

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



**For the Fiscal Year Ended  
September 30, 2011**

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

**For the Fiscal Year Ended  
September 30, 2011**

**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**



October 15, 2012

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, 2011, is respectfully submitted. State law requires that a complete set of financial statements be published within nine months 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 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, 2011. 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, 2011 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 in a slowly improving economy. This FY 2011 budget, as a result of the austerity measures implemented in FY2009, is less than the FY 2001 budget. The city's focus is on building and protecting its reserves and retiring its short term debt. The majority of its current short term capital debt will be retired in FY 2013 and FY 2014. This year the city began its Smart Grid Project, a major upgrade to its electrical grid. The Smart Grid Project will be completed in the next fiscal year. Additionally, the city's CRA neared completion of the Tanyard Creek Amphitheater, a 32 acre park with an outdoor theater.

### **Major Accomplishments**

- Start the process to secured \$3 million in a new 2011 bond series to match federal grant for the Smart Grid Project.
- Begin build-out of the \$6 million Smart Grid Project, a major upgrade to the city's electric grid. This is the most significant electric grid improvement in 30 years.
- Received bids for the \$1.2 million construction of a new fire station-the city second station- on the south side of the city. The last city's fire station was built in 1963.
- Begin implementation of a new wholesale electric power supply contract that will significantly lower the cost of power for the businesses, citizens and city.

### **Prospects for the Future**

The Great Recession is a major fiscal challenge to the private and public sectors. The city's general fund and enterprise fund budget will remain at or slightly above the prior year's level. The enterprise funds revenues were flat due to drop off in commercial activity; however the enterprise costs are somewhat lower. The city is making steady progress towards its goal of have 33% of its general fund operating budget in the fund balance account through savings, operational efficiencies and expenditure controls. However, it faces new regulations that will require a capital investment of nearly \$500,000 dispose of it wastewater in the next fiscal year, which may impact pace of meeting the 33% fund balance goal.

### **Economic Conditions and Outlook**

Once the impact of the new wholesale electric power supply contract is felt, businesses and citizens will see a 14% reduction in their electric bills and the city power cost will decrease by a similar amount. The lower cost of power should place the city among the lowest electric cost

providers in the state. The relatively lower cost of electric power will assist in marketing downtown business development and in attracting new businesses to the community.

The city's largest private employer (BASF) business has improved and new jobs were added to the economy with reopening of the Tri-B Nurseries. Even so, non-seasonally adjusted unemployment is a persistent concern. In July 2011, the unemployment rate was 10.4%, up from 9.9% in July of 2010. (Florida's seasonally adjusted unemployment rate was 11.2%) The City of Gretna's gaming facility moved forward. Construction on the gaming facility is occurring at the 1-10 State Road 12 interchange. Once the facility opens, it will provide employment opportunities for the city and surrounding communities. The county's multi-million dollar solar farm is moving forward. The county is nearing completion of a partnership agreement with the developer.

The economic picture remains challenging; however, the national economic horizon appears a bit brighter, which bode well for this city and surrounding communities.

### **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 recreation and 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 purchased commercial coverage for automobile liability, 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:

<b>Type of Risk</b>	<b>Amount of Risk Retained by County</b>	<b>Limit of Excess Insurance Coverage</b>
Workers Compensation	\$ 0	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 advisor to assist the City with the investment of unrestricted investments. The City's investment advisor managed approximately 51.4% of the city's total portfolio which at year end had a modified duration of 2.83 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 \$44,342 for an effective rate of return of 2.52% on a market value balance of \$1,759,290 September 30, 2011. The City maintains a conservatively managed unrestricted portfolio with an average duration of 2.97 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 city's overall portfolio has decreased \$430,191. This decrease in value was primarily due to two withdrawals; one for \$300,000 transferred from the Capital City Landfill the excess funds to fund the new energy provider account for FMPA and the other \$150,000 transferred from the Premier Bank certificate of deposit (Repair and Replacement Account for 2003 Series Bond) was utilized to replace breakers at the electric sub-station. Please note that the American General holding that that was previously responsible for (\$47,696) of unrealized losses reported for fiscal year 2008/2009 finally matured on 03/05/2011 leaving the city with a net realized principal loss of (\$4.00).

The federal funds rate is currently 0.25% and has not changed since it was lowered December 2008. The fed funds rate is the primary tool that the Federal Open Market Committee uses to influence interest rates and the economy. Changes in the fed funds rate have far-reaching effects by influencing the borrowing cost of banks in the overnight lending market, and

subsequently the returns offered on bank deposit products such as certificates of deposit, savings accounts, and money market accounts. 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. The flat federal funds rate during this period resulted in a negligible .284% unrealized gain in the unrestricted portfolio. The portfolio's total return was 2.80% but is still being affected by the United States slow economic recovery, the current low interest rate environment and the global markets response to the events in Europe.

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

#### Summary Table of Portfolio Performance

Investment Type	Book Value as of September 30, 2010	Market Value as of September 30, 2011	Unrealized Gain/Loss (current year)	Interest 2011	Total Income 2011
Raymond James (Short Term)	\$1,759,290	\$1,764,287	\$4,997	\$44,342	\$44,342
Bank of New York	\$1,270,758	\$1,270,758		\$353	\$353
Capital City (Landfill)	\$581,298	\$296,110		\$317	\$317
Premier (Certificate of Deposit)	\$250,000	\$100,000		\$3,016	\$3,016
Capital City (Energy Provider)	\$0	\$3,643		\$0	\$0
Total Cash/Investment	\$3,861,346	\$3,434,798	\$4,997	\$48,028	\$48,028

#### 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.

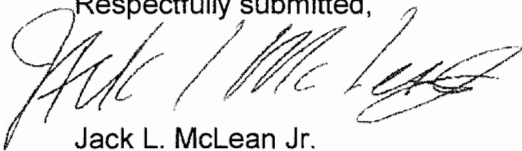
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both generally accepted accounting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

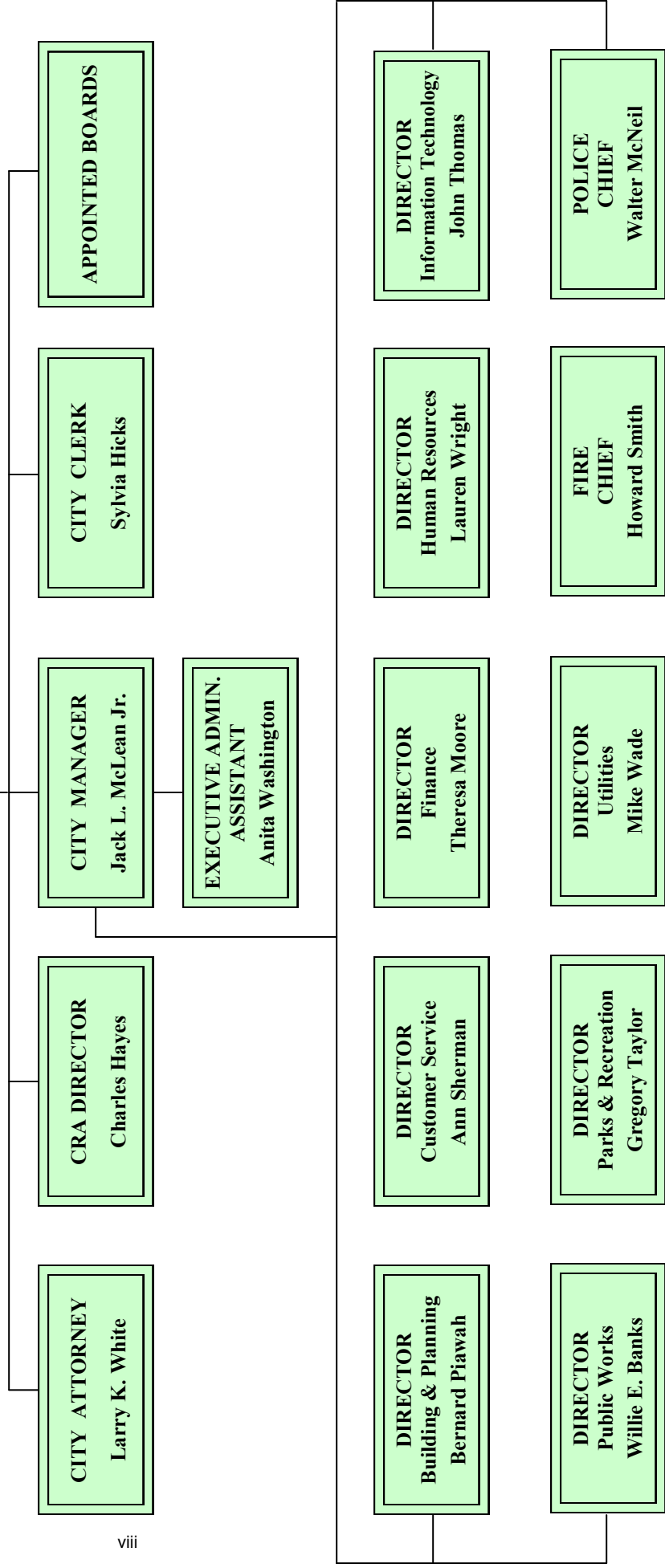
A handwritten signature in black ink, appearing to read "Jack L. McLean Jr.", written in a cursive style.

Jack L. McLean Jr.  
City Manager

# CITY OF QUINCY - MANAGEMENT TEAM

**CITIZENS OF QUINCY**

**CITY COMMISSIONERS**



**CITY OF QUINCY, FLORIDA**

**THE CITY COMMISSION**  
(As of September 30, 2011)

**Derrick Elias**  
**Mayor**

ANGELA SAPP  
**Commissioner**

GERALD GAY III  
**Commissioner**

KEITH DOWDELL  
**Commissioner**

Larry Edwards  
**Commissioner**

**CITY ATTORNEY**

Larry White

**CITY MANAGER**

Jack L. McLean Jr.

**CITY CLERK**

Sylvia Hicks

**CITY FINANCE DIRECTOR**

Theresa Moore

## **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 Auditor's Report*

The 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, the aggregate discretely presented component unit, 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, 2011, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

In accordance with *Government Auditing Standards*, we have issued our report dated October 15, 2012 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Tallahassee, Florida  
October 15, 2012

*TCBA Water Rice 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, 2011. 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, 2011. 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, 2011 were \$11.220 million as compared to \$15.363 million for fiscal year ended 2010. The City's unrestricted net assets as of September 30, 2010 were \$111 thousand compared to negative \$2.313 million for fiscal year ended September 30, 2011.
- Governmental activities net assets were \$5.741 million as of September 30, 2010 versus \$4.275 million as of September 30, 2011.
- The total revenues from all sources were \$27.366 million for the fiscal year 2011 versus \$29.045 million for the fiscal year 2010. This change can be attributable to a decrease in revenues of the Enterprise Fund of \$2.595 million. The decrease in the Enterprise Fund reflects fluctuations in the revenue from utilities due to changes in the energy provider contract, which resulted in significant savings to the City and its citizens. In addition, overall KWH consumption decreased from the prior period.
- The total cost of all City programs was \$30.781 million for the fiscal year 2011 versus \$30.673 million for the fiscal year 2010. Overall, there were increases in expenses in the Governmental Funds (\$1.324 million) and a decrease in Enterprise Funds (\$1.217 million). Primarily due to the Electric and Sewer Funds which have recorded decreases in their expenses of \$2.695 million.
- During fiscal year 2011, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$3.415 million while the expenses exceeded revenue by \$1.627 million for 2010.
- Total expenditures in the Governmental Funds (\$10.786 million) exceeded total revenues (\$4.339 million) by \$6.447 million, excluding net transfers (\$4.980 million) for fiscal year 2011, while total expenditures for fiscal year 2010 of \$9.461 million exceeded total revenues of \$3.424 million by \$6.037 million, excluding net transfers in the amount of \$4.699 million.
- The fund surplus for the general fund was \$837 thousand, or 10.65% of total general fund expenditures for fiscal year 2010 versus \$684 thousand fund balance or 8.8% for fiscal year 2011.
- The City's total long-term debt of \$27.792 million as of September 30, 2011 increased by \$9.081 million from \$18.711 million as of September 30, 2010. The key factors in this increase were the issuance of the \$6.0 million, Series 2011 revenue bonds for the completion of the Smart Grid project and the recording of the capital lease with Honeywell for \$1.662 million.

## **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 eight year of the City implementing GASB 34 will have comparative numbers between fiscal year 2010 and 2011. 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, 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 5 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**

	<b>Government-wide Fund Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet,</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	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. Since GASB 34 provides additional time to capture and value the retrospective infrastructure, the City has chosen this option in reporting infrastructure.



## 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 \$15.363 million at the close of fiscal year 2010 as compared to \$11.220 million for fiscal year 2011. Governmental Activities comprised \$5.741 million of the net assets while Business Activities comprised \$9.621 million of net assets for fiscal year 2010 versus fiscal year 2011 in the amount of \$4.275 million and \$6.946 million, respectively.

By far, the largest portion of the City's net assets (85%) for fiscal year 2010 as compared to (83.0%) for fiscal year 2011 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>						
Current and other assets	\$4,946,726	\$3,356,424	\$12,826,751	\$12,314,528	\$17,773,477	\$15,670,952
Capital assets	10,152,793	10,312,643	23,047,059	20,990,720	33,199,852	31,303,363
<b>Total assets</b>	<b>15,099,519</b>	<b>13,669,067</b>	<b>35,873,810</b>	<b>33,305,248</b>	<b>50,973,329</b>	<b>46,974,315</b>
<b>Liabilities:</b>						
Long-term debt outstanding	7,466,218	5,136,598	21,738,587	14,003,481	29,204,805	19,154,250
Other liabilities	3,358,394	2,791,201	7,189,652	9,680,468	10,548,046	12,457,498
<b>Total liabilities</b>	<b>10,824,612</b>	<b>7,927,799</b>	<b>28,928,239</b>	<b>23,683,949</b>	<b>39,752,851</b>	<b>31,611,748</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	4,372,530	4,989,667	4,895,335	7,994,685	9,267,865	12,984,352
Restricted	670,643	670,920	3,595,125	1,596,516	4,265,768	2,267,436
Unrestricted	(768,266)	80,682	(1,544,889)	30,098	(2,313,155)	110,780
<b>Total net assets</b>	<b>\$4,274,907</b>	<b>\$5,741,268</b>	<b>\$6,945,571</b>	<b>\$9,621,299</b>	<b>\$11,220,478</b>	<b>\$15,362,567</b>

An additional portion of the City's net assets (14.8%) for fiscal year 2010 versus (38%) for fiscal year 2011 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 from time to time may be negative. In this case, the unrestricted net assets for fiscal year 2011 are negative (\$2.313) million versus \$111 thousand for fiscal year 2010. The governments' net assets decreased from \$15.363 million in fiscal year 2010 to \$11.220 million in fiscal year 2011.

## Governmental Activities

Governmental activities decreased the City's net assets by \$1.466 million from fiscal year 2010 to fiscal year 2011. Additionally, the Business-type activities decreased the net assets by \$296 thousand from fiscal year 2010 to fiscal year 2011. Key elements of these changes are as follows:

Table 3 Changes in Net Assets						
	Governmental Activities		Business Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$1,290,649	\$ 939,388	\$23,026,779	\$25,621,839	\$24,317,428	\$26,561,227
General revenues:						
Property taxes	872,142	987,980	-	-	872,142	987,980
Local Option Fuel	633,355	309,474	-	-	297,968	309,474
Utility Taxes	7,860	9,295	-	-	7,860	9,295
Communication Service Tax	207,704	297,478	-	-	207,704	297,478
Shared Revenues	500,024	821,309	-	-	835,410	821,309
Investment earnings	15,289	17,803	-	-	15,289	17,803
Other	812,100	41,001	-	-	812,100	41,001
<b>Total revenues</b>	<b>\$4,339,122</b>	<b>\$3,423,728</b>	<b>\$23,026,779</b>	<b>\$25,621,839</b>	<b>\$27,365,901</b>	<b>\$29,045,567</b>
<b>Expenses:</b>						
<b>Program expenses:</b>						
General government	3,785,451	4,344,281	-	-	3,785,451	4,344,281
Public safety	3,838,456	3,381,166	-	-	3,838,456	3,381,166
Transportation	831,387	598,906	-	-	831,387	598,906
Physical environment	343,351	203,546	-	-	343,351	203,546
Recreation/culture services	476,561	347,566	-	-	476,561	347,566
Economic Environment	1,186,282	98,310	-	-	1,186,282	98,310
Cemetery	19,137	26,532	-	-	19,137	26,532
Interest on long-term debt	305,422	460,981	-	-	305,422	460,981
Electric	-	-	11,823,108	14,319,340	11,823,108	14,319,340
Gas	-	-	1,447,695	1,397,410	1,447,695	1,397,410
Water	-	-	2,475,564	1,673,935	2,475,564	1,673,935
Sewer	-	-	1,466,940	1,665,285	1,466,940	1,665,285
Refuse	-	-	1,235,804	1,159,575	1,235,804	1,159,575
Landfill	-	-	203,251	211,187	203,251	211,187
Telecommunications	-	-	1,342,142	784,965	1,342,142	784,965
<b>Total expenses</b>	<b>10,786,047</b>	<b>9,461,288</b>	<b>19,994,504</b>	<b>21,211,697</b>	<b>30,780,551</b>	<b>30,672,985</b>
Excess(Deficiency) before transfers	(6,446,925)	(6,037,560)	3,032,275	4,410,142	(3,414,649)	(1,627,418)
Transfers	4,980,563	4,474,400	(4,980,563)	(4,474,400)	-	-
<b>Change in net assets</b>	<b>(1,466,361)</b>	<b>(1,563,160)</b>	<b>(1,948,288)</b>	<b>(64,258)</b>	<b>(3,414,649)</b>	<b>(1,627,418)</b>
Net assets – Beginning	5,741,268	7,223,911	9,621,299	9,195,850	15,362,567	16,419,761
Adjustment to beg. Net assets	-	80,517	(727,440)	489,707	(727,440)	570,244
Adjusted beginning Net Assets	5,741,268	7,304,428	8,893,859	9,685,557	14,635,127	16,989,985
<b>Net assets – Ending</b>	<b>\$4,274,907</b>	<b>\$5,741,268</b>	<b>\$ 6,945,571</b>	<b>\$ 9,621,299</b>	<b>\$11,220,478</b>	<b>\$15,362,567</b>

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.

