

CITY OF QUINCY, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND REPORTS REQUIRED BY
OMB CIRCULAR A-133, AND
RULES OF THE AUDITOR GENERAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**BCA WATSON RICE LLP
Certified Public Accountants and Advisors**

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



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

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

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

**Prepared by the Finance Department
Jeff Williams
Interim Finance Director
&
Yvette McCullough
Accountant III**

CITY OF QUINCY, FLORIDA

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I. INTRODUCTORY SECTION

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



February 20, 2014

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, 2012, 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 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, BCA Watson Rice LLP, have audited the financial statements. This firm is a certified public accountant licensed by the State of Florida. In addition to meeting the requirements set forth in State Statutes, the audit was also designed to meet the requirements of the Federal and State Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133. Auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement.

The audit was performed to provide reasonable assurance that the financial statements are free of material misstatement for the fiscal year ended September 30, 2012. 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, 2012 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 notes to the 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 FY 2012 budget, as a result of the austerity measures and modest enhancement in major revenue sources implemented in FY2009, was less than the FY 2001 budget. The FY 2013 budget was less than the previous year and expenditure levels in the upcoming budget are likely to remain the same as the current year. The majority of its current short term capital debt will be retired in FY 2013 and FY 2014.

Major Accomplishments

The City completed 80% of the Smart Grid Project, a major upgrade to the City's electric, water and telecommunication utilities. This is the most significant electric grid improvement in 30 years.

Prospects for the Future

The Great Recession is receding and economic prospects appear brighter. The City's unemployment rate is lower than the State's unemployment rate. The State workers received a significant pay raise for the first time in seven years. Housing sales are up 8.8% in Gadsden County over last year. Notwithstanding these positive signs, the City's general fund and enterprise fund budgets will remain at or slightly above the current budget.

Economic Conditions and Outlook

Businesses and citizens are continuing to experience a 14% reduction in their electric bills. The lower cost of power placed 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.

Capital Projects Funds

The City refinanced the series 2002 bond, thus reducing the cost of capital improvement projects, which included purchase of lands for a well field and construction of related improvements and road paving. The savings from the refinancing are being deposited into a five year capital budget for road maintenance and improvements.

The City continues to build out its electric, sewer and water infrastructure systems as part of the Smart Grid infrastructure project. As noted above, the City completed construction of the new fire station and the 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:

Type of Risk	Amount of Risk Retained by City	Limit of Excess Insurance Coverage
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
Named Wind Storm	2% value with minimum \$25,000	\$17,118,096

The limits stated above are on a per occurrence basis.

Cash Management

In April 2003, the City of Quincy's Commissioners revised the City's Investment Policy based on recommendations by the Finance Director. 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. The City utilizes the services of an investment advisor to assist the City with the investment of its unrestricted investments. The City's investment advisor managed approximately 54.7% of the City's total portfolio which at year end had a modified duration of 0.58 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. The current interest rate environment which has been at historical lows since August of 2008

and recent statements by the Federal Reserve suggesting that the fed funds rate will be increased in the near future warrants maintaining a short duration portfolio.

The unrestricted portfolio earned \$43,102 in income for an effective rate of return of 2.44% on a bookmarket value balance of \$1,764,287 September 30, 2011. The City maintains a conservatively managed unrestricted portfolio with an average duration of 0.52 years and a total return of 5.40%. 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 conservatively moderate allocation.

The market value of the City's overall portfolio decreased \$330,447 during the fiscal year. This decrease was actually less than the net withdrawals from the overall portfolio. Over the previous year, the City withdrew \$579,745 from its portfolio with \$342,075 coming from the unrestricted account and \$237,670 from the landfill account. The City deposited \$120,025 back into the unrestricted funds prior to the end of the fiscal year for a net withdrawal of \$459,720. These withdrawals were made to satisfy a legal settlement in the amount of \$660,000 related to the Water Fund.

The Federal Open Market Committee uses the fed funds rate as its primary tool to influence interest rates and the US economy. The fed funds target rate has not changed since December 2008, when it was lowered to 0.25%, however the daily rate has fluctuated between .04% and .19% during the fiscal year. 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 continues to impact reinvestment opportunities for maturing holding and recent additions during the fiscal year. The flat federal funds rate during this period resulted in a 2.96% unrealized gain in the unrestricted portfolio. The portfolio's total return was 5.24%, but is being affected by the United States slow economic recovery, the presidential election cycle, the current low interest rate environment and the global markets response to the events that have worsened in Europe.

