

**Comprehensive Annual
Financial Report
and Compliance Reports
of the
City of Quincy, Florida**



**For the Fiscal Year Ended
September 30, 2010**

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**Prepared by the Finance Department
Theresa Moore, CPA
Finance Director**

CITY OF QUINCY, FLORIDA

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I. INTRODUCTORY SECTION

- **Letter of Transmittal**
- **Organizational Chart**
- **List of City Principal Officials**



May 2, 2011

To the Honorable Board of
City Commissioners and to the
Citizens of the City of Quincy
Quincy, Florida

The Comprehensive Annual Financial Report ("CAFR") of the City of Quincy (the "City") for the fiscal year ended September 30, 2010, is respectfully submitted. State law requires that a complete set of financial statements be published within one year of fiscal year end and presented in conformance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities and audited in accordance with generally accepted auditing standards by licensed independent certified public accountants. This report is being issued in fulfillment of these statutory requirements.

This report was prepared by the Finance Department of the City of Quincy (as part of the Finance Director's legally prescribed duties as the Chief Financial Officer of the City) of which the City Manager and his staff are responsible for the contents of this CAFR. We believe the financial and statistical information presented is accurate in all material respects, and is set forth in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds. The report contains all of the disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

The City established a comprehensive internal control framework, to provide reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and ensure that the financial records for preparing financial statements and maintaining accountability for assets are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires judgments and estimates by management. All internal control evaluations occur within the above framework. We think that the City's internal controls adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

In compliance with the laws of the State of Florida, the City's independent auditors, TCBA Watson Rice LLP, have audited the financial statements. This firm is a certified public accountant licensed by the State of Florida. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal and state Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement.

The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement for the fiscal year ended September 30, 2010. The audit involved examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the fiscal year ended September 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report contains three major sections; they are the Introductory, Financial, and Statistical Sections. The Introductory Section, which is unaudited, is designed to give the reader some basic background about the governmental unit as a whole. This letter of transmittal will present a brief overview of the City's structure and services and a discussion of the City's financial condition.

The financial section includes the Management's Discussion and Analysis (MD&A), basic financial statements, combining statements and supplemental information as well as the Independent Auditors' Report on the financial statements and schedules. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Quincy's MD&A can be found in the financial section following the Independent Auditors' Report.

City Services and Reporting Entity

The City operates under a commission/administrator form of government, with a governing board consisting of five city commissioners. The City is divided into five geographical districts, with five commissioners elected from one of each of these separate districts. The City of Quincy's Board of City Commissioners (the "Commission") exercises a varying degree of budgetary control, including administrative policy control, over the activities of the City.

The primary government includes the General Fund, Special Revenue Funds, Internal Service Fund and Enterprise Funds.

Budgetary control (i.e. the level at which expenditures cannot exceed the appropriated amount) is established at the fund level, pursuant to Section 129.07, Florida Statutes. Budgets for all governmental fund types are adopted on a basis consistent with GAAP. The Finance Department, on behalf of the City Manager is responsible for the preparation of the City's budget.

The legally adopted total appropriation by fund may only be changed by resolution of the Board. Through agenda items, the Board also approves all budgetary expenditures greater than \$10,000. Full authority to expend budgetary amounts other than these instances is delegated to the City Manager. When the Board adopts the program budget, it is integrated into the reporting system for management reporting purposes. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. Original and final budgets for major governmental funds are also provided.

FINANCIAL CONDITION OF THE CITY

The information presented in the financial statements is best understood when considered from the broader perspective of the environment that the City operates. Financial condition reflects the City's existing and future resources and claims on those resources. Information useful in assessing financial condition include a review of the major initiatives along with the prospects for the future, a summary of the economic conditions, current and planned City capital projects and acquisitions, cash management and investment practices, and risk management policies.

The City continues to embrace the challenge of uncertainty and revenue and economic disruptions. This fiscal year reflects the continuation of tight fiscal policies initially implemented during FY2009. Specifically, building of reserves, debt retirement, tight expenditure controls, seeking of infrastructure grant dollars, maintenance of a small skilled workforce and use of new technologies to enhance law enforcement security and fire protection will be the focus of next's year budget.

Others changes reflected in the budget were: slight increase in the enterprise fund transfers to the general fund from \$4.478 million to \$4.699 million; an increase in the property taxes millage rate for FY 2009/2010 which added another \$200,000 in property tax revenues. This budget also includes the payment of state taxes liability of \$90,000 which will be retired by September 2011, increasing the electric reserves with the funding of \$100,000 annually and funding 5% (\$375,000) in the general fund unrestricted fund balance.

Major Accomplishments

- Increased utility/revenue collection rate to 98% based on 20 to 30 days collection period;
- Received national competitive infrastructure grant to improve the City's enterprise fund operating efficiencies, reduce fuel costs and increase the asset value by 40%;
- Received federal grant of \$1.2 million for the construction of a new fire station
- Received state grant of \$1.2 million for the development of Tanyard Creek which will be designated as the "entertainment center" for the county.
- Negotiated new energy provider contract with Florida Municipal Power Agency which is expected to reduce cost to the system and to the government of \$1.5 million annually;
- Continued fiscal control on variable costs such as overtime.
- Maintained the City's bond rating via implementation of the austerity measures shown in the budget.

Prospects for the Future

The Great Recession continues to be a major fiscal challenge to the private and public sections. Because of the measures taken by City Commission, the City will not face further reductions in staff or operations in the next budget cycle. The aggressive steps taken by the City to rebuild its funds balances will provide a cushion. Additionally, in securing the \$4.9 million Smart Grid infrastructure grant project, the City's power purchase cost is expected to decrease by \$300,000 annually via reduction in line loss and the ability to exercise its hydro contract right to purchase cheaper hydro power from the Jim Woodruff Dam in Chattahoochee, Florida. By the end of the 2010/2011 fiscal year, the City will complete payment of its short term state tax liability. The electric savings and the monthly tax liability payment will be placed in the City unrestricted reserves. It is the City's plan to have 33% of its general fund operating budget in its fund balance accounts in 2014 through savings, operational efficiencies and expenditure management of the ensuing fiscal year budgets.

Economic Conditions and Outlook

The City will continue to focus on downtown development. Three new retail businesses opened downtown during the fiscal year. The result of the marketing and façade incentives, provided by the City's Community Redevelopment Agency (CRA), is more than 17,000 visitors to the downtown area. Other small businesses have opened as well and will help in continuing the steady improvements already realized by the City.

Gadsden County's primary employing industries are agricultural, manufacturing, retail trade, government and services. Almost half of the county's employed residents travel outside of the county, primarily to Tallahassee, for employment with the state government. Overall the unemployment rate for the state, region and county is in a downward trend from the previous year and the City continues to make steady improvements in employment. Today, Florida's unemployment rate is 10.6 % and Gadsden County's rate is 7.9%.

The City's largest employer (BASF) not only returned to full capacity after enduring layoffs and reduction in plant operations during portions of this fiscal year but also added jobs. In addition, the former Imperial Nursery, which closed in early 2009 has re-opened as Tri-B Nurseries, employing 200 individuals. Finally, the City expects to benefit economically from the City of Gretna's economic development efforts which include the construction of an equestrian facility which will also have world-class poker rooms. In addition to Gretna being a wholesale water customer of the City, the facility will be a retail customer of Gretna.

Although the economic picture remains challenging, the City's next year budget will continue to reflect the disciplined and opportunistic drive that positions and prepares the City and citizens for an upswing in the economy. Hidden treasures abound amongst an industrious and resourceful community whose vision and aspirations are "in the heart of Florida's future".

Capital Projects Funds

The City is steadily retiring its 2002 and 2003 bond series. These funds were used for various capital improvement projects that included purchase of lands for a well field and construction of related improvements and road paving. General revenue funds will be used to fund a five year capital budget for road maintenance and improvements.

The City will be improving its sewer and water infrastructure systems as part of the Smart Grid infrastructure grant. As noted above, a federal grant has been received for the completion of a new fire station and a state grant was received for the completion of an amphitheatre which will be used for entertaining.

Risk Management

Risk management is the process of managing the City of Quincy's activities in order to minimize the total long-term cost to the City for all accidental losses and their consequences. The main elements of the Risk Management program are risk identification, risk control (loss reduction) and risk financing (restoration of the economic damages of losses incurred). Pursuant to commission action, the Risk Management function was created to review and identify areas of risk, loss, and insurance coverage for each participant. This

function is also charged with the establishment and implementation of a safety plan, which incorporates loss prevention and safety standards. In addition, the function establishes standard insurance and indemnification provisions for contracts, leases, and other special use agreements entered into by the participating governmental units.

The City of Quincy remains self-insured for automobile liability. The City also purchased commercial coverage for general liability, property, aviation and pollution liability.

Presently, the City's risk management program calls for self-insuring many types of risk, subject to the following limitations:

Type of Risk	Amount of Risk Retained by County	Limit of Excess Insurance Coverage
Workers Compensation	\$ -	Statutory
General Liability	\$10,000	\$1,000,000/\$2,000,000
Automobile Liability	\$10,000	\$300,000
Property Actual Loss	\$ 5,000	\$17,118,096.00
Named Wind Storm	2% value with minimum \$25,000	\$17,118,096.00

The limits stated above are on a per occurrence basis.

Cash Management

With respect to the City Commissioners, the Finance Director serves as custodian of city funds and disburses funds on their behalf as required by law, and applicable management directives. In April 2003 the City of Quincy's Commissioners revised the City's Investment Policy based on recommendations by the Finance Director. The City uses the services of an investment manager to assist the City with the investment of unrestricted investments. The City's investment advisor managed approximately 47.7% of the city's total portfolio which at year end had a modified duration of 2.89 years. The duration of a financial asset measures the sensitivity of the asset's price to interest rate movements, expressed as a number of years. The reason for expressing this sensitivity in years is that the time that will elapse until a cash flow is received allows more interest rate sensitivity than an asset with cash flows in the near future. Because of this relationship, duration is sometimes calculated as the weighted average number of years to receive each cash flow.

The unrestricted portfolio earned \$41,198 for an effective rate of return of 2.63% on a market value balance of \$1,564,154 at September 30, 2010. The City maintains a conservatively managed unrestricted portfolio with an average duration of 3.1 years. Several factors influence the portfolio's performance including but not limited to; current economic environment, types of permitted investments, allowable maturities, liquidity requirements, overall interest rate environment, cash flows needs, and security performance. It is important to note that the city's current investment strategy is a short-term fixed income ladder.

Over the previous year the market value of the unrestricted portfolio has increased nearly \$153,937 of which \$145,000 was from deposits by the city as it began replacing funds that it had withdrawn over the previous few years and \$8,937 in unrealized gains. The unrealized gain during the fiscal year can be

attributed to one holding, American General, that was previously responsible for (\$47,696) of unrealized losses reported for fiscal year 2008/2009. The American General holding which matured 03/5/2011 saw an increase of \$13,441 in market value during the fiscal year and as of 09/30/2010 had an unrealized loss of only \$573.

The federal funds rate is currently 0.25% and has not changed since it was lowered December 2008 in response to the collapse of the financial markets as a result of the subprime crisis. The federal funds rate remaining at this historically low level coupled with the city's very short duration portfolio, has greatly impacted reinvestment opportunities for maturing holding and recent additions during the fiscal year. As a result of this impact the duration of the city's unrestricted portfolio has increased in an effort to obtain higher yields. The flat federal funds rate during this period resulted in a negligible .005% unrealized gain in the unrestricted portfolio. The portfolio's total return was 3.10% which was primarily due to holdings purchased prior to the collapse of the financial markets (please note that deposits made by city during fiscal year \$145,000 were accounted for in calculations).

The City's activity investment is shown in the information below.

Summary Table of Portfolio Performance

Investment Type	Book Value as of September 30, 2009	Market Value as of September 30, 2010	Unrealized Gain / Loss	Interest 2010	Total Income 2010
Raymond James (Short Term)	\$1,564,154	\$1,759,290	\$8,937	\$41,198	\$41,198
Bank of New York (Long Term)	\$1,301,587	\$1,270,758		\$56	\$56
Capital City (Landfill)	\$580,998	\$581,298		\$629	\$629
Premier (Certificate of Deposit)	\$500,00	\$250,000		\$3,427	\$3,427
Total Cash/Inv.	\$4,037,755	\$3,861,346	\$8,937	\$45,310	\$45,310

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental agencies for its Comprehensive Annual Financial Report for their fiscal year. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

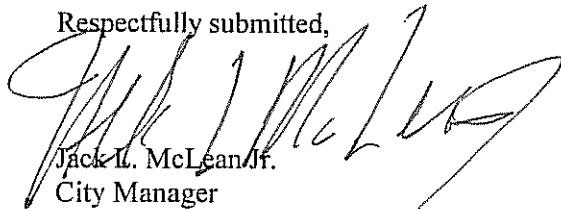
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Quincy has not been awarded this Certificate by the GFOA due to the fact that the City has not submitted its report for consideration. It is our belief that our current report conforms to the Certificate of Achievement Program requirements. In future years, this report will also be submitted to the GFOA to determine its eligibility for a Certificate.

Acknowledgments

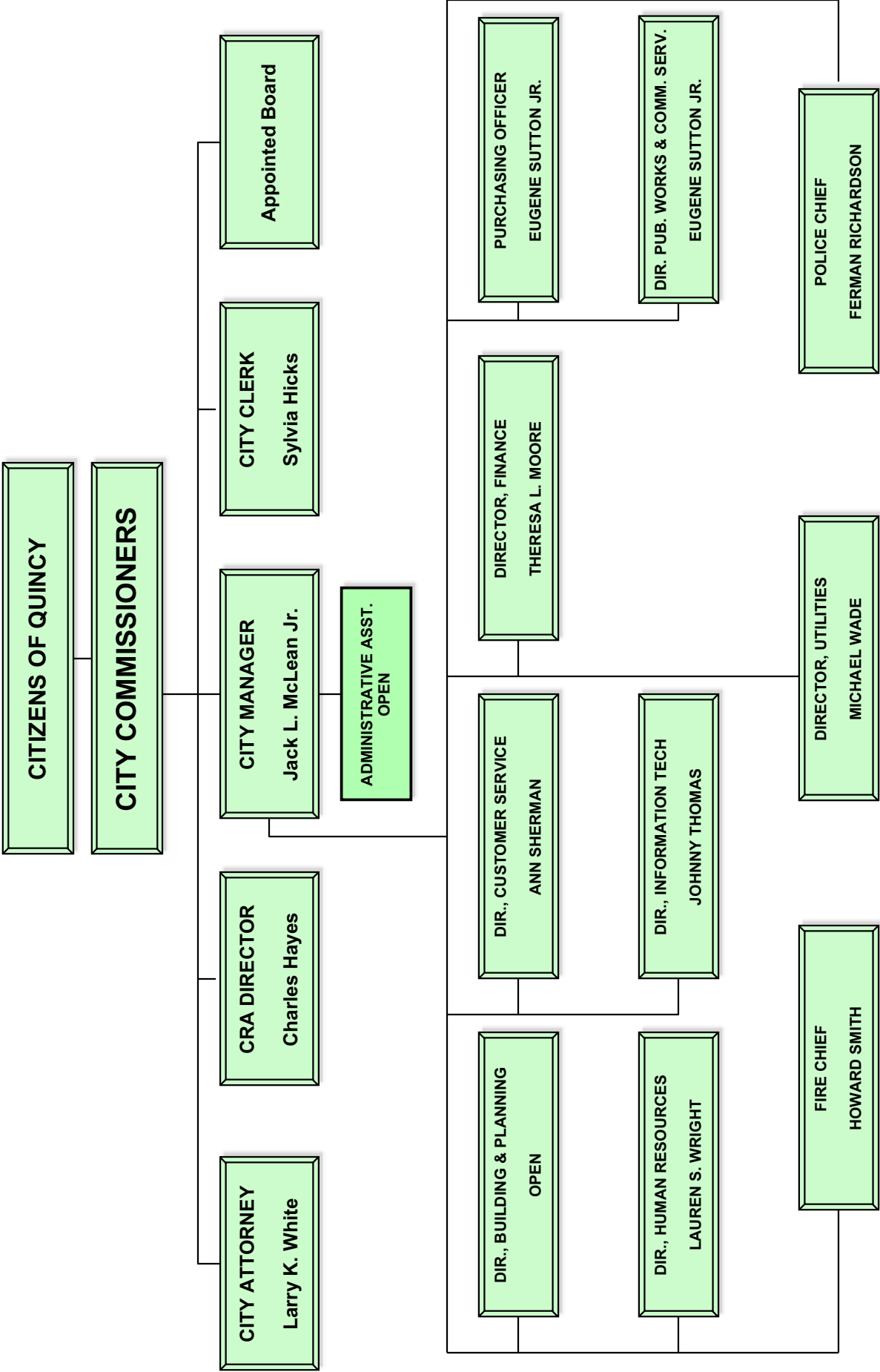
A Comprehensive Annual Financial Report of this nature could not have been prepared without the efficient and dedicated service of all staff members involved. We would like to express appreciation to the staff of the Finance Department for their efforts in producing this report. Finally, thanks to the City Commissioners for the interest, patience and support in planning and conducting the fiscal operations of The City of Quincy.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'Jack L. McLean Jr.', is written over the typed name and title.

Jack L. McLean Jr.
City Manager

CITY OF QUINCY - MANAGEMENT TEAM



CITY OF QUINCY, FLORIDA

THE CITY COMMISSION

(As of September 30, 2010)

L. FINLEY COOK, Mayor

ANGELA SAPP, Commissioner

GERALD GAY III, Commissioner

KEITH DOWDELL, Commissioner

DERRICK ELIAS, Commissioner

INTERIM CITY ATTORNEY

CITY MANAGER

CITY CLERK

Larry White

Jack L. McLean Jr.

Sylvia Hicks

CITY FINANCE DIRECTOR

Theresa Moore

INDEPENDENT AUDITORS

TCBA Watson Rice LLP

II. FINANCIAL SECTION

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
 - **Government-wide Financial Statements**
 - **Fund Financial Statements**
 - **Notes to Basic Financial Statements**
- **Required Supplementary Information**
- **Combining Fund Statements**

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Quincy, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Quincy, Florida ("the City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of State Pension Contributions and Analysis and budgetary comparison information on pages 3 through 12, 52

through 54, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Tallahassee, Florida
May 2, 2011

TCBA Water Line LLP

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Quincy's (the "City") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the City's financial activities for the fiscal year ended September 30, 2010. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. As management of the City of Quincy, Florida, 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 ended September 30, 2010. Please read it in conjunction with the accompanying basic financial statements beginning on page 13.

FINANCIAL HIGHLIGHTS

- The City's total net assets at September 30, 2010 were \$15.363 million as compared to \$16.420 million for fiscal year ended 2009. The City's unrestricted net assets as of September 30, 2009 showed a deficit of \$354 thousand compared to \$111 thousand for fiscal year ended September 30, 2010.
- Governmental activities net assets were \$7.224 million as of September 30, 2009 versus \$5.741 million as of September 30, 2010. The decrease of \$1.483 million is mostly attributable to decreases in revenue and increases in expenses for the general government.
- The total revenues from all sources were \$29.045 million for the fiscal year 2010 versus \$28.656 million for the fiscal year 2009. This change can be attributable to a decrease in revenues of the Government Fund of \$1.029 million and an increase in the revenues of Enterprise Fund of \$1.418 million. The decrease in the General Fund reflects less grant revenue received for the CDBG Housing grant and a modest increase in ad valorem revenue due to changes in the millage rate. The increase in the Enterprise Fund reflects fluctuations in the revenue from utilities due to changes in fuel pass-thru cost and changes in SEPA contract.
- The total cost of all City programs was \$30.673 million for the fiscal year 2010 versus \$29.599 million for the fiscal year 2009. This change can be primarily attributed to a increase in expenses for general government (\$453 thousand) while the Enterprise Fund reflected an increase of \$1.111 million.
- During fiscal year 2010, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$1.627 million while the expenses exceeded revenue by \$942 thousand for 2009.
- Total expenditures in the Governmental Funds (\$8.512 million) exceeded total revenues (\$3.424 million) by \$5.088 million, excluding net transfers (\$4.699 million) for fiscal year 2010, while total expenditures for fiscal year 2009 of \$8.440 million exceeded total revenues of \$4.452 million by \$3.988 million, excluding net transfers in the amount of \$4.478 million.