<b>Table 4</b>				
<b>Governmental Activities</b>				
	2011		2010	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General Government	\$ 3,785,451	\$ (2,168,148)	\$ 4,344,281	\$ (4,000,015)
Public Safety	3,838,456	(3,430,685)	3,381,166	(2,972,480)
Transportation	831,387	(831,387)	598,906	(598,906)
Culture/Recreation Services	476,561	(398,887)	347,566	(239,984)
Economic Environment	1,186,282	(1,186,282)	98,310	(19,456)
Cemetery	19,137	(19,137)	26,532	(26,532)
Physical environment	343,351	(343,351)	203,546	(203,546)
Interest on Long-term Debt	305,422	(305,422)	460,981	(460,981)
<b>Total</b>	<b>\$ 10,786,047</b>	<b>\$ (9,124,897)</b>	<b>\$ 9,461,288</b>	<b>\$ (8,521,900)</b>

The cost of all governmental activities this year was \$10.786 million. As shown in the Statement of Activities, \$1.291 million 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 \$4.981 million, various taxes in the amount of \$1.721 million and the remaining \$515 thousand 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.

<b>Table 5</b>				
<b>Business-Type Activities</b>				
	2011		2010	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Electric	\$ 11,823,108	\$ 4,312,474	\$ 14,319,340	\$ 4,187,821
Gas	1,447,695	565,056	1,397,410	751,378
Water	2,475,564	(822,410)	1,673,935	(23,416)
Sewer	1,466,940	82,967	1,665,285	(119,137)
Refuse	1,235,804	14,283	1,159,575	41,765
Landfill	203,251	47,518	211,187	97,036
Telecommunications	1,342,142	(1,167,613)	784,965	(525,305)
<b>Total</b>	<b>\$ 19,994,504</b>	<b>\$ 3,302,275</b>	<b>\$ 21,211,697</b>	<b>\$ 4,410,142</b>

## **Business Type Activities**

Net assets of the Proprietary Fund at September 30, 2011 were \$6.946 million. The cost of providing all Proprietary (Business Type) activities was \$19.994 million. Net assets decreased by \$2.676 million. 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$929 thousand. This represents a decrease of \$528 thousand when compared to fund balances in fiscal year 2010 which total \$1.457 million.

Approximately 25% of the combined ending fund balances, \$231 thousand constitutes unassigned fund balance for fiscal year 2011 while 56% of \$1.457 million was unassigned for fiscal year 2010. 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, 2011, amounts to \$33.235 million (net of accumulated depreciation) compared to \$31.303 million at September 30, 2010. The increase of \$1.932 million in the City's investment in capital assets for the current fiscal year results primarily from the additions related to the Smart Grid project and other equipment purchases.

**Table 6**

**Capital Assets, net of depreciation**

	2011			2010		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Land	\$4,596,869	\$1,611,475	\$6,208,348	\$4,596,869	\$1,611,475	\$6,208,348
Building and Improvements	3,850,074	25,050,855	28,935,929	3,761,235	25,050,855	28,812,090
Improvements other than Buildings	9,869,557	16,939,893	26,809,450	9,151,764	14,165,977	23,317,741
Infrastructure	6,328,633	419,886	6,748,519	6,146,814	419,886	6,566,700
Furniture, Fixtures and Equipment	6,204,663	3,672,380	9,877,043	6,129,103	2,679,046	8,808,149
Total Assets	30,849,800	47,694,489	78,579,362	29,785,789	43,927,239	73,713,028
Less accumulated depreciation	20,697,007	24,647,429	45,334,436	19,473,146	22,936,519	42,409,665
Total	\$10,152,793	\$23,047,060	\$33,234,926	\$10,312,643	\$20,990,720	\$31,303,363

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 2011, the City had total debt of \$27.8 million versus \$18.7 million for fiscal year 2010. The City did not have any general obligation bonds. Notes payable in the amount of \$6.814 million for fiscal year 2010 and \$7.299 million for fiscal year 2011 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**

	2011			2010		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenue Bonds	\$4,980,000	\$12,181,852	\$17,161,852	\$5,180,000	\$6,416,852	\$11,596,852
Capitalized Leases	225,756	1,495,915	1,721,671	77,510	-	77,510
Compensated Absences	240,345	97,748	338,093	168,102	54,311	222,413
Notes Payable	1,241,715	6,057,995	7,299,710	142,976	6,671,170	6,814,146
Total	\$6,687,816	\$19,833,510	\$26,521,326	\$5,568,588	\$13,142,333	\$18,710,921

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 continues charting a course and positioning itself to take advantage of the entrepreneurial energy 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's and management's disciplined and principled stewardship of limited resources has produced steady measured growth in reserves; constructed a \$1.2 million regional, 32 acre Amphitheatre/Park (the O'Jays performed the first show at the Amphitheatre); and expanded fire protection with the construction of a new fire station and a water loop at Joe Adams and High Bridge Roads, which will enhance the business park ISO rating.

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 of Magnolia Forest residential development. Though the bottom of the real estate bust is uncertain, the City notes that real estate activity is slowly rebounding; however the outlook for the next year for the real estate section of Harborlite (a leading supplier of engineered mineral products derived from diatomite) remains down.

The City's largest utility customer, BASF, business has improved and new jobs were added to the economy with the reopening of the Tri-B Nurseries. Downtown businesses continue to grow with the opening of a new restaurant and sports bar soon to open. The two internet cafes continue to thrive; however the bingo parlor closed. The City's CRA assistance to businesses helped to attract 9,000 visitors to downtown. The City's Smart Grid upgrade to the electric, water, gas and telecommunications operations, new fire station construction, and new Amphitheatre/Park construction created hundreds of jobs to the community. Even so with a steady growth of new small entrepreneurial businesses, the non-seasonally adjusted unemployment rate is a persistent concern. In July, the unemployment rate was 10.4%, up from the 9.9% in July of 2010. (Florida's seasonally adjusted unemployment rate was 11.2%.)

The City of Gretna's, community economic development efforts, in partnership with PCI Gambling Authorities/Creek Entertainment, resulted in the newly constructed equestrian facility which is the site of world-class poker rooms. This Interstate I-10 facility is expected to draw 500,000 adults annually when the 10 story hotel is built. 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 County's multi-million dollar solar farm is moving forward. The County is nearing completion of a partnership with the developer. This project will add jobs and a new industry to the community.

The economic picture remains challenging. However, the national economic horizon appears a bit brighter, which bodes well for this city and surrounding communities. Quincy's next year's budget is smaller than the current and will continue to reflect the disciplined and opportunistic drive that positions and prepares the City and citizens for an upswing in the economy. Quincy is the second lowest utility rate provider in the state. Next year will fund a stabilization fund of more than three quarter of a million dollars. Its position as the second lowest cost utility rate provider will assist in marketing downtown business development and in attracting new businesses to the community. Opportunities abound 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](mailto:tmoore@netquincy.net).

# **Basic Financial Statements**



# **Government-wide Financial Statements**

**CITY OF QUINCY, FLORIDA  
STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2011**

	Primary Government			Component Unit
	Governmental	Business-type	Total	
	Activities	Activities		
<b>Assets</b>				
Cash and equity in pooled cash	\$ 915,496	\$ 5,372,978	\$ 6,288,474	\$ -
Investments	787,580	994,852	1,782,432	-
Accounts receivable - net	117,980	2,612,255	2,730,235	-
Assessment receivable	131,508	-	131,508	-
Inventories	26,817	409,952	436,769	-
Due from other government	34,373	-	34,373	-
Internal balances	2,221,270	(2,221,270)	-	-
Due from primary government	-	-	-	51,744
Other assets	41,059	392,388	433,447	-
Restricted cash	670,643	5,265,596	5,936,239	111,534
Capital assets - net	10,152,793	23,047,059	33,199,852	8,301
<b>Total Assets</b>	<b>15,099,519</b>	<b>35,873,810</b>	<b>50,973,329</b>	<b>171,579</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,212,089	1,660,035	2,872,124	77,293
Cash deficits	1,718,066	4,505,948	6,224,014	-
Deferred income	-	26,846	26,846	-
Due to component unit	51,744	-	51,744	-
Customer deposits	-	996,823	996,823	-
OPEB Liability	134,102	-	-	-
Long-term liabilities:				
Due in one year:				
Revenue bonds payable	210,000	347,992	557,992	-
Notes payable	1,171,356	372,184	1,543,540	116,667
Capitalized lease payable	-	75,511	75,511	-
Compensated absences	153,642	62,271	215,913	4,996
Due in more than one year:				
Revenue bonds payable	5,788,747	12,083,263	17,872,010	-
Notes payable	70,359	5,685,811	5,756,170	233,333
Capitalized lease payable	225,756	1,420,404	1,646,160	-
Compensated absences	88,751	35,471	124,222	-
Estimated landfill closure and post closure care costs	-	1,655,680	1,655,680	-
<b>Total Liabilities</b>	<b>10,824,612</b>	<b>28,928,239</b>	<b>39,752,851</b>	<b>432,289</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,372,530	4,895,335	9,267,865	8,301
Restricted for:				
Capital projects	48,638	1,727,028	1,775,666	-
Debt service	622,005	786,753	1,408,758	-
Landfill	-	1,081,344	1,081,344	-
Unrestricted	(768,266)	(1,544,889)	(2,313,155)	(269,011)
<b>Total Net Assets</b>	<b>\$ 4,274,907</b>	<b>\$ 6,945,571</b>	<b>\$ 11,220,478</b>	<b>\$ (260,710)</b>

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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	\$ 3,785,451	\$ 805,203	\$ 812,100	\$ -	\$ (2,168,148)	\$ -	\$ (2,168,148)	
Public safety	3,838,456	407,772	-	-	(3,430,684)	-	(3,430,684)	
Transportation	831,387	-	-	-	(831,387)	-	(831,387)	
Culture and recreation	476,561	77,674	-	-	(398,887)	-	(398,887)	
Economic environment	1,186,282	-	-	-	(1,186,282)	-	(1,186,282)	
Physical environment	343,351	-	-	-	(343,351)	-	(343,351)	
Cemetery	19,137	-	-	-	(19,137)	-	(19,137)	
Interest and fiscal charges	305,422	-	-	-	(305,422)	-	(305,422)	
Total governmental activities	10,786,047	1,290,649	812,100	-	(8,683,298)	-	(8,683,298)	-
Business-type activities:								
Electric	11,823,108	16,135,582	-	-	-	4,312,474	4,312,474	
Gas	1,447,695	2,012,751	-	-	-	565,056	565,056	
Water	2,475,564	1,653,154	-	-	-	(822,410)	(822,410)	
Sewer	1,466,940	1,549,907	-	-	-	82,967	82,967	
Refuse	1,235,804	1,250,087	-	-	-	14,283	14,283	
Landfill	203,251	250,769	-	-	-	47,518	47,518	
Telecommunication	1,342,142	174,529	-	-	-	(1,167,613)	(1,167,613)	
Total business-type activities	19,994,504	23,026,779	-	-	-	3,032,275	3,032,275	-
Total primary government	30,780,551	24,317,428	812,100	-	(8,683,298)	3,032,275	(5,651,023)	-
Component Unit:								
Community redevelopment agency	\$ 1,116,895	\$ 8,518	\$ 738,186	\$ -	-	-	-	(370,191)
General Revenues								
Taxes								
Property Taxes					872,142	-	872,142	
Local option gas tax					633,355	-	633,355	
Utility taxes					7,860	-	7,860	
Communication service tax					207,704	-	207,704	
Shared revenues from State of Florida					500,024	-	500,024	
Earnings on Investments					15,289	-	15,289	
Transfers in (out)					4,980,563	(4,980,563)	-	
Total general revenues and transfers					7,216,937	(4,980,563)	2,236,374	-
Change in net assets					(1,466,361)	(1,948,288)	(3,414,649)	(370,191)
Net assets - beginning of year					5,741,268	9,621,299	15,362,567	109,481
Adjustment to beginning net assets					-	(727,440)	(727,440)	
Adjusted beginning net assets					5,741,268	8,893,859	14,635,127	
Net assets - ending					\$ 4,274,907	\$ 6,945,571	\$ 11,220,478	\$ (260,710)

See accompanying notes to financial statements

# **Fund Financial Statements**

**CITY OF QUINCY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and equity in pooled cash	\$ 144,290	\$ 421,839	\$ 566,129
Investments	787,580	-	787,580
Accounts receivable - net			
Assessment	131,508	-	131,508
Other	105,038	12,942	117,980
Due from other funds	6,289,217	1,772,312	8,061,529
Due from other government	34,373	-	34,373
Inventories	26,817	-	26,817
Restricted assets:			
Cash	-	670,643	670,643
<b>Total assets</b>	<u>\$ 7,518,823</u>	<u>\$ 2,877,736</u>	<u>\$ 10,396,559</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 613,342	\$ 592,185	\$ 1,205,527
Short-term portion of debt	1,003,476	-	\$ 1,003,476
Cash and equity in pool cash deficit	1,718,066	-	1,718,066
Due to other funds	3,499,715	2,041,179	5,540,894
<b>Total liabilities</b>	<u>6,834,599</u>	<u>2,633,364</u>	<u>9,467,963</u>
Fund balances:			
Non-spendable fund balance	26,817	-	26,817
Restricted fund balance	-	670,643	670,643
Assigned fund balance	-	625,328	625,328
Unassigned fund balance (deficit)	657,407	(1,051,599)	(394,192)
<b>Total fund balances</b>	<u>684,224</u>	<u>244,372</u>	<u>928,596</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,518,823</u>	<u>\$ 2,877,736</u>	<u>\$ 10,396,559</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, 2011**

Total fund balances for governmental funds (page 15) \$ 928,596

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 10,152,793

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

Bonds and notes payable	(6,447,471)
Other reconciling items	13,908
OPEB	(134,102)
Compensated absences	<u>(238,817)</u>

Total net assets of governmental activities (page 14) \$ 4,274,907

See accompanying notes to financial statements.

**CITY OF QUINCY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,721,061	\$ -	\$ 1,721,061
Licenses and permits	77,674	-	77,674
Intergovernmental	498,084	1,940	500,024
Grant(s)	-	812,100	812,100
Fees and Fines	24,471	-	24,471
Charge for services	407,772	-	407,772
Rental	5,624	-	5,624
Other	594,473	195,924	790,397
Total revenues	<u>3,329,159</u>	<u>1,009,964</u>	<u>4,339,123</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,105,263	7,679	3,112,942
Public safety	3,351,563	36,620	3,388,183
Culture and recreation	277,078	120,193	397,271
Transportation	516,924	-	516,924
Economic environment	-	1,185,726	1,185,726
Physical environment	184,609	-	184,609
Cemetery	18,655	-	18,655
Capital outlay	312,641	34,625	347,266
Debt Service:			
Principal	-	200,000	200,000
Interest and other Charges	-	261,481	261,481
Total expenditures	<u>7,766,733</u>	<u>1,846,324</u>	<u>9,613,057</u>
Deficiency of expenditures over revenues	(4,437,574)	(836,360)	(5,273,934)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	4,745,973	461,481	5,207,454
Operating transfers out	(461,481)	-	(461,481)
Total other financing sources (uses)	<u>4,284,492</u>	<u>461,481</u>	<u>4,745,973</u>
Net change in fund balance	(153,082)	(374,879)	(527,961)
Fund balance			
At beginning of year as previously reported	837,306	619,251	1,456,557
At beginning of year, as adjusted	837,306	619,251	1,456,557
At end of year	<u>\$ 684,224</u>	<u>\$ 244,372</u>	<u>\$ 928,596</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, 2011**

Net change in fund balances - total governmental funds (page 17 )	\$	(527,961)
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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		347,266
Depreciation expense		(1,223,861)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This has no effect on net assets		200,000
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and, therefore, are not reported as expenditures in the governmental  
funds

Compensated absence		(151,616)
Change in NPO		(134,102)

Other reconciling items		23,913
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Total change in net assets of governmental activities (page 14)	\$	<u>(1,466,361)</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, 2011**