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

Summary Table of Portfolio Performance

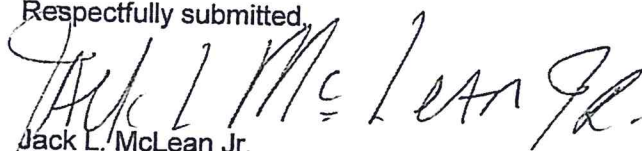
Investment Type	Book Value as of September 30, 2011	Market Value as of September 30, 2012	Unrealized Gain/Loss (current year)	Realized Gain/Loss	Interest 2012	Total Gain 2012
Raymond James (Short Term)	\$1,764,287	\$1,660,656	\$52,204	\$0	\$43,102	\$95,306
Bank of New York	\$1,270,758	\$1,270,609	\$0	\$0	\$14	\$14

Capital City (Energy Provider)	\$0	\$5,009	\$0	\$0	\$0	\$0
Capital City (Landfill)	\$296,110	\$58,440	\$0	\$0	\$42	\$42
Premier (Certificate of Deposit)	\$100,000	\$100,000	\$0	\$0	\$1,159	\$1,159
Total Cash/Investment	\$3,431,155	\$3,100,708	\$52,204	\$0	\$44,317	\$96,521

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,


 Jack L. McLean Jr.
 City Manager

CITY OF QUINCY - MANAGEMENT TEAM

CITIZENS OF QUINCY

CITY COMMISSIONERS

CITY ATTORNEY

Larry K. White

CRA DIRECTOR

Charles Hayes

CITY MANAGER

Jack L. McLean Jr.

CITY CLERK

Sylvia Hicks

APPOINTED BOARDS

**EXECUTIVE ADMIN.
ASSISTANT**
Cynthia Shingles

DIRECTOR
Building & Planning
Bernard Piawah

DIRECTOR
Customer Service
Ann Sherman

DIRECTOR
Finance
Theresa Moore

DIRECTOR
Human Resources
Lauren Wright

DIRECTOR
Information Technology
John Thomas

DIRECTOR
Public Works
Willie E. Banks

DIRECTOR
Parks & Recreation
Gregory Taylor

DIRECTOR
Utilities
Mike Wade

**FIRE
CHIEF**
Howard Smith

**POLICE
CHIEF**
Walter McNeil

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 Auditor's Report



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Florida, as of and for the year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the City of Quincy, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Florida, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information on pages 4 through 14, and 57 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Quincy, Florida's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial

statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The transmittal letter 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2014 on our consideration of the City of Quincy, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quincy, Florida's internal control over financial reporting and compliance.

Tallahassee, Florida
February 26, 2014

BCA Watson 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, 2012. 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, 2012. Please read it in conjunction with the accompanying basic financial statements beginning on page 13.

FINANCIAL HIGHLIGHTS

- The City's net assets at September 30, 2012 were \$9.742 million as compared to \$11.220 million for fiscal year 2011. The City's unrestricted net assets as of September 30, 2011 were negative \$2.313 million compared to negative \$6.007 million for fiscal year ended September 30, 2012. This decrease in unrestricted net assets is primarily related to the \$2.117 million increase in liabilities for the Enterprise fund.
- Governmental activities net assets were \$4.275 million as of September 30, 2011 versus \$3.340 million as of September 30, 2012.
- The total revenues from all sources were \$24.9 million for the fiscal year 2012 versus \$27.366 million for the fiscal year 2011. This change can be attributable mainly to a decrease in revenues of the Enterprise Fund of \$4.27 million. The decrease in the Enterprise Fund reflects significant fluctuations in revenue from utilities due to unusual swings in the weather with milder temperatures in winter and summer. Overall KWH consumption of electricity decreased significantly from the prior period.
- The total cost of all City programs was \$27.8 million for the fiscal year 2012 versus \$30.781 million for the fiscal year 2011. Overall, there were increases in expenses in the Governmental Funds of \$0.957 million and decreases in the Enterprise Funds of \$3.063 million. The Electric and Water Funds recorded the most significant decrease in their expenses of \$0.996 million and \$0.880 million respectively.
- During fiscal year 2012, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$2.902 million while the expenses exceeded revenue by \$3.415 million for 2011.
- Total expenditures in the Governmental Funds (\$10.891 million) exceeded total revenues (\$6.152 million) by \$4.74 million, excluding net transfers of \$2.38 million for fiscal year 2012, while total expenditures for fiscal year 2011 of \$10.786 million exceeded total revenues of \$4.339 million by \$6.447 million, excluding net transfers in the amount of \$4.981 million.
- The General Fund's Fund Balance, had a surplus of \$684 thousand for fiscal year 2011, and fell to a negative \$1.87 million at the end of fiscal year 2012.
- The City's total long-term debt of bonds and notes payable is \$24.063 million as of September 30, 2012 represented a decrease of \$2.458 million from \$26.521 million as of September 30, 2011; due to repayment of the City's line of credit and regular payment of long-term debt.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. There are three components of the financial statements (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the City as a whole. (2) Fund financial statements, which 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, 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 there will be comparative numbers between fiscal year 2005 and 2012. 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 or 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 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 types 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, as well as 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 17 through 20 of this report.