- The fund surplus for the general fund was \$1.135 million, or 15.5% of total general fund expenditures for fiscal year 2009 versus \$837 thousand fund balance or 10.65% for fiscal year 2010.
- The City's total long-term debt of \$18.711 million as of September 30, 2010 decreased by \$589 thousand from \$19.300 million as of September 30, 2009. The key factor in this decrease was the payment of debt with only a minor increase in the issuance of any additional debt.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements. This being the seventh year of the City implementing GASB 34 will have comparative numbers between fiscal year 2009 and 2010. Over time these numbers will give an indication of the financial health of the City.

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the current year's activities contributed positively to its overall financial well being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes therein. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, and franchise fees finance most of these activities.

Proprietary activities/Business type activities - The City charges a fee to customers to cover all of the costs of the services provided.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's three kinds of funds, *governmental*, *proprietary*, and *fiduciary* use different accounting approaches as explained below.

Governmental funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year end that are available for spending. These funds are reported using an accounting method called the *modified accrual* accounting method, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary funds - The City has two proprietary funds. *Enterprise funds* are used to report the same functions presented in the business-type activities in the government-wide financial statement. The City maintains the following enterprise funds: sewer, electric, water, gas, refuse, landfill and telecommunications, which charges customers for the services it provides. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund to account for information technology services provided both to the general government and to the enterprise funds. The amount of the allocation is based on an equal distribution of cost across all departments. All of these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 19 to 21 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

These funds are presented on a governmental fund financial statement and a proprietary fund financial statement format. The City's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. Table 1 on page 6 summarizes the major features of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Table 1: Major Features of the Basic Financial Statements

	Government-wide Fund Financial Statements	Fund Financial Statements		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire City government (except fiduciary funds) and the City's component unit	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet, • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Infrastructure Assets

Governmental Standards Board Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* ("GASB 34") not only mandated changes in the financial statements but also set-forth reporting changes. One such change is to capitalize infrastructure both prospectively and retrospectively for fiscal years that end after June 30, 1981.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$16.420 million at the close of fiscal year 2009 as compared to \$15.363 million for fiscal year 2010. Governmental Activities comprised \$7.224 million of the net assets while Business Activities comprised \$9.196 million of

net assets for fiscal year 2009 versus fiscal year 2010 in the amount of \$5.741 million and \$9.621 million, respectively.

By far, the largest portion of the City's net assets (87.1%) for fiscal year 2009 as compared to (76.3%) for fiscal year 2010 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

Table 2						
Statement of Net Assets						
	As of September 30					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$3,356,424	\$5,628,136	\$12,314,528	\$10,406,980	\$15,670,952	\$16,035,116
Capital assets	10,312,643	11,255,442	20,990,720	22,097,084	31,303,363	33,352,526
Total assets	13,669,067	16,883,578	33,305,248	32,504,064	46,974,315	49,387,642
Liabilities:						
Long-term debt outstanding	5,136,598	5,623,807	14,003,481	15,332,209	19,154,250	20,956,016
Other liabilities	2,791,201	4,035,860	9,680,468	7,976,004	12,457,498	12,011,864
Total liabilities	7,927,799	9,659,667	23,683,949	23,308,213	31,611,748	32,967,880
Net Assets:						
Invested in capital assets, net of debt	4,989,667	5,827,040	7,994,685	8,466,064	12,984,352	14,293,104
Restricted	670,920	743,432	1,596,516	1,737,374	2,267,436	2,480,806
Unrestricted	80,681	653,439	30,098	(1,007,588)	110,780	(354,149)
Total net assets	\$5,741,268	\$7,223,911	\$9,621,299	\$9,195,850	\$15,362,567	\$16,419,761

An additional portion of the City's net assets (15.2%) for fiscal year 2009 versus (14.8%) for fiscal year 2010 represents resources that are subject to external restrictions on how they may be used. Net asset is one factor that can be used in determining the City's ability to meet its obligation. Because the debt of the government is matched with the related assets, this number may from time to time be negative. In this case, the unrestricted net assets for fiscal year 2010 are \$110 thousand versus a deficit of \$354 thousand for fiscal year 2009. The governments' net assets increased from \$16.420 million in fiscal year 2009 to \$15.363 million in fiscal year 2010.

Governmental Activities

Governmental activities decreased the City's net assets by \$1.563 million from fiscal year 2009 to fiscal year 2010. Additionally, the Business-type activities decreased the net assets by \$64 thousand from fiscal year 2009 to fiscal year 2010. Key elements of these changes are as follows:

Table 3						
Changes in Net Assets						
	Governmental		Business		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 939,388	1,931,899	\$25,621,839	\$24,204,037	\$26,561,227	\$26,135,937
General revenues:						
Property taxes	987,980	802,221	-	-	987,980	802,221
Local Option Fuel	309,474	339,375	-	-	309,474	339,375
Utility Taxes	9,295	7,520	-	-	9,295	7,520
Communication Service Tax	297,478	364,491	-	-	297,478	364,491
Shared Revenues	821,309	890,700	-	-	821,309	890,700
Investment earnings	17,803	20,950	-	-	17,803	20,950
Other	41,001	95,326	-	-	41,001	95,326
Total revenues	\$3,423,728	\$4,452,482	\$25,621,839	\$24,204,037	\$29,045,567	\$28,656,520
Expenses:						
Program expenses:						
General government	4,344,281	3,890,885	-	-	4,344,281	3,890,885
Public safety	3,381,166	3,245,470	-	-	3,381,166	3,245,470
Transportation	598,906	669,360	-	-	598,906	669,360
Physical environment	203,546	84,620	-	-	203,546	84,620
Recreation/culture services	347,566	550,763	-	-	347,566	550,763
Economic Environment	98,310	585,693	-	-	98,310	585,693
Cemetery	26,532	6,021	-	-	26,532	6,021
Interest on long-term debt	460,981	465,231			460,981	465,231
Electric	-	-	14,319,340	12,291,827	14,319,340	12,291,827
Gas	-	-	1,397,410	1,489,427	1,397,410	1,489,427
Water	-	-	1,673,935	1,747,093	1,673,935	1,747,093
Sewer	-	-	1,665,285	1,479,902	1,665,285	1,479,902
Refuse	-	-	1,159,575	1,137,299	1,159,575	1,137,299
Landfill	-	-	211,187	1,244,067	211,187	1,244,067
Telecommunications	-	-	784,965	711,359	784,965	711,359
Total expenses	9,461,288	9,498,043	21,211,697	20,100,974	30,672,985	29,599,017
Excess(Deficiency) before transfers	(6,037,560)	(5,045,561)	4,410,142	4,103,063	(1,627,418)	(942,498)
Transfers	4,474,400	4,477,813	(4,474,400)	(4,477,813)	-	-
Change in net assets	(1,563,160)	(567,748)	(64,258)	(374,750)	(1,627,418)	(942,498)
Net assets – Beginning	7,223,911	7,791,659	9,195,850	9,570,600	16,419,761	17,362,259
Adjustment to beg. Net assets	80,517		489,707		570,224	
Adjusted beginning Net Assets	7,304,428		9,685,557		16,989,985	
Net assets – Ending	\$ 5,741,268	\$ 7,223,911	\$ 9,621,299	\$ 9,195,850	\$ 15,362,567	\$ 16,419,761

The City's programs include primarily General Government, Public Safety, Transportation services, Economic and Physical Environment services, and Recreation/Culture Services. Each program's net cost (total cost, less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

Table 4				
Governmental Activities				
	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 4,344,281	\$ (4,000,015)	\$ 3,890,885	\$ (3,455,691)
Public Safety	3,381,166	(2,972,480)	3,245,470	(2,806,712)
Transportation	598,906	(598,906)	669,360	(669,360)
Culture/Recreation Services	347,566	(239,984)	550,763	(366,092)
Economic Environment	98,310	(19,456)	585,693	287,583
Cemetery	26,532	(26,532)	6,021	(6,021)
Physical environment	203,546	(203,546)	84,620	(84,620)
Interest on Long-term Debt	460,981	(460,981)	465,231	(465,231)
Total	\$ 9,461,288	\$ (8,521,900)	\$ 9,498,043	\$ (7,566,144)

The cost of all governmental activities this year was \$9.461 million. As shown in the Statement of Activities, \$939 thousand of this cost was paid for by those who directly benefited from the programs. The remaining source of funding came from transfers from business activities in the amount of \$4.474 million, various taxes in the amount of \$1.604 million and the remaining \$2.624 million is investments, shared revenues and other miscellaneous revenues. The nature of Governmental Activities is to be funded primarily from taxes and other non-governmental activities. Governmental activities are not normally self-supporting. As a result, the combination of taxes and non-governmental activities are sufficient to cover program expenses.

Table 5				
Business-Type Activities				
	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Electric	\$ 14,319,340	\$ 4,187,821	\$ 12,291,827	\$ 4,274,579
Gas	1,397,410	751,378	1,489,427	422,983
Water	1,673,935	(23,416)	1,747,093	(49,290)
Sewer	1,665,285	(119,137)	1,479,902	(3,572)
Refuse	1,159,575	41,765	1,137,299	78,367
Landfill	211, 187	97,036	1,244,067	(129,169)
Telecommunications	784,965	(525,305)	711,359	(490,835)
Total	\$ 21,211,697	\$ 4,410,142	\$ 20,100,974	\$ 4,103,063

Business Type Activities

Net assets of the Proprietary Fund at September 30, 2010, were \$9.621 million. The cost of providing all Proprietary (Business Type) activities was \$21.212 million. Net assets decreased by \$64 thousand. The City Commission took a significant step towards addressing the deficit by reducing the general government's reliance on transfers from the enterprise fund and by reducing the cost of telecommunication retail activities. However, the nature of these business activities will from time to time show fluctuations depending on fuel cost and overall economic conditions in the marketplace.

FINANCIAL ANALYSIS OF THE CITY 'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2010, the City's governmental funds reported combined ending fund balances of \$1.457 million. This represents a slight decrease of \$308 thousand when compared to fund balances in fiscal year 2009 which total \$1.765 million.

Approximately 56% of the combined ending fund balances, \$1.457 million constitutes unreserved fund balance for fiscal year 2010 while 63% or \$1.118 million was unreserved for fiscal year 2009. This amount is available for spending at the government's discretion.

General Fund Budgetary Highlights

Differences between the adopted budget and the final adjusted budget were relatively minor and can be briefly summarized as minor increases in salaries and related expenditures of various departments and increases in various departments for professional service and capital outlay expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in the performance of City functions. Capital assets include equipment, buildings, land, and park facilities etc. The City has elected to defer retroactive application of the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired in fiscal years ended after June 30, 1980, or that were significantly reconstructed or improved during that multi-year period.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$31.303 million (net of accumulated depreciation) compared to \$33.353 million at September 30, 2009. The decrease of \$2.049 million in the City's investment

in capital assets for the current fiscal year results primarily from the fact that the City's depreciation amount was \$2.086 million greater than any addition.

Table 6						
Capital Assets						
(net of depreciation)						
	2010	Total	2009	Total		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Land	\$4,596,873	\$1,611,475	\$6,208,348	\$4,596,873	\$1,611,475	\$6,208,348
Building and Improvements	3,761,235	25,050,855	28,812,090	3,761,235	25,050,855	28,812,090
Improvements other than Buildings	9,151,764	14,165,977	23,317,741	9,142,911	13,807,038	22,949,949
Infrastructure	6,146,814	419,886	6,566,700	6,146,814	419,886	6,566,700
Furniture, Fixtures and Equipment	6,129,103	2,679,046	8,808,149	5,946,802	2,628,502	8,575,304
Total Assets	29,785,789	43,927,239	73,713,028	29,594,635	43,517,756	73,112,391
Less accumulated depreciation	19,473,146	22,936,519	42,409,665	18,339,193	21,420,672	39,759,865
Total	\$10,312,643	\$20,990,720	\$31,303,363	\$11,255,442	\$22,097,084	\$33,352,526

Additional information on the City's capital assets can be found in Note 4 on page 39 of this report.

Debt

Currently the City uses debt financing on an as needed basis each year. At the end of fiscal year 2010, the City had total debt of \$18.7 million versus \$19.3 million for fiscal year 2009. The City did not have any general obligation bonds. Notes payable in the amount of \$7.048 million for fiscal year 2009 and \$6.814 million for fiscal year 2010 is all secured. The remaining loans payable are secured by franchise fees and public services taxes. The capital leases are secured by equipment. Differences in the amounts are due to rounding.

Table 7						
Outstanding Debt						
	2010	Total	2009	Total		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenue Bonds	\$5,180,000	\$6,416,852	\$11,596,852	\$5,370,000	\$6,641,852	\$12,011,852
Capitalized Leases	77,510	-	77,510	-	5,365	5,365
Compensated Absences	168,102	54,311	222,413	195,405	40,144	235,549
Notes Payable	142,976	6,671,170	6,814,146	58,402	6,989,168	7,047,570
Total	\$5,568,588	\$13,142,333	\$18,710,921	\$5,623,807	\$13,676,529	\$19,300,336

Additional information on the City's debt can be found in Note 6 on page 41 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Quincy is charting a course and positioning itself to take advantage of the entrepreneurial energies and spirit of citizens, who made and continues to make investments in dollars, human capital and share sacrifices in its utilities, and social networks infrastructure to seize opportunity for responsible, sensible, and dynamic growth. Through successive budget years since 2008, the City Commission and management disciplined and principled stewardship of limited resources has produced steady measured growth in reserves; reduced the \$5 million net asset deficit by 74%; constructed a \$1.2 million regional 32 acre amphitheater/park, which will serve as an entertainment destination site; and expanded the fire protection, which includes improved fire protection at the business park. Success in national grant competitions will result in an increase in the City's assets by 30% with the construction of significant improvement to City's electrical grid.

The City is confident that it will continue to follow a blueprint of prudent investments, shared sacrifices, utility expansion cost control measures and strategic annexation. Though the bottom of the real estate bust is uncertain, the City believes that real estate activity will slowly rebound in the next fiscal year.

The State unemployment rate in March 2011 is 10.6 %. However, for the Apalachee Planning Region, of which Gadsden County is part of, the unemployment rate is 7.9%. Gadsden County rate is 9.5%. The state, region and the county unemployment trend is downward from the previous fiscal year. In the worst recession in five generations, the City continues to make steady improvements in employment.

Downtown development remains a focus of attention. During the current fiscal year, three new retail businesses opened downtown, with the marketing and façade incentive provided by the City's Community Redevelopment Agency (CRA), which has attracted more than 17,000 visitors (double the City's population) to the downtown area in the past fiscal year. New businesses (small businesses) outside of the downtown area are opening: a successful restaurant, two internet cafes and a bingo parlor.

The City's largest employer BASF returned to full capacity adding jobs and the former Imperial Nursery, which closed in early 2009, re-opened as Tri-B Nurseries employing 200 individuals.

The City of Gretna's, community economic development efforts, in partnership with PCI Gambling Authorities/Creek Entertainment, resulted in the soon to be constructed equestrian facility which will also be the site of world-class poker rooms. This Interstate I-10 facility is expected to draw 500,000 adults annually. Quincy will benefit from this in-flow of customers to the region. (Gretna is a wholesale water customer and this facility will become a retail customer of Gretna).

The economic picture however, remains challenging. The national and state budget woes will shape the economic climate and psychological attitude of entrepreneurial in the city, county, and region. Quincy next year's budget will continue to reflect the disciplined and opportunistic drive that positions and prepares the City and citizens for an upswing in the economy. The City's new electric wholesale contract will lower system cost by 8% and customer's electric bill by 10% in the next fiscal year. Hidden Treasures abounds amongst an industrious and resourceful community, whose vision and aspirations are "in the Heart of Florida's future.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at the City of Quincy, 404 West Jefferson Street, Quincy, Florida 32351-2328 or via email at tmoore@netquincy.net.

Basic Financial Statements

Government-wide Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2010

	Primary Government			Component Unit
	Governmental	Business-type	Total	
	Activities	Activities		
Assets				
Cash and equity in pooled cash	\$ 294,857	\$ 5,691,695	\$ 5,986,552	\$ -
Investments	788,988	988,451	1,777,439	-
Accounts receivable - net	114,784	4,537,151	4,651,935	-
Assessment receivable	131,508	-	131,508	-
Installment receivable - net of deferred gross profit	-	398,792	398,792	-
Inventories	26,817	388,084	414,901	-
Due from other government	34,412	-	34,412	-
Internal balances	1,286,161	(1,286,161)	-	-
Due from primary government	-	-	-	65,291
Other assets	7,977	-	7,977	-
Restricted cash	670,920	1,596,516	2,267,436	90,971
Capital assets - net	10,312,643	20,990,720	31,303,363	8,301
Total Assets	13,669,067	33,305,248	46,974,315	164,564
Liabilities				
Accounts payable and accrued expenses	632,504	3,767,028	4,399,532	55,083
Deficit in cash and equity in pooled cash	1,661,315	4,161,798	5,823,113	-
Deferred income	-	23,014	23,014	-
Due to component unit	65,291	-	65,291	-
Customer deposits	100	950,328	950,428	-
Long-term liabilities:				
Due in one year:				
Revenue bonds payable	200,000	238,427	438,427	-
Notes payable	142,976	516,997	659,973	-
Capitalized lease payable	17,966	-	17,966	-
Compensated absences	71,048	22,876	93,924	-
Due in more than one year:				
Revenue bonds payable	4,980,000	6,178,425	11,158,425	-
Notes payable	-	6,154,173	6,154,173	-
Capitalized lease payable	59,544	-	59,544	-
Compensated absences	97,054	31,435	128,489	-
Estimated landfill closure and post closure care costs	-	1,639,448	1,639,448	-
Total Liabilities	7,927,799	23,683,949	31,611,748	55,083
Net Assets				
Invested in capital assets, net of related debt	4,989,667	7,994,685	12,984,352	8,301
Restricted for:				
Capital projects	48,589	1,013,653	1,062,242	-
Debt service	622,331	1,565	623,896	-
Landfill	-	581,298	581,298	-
Unrestricted	80,682	30,098	110,780	101,179
Total Net Assets	\$ 5,741,268	\$ 9,621,299	\$ 15,362,567	\$ 109,481

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Program	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary Government:								
Governmental activities								
General government	\$ 4,344,281	\$ 344,266	\$ -	\$ -	\$ (4,000,015)	\$ -	\$ (4,000,015)	
Public safety	3,381,166	408,686	-	-	(2,972,480)	-	(2,972,480)	
Transportation	598,906	-	-	-	(598,906)	-	(598,906)	
Culture and recreation	347,566	107,582	-	-	(239,984)	-	(239,984)	
Economic environment	98,310	78,854	-	-	(19,456)	-	(19,456)	
Physical environment	203,546	-	-	-	(203,546)	-	(203,546)	
Cemetery	26,532	-	-	-	(26,532)	-	(26,532)	
Interest and fiscal charges	460,981	-	-	-	(460,981)	-	(460,981)	
Total governmental activities	9,461,288	939,388	-	-	(8,521,900)	-	(8,521,900)	-
Business-type activities:								
Electric	14,319,340	18,507,161	-	-	-	4,187,821	4,187,821	
Gas	1,397,410	2,148,788	-	-	-	751,378	751,378	
Water	1,673,935	1,650,519	-	-	-	(23,416)	(23,416)	
Sewer	1,665,285	1,546,148	-	-	-	(119,137)	(119,137)	
Refuse	1,159,575	1,201,340	-	-	-	41,765	41,765	
Landfill	211,187	308,223	-	-	-	97,036	97,036	
Telecommunication	784,965	259,660	-	-	-	(525,305)	(525,305)	
Total business-type activities	21,211,697	25,621,839	-	-	-	4,410,142	4,410,142	-
Total primary government	30,672,985	26,561,227	-	-	(8,521,900)	4,410,142	(4,111,758)	-
Component Unit:								
Community redevelopment agency	\$ 829,942	\$ 21,016	\$ 547,790	\$ -	\$ -	\$ -	\$ -	\$ (261,136)
General Revenues								
Taxes								
Property Taxes					987,980	-	987,980	
Local option gas tax					309,474	-	309,474	
Utility taxes					9,295	-	9,295	
Communication service tax					297,478	-	297,478	
Shared revenues from State of Florida					821,309	-	821,309	
Earnings on Investments					17,803	-	17,803	
Other					41,001	-	41,001	
Transfers in (out)					4,474,400	(4,474,400)	-	
Total general revenues and transfers					6,958,740	(4,474,400)	2,484,340	-
Change in net assets					(1,563,160)	(64,258)	(1,627,418)	(261,136)
Net assets - beginning of year					7,223,911	9,195,850	16,419,761	370,618
Adjustment to beginning net assets					80,517	489,707	570,224	
Adjusted beginning net assets					7,304,428	9,685,557	16,989,985	
Net assets - ending					\$ 5,741,268	\$ 9,621,299	\$ 15,362,567	\$ 109,482

See accompanying notes to financial statements

Fund Financial Statements

**CITY OF QUINCY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and equity in pooled cash	\$ 249,093	\$ 45,764	\$ 294,857
Investments	788,988	-	788,988
Accounts receivable - net			
Assessment	131,508	-	131,508
Other	101,842	12,942	114,784
Due from other funds	5,153,406	1,881,761	7,035,167
Due from other government	34,412	-	34,412
Other assets	-	7,977	7,977
Inventories	26,817	-	26,817
Restricted assets:			
Cash	-	670,920	670,920
Total assets	<u>\$ 6,486,066</u>	<u>\$ 2,619,364</u>	<u>\$ 9,105,430</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 527,816	\$ 104,892	\$ 632,708
Cash and equity in pool cash deficit	1,652,969	8,346	1,661,315
Due to other funds	<u>3,467,975</u>	<u>1,886,875</u>	<u>5,354,850</u>
Total liabilities	<u>5,648,760</u>	<u>2,000,113</u>	<u>7,648,873</u>
Fund balances:			
Reserved for debt service	-	620,058	620,058
Reserved for inventories	26,817	-	26,817
Unreserved	<u>810,489</u>	<u>(807)</u>	<u>809,682</u>
Total fund balances	<u>837,306</u>	<u>619,251</u>	<u>1,456,557</u>
Total liabilities and fund balances	<u>\$ 6,486,066</u>	<u>\$ 2,619,364</u>	<u>\$ 9,105,430</u>

See accompanying notes to financial statements.