	<u>Enterprise Fund</u>				<u>Total</u>	<u>Non Major</u>
	<u>Electric</u>	<u>Major Funds</u> <u>Water</u>	<u>Sewer</u>	<u>Other</u> <u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service</u> <u>Fund</u>
<b>ASSETS</b>						
Current assets:						
Cash and equity in pooled cash	\$ 2,799,556	\$ 1,617,513	\$ 211,072	\$ 744,837	\$ 5,372,978	\$ 349,367
Investments	478,292	443,766	-	72,794	994,852	-
Accounts receivable - net	1,278,372	417,464	254,196	662,223	2,612,255	-
Due from other funds	1,415,138	1,345,104	-	2,143,713	4,903,955	584,881
Inventories	305,645	47,521	9,829	46,957	409,952	-
Other current assets	105,996	143,196	143,196	-	392,388	41,059
Non-current assets:						
Restricted cash and equity in pooled cash	1,670,471	1,727,028	786,753	1,081,344	5,265,596	-
Capital assets - net	7,397,717	6,478,780	5,644,114	3,526,448	23,047,059	1,685,686
<b>Total assets</b>	<u>\$ 15,451,187</u>	<u>\$ 12,220,372</u>	<u>\$ 7,049,160</u>	<u>\$ 8,278,316</u>	<u>\$ 42,999,035</u>	<u>\$ 2,660,993</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 381,849	\$ 703,524	\$ 82,574	\$ 366,030	\$ 1,533,977	\$ 6,563
Cash and equity in pooled cash deficit	-	-	-	4,505,948	4,505,948	-
Customer deposits	948,662	28,255	-	19,906	996,823	-
Due to other funds	3,555,719	782,464	246,940	2,540,102	7,125,225	875,017
Revenue bond - current	62,555	258,479	13,479	13,479	347,992	-
Notes payable - current	19,228	151,105	182,626	19,228	372,187	-
Deferred Income	-	-	-	26,846	26,846	-
Capitalized lease payable	797,822	249,319	448,774	-	1,495,915	-
Compensated absences - current	37,783	7,017	7,017	10,454	62,271	2,026
Other current Liabilities	-	3,427	12,533	110,098	126,058	-
Non-current liabilities:						
Revenue bonds	3,581,745	5,518,254	771,754	2,211,510	12,083,263	1,018,747
Notes payable	53,899	3,950,489	1,627,521	53,899	5,685,808	-
Estimated landfill closure and post closure costs	-	-	-	1,655,680	1,655,680	-
Compensated absences	22,410	3,488	3,488	6,085	35,471	2,876
<b>Total liabilities</b>	<u>9,461,672</u>	<u>11,655,821</u>	<u>3,396,706</u>	<u>11,539,265</u>	<u>36,053,464</u>	<u>1,905,229</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	3,753,417	(3,399,547)	3,048,734	1,301,459	6,005,522	666,939
Restricted for:						
Capital projects	-	1,727,028	-	-	1,727,028	-
Debt service	-	-	786,753	-	786,753	-
Landfill	-	-	-	1,081,344	1,081,344	-
Unrestricted	2,236,098	2,237,070	(183,033)	(5,643,752)	(6,997,369)	88,825
<b>Total net assets</b>	<u>5,989,515</u>	<u>564,551</u>	<u>3,652,454</u>	<u>(3,260,949)</u>	<u>6,945,571</u>	<u>755,764</u>
<b>Total net assets and liabilities</b>	<u>\$ 15,451,187</u>	<u>\$ 12,220,372</u>	<u>\$ 7,049,160</u>	<u>\$ 8,278,316</u>	<u>\$ 42,999,035</u>	<u>\$ 2,660,993</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, 2011**

	<b>Enterprise Funds</b>					<b>Non Major Internal Service Fund</b>
	<b>Major Funds</b>			<b>Other</b>	<b>Total</b>	
	<b><u>Electric</u></b>	<b><u>Water</u></b>	<b><u>Sewer</u></b>	<b><u>Enterprise Funds</u></b>	<b><u>Enterprise Funds</u></b>	<b><u>Fund</u></b>
<b>Operating revenues</b>						
Charges for services	\$ 15,955,950	\$ 1,644,385	\$ 1,549,850	\$ 3,684,285	\$ 22,834,470	\$ -
Interest income	8,447	8,769	57	2,901	20,174	-
Other income	<u>171,185</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>172,134</u>	<u>-</u>
Total operating revenues	<u>16,135,582</u>	<u>1,653,154</u>	<u>1,549,907</u>	<u>3,688,135</u>	<u>23,026,778</u>	<u>-</u>
<b>Operating expenses</b>						
Cost of sales and services	11,073,623	1,724,611	1,219,037	3,608,809	17,626,080	199,642
Landfill	-	-	-	176,908	176,908	-
Depreciation and amortization	<u>749,486</u>	<u>466,359</u>	<u>209,843</u>	<u>285,222</u>	<u>1,710,910</u>	<u>-</u>
Total operating expenses	<u>11,823,109</u>	<u>2,190,970</u>	<u>1,428,880</u>	<u>4,070,939</u>	<u>19,513,898</u>	<u>199,642</u>
<b>Operating income (loss)</b>	4,312,473	(537,816)	121,027	(382,804)	3,512,880	(199,642)
<b>Non-operating revenues (expenses)</b>						
Interest income (expense) - net	<u>-</u>	<u>(284,595)</u>	<u>(38,060)</u>	<u>(157,950)</u>	<u>(480,605)</u>	<u>(43,941)</u>
Total Non-operating revenues(expenses)	<u>-</u>	<u>(284,595)</u>	<u>(38,060)</u>	<u>(157,950)</u>	<u>(480,605)</u>	<u>(43,941)</u>
<b>Income (loss) before operating transfers</b>	4,312,473	(822,411)	82,967	(540,754)	3,032,275	(243,583)
<b>Operating transfers</b>						
Transfers out	(4,676,154)	(220,093)	(221,170)	(1,183,303)	(6,300,720)	-
Transfers in	<u>510,562</u>	<u>295,000</u>	<u>205,263</u>	<u>309,332</u>	<u>1,320,157</u>	<u>234,590</u>
<b>Change in net assets</b>	146,881	(747,504)	67,060	(1,414,725)	(1,948,288)	(8,993)
<b>Net assets</b>						
At beginning of year as previously reported	<u>6,683,029</u>	<u>2,039,918</u>	<u>3,599,477</u>	<u>(2,701,125)</u>	<u>9,621,299</u>	<u>515,356</u>
Prior period adjustment	<u>(840,395)</u>	<u>(727,863)</u>	<u>(14,083)</u>	<u>854,901</u>	<u>(727,440)</u>	<u>249,401</u>
At beginning of year, as adjusted	<u>5,842,634</u>	<u>1,312,055</u>	<u>3,585,394</u>	<u>(1,846,224)</u>	<u>8,893,859</u>	<u>764,757</u>
<b>Net assets, end of year</b>	<u>\$ 5,989,515</u>	<u>\$ 564,551</u>	<u>\$ 3,652,454</u>	<u>\$ (3,260,949)</u>	<u>\$ 6,945,571</u>	<u>\$ 755,764</u>

See accompanying notes to financial statements.

**CITY OF QUINCY, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Enterprise Funds				
	Major Funds			Other	Total
	Electric	Water	Sewer	Non Major	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 17,010,415	\$ 999,211	\$ 1,541,966	\$ 4,486,598	\$ 24,038,190
Payments to suppliers	(12,862,058)	(1,155,616)	(1,284,055)	(3,437,337)	(18,739,065)
Payments to employees	(941,836)	(147,116)	(147,118)	7,670	(1,228,401)
Internal activity-payments to (from) other funds	1,081,000	-	143,196	(289,087)	935,109
Net cash provided by (used in) operating activities	<u>4,287,521</u>	<u>(303,521)</u>	<u>253,989</u>	<u>767,844</u>	<u>5,005,833</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies and transfers to other funds	(4,165,592)	74,907	(15,907)	(400,295)	(4,506,887)
Net cash provided by noncapital financing activities	<u>(4,165,592)</u>	<u>74,907</u>	<u>(15,907)</u>	<u>(400,295)</u>	<u>(4,506,887)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition/disposal of capital assets	(2,976,281)	(272,728)	(518,241)	-	(3,767,250)
Issuance of bond/ notes payable	3,644,300	785,233	785,233	785,234	6,000,000
Acquisition of capital lease	797,822	249,319	448,774	-	1,495,915
Principal paid on loans payable	(18,860)	(213,424)	(173,677)	(18,860)	(424,821)
Principal paid on bonds	-	(235,000)	(14,574)	-	(249,574)
Transfer of assets	-	601,870	(173,780)	(336,235)	91,855
Interest paid on capital debt	-	(284,595)	(38,060)	(157,950)	(480,605)
Net cash provided by (used in) capital and related financing activities	<u>1,446,981</u>	<u>630,675</u>	<u>315,675</u>	<u>272,189</u>	<u>2,665,520</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Increase) in investments	(2,455)	(1,770)	-	(2,176)	(6,401)
Other revenue	171,185	-	-	949	172,134
Interest on investment	8,447	8,769	57	2,901	20,174
Net cash provided by (used in) investing activities	<u>177,177</u>	<u>6,999</u>	<u>57</u>	<u>1,674</u>	<u>185,907</u>
Net increase in cash and equity in pooled cash	1,746,087	409,060	553,814	641,412	3,350,373
Cash and equity in pooled cash - beginning	<u>2,723,950</u>	<u>2,935,481</u>	<u>444,011</u>	<u>1,184,769</u>	<u>7,288,211</u>
Cash and equity in pooled cash - ending	<u>\$ 4,470,037</u>	<u>\$ 3,344,541</u>	<u>\$ 997,825</u>	<u>\$ 1,826,181</u>	<u>\$ 10,638,584</u>
Displayed as:					
Cash and equity in pooled cash	\$ 2,799,566	\$ 1,617,513	\$ 211,072	\$ 744,837	\$ 5,372,988
Restricted cash	<u>1,670,471</u>	<u>1,727,028</u>	<u>786,753</u>	<u>1,081,344</u>	<u>5,265,596</u>
	<u>\$ 4,470,037</u>	<u>\$ 3,344,541</u>	<u>\$ 997,825</u>	<u>\$ 1,826,181</u>	<u>\$ 10,638,584</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 4,312,473	\$ (537,816)	\$ 121,027	\$ (382,804)	\$ 3,512,880
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	749,486	466,359	209,843	285,222	1,710,910
Other operating income	(179,622)	(8,769)	57		
Change in assets and liabilities:					
(Increase) decrease in receivables	1,006,397	(674,232)	6,199	798,339	1,136,703
(Increase) in inventories	(2,244)	(494)	(3,869)	(15,261)	(21,868)
(Increase) in due from other funds	-	-	-	(285,000)	(285,000)
(Increase) in other assets	(105,996)	(143,196)	(143,196)	-	(392,388)
Increase (decrease) in accounts payable and accrued expenses	(2,647,106)	587,610	(84,611)	379,807	(1,764,300)
Increase (decrease) in due to other funds	1,081,000		143,196	(4,087)	1,220,109
Increase (decrease) in customers' deposits	48,058	(1,753)	-	190	46,495
Increase in compensated absences	25,075	8,770	5,343	7,670	46,858
(Decrease) in estimated landfill closure and post closure costs	-	-	-	(16,232)	(16,232)
Net cash provided by (used in) operating activities	<u>\$ 4,287,521</u>	<u>\$ (303,521)</u>	<u>\$ 253,989</u>	<u>\$ 767,844</u>	<u>\$ 5,005,833</u>

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**SEPTEMBER 30, 2011**

	<b>Retirement Savings Plan</b>	<b>Police and Firemen's Supplemental Pension Plan</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ -	\$ 514,165	\$ 514,165
Investments	4,966,157	4,915,879	9,882,036
Due from independent agencies and other governments	84,992	-	84,992
Total assets	<u>5,051,149</u>	<u>5,430,044</u>	<u>10,481,193</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	4,741	-	4,741
Other liabilities	-	71,741	71,741
Due to independent agencies and other governments	198,015	-	198,015
Total liabilities	<u>202,756</u>	<u>71,741</u>	<u>274,497</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 4,848,393</u>	<u>\$ 5,358,303</u>	<u>\$ 10,206,696</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, 2011**

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
State of Florida	\$ -	\$ 101,471	\$ 101,471
Plan members	-	66,033	66,033
City	<u>425,613</u>	<u>96,257</u>	<u>521,870</u>
Total contributions	<u>425,613</u>	<u>263,761</u>	<u>689,374</u>
Investment income (loss):			
Net depreciation in fair value and gain on sale of investments	-	(146,169)	(146,169)
Interest and dividends	<u>(169,813)</u>	<u>163,221</u>	<u>(6,592)</u>
Net investment income	<u>(169,813)</u>	<u>17,052</u>	<u>(152,761)</u>
Total Additions	<u>255,800</u>	<u>280,813</u>	<u>536,613</u>
<b>DEDUCTIONS</b>			
Benefits payments	230,440	431,074	661,514
Administrative expenses	<u>-</u>	<u>80,558</u>	<u>80,558</u>
Total Deductions	<u>230,440</u>	<u>511,632</u>	<u>742,072</u>
<b>Change in net assets</b>	25,360	(230,819)	(205,459)
<b>Net assets - beginning of year</b>	<u>4,823,033</u>	<u>5,589,122</u>	<u>10,412,155</u>
<b>Net assets - end of year</b>	<u>\$ 4,848,393</u>	<u>\$ 5,358,303</u>	<u>\$ 10,206,696</u>

See accompanying notes to financial statements.

# **Notes to Basic Financial Statements**

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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. Basis of Presentation**

The accompanying financial statements of the City have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). Under the auspices of GASB Statement No. 20, the City does not apply FASB pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for units of local government.

**B. 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.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Discretely Presented Component Unit**

**Community Redevelopment Agency (CRA)** - In 1999, the City passed Ordinance No. 896 establishing the CRA. A Board of five Commissioners appointed by the Mayor and confirmed by the City Council oversees the CRA. It is governed by a separate advisory Board appointed by the City Commission and an administrator appointed by the Board directs the staff. The Advisory Board actions are ratified by the City Commission. The CRA has responsibility for the southern portion of the City which includes three enumeration districts. The CRA issues separate financial statements. The CRA utilizes governmental fund accounting.

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

**C. 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.



**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. 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.
- 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.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- b) **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.

**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.

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

- d) Telecommunications Fund – to account for the operation and maintenance of the City's computer installation sales program and internet access service.
- 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.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Categories and Classification of Fund Balance:**

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of constraint placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance Classifications, refer to Note 14.

**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

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**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:

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

4. 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".

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

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 three years 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, 2011 the allowance for bad debts was \$1,090,667 for the enterprise fund.

**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, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

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

included as part of the capitalized value of the assets constructed. During 2011, 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

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Compensated Absences**

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death 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 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, 2011. The fund used to liquidate the liability would relate to the fund in which the liability was initially recorded.

**Fund Equity**

Fund balance is classified using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of constraint placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. For further details of the various fund balance classifications refer to Note 14.

**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.



**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

**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.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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 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, 2011, the value of the City's deposits and investments in non-pension activities, with their respective credit ratings, were as follows:

	<b>Carrying Amount</b>	<b>Credit Rating</b>	<b>Maturity</b>
Deposits in Qualified Public Depositories	\$ 139,039	N/A	NA
Certificates of Deposits	100,000	Unrated	<180 days Effective Duration
<i>Externally Managed Portfolio:</i>			
Money Markets	1,270,758	N/A	NA
Certificate of Deposits	<u>1,764,288</u>	N/A	227 days
Externally Managed Portfolio Effective	<u>3,035,046</u>		
Total Cash and Investments	<u><u>\$ 3,274,085</u></u>		

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

As of September 30, 2011, the value of the General Employees' Retirement Savings Plan's investment with their respective credit ratings, were as follows:

	<b>Carrying Amount</b>	<b>Credit Rating</b>	<b>Maturity</b>
Mutual Funds (General Employee Pension)	<u>\$ 4,966,157</u>	NA	NA
Total Cash and Investments	<u><u>\$ 4,966,157</u></u>		

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

As of September 30, 2011, the value of the City's deposits and investments in the Police and Fire Supplemental activities, with their respective credit ratings, were as follows:

	<b>Carrying Amount</b>	<b>Credit Rating</b>	<b>Maturity</b>
Stocks (Police and Fire Supplemental Plan)	\$2,388,265	N/A	NA
Money Market (Police and Fire Suppl. Plan)	684,425	AAA	NA
U S Government Agency Notes	573,767	AAA	NA
Government MBS/CMO/ABS-Variable	1,783,587	NR	NA
Total Cash and Investments	<u><u>\$ 5,430,044</u></u>		

**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.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

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.

**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, 2011, were \$641,897. Due to the nature of the City's cash and investments, there is no exposure to custodial credit risk or concentration of credit risk.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

**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 \$3,035,046 at September 30, 2011, was invested for a weighted average term of days. The General Employee Pension Plan investments totaled \$4,966,152; please see Note 9 on pensions. The Police and Fire Supplemental plan totaled \$5,430,044.

Various restrictions on deposits and investments are summarized below.

Restricted by third parties:

Debt service	5,640,126
Financial assurance requirements for landfill operations	296,110
Total	<u>5,936,236</u>

Restricted for debt service represent cash and cash equivalents (a) held by the paying agent as required in the Capital Revenue bond resolutions, \$670,643 (b) held by paying agents as required by Utility System Improvement and Refunding Revenue Bonds, Series 2003, \$650,700; (c) amounts restricted for payments of drinking water loan \$192,614, and (e) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement bond and loan covenants, \$4,026,171.

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 \$279,666 for closure cost estimate and \$1,655,680 for post closure care costs, were filed with the Florida Department of Environmental Protection on June 12, 2012. Since the entire landfill site is not yet closed, the post closure care cost requirement is not applicable.

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 3. RECEIVABLES**

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

	<b>Government al Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Accounts Receivable	\$ 131,874	\$ 2,891,751	\$ 3,023,625
Less: Allowance for Bad Debts	(13,895)	(517,358)	(531,253)
Net Accounts Receivable	\$ 117,980	\$ 2,374,393	\$ 2,492,373
Installment Sales Receivable	\$ -	\$ 963,368	\$ 963,368
Less: Deferred Gross Profit	-	(151,399)	(151,399)
Allowance for Bad Debts	-	(674,107)	(674,107)
Net Installment Sales Receivable	\$ -	\$ 237,862	\$ 237,862

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 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.

