manner and to the extent provided in the Bond Resolution.

4. Interest on the Series 2014 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Series 2014 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Resolution to comply with all such requirements. Failure to comply with certain of such requirements may cause interest

on the Series 2014 Bonds to be included in gross income for federal income purposes retroactively to the date of issuance of the Series 2014 Bonds.

It is to be understood that the rights of the owners of the Series 2014 Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Series 2014 Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2014 Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Series 2014 Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Issuer or the underwriter or underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Series 2014 Bonds or regarding the perfection or priority of the lien on the Pledged Revenues created by the Bond Resolution. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Series 2014 Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Tallahassee, Florida (the "Issuer") in connection with the issuance of its \$40,225,000 Capital Bonds, Series 2014 (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 12-R-42 adopted by the Issuer on September 19, 2012 (the "Master Resolution"), as supplemented by Resolution No. 12-R-49 adopted on September 19, 2012 (the "Series 2012 Resolution,"), and Resolution No. 14-R-10, adopted on May 14, 2014 (the "Series 2014 Resolution" and collectively with the Master Resolution and the Series 2012 Resolution, the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 (the "Rule"). This Disclosure Certificate, together with Section 15 of the Series 2014 Resolution, constitutes the continuing disclosure commitment for the Bondholders and Beneficial Owners of the Bonds for purposes of the Rule.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean any day other than a Saturday, Sunday or a day when banks within the City of New York, New York, or in the City of Tallahassee, or in the city of the designated office of the Registrar are required or authorized by law to be closed or on which the New York Stock Exchange is closed.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(h)(1) of the Securities Exchange Act of 1934.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean any municipal securities information repository approved from time to time by the SEC, or otherwise established by law or regulation, where information is required to be filed in accordance with the Rule and shall constitute initially the entity set forth in Exhibit B.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

SECTION 3. PROVISION OF ANNUAL INFORMATION.

(a) The Issuer shall provide not later than March 31 of the year following the end of the Issuer's fiscal year (currently September 30), commencing with the report for the 2014 fiscal year, to each Repository an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but in such case unaudited statements will be submitted with the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Repository and the Municipal Securities Rulemaking Board, in substantially the form attached as Exhibit A.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

1. Summary of revenues, expenses and debt service coverage and financial and operating data and statistics for such fiscal year, of the type and in a manner consistent with the presentation of such information included under the following headings contained in the Official Statement for the Bonds dated May 20, 2014 (the "Official Statement"):

"Historical Guaranteed Entitlement Revenues, Local Government Half-Cent Sales Tax Receipts, Local Communications Services Tax, Public Service Tax Revenues and Coverage."

The foregoing shall not obligate the City to prepare projections of any operating or financial data.

2. The audited general purpose financial statements of the Issuer utilizing generally accepted accounting principles applicable to governmental units as described in the Official Statement, except as may be modified from time to time and described in such financial statements.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository, the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. REPORTING SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give notice of any of the following events with respect to the Bonds within ten (10) Business Days of the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance of the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Bonds;
- (10) Release, substitution or sale of property securing repayments of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;

Note: for the purposes of the event identified in this subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other

proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction of substantially all of the assets or business of the Issuer.

- (13) The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer; other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional Registrar, Paying Agent or trustee or the change of name of a Registrar, Paying Agent or trustee, if material.

(b) The Issuer shall, within ten (10) Business Days of the Event, file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor dissemination agent.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Bond to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. OBLIGATED PERSONS. If any person, other than the Issuer, becomes an Obligated Person (as defined in the Rule) relating to the Bonds, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

SECTION 12. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, any dissemination agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: June 12, 2014

CITY OF TALLAHASSEE, FLORIDA

By: _____
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Tallahassee, Florida

Name of Bond Issue: Capital Bonds, Series 2014

Date of Issuance: June 12, 2014

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Issuer dated June 12, 2014. The Issuer anticipates that the Annual Report will be filed by _____

Dated: _____

CITY OF TALLAHASSEE, FLORIDA

By: _____

EXHIBIT B

Municipal Securities Information Repositories approved by the United States Securities and Exchange Commission:

Municipal Securities Rulemaking Board:
<http://emma.msrb.org/>

A list of names and addresses of all designated Municipal Securities Information Repositories as of any point in time is available by visiting the SEC's website at <http://www.sec.gov/info/municipal.shtml>.

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