CITY OF QUINCY, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Total fund balances for governmental funds (page 15) \$ 1,456,557

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net 10,312,643

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:

Bonds and notes payable	(5,400,486)
Investment from other funds	(459,344)
Compensated absences	<u>(168,102)</u>

Total net assets of governmental activities (page 14) \$ 5,741,268

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,938,336	\$ -	\$ 1,938,336
Licenses and permits	107,582	-	107,582
Intergovernmental	487,200	111,535	598,735
Fees and Fines	37,479	-	37,479
Charge for services	408,686	-	408,686
Rental	8,320	-	8,320
Other	297,019	27,571	324,590
Total revenues	<u>3,284,622</u>	<u>139,106</u>	<u>3,423,728</u>
EXPENDITURES			
Current:			
General government	3,141,256	2,764	3,144,020
Public safety	3,371,973	9,193	3,381,166
Culture and recreation	320,095	27,471	347,566
Transportation	598,906	-	598,906
Economic environment	-	98,310	98,310
Physical environment	203,546	-	203,546
Cemetery	26,532	-	26,532
Capital outlay	239,042	11,826	250,868
Debt Service:			
Principal	-	190,000	190,000
Interest and other Charges	-	270,981	270,981
Total expenditures	<u>7,901,350</u>	<u>610,545</u>	<u>8,511,895</u>
Deficiency of expenditures over revenues	(4,616,728)	(471,439)	(5,088,167)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,699,400	461,148	5,160,548
Operating transfers out	(461,148)	-	(461,148)
Total other financing sources (uses)	<u>4,238,252</u>	<u>461,148</u>	<u>4,699,400</u>
Net change in fund balance	(378,476)	(10,291)	(388,767)
Fund balance			
At beginning of year as previously reported	<u>1,135,265</u>	<u>629,542</u>	<u>1,764,807</u>
Prior period adjustment (Note 11)	<u>80,517</u>	<u>-</u>	<u>80,517</u>
At beginning of year, as adjusted	<u>1,215,782</u>	<u>-</u>	<u>1,215,782</u>
At end of year	<u>\$ 837,306</u>	<u>\$ 619,251</u>	<u>\$ 1,456,557</u>

See accompanying notes to financial statements.

CITY OF QUINCY, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds (page 17)	\$	(388,767)
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Amounts reported for governmental activities in the statement of activities
are different because:

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

Capital expenditures	219,541
Depreciation expense	(1,122,953)

Accrued interest related to long-term liabilities not due and payable in the current period	(270,981)
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Total change in net assets of governmental activities (page 14)	<u>\$</u>	<u>(1,563,160)</u>
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See accompanying notes to financial statements.

CITY OF QUINCY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund					Non-major Internal Service
	Major Funds				Total Enterprise Funds	
	Electric	Water	Sewer	Telecom		
ASSETS						
Current assets:						
Cash and equity in pooled cash	\$ 2,723,950	\$ 1,921,828	\$ 442,446	\$ -	\$ 603,471	\$ 233,377
Investments	475,837	441,996	-	-	70,618	988,451
Accounts receivable - net	3,125,164	471,095	260,395	276,440	404,057	4,537,151
Installment sales receivable-	-	-	-	398,792	-	398,792
net of deferred gross profit						
Due from other funds	1,415,138	1,345,104	-	860,100	998,613	4,618,955
Inventories	303,401	47,027	5,960	10,330	21,366	388,084
Non-current assets:						
Restricted cash and equity in pooled cash	-	1,013,653	1,565	-	581,298	1,596,516
Capital assets - net	5,136,685	6,706,649	5,335,716	3,312,074	499,596	20,990,720
Total assets	<u>\$ 13,180,175</u>	<u>\$ 11,947,352</u>	<u>\$ 6,046,082</u>	<u>\$ 4,857,736</u>	<u>\$ 3,179,019</u>	<u>\$ 39,210,364</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 2,994,718	\$ 150,152	\$ 152,988	\$ 109,219	\$ 344,688	\$ 3,751,765
Cash and equity in pooled cash deficit	-	-	-	3,929,892	231,906	4,161,798
Customer deposits	900,604	30,008	-	8,193	11,523	950,328
Due to other funds	2,474,719	782,464	103,744	1,360,118	1,184,071	5,905,116
Revenue bond - current	-	238,427	-	-	-	238,427
Notes payable - current	18,799	291,551	173,677	18,799	-	502,826
Deferred Income	-	-	-	23,014	-	23,014
Loan payable	-	-	-	-	-	-
Compensated absences - current	13,077	1,538	1,538	2,146	4,577	22,876
Other current Liabilities	-	-	12,533	-	2,730	15,263
Non-current liabilities:						
Revenue bonds	-	4,386,203	-	1,792,222	-	6,178,425
Notes payable	73,188	4,023,467	1,998,501	73,188	-	6,168,344
Estimated landfill closure and post closure costs	-	-	-	-	1,639,448	1,639,448
Compensated absences	22,041	3,624	3,624	2,146	-	31,435
Total liabilities	<u>\$ 6,497,146</u>	<u>\$ 9,907,434</u>	<u>\$ 2,446,605</u>	<u>\$ 7,318,937</u>	<u>\$ 3,418,943</u>	<u>\$ 29,589,065</u>
NET ASSETS						
Invested in capital assets, net of related debt	5,136,685	(2,232,999)	3,163,538	1,427,865	499,596	7,994,685
Restricted for:						
Capital projects	-	1,013,653	-	-	-	1,013,653
Debt service	-	-	1,565	-	-	1,565
Landfill	-	-	-	-	581,298	581,298
Unrestricted	1,546,344	3,259,264	434,374	(3,889,066)	(1,320,817)	30,099
Total net assets	<u>\$ 6,683,029</u>	<u>\$ 2,039,918</u>	<u>\$ 3,599,477</u>	<u>\$ (2,461,201)</u>	<u>\$ (239,924)</u>	<u>\$ 9,621,299</u>
Total net assets and liabilities	<u>\$ 13,180,175</u>	<u>\$ 11,947,352</u>	<u>\$ 6,046,082</u>	<u>\$ 4,857,736</u>	<u>\$ 3,179,019</u>	<u>\$ 39,210,364</u>

See accompanying notes to financial statements.

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSET
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Enterprise Funds				Non Major Internal Service Fund
	Major Funds			Total Enterprise Funds	
	Electric	Water	Sewer		
				Telecom	
Operating revenues					
Charges for services	\$ 18,475,640	\$ 1,617,424	\$ 1,545,782	\$ 258,250	\$ 25,380,832
Interest income	7,499	33,095	54	-	42,003
Other income	24,022	-	312	1,410	199,004
Total operating revenues	<u>18,507,161</u>	<u>1,650,519</u>	<u>1,546,148</u>	<u>259,660</u>	<u>25,621,839</u>
Operating expenses					
Cost of sales and services	13,800,224	1,029,755	1,231,710	476,530	19,046,756
Landfill	-	-	-	-	184,844
Depreciation and amortization	519,116	466,359	210,912	210,428	1,481,609
Total operating expenses	<u>14,319,340</u>	<u>1,496,114</u>	<u>1,442,622</u>	<u>686,958</u>	<u>20,713,209</u>
Operating income (loss)	4,187,821	154,405	103,526	(427,298)	4,908,630
					(150,412)
Non-operating revenues (expenses)					
Interest income (expense) - net	-	(177,821)	(222,663)	(98,004)	(498,488)
Total Non-operating revenues(expenses)	<u>-</u>	<u>(177,821)</u>	<u>(222,663)</u>	<u>(98,004)</u>	<u>(498,488)</u>
Income (loss) before operating transfers	4,187,821	(23,416)	(119,137)	(525,302)	4,410,142
					(150,412)
Operating transfers					
Transfers out	(4,462,536)	(237,452)	(237,452)	-	(5,730,242)
Transfers in	496,749	469,763	205,263	-	1,255,842
Change in net assets	222,034	208,895	(151,326)	(525,302)	(64,258)
					97,818
Net assets					
At beginning of year as previously reported	6,460,995	1,800,090	3,453,192	(2,097,062)	9,195,850
Prior period adjustment	-	30,933	297,611	161,163	489,707
At beginning of year, as adjusted	<u>6,460,995</u>	<u>1,831,023</u>	<u>3,750,803</u>	<u>(1,935,899)</u>	<u>9,685,557</u>
					417,538
Net assets, end of year	\$ 6,683,029	\$ 2,039,918	\$ 3,599,477	\$ (2,461,201)	\$ 9,621,299
					\$ 515,356

See accompanying notes to financial statements.

**CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Enterprise Funds					
	Major Funds				Other	Total
	Electric	Water	Sewer	Telecom	Non Major	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 17,876,587	\$ 1,554,703	\$ 1,500,922	\$ 141,581	\$ 3,642,582	\$ 24,716,374
Payments to suppliers	(12,466,049)	(892,983)	(979,262)	3,532,591	(2,702,609)	(13,508,313)
Payments to employees	(1,003,091)	(152,247)	(165,030)	(81,071)	(177,750)	(1,579,189)
Internal activity-payments from (to) other funds	237,401	(1,740,338)	(507,402)	153,293	(39,870)	(1,896,916)
Net cash provided by (used in) operating activities	<u>4,644,848</u>	<u>(1,230,865)</u>	<u>(150,772)</u>	<u>3,746,394</u>	<u>722,352</u>	<u>7,731,957</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies and transfers to other funds	(3,965,787)	232,511	(32,189)	-	(689,859)	(4,455,324)
Others	-	-	-	-	-	-
Net cash provided by noncapital financing activities	<u>(3,965,787)</u>	<u>232,511</u>	<u>(32,189)</u>	<u>-</u>	<u>(689,859)</u>	<u>(4,455,324)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition/disposal of capital assets	(114,478)	(335,533)	64,709	229,033	(1,172)	(157,441)
Principal paid on bond/ notes payable	(86,623)	(453,330)	(13,542)	(112,500)	-	(665,994)
Interest paid on capital debt	(2,179)	(177,821)	(10,160)	(98,004)	-	(288,164)
Net cash provided by (used in) capital and related financing activities	<u>(203,280)</u>	<u>(966,684)</u>	<u>41,007</u>	<u>18,529</u>	<u>(1,172)</u>	<u>(1,111,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in investments	(57,500)	(58,592)	-	-	(774)	(116,866)
Other revenue	24,022	20,047	312	-	-	44,381
Interest on investment	7,499	33,095	54	-	1,355	42,003
Net cash provided by (used in) investing activities	<u>(25,979)</u>	<u>(5,450.0)</u>	<u>366</u>	<u>-</u>	<u>581</u>	<u>(30,482)</u>
Net increase (decrease) in cash and equity in pooled cash	449,802	(1,970,488)	(141,588)	3,764,923	31,902	2,134,552
Cash and equity in pooled cash - beginning	<u>2,274,148</u>	<u>4,905,969</u>	<u>585,599</u>	<u>(3,764,923)</u>	<u>820,363</u>	<u>4,821,156</u>
Cash and equity in pooled cash - ending	<u>\$ 2,723,950</u>	<u>\$ 2,935,481</u>	<u>\$ 444,011</u>	<u>\$ -</u>	<u>\$ 852,265</u>	<u>\$ 6,955,708</u>
Displayed as:						
Cash and equity in pooled cash	\$ 2,723,950	\$ 1,921,828	\$ 442,446	\$ -	\$ 271,266	\$ 5,359,490
Restricted cash	-	1,013,653	1,565	-	580,999	1,596,217
	<u>\$ 2,723,950</u>	<u>\$ 2,935,481</u>	<u>\$ 444,011</u>	<u>\$ -</u>	<u>\$ 852,265</u>	<u>\$ 6,955,707</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 4,187,821	\$ 154,405	\$ 103,526	\$ (427,301)	\$ 890,126	\$ 4,908,577
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	519,116	466,359	210,912	210,428	74,794	1,481,609
Change in assets and liabilities:						
(Increase) decrease in receivables	(712,567)	(61,976)	(44,860)	(86,630)	(14,414)	(920,447)
(Increase) decrease in installment sales receivables	-	-	-	(30,039)	-	(30,039)
(Increase) decrease in inventories	(9,874)	(1,312)	134	9,420	(13,658)	(15,290)
Decrease in due from other funds	(4,229)	-	-	153,294	27,421	176,486
(Increase) decrease in other assets	-	(58,591)	-	-	-	(58,591)
Increase (decrease) in accounts payable and accrued expenses	309,177	37,823	95,076	(16,859)	(159,307)	265,910
Increase (decrease) in deficit cash balances	-	-	-	3,929,892	-	-
Increase (decrease) in due to other funds	233,172	(1,771,990)	(507,402)	4,230	(61,290)	(2,103,280)
Increase (decrease) in customers' deposits	113,514	(745)	-	-	(625)	112,144
Increase (decrease) in compensated absences	8,719	5,162	(8,158)	(41)	(4,462)	1,220
Increase (decrease) in estimated landfill closure and post closure costs	-	-	-	-	(16,232)	(16,232)
Net cash provided by (used in) operating activities	<u>\$ 4,644,848</u>	<u>\$ (1,230,865)</u>	<u>\$ (150,772)</u>	<u>\$ 3,746,394</u>	<u>\$ 722,353</u>	<u>\$ 7,731,957</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2010

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
ASSETS			
Cash	\$ -	\$ 141,948	\$ 141,948
Investments	4,940,796	5,432,478	10,373,274
Interest receivable	-	14,696	14,696
Due from other funds	84,992	-	84,992
Total assets	<u>5,025,788</u>	<u>5,589,122</u>	<u>10,614,910</u>
LIABILITIES			
Accounts payable and accrued expenses	4,740	-	4,740
Due to other fund	198,015	-	198,015
Total liabilities	<u>202,755</u>	<u>-</u>	<u>202,755</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 4,823,033</u>	<u>\$ 5,589,122</u>	<u>\$ 10,412,155</u>

See accompanying notes to financial statements.

CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
ADDITIONS			
Contributions:			
State of Florida	\$ -	\$ 107,690	\$ 107,690
Plan members	-	73,262	73,262
City	<u>409,451</u>	<u>110,422</u>	<u>519,873</u>
Total contributions	<u>409,451</u>	<u>291,374</u>	<u>700,825</u>
Investment income (loss):			
Net depreciation in fair value and gain on sale of investments	-	333,257	333,257
Interest and dividends	<u>353,060</u>	<u>114,074</u>	<u>467,134</u>
Net investment income	<u>353,060</u>	<u>447,331</u>	<u>800,391</u>
Total Additions	<u>762,511</u>	<u>738,705</u>	<u>1,501,216</u>
DEDUCTIONS			
Benefits payments	347,585	425,375	772,960
Administrative expenses	<u>-</u>	<u>61,881</u>	<u>61,881</u>
Total Deductions	<u>347,585</u>	<u>487,256</u>	<u>834,841</u>
Change in net assets	414,926	251,449	666,375
Net assets - beginning of year	<u>4,408,107</u>	<u>5,337,673</u>	<u>9,745,780</u>
Net assets - end of year	<u>\$ 4,823,033</u>	<u>\$ 5,589,122</u>	<u>\$ 10,412,155</u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Quincy, Florida, (the “City”) is a municipality, which operates under a Commission-City Manager form of government established on November 19, 1828 pursuant to a Special Act of the State of Florida Legislature. The City provides municipal services to its residents, including general government, public safety, public works, culture and recreation, economic environment, cemetery and engineering. The City also provides electric, water, sewer, gas, and refuse collection, landfill, and internet access services.

The following is a summary of the City’s significant accounting policies presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

A. Reporting Entity

The financial reporting entity, under which the financial statements are prepared include all the organizations, activities, functions, and component units for which the City (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s Board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the City’s financial statements because of the nature and significance of their relationship with the primary government. Component units are included in the reporting entity either as blended or as discretely presented components units. All funds/departments are regarded as one legal entity, therefore, the financial position and results of operations of the funds/departments are reported as part of the primary government.

Discretely Presented Component Unit

Community Redevelopment Agency (CRA) - In 1999, the City passed Ordinance No. 896 establishing the CRA which is governed by a seven member board appointed by the City Commission. The CRA has responsibility for the southern portion of the City which includes three enumeration districts.

The financial statements of CRA can be obtained directly from their office at:

City of Quincy Community Redevelopment Agency
404 West Jefferson Street
Quincy, FL 32351

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported 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. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

1) Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

a) General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance; public safety, parks, library, and recreation programs are accounted in this fund.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

1) Governmental Fund Types (continued)

- b) **Capital Projects Revenue Fund** - The Capital Projects Revenue Fund accounts for the proceeds of Series 2002, \$6.5 million bonds to finance the cost of acquiring, and constructing certain infrastructure improvements.

The other governmental funds of the City are considered non-major and are as follows:

Special Revenue Funds - are used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.

The following non-major funds are included in this fund type:

- a) **Small Cities Community Development Block Grants:** To account for receipts and disbursements of federal grants for community development projects.
- b) **Sunset Park/Quincy Complex:** To account for receipts and disbursements of state grants for construction and improvements of outdoor recreational facilities.
- c) **Local Law Enforcement Block Grants:** To account for receipts and disbursements of state grants for purchase of various equipment and logistics of the police department.

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

2) Proprietary Fund Types

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the Proprietary Fund types.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services which are supported primarily by user charges. The following comprise the City's major enterprise funds:

- a) Electric Fund - to account for the operation and maintenance of the City's electric distribution system.
- b) Water Fund - to account for the operation and maintenance of the City's water distribution system.
- c) Sewer Fund - to account for the operation and maintenance of the City's sewer system.
- d) Telecommunications Fund - to account for the operation and maintenance of the City's computer installment sales program and internet access service.

The other enterprise funds of the City are considered non-major and are as follows:

- e) Refuse Fund - to account for the operation and maintenance of the City's refuse system.
- f) Landfill Fund - to account for the operation and maintenance of the City's landfill site.
- g) Gas Fund - to account for the operation and maintenance of the City's gas distribution system.