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTES 4. CAPITAL ASSETS**

A SUMMARY OF THE CHANGES IN THE CAPITAL ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2011 IS AS FOLLOWS:

	Balance September 30, 2010	Prior Year Adjustments	Increase	Decrease	Balance September 30, 2011
<b>Governmental Activities:</b>					
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	-	88,839	-	3,850,074
Improvements other than building	9,151,764	-	717,793	-	9,869,557
Infrastructure	6,146,814	-	181,819	-	6,328,633
Equipment and other	6,129,103	-	75,559	-	6,204,662
Total capital assets, being depreciated	25,188,916	-	1,064,011	-	26,252,927
Less accumulated depreciation for:					
Buildings and improvements	(2,799,652)	-	(84,883)	-	(2,884,535)
Improvements other than building	(3,042,648)	-	(369,053)	-	(3,411,701)
Infrastructure	(5,886,762)	-	(156,909)	-	(6,043,671)
Equipment and other	(7,744,084)	-	(613,016)	-	(8,357,100)
Total accumulated depreciation	(19,473,146)	-	(1,223,861)	-	(20,697,007)
Total capital assets, being depreciated, net	5,715,770	-	(159,850)	-	5,555,920
Total governmental capital assets, net	\$ 10,312,643	\$ -	\$ (159,850)	\$ -	10,152,793

**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	14,165,977	0	2,773,916	-	16,939,893
Infrastructure	419,886	-	-	-	419,886
Equipment and other	2,679,046	-	993,334	-	3,672,380
Total capital assets, being depreciated	42,315,764	-	3,767,250	-	46,083,014
Less accumulated depreciation for:					
Buildings	(12,536,112)	-	(792,204)	-	(13,328,316)
Utility plant equipment and improvements	(7,578,945)	-	(542,721)	-	(8,121,666)
Equipment and other	(2,821,462)	-	(375,986)	-	(3,197,448)
Total accumulated depreciated	(22,936,519)	-	(1,710,911)	-	(24,647,430)
Total capital assets being depreciated, net	19,379,245	-	2,056,339	-	21,435,584
Total business-type activities capital assets, net	\$ 20,990,720	\$ -	\$ 2,056,339	\$ -	23,047,059

**Depreciation expense was charged to governmental functions as follows:**

General Government	\$ 471,947
Public Safety	400,640
Transportation	279,800
Culture and Recreation	70,550
Economic Development	495
Cemetery	429
	<u>\$ 1,223,861</u>

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 5: TRANSFERS AND INTERFUND ITEMS**

	TRANSFER OUT							
	Electric	Gas	Water	Sewer	Landfill	General	Refuse	Total
<b>TRANSFER IN:</b>								
General Fund	\$ 3,863,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,863,421
General Fund	-	505,037	-	-	-	-	-	505,037
General Fund	-	-	167,000	-	-	-	-	167,000
General Fund	-	-	-	167,000	-	-	-	167,000
General Fund	-	-	-	-	43,515	-	-	43,515
Gas	153,971	-	-	-	-	-	-	153,971
Water	60,000	-	-	-	-	-	-	60,000
Sewer	205,263	-	-	-	-	-	-	205,263
Telecommunications	155,361	-	-	-	-	-	-	155,361
Business Activity	238,138	86,468	53,093	54,170	49,675	-	29,018	510,562
Cap Improvement Fund	-	-	-	-	-	461,481	-	461,481
Sub-total	\$ 4,676,154	\$ 591,505	\$ 220,093	\$ 221,170	\$ 93,190	\$ 461,481	\$ 29,018	\$ 6,292,611

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**

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Capital Improvement	General	1,472,963
Capital Improvement	Telecommunications	912,416
Electric	Capital Improvement	(614,287)
Electric	Gas	4,957
Electric	General	(935,582)
Employee Pension	General	(113,023)
Enterprise	General	1,034,847
Gas	Electric	(670,080)
Gas	Enterprise	810,517
Gas	General	(743,395)
General	Employee Pension	(4,977)
General	Enterprise	2,047,664
General	Internet	414,841
General	Miscellaneous Grants	(848,167)
General	Other Funds	416,172
General	Other Govt	395,685
General	Utility System Improv	(522,260)
Internal Service	Telecommunications	(571,131)
Landfill	General	17,954
Local Option	Capital Improvement	(520,410)
Refuse	General	(226,602)
Sewer	General	(155,904)
Special Revenue Funds	General	182,915
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	(1,308,209)
		<u>\$ 0</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, 2011**

**NOTE 6. LONG TERM DEBT**

	Balance September 30, 2010	Additions/ Adjustments	Reductions	Balance September 30, 2011	Due Within One Year
<b>Governmental Activities:</b>					
Revenue Bond	\$ 5,180,000	\$ -	\$ 200,000	\$ 4,980,000	\$ 210,000
Series 2003 Bonds	1,268,148	-	249,901	1,018,247	-
Capitalized Leases	77,510	166,213	17,966	225,757	94,387
Compensated Absences	170,963	71,929	-	242,892	154,247
Note Payable	142,939	1,138,509	39,733	1,241,715	1,062,650
Total Governmental Activities Long Term	<u>\$ 6,839,560</u>	<u>\$1,376,649</u>	<u>\$ 507,600</u>	<u>\$ 7,708,611</u>	<u>\$ 1,521,284</u>
<b>Business-Type Activities:</b>					
State Revolving Loan - Project No. DW2006010	\$ 4,315,018	\$ -	\$ 213,424	\$ 4,101,594	\$ 140,326
State Revolving Loan - Project No.	1,952,600	-	173,677	1,774,561	182,626
Utility System Series 2003 Bonds	6,416,852	249,203	235,000	6,431,255	245,000
Utility System Series 2011 Bonds	-	6,000,000	-	6,000,000	102,992
Mortgage (Net Quincy Building)	183,974	-	37,720	146,255	38,477
Note Payable	50,160	-	14,574	35,586	15,230
Capitalized Leases	-	1,495,915	-	1,495,915	75,511
Compensated Absences	57,042	40,700	-	97,742	62,273
Total Business-Type Activities Long Term	<u>\$ 12,975,646</u>	<u>\$ 7,536,618</u>	<u>\$ 460,971</u>	<u>\$ 20,082,908</u>	<u>\$ 717,634</u>

**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, 2011**

**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, 2011, 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 relate to the acquisition of several vehicles with annual interest rates ranging from 5% to 6.6%. In addition, Honeywell's high efficiency HVAC and lighting upgrades throughout the City represents the remaining capital lease obligations. The net book value of these assets under capital leases as of September 30, 2011 is \$1,658,260. The lease is payable in thirty semi-annual installments on 1/1 and 7/1 of which annual lease payments are due through 7/1/2023 in accordance with the payment schedule per the agreement. Annual maturities are as follows:

Date	Principal	Interest	Total Payment
2012	\$ 75,511	\$ 74,025	\$ 149,536
2013	84,798	70,414	155,212
2014	94,741	66,364	161,105
2015	105,380	61,845	167,225
2016	116,757	56,824	173,581
2017-2021	775,719	189,001	964,720
2022-2023	360,811	20,550	381,361
Total	\$ 1,771,368	\$ 797,988	\$ 2,569,356

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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.	\$ 4,101,594
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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.	1,774,561
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\$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.	146,255
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\$8.890 million Utility System Improvement and Refunding Revenue Bonds, Series 2003 (the Series 2003 Utility Bonds), net of bond discount of \$118,802.	6,431,255
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\$6.0 million Utility System Revenue Bonds, Series 2011(the Series 2011 Utility Bond) net of bond discount of \$5,996.	6,000,000
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\$140,518 loan for capital equipment purchases financed through Capital City Bank. The loan is at a fixed annual rate of 5.82%. The loan is payable in 60 monthly installments which mature on 12/14/2013. The loan is allocated 52% to business type activities;	<u>35,586</u>
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Total	18,489,251
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Less: unamortized bond discount	<u>(9,423)</u>
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Net	<u>\$18,479,828</u>
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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:

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6      LONG -TERM LIABILITIES (continued)**

\$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

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.

The \$6.0 million Series 2011 Utility Bonds was issued in May 2011 to finance the acquisition and construction of various capital improvements to the City's utility systems. The Project consist of 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; adjusting the distribution system for the retrofit of 7 substation reclosers and 21 substation regulators controllers for voltage control along with 36 motor operators for the distribution GOAB switches and 6 switched capacitors; those capital improvement projects previously approved and other capital improvements to the utility system allowed by law and approved by the City Commission.

The Series 2011 Utility Bonds are payable solely from and secured by a prior lien on the net revenues of the following combined sources of the City: net revenue of the System and until expended, the moneys on deposit in the funds and accounts created by the Resolution. The lien on the net revenues of the series 2011 bonds will be on parity with the lien on the City's outstanding \$8.890 million Utility System Improvement and Refunding Revenue bonds, series 2003.

The Series 2011 Utility Bonds principal amounts, maturities and interest rates by lot are as follows:

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2013	\$140,000	3.000%	1.940%
2014	145,000	3.250	2.310
2015	155,000	3.250	2.630
2016	160,000	3.500	2.850
2017	160,000	4.000	3.260
2018	170,000	4.000	3.550
2019	180,000	4.250	3.850

\$1,605,000; term bond due on October 1, 2027 at 4.750% annual interest \$3,285,000; term bond due on October 1, 2032 at 5.000% annual interest.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6      LONG -TERM LIABILITIES (continued)**

**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 2011 was submitted in September 2012.

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, 2011, other than the liability for accumulated vacation and sick leave, is as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 283,245	\$ 260,826	\$ 544,071	\$ 617,186	\$ 806,637	\$ 1,423,823
2013	296,605	246,965	543,571	772,447	786,475	1,558,923
2014	280,437	232,602	513,039	790,163	761,623	1,551,787
2015	280,072	219,371	499,443	803,678	736,577	1,540,255
2016	257,879	206,349	464,228	799,436	705,723	1,505,158
2017-2021	1,490,000	825,906	2,315,906	4,252,767	3,046,490	7,299,259
2022-2026	1,895,000	411,619	2,306,619	4,192,770	2,171,166	6,363,936
2027-2031	435,000	22,294	457,294	5,924,194	1,108,067	7,032,261
2032-2036	0	0	0	1,359,715	60,091	1,419,806
Total	\$ 5,218,238	\$ 2,425,932	\$ 7,644,171	\$ 19,512,356	\$ 10,182,849	\$ 29,695,208

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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), Florida Power Corporation (FPC) for 3 months of the audit period and with Florida Municipal Power Agency (FMPA) for the remaining 9 months. 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/FMPA. 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 2010, the City Commission entered into a five year agreement with Florida Municipal Power beginning January 2, 2011, the agreement expires December 31, 2015.

For the year ended September 30, 2011, the City purchased electric capacity totaling \$9,165,833.

*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, 2011, the City purchased gas totaling \$1,164,363.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 7. CONTINGENCIES AND COMMITMENTS (Continued)**

*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.

***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, 2011, the City's total liability for landfill closure and post-closure care costs was approximately \$1,655,680. 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 \$279,666 and cash deposited in the escrow account was \$296,110. The City currently has excess funds in this account totaling \$16,444.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**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 established by Chapter 54, Article IV of the City ordinance. The RSP 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 Commission. During the fiscal year September 30, 2011, the City contributed \$425,613 for eligible employees.

**NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Plan Description: The City administers a single-employer defined benefit healthcare plan. The plan provides health insurance and prescription drug coverage for eligible retirees and their dependents through the City's health insurance program, which covers both active and retired employees. Benefit provisions and contribution requirements are established and may be amended by the City Commission.

Funding Policy: The contribution requirement of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. The City has retained the right to modify its payment for retiree health care benefits. Subject to annual budget appropriation, the City may, but is not obligated to, provide funds for health insurance premiums for retirees.

Annual OPEB Cost and Net OPEB Obligation: The contribution required to support the OPEB plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, calculated using the pay related entry age actuarial cost method and to amortize the unfunded actuarial liability over a period not to exceed thirty years.



**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)(Continued)**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed, and the change in the City's net OPEB obligation.

Annual required contribution (ARC)	\$323,532
Interest on net OPEB obligation	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB Cost	<u>323,532</u>
Contributions Made	(189,430)
Change in net OPEB obligation	<u>134,102</u>
Net OPEB obligation - October 1	-
Net OPEB obligation - September 30	<u>\$134,102</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of September 30 is as follow:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$323,532	58.6%	\$134,102

Funded Status and Funding Progress: As of September 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4.893 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$4.893 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.468 million and the ratio of the UAAL to the covered payroll was 141.08%.

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

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

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)(Continued)**

In the September 30, 2011 actuarial valuation, the pay related entry age actuarial cost method was used. The actuarial assumptions included a 2.0% investment rate of return and a 2.0% inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open period of thirty years.

**NOTE 10. 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
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, 2011 was zero.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 10. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)**  
**(Continued)**

**(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.

**(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

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 10. POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)  
(Continued)**

**(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.

**(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 11. 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 12. BUDGET**

For the year ended September 30, 2011, expenditures exceeded appropriation in the public safety, transportation, physical environment, cemetery and capital outlay by \$45,229, \$6,072, \$13,991, \$3,430 and \$239,042, respectively. These over expenditures were resolved by the utilization of unassigned fund balance.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 13. DEFICIT FUND BALANCES**

The City reported accumulated unrestricted/unassigned fund deficits of \$1,051,599, \$439,699, \$251,329, \$661,288 and \$4,647,999 in the Special Revenue, Refuse, Landfill, Gas, and Telecommunication funds, respectively, as of September 30, 2011. 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 deficits will be resolved as outlined below.

**Refuse** – Due to recent changes to the contract with the vendor providing these services, there will be no increase in cost and expenses should remain stable over the contract period. In addition, a slight increase in the rate for one of the services will result in additional revenue and have a positive impact on the fund balance over the contract period. 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. An analysis of the cost allocations will be completed to ensure their accuracy with any necessary adjustments completed. Recent negotiations with the vendor on multi-year contract are expected to have a positive impact on the fund balance.

**Special Revenue** – The amount of the deficit in the special revenue fund shows a minor increase to \$1.050 million. The city will complete its analysis of the accounts inclusive in this fund prior to the end of the next fiscal year, which is expected to address the deficit issues pertaining to each of the special revenue funds.

**Telecommunications** – Reductions in expenses of this fund are reflected in the budget. However, the increase in the negative fund balance resulted from adjustments made to the installment receivables based on review of the collection history. Additional efforts will be directed towards increasing revenues for this fund as well.

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

**CITY OF QUINCY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 14: Fund Balance**

In accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

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

Spendable fund balances

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

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal fund balance policy.

A schedule of the City's fund balance is shown below.

**CITY OF QUINCY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 14: Fund Balance (Continued)**

			2011		2010	
	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>	<u>Total Governmental</u>	<u>Total Governmental</u>	<u>Total Governmental</u>
<b><u>Fund Balances</u></b>						
<b>Nonspendable</b>						
Inventories	\$ 26,817	\$ -	\$ 26,817	\$ 26,817	\$ 26,817	\$ 26,817
<b>Restricted for:</b>						
Debt Service	-	670,643	670,643	620,058	620,058	620,058
<b>Committed to:</b>	-	-	-	-	-	-
<b>Assigned to:</b>	-	-	-	-	-	-
<b>Unassigned:</b>	657,407	(426,271)	231,136	809,682	809,682	809,682
<b>Total Fund Balance</b>	<b>\$ 684,224</b>	<b>\$ 244,372</b>	<b>\$ 928,596</b>	<b>\$ 1,456,557</b>	<b>\$ 1,456,557</b>	<b>\$ 1,456,557</b>

**NOTE 15: Prior Period Adjustments**

During fiscal year 2011, the City recorded prior period adjustments related to the correction of the accounts receivable balances recorded in the telecommunications fund and the allocation of the 2003 bond funds to the various enterprise fund accounts. Write offs approved for previous years and prior adjustments to the allowance for doubtful accounts have now been recorded. In addition, Management has allocated the Net Quincy Building across all related business-type funds. The net effect of these adjustments is \$727,440 as shown in the Business-Type Statement of Activities.

**NOTE 16: Subsequent Events**

The City settled a pending litigation in the amount of \$582,921 inclusive of settlement and fees for breach of contract. The condition related to the settlement existed prior to September 30, 2011 and as such, the full settlement amount has been reflected in the Water fund financial statements as of September 30, 2011 in accordance with Accounting Principles Generally Accepted in the United States of America.

The City has evaluated subsequent events and transactions for potential recognition and disclosure in the financial statements through October 15, 2012. No other subsequent events, other than those mentioned above, have been recognized or disclosed.

# **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, 2011**

<b>Year Ended September 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2011	\$96,256	100.00%
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, FLORIDA**  
**Required Supplementary Information**  
**Police and Firemen's Supplemental Pension Plan**  
**Schedule of State of Florida Contributions**  
**Year Ended September 30, 2011**

**Schedule of Funding progress**

Valuation Date	9/30/2011	9/30/2010	
Actuarial value of plan assets	\$ 5,430,044	\$ 4,940,796	(a)
Actuarial accrued liability (AAL) (1)	<u>-</u>	<u>-</u>	(b)
Total unfunded actuarial liability or (funding excess) - (Unfunded AAL)	(5,430,044)	(4,940,796)	(b)-(a)
Actuarial value of assets as a percentage of actuarial accrued liability (funded ratio)	-	-	(a)/(b)
Annual payroll covered	<u>3,039,980</u>	<u>2,984,654</u>	(c.)
The ratio of unfunded actuarial liability (excess) to annual covered payroll	-179%	-166%	((b-a)/(c.))

Note: (1) Actuarial assumptions are provided in the Notes to the Financial Statements.

Plan Year Ending September 30	Annual Required Contribution (ARC)	Employer Contribution	Member Contribution	State Contribution	Total Contributed	Percentage Contributed
2011	\$263,761	\$101,471	\$66,033	\$ 96,257	\$263,761	100%

Notes: For period shown, 100% of the ARC has been contributed thus producing a net pension obligation of zero.

**City of Quincy**  
**Schedule of Changes in Fund Balances- Budget and Actual**  
**General Fund**  
**For The Year Ended September 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 1,809,552	\$ 1,809,552	\$ 1,721,061	\$ (88,491)
Licenses and Permits	100,065	100,065	77,674	(22,391)
Intergovernmental	450,922	450,922	498,084	47,162
Fines & Fees	35,044	35,044	24,471	(10,573)
Charge for Services	408,114	421,009	407,772	(13,237)
Rental	7,919	7,919	5,624	(2,295)
Other	300,594	287,699	594,473	306,774
Total	<u>3,112,210</u>	<u>3,112,210</u>	<u>3,329,159</u>	<u>216,949</u>
Expenditures				
Current:				
General Government	3,125,327	3,125,327	2,805,112	320,215
Public Safety	3,485,629	3,485,629	3,351,563	134,066
Transporation	618,637	618,637	516,924	101,713
Physical environment	213,106	213,106	184,609	28,497
Culture and Recreation	342,577	342,577	277,078	65,499
Cemetery	30,637	30,637	18,655	11,982
Economic Environment				
Interest and Fiscal Charges				
Capital Outlay	-	-	312,641	(312,641)
Total Expenditures	<u>7,815,913</u>	<u>7,815,913</u>	<u>7,466,582</u>	<u>349,331</u>
Excess (deficiency) of revenues over expenditures	<u>(4,703,703)</u>	<u>(4,703,703)</u>	<u>(4,137,423)</u>	<u>(132,382)</u>
Other financing sources (uses)				
Operating transfers in	4,699,400	4,699,400	4,745,973	46,573.00
Operating transfers out	-	-	(461,481)	(461,481)
Total Other Financing	<u>4,699,400</u>	<u>4,699,400</u>	<u>4,284,492</u>	<u>(414,908)</u>
Excess of revenues and other financing sources over expenditures	<u>(4,303)</u>	<u>(4,303)</u>	<u>147,069</u>	<u>147,069</u>
Fund Balance				
At the beginning of the year	1,135,265	1,135,265	837,306	-
Prior period adjustment			0	
At beginning of year as adjusted			837,306	
At the end of the year	<u>\$ 1,130,962</u>	<u>\$ 1,130,962</u>	<u>\$ 984,375</u>	<u>\$ 147,069</u>

See Notes to Required Supplementary Information-Budgetary Comparison Schedule

**City of Quincy, Florida**  
**Notes to Budgetary Comparison Schedule**  
**Fiscal Year Ended September 30, 2011**

**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, 2011**

	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
<b>ASSETS</b>				
Cash and equity in pooled cash	\$ 147,417	274,422	\$ -	\$ 421,839
Receivables, net	12,942	\$ -	-	12,942
Due from other funds	160,919	912,416	698,977	1,772,312
Restricted cash	<u>1,946</u>	<u>48,638</u>	<u>620,058</u>	<u>670,642</u>
Total assets	<u>\$ 323,224</u>	<u>\$ 1,235,476</u>	<u>\$ 1,319,035</u>	<u>\$ 2,877,735</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	375,686	106,709	109,788	592,183
Cash and equity in pooled cash deficit	-	-	-	-
Due to other funds	<u>997,190</u>	<u>1,043,990</u>	<u>-</u>	<u>2,041,180</u>
Total liabilities	<u>1,372,876</u>	<u>1,150,699</u>	<u>109,788</u>	<u>2,633,363</u>
<b>Fund balances:</b>				
Non-spendable fund balance	-	-	-	-
Restricted fund balance	1,946	48,638	620,058	670,642
Unassigned	<u>(1,051,598)</u>	<u>36,139</u>	<u>589,189</u>	<u>(426,270)</u>
Total fund balances	<u>(1,049,652)</u>	<u>84,777</u>	<u>1,209,247</u>	<u>244,372</u>
Total liabilities and fund balances	<u>\$ 323,224</u>	<u>\$ 1,235,476</u>	<u>\$ 1,319,035</u>	<u>\$ 2,877,735</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, 2011**

	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental	\$ 726,129	\$ -	\$ -	\$ 726,129
Grants		87,911		87,911
Other	<u>195,833</u>	<u>49</u>	<u>42</u>	<u>195,924</u>
Total revenues	<u>921,962</u>	<u>87,960</u>	<u>42</u>	<u>1,009,964</u>
<b>Expenditures</b>				
Current:				
General government	(63,500)	71,137	42	7,679
Economic Environment	1,023,402	162,324	-	1,185,726
Culture and recreation	120,193	-	-	120,193
Public safety	36,620	-	-	36,620
Capital outlay	34,626	-	-	34,626
Debt service:				
Principal	-	-	200,000	200,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>261,481</u>	<u>261,481</u>
Total expenditures	<u>1,151,341</u>	<u>233,461</u>	<u>461,523</u>	<u>1,846,325</u>
<b>Deficiency of revenue over expenditures</b>	(229,379)	(145,501)	(461,481)	(836,361)
<b>Other financing sources (uses)</b>				
Operating transfers in	<u>-</u>	<u>-</u>	<u>461,481</u>	<u>461,481</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	(229,379)	(145,501)	-	(374,880)
<b>Fund balance (deficit)</b>				
At beginning of year	<u>(820,273)</u>	<u>230,278</u>	<u>1,209,247</u>	<u>619,252</u>
At end of year	<u>\$ (1,049,652)</u>	<u>\$ 84,777</u>	<u>\$ 1,209,247</u>	<u>\$ 244,372</u>

**CITY OF QUINCY, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON MAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Telecom</u>	<u>Total Non-major Enterprise Fund</u>
<b>ASSETS</b>					
Current assets:					
Cash and equity in pooled cash	\$ -	\$ 344,674	\$ 400,163	\$ -	\$ 744,837
Accounts receivable- net	147,509	14,030	263,876	236,808	662,223
Investments	-	-	72,794	-	72,794
Inventory	-	-	37,184	9,773	46,957
Non-current assets:					
Due from other funds	4,032	285,000	994,581	860,100	2,143,713
Restricted cash	-	296,110	785,234	-	1,081,344
Fixed assets - net	<u>-</u>	<u>59,434</u>	<u>365,368</u>	<u>3,101,646</u>	<u>3,526,448</u>
Total assets	151,541	999,248	2,919,200	4,208,327	8,278,316
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	97,990	14	168,117	99,909	366,030
Cash and equity in pooled cash deficit	249,542	-	-	4,256,406	4,505,948
Compensated absences - current	-	2,610	6,240	1,604	10,454
Note payable-current	-	-	-	19,228	19,228
Deposits	-	-	11,713	8,193	19,906
Deferred income	-	-	-	26,846	26,846
Due to other funds	224,882	-	955,102	1,360,118	2,540,102
Compensated absences	-	2,232	2,249	1,604	6,085
Other Current Liabilities	18,826	-	91,272	-	110,098
Notes Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,899</u>	<u>53,899</u>
Revenue Bonds	<u>-</u>	<u>-</u>	<u>785,234</u>	<u>1,439,755</u>	<u>2,224,989</u>
Estimated landfill closure and post closure costs	<u>-</u>	<u>1,655,680</u>	<u>-</u>	<u>-</u>	<u>1,655,680</u>
Total liabilities	591,240	1,660,536	2,019,927	7,267,562	11,539,265
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	59,434	365,368	1,588,764	2,013,566
Restricted for landfill	-	296,110	785,234	-	1,081,344
Unrestricted	<u>(439,699)</u>	<u>(1,016,832)</u>	<u>(251,329)</u>	<u>(4,647,999)</u>	<u>(6,355,859)</u>
Total net assets	<u>\$ (439,699)</u>	<u>\$ (661,288)</u>	<u>\$ 899,273</u>	<u>\$ (3,059,235)</u>	<u>\$ (3,260,949)</u>



**CITY OF QUINCY, FLORIDA**  
**COMBINING STATEMENT REVENUES, EXPENDITURES AND**  
**CHANGES IN NET ASSETS**  
**NON MAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Telecom</u>	<u>Total Non-Major Enterprise Funds</u>
<b>Operating revenues</b>					
Charges for services	\$ 1,250,087	\$ 250,452	\$ 2,009,217	\$ 174,529	\$ 3,684,285
Other income	<u>-</u>	<u>317</u>	<u>3,533</u>	<u>-</u>	<u>3,850</u>
Total operating revenue	<u>1,250,087</u>	<u>250,769</u>	<u>2,012,750</u>	<u>174,529</u>	<u>3,688,135</u>
<b>Operating expenses</b>					
Cost of sales and services	1,235,801	-	1,399,243	973,765	3,608,809
Landfill	-	176,908	-	-	176,908
Depreciation and amortization	<u>-</u>	<u>26,343</u>	<u>48,451</u>	<u>210,428</u>	<u>285,222</u>
Total operating expenses	<u>1,235,801</u>	<u>203,251</u>	<u>1,447,694</u>	<u>1,184,193</u>	<u>4,070,939</u>
<b>Operating income</b>	14,286	47,518	565,056	(1,009,664)	(382,804)
<b>Non operating revenues (expenses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income (expense) - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,950)</u>	<u>(157,950)</u>
Total non-operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,950)</u>	<u>(157,950)</u>
Income before operating transfers	<u>14,286</u>	<u>47,518</u>	<u>565,056</u>	<u>(1,167,614)</u>	<u>(540,754)</u>
Operating transfers out	<u>(29,018)</u>	<u>(93,190)</u>	<u>(587,419)</u>	<u>-</u>	<u>(709,627)</u>
Operating transfers in	<u>-</u>	<u>-</u>	<u>153,971</u>	<u>155,361</u>	<u>309,332</u>
<b>Change in net assets</b>	(14,732)	(45,672)	131,608	(1,012,253)	(941,049)
<b>Net assets</b>					
At beginning of year	<u>(336,399)</u>	<u>(615,616)</u>	<u>712,091</u>	<u>(2,461,201)</u>	<u>(2,701,125)</u>
Prior period adjustment	<u>(88,568)</u>	<u>-</u>	<u>55,574</u>	<u>414,219</u>	<u>381,225</u>
At beginning of year, as re-stated	<u>(424,967)</u>	<u>(615,616)</u>	<u>767,665</u>	<u>(2,046,982)</u>	<u>(2,319,900)</u>
<b>Net assets, end of year</b>	<u>\$ (439,699)</u>	<u>\$ (661,288)</u>	<u>\$ 899,273</u>	<u>\$ (3,059,235)</u>	<u>\$ (3,260,949)</u>

### **III. STATISTICAL SECTION**

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

	Fiscal Year	2008	2009	2010	2011
Governmental activities					
Invested in Capital assets, net of related debt	\$	6,752,198	\$ 5,827,040	\$ 4,989,667	4,372,530
Restricted for:					
Capital projects				48,589	48,638
Debt Services		667,239	619,892		622,005
Landfill					
Unrestricted		372,222	776,679	2,355,982	(768,266)
Total governmental activities net assets	\$	7,791,659	\$ 7,223,611	\$ 7,394,238	4,274,907
Business-type activities					
Invested in Capital assets, net of related debt	\$	9,118,414	\$ 8,374,567	\$ 7,994,685	4,895,335
Restricted for:					
Capital projects		1,404,080	1,404,761	1,013,653	1,727,028
Debt service		276,929	134,881	1,565	786,753
Landfill		579,576	580,999	581,298	1,081,344
Unrestricted		(1,808,399)	(788,023)	30,098	(1,544,889)
Total business-type activities net assets	\$	9,570,600	\$ 9,707,185	\$ 9,621,299	6,945,571
Primary Government					
Invested in Capital assets, net of related debt	\$	15,870,612	\$ 14,201,607	\$ 12,984,352	9,267,865
Restricted for:					
Capital projects		1,404,080	1,404,761	1,062,242	1,775,666
Debt service		944,168	754,773	1,565	1,408,758
Landfill		579,576	580,999	581,298	1,081,344
Unrestricted		(1,436,177)	(11,044)	2,386,080	(2,313,155)
Total primary government net assets	\$	17,362,259	\$ 16,931,096	\$ 17,015,537	11,220,478

**Source:** Statement of Net Assets

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

	Fiscal Year	2008	2009	2010	2011
<b>Expenses</b>					
Governmental activities:					
General government	\$	3,967,787	\$ 4,011,539	\$ 2,691,312	\$ 3,785,451
Public safety		3,823,681	3,245,470	3,381,166	3,838,456
Public works		776,214	669,360	598,906	831,387
Culture and recreation		740,792	550,763	347,566	476,561
Economic development		230,674	585,693	98,310	1,186,282
Physical environment		72,213	84,620	203,546	343,351
Cemetery		44,753	6,021	26,532	19,137
Engineering				-	
Interest and fiscal charges		496,959	465,231	460,981	305,422
Total governmental activities expenses	\$	10,153,073	\$ 9,618,697	\$ 7,808,319	\$ 10,786,047
Business type activities					
Electric		11,944,128	12,291,827	14,319,340	11,823,108
Gas		1,865,677	1,489,427	1,397,410	1,447,695
Water		1,342,540	1,497,093	1,673,935	2,475,564
Sewer		1,474,673	1,471,399	1,665,285	1,466,940
Refuse		1,133,147	1,137,299	1,159,575	1,235,804
Landfill		1,126,621	991,236	211,187	203,251
Telecommunication		772,766	711,359	784,965	1,342,142
Total business type activities expenses		19,659,552	19,589,640	21,211,697	19,994,504
Total primary government expenses	\$	29,812,625	\$ 29,208,337	\$ 29,020,016	\$ 30,780,551
<b>Component Unit</b>					
Community Redevelopment Agency	\$	487,667	\$ 766,121	\$ 829,942	\$ 1,116,895
<b>Program Revenues</b>					
Governmental activities					
Charges for services					
General government	\$	312,528	\$ 435,194	\$ 344,266	\$ 805,203
Public safety		455,701	438,758	408,686	407,772
Public works				-	
Culture and recreation		71,833	184,671	107,582	77,674
Economic environment		37,239	873,276	78,854	
Cemetery				-	
Engineering				-	
Interest and fiscal charges				-	
Operating grants and contributions					812,100
Capital grants and contributions					
Total governmental activities program revenues	\$	877,301	\$ 1,931,899	\$ 939,388	\$ 2,102,749
Business type activities					
Charges for services:					
Electric	\$	16,068,107	\$ 16,566,406	\$ 18,507,161	\$ 16,135,582
Gas		2,384,748	1,912,410	2,148,788	2,012,751
Water		1,758,404	1,697,803	1,650,519	1,653,154
Sewer		1,627,851	1,476,330	1,546,148	1,549,907
Refuse		1,221,620	1,215,667	1,201,340	1,250,087
Landfill		1,211,502	1,114,898	308,223	250,769
Telecommunication		223,525	220,524	259,660	174,529
Operating grants and contributions					
Capital grants and contributions					
Total business type activities program revenues		24,495,757	24,204,038	25,621,839	23,026,779
Total primary government program revenues	\$	25,373,058	\$ 26,135,937	\$ 26,561,227	\$ 25,129,528

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

	Fiscal Year	2008	2009	2010	2011
	(Continued)	(Continued)			
<b>Component Unit</b>					
Community Redevelopment Agency					
Operating grants and contributions	\$	348,938	\$ 530,293	\$ 547,790	\$ 738,186
<b>Net (Expense)/Revenue</b>					
Governmental activities		(9,275,772)	(7,686,798)	(6,868,931)	(8,683,298)
Business type activities		4,836,205	4,614,398	4,410,142	3,032,275
Total primary government net expense	\$	(4,439,567)	\$ (3,072,400)	\$ (2,458,789)	\$ (5,651,023)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	\$	644,323	\$ 802,221	\$ 987,980	\$ 872,142
Local option gas tax		364,059	339,375	309,474	633,355
Utility taxes		6,264	7,520	9,295	7,860
Communication service tax		419,502	364,491	297,478	207,704
Shared revenues from State of Florida		900,392	890,700	821,309	500,024
Earnings on investments		28,795	20,950	17,803	15,289
Miscellaneous		89,912	95,326	41,001	
Transfers - net		4,856,685	4,598,467	4,474,400	4,980,563
Capital assets, transferred from other government				-	
Total governmental activities	\$	7,309,932	\$ 7,119,050	\$ 6,958,740	\$ 7,216,937
Business type activities:					
Earnings on investments				-	-
Miscellaneous					
Transfers		(4,856,685)	(4,477,813)	(4,474,400)	(4,980,563)
Capital assets, transferred from other government					
Total business type activities		(4,856,685)	(4,477,813)	(4,474,400)	(4,980,563)
Total primary government	\$	2,453,247	\$ 2,641,237	\$ 2,484,340	\$ 2,236,374
<b>Change in Net Assets</b>					
Governmental activities	\$	(1,965,840)	\$ (567,748)	\$ 89,809	\$ (1,466,361)
Business type activities		(20,480)	136,585	(64,258)	(1,948,288)
Total primary government	\$	(1,986,320)	\$ (431,163)	\$ 25,551	\$ (3,414,649)

**Source:** Statement of Activities (Net Expenses) Revenue and Changes

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

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Local Option Taxes and Sales Taxes</b>	<b>Utility Taxes</b>	<b>Communication Taxes</b>	<b>Total Taxes, excluding Property Taxes</b>
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
2011	872,142	633,355	7,860	207,704	\$ 848,919