Internal Service Funds are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City maintains one internal service fund to account for information technology services provided to both the general government and to the Enterprise Funds.

3) *Fiduciary Fund Types (Trust Funds)*

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Trust and Agency Funds – used to account for assets held in a trustee capacity or as an agent for other funds, governmental units and others. The *pension trust fund* is accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The *pension trust fund* accounts for the assets of the City's Retirement Savings Plan and for the Police and Firemen's Supplemental Pension Plan.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general, special revenue funds, and capital projects. Encumbrances outstanding at the balance sheet date are cancelled.

F. Budgets and Budgetary Accounting

The City, in accordance with its charter and state law, adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 15, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the departmental and fund level, with finance department providing support to departments in the administration of their budgets. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or function; however, the City Commission must approve any supplemental appropriations or revisions that amend the total expenditures of any fund. During the year, supplementary appropriations were necessary to ensure that expenditures did not exceed budgeted appropriations. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinances.
6. All annual appropriations lapse at fiscal year end.

G. Assets, Liabilities, Revenues & Expenditures/Expenses

Cash, Equity in Pooled Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with maturity dates, within three months from the dates acquired by the City.

The City pools substantially all cash. Each fund's equity share of the total pooled cash is included in the accompanying statement of net assets under the caption "cash and equity in pooled cash".

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, Revenues & Expenditures/Expenses (continued)

Investments, consisting of U.S. Governmental and agency securities, bonds, equity securities and mutual funds, are stated at fair value.

Installment Sales Receivable/ Deferred Gross Profit

Installment sales receivable represents amounts due from customers on the sale of computers which are collectible over a period of three years. The related gross profit on the sale of computers are deferred and amortized to income based on cash collection during the year.

Installment receivables due after one year are included in current assets, net of deferred gross profit, and allowance for bad debts, in accordance with trade practices.

Allowance for Bad Debts

The City calculates its allowance for bad debts using historical collection data, specific account analysis, and management's judgment. As of September 30, 2010, the allowance for bad debts was \$13,895 for governmental funds and \$494,884 for the enterprise funds.

Inter-fund Transactions

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved. The general fund charges administrative service fees for administrative and accounting services provided to enterprise funds based on pre-determined amounts.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Noncurrent portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, Revenues & Expenditures/Expenses (continued)

Inventories

Inventories are valued at cost, which approximates market, using the first-in, and first-out method. Inventories in the general and enterprise funds consist of expendable supplies or inventory held for resale (Telecommunications) or held for consumption. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased, and are therefore, equally offset by a fund balance reserve which indicate that they do not constitute available spendable resources for appropriation.

Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an initial useful life of one year or greater. Such assets are recorded at historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2010, there was no interest capitalized due to the fact that the City had no projects under construction involving debt.

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure Systems	35
Utility plant, equipment and improvements	40
Buildings and improvements	10-50
Improvements other than building	10-50
Equipment and other	5-20

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave credits are not payable upon employees' termination or retirement.

For government-wide statements and proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation payable from available

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, Revenues & Expenditures/Expenses (continued)

resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. There were no matured compensated absences as of September 30, 2010.

Fund Equity

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. Restrictions on net assets are limited to outside third-party restrictions.

Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

No accruals for the property tax levy becoming due in November 2010 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2010, and such taxes are collected to finance expenditures for the fiscal year ending September 30, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statement of cash flows for proprietary fund types funds, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, Liabilities, Revenues & Expenditures/Expenses (continued)

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general, special revenue and capital projects funds. Encumbrances outstanding at the balance sheet date are cancelled.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposits Act (the "Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Investments

Investments are made in accordance with the provisions of Chapter 218.415, Florida Statutes.

The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations at a price not to exceed the market price at the time of purchase. In

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

addition, the City may invest in certificates of financial institutions insured by the United States government or agencies thereof and repurchase agreements.

As of September 30, 2010, the value of the City's deposits and investments in non-pension activities, with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Deposits in Qualified Public Depositories	\$ 928,266	N/A	NA
Certificates of Deposits	250,000	Unrated	<180 days Effective Duration
<i>Externally Managed Portfolio:</i>			
Money Markets	1,270,758	N/A	NA
Certificate of Deposits	1,759,290	N/A	227 days
Corporate Bonds		Baa	531 days
Externally Managed Portfolio Effective Duration	<u>3,030,048</u>		
Total Cash and Investments	<u><u>\$ 4,208,314</u></u>		

As of September 30, 2010, the value of the General Employees' Retirement Savings Plan's investment with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Mutual Funds (General Employee Pension)	<u>\$ 4,940,796</u>	NA	NA
Total Cash and Investments	<u><u>\$ 4,940,796</u></u>		

The General Employees Pension Funds are invested with American Funds which is considered a mutual fund.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2010, the value of the City's deposits and investments in the Police and Fire Supplemental activities, with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Stocks (Police and Fire Supplemental Plan)	\$ 3,289,802	N/A	NA
Money Market (Police and Fire Suppl. Plan)	163,346	AAA	NA
U S Government Agency Notes	1,104,242	AAA	1.483429
Government MBS/CMO/ABS-Variable	1,017,036	NR	20.75
Total Cash and Investments	\$ 5,574,426		

Credit Risk

Credit quality risk identified with S&P ratings or Moody equivalents, is provided in the tables above. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "NA" in the credit rating column.

Florida Statutes, Chapter 218.415(17), stipulates the state-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Securities of, or other interests in, any management type investment company or trust registered under the Investment Company Act of 1940, where the investment portfolio is limited to United States Government Obligations.
7. Other investments authorized by law or by ordinance for a county or a municipality.

The City's Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund, State direct obligations of the United States or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, commercial paper, bankers' acceptances, money market mutual funds.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure or the failure of the counterparty, the government's deposits may not be returned to it, or may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories.

The City's deposits are, therefore, considered fully insured or collateralized. Bank balances at September 30, 2010, were \$1,137,753.

Due to the nature of the City's cash and investments, there is no exposure to custodial credit risk or concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. The City manages interest rate risk by setting the range of duration for the City's portfolio as .5 years to 2.5 years, with a five-year average of 1.5 years. The effective duration of investments is listed in the preceding table.

The externally managed portfolio totaling \$3,030,048 at September 30, 2010, was invested for a weighted average term of days. The General Employee Pension Plan investments totaled \$4,940,796 please see Note 9 on pensions. The Police and Fire Supplemental plan totaled \$5,574,426.

Various restrictions on deposits and investments are summarized below.

Restricted by third parties:

Debt service	\$650,670
Financial assurance requirements for landfill operations	581,298
Capital projects	<u>1,062,242</u>
Total	<u>\$2,294,210</u>

Restricted for debt service represent cash and cash equivalents (a) held by the paying agent as required in the Capital Revenue bond resolutions, \$620,058 (b) held by paying agents as required by Utility System Improvement and Refunding Revenue Bonds, Series 2003, \$650,670; and (c) funds required to be restricted for debt service under the terms of the bond and loan covenants, \$598,220.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The City is required to establish a landfill escrow account in compliance with the financial assurance requirements of Section 62-701.630 of the Florida Administrative Code. This rule requires the City to annually deposit funds in an interest-bearing escrow account for the purpose of funding the estimated landfill closure and post closure costs of the City's landfill.

The amount to be deposited into the Escrow Account is based on financial cost assurance cost estimates made annually by a Registered Professional Engineer. The latest estimates prepared by the City's contracted engineers of \$276,924 for closure cost estimate and \$1,639,448 for post closure care costs, were filed with the Florida Department of Environmental Protection on February 2, 2011. Since the entire landfill site is not yet closed, the post closure care cost requirement is not applicable.

NOTE 3. RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business- type Activities	Total
Accounts Receivable	\$ 225,244	\$ 4,870,214	\$ 5,095,458
Less: Allowance for Bad Debts	(13,895)	(413,126)	(427,021)
Net Accounts Receivable	\$ 211,349	\$ 4,457,088	\$ 4,668,437
Installment Sales Receivable	\$ -	\$ 516,135	\$ 516,135
Less: Deferred Gross Profit	-	(35,586)	(35,586)
Allowance for Bad Debts	-	(81,757)	(81,757)
Net Installment Sales Receivable	\$ -	\$ 398,792	\$ 398,792

The City has an internet service-computer acquisition package program for the citizens of Gadsden County. Under the "Computer Acquisition Agreement" (the "Agreement"), the City provides computers and thirty six (36) months internet service to eligible customers, to be paid in equal monthly installments over a period of three years. The customer's receivable balance related to the computers sold is accounted and reported as an installment sales receivable, net of related deferred gross profit and allowance for bad debts. In November 2003 the City entered into a Computer and Internet Service Financing Plan and Agreement (the "Computer and Internet

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 3. RECEIVABLES (Continued)

Service Agreement”) with a local credit union (the “Credit Union”). Under the Computer and Internet Service Agreement the Credit Union will provide individual loans to the City’s NetQuincy customers who execute a purchase agreement for computer and internet access subscription, which loans shall be guaranteed in full by the City. If an account becomes delinquent beyond sixty days with no payment, the City will pay the then due outstanding balance, plus accrued interest and any late or collection fees, to the Credit Union. The term of the Computer and Internet Service Agreement with the Credit Union is five (5) years and maybe terminated by either party by giving thirty (30) days prior written notice. At September 30, 2010, the City is contingently liable for \$ 42,179 under the Computer and Internet Service Agreement.

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CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTES 4. CAPITAL ASSETS

A SUMMARY OF THE CHANGES IN THE CAPITAL ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2010 IS AS FOLLOWS:

	Balance September 30, 2009	Increase	Decrease	Balance September 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,596,873	\$ -	\$ -	\$ 4,596,873
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	4,596,873	-	-	4,596,873
Capital assets, being depreciated:				
Buildings and improvements	3,761,235	-	-	3,761,235
Improvements other than building	9,142,911	8,853	-	9,151,764
Infrastructure	6,146,814	-	-	6,146,814
Equipment and other	5,946,806	182,297	-	6,129,103
Total capital assets, being depreciated	24,997,766	191,150	-	25,188,916
Less accumulated depreciation for:				
Buildings and improvements	(2,716,990)	(82,662)	-	(2,799,652)
Improvements other than building	(2,744,489)	(298,159)	-	(3,042,648)
Infrastructure	(5,729,853)	(156,909)	-	(5,886,762)
Equipment and other	(7,147,861)	(596,223)	-	(7,744,084)
Total accumulated depreciation	(18,339,193)	(1,133,953)	-	(19,473,146)
Total capital assets, being depreciated, net	6,658,573	(942,803)	-	5,715,770
Total governmental capital assets, net	\$ 11,255,446	\$ (942,803)	\$ -	\$ 10,312,643
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,611,475	\$ -	\$ -	\$ 1,611,475
Construction in progress	-	-	-	-
Total nondepreciable assets	1,611,475	-	-	1,611,475
Capital assets, being depreciated:				
Buildings	25,050,855	-	-	25,050,855
Utility equipment and improvements	13,807,040	358,937	-	14,165,977
Infrastructure	419,886	-	-	419,886
Equipment and other	2,628,501	50,545	-	2,679,046
Total capital assets, being depreciated	41,906,282	409,482	-	42,315,764
Less accumulated depreciation for:				
Buildings	(11,743,909)	(792,203)	-	(12,536,112)
Utility plant equipment and improvements	(7,198,769)	(380,176)	-	(7,578,945)
Equipment and other	(2,477,994)	(343,468)	-	(2,821,462)
Total accumulated depreciated	(21,420,672)	(1,515,847)	-	(22,936,519)
Total capital assets being depreciated, net	20,485,610	(1,106,365)	-	19,379,245
Total business-type activities capital assets, net	\$ 22,097,085	\$ (1,106,365)	\$ -	\$ 20,990,720
Depreciation expense was charged to governmental functions as follows:				
General Government			\$	453,965
Public Safety				342,200
Transportation				279,800
Culture and Recreation				57,064
Economic Development				495
Cemetery				429
			\$	1,133,953

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5: TRANSFERS AND INTERFUND ITEMS

	TRANSFER OUT							
	Electric	Gas	Water	Sewer	Landfill	General	Refuse	Total
TRANSFER IN:								
General Fund	\$ 3,742,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,742,400
General Fund	-	456,000	-	-	-	-	-	456,000
General Fund	-	-	167,000	-	-	-	-	167,000
General Fund	-	-	-	167,000	-	-	-	167,000
General Fund	-	-	-	-	167,000	-	-	167,000
Gas	77,061							77,061
Water	251,769							251,769
Sewer	205,263							205,263
Business Activity	186,043	83,109	70,452	70,452	49,675		37,018	496,749
Cap Improvement Fund						461,148		461,148
Sub-total	<u>\$ 4,462,536</u>	<u>\$ 539,109</u>	<u>\$ 237,452</u>	<u>\$ 237,452</u>	<u>\$ 216,675</u>	<u>\$ 461,148</u>	<u>\$ 37,018</u>	<u>\$ 6,191,390</u>

Transfers are used to (1) remove revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds.

Due To/From Other Funds

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
Capital Improvement	General	\$ 1,472,963
Capital Improvement	Telecommunications	912,416
Electric	Capital Improvement	(614,287)
Electric	Gas	4,957
Electric	General	(424,582)
Employee Pension	General	(113,023)
Enterprise	General	824,801
Gas	Electric	246,664
Gas	Enterprise	810,517
Gas	General	(747,481)
General	Employee Pension	(4,977)
General	Enterprise	1,339,152
General	Internet	718,727
General	Miscellaneous Grants	(816,343)
General	Other Funds	415,795
General	Other Govt	380,296
General	Utility System Improv	(206,258)
Internal Service	Telecommunications	(431,226)
Landfill	General	17,954
Local Option	Capital Improvement	(520,410)
Refuse	General	(226,602)
Sewer	General	(12,708)
Special Revenue Funds	General	207,218
Telecommunications	General	(191,135)
Telecommunications	Internal Service	571,131
Telecommunications	Internet	(1,142,365)
Utility System Improv	General	219,306
Utility System Improv	Internet	(26,618)
Utility System Improv	Water & Sewer	117,130
Water	Electric	9,237
Water	Gas	(33,589)
Water	General	(2,756,660)
		<u>\$ -</u>

Interfund balances result from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payment between funds are made.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6. LONG TERM DEBT

	Balance September 30, 2009	Additions/ Adjustments	Reductions	Balance September 30, 2010	Due Within One Year
Governmental Activities:					
Revenue Bond	\$ 5,370,000	\$ -	\$ 190,000	\$ 5,180,000	\$ 200,000
Capitalized Leases	-	77,510	-	77,510	17,966
Compensated Absences	195,405	-	24,442	170,963	71,048
Note Payable	58,402	84,537	-	142,976	39,510
Total Governmental Activities Long Term Liabilities	\$ 5,623,807	\$162,047	\$ 214,442	\$ 5,571,449	\$ 328,524
Business-Type Activities:					
State Revolving Loan - Project No. DW2006010	\$ 4,582,528	\$15,873	\$ 283,383	\$ 4,315,018	\$ 291,551
State Revolving Loan - Project No. CS12064107P	2,121,914	-	169,314	1,952,600	173,677
Utility System Series 2003 Bonds	6,641,852	-	225,000	6,416,852	238,427
Mortgage (Net Quincy Building)	221,022	-	37,048	183,974	37,958
Note Payable	63,704	-	13,544	50,160	14,171
Capitalized Leases	5,365	-	5,365	-	-
Compensated Absences	40,144	16,898	-	57,042	22,876
Total Business-Type Activities Long Term Liabilities	\$ 13,676,529	\$ 32,771	\$ 733,654	\$ 12,975,646	\$ 778,660

Long-term Debt – Governmental Activities

(a) Capital Improvement Revenue Bonds to provide funds for the cost of acquiring and constructing certain infrastructure improvements. Principal amounts, maturities and interest rates by lot are as follows:

- \$630,000; due serially through June 1, 2007 at 4% annual interest
- \$3,740,000 due serially through June 1, 2022 at 5% annual interest
- \$1,985,000 due serially through June 2, 2027 at 5.125% annual interest

The bonds are payable from and secured by a pledge of and lien upon the combined funds collected by the State of Florida and remitted to the City such as: (1) Guaranteed Entitlement Revenues, (2) Local Communication Service Tax Revenues, and (3) Half-Cent Sales Tax Revenues and certain funds and accounts created by the City.

The bonds are subject to mandatory redemption in part prior to maturity by lot, at redemption prices equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The principal amount designated in each year for mandatory redemption constitutes the amortization installments.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 LONG –TERM LIABILITIES (continued)

Long-term Debt – Business-type Activities

These bonds require the creation and establishment of several funds and accounts with a paying agent restricted for debt service and subject to a lien and charge in favor and further security of bondholders. These funds are accounted for under the Debt Service Fund. As of September 30, 2010, funds held by the paying agent amounted to \$620,058 and consist of the following:

	Capital Revenue
Debt Service Interest	\$ 87,160
Debt Service Reserve	466,231
Bond Amortization	66,667
Total	\$ 620,058

- (b) Capital lease obligations for the governmental activities relate to the acquisition of a street sweeper with annual interest rates ranging from 5% to 6.6%. The net book value of these assets under capital leases as of September 30, 2010 is \$77,510.

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CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 LONG –TERM LIABILITIES (continued)

Long-term Debt – Business-type Activities

Long-term debt of the City’s business-type activities, excluding compensated absences and capitalized leases, consists of the following:

Drinking Water State Revolving Loan Note from Florida Department of Environmental Protection (“FDEP”) (Project DW2006010) in an amount up to \$6,277,772 for the construction of water supply and transmission facilities which bears an annual interest of 2.33% and payable in 40 semiannual payments of \$213,246 including interest, every June 15 and December 15 of each year, starting June 15, 2003 through June 15, 2023, collateralized by revenues from the operation of the water and sewer systems.	\$ 4,315,018
State Revolving Loan Note from FDEP (CS12064107P) in an amount up to \$3,466,732, for waste water treatment plant upgrade bearing annual interest at 2.56% payable in semi-annual payments of \$111,279 including interest starting March 15, 2001 through September 15, 2020, collateralized by revenues from the operation of the water and sewer systems.	1,952,600
\$350,000 loan secured by a first real estate mortgage dated December 15, 2004 on property at 320 W. Jefferson Street, Quincy, Florida. The loan is at a fixed annual interest rate of 3.40% for the first three years, and at a variable interest rate thereafter. The loan is payable in monthly installments for ten years beginning January 15, 2005.	183,974
\$8.890 million Utility System Improvement and Refunding Revenue Bonds, Series 2003 (the Series 2003 Utility Bonds), net of bond discount of \$118,802.	<u>6,416,852</u>
Total	12,868,444
Less: unamortized bond discount	<u>(3,427)</u>
Net	<u>\$12,865,017</u>

The \$8.890 million Series 2003 Utility Bonds was issued in October 2003 to finance the acquisition and construction of various capital improvements to the City’s water, electric, sewer and telecommunications system (the Utility System). The Series 2003 Utility Bonds are payable solely from and secured by a pledge of the net revenues of the City’s Utility System. The Series 2003 Utility Bonds principal amounts, maturities and interest rates by lot are as follows:

- \$2,200,000; term bond due on October 1, 2013 at 4% annual interest
- \$3,450,000; term bond due on October 1, 2023 at 5% annual interest
- \$3,240,000; term bond due on October 1, 2029 at 5% annual interest

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 LONG -TERM LIABILITIES (continued)

Long-term Debt – Business-type Activities (continued)

The Series 2003 Utility Bonds are subject to redemption prior to their stated dates of maturity at redemption prices equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

Compliance Requirements

Requirements of the State Revolving Loan Fund Agreement between the City of Quincy and Department of Environmental Protection – Sewer:

- “(a) Each year beginning with the 12-month period preceding the Local Government (LG) second semiannual loan repayment and ending with the year during which the final loan repayment is made, the LG’s authorized representative or its chief financial officer shall submit an annual certification, no later than January 15 each year, that (a) pledged revenue collections satisfy the 115% coverage requirements noted previously; (b) the debt repayment escrow account contains the required funds; (c) the loan repayment reserve account contains the funds required; and (d) insurance coverage, including that issued through the National Flood Insurance Program, is adequate.