**Source:** ADG  
 GL Reports & Inquiry  
 Adv Reports  
 410  
 Month = 9  
 Year = Audit Year

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-spendable										
Capital Improvements										
Debt services										
Inventories	133,606	172,284	181,665	181,665	26,816	26,817	26,816	26,817	26,817	26,817
Prepaid assets										
Employees Retirements										
General fund, unassigned	420,389	815,285	(455,855)	85,793	979,147	1,384,149	1,032,587	1,108,450	810,489	657,407
Total general fund	<u>\$ 553,995</u>	<u>\$ 987,569</u>	<u>\$ (274,190)</u>	<u>\$ 267,458</u>	<u>\$ 1,005,963</u>	<u>\$ 1,410,966</u>	<u>\$ 1,059,403</u>	<u>\$ 1,135,267</u>	<u>\$ 837,306</u>	<u>\$ 684,224</u>
All Other Governmental Funds										
Restricted										
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	670,643
Inventories		-								
Assigned										625,328
Unassigned	5,732,224	(526,294)	839,444	337,083	(136,122)	(845,426)	(451,988)	9,650	(807)	(1,051,599)
Total all other governmental funds	<u>\$ 6,548,193</u>	<u>\$ 4,082,408</u>	<u>\$ 2,444,067</u>	<u>\$ 1,283,541</u>	<u>\$ 828,171</u>	<u>\$ 89,133</u>	<u>\$ 215,251</u>	<u>\$ 629,542</u>	<u>\$ 619,251</u>	<u>\$ 244,372</u>
Total governmental funds	<u>\$ 7,102,188</u>	<u>\$ 5,069,977</u>	<u>\$ 2,169,877</u>	<u>\$ 1,550,999</u>	<u>\$ 1,834,134</u>	<u>\$ 1,500,099</u>	<u>\$ 1,274,654</u>	<u>\$ 1,764,809</u>	<u>\$ 1,456,557</u>	<u>\$ 928,596</u>

**Source:** Balance Sheet Governmental Funds

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes:										
Taxes	\$ 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	\$ 1,721,061
Utility taxes										
Communication Service										
Other Taxes										
Franchise fees										
Licenses and permits	96,525	104,554	54,729	95,549	152,557	124,356	139,199	123,296	107,582	77,674
Intergovernmental	2,404,070	1,643,471	795,403	1,019,289	863,324	547,317	494,348	1,555,769	598,735	500,024
Charges for service						454,564	455,701	438,758	408,686	407,772
Fines and forfeitures						52,338	46,432	41,667	37,479	24,471
Fire assessment										
Development impact fees										
Grants					905,729	320,422	37,239			812,100
Investment earnings										
Other	742,782	728,519	1,189,505	863,881	1,190,370	737,317	317,437	435,857	332,910	796,021
Total revenues	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	4,339,123
<b>Expenditures</b>										
Current:										
General government	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	3,112,942
Public safety	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	3,388,183
Highway s and streets										
Public works		866,079	771,784	1,009,552	1,200,875					
Transportation	744,324					678,380	776,214	669,130	598,906	516,924
Human services										
Physical environment	101,463					77,577	72,213	83,587	203,546	184,609
Health										
Economic/Community Development	1,172,646	146,927	106,740	1,641	1,195,220		230,674	585,693	98,310	1,185,726
Library										
Culture/Recreation	1,067,767	637,927	567,817	620,453	598,737	804,660	740,792	552,026	347,566	397,271
Cemetery		30,152	37,341	41,633	44,277	45,170	44,753	6,021	26,532	18,655
Engineering		72,490								
Grants						165,627				
Debts issuance costs	421,036									
Debt service:										
Principal	293,025	503,646	651,924	376,764	375,000	390,000	184,167	185,000	190,000	200,000
Interest	137,376	386,458	371,315	337,422	420,824	304,331	312,792	280,231	270,981	261,481
Capital outlay	6,536,221	3,105,193	2,124,868	1,901,489	299,874	285,721	197,828	110,015	250,868	347,266
Total expenditures	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	9,613,057
Excess (deficiency) of revenues over expenditures	(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)	(5,273,934)
<b>Other Financing Sources (Uses)</b>										
Sales of fixed assets					106,422	-				
Transfers in	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	5,207,454
Transfers out	(1,004,270)	(756,456)	(1,282,894)	(697,929)	(848,718)	-	(579,934)	(288,513)	(461,148)	(461,481)
Capital revenue bond	6,299,326									
Local option bond proceeds	1,110,000									
Other			203,725	34,756						
Total other financing sources (uses)	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	4,745,973
Net change in fund balances	\$ (983,273)	\$ (2,032,211)	\$ (2,900,095)	\$ (618,580)	\$ 384,412	\$ (114,861)	\$ (908,912)	\$ 490,156	\$ (388,767)	\$ (527,961)
Debt service as a percentage of noncapital expenditures	3.9%	9.3%	11.1%	8.3%	7.6%	6.8%	5.8%	5.5%	5.6%	5.0%

Source: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds



**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>
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
2011	\$ 872,142	\$ 7,860	\$ 77,674	\$ 500,024	\$ 407,772	\$ 24,471	\$ 2,449,179	\$ 4,339,123

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**Note:** General fund only

**Source:** ADG  
GL Reports & Inquiry  
Adv Reports  
410  
Month = 9  
Year = Audit Year

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

<b><u>Fiscal Year</u></b>	<b><u>Tax Roll</u></b>	<b><u>Total Assessed Value</u></b>	<b><u>Homestead Exemption</u></b>	<b><u>Other Exemption</u></b>	<b><u>Assessed Value For Operations</u></b>
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
2011	2010	475,511,785	41,177,056	166,395,189	267,939,540

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**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)**

<b><u>Fiscal Year</u></b>	<b><u>Tax Roll</u></b>	<b><u>Total City Operations</u></b>	<b><u>Gadsden County Operations</u></b>	<b><u>Gadsden County Schools</u></b>	<b><u>North Florida Water Management District</u></b>	<b><u>Hospital District</u></b>	<b><u>Florida Inland Navigation District</u></b>	<b><u>Children's Services Council</u></b>	<b><u>Total City Wide</u></b>
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	2.7500	10.00	7.8501	0.0500	CLOSED	N/A	N/A	20.6501
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
2011	2010	4.0000	8.9064	8.0750	0.0450	N/A	N/A	N/A	21.0264

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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	\$ 11,497,342	3.719%
2	WAL-MART STORES INC	Retail	3,651,417	1.181%
3	QUINCY PLAZA LLC AND RIDGE	Shopping Center/Mall	2,671,347	0.864%
4	ARBOR CREST LTD	Apartment Complex	2,192,692	0.709%
5	SP GADSDEN PRESERVATION	Commercial Leasing	2,090,364	0.676%
6	CAPITAL CITY BANK	Banking	1,989,967	0.644%
7	HEALTH CARE REIT INC	Health Care	1,966,748	0.636%
8	GADSDEN SQUARE VGR LLC	Commercial Leasing	1,934,208	0.626%
9	HIGDON FURNITURE CO	Retail	1,697,829	0.549%
10	TALQUIN ELECTRIC	Electricity	1,586,689	0.513%
			<u>\$ 31,278,603</u>	<u>10.119%</u>

<u><b>Total Assessed Value</b></u>	<u><b>Homestead Exemption</b></u>	<u><b>Total</b></u>
\$ 267,939,540	\$ 41,177,056	\$ 309,116,596

(see assessed value worksheet)

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**Source:** Report from Gadsden County Property Appraisal's Office

**CITY OF QUINCY, FLORIDA**  
**PRINCIPAL TAXPAYERS-PERSONAL PROPERTY ONLY**

	<u><b>Taxpayer</b></u>	<u><b>Type of Business</b></u>	<u><b>Assessed Taxable Value</b></u>	<u><b>Percentage of Total Taxable Valuation</b></u>
1	QUINCY TELEPHONE COMPANY	Telephone	\$ 7,899,760	19.185%
2	SUPERVALU	Retail	2,970,850	7.215%
3	GARGIULO INC	Retail	2,552,772	6.200%
4	ACTIVE MINERALS	Chemical Manufacturer	2,422,761	5.884%
5	WAL-MART STORE # DIVISION STORE	Retail	1,911,343	4.642%
6	COMCAST OF QUINCY INC	Cable	1,289,019	3.130%
7	HIDGON FURNITURE CO	Furniture Manufacturer	1,197,564	2.908%
8	FLORIDA POWER CORP	POWER	779,459	1.893%
9	QUINCY JOIST COMPANY	Steel Joist Manufacturer	593,242	1.441%
10	CDS MANUFACTURING INC	Retail	559,775	1.359%
			<u><u>\$ 21,616,770</u></u>	<u><u>52.497%</u></u>
				41,177,056 (see assessed value worksheet)

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

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

<b><u>Fiscal Year</u></b>	<b><u>Tax Roll</u></b>	<b><u>Total Tax Levy *</u></b>	<b><u>Amount of Current Taxes Collected</u></b>	<b><u>Percent of Current Taxes Collected</u></b>	<b><u>Amount of Delinquent Taxes Collected</u></b>	<b><u>Total Collected for Year</u></b>	<b><u>Ratio of Total Taxes Collected to Total Current Levy</u></b>
2002	2001	469,570	453,494	96.58%	N/A	453,494	96.58%
2003	2002	480,588	463,021	96.34%	N/A	463,021	96.34%
2004	2003	511,976	491,667	96.03%	N/A	491,667	96.03%
2005	2004	550,557	530,611	96.38%	N/A	530,611	96.38%
2006	2005	599,579	586,999	97.90%	N/A	586,999	97.90%
2007	2006	670,381	596,124	88.92%	N/A	596,124	88.92%
2008	2007	853,182	664,128	98.66%	N/A	664,128	98.66%
2009	2008	853,806	824,770	96.60%	N/A	824,770	96.60%
2010	2009	1,043,770	1,032,415	98.91%	N/A	1,032,415	98.91%
2011	2010	900,532	889,612	98.79%	N/A	889,612	98.79%

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\* 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**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Revenue Bonds Series 2002</b>	<b>Special Assessmen t Bonds Series 2003</b>	<b>Revenue Bonds Series 2011</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
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
2011		4,985,000	7,450,000	6,000,000	18,435,000	2.44%	2,760

**Source:** Columns C,D - (see Debt Service Schedule for Bonds)  
Columns G,H- (Go to [Fred.labormarketinfo.com](http://Fred.labormarketinfo.com))

**CITY OF QUINCY, FLORIDA**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**GENERAL OBLIGATION DEBT**  
**SEPTEMBER 30, 2011**

	<b><u>Net</u></b> <b><u>Debt**</u></b>	<b><u>Percent</u></b> <b><u>Applicable *</u></b>	<b><u>Amount</u></b> <b><u>Applicable to</u></b> <b><u>City of Quincy</u></b>
City of Quincy	\$ 37,880,453	100%	\$ 37,880,453
Gadsden County School Districts	- 1	25.00%	-
Gadsden County	<u>19,978,411 2</u>	10.70%	<u>2,137,690</u>
Total Direct and Overlapping Debt	<u><u>\$ 57,858,864</u></u>		<u><u>\$ 40,018,143</u></u>

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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)				
2002	166,567	158,349		1.05
2003	166,567	158,349		1.05
2004	166,567	48,333	103,677	1.10
2005	166,567	53,333	101,644	1.07
2006	166,567	53,333	100,577	1.08
2007	166,567	55,000	98,444	1.09
2008	166,567	56,667	96,244	1.09
2009	275,691	61,667	93,410	1.78
2010	235,860	63,333	90,327	1.53
2011	235,393	66,667	87,160	1.53

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

2002	373,142	187,146		1.99
2003	373,142	187,146		1.99
2004	373,142	48,333	103,677	2.45
2005	373,142	53,333	101,644	2.41
2006	373,142	53,333	100,577	2.42
2007	373,142	55,000	98,444	2.43
2008	373,142	56,667	96,244	2.44
2009	364,491	61,667	93,410	2.35
2010	297,478	63,333	90,327	1.94
2011	207,671	66,667	87,160	1.35

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

2002	N/A	N/A		N/A
2003	N/A	N/A		N/A
2004	N/A	48,333	103,677	N/A
2005	N/A	53,333	101,644	N/A
2006	N/A	53,333	100,577	N/A
2007	N/A	55,000	98,444	N/A
2008	N/A	56,667	96,244	N/A
2009	205,648	61,667	93,410	1.33
2010	179,410	63,333	90,327	1.17
2011	182,839	66,667	87,160	1.19

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

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Personal Income</u></b>	<b><u>Per Capita Personal Income</u></b>	<b><u>Median Age</u></b>	<b><u>Percentage with a bachelor's degree or higher</u></b>	<b><u>School Enrollment</u></b>	<b><u>Unemployment</u></b>
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	1,230,558	*	36.5	12.90%	6,417	9.90%
2010	7,380	1,274,455	27,454	33.5	11.40%	6,300	10.60%
2011	7,868	*	*	*	12.30%	*	10.30%
<hr/>							
	Source 1	Source 2	Source 2	Source 1	Source 2	Source 3	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, 2011**

<u>Date of Incorporation</u>		<u>Public Education</u>			
November 19, 1828		Number of schools	15-County	7-City Limits	
		Number of teachers	419-County	190-City Limits	
<u>Date of Adoption of City Charter</u>		Number of students	6075-County	2512-City Limits	
August 14, 1963		Total of all faculty	882-County	499-City Limits	
<u>Form of City Government</u>		<u>Area</u>			
Commission / Manager		Square miles	7.766		
<u>Building Permits this Period</u>		Streets, Sidewalks, Sewers, <u>Storm Drainage</u>			
Permits issued	315	Miles of streets	63		
Estimated value	49,060	Miles of sidewalks	29		
		Miles of sanitary sewers	70		
		Miles of storm drainage	32		
<u>Recreation</u>		<u>Waterways</u>			
Public park facilities	66.88 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	3868	3257	
		Miles of mains	82.1	69.6	
		Fire hydrants	503	0	
		Wastewater pump stations	0	10	
<u>Employees as of September 30, 2011</u>					
Civil service	-				
Exempt classification	24				
Fire union	19				
Fed. or public empl.	113				

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

Year	<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>
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%
2011	7,868	6.61%	48,200	-3.56%	311,800,000	1.10%

**City of Quincy, Florida**  
**Principal Employers**  
**September 30, 2011**

<b>Employer</b>	<b><u>Employees (1)</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City</u></b>
Gadsden County School Board	956	1	43.93%
Gadsden County BOCC	235	2	10.80%
Talquin Electric	187	3	8.59%
BASF	150	4	6.89%
Supervalu Quincy Distr. Center	130	5	5.97%
Wal-Mart, Quincy	128	6	5.88%
Higdon Furniture	119	7	5.47%
City of Quincy	114	8	5.24%
Quincy Joist Company	100	9	4.60%
Active Minerals	57	10	2.62%
<b>Total</b>	<b>2,176</b>		

Source-

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Function</b>										
City Manager	2	2	2	2	4	2	3	2	2	2
General services	5	3	3	2	2	2	1	1	1	0
City Clerk	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police:										
Sworn	49	49	49	50	48	27	26	25	29	28
Administration/Other	11	6	6	7	6	22	18	6	4	4
Fire	25	25	24	25	25	24	24	19	20	19
Building & Planning	6	6	6	6	5	3	3	2	1	1
Code Enforcement						1	1	1	1	1
Community Redevelopment Agency	1	3	3	2	2	1	2	2	2	2
Netquincy				6	2	5	5	3	2	4
Public Works	24	23	23	31	23	23	21	19	17	20
Customer Service	5	5	5	5		9	8	6	6	6
Human Resources:	5	3	4	4	4	2.5	2	2	2	2
Parks & Recreation	35	34	26	26	32	30	9	3	2	2
Utilities	26	27	27	30	31	23	21	20	20	16
Finance	6	6	6	10	9	4.5	7	5	6	6
<b>Total:</b>	<b>201</b>	<b>193</b>	<b>185</b>	<b>207</b>	<b>194</b>	<b>180</b>	<b>152</b>	<b>117</b>	<b>116</b>	<b>114</b>

Source: City of Quincy Human Resources

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Fire Rescue:	25	26	26	25	24	22	22	22	22	22
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks/Engines	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	82.1
Fire Hydrants									503	503
Maximum daily permit capacity (millions of gallons)	3.24	3.62	3.62	3.62	3.62	3.24	3.62	3.62	3.62	3.62
Maximum daily plant capacity (millions of gallons)	3.9	3.9	3.9	3.9	3.9	3.9	4.6	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	47.88	66.88
Parks	14	14	14	14	14	14	14	14	14	15
Swimming Pools	2	2	2	2	2	1	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	3	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	9
Public Safety										
Police:										
Number of calls answered	29,972	30,495	27,741	27,147	22,382	26,366	23,676	21,142	42,100	26,714
Felony arrests	539	803	811	882	630	67	138	225	143	467
Traffic accidents	479	526	508	435	457	453	517	469	298	402
Traffic/Parking citations	2,008	2,667	2,518	3,349	2,085	3,644	1,897	1,653	2,351	1,588
Fire Rescue:										
Number of fire calls answered	429	464	531	452	524	473	481	1,023	2,100	1,283
Building and Planning:										
Building Permits issued						498	241	233	417	315

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

Physical Environment									
Maintained rights of ways (miles)	62.10	62.78	62.84	62.84	62.84	62.84	62.84	62.84	62.84
Landscaping and irrigation (miles)	1	1	1	1	1	1	1	1	1
Transportation									
Traffic guardrails installed (linear feet)	-	-	-	-	100	200	150	-	-
Sidewalks replaced (linear feet)	50	5,250	260	50	50	75	50	-	-
Curbing installed (linear feet)	50	5,280	280	50	50	45	-	-	-
									replaced 2
Culture/ Recreation									
Number of sports leagues	5	5	5	5	5	18	17	17	17
Water-Sewer combined service	6,661	6,688	7,000	7,070	7,160	7,007	7,198	7,893	7,322
Number of water accounts	3,719	3,707	3,757	3,809	3,865	3,775	3,905	4,323	3,975
Sewer mains rehabilitated (linear feet)	-	-	-	-	-	-	-	-	-
Average daily consumption (millions of gallons)	1.14	1.19	1.31	1.16	1.22	1.22	1.43	1.36	1.37