The annual certificate for the fiscal year 2010 was submitted in September 2010.

The loan of \$350,000 from Capital City Bank was used to purchase the NetQuincy building on December 15, 2004. The building is located at 320 W. Jefferson Street, Quincy, Florida. The fixed annual interest rate of 3.40% is for the first three years, thereafter the variable rate will be calculated at 69% of the JP Morgan Chase Prime rate but will not exceed 17.7%. The loan will mature December 15, 2014.

Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at September 30, 2010, other than the liability for accumulated vacation and sick leave, is as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$231,057	\$ 267,537	\$ 498,594	727,893	\$ 509,045	\$ 1,236,939
2012	242,105	256,490	498,594	749,757	487,541	1,237,298
2013	253,291	244,803	498,094	767,738	465,161	1,232,899
2014	257,166	234,453	488,619	787,093	440,843	1,227,936
2015	245,000	218,481	463,481	775,173	412,006	1,187,179
2016-2020	1,415,000	896,736	2,311,736	4,241,729	1,629,161	5,870,891
2021-2025	1,810,000	503,538	2,313,538	2,843,879	906,575	3,750,453
2026-2030	850,000	65,856	915,856	2,482,141	322,387	2,804,527
Total	\$ 5,303,618	\$ 2,684,894	\$ 7,988,513	\$ 13,375,403	\$ 5,172,719	\$ 18,548,122

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7. CONTINGENCIES AND COMMITMENTS

Electric Purchase Contract

The City has existing electric purchase contracts with U.S. Department of Energy, Southern Power Administration (SEPA) and Florida Power Corporation (FPC). Under the terms of these contracts, in a given month the City purchases 8,400 kilowatt of its capacity from SEPA and the remainder of its capacity from FPC. The prices and quantities of energy to be purchased and any adjustments allowed or required are stated in the contracts. The City's contract with SEPA is an ongoing contract which can be terminated by either party by giving a two-year advance notice. During the fall of 2007, the City Commission entered into a three year agreement with Progress Energy beginning January 2, 2008, the agreement expires December 31, 2010.

For the year ended September 30, 2010, the City purchased electric capacity totaling \$11,994,334.

Gas Supply Contract

The City has an existing gas supply contract with the Municipal Gas Authority of Georgia (the "Authority") through December 31, 2025. Under the terms of the original contract including supplemental contracts, the Authority is obligated to establish a fair and non-discriminatory pricing mechanism designed to recover all of the costs for such services and maintain, to the extent practical, relative comparative pricing in a manner consistent in the industry. The City must establish, maintain and collect rates and charges, to be able to pay all amounts payable to the Authority including but not limited to (a) cost of gas supplies provided to the City and costs allocated to the City under the Annual Authority Budget and Project Cost Projections; and (b) all other lawful charges against the City's gas revenue. In addition, the City is obligated not to suspend or discontinue any payments provided in the contract, until all obligations of the Authority for the furtherance of providing services to the City, have been fully paid.

Under the Authority's gas cost/pricing policy, the Authority and the City entered into an Alternative Price Agreement ("Agreement"), which sets forth certain supplemental pricing arrangements in addition to the spot market price applicable to the gas purchases of the City, in accordance with the Authority's Hedge Program. The City participates in Option #2 of the Hedge Program wherein the City committed to a certain volume of gas on peak periods, to be included in the quantity and price covered by the Authority's hedging activities. The Authority allocates among all participating cities, based on quantity committed, any gain or loss resulting from its hedging activities. For the year ended September 30, 2010, the City purchased gas totaling \$1,207,187.

Grant Programs

The City participates in a number of federal and state grant programs. These programs are subject to financial and compliance audits by the grantors or their respective representatives. The possible disallowance of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. No provision, for any liability that may result has been made in the financial statements.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7. CONTINGENCIES AND COMMITMENTS (Continued)

Litigation

The City is involved in pending lawsuits. Although the outcome of these lawsuits is not presently determined, in the opinion of management and the City's Attorney, potential claims from litigation against the City which are not covered by insurance, would not materially affect the financial position of the City.

Closure and Post closure Care Costs

Current laws and regulations require the City to place final covers on landfill cells as they are closed, and perform certain maintenance and monitoring functions at the landfill cell sites for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these costs as an operating expense and a liability in each period based on landfill capacity used as of the balance sheet date as required by Governmental Accounting Standards Board (GASB) Statement No. 18,

Accounting for Municipal Landfill Closure and Post Closure Care Costs.

At September 30, 2010, the City's total liability for landfill closure and post-closure care costs was approximately \$1,916,372. The liability balance is based on the use of approximately 71% of the existing landfill capacity. Unrecognized costs of \$523,655 will be amortized on a current basis as the existing capacity of 29% is used. This estimated capacity is expected to last until 2013 based on current waste flows on active landfill cells and estimated capacity of landfill cells to be constructed.

The City is required by state and federal laws and regulations to make annual deposits in an interest-bearing escrow account to finance closure and post closure care costs of the \$276,924 and cash deposited in the escrow account was \$581,298. The City currently has excess funds in this account totaling \$298,835.

Landfill Operations

April 29, 2002, the Florida Department of Environmental Protection (FDEP) issued the City a renewal permit to operate Landfill Cell No. 9 at the Byrd Landfill, and to construct Cells No. 10 & 11, with an expiration date of April 29, 2007. On March 7, 2007, the City received a response from the 2007 application for renewal indicating that the application will be delayed pending additional information. Numerous correspondents occurred between the City and FDEP. In a letter dated June 17, 2009, the application status is still pending awaiting additional information. The Florida Administrative Code (FAC) Chapter 62-4.090 specifically states "When the application for renewal is timely and sufficient, the existing permit shall remain in effect until the renewal application has been finally acted upon by the Department or, if there is court review of the Department's final agency action, until a later date is required by Section 120.60, F.S." The City of Quincy's renewal permit was submitted timely prior to the expiration date of April 29, 2007, therefore the City's is administratively covered under said rule.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 7. CONTINGENCIES AND COMMITMENTS (Continued)

Permit to Operate Sewer System

The City is operating its Sewer system under a permit from Florida Department of Environmental Protection (FL0029033-Major). This permit is issued under the provisions of Chapter 403, Florida Statutes (F.S.), and applicable rules of the Florida Administrative Code (F.A.C.) and constitutes authorization to discharge to waters of the state under the National Pollutant Discharge Elimination System. The permit is accompanied by an Administrative Order, pursuant to paragraphs 403.088(2)(e) and (f), Florida Statutes. Compliance with Administrative Order, AO058NWD is a specific requirement of the permit. The City is authorized to operate the facilities effective with the issuance of the permit on August 20, 2008 and until expiration on August 19, 2013.

NOTE 8. RETIREMENT SAVINGS PLAN (RSP)

The Retirement Savings Plan (RSP) of the City is a defined contribution pension plan established to provide benefits to employees upon retirement. The City is required to contribute an amount equal to 12% of the base pay of each eligible employee. Plan provisions and contribution requirements are established and may be amended by the City. During the fiscal year September 30, 2010, the City contributed \$409,451 for eligible employees.

Contingent Retiree Health Insurance Benefit

Subject to annual budget appropriation, the City may, but is not obligated to, provide funds for health insurance premiums for retirees. During fiscal year 2010, the City expensed \$130,738 for 42 retirees.

NOTE 9. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)

(a) Plan membership

All of the City's full-time police officers and firefighters hired under the age of 50 are eligible to participate in the Police and Firemen's Supplemental Pension Plan (PFSP), a single-employer, defined benefit pension plan. PFSP provides retirement, disability and death benefits to plan members. The following brief description of the plan is provided for general information purposes only. Participants should refer to Ordinance 72-541 and related amendments, of the City of Quincy, Florida and the Summary Plan Description for more complete information.

At October 1, 2008, the date of the latest available actuarial valuation, the City of Quincy, Florida Police and Firemen's Supplemental Pension Plan membership consisted of:

Employees of the City by status were as follows:

Active	21
Vested	29
Retired	24

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 9. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)
(continued)

Beneficiaries receiving benefits	2
Disabled receiving benefits	1

(b) Funding Policy

The City's funding policy is to provide for periodic employee rates that are designed to accumulate sufficient assets to pay benefits when due. The employees contribute a percentage of their covered payroll to the plan. The State of Florida also contributes to the Plan. The City is required to contribute the remaining amounts necessary to fund the PFSP using the actuarial basis of the plan.

(c) Annual Pension Cost

The City's contribution requirement for the year ended September 30, 2010 was zero.

(d) Eligibility

All full-time Police Officers and Firefighters.

(e) Basic Compensation

Total cash compensation paid to the participant for services rendered.

(f) Final Monthly Compensation

The highest average total basic compensation during five successive calendar years out of the ten calendar years next preceding the earlier of date of termination or normal retirement.

(g) Credited Service

Total number of years and completed months of service from date of employment to the earlier date of termination or normal retirement.

h) Normal Retirement Date

The first of the month coincident with or next following the earlier of (1) the date of attainment of age 60 and 10 years credited service or (2) the completion of 25 years of credited service.

(i) Normal Retirement Benefit

1.7% of final monthly compensation multiplied by number of years of credited service. During fiscal year 2006/07, the City Commission adopted an ordinance to increase the benefit for plan participants to 2%.

(j) Normal Benefit Form

Single Life Annuity.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

**NOTE 9. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
(PFSP) (Continued)**

(k) Postponed Retirement

1.7% of final monthly compensation multiplied by the number of years for credited service. During fiscal year 2006/07, the City Commission adopted an ordinance to increase the benefit for plan participants to 2%.

(l) Disability Retirement

Participants having 10 or more continuous years of credited service and 10 years of contributions shall receive a disability benefit if they become totally and permanently disabled. Benefit is life annuity with the ten years certain:

(I) Line of Duty Disability – Benefit is greater of:

- Accrued Pension
- 42% of average monthly salary

(ii) Non-Line-of-Duty Disability – Benefit is the greater of:

- Accrued Pension
- 25% of average monthly salary

(m) Termination of Service

Vested percentage of accrued deferred monthly retirement income at date of termination of employment. Vested percentage is 50% after five years, increasing 10% per year to 100% after ten years. There is no vesting prior to five years of credited service. The monthly retirement income will commence at normal retirement date. If a terminated participant dies prior to retirement, the death benefit is a life income with ten years certain, which can be provided by single-sum value at date of death of the deferred vested retirement income.

(n) Pre-Retirement Death Benefit

A monthly income which can be provided by greater of:

- (i) Single-sum value of accrued deferred monthly retirement income at date of death, or
- (ii) The smaller of:
 - 12 times final monthly compensation at date of death, and
 - 100 times anticipated monthly retirement income at normal retirement.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 9. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)

(Continued)

(o) Post Retirement Death Benefit

If participant has been receiving a retirement income, payments cease next preceding date of death unless an optional form of retirement was selected. If the participant has postponed retirement, the benefit is a monthly income which can be provided by the accumulation of interest to the date of death of the single-sum value of the normal retirement benefit using the actuarial assumptions for the postponed retirement benefit.

(p) Contributions

Those received under Chapters 175 and 185, five and one half percent contribution by employee until April 1, 1994, six and one-half percent thereafter, and seven and one-half percent after October 1, 1998.

NOTE 10. RISK MANAGEMENT

It is the policy of the City to purchase insurance for the risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtained general liability insurance at a cost it considered to be economically justifiable. The government pays an annual premium for its general insurance coverage to Florida League of Cities, Inc.

NOTE 11. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended September 30, 2010, expenditures exceeded appropriation in the public safety, transportation, physical environment, cemetery, and capital outlay expenses by \$45,229, \$6,072, \$13,991, \$3,430 and \$239,042, respectively. These over expenditures were resolved by the utilization of fund balance reserves.

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CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 12. DEFICIT FUND BALANCES

The City reported accumulated net asset deficits of \$2,461,204, \$820,273, \$336,398, and \$615,616, in the Telecom, Special Revenue, Refuse, and Landfill funds, respectively, as of September 30, 2010. These deficits are the result of depreciation, interest expense, interfund operating transfers, grant project costs exceeding grant revenues and other operating expenses. Accumulated deficits do not necessarily indicate that the City is facing financial difficulties in accordance with generally accepted accounting principles. The deficit will be resolved as outlined below.

Refuse – Prior to the transfers, this fund had a positive operating income. This fund experienced a rate increase during FY2008 which resulted in a positive change in net assets for the last 2 years. As a result, the amount of the deficit has been decreasing each year. The city will continue to monitor expenses to ensure positive change in net assets.

Landfill – Prior to the transfers, this fund had a positive operating income. The city will continue to monitor transfers to ensure that they do not exceed the amount of the operating income for the fund.

Special Revenue – The amount of the deficit in the special revenue fund shows a minor increase to \$820K. The city will continue its analysis of the accounts inclusive in this fund and utilize the services of a consultant to assist staff with completing the necessary reviews to evaluate and resolve the deficit issues pertaining to each of the special revenue funds.

Telecommunications – Management has made positive changes to reduce the amount of expenses in the fund and also to increase revenues through direct marketing of each product line. In addition, there are several allocation issues which will be further addressed with the hiring of a consultant to assist staff with completing the necessary analysis and evaluations needed to resolve the issues pertaining to this fund.

The City Commission and Management plans to further monitor and address the City's financial condition through the budget process.

NOTE 13. SUBSEQUENT EVENTS

On April 26, 2011 the commission approved supplemental resolution #1265-2011, approving the Preliminary Official Statement for the issuance of bonds not to exceed \$6.5 million, which includes \$2.49 million to match the federal Smart Grid grant. The Smart Grid, partially funds the Project which consists of (i) utilization of existing fiber assets to deploy an Advanced Metering Infrastructure (AMI) system, upgrade electric distribution system, including the addition of monitoring devices, Supervisory Control and Data Acquisition (SCADA), and load control systems; (ii) adjusting the distribution system for the retrofit of 7 substation reclosers and 21 substation regulator controllers for voltage control along with 36 motor operators for the distribution GOAB switches and 6 switched capacitors; and (iii) other capital improvements to the utility system allowed by law and approved by the City Commission.

Required Supplementary Information

CITY OF QUINCY, FLORIDA
Required Supplementary Information
Police And Firemen's Supplemental Pension Plan
Schedule of State of Florida Contributions
Year Ended September 30, 2010

Year Ended September 30	Annual Required Contribution	Percentage Contributed
2010	\$107,690	100.00%
2009	112,433	100.00%
2008	195,430	130.07%
2007	84,738	200.39%
2006	57,983	170.32%
2005	133,408	100.00%
2004	95,982	100.00%
2003	98,319	109.44%
2002	113,638	100.00%
2001	64,569	138.2%
2000	59,206	160.5%
1999	81,568	107.0%
1998	50,433	172.7%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/08
Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar
Remaining amortization period	29 years as of 10/1/08
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	6.0%
*Includes inflation at:	3.0%
Post retirement COLA	0.0%

City of Quincy
Schedule of Changes in Fund Balances- Budget and Actual
General Fund
For The Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 1,976,621	\$ 1,976,621	\$ 1,938,336	\$ (38,285)
Licenses and Permits	128,615	128,615	107,582	(21,033)
Intergovernmental	400,727	400,727	487,200	86,473
Fines and Fees	37,522	37,522	37,479	(43)
Charge for Services	408,354	408,354	408,686	332
Rental	11,047	11,047	8,320	(2,727)
Other	296,708	296,708	297,019	311
Total	<u>3,259,594</u>	<u>3,259,594</u>	<u>3,284,622</u>	<u>25,028</u>
Expenditures				
Current:				
General Government	3,146,778	3,146,778	3,141,256	5,522
Public Safety	3,326,744	3,326,744	3,371,973	(45,229)
Transporation	592,834	592,834	598,906	(6,072)
Physical environment	189,555	189,555	203,546	(13,991)
Culture and Recreation	354,417	354,417	320,095	34,322
Cemetery	23,102	23,102	26,532	(3,430)
Capital Outlay	-	-	239,042	(239,042)
Total Expenditures	<u>7,633,430</u>	<u>7,633,430</u>	<u>7,901,350</u>	<u>(267,920)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,373,836)</u>	<u>(4,373,836)</u>	<u>(4,616,728)</u>	<u>292,948</u>
Other financing sources (uses)				
Operating transfers in	4,699,400	4,699,400	4,699,400	-
Operating transfers out	-	-	(461,148)	(461,148)
Total Other Financing	<u>4,699,400</u>	<u>4,699,400</u>	<u>4,238,252</u>	<u>(461,148)</u>
Excess of revenues and other financing sources over expenditures	<u>325,564</u>	<u>325,564</u>	<u>(378,476)</u>	<u>(378,476)</u>
Fund Balance				
At the beginning of the year as previously reported	1,135,265	1,135,265	1,135,265	-
Prior period adjustment			80,517	
At beginning of year as adjusted			1,215,782	
At the end of the year	<u>\$ 1,460,829</u>	<u>\$ 1,460,829</u>	<u>\$ 837,306</u>	<u>\$ (378,476)</u>

See Notes to Required Supplementary Information-Budgetary Comparison Schedule

City of Quincy, Florida
Notes to Budgetary Comparison Schedule
Fiscal Year Ended September 30, 2010

Notes to the Required Supplementary Information- Budgetary Comparison Schedule

Chapter 166, Florida Statutes, requires that all municipalities prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The budgets control the levy and the expenditures of money for City purposes for the ensuing fiscal year. The budgeting process is based on estimates of revenues and expenditures. The City budgets are prepared on a modified-accrual basis or accrual basis of accounting in accordance with generally accepted accounting principles.

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

1. Prior to August 15, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the department and fund level, with Finance Department providing support to departments in the administration of their budget. In accordance with the City's budget transfer policy, the City Manager is authorized to transfer budgeted amounts within any fund or function; however, the City Commission must approve any supplemental appropriations or revisions that amend the total expenditures of any fund. All budgets are on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinance and all amendments thereto.
6. All annual appropriations lapse at fiscal year end.

Combining Fund Financial Statements

CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS BY FUND TYPE

September 30, 2010

	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
ASSETS				
Cash and equity in pooled cash	\$ 45,764	-	\$ -	\$ 45,764
Receivables, net	12,942	\$ -	-	12,942
Due from other governments	-	-	-	-
Due from other funds	270,369	912,415	698,977	1,881,761
Other assets	7,977	-	-	7,977
Restricted cash	<u>2,273</u>	<u>48,589</u>	<u>620,058</u>	<u>670,920</u>
Total assets	<u>\$ 339,325</u>	<u>\$ 961,004</u>	<u>\$ 1,319,035</u>	<u>\$ 2,619,364</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	712	2,740	101,442	104,894
Cash and equity in pooled cash deficit	-	-	8,346	8,346
Due to other funds	<u>1,158,888</u>	<u>727,987</u>	<u>-</u>	<u>1,886,875</u>
Total liabilities	<u>1,159,600</u>	<u>730,727</u>	<u>109,788</u>	<u>2,000,115</u>
Fund balances:				
Reserved for debt service	-	-	620,058	620,058
Unreserved	<u>(812,506)</u>	<u>233,017</u>	<u>589,189</u>	<u>9,700</u>
Total fund balances	<u>(820,273)</u>	<u>233,017</u>	<u>1,209,247</u>	<u>621,991</u>
 Total liabilities and fund balances	 <u>\$ 339,327</u>	 <u>\$ 963,744</u>	 <u>\$ 1,319,035</u>	 <u>\$ 2,622,106</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
Revenues				
Intergovernmental	\$ 111,535	\$ -	\$ -	\$ 111,535
Other	<u>27,498</u>	<u>49</u>	<u>24</u>	<u>27,571</u>
Total revenues	<u>139,033</u>	<u>49</u>	<u>24</u>	<u>139,106</u>
Expenditures				
Current:				
General government	-	2,740	24	2,764
Economic Environment	98,310	-	-	98,310
Culture and recreation	27,471	-	-	27,471
Public safety	9,193	-	-	9,193
Capital outlay	11,826	-	-	11,826
Debt service:				
Principal	-	-	190,000	190,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>270,981</u>	<u>270,981</u>
Total expenditures	<u>146,800</u>	<u>-</u>	<u>461,005</u>	<u>607,805</u>
Deficiency of revenue over expenditures	(7,767)	49	(460,981)	(468,699)
Other financing sources (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>461,148</u>	<u>461,148</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(7,767)	49	167	(7,551)
Fund balance (deficit)				
At beginning of year	<u>(812,506)</u>	<u>232,968</u>	<u>1,209,080</u>	<u>629,542</u>
At end of year	<u>\$ (820,273)</u>	<u>\$ 233,017</u>	<u>\$ 1,209,247</u>	<u>\$ 621,991</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NON MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2010

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Total Non-major Enterprise Fund</u>
ASSETS				
Current assets:				
Cash and equity in pooled cash	\$ -	\$ 351,593	\$ 251,878	\$ 603,471
Accounts receivable- net	234,269	14,030	155,758	404,057
Investments	-	-	70,618	70,618
Inventory	-	-	21,366	21,366
Non-current assets:				
Due from other funds	4,032	-	994,581	998,613
Restricted cash	-	581,298	-	581,298
Fixed assets - net	-	85,777	413,819	499,596
Total assets	<u>238,301</u>	<u>1,032,698</u>	<u>1,908,020</u>	<u>3,179,019</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	99,085	5,415	130,089	234,589
Cash and equity in pooled cash deficit	231,906	-	-	231,906
Compensated absences - current	-	1,096	1,634	2,730
Deposits	-	-	11,523	11,523
Due to other funds	224,882	-	959,189	1,184,071
Compensated absences	-	2,355	2,222	4,577
Other Current Liabilities	18,826	-	91,272	110,098
Estimated landfill closure and post closure costs	-	1,639,448	-	1,639,448
Total liabilities	<u>574,699</u>	<u>1,648,314</u>	<u>1,195,929</u>	<u>3,418,942</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	85,777	413,819	499,596
Restricted for landfill	-	581,298	-	581,298
Unrestricted	<u>(336,398)</u>	<u>(1,282,691)</u>	<u>298,272</u>	<u>(1,320,817)</u>
Total net assets	<u>\$ (336,399)</u>	<u>\$ (615,616)</u>	<u>\$ 712,091</u>	<u>\$ (239,924)</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS
NON MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2010

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Total Non-Major Enterprise Funds</u>
Operating revenues				
Charges for services	\$ 1,201,325	\$ 264,036	\$ 2,018,375	\$ 3,483,736
Other income	<u>15</u>	<u>43,606</u>	<u>129,639</u>	<u>173,260</u>
Total operating revenue	<u>1,201,340</u>	<u>307,642</u>	<u>2,148,014</u>	<u>3,656,996</u>
Operating expenses				
Cost of sales and services	1,159,578	-	1,348,959	2,508,537
Landfill	-	184,844	-	184,844
Depreciation and amortization	<u>-</u>	<u>26,343</u>	<u>48,451</u>	<u>74,794</u>
Total operating expenses	<u>1,159,578</u>	<u>211,187</u>	<u>1,397,410</u>	<u>2,768,175</u>
Operating income	41,762	96,455	750,604	888,821
Non operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income (expense) - net	<u>-</u>	<u>581</u>	<u>774</u>	<u>1,355</u>
Total non-operating expenses	<u>-</u>	<u>581</u>	<u>774</u>	<u>1,355</u>
Income before operating transfers	<u>41,762</u>	<u>97,036</u>	<u>751,378</u>	<u>890,176</u>
Operating transfers out	<u>(37,018)</u>	<u>(216,675)</u>	<u>(539,109)</u>	<u>(792,802)</u>
Operating transfers in	<u>-</u>	<u>-</u>	<u>84,067</u>	<u>84,067</u>
Change in net assets	4,744	(119,639)	296,336	181,441
Net assets				
At beginning of year	<u>(341,143)</u>	<u>(495,977)</u>	<u>415,755</u>	<u>(421,365)</u>
Net assets, end of year	<u>\$ (336,399)</u>	<u>\$ (615,616)</u>	<u>\$ 712,091</u>	<u>\$ (239,924)</u>

III. STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Quincy, Florida's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Page

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

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Debt Capacity: *These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.*

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Demographic and Economic Information: *These schedules offer demographic and economic indicators to help the readers understand the environment within which the City's financial activities take place.*

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STATISTICAL SECTION

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

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Operating Information: *These schedules are supplementary schedule including additional continuing disclosure schedules, Schedule of Debt Service on Outstanding Bonds, Schedule of Transportation Expenditures and Special Assessment Billings and Collections.*

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information beginning in that year.

City of Quincy, Florida
Net Assets by Component
Last Four Years
(accrual basis of accounting)

Fiscal Year	2007	2008	2009	2010
Governmental activities				
Invested in Capital assets, net of related debt	\$ 7,208,954	\$ 6,752,198	\$ 5,827,040	\$ 4,989,667
Restricted for:				
Capital projects	-			48,589
Debt Services	954,631	667,239	619,892	
Landfill	-			
Unrestricted	525,822	372,222	776,679	2,355,982
Total governmental activities net assets	\$ 8,689,407	\$ 7,791,659	\$ 7,223,611	\$ 7,394,238
Business-type activities				
Invested in Capital assets, net of related debt	\$ 8,208,813	\$ 9,118,414	\$ 8,374,567	\$ 7,994,685
Restricted for:				
Capital projects	976,366	1,404,080	1,404,761	1,013,653
Debt service	263,245	276,929	134,881	1,565
Landfill	563,709	579,576	580,999	581,298
Unrestricted	(524,175)	(1,808,399)	(788,023)	30,098
Total business-type activities net assets	\$ 9,487,958	\$ 9,570,600	\$ 9,707,185	\$ 9,621,299
Primary Government				
Invested in Capital assets, net of related debt	\$ 15,821,642	\$ 15,870,612	\$ 14,201,607	\$ 12,984,352
Restricted for:				-
Capital projects	976,366	1,404,080	1,404,761	1,062,242
Debt service	1,197,804	944,168	754,773	1,565
Landfill	563,709	579,576	580,999	581,298
Unrestricted	(382,156)	(1,436,177)	(11,044)	2,386,080
Total primary government net assets	\$ 18,177,365	\$ 17,362,259	\$ 16,931,096	\$ 17,015,537

City of Quincy, Florida
Changes in Net Assets
Last Four Years
(accrual basis of accounting)

	Fiscal Year	2007	2008	2009	2010
Expenses					
Governmental activities:					
General government	\$	5,810,350	\$ 3,967,787	\$ 4,011,539	\$ 2,691,312
Public safety		3,813,758	3,823,681	3,245,470	3,381,166
Public works		678,380	776,214	669,360	598,906
Culture and recreation		804,660	740,792	550,763	347,566
Economic development		-	230,674	585,693	98,310
Physical environment		77,578	72,213	84,620	203,546
Cemetery		45,170	44,753	6,021	26,532
Engineering					-
Interest and fiscal charges		694,331	496,959	465,231	460,981
Total governmental activities expenses	\$	11,924,227	\$ 10,153,073	\$ 9,618,697	\$ 7,808,319
Business type activities					
Electric		14,108,706	11,944,128	12,291,827	14,319,340
Gas		2,184,282	1,865,677	1,489,427	1,397,410
Water		1,907,026	1,342,540	1,497,093	1,673,935
Sewer		1,555,957	1,474,673	1,471,399	1,665,285
Refuse		1,071,888	1,133,147	1,137,299	1,159,575
Landfill		701,944	1,126,621	991,236	211,187
Telecommunication		1,458,605	772,766	711,359	784,965
Total business type activities expenses		22,988,408	19,659,552	19,589,640	21,211,697
Total primary government expenses	\$	34,912,635	\$ 29,812,625	\$ 29,208,337	\$ 29,020,016
Component Unit					
Community Redevelopment Agency	\$	223,435	\$ 487,667	\$ 766,121	\$ 829,942
Program Revenues					
Governmental activities					
Charges for services					
General government	\$	703,210	\$ 312,528	\$ 435,194	\$ 344,266
Public safety		454,564	455,701	438,758	408,686
Public works		-			-
Culture and recreation		90,747	71,833	184,671	107,582
Economic environment		22,342	37,239	873,276	78,854
Cemetery		-			-
Engineering		-			-
Interest and fiscal charges		-			-
Operating grants and contributions		298,080			
Capital grants and contributions		-			
Total governmental activities program revenues	\$	1,568,943	\$ 877,301	\$ 1,931,899	\$ 939,388
Business type activities					
Charges for services:					
Electric	\$	16,511,777	\$ 16,068,107	\$ 16,566,406	\$ 18,507,161
Gas		2,525,975	2,384,748	1,912,410	2,148,788
Water		2,091,905	1,758,404	1,697,803	1,650,519
Sewer		1,739,253	1,627,851	1,476,330	1,546,148
Refuse		1,101,987	1,221,620	1,215,667	1,201,340
Landfill		712,276	1,211,502	1,114,898	308,223
Telecommunication		312,603	223,525	220,524	259,660
Operating grants and contributions		-			
Capital grants and contributions		-			
Total business type activities program revenues		24,995,776	24,495,757	24,204,038	25,621,839
Total primary government program revenues	\$	26,564,719	\$ 25,373,058	\$ 26,135,937	\$ 26,561,227

City of Quincy, Florida
Changes in Net Assets
Last Four Years
(accrual basis of accounting)

	Fiscal Year	2007	2008	2009	2010
	(Continued)	(Continued)	(Continued)		
Component Unit					
Community Redevelopment Agency					
Operating grants and contributions	\$	223,435	\$ 348,938	\$ 530,293	\$ 547,790
Net (Expense)/Revenue					
Governmental activities		(10,355,284)	(9,275,772)	(7,686,798)	(6,868,931)
Business type activities		2,007,368	4,836,205	4,614,398	4,410,142
Total primary government net expense	\$	(8,347,916)	\$ (4,439,567)	\$ (3,072,400)	\$ (2,458,789)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$	583,005	\$ 644,323	\$ 802,221	\$ 987,980
Local option gas tax		837,226	364,059	339,375	309,474
Utility taxes		7,395	6,264	7,520	9,295
Communication service tax		337,278	419,502	364,491	297,478
Shared revenues from State of Florida		547,317	900,392	890,700	821,309
Earnings on investments		65,624	28,795	20,950	17,803
Miscellaneous		35,104	89,912	95,326	41,001
Transfers - net		6,336,663	4,856,685	4,598,467	4,474,400
Capital assets, transferred from other government					-
Total governmental activities	\$	8,749,612	\$ 7,309,932	\$ 7,119,050	\$ 6,958,740
Business type activities:					
Earnings on investments		-			-
Miscellaneous		-			
Transfers		(6,336,663)	(4,856,685)	(4,477,813)	(4,474,400)
Capital assets, transferred from other government					
Total business type activities		(6,336,663)	(4,856,685)	(4,477,813)	(4,474,400)
Total primary government	\$	2,412,949	\$ 2,453,247	\$ 2,641,237	\$ 2,484,340
Change in Net Assets					
Governmental activities	\$	(1,605,672)	\$ (1,965,840)	\$ (567,748)	\$ 89,809
Business type activities		(4,329,295)	(20,480)	136,585	(64,258)
Total primary government	\$	(5,934,967)	\$ (1,986,320)	\$ (431,163)	\$ 25,551

City of Quincy, Florida
Governmental Activities Tax Revenue By Source
Last Four Years
(accrual basis of accounting)

Fiscal Year	Property Taxes*	Local Option Taxes and Sales Taxes	Utility Taxes	Communication Taxes	Total
2007	583,005	837,226	7,395	337,278	\$ 1,181,899
2008	644,323	770,103	6,265	419,502	\$ 1,195,869
2009	802,221	682,906	7,519	364,491	\$ 1,054,915
2010	987,980	643,583	9,295	297,478	\$ 950,356

*** Property Taxes not included in total**

City of Quincy, Florida
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved										
Unreserved, reported in:										
General fund, designated for:										
Capital Improvements										
Debt services										
Inventories	107,603	133,606	172,284	181,665	181,665	26,816	26,817	26,816	26,817	26,817
Prepaid assets										
Employees Retirement										
General fund, unreserved, undesignated	68,338	420,389	815,285	(455,855)	85,793	979,147	1,384,149	1,032,587	1,108,450	810,489
Total general fund	\$ 175,941	\$ 553,995	\$ 987,569	\$ (274,190)	\$ 267,458	\$ 1,005,963	\$ 1,410,966	\$ 1,059,403	\$ 1,135,267	\$ 837,306
All Other Governmental Funds										
Reserved										
Capital Improvements			3,737,807	728,541	61,964					
Debt service		815,969	870,895	876,082	884,494	964,293	934,559	667,239	619,892	620,058
Inventories			-							
Unreserved	(49,144)	5,732,224	(526,294)	839,444	337,083	(136,122)	(845,426)	(451,988)	9,650	(807)
Total all other governmental funds	\$ (49,144)	\$ 6,548,193	\$ 4,082,408	\$ 2,444,067	\$ 1,283,541	\$ 828,171	\$ 89,133	\$ 215,251	\$ 629,542	\$ 619,251
Total governmental funds	\$ 126,797	\$ 7,102,188	\$ 5,069,977	\$ 2,169,877	\$ 1,550,999	\$ 1,834,134	\$ 1,500,099	\$ 1,274,654	\$ 1,764,809	\$ 1,456,557

City of Quincy, Florida
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes:										
Utility taxes	\$ 1,090,594	\$ 1,698,227	\$ 1,762,025	\$ 1,691,662	\$ 1,730,267	\$ 1,727,839	\$ 1,764,904	\$ 1,840,192	\$ 1,857,137	\$ 1,938,336
Communication Service										
Other Taxes										
Franchise fees	51,115	96,525	104,554	54,729	95,549	152,557	124,356	139,199	123,296	107,582
Licenses and permits	765,562	2,404,070	1,643,471	795,403	1,019,289	863,324	547,317	494,348	1,555,769	598,735
Intergovernmental							454,564	455,701	438,758	408,686
Charges for service							52,338	46,432	41,667	37,479
Fines and forfeitures										
Fire assessment										
Development impact fees										
Grants						905,729	320,422	37,239		
Investment earnings										
Other	872,233	742,782	728,519	1,189,505	863,881	1,190,370	737,317	317,437	435,857	332,910
Total revenues	2,779,504	4,941,604	4,238,569	3,731,299	3,708,986	4,839,819	4,001,218	3,330,548	4,452,484	3,423,728
Expenditures										
Current:										
General government	2,272,229	3,592,244	3,589,690	2,849,876	2,642,146	2,913,448	3,887,518	2,713,031	2,843,622	3,144,020
Public safety	3,051,360	3,568,116	3,363,281	3,838,985	3,551,745	3,658,475	3,813,758	3,541,063	3,245,470	3,381,166
Highway s and streets						1,200,875				
Public works			866,079	771,784	1,009,552			776,214	669,130	598,906
Transportation	548,206	744,324					678,380			
Human services	23,530							72,213	83,587	203,546
Physical environment	92,056	101,463								
Health										
Economic/Community Development	15,580	1,172,646	146,927	106,740	1,641	1,195,220		230,674	585,693	98,310
Library										
Culture/Recreation	676,645	1,067,767	637,927	567,817	620,453	598,737	804,660	740,792	552,026	347,566
Cemetery			30,152	37,341	41,633	44,277	45,170	44,753	6,021	26,532
Engineering			72,490							
Grants							165,627			
Debits issuance costs		421,036								
Debt service:										
Principal	59,161	293,025	503,646	651,924	376,764	375,000	390,000	184,167	185,000	190,000
Interest	21,220	137,376	386,458	371,315	337,422	420,824	304,331	312,792	280,231	270,981
Capital outlay		6,536,221	3,105,193	2,124,868	1,901,489	299,874	285,721	197,828	110,015	250,868
Total expenditures	6,759,987	17,634,218	12,701,843	11,320,650	10,482,845	10,706,730	10,452,742	8,813,527	8,560,795	8,511,895
Excess (deficiency) of revenues over expenditures	(3,980,483)	(12,692,614)	(8,463,274)	(7,589,351)	(6,773,859)	(5,866,911)	(6,451,524)	(5,482,979)	(4,108,311)	(5,088,167)
Other Financing Sources (Uses)										
Sales of fixed assets	18,667					106,422	-			
Transfers in	4,600,000	5,304,285	7,187,519	5,768,425	6,818,452	6,993,619	6,336,663	5,154,001	4,886,980	5,160,548
Transfers out		(1,004,270)	(756,456)	(1,282,894)	(697,929)	(848,718)		(579,934)	(288,513)	(461,148)
Capital revenue bond		6,299,326								
Local option bond proceeds		1,110,000								
Other				203,725	34,756					
Total other financing sources (uses)	4,618,667	11,709,341	6,431,063	4,689,256	6,155,279	6,251,323	6,336,663	4,574,067	4,598,467	4,699,400
Net change in fund balances	\$ 638,184	\$ (983,273)	\$ (2,032,211)	\$ (2,900,095)	\$ (618,580)	\$ 384,412	\$ (114,861)	\$ (908,912)	\$ 490,156	\$ (388,767)
Debt service as a percentage of noncapital expenditures	1.2%	3.9%	9.3%	11.1%	8.3%	7.6%	6.8%	5.8%	5.5%	5.6%

CITY OF QUINCY, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Other/Misc.</u>	<u>Total</u>
2001	\$ 400,878	\$ 56,823	\$ 51,115	\$ 516,481	\$ 831,442	\$ 53,572	\$ 869,193	\$ 2,779,504
2002	\$ 455,699	\$ 18,920	\$ 99,525	\$ 489,447	\$ 909,289	\$ 50,325	\$ 812,316	\$ 2,835,521
2003	\$ 465,940	\$ 9,147	\$ 104,554	\$ 746,791	\$ 1,238,584	\$ 48,354	\$ 683,415	\$ 3,296,785
2004	\$ 494,190	\$ 8,705	\$ 54,729	\$ 792,216	\$ 1,197,471	\$ 68,921	\$ 686,073	\$ 3,302,305
2005	\$ 538,156	\$ 7,654	\$ 95,549	\$ 801,490	\$ 1,192,111	\$ 57,312	\$ 766,997	\$ 3,459,269
2006	\$ 575,385	\$ 8,133	\$ 152,557	\$ 863,324	\$ 1,260,089	\$ 60,323	\$ 775,687	\$ 3,695,497
2007	\$ 583,005	\$ 7,395	\$ 124,356	\$ 983,279	\$ 136,784	\$ 52,338	\$ 1,570,240	\$ 3,457,397
2008	\$ 644,323	\$ 6,265	\$ 138,542	\$ 929,353	\$ 104,605	\$ 46,432	\$ 1,300,582	\$ 3,170,100
2009	\$ 802,221	\$ 7,519	\$ 123,242	\$ 982,213	\$ 45,473	\$ 37,667	\$ 1,786,509	\$ 3,784,844
2010	\$ 987,980	\$ 9,296	\$ 107,576	\$ 892,731	\$ 32,268	\$ 37,373	\$ 1,907,902	\$ 3,975,125

**CITY OF QUINCY, FLORIDA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Roll</u>		<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Other Exemption</u>	<u>Assessed Value For Operations</u>
2001	2000	\$	253,363,784	\$ 41,540,979	\$ 55,232,143	\$ 156,590,662
2002	2001		270,917,540	41,540,979	58,996,305	170,380,256
2003	2002		276,917,540	41,377,461	60,694,222	174,845,857
2004	2003		327,433,324	41,367,958	98,782,563	187,282,803
2005	2004		344,675,199	41,709,316	102,365,521	200,600,362
2006	2005		386,641,625	41,437,854	130,447,545	214,756,226
2007	2006		343,412,863	41,060,799	84,323,373	218,028,691
2008	2007		452,676,498	40,753,008	168,148,634	243,774,856
2009	2008		479,648,777	45,068,115	200,336,765	234,243,897
2010	2009		484,758,867	45,489,755	208,811,441	230,457,671

Note: Local law requires that assessed values be established at 100% of estimated actual value.