**CITY OF QUINCY, FLORIDA**  
**PROPERTY ASSESSED VALUE, OUTSTANDING DEBT, LEGAL DEBT LIMITS & COVENANTS**  
**SEPTEMBER 30, 2011**

Estimated Actual Taxable Value	\$	475,511,785
Less: Homestead Exemption		41,177,056
Other Exemptions		166,395,189
Total Taxable Assessed Value	\$	<u>267,939,540</u>

**City's direct unlimited debt limitation (1.25% of the City's total taxable assessed valuation)** **3,349,244**

**Amount of debt outstanding:**

Revenue Bonds:

Local Option Fuel Tax (2002)	-
Capital Improvement (2002)	4,985,000
Utility System Improvement & Refunding (2003)	<u>\$ 7,450,000</u>
Total outstanding revenue bonds	12,435,000

General Obligation Bonds:

N/A

Total outstanding debt	\$ 12,435,000
Less: Reserve for debt service	- *
Net total outstanding debt	<u>\$ 12,435,000</u>

**Legal Debt Margin** **3,349,244**

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\*Source: Balance Sheet Governmental Funds from Auditors



**CITY OF QUINCY, FLORIDA**  
**Schedule of Debt Service on Outstanding Bonds as September 30, 2011**

<u>Type of Bonds</u>	Utility System Improvement and Refunding Revenue	Capital Improvement Revenue Bonds	Utility System Revenue Bonds	<u>Total</u>
	<u>Series 2003 Bonds</u>	<u>Series 2002</u>	<u>Series 2011</u>	
2011	604,600	461,481	0	1,066,081
2012	605,000	461,481	0	1,066,481
2013	600,100	460,981	140,000	1,201,081
2014	604,800	459,981	145,000	1,209,781
2015	602,625	463,481	155,000	1,221,106
2016	598,625	461,231	160,000	1,219,856
2017	599,000	463,481	160,000	1,222,481
2018	603,500	464,981	170,000	1,238,481
2019	602,125	455,731	180,000	1,237,856
2020	595,125	466,231	180,000	1,241,356
2021	602,250	465,481	195,000	1,262,731
2022	598,375	463,981	195,000	1,257,356
2023	603,500	461,731	210,000	1,275,231
2024	597,625	458,281	195,000	1,250,906
2025	625,125	464,063	200,000	1,289,188
2026	625,750	458,563	210,000	1,294,313
2027	625,125	457,294	220,000	1,302,419
2028	623,250		225,000	848,250
2029	629,875		245,000	874,875
2030	620,125		895,000	1,515,125
2031			935,000	935,000
2032			985,000	985,000
<hr/>				
Total debt service	\$ 12,166,500	\$ 7,848,456	\$ 6,000,000	\$ 26,014,956
Principal Outstanding	\$ 7,685,000	\$ 5,180,000	\$ 6,000,000	\$ 18,865,000

Note: Hide prior year

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

<b><u>Fiscal Year</u></b>	<b><u>Gross Revenue***</u></b>	<b><u>Operating Expenses *</u></b>	<b><u>Net Revenue Available For Debt Service</u></b>	<b><u>Debt Service**</u></b>	<b><u>Coverage</u></b>
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
2011	3,203,061	3,619,850	(416,789)	940,651	(0.443)

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**Note: Water and Sewer Fund**

\* Total expenses excluding debt service on revenue bonds

\*\* Includes principal and interest. (See Debt Service Schedules for Bond totals)

\*\*\*Statement of Net Assets Proprietary Funds

STATEMENT OF REV, EXPD & CHANGES IN FUND BALANCES

**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>
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
2011	N/A	N/A	215,402,000

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

**CITY OF QUINCY, FLORIDA  
COMPUTATION OF LEGAL DEBT MARGIN  
GENERAL OBLIGATION BONDS  
SEPTEMBER 30, 2011**

Assessed valuation 2010 roll	<u>\$ 751,523</u>
Bonded debt limit - 15% of assessed value	\$ 112,728
Total bonded debt- Water and Sewer Fund	-
Less: Revenue Bonds	
Utility System Revenue Refunding	-
Amount of debt applicable	<u>-</u>
Legal debt margin	<u>\$ 112,728</u>

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

Source: Assessed valuation-Gadsden County Property Appraisal Tax Roll Recapitulation

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

<b>Fiscal Year</b>	<b>Total Amount Of Special Assessments Receivable Beginning of Year</b>	<b>Amount of Special Assessments Becoming Due During Fiscal Year</b>	<b>Special Assessment Collected</b>	<b>Total Amount of Special Assessments Receivable End of Year</b>
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
2011	131,508	131,508	131,508	131,508

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Source: Balance Sheet - Governmental Funds - General Fund Only

**CITY OF QUINCY, FLORIDA**  
Schedule of Transportation Expenditures  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Road Street Facilities Personal Services</b>	<b>Road Street Facilities Operating Expenses</b>	<b>Road Street Facilities Capital Outlay</b>	<b>Debt Service Payment Debt Service</b>	<b>Debt Service Other General Operating Expense</b>	<b>Transportation</b>	<b>Total</b>
2002	-	-	-	-	-	744,324	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	-	-	-	204,150	678,380
2008	-	-	-	-	-	776,214	776,214
2009	-	-	-	-	-	669,130	669,130
2010	-	-	-	-	-	598,906	598,906
2011						516,924	516,924

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## **IV. COMPLIANCE SECTION**

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## **REPORTS REQUIRED BY OMB CIRCULAR A-133**

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**CITY OF QUINCY, FLORIDA**  
**Schedule of Expenditures of Federal Awards and State Project**  
**Fiscal Year Ended September 30, 2011**

<b>Grantor /Pass-Through Grantor/Program Title</b>	<b>CFDA/CSFA Number</b>	<b>Grantor/Contract Number</b>	<b>Total Expenditures</b>
<b>Federal Awards:</b>			
U.S. Department of Justice Passed through the Bureau of Justice Assistance Local	16.738	2009-SB-B9-2651	-
U.S. Department of Justice Passed through the Bureau of Justice Assistance Local		2009-DJ-BX-1117	-
Federal Emergency Management Agency/Dept of Homeland Security	97.115	EMW-2009-FC-05512R	\$ 87,911
Florida Department of Community Affairs Neighborhood Revitalization Tanyard Creek	14.228	11-DB-L4-02-30-02-N27	\$ 489,267
U.S. Department of Energy Office of Elec. Delivery & Energy Reliability	81.122	DE-OE0000265	\$ 898,944
U.S. Environmental Protection Agency Passed through the State of Florida Environmental Protection: Drinking Water State Revolving Loan Fund	66.468	DW200610	
Statewide Surface Water Restoration and Wastewater Project	66.458	CS1204107P	
Total Expenditure of Federal Awards			<u>\$ 1,476,122</u>
<b>State Projects:</b>			
Florida Department of Environmental Protection Florida Recreation Development Assistance Program (FRDAP) - Recreation Dept	37.017	A09127	127,322
Florida Department of Environmental Protection Florida Recreation Development Assistance Program (FRDAP) - Recreation Dept	37.017	A09136	135,610
Total Expenditures of State Financial Assistance			<u>\$ 262,932</u>

# **City of Quincy, Florida**

## **Notes to Schedule of Expenditures of Federal Awards For The Fiscal Year Ended September 30, 2011**

### **NOTE 1. GENERAL**

The Schedule of Expenditures of Federal Awards included herein represents all Federal grant awards of City of Quincy, Florida (the "City") over which the Authority exercised direct operating control for the year ended September 30, 2011.

### **NOTE 2. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**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**

The Board of Commissioners  
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, 2011, and have issued our report thereon dated October 15, 2012. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items IC-MW-11-01, IC-MW-11-02, IC-MW-11-03, IC-M-01-4 and IC-M-05-03 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses as items IC-SD-11-04, IC-IM-10-02, IC-IM-10-05, IC-IM-09-01, IC-M-05-04, IC-M-04-05, and IC-M-04-06 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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* noted as items C-M-05-02, C-M-02-1, and C-M-05-1.

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

We noted certain matters which are not considered significant enough to be significant deficiencies, which were communicated to management of City in a separate letter dated October 15, 2012.

This report is intended solely for the information and use of the Board of Commissioners, management, the Auditor General of the State of Florida, and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Tallahassee, Florida  
October 15, 2012

*TCBA Water Rice LLP*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners  
City of Quincy, Florida

**Compliance**

We have audited the compliance of the City of Quincy, Florida (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major Federal program for the year ended September 30, 2011. The City's major Federal programs are identified in the summary of auditors' results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2011.

## Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned cost as items I-2011-01 to be material weaknesses. We consider the deficiencies described as C-2011-02, IC-2011-03, C-2011-04 and I-2011-05 to be significant deficiencies.

This report is intended solely for the information and use of management, the Board of Commissioners, and Federal and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Tallahassee, Florida  
October 15, 2012

*TCBA Watson Rice LLP*

# City of Quincy, Florida

## Schedule of Findings and Questioned Costs Federal Programs Year Ended September 30, 2011

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### ***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

■ Material weaknesses identified? ☒ Yes ☐ No

■ Significant control deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### ***Federal Programs***

Internal control over major programs:

■ Material weaknesses identified? ☒ Yes ☐ No

■ Significant control deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

#### Identification of major programs:

##### ***CFDA Numbers***

81.122  
14.228

##### ***Name of Federal Program or Cluster***

Electric Delivery & Reliability  
Neighborhood Revitalization Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION II FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

**IC-MW-11-01 CONDITION**

During the course of the audit we noted that there was a lack segregation of duties between the recording, authorization, custody, and reconciliation of transactions in the financial accounting and human resources functions. Current processes are subject to override due to lack of segregation in the Finance Department.

- Reconciliation, authorization, recording, and custody can be maintained by one individual.
- Finance department has access to Human Resources (HR) Master files and possesses the ability to make changes in HR and process payroll.

**CRITERIA**

A system of internal control should serve to prevent fraud and error which is a key concept of internal control. No individual should be in a position to both perpetrate and conceal irregularities. As such, functions that should be separated include custody, authorization, recording, and reconciliation.

**EFFECT OF CONDITION**

Lack of segregation of duties can cause error and fraud within the City's operations and financial reporting capacities.

**CAUSE**

The condition is said to be caused by the lack of staff and appropriate training within the Finance Department. Additionally, not implementing operational segregations through the Information Technology department; i.e., creating separate levels of access and authority for the Human Resource and Finance Dept. properly applying systematic controls.

**RECOMMENDATION**

We recommend that the City perform an overall risk assessment to evaluate the internal control structure currently in place and develop the proper necessary compensating controls. Segregation of duties between Finance and HR should be implemented immediately and finance staff should be required to participate in regular trainings including those specifically related to governmental accounting regulations, internal control and compliance standards.

**MANAGEMENT'S RESPONSE**

Management does not concur. Within the next 30 days, Information Technology will set levels of access and authority to implement systematic controls for segregation of duties for both the Human Resources and Finance Dept. These will be submitted to our external auditors for review to ensure that segregation of duties issue is adequately addressed. Additionally, we will request that our external auditor submit a copy of the report of their review of the IT controls which was completed during a prior audit.



**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION II FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS (CONTINUED)***

**IC-MW-11-02 CONDITION**

During the course of the audit we noted that the City does not follow a process of reconciling account balances on a regular basis. The majority of accounts, including several with significantly material balances had not been reconciled or recorded more than nine months after year end. Journal entry testing also revealed that several entries were not posted accurately nor timely.

**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, reconciled, and recorded on an ongoing basis throughout the year.

**CAUSE**

Per discussion with management, this was due to the limited resources available in the finance department.

**EFFECT OF CONDITION**

The ability of the City to prevent material misstatements, errors, and fraud in financial statements is compromised if the accounts are not properly monitored throughout the year.

**RECOMMENDATION**

We recommend that the City implement and adhere to a process whereby all accounts are reconciled and reviewed each month. On a regular basis, not less than quarterly, interim financial statements should be provided to the City Commission in a similar presentation to the audited year-end financial statements and a reconciliation of significant accounts bank accounts should also be presented at this time.

**MANAGEMENT'S RESPONSE**

Management concurs with the reconciliation of accounts on a monthly basis and suggests the following;

- Assign task for less complex reconciliations to Account Control Specialist and require completion and review by Accountant no more than 20 days after end the period being reconciled; i.e., single bank account to single general ledger account type reconciliations. These assignments have been active and in place since May.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION II FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS (CONTINUED)***

- Identify components of complex reconciliation which can be assigned to AP/Payroll clerk and Account Control Specialist for reconciliation; these reconciliations will be combined with the more complex components of the reconciliation which will be completed by the Accountant; Finance Director will review the overall reconciliation once compiled by the Accountant. Example of these reconciliations include the operating account (pooled cash account) and the reconciliation of accounts between subsidiary ledger and general ledger. These assignments are partially completed and will be fully implemented by the end of the first quarter of the fiscal year.

Management does not concur with the suggested format for reporting financial data to the City Commission. However, management does agree to continue its current reporting format to the City Commission and enhance it with specific information regarding the completion of account reconciliations.

**IC-MW-11-03 CONDITION**

The City does not have a formal process which establishes internal controls over financial reporting to ensure proper presentation and disclosure of the financial reports.

**CRITERIA**

Management is responsible for identifying and documenting the controls and the control objectives that they were designed to achieve. Such documentation serves as a basis for management's assertion. Documentation of the design of controls, including changes to those controls, is evidence that controls upon which management's assertion is based are identified, capable of being communicated to those responsible for their performance, capable of being monitored and evaluated by the entity.

**CAUSE**

Staff has not reviewed or implemented the formal financial reporting and close process identified in the accounting policies and procedures manual.

**EFFECT**

Management relies on the auditor to inform them of requirements, rules, and standards that should have already been in place prior to the audit. The related necessary accounting procedures are not performed during the year and as a result significant delays are experienced in the audit process.

**RECOMMENDATION**

We recommend that the City implement a formal documented process of financial reporting procedures and related internal controls over the process.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION II FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**MANAGEMENT'S RESPONSE**

The current accounting manual provides a formal financial reporting process. However, we concur that a review of the manual should be undertaken to enhance the reporting process and further establish internal controls within the City. Any changes will take into consideration the current size of the City and staffing resources. In addition, the Finance Director will be actively engaged in training opportunities which addresses these issues.

**IC-SD-11-04 CONDITION**

During testing of pensions and employee benefits, we noted that there was a lack of supervisory level controls over employee elections and contributions. An employee made changes to their election after the election period. Also, their contribution was made to one plan while the corresponding City contribution was made to a separate plan.

**CRITERIA**

Employee elections should be maintained and reviewed by the human resources department. All employee changes and elections should be reviewed and approved by the appropriate level of authority.

**CAUSE**

Error occurred due to a change that was entered after the election period but not adequately reviewed or approved by the Human Resources department prior to the effective change.

**EFFECT**

City employee has the ability to participate in two plans. The plan incurs additional costs for the benefit of the individual not permitted to participate in the plan.

**RECOMMENDATION**

We recommend that all employee elections should only be made in accordance with the election period stated in the policy and changes are evidenced by supervisory level review of the human resource department.

**MANAGEMENT'S RESPONSE**

Management concurs. Current procedures will be reviewed and modified as deemed necessary to ensure completeness in the process for recording employee elections pertaining to pension benefits during the eligibility period. In addition, reconciliation of the related reports will be performed by the Account Control Specialist (Finance) on a bi-weekly basis after each payroll process is completed and prior to the actual payment of the funds to ensure there are no discrepancies between the actual pension plans election and the payment. If discrepancies are noted, the Account Control Specialist (Finance) will notify Human Resources and the Finance Director immediately and provide assistance in resolving the discrepancy.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**CFDA 14.228**

***I-2011-01 Absence of Finance Department Review of Program Expenditures***

**Condition**

The invoices or Application for Payments from the contractor who is doing the project funded by CDBG funds is not being reviewed by the Finance Department. Although the invoices were reviewed by a third-party engineer, we noted that these invoices were not forwarded to the Finance Department for further review. Payments to the contractor were only supported request for funds prepared by the CRA Director.

**Criteria**

Contractor payments should not be based on request for funds only. Invoices, purchase order and/or contract agreement and the certification from the third-party engineer should support the disbursement of funds for payments to contractors/vendors.

**Questioned Cost**

Not applicable.

**Effect**

The payments to the contractor may be inaccurate or not commensurate to the amount of work done without the proper review by Finance Department.

**Cause**

The absence of review by the Finance Department of the invoices may be due to reliance of the review done by other parties in the City.

**Recommendation**

We strongly suggest that the Finance Director review the supporting invoices relative to contractor/vendor payments not only for disbursements of City funds but also for grant funds.

**Managements Response**

Management concurs with the recommendation.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**  
*(Continued)*

**CFDA 81.122**

***C-2011-02 Report of Federally-acquired assets***

**Condition**

There was no evidence that a report of the federally-acquired assets was prepared and submitted, as required by the Grantor.

**Criteria**

One of the reports required in the Smart Grid Grant Agreement is the submission of the federally-acquired assets.

**Questioned Cost**

Total cost of the equipment procured for the Smart Grid Project as of September 30, 2011 was \$1,300,237. The amount chargeable to the grant is 50% or \$650,118.

**Effect**

Non-submission of the above-mentioned report may cause the Grantor to disallow the expenditures due to non-compliance.

**Cause**

Management did not comply with grant requirements due to a failure to monitor compliance requirements.

**Recommendation**

We suggest that the above-mentioned report be prepared and be submitted to the Grantor even if the City may no longer continue with the project.

**Managements Response**

Following DOE's review of the audit performed by their selected auditor (KPMG), a final report of federally acquired assets will be completed and submitted.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**  
*(Continued)*

**I-C-2011-03 *Procurement of Services***

**Condition**

The City used existing contractors to provide services for the Smart Grid Project.

**Criteria**

Although the contractors used to provide labor services for the Smart Grid Project are existing vendors of the City, the City should have gone through its normal procurement process so that other parties and vendors who may have the capability to serve are given equal opportunity.

**Questioned Cost**

Total cost of labor provided by existing vendors of the City amounted to \$12,849.76.

**Effect**

Non-compliance of the federal requirement on procurement may cause the related expenditure to be disallowed.

**Cause**

The City did not invite the put out a notice or invite potential vendors to submit quote for the labor requirement relative to the Smart Grid project.

**Recommendation**

If the City will move ahead with the project, we suggest that the requirements for labor supply should go through the normal procurement process. Existing vendors may also bid or provide quote. The most responsible and competitive bid shall be awarded the supply contract.

**Management's Response**

Management does not concur. The City was not required to go through an additional procurement process to complete the work. Management contacted DOE to verify that these resources could be used on the project. When required, the City's procurement policies and procedures were followed and approximately \$1.1M were bid in accordance with the policy.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**SECTION III FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**  
*(Continued)*

**C-2011-04 Consistently Prepare Progress Report**

**Condition**

Only one (1) monthly Progress Report was prepared for the entire year.

**Criteria**

As required in the Grant Agreement, Progress Reports were supposedly to be submitted monthly.

**Questioned Cost**

Not determinable.

**Effect**

Grantor may terminate the grant due to non-compliance of the requirement.

**Cause**

Management did not comply with grant requirements due to a failure to monitor compliance requirements.

**Recommendation**

We suggest that the City prepare the required monthly reports to comply with the Grant Agreement.

**Management's Response**

At the time the external auditors commenced their review, DOE directed the City to not submit any monthly reports.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

**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.

**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 manner.

**CURRENT YEAR'S STATUS**

Finding not corrected in the current year.

**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. For the current year, at the end of each quarter, the Accountant will prepare a reconciliation confirming that the balance per the subsidiary ledger is accurate and is properly reflected in the general ledger. Adjustments, if any, resulting from the reconciliation will be reviewed by the Finance Director for authorization prior to recording in financial records. Evidence of completion will be provided to the City Manager on a quarterly basis.

**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.

**CURRENT YEAR'S STATUS**

Condition not noted in current year.



**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

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

**CURRENT YEAR'S STATUS**

Condition not noted in the current year.

**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. 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.

**CURRENT YEAR STATUS**

Similar findings noted in the current year.

**MANAGEMENT'S RESPONSE**

Management will be increasing staff based on the FY2012 budget and the Finance Director expects to fill this position prior to the end of FY2012. Once the staff is hired and training has been completed, a review of how duties can be further segregated will be undertaken

**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.

**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.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

**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. In addition, the requirements pertaining to the 2011 Series Issuance were not met regarding continuing disclosures and submissions of financial statements within 12 months.

**CURRENT STATUS**

Compliance requirements relating to the State Revolving Loan Fund Agreement were not met in FY 2011.

**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.

**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.

**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 (including specific assignment of duties to staff other than the Director) will be implemented to ensure report is filed timely. Filling the open position in the current budget will provide additional resources to ensure that compliance requirements are assigned to a designated person for completion. Annual certification report for FY2012 has been completed and filed timely. Although the FY2011 report was also filed, it was not filed timely. To ensure all filing are timely in the future, the Administrative Assistant will be responsible for monitoring timely completion of all tasks on the Department checklist.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

**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.

**MANAGEMENT'S RESPONSE**

Management acknowledges that controls will continue to address the issues related to this finding internally since it has been decided that the payroll process will not be outsourced. In addition to the controls previously implemented to address this issue, management continues to evaluate the segregation of duties issues and work with the software provider to streamline the system access in a manner that achieves maximum internal controls without increasing costs. This includes the identification and use of system audit reports as a tool for reviewing and assessing the adequacy of internal controls. Documentation will be maintained as evidence of such review with changes made as deemed both necessary and appropriate.

**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. The Accountant will be assigned this task and will be responsible for its completion. Completion of task will be linked to the Accountant and the Finance Director's performance evaluation.

**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.

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

**MANAGEMENT'S RESPONSE**

Management concurs with the reconciliation of accounts on a monthly basis and suggests the following;

- Assign task for less complex reconciliations to Account Control Specialist and require completion and review by Accountant no more than 20 days after end the period being reconciled; i.e., single bank account to single general ledger account type reconciliations. These assignments have been active and in place since May.

- Identify components of complex reconciliation which can be assigned to AP/Payroll clerk and Account Control Specialist for reconciliation; these reconciliations will be combined with the more complex components of the reconciliation which will be completed by the Accountant; Finance Director will review the overall reconciliation once compiled by the Accountant. Example of these reconciliations include the operating account (pooled cash account) and the reconciliation of accounts between subsidiary ledger and general ledger. These assignments are partially completed and will be fully implemented by the end of the first quarter of the fiscal year.

Management does not concur with the suggested format for reporting financial data to the City Commission. However, management does agree to continue its current reporting format to the City Commission and enhance it with specific information regarding the completion of account reconciliations.

**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**

Similar finding noted in the current year.

**MANAGEMENT'S RESPONSE**

Management continues to fund the account to ensure that it is adequate to support the customer's deposit liability in the ledger.

**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).

**CURRENT STATUS**

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

**City of Quincy, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Programs**  
**Fiscal Year Ended September 30, 2011**

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENT**

**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

**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:

- 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. Noted as a material weakness at IC-MW-11-02

**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 weaknesses in the manner in which the City managed the program.

**CURRENT STATUS:**

Findings not noted in the current year audit. Program is no longer in place

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF  
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and City Commission  
City of Quincy, Florida

We have audited the basic financial statements of the City of Quincy, Florida (the "City") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated October 15, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' 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 schedules, which are dated October, 15 2012, 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 auditors' report 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 except as noted under the heading "Prior Year Findings and Recommendations".
- 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 provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we identified the following deficiencies that are not significant deficiencies; IC-CD-11-05, IC-CD-11-06, IC-CD-11-07, IC-M-01-3, C/IC-11-08, C-11-09, C/IC-11-10, and C/IC-11-11.
- 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. The City of Quincy was incorporated on June 7, 1929. The City included the Quincy Community Redevelopment Agency as its blended component unit.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(l)(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's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide 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 management, and the Florida Auditor General, and Federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Tallahassee, Florida  
October 15, 2012

*TCBA Watson Rice LLP*

**CITY OF QUINCY, FLORIDA**  
**MANAGEMENT LETTER**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**IC-CD-11-05 CONDITION**

During the testing of journal entries, we noted that journal entries are not automatically numbered by the system. As such, there were several journal entry numbers manually skipped.

**CRITERIA**

The accounting system should ensure that all recorded entries are properly accounted for.

**CAUSE**

The journal entry system is currently a manual process. If a staff member assigns a number to themselves for use and subsequently does not use it. The entry is skipped and the following entry is used.

**EFFECT**

Transactions recorded in the system may not be properly authorized and supported by proper documentation may go undetected if not included in journal entry population and the related accounts were not reconciled timely.

**RECOMMENDATION**

To ensure all recorded transactions are properly accounted for, the City should implement a system whereby the journal entries are automatically numbered by the accounting software system.

**MANAGEMENTS RESPONSE**

Management will identify mitigating procedures and controls to ensure that only journal entries which have been properly authorized and supported are recorded in the accounting system. Although the current system does not allow for automatic numbering of journal entries, the Account Control Specialist will work with the software provider to identify reports which can be utilized to facilitate the review of all journal entries recorded in the accounting system.

**IC-CD-11-06 CONDITION**

During our testing of controls over purchase card (P-Card) transactions, we noted the following:

- Six of thirty selections did not have support which agreed to the amount charged on the card.



- Seven of the thirty selections did not contain evidence that the statement was reconciled by the cardholder prior to submission to Finance.
- Twenty-five of thirty selections did not indicate the purpose of the transaction. Therefore, we were unable to determine whether it relates to official City business and the whether the accounts charged for the expenses were correct.
- Twenty-eight of the thirty selections did not show evidence of review of the transactions by the cardholder's supervisor or finance department.

### **CRITERIA**

Purchase card transactions are only to be made in accordance with City policy.

### **CAUSE**

City employees were not trained on proper use and allowable expenses of the P-Card. In addition, the review and approval process was not fully adhered to.

### **EFFECT**

The City may incur expenses for unrelated or unapproved city business. The City may become susceptible to fraud and abuse.

### **RECOMMENDATION**

We recommend the City implement and adhere to a P-Card policy whereby all transactions are fully documented and subject to accountability, review, and approval, prior to recording of City expense. Any P-Card holder should be trained on proper use of the card.

### **MANAGEMENT'S RESPONSE**

Management concurs. The purchasing card policy has been revised to address these issues and other issues identified during a subsequent review of the policy specifically addressing appropriate expenses and documentation thereof. Training is planned for all p-card holders to address use of the p-card and associated responsibilities will be completed in the first quarter of the fiscal year by the Account Control Specialist (Finance). Changes implemented prior to the issuance of this report include the following:

- P-card holders are required to submit a reconciled statement within 15 days of receipt and submit the reconciled statement to the Account Control Specialist (Finance). Included with the reconciled statement are receipts, invoices and/or other documents supporting the expenditure, an explanation/justification for the expenditure and the general ledger account where expenses should be charged.
- The Account Control Specialist (Finance) reviews the reconciled statement submitted by the cardholder for accuracy and reasonableness of expenditure and proper authorization from the Department Director. Evidence of the review is documented on the statement by the Account Control Specialist (Finance).
- Purchasing card expenses (statement and justification for expenses) are included in the monthly financial report given to the City Commission and posted on the City's website.

**IC-CD-11-07    CONDITION**

During the testing of HR files, we noted that employees selected did not have annual evaluations.

**CRITERIA**

The City should perform annual evaluations to identify any issues that may need to be addressed and implement policies for improvement or correction. In addition, it is the City's policy that employees will be evaluated on an annual basis.

**CAUSE**

The City did not perform evaluations for all employees during the year due to

- Medical issues in the Human Resources department, who is responsible for initiating the performance evaluation process and collecting the evaluations; and
- Lack of enforcement mechanism to ensure compliance by each department.

**EFFECT**

The City may be unable to identify potential issues that need to be addressed. Also, the employees may have a documented record of performance.

**RECOMMENDATION**

The City should perform annual evaluations of employees.

**MANAGEMENT'S RESPONSE**

Management concurs. Performance evaluations will be completed and documented for all employees on or before September 30 of the fiscal year. No adjustment in pay will be made without completion of the evaluation. Evidence of such will be maintained in the employee's personnel file.

**C/IC-11-08    CONDITION**

We noted that the annual inventory of property has not been performed for the current fiscal year.

**CRITERIA**

Pursuant to Florida Rules 69I-73.006 Inventory of Property. And state statute 274.02 a physical inventory is required - Each governmental unit shall ensure a complete physical inventory of all property is taken annually and whenever there is a change of custodian or change of custodian's delegate.

**CAUSE**

New personnel in warehouse who did not follow the schedule for taking inventory and the Utilities Director's attention was directed towards implementation of the Smart Grid project.

**EFFECT**

The City is not in compliance with the requirement specified by the State Statutes. Each year, these offices provide the Committee with a list of all entities that have failed to comply with these financial reporting requirements. The Committee may choose to take action pursuant to S.11.40 (2), F.S., against noncompliant entities. For counties and municipalities, the Committee may direct the DFS and the Department of Revenue (DOR) to withhold any funds due to the entity that are not pledged for bond debt service satisfaction until they have complied with the law.

In addition, account balances related to inventory may potentially be misstated.

#### **MANAGEMENT'S RESPONSE**

Management concurs. Inventory will be completed as required by statute. However, we noted that this is the first time in 20 years that the inventory was not completed. It is unlikely that this will occur again in the future. The Account Control Specialist (Finance) will follow-up with the Utility Department Director in 30 days prior end of fiscal year to ensure that inventory is completed. Any adjustments related to the completion of the inventory will be recorded in a timely manner by the Accountant (Finance) to ensure that account balances are properly stated.

**C-11-09**

#### **CONDITION**

The City has not complied with the uniform chart of accounts required by the State of Florida. The State of Florida identifies fund number, functional codes for types of governmental expenditures, and account codes for individual expenditure types. The Uniform Chart of Accounts is updated each year. The City does not consistently use the functional codes established by the State nor are they updated or monitored to comply with the State requirements on a yearly basis. However, the City has used the correct fund numbers and individual expenditure codes.

#### **CRITERIA**

As mandated by Section 218.33, F.S., reporting units should use the specified chart of accounts as an integral part of their accounting system so that the preparation of their annual financial reports will be consistent with other local reporting entities. This section governs the submission of financial and other information required for the preparation of the Local Government Financial Report.

#### **CAUSE**

The City has not adhered to the required chart of accounts due to lack of resources and knowledge in the finance department.

#### **EFFECT**

The City is not in compliance with the requirement specified by the State Statutes. Each year, these offices provide the Committee with a list of all entities that have failed to comply with these financial reporting requirements. The Committee may choose to take action pursuant to S.11.40 (2), F.S., against noncompliant entities. For counties and municipalities, the Committee may direct the DFS and the Department of Revenue

(DOR) to withhold any funds due to the entity that are not pledged for bond debt service satisfaction until they have complied with the law.

### **MANAGEMENT'S RESPONSE**

Management does not concur. The existing chart of accounts for the City is in the same form and detail that has been presented in the last 10 years without any previous finding from the auditor. The City has retained personnel who is a certified public accountant with 26 years of experience including 10 years of auditing experience. In addition, no specific issue was cited related to this finding.

### **C/IC-11-10      CONDITION**

The City failed to comply with requirements of the Department of Financial Services and the Auditor General which require the audit report to be submitted by June 30, 2012.

### **CRITERIA**

Section 218.39 F.S. requires that annual financial audit reports are required to be submitted to both the Department of Financial Services and the Auditor General each year. (1) If, by the first day in any fiscal year, a local governmental entity, district school board, charter school, or charter technical career center has not been notified that a financial audit for that fiscal year will be performed by the Auditor General, each of the following entities shall have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent certified public accountant.

### **CAUSE**

Per discussion with management, the condition is due to a lack of staffing, training, and resources within the City.

### **EFFECT**

Each year, these offices provide the Committee with a list of all entities that have failed to comply with these financial reporting requirements. The Committee may choose to take action pursuant to S. 11.40(2), F.S., against noncompliant entities. For counties and municipalities, the Committee may direct the DFS and the Department of Revenue (DOR) to withhold any funds due to the entity that are not pledged for bond debt service satisfaction until they have complied with the law.

### **RECOMMENDATION**

We recommend that the City implement a reporting process to ensure that the required submissions are made to the DFS and Auditor General on a timely basis each year.

### **MANAGEMENT'S RESPONSE**

Management concurs. The prior audit was produced in May with the same staff and resources as is currently in place. During this period, Finance staff was actively involved in the DOE audit of its \$6.5M Smart Grid project which required extensive preparation for fieldwork and follow-up. There was overlap of this audit and the annual audit, with completion of the DOE audit in August. Next year we will comply with all the requirements for filing the audit. This year's budget includes appropriations to hire an Accountant in the Finance Department. The position has been advertised and is expected to be filled early in the first quarter of the new fiscal year.

**C/IC-11-11      CONDITION**

The Annual Financial Report due to the Department of Financial Services was not filed timely.

**CRITERIA**

Section 218.32, F.S., Annual Financial Report Deadlines states that the deadline for submitting the 2010-2011 Annual Financial Report (AFR) to the Department of Financial Services for local governments is June 30, 2012. This deadline is for all local governments whether a 2011 independent audit was produced or not.

**CAUSE**

Per discussion with management, the condition is due to a lack of staffing, training, and resources within the City.

**EFFECT**

Each year, these offices provide the Committee with a list of all entities that have failed to comply with these financial reporting requirements. The Committee may choose to take action pursuant to S. 11.40(2), F.S., against noncompliant entities. For counties and municipalities, the Committee may direct the DFS and the Department of Revenue (DOR) to withhold any funds due to the entity that are not pledged for bond debt service satisfaction until they have complied with the law.

**RECOMMENDATION**

We recommend that the City implement a reporting process to ensure that the required submissions are made to the DFS and Auditor General on a timely basis each year.

**MANAGEMENT'S RESPONSE**

Management concurs. The Annual Financial Report was produced in May with the same staff and resources as is currently in place. During this period, Finance staff was actively involved in the DOE audit of its \$6.5M Smart Grid project which required extensive preparation for fieldwork and follow-up. There was overlap of this audit and the annual audit, with completion of the DOE audit in August. Next year we will comply with all the requirements for filing the audit. This year's budget includes appropriations to hire an Accountant in the Finance Department. The position has been advertised and is expected to be filled early in the first quarter of the new fiscal year.

## **SECTION II    PRIOR YEAR FINDINGS RELATING TO FINANCIAL STATEMENT AUDIT**

### ***SUMMARY AND STATUS OF PRIOR YEAR'S 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. In the current year, the Account Control Specialist is in the process of preparing the confirmations for fiscal year 2012 and will ensure that the Public Depositor Annual Report is filed with the Department of Financial Services before the required deadline.

##### **CURRENT YEAR STATUS**

Finding not corrected in current year.

#### **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**

Within 60 days after the completion of the fiscal year, the Procurement Department or management's designee will conduct an inventory of all the City's assets. The results of the inventory will be provided to the Accountant in Finance who will reconcile the inventory to the financial records. This will be completed with all adjustments recorded within 45 days after receipt of the inventory.