Source: MyFlorida.com/dor/property/Property Valuations and Tax Data Book
Publications and Data, Property Valuations and Tax Data Book, Quincy

**CITY OF QUINCY, FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Per \$1,000 of Assessed Valuation)**

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total City Operations</u>	<u>Gadsden County Operations</u>	<u>Gadsden County Schools</u>	<u>North Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Children's Services Council</u>	<u>Total City Wide</u>
2001	2000	2.0000	10.00	8.9700	0.0500	1.0000	N/A	N/A	22.0200
2002	2001	2.5000	10.00	8.7650	0.0500	0.9500	N/A	N/A	22.2650
2003	2002	2.7500	10.00	8.5210	0.0500	0.6400	N/A	N/A	21.9610
2004	2003	2.7500	10.00	8.5960	0.0500	CLOSED	N/A	N/A	21.3960
2005	2004	2.7500	10.00	8.6490	0.0500	CLOSED	N/A	N/A	21.4490
2006	2005	2.7500	10.00	8.1190	0.0500	CLOSED	N/A	N/A	20.9190
2007	2006	2.75	10.00	7.8501	0.05	CLOSED	N/A	N/A	20.65
2008	2007	2.7500	8.7495	7.6970	0.0450	Closed	N/A	N/A	19.2415
2009	2008	3.6385	8.9064	7.5960	0.0450	Closed	N/A	N/A	20.1859
2010	2009	4.5269	8.9064	7.9800	0.0450	Closed	N/A	N/A	21.4583

State law requires all counties to assess values at 100% of estimated values and limits millage for operating purposes to ten mills.

Source: Gadsden County Property Appraiser.

CITY OF QUINCY, FLORIDA
PRINCIPAL TAXPAYERS-REAL ESTATE ONLY

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Taxable Value</u>	<u>Percentage of Total Taxable Valuation</u>
1	HIGDON GROCERY COMPANY	Food Distribution	\$ 12,174,375	4.412%
2	WAL-MART STORES INC	Retail	3,613,064	1.309%
3	QUINCY PLAZA LLC AND RIDGE	Shopping Center/Mall	2,850,049	1.033%
4	CAPITAL CITY BANK	Banking	2,274,141	0.824%
5	ARBOR CREST LTD	Apartment Complex	2,209,811	0.801%
6	SP GADSDEN PRESERVATION	Commercial Leasing	2,110,876	0.765%
7	HEALTH CARE REIT INC	Health Care	1,969,203	0.714%
8	GADSDEN SQUARE VGR LLC	Commercial Leasing	1,787,953	0.648%
9	HIGDON FURNITURE CO	Retail	1,749,789	0.634%
10	TALQUIN ELECTRIC	Electricity	1,644,149	0.596%

\$	32,383,410	11.735%
-----------	-------------------	----------------

<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Total</u>
\$ 230,457,671	\$ 45,489,755	\$ 275,947,426
(see assessed value worksheet)		

CITY OF QUINCY, FLORIDA
PRINCIPAL TAXPAYERS-PERSONAL PROPERTY ONLY

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Taxable Value</u>	<u>Percentage of Total Taxable Valuation</u>
1	QUINCY TELEPHONE COMPANY	Telephone	\$ 8,901,905	19.569%
2	SUPERVALU	Retail	2,818,231	6.195%
3	ACTIVE MINERALS	Chemical Manufacturer	2,546,557	5.598%
4	GARGIULO INC	Retail	2,466,989	5.423%
5	COMCAST OF QUINCY INC	Cable	1,657,072	3.643%
6	CDS MANUFACTURING INC	Retail	1,456,411	3.202%
7	HIDGON FURNITURE CO	Furniture Manufacturer	1,294,319	2.845%
8	WAL-MART STORE # DIVISION STORE	Retail	1,172,131	2.577%
9	FLORIDA POWER CORP	POWER	770,808	1.694%
10	QUINCY JOIST COMPANY	Steel Joist Manufacturer	617,902	1.358%
			<u><u>\$ 23,084,423</u></u>	<u><u>50.746%</u></u>
				45,489,755 (see assessed value worksheet)

Source: Report ran by Gadsden County Property Appraisal's Office

**CITY OF QUINCY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Tax Levy *</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for Year</u>	<u>Ratio of Total Taxes Collected to Total Current Levy</u>
2001	2000	\$ 295,067	\$ 284,850	96.54%	N/A	\$ 284,850	96.54%
2002	2001	391,983	378,132	96.47%	N/A	378,132	96.47%
2003	2002	469,570	453,494	96.58%	N/A	453,494	96.58%
2004	2003	480,588	463,021	96.34%	N/A	463,021	96.34%
2005	2004	511,976	491,667	96.03%	N/A	491,667	96.03%
2006	2005	550,557	530,611	96.38%	N/A	530,611	96.38%
2007	2006	599,579	586,999	97.90%	N/A	586,999	97.90%
2008	2007	670,381	596,124	88.92%	N/A	596,124	88.92%
2009	2008	853,182	664,128	77.84%	N/A	664,128	77.84%
2010	2009	1,043,770	824,770	79.02%	N/A	824,770	79.02%

* Gross taxes before discounts exclusive of voted debt levies.

Source: Gadsden County Tax Collector

City of Quincy, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds Series 2002	Special Assessment Bonds Series 2003	Certificates of Indebtedness	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2001	-	-	\$ 853,000	-	\$ 853,000	0.10%	122
2002	-	7,545,000	841,000	-	8,386,000	0.91%	1,160
2003	-	7,205,000	828,000	-	8,033,000	0.84%	1,093
2004	-	6,830,000	8,890,000	-	15,720,000	1.53%	2,148
2005	-	6,490,000	8,619,625	-	15,109,625	1.41%	2,059
2006	-	6,115,000	8,540,000	-	14,655,000	N/A	2,120
2007	-	5,725,000	8,340,000	-	14,065,000	1.86%	2,106
2008	-	5,555,000	8,130,000	-	13,685,000	1.81%	2,049
2009	-	5,370,000	7,910,000	-	13,280,000	1.76%	1,988
2010	-	5,185,000	7,685,000	-	12,870,000	1.70%	1,927

Note: (1) See Schedule of Demographic and Economic Statistics for personal income and population data.
Information for 2006 Personal Income was not available per Florida Research and Economic
Database. (FRED.com)

CITY OF QUINCY, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2010

	Net Debt**	Percent Applicable *	Amount Applicable to City of Quincy
City of Quincy	\$ 20,090,350	100%	\$ 20,090,350
Gadsden County School Districts	- 1	25.00%	-
Gadsden County	<u>1,402,104 2</u>	10.70%	<u>150,025</u>
Total Direct and Overlapping Debt	<u><u>\$ 21,492,454</u></u>		<u><u>\$ 20,240,375</u></u>

Sources:

- 1 School Board of Gadsden County Financial Reporting Division - Has no debt, they are covered by State Bonds per Melandie
2 Gadsden County Accounting Division

* Percentage based on ratio of assessed taxable value.

City of Quincy, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Net Available Revenue	Debt Service		Coverage
		Principal	& Interest	
Revenue Bonds Secured by Guaranteed Entitlement Revenue(1)				
2001	\$ 166,567	\$ 158,349		1.05
2002	166,567	158,349		1.05
2003	166,567	158,349		1.05
2004	166,567	158,349		1.05
2005	166,567	158,349		1.05
2006	166,567	158,349		1.05
2007	166,567	158,349		1.05
2008	166,567	158,349		1.05
2009	166,567	158,349		1.05
2010	166,567	158,349		1.05

Revenue Bonds Secured by Local Communication Service Tax Revenues (1)

2001	373,142	187,146	1.99
2002	373,142	187,146	1.99
2003	373,142	187,146	1.99
2004	373,142	187,146	1.99
2005	373,142	187,146	1.99
2006	373,142	187,146	1.99
2007	373,142	187,146	1.99
2008	373,142	187,146	1.99
2009	373,142	187,146	1.99
2010	373,142	187,146	1.99

Revenue Bonds Secured by Half-Cent Sales Tax Revenues (1)

2001	190,102	109,830	1.73
2002	N/A	N/A	N/A
2003	N/A	N/A	N/A
2004	N/A	N/A	N/A
2005	N/A	N/A	N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	N/A	N/A	N/A

CITY OF QUINCY, FLORIDA
Demographic and Economic Statistics
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>		<u>Median Age</u>	<u>Percentage with a bachelor's degree or higher</u>		<u>School Enrollment</u>	<u>Unemployment</u>
		<u>Personal Income</u>	<u>Income</u>					
2001	7,000	\$ 896,439,000	\$ 19,668	N/A	N/A		N/A	4.80%
2002	7,231	919,897,000	20,254	N/A	N/A		N/A	5.50%
2003	7,352	959,438,000	21,273	N/A	N/A		N/A	5.10%
2004	7,320	1,029,185,000	22,443	N/A	N/A		N/A	4.60%
2005	7,339	1,068,743,000	23,129	35	13.50%	6,500		3.80%
2006	7,300	1,083,668,000	25,160	35	14.00%	5,500		3.60%
2007	7,436	1,212,728,000	25,937	35.5	12.90%	5,936		4.20%
2008	7,373	1,266,468,000	26,691	35.5	12.80%	5,964		6.00%
2009	7,384	*	*	36.5	12.90%	6,417		9.90%
2010	7,380	*	*	*	*	*		10.60%
		Source 1	Source 1	Source 2	Source 2	Source 4	Source 1	

Notes: *Information not available per Florida Research and Economic Database.

Source 1: Florida Research and Economic Database. (FRED.com)

Source 2: EDR.State.FL.US

Source 3: Department of Education

**CITY OF QUINCY, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2010**

<u>Date of Incorporation</u>		<u>Public Education</u>			
November 19, 1828		Number of schools	20-County	10-City Limits	
		Number of teachers	436-County	375-City Limits	
<u>Date of Adoption of City Charter</u>		Number of students	6417-County	2050-City Limits	
August 14, 1963		Total of all faculty	965-County	701-City Limits	
<u>Form of City Government</u>		<u>Area</u>			
Commission / Manager		Square miles	7.766		
<u>Building Permits this Period</u>		<u>Streets, Sidewalks, Sewers, Storm Drainage</u>			
Permits issued	417	Miles of streets	63		
Estimated value	74,122	Miles of sidewalks	29		
		Miles of sanitary sewers	70		
		Miles of storm drainage	32		
<u>Recreation</u>		<u>Waterways</u>			
Public park facilities	67.31 acres	Miles of canals and waterways	-		
Tennis courts, boat ramp		Acres of lakes	-		
Baseball, basketball, picnic areas, soccer, football,					
Handball, volleyball, par course, etc.		<u>Water and Sewer Utilities</u>	<u>Water</u>	<u>Wastewater</u>	
Golf putt range		Active accounts	3975	3347	
		Miles of mains	82.1	62.6	
<u>Employees as of September 30, 2010</u>		Fire hydrants	503	0	
Civil service	79	Wastewater pump stations	0	10	
Exempt classification	17				
Fire union	20				
Fed. or public empl.	116				

**Population and Growth Comparison
For Every Ten Years
Per Bureau of Census and Bureau of Economic and Business Research**

<u>Year</u>	<u>Quincy</u>		<u>Gadsden County</u>		<u>United States</u>	
	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>
2000	6,982	-6.11%	45,087	-8.73%	281,425,000	3.20%
2001	7,000	0.26%	45,284	0.44%	285,108,000	1.31%
2002	7,231	3.30%	45,911	1.38%	287,985,000	1.01%
2003	7,352	1.67%	46,491	1.26%	290,850,000	0.99%
2004	7,320	-0.44%	46,107	-0.83%	293,657,000	0.97%
2005	7,339	0.26%	44,776	-2.89%	296,410,000	0.94%
2006	7,300	-0.53%	48,195	7.64%	299,398,484	1.01%
2007	7,436	1.86%	49,398	2.50%	301,621,157	0.74%
2008	7,373	-0.85%	50,611	2.46%	304,059,724	0.81%
2009	7,384	0.15%	50,046	-1.12%	305,529,237	0.48%
2010	7,380	-0.05%	49,979	-0.13%	308,400,408	0.94%

City of Quincy, Florida
Principal Employers
 Curren Year

Employer	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City</u>
Gadsden County School Board	951	1	43.54%
Gadsden County BOCC	222	2	10.16%
Quincy Joist Company	182	3	8.33%
Talquin Electric	44	4	2.01%
BASF	157	5	7.19%
Homes & Land Magazine	152	6	6.96%
Supervalu Quincy Distr. Center	145	7	6.64%
Wal-Mart, Quincy	128	8	5.86%
City of Quincy	116	9	5.31%
Active Minerals	87	10	3.98%
Total	2,184		

Source-

(1) Information was obtained from individual Employer's Human Resouce Office.

City of Quincy, Florida
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Manager	2	2	2	2	2	4	2	3	2	2
General services	2	5	3	3	2	2	2	1	1	1
City Clerk	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police:										
Sworn	38	49	49	49	50	48	27	26	25	29
Administration/Other	17	11	6	6	7	6	22	18	6	4
Fire	25	25	25	24	25	25	24	24	19	20
Building & Planning	6	6	6	6	6	5	3	3	2	1
Code Enforcement							1	1	1	1
Community Redevelopment Agency	1	1	3	3	2	2	1	2	2	2
Netiquiny					6	2	5	5	3	2
Public Works	25	24	23	23	31	23	23	21	19	17
Customer Service	9	5	5	5	5		9	8	6	6
Human Resources:	1	5	3	4	4	4	2.5	2	2	2
Parks & Recreation	48	35	34	26	26	32	30	9	3	2
Utilities	24	26	27	27	30	31	23	21	20	20
Finance	6	6	6	6	10	9	4.5	7	5	6
Total:	205	201	193	185	207	194	180	152	117	116

City of Quincy, Florida
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Fire Rescue:										
Stations	24	25	26	26	25	24	22	22	22	22
Fire Trucks/Engines	1	1	1	1	1	1	1	1	1	1
	4	4	4	4	4	4	4	4	4	4
Physical Environment										
Water:										
Water Mains (miles)						82.1	82.1	82.1	82.1	82.1
Fire Hydrants										503
Maximum daily permit capacity (millions of gallons)	3.24	3.24	3.62	3.62	3.62	3.62	3.24	3.62	3.62	3.62
Maximum daily plant capacity (millions of gallons)	3.89	3.89	3.89	3.89	3.89	3.89	3.89	4.6	4.6	4.6
Culture/Recreation										
Parks Acreage	47.52	47.52	47.52	47.52	47.52	47.52	47.52	47.52	47.52	47.88
Parks	14	14	14	14	14	14	14	14	14	14
Swimming Pools	2	2	2	2	2	2	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Football/Soccer Fields	1	1	1	1	1	1	3	3	3	3
Basketball Courts	9	9	9	9	9	9	9	9	9	9
Playgrounds	8	8	8	8	8	8	8	8	8	8
Public Safety										
Police:										
Number of calls answered	26,653	29,972	30,495	27,741	27,147	22,382	26,366	23,676	21,142	42,100
Felony arrests	737	539	803	811	882	630	67	138	225	143
Traffic accidents	499	479	526	508	435	457	453	517	469	298
Traffic/Parking citations	1,574	2,008	2,667	2,518	3,349	2,085	3,644	1,897	1,653	2,351
Fire Rescue:										
Number of fire calls answered	467	429	464	531	452	524	473	481	1023	2100
Building and Planning:										
Building Permits issued							498	241	233	417

Capital Asset Statistics by Function

Last Ten Fiscal Years												
62.1	62.1	62.78	62.84	62.84	62.84	62.84	62.84	62.84	62.84	62.84	62.84	62.84
1	1	1	1	1	1	1	1	1	1	1	1	1
0	0	0	0	0	0	100	200	150	0	0	0	0
50	50	5250	260	50	50	50	75	50	0	0	0	0
50	50	5280	280	50	50	50	45	0	0	0	0	0
5	5	5	5	5	5	5	18	17	17	17	17	17
6612	6661	6688	7000	7070	7160	7007	7198	7893				7322
3646	3719	3707	3757	3809	3865	3775	3905	4323				3975
0	0	0	0	0	0	0	0	0	0	0	0	0
1.166	1.138	1.185	1.314	1.159	1.217	1.217	1.217	1.43	1.36			1.37

CITY OF QUINCY, FLORIDA

Estimated Actual Taxable Value	\$	484,758,867
Less:		
Homestead Exemption		45,489,755
Other Exemptions		208,811,441
Total Taxable Assessed Value	\$	230,457,671

City's direct unlimited debt limitation (1.25% of the City's total taxable assessed valuation)

2,880,721

Amount of debt outstanding:

Revenue Bonds:

Local Option Fuel Tax (2002)	-
Capital Improvement (2002)	5,185,000
Utility System Improvement & Refunding (2003)	\$ 7,685,000

Total outstanding revenue bonds

12,870,000

General Obligation Bonds:

N/A

Total outstanding debt	\$	12,870,000	*
Less: Reserve for debt service		-	
Net total outstanding debt	\$	12,870,000	

Legal Debt Margin

2,880,721

CITY OF QUINCY, FLORIDA
Schedule of Debt Service on Outstanding Bonds as September 30, 2010

Type of Bonds	Utility System Improvement and Refunding Revenue		Capital Improvement Revenue Bonds		Total
	Series 2003 Bonds		Series 2002		
2010	\$	603,800	\$	460,981	\$ 1,064,781
2011		604,600		461,481	1,066,081
2012		605,000		461,481	1,066,481
2013		600,100		460,981	1,061,081
2014		604,800		459,981	1,064,781
2015		602,625		463,481	1,066,106
2016		598,625		461,231	1,059,856
2017		599,000		463,481	1,062,481
2018		603,500		464,981	1,068,481
2019		602,125		455,731	1,057,856
2020		595,125		466,231	1,061,356
2021		602,250		465,481	1,067,731
2022		598,375		463,981	1,062,356
2023		603,500		461,731	1,065,231
2024		597,625		458,281	1,055,906
2025		625,125		464,063	1,089,188
2026		625,750		458,563	1,084,313
2027		625,125		457,294	1,082,419
2028		623,250			623,250
2029		629,875			629,875
2030		620,125			620,125
Total debt service	\$	12,770,300	\$	8,309,437	\$ 21,079,737
Principal Outstanding	\$	7,685,000	\$	5,180,000	\$ 12,865,000

CITY OF QUINCY, FLORIDA
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue***</u>	<u>Operating Expenses *</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service**</u>	<u>Coverage</u>
2001	\$ 1,867,212	\$ 2,147,674	\$ (280,462)	\$ 80,381	(3.489)
2002	1,878,545	1,739,156	139,389	430,401	0.324
2003	2,410,622	1,834,221	576,401	890,104	0.648
2004	2,276,531	2,518,937	(242,406)	1,023,239	(0.237)
2005	3,168,476	2,377,018	791,458	490,737	1.613
2006	3,390,302	2,143,080	1,247,222	1,352,046	0.922
2007	3,831,158	2,733,929	1,097,229	940,100	1.167
2008	3,386,255	2,411,863	974,392	941,900	1.034
2009	3,174,133	2,172,554	1,001,579	941,000	1.064
2010	3,196,667	2,235,081	961,586	937,750	1.025

Note: Water and Sewer Fund

**CITY OF QUINCY, FLORIDA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction</u>	<u>Commercial Bank Deposits (1)</u>
2000	N/A	N/A	\$ 178,000,000
2001	N/A	N/A	193,000,000
2002	N/A	N/A	216,000,000
2003	N/A	N/A	212,000,000
2004	N/A	N/A	200,000,000
2005	N/A	N/A	200,000,000
2006	N/A	N/A	200,000,000
2007	N/A	N/A	223,000,000
2008	N/A	N/A	245,000,000
2009	N/A	N/A	215,000,000
2010	N/A	N/A	227,035,000

(1) FDIC website for commercial deposits as of June 30 for Gadsden County
www2.fdic.gov/sod

**CITY OF QUINCY, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2010**

Assessed valuation 2009 roll	<u>\$ 861,810</u>
Bonded debt limit - 15% of assessed value	\$ 129,271
Total bonded debt- Water and Sewer Fund	-
Less: Revenue Bonds	
Utility System Revenue Refunding	-
Amount of debt applicable	<u>-</u>
Legal debt margin	<u>\$ 129,271</u>

Note: City Charter sets limit of bond indebtedness at 1.25% of assessed valuations.
City has no General Obligation Bonds.

**CITY OF QUINCY, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Amount Of Special Assessments Receivable Beginning of Year</u>	<u>Amount of Special Assessments Becoming Due During Fiscal Year</u>	<u>Special Assessment Collected</u>	<u>Total Amount of Special Assessments Receivable End of Year</u>
2001	\$ 162,523	\$ 162,523	\$ 162,523	\$ 162,522
2002	130,035	130,035	130,035	130,034
2003	130,035	130,035	130,035	130,035
2004	130,035	130,035	130,035	130,035
2005	130,035	130,035	130,035	130,034
2006	130,035	130,035	130,035	130,035
2007	131,508	131,508	130,035	132,981
2008	131,508	131,508	130,035	132,981
2009	131,508	131,508	130,035	132,981
2010	131,508	131,508	130,035	132,981

CITY OF QUINCY, FLORIDA

Schedule of Transportation Expenditures
LAST TEN FISCAL YEARS

Fiscal Year	Road Street Facilities Personal	Road Street Facilities Operating	Road Street Facilities Capital	Debt Service Payment Debt	Debt Service Other General	Total
	<u>Services</u>	<u>Expenses</u>	<u>Outlay</u>	<u>Service</u>	<u>Operating Expense</u>	
2001	-	-	-	-	- \$	548,206 \$
2002	-	-	-	-	-	744,324
2003	471,493	207,882	2,140,498	701,530	-	3,049,910
2004	576,430	274,266	8,970	1,032,931	-	859,666
2005	437,408	332,270	1,494,577	704,131	3,291	2,971,677
2006	485,685	511,232	55,871	-	-	1,052,788
2007	425,350	48,880	-	-	-	678,380
2008	-	-	-	-	-	776,214
2009	-	-	-	-	-	669,130
2010	-	-	-	-	-	598,906

IV. COMPLIANCE SECTION



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

Honorable Mayor and City Commission
City of Quincy, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Florida (the "City") as of and for the year ended September 30, 2010, and have issued our report thereon dated May 2, 2011. 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 of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City's internal control to be material weaknesses: IC-M-05-03, IC-M-05-04, IC-M-04-05, IC-M-03-1, C-IC/C-M-01-3.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in

the City's internal control to be significant deficiencies:IC-IM-10-01 to IC-IM-10-04 and IC-IM-0901-

We noted certain immaterial matters that we reported to management of the City in a separate letter dated May 2, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items C-M-05-2, C-M-05-1, C-M-02-1 and C/IC-M-01-3.

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

Tallahassee, Florida
May 2, 2011

TCBA Water Line LLP

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
September 30, 2010

FINDINGS RELATED TO FINANCIAL STATEMENT AUDIT

CURRENT YEAR FINDINGS

IC-IM-10-01 CONDITION

During our testing of cash and related compliance we noted that the City did not file the annual Qualified Public Depositor report due to the Chief Financial Officer of the State of Florida as required by the Florida Department of Financial Services

CRITERIA

The Florida Department of Financial Services requires that governmental entities to confirm annually that public deposit information as of the close of business on September 30 has been provided by each qualified public depository and is in agreement with public depositor records. Each public depositor shall submit, not later than November 30, a Public Depositor Annual Report to the Chief Financial Officer.

EFFECT OF CONDITION

If a public depositor does not comply with the requirements of governmental units on each public deposit account, the protection from loss provided in State Statute (s. 280.18) is not effective as to that public deposit account.

RECOMENDATION

We recommend that the City file the necessary report annually as required by the State to ensure the protection from loss as provided under the State Statutes.

MANAGEMENT'S RESPONSE

Management concurs and will ensure responsibility for this task is assigned to a designated person with its completion verified by the Finance Director.

IC-IM-10-02 CONDITION

During our review of accounts receivable, we noted that accounts receivable balances are not monitored throughout the year. Several reports were produced for the audit; however, the reports were not able to agree to the trial balance or one another.

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
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CRITERIA

In accordance with the Committee of Sponsoring Organizations (COSO) framework, and effective control over financial reporting it is necessary that account balances be monitored and reconciled on an ongoing basis throughout the year.

EFFECT OF CONDITION

The ability of the City to prevent misstatements in financial statements may be compromised if the accounts are not properly monitored throughout the year.

RECOMENDATION

We recommend that the City implements a more strict monitoring policy to ensure that all reports within the ADG system all agree with each other. Differences and corrective measures can be detected and resolved in a more timely manor.

MANAGEMENT'S RESPONSE

Management concurs. The Finance Department in conjunction with Customer Service will be developing a process for monitoring of accounts receivable. In addition, the Finance Department will work with our software provider to ensure that all reports are understood regarding the contents and useful purposes. If required reports are not available, Finance staff will work with them to develop the necessary reports.

IC-IM-10-03 CONDITION

During our testing of accounts receivable we noted that four (4) out of fifteen (15) selections did not have proper calculations of the customer utility bills.

CRITERIA

Customer billings and accounts receivable balances should be updated and related systems should properly calculate utility customer account balances in order to ensure proper reporting of the accounts receivable and proper controls over the billing process.

EFFECT OF CONDITION

The City may bill customers incorrectly resulting in incorrect reporting of the accounts payable balances. The ability of the City to accurately report revenues may also be compromised in the event there are not proper system controls in place to prevent incorrect billings of accounts receivable.

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
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RECOMMENDATION

We recommend that the City implement procedures to review the account set up and all aspects of customer utility billing that will be used to report related revenues, accounts receivable, and monitor internal controls over the utility billing process.

MANAGEMENT'S RESPONSE

Management concurs with the issue. The City is developing a process to review the account set-up for each utility customer to ensure that all components (billing and tax rates) are accurate. The results of the process are expected yield accurate calculation and billing of all utility accounts.

IC-IM-10-04 CONDITION

During our review of journal entries we noted that for two (2) out of twelve (12) selections. The journal entries were posted and processed by staff without proper authorization.

CRITERIA

Effective internal control over should not allow for journal entries to be posted without proper authorization.

EFFECT OF CONDITION

The ability of the City to prevent fraud and material misstatements in financial statements may be compromised if there are not proper measures in place to prevent and detect manipulation of accounts through journal entries.

RECOMMENDATION

We recommend that the City implement procedures that will ensure proper approval and review of journal entries to prevent and detect journal entries which may be fraudulent or cause material misstatement of the financial statements.

MANAGEMENT'S RESPONSE

Management concurs. Additional controls will be implemented to ensure that all journal entries have been properly approved prior to entry. This will include review by the Finance Director or designee.

CITY OF QUINCY, FLORIDA
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IC-IM-10-05 CONDITION

During our review of journal entries we noted that for (9) out of twelve (12) selections, the transactions were created and approved by the same individual due to lack of staffing in the finance department.

CRITERIA

Proper segregation of duties and effective internal control over financial reporting should ensure that the functions of custody, authorization, and recording are maintained separately at all times.

EFFECT OF CONDITION

The City may become susceptible to fraud and misstatement. The City's ability of prevent misstatements in financial statements may be compromised if no compensating controls are in place.

RECOMENDATION

We recommend that the City segregate the duties involving custody, authorization, and recording to minimize the risk of fraud or material misstatement in the financial statements.

MANAGEMENT'S RESPONSE

Management will be increasing staff based on the FY2011 budget and the Finance Director expects to fill this position prior to the end of FY2011. Once the staff is hired and training has been completed, a review of how duties can be further segregated will be undertaken.

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
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SECTION II FINDINGS RELATING TO FINANCIAL STATEMENT AUDIT

SUMMARY AND STATUS OF PRIOR YEAR'S FINDINGS

IC-IM-09-01 PRIOR YEAR'S CONDITION

During our review of journal entries we noted that for (5) out of twelve (12) selections the transactions were related to the current audit period, however, the authorization date and the posting dates were after the September 30, 2009 year-end. The entries were authorized and processed on October 22, 2009, and February 11, 12, 17 and 23, 2010.

CURRENT YEAR'S STATUS

Similar findings were noted in the current year.

PRIOR YEAR'S RECOMMENDATION

We recommend that the City implement procedures that will ensure timely review and reconciliation of all account balances so that necessary corrective measures can be performed in a timely manner thereby eliminating the need to post transactions up to five months after the fiscal year-end.

MANAGEMENT'S RESPONSE

Management concurs with the finding. Management continues to monitor the periods in which journal entries are recorded to ensure that there are not significant delays in the transaction timing and the recording period. Management will develop review processes to ensure that posting are not later than 45 days beyond the end of the period. This should allow sufficient time to perform the financial analysis necessary to properly close the financial records for each period. The addition of staff to the Finance Dept will facilitate the timely recording of entries to the appropriate accounting periods.

IC-M-05-1 PRIOR YEAR'S CONDITION

Daily cash receipts reconciliations did not show evidence of review and bank deposits were not done on a timely basis.

CURRENT STATUS

No similar findings are noted in the current year.

CITY OF QUINCY, FLORIDA
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IC-M-05-03 PRIOR YEAR'S CONDITION

The computerized payroll system is susceptible to manual override for restricted information.

CURRENT STATUS

A similar finding was noted during the current year audit.

PRIOR YEAR'S RECOMMENDATION

Management should consider out-sourcing the payroll process. This will allow for written documentation for any change to payroll information which would be required by the outside payroll service provider. This could also yield cost savings to the City.

MANAGEMENT'S RESPONSE

Management acknowledges that controls may have been inadequate in the past. However, outsourcing of payroll is not the option that management will implement to address the deficiencies. Improvements have been made to segregate duties by having the Account Control Specialist complete a review before of payroll activity before it is further reviewed and approved by the Finance Director. These controls minimizes compromises to the payroll process and ensures that errors are detected in a timely manner. In addition, management does not believe the additional cost associated with out-sourcing this function will equate to its benefits.

IC-M-05-04 PRIOR YEAR'S CONDITION

Transactions relating to revenue bonds were not recorded in a timely manner.

CURRENT STATUS

Similar findings noted in the current year.

MANAGEMENT'S RESPONSE

Management concurs with this finding. However, there has been a significant reduction in the number of bonds entries made in an untimely manner since this issue was initially identified. With additional staff and the appointment of a Finance Director, these entries have been recorded more timely. Effective immediately, responsibility for these transactions will be assigned to a designated staff and reviewed by the Finance Director.

CITY OF QUINCY, FLORIDA
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C-M-05-2 **PRIOR YEAR'S CONDITION**

Certain compliance requirements relating to the Sewer State Revolving Loan Fund Agreement were not met.

CURRENT STATUS

Similar finding relating to the submission of an annual certification, not later than January 15 each year, that (a) pledged revenue collections satisfy the 115% coverage requirements noted previously; (b) the debt repayment escrow account contains the required funds; (c) the loan repayment reserve account contains the funds required; and (d) insurance coverage, including that issued through the National Flood Insurance Program, is adequate", was noted during the current year audit.

PRIOR YEAR'S RECOMMENDATION

Management should ensure that compliance requirements are adhered to and every effort should be made to meet these requirements. Failure to be compliant could lead to termination of funding. The City should designate an individual within the City to monitor compliance with debt and grant agreements.

MANAGEMENT'S RESPONSE

Compliance requirements are now monitored in the Finance department, including appropriate and timely filing. The certification was filed but not received by DEP until 3 business days after due date. Additional measures will be implemented to ensure report is filed timely. The Finance Director is planning to fill the open position in the current budget and will ensure that compliance requirements are assigned to a designated person for completion.

IC-M-04-05 **PRIOR YEAR'S CONDITION**

Monthly bank reconciliation statements were not prepared. In addition, the main operating bank account was not properly reconciled and there was no proper listing of outstanding checks.

CURRENT STATUS

Similar findings noted in the current year.

MANAGEMENT'S RESPONSE

Management concurs. While account reconciliations are generally performed monthly, there were several adjustments made to existing reconciliations based on review by the auditor and 2 accounts reconciliations were overlooked in the reconciliation process. Modifications have been made to existing processes and

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
September 30, 2010

controls to ensure that all reconciliations are completed monthly. Additional resources are planned and will be used to address this issue as well.

IC-M-04-06 PRIOR YEAR'S CONDITION

Customers' deposits were not reflected in the general ledger by means of an actual pool cash account.

CURRENT STATUS

No similar finding noted in the current year.

IC-M-03-1 PRIOR YEAR'S CONDITION

In our prior year's audit we noted the City implemented an internet service-computer acquisition package program (the "Program") to the citizens of Gadsden County (the "County"). Under the "Computer Acquisition Agreement" (Agreement), the City on an installment basis, sold computer hardware and software; and thirty six (36) months internet service to eligible customers, to be paid over a period of three years. In prior years we noted the following weaknesses in the manner in which the City managed the program:

(a) Absence of reliable reports on customer balances, such as a billing register and accounts receivable aging reports.

Prior to June 2003, the City used a separate billing system for the Program. During the process of interfacing the Program's billing system to the City's main utility billing system, certain problems were encountered because the two systems were not compatible. Accordingly, various reports related to customers' accounts were not produced.

- a.) Accounting for the transactions with Envision is not in accordance with GAAP. The matching principle is not properly observed. Computers sold are recorded under computer sales account at the time of sale. However, if the customer defaults, the City pays the balance to Envision and records such transaction under administrative expense. These two transactions (sale and default) could happen in different fiscal years which could create a problem of revenues not matching with the expenses. We believe that the transaction should be recorded following the principle of installment sales contract.
- b.) Subsequent sale of repossessed computers are not properly monitored. The sale of the refurbished computers is done under a separate refurbishing contract but is not tracked separately in the books of accounts since it is recorded as a regular sales transaction.

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
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CURRENT STATUS:

Similar findings were noted.

PRIOR RECOMMENDATION

We had recommended the following to strengthen the City's control and accountability over the operation of the Program:

1. Develop formal customer service and account collection policies and procedures for approval by the City Commission and ensure strict compliance thereof.
2. Review the propriety of accounting principles applied in order to accurately account for the transactions of the Program in the accounting records during the fiscal year.
3. Request the assistance of the software provider to upgrade the Program's billing system to achieve the desired results in processing billing and managing customer account balances.
4. Develop policies and procedures to ensure that all computer units purchased by the City and distributed to customers and/or repossessed are accounted for.

MANAGEMENT'S RESPONSE

Management will designate staff to work on specific solutions to the issues noted above. Since this program is no longer in effect, the solution will require addressing whether the appropriate principles were employed when recording these transactions. This process will be completed prior to the next audit.

C-M-02-1

PRIOR YEAR'S CONDITION

In our prior year's audits, we noted instances in which the City did not provide timely reports to external agencies as follow:

- (a) Instances of late submission of quarterly progress reports to grantors.
- (b) The City also failed to submit the Annual Electric Industry Financial Report (Form EIA-412) required by the U.S. Department of Energy (DOE).

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
September 30, 2010

CURRENT STATUS

Similar findings were noted in the current year's audit.

PRIOR RECOMMENDATION

Management should ensure that the requirements of all funding agreements are reviewed and adhered to. Failure of compliance could result in termination of funding or other severe penalties to the City. The City should designate an individual within the City to monitor compliance with debt and grant agreements.

MANAGEMENT'S RESPONSE

Management has assigned the compliance tasks to a designated staff to ensure that all reporting and other compliance requirements are adhered to. In addition, fiscal year audits are being completed in a timely manner which will facilitate adherence to the compliance requirements.

C/IC-M-01-3 PRIOR YEAR'S CONDITION

In the prior year's audits, it was noted that the City conducted a periodic physical inventory of property and equipment both for the enterprise and general government operations. However, the results of the physical count were not reconciled to the listings maintained at the property section and to the book balances.

In addition, the City did not prepare fixed asset schedules to support the computation of the monthly depreciation expenses recorded in the books. We also noted that in the annual physical count of property and equipment, the City did not include its land, buildings and improvements.

CURRENT STATUS

Similar finding noted in the current year.

MANAGEMENT'S RESPONSE

Management will review the current process for counting inventory and fixed assets (property, equipment, etc) to identify an approach which ensures that physical inventories are taken timely and reconciled to the accounting records. This process will be completed no later than the end of FY 2012.

IC-M-01-4 PRIOR YEAR'S CONDITION

In the prior year's audits, we noted the following weaknesses in the City's accounting systems and procedures:

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
September 30, 2010

- a) Absence of monthly financial statements in the same format as the audited financial statements; and
- b) Lack of timely analyses and reconciliations of general ledger accounts.

The above weaknesses resulted in the following:

- 1) Accounts with abnormal balances;
- 2) Misclassification of certain transactions;
- 3) Several accounts with general ledger balances not reconciled with the subsidiary ledger balances, including bank reconciliations;
- 4) Inter-fund balances not in agreement;
- 5) A delayed closing of the accounting records.

CURRENT STATUS

Similar finding noted during the current year's audit.

MANAGEMENT'S RESPONSE

- Management has already begun and made significant progress in addressing these issues. The addition of staff to the Finance Department will provide additional resources to ensure that account reconciliation and analysis is completed timely. The Finance Director will evaluate the need to have monthly financial statements in the same format as audited financial statements and make modifications to controls as deemed necessary.

CITY OF QUINCY, FLORIDA
Schedule of Findings and Responses
September 30, 2010

SECTION III— FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AND STATE PROJECTS (PRIOR YEAR)

Status of Prior Year Comments

Program

Drinking Water State Revolving Loan Fund Agreement

CFDA No. 66.468

C-M-05-01 PRIOR YEAR'S CONDITION

Certain compliance requirements relating to the Drinking Water State Revolving Loan Fund Agreement (CFDA No. 66.468) were not met.

CURRENT STATUS

Compliance requirements relating to the State Revolving Loan Fund Agreement were not met in FY 2010.

PRIOR RECOMMENDATION

Management should ensure that the requirements of all funding agreements are reviewed and adhered to. Failure of compliance could result in termination of the funding or other severe penalties to the City. The City should designate an individual within the City to monitor compliance with debt and grant agreements.

MANAGEMENT'S RESPONSE

Management has worked diligently to ensure that compliance issues pertaining to both the Drinking Water Loan and the 2002 Capital Improvement Bond are complied with.

- Management will revisit the compliance requirements pertaining to all outstanding loans and bonds and ensure that responsibility for completion is assigned to a designated staff with completion verified by the Finance Director.



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

Honorable Mayor and
Members of the City Commission
City of Quincy, Florida

We have audited the financial statements of the City of Quincy, Florida ("the City") as of and for the year ended September 30, 2010, and have issued our report thereon dated May 2, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 2, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial audit report have been corrected (except as noted below under the heading Prior Year Management Letter Comments).

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings

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

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City, did meet one of the conditions described in Section 218.503(1), Florida Statutes. The City reported accumulated net assets deficits of \$820,273 Special Revenue as of September 30, 2010.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Quincy for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Quincy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City Commission, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

Tallahassee, Florida
May 2, 2011

TCBA Water Line LLP

ML-08-02 CONDITION (1)

During our review of capital assets we noted that the City capitalizes all assets with cost greater than \$500 and a useful life of one year or more.

RECOMMENDATION

We recommend that the Authority adopt the threshold of \$1,000 established by the State of Florida for capitalizing property and equipment.

MANAGEMENT'S RESPONSE

No changes have been made to the capitalization policy for the year under review. Management will continue to evaluate this recommendation and implement as soon as is feasible.

ML-01-2 CONDITION (8)

During the fiscal year 2001 audit, we noted that the City is not using the fixed assets and inventory modules of the ADG accounting system. Fixed assets listings are prepared using a spreadsheet application while the inventory listing is prepared using Microsoft Access.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

Management and some staff have received additional training on this module at a recent ADG user's group meeting. The trained staff will serve as the team leader in developing and recording fixed assets in this module. This process will be completely implemented no later than the end of FY2012.

ML-01-1 CONDITION (8)

During the prior audits, it was noted that the City did not have credit and collection policies and procedures in place to review and collect long outstanding customer balances.

CURRENT YEAR STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

Management presented the Commissioners with an approach for addressing the old outstanding account balances. Additional processes will be defined and the policy will be implemented prior to end of FY 2012.