Proprietary funds - The City has two kinds of proprietary funds. *Enterprise funds* are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City maintains the following enterprise funds: sewer, electric, water, gas, refuse, landfill and telecommunications. They charge customers for the services they provide.

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 21 to 23 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 24 and 25 of this report.

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

Notes to the Financial Statements

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

Table 1: Major Features of the Basic Financial Statements

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

Infrastructure Assets

Governmental Standards Board Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* ("GASB 34") not only mandated changes in the financial statements but also set-forth reporting changes. One such change is to capitalize infrastructure both prospectively and retrospectively for fiscal years that end after June 30, 1981. The City has chosen to report infrastructure assets and to depreciate them as well. The summary of these assets is included in the amount shown for entity-wide statements as well as Note #4.

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, Total Assets exceeded liabilities by \$11.2 million at the close of fiscal year 2011 as compared to \$9.743 million for fiscal year 2012. For fiscal year 2011, Governmental Activities comprised \$4.3 million of the net assets while Business Activities comprised \$6.9 million of net assets versus fiscal year 2012 where Governmental was \$3.3 million and Business \$6.4 million.

By far, the largest portion of the City's Total Assets, 65% for fiscal year 2011 and 71% for fiscal year 2012 is its investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for 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			
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$2,290,421	\$4,946,726	\$12,518,061	\$12,826,751	\$14,808,482	\$ 17,773,477
Capital assets	12,003,608	10,152,793	23,811,001	23,047,059	35,814,609	33,199,852
Total assets	14,294,029	15,099,519	36,329,062	35,873,810	50,623,091	50,973,329
Liabilities:						
Long-term debt outstanding	6,358,029	7,466,218	19,284,349	21,738,587	25,642,378	29,204,805
Other liabilities	4,595,908	3,358,394	10,641,933	7,189,652	15,237,841	10,548,046
Total liabilities	10,953,937	10,824,612	29,926,282	28,928,239	40,880,219	39,752,851
Net Assets:						
Invested in cap.assets, net of debt	5,091,345	4,372,530	5,911,036	4,895,335	11,002,381	9,267,865
Restricted	696,808	670,643	4,050,390	3,595,125	4,747,198	4,265,768
Unrestricted	(2,448,061)	(768,266)	(3,558,646)	(1,544,889)	(6,006,707)	(2,313,155)
Total net assets	\$3,340,092	\$ 4,274,907	\$ 6,402,780	\$ 6,945,571	\$ 9,742,872	\$ 11,220,478

An additional portion of the City's net assets (38%) for fiscal year 2011 versus (49%) for fiscal year 2012 represents resources that are subject to external restrictions on how they may be used. Net Assets is one measure that can be used in determining the City's ability to meet its obligations. Because the debt of the government is matched with the related assets, this number may be negative from time to time. In this case, the unrestricted net assets for fiscal year 2012 are negative (\$6.007) million versus negative (\$2.313) million for fiscal year 2011. The governments' net assets decreased from \$11.220 million in fiscal year 2011 to \$9.743 million in fiscal year 2012.

Governmental Activities

Governmental activities decreased the City's net assets by \$.935 million from fiscal year 2011 to fiscal year 2012. The Business-type activities decreased the net assets by \$543 thousand from fiscal year 2011 to fiscal year 2012. Key elements of these changes are as follows:

Table 3						
Changes in Net Assets						
	Governmental		Business			
	Activities		Activities		Total	Total
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$762,335	\$1,290,649	\$18,756,210	\$23,026,779	\$19,518,545	\$24,317,428
General revenues:						
Property taxes	990,352	872,142	-	-	990,352	872,142
Local Option Fuel	393,639	633,355	-	-	393,639	633,355
Utility Taxes	7,905	7,860	-	-	7,905	7,860
Communication Service Tax	266,278	207,704	-	-	266,278	207,704
Shared Revenues	521,665	500,024	-	-	521,665	500,024
Investment earnings	20,269	15,289	-	-	20,269	15,289
Other	3,189,407	812,100	-	-	3,189,407	812,100
Total revenues	\$6,151,850	\$4,339,123	\$18,756,210	\$23,026,779	\$24,908,060	\$27,365,902
Expenses:						
Program expenses:						
General government	4,838,002	3,785,451	-	-	4,838,002	3,785,451
Public safety	3,848,054	3,838,456	-	-	3,848,054	3,838,456
Transportation	843,926	831,387	-	-	843,926	831,387
Physical environment	208,972	343,351	-	-	208,972	343,351
Recreation/culture services	499,150	476,561	-	-	499,150	476,561
Economic Environment	303,489	1,186,282	-	-	303,489	1,186,282
Cemetery	15,408	19,137	-	-	15,408	19,137
Interest on long-term debt	334,354	305,422	-	-	334,354	305,422
Electric	-	-	11,010,428	11,823,108	11,010,428	11,823,108
Gas	-	-	1,137,372	1,447,695	1,137,372	1,447,695
Water	-	-	1,479,469	2,475,564	1,479,469	2,475,564
Sewer	-	-	1,500,635	1,466,940	1,500,635	1,466,940
Refuse	-	-	1,176,752	1,235,804	1,176,752	1,235,804
Landfill	-	-	(71,251)	203,251	(71,251)	203,251
Telecommunications	-	-	685,882	1,342,142	685,882	1,342,142
Total expenses	10,891,355	10,786,047	16,919,287	19,994,504	27,810,642	30,780,551
Excess(Defic.) before transfers	(4,739,505)	(6,446,924)	1,836,923	3,032,275	(2,902,582)	(3,414,649)
Transfers	2,379,714	4,980,563	(2,379,714)	(4,980,563)	-	-
Change in net assets	(2,359,791)	(1,466,361)	(542,791)	(1,948,288)	(2,902,582)	(3,414,649)
Net assets – Beginning	4,274,907	5,741,268	6,945,571	9,621,299	11,220,478	15,362,567
Adjustment to Beg. NA's	1,424,976	-	-	(727,440)	1,424,976	(727,440)
Adjusted Beginning NA's	5,699,883	5,741,268	6,945,571	8,893,859	12,645,454	14,635,127
Net assets – Ending	\$ 3,340,092	\$ 4,274,907	\$ 6,402,780	\$ 6,945,571	\$ 9,742,872	\$ 11,220,478

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

Table 4				
Governmental Activities				
	2012		2011	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
General Government	\$4,838,002	\$ (983,243)	\$3,785,451	\$ (2,168,148)
Public Safety	3,848,054	(3,848,054)	3,838,456	(3,430,684)
Transportation	843,926	(843,926)	831,387	(831,387)
Culture/Recreation Services	499,150	(402,167)	476,561	(398,887)
Economic Environment	303,489	(303,489)	1,186,282	(1,186,282)
Cemetery	15,408	(15,408)	19,137	(19,137)
Physical environment	208,972	(208,972)	343,351	(343,351)
Interest on Long-term Debt	334,354	(334,354)	305,422	(305,422)
Total	\$ 10,891,355	\$ (6,939,613)	\$ 10,786,047	\$ (8,683,298)

The cost of all governmental activities this year was \$10.9 million. As shown in the Statement of Activities, \$0.76 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 \$2.38 million, various taxes in the amount of \$1.658 million and the remaining \$3.731 million is investments, shared revenues and other miscellaneous revenues. The nature of Governmental Activities is to be funded primarily from taxes and other non-governmental activities. Governmental activities are not normally self-supporting. As a result, the combination of taxes and non-governmental activities are sufficient to cover program expenses.

Table 5				
Business-Type Activities				
	2012		2011	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
Electric	\$11,010,428	\$1,782,449	\$11,823,108	\$4,312,474
Gas	1,137,372	255,540	1,447,695	565,056
Water	1,479,469	(280,893)	2,475,564	(822,410)
Sewer	1,500,635	78,797	1,466,940	82,967
Refuse	1,176,752	153,182	1,235,804	14,283
Landfill	(71,251)	289,627	203,251	47,518
Telecommunications	685,882	(441,779)	1,342,142	(1,167,613)
Total	\$ 16,919,287	\$ 1,836,923	\$19,994,504	\$3,032,275

Business Type Activities

Net assets of the Proprietary Funds at September 30, 2012 were \$6.4 million. The cost of providing all Proprietary (Business Type) activities was \$16.919 million. Net assets decreased by \$0.543 million. The City Commission took a significant step towards addressing the deficit by reducing the general government's reliance on transfers from the enterprise funds and by reducing the cost of telecommunication retail activities. However, the nature of these business activities will from time to time show fluctuations depending on fuel cost and overall economic conditions in the marketplace. Our enterprise customers used less KWH in this twelve month period; because of an unusually warm winter and cool summer. The reduction in KWH sales resulted in a dramatic decline in revenues. The warmer winter and cooler summer were aberration from the normal fluctuation in fuel cost and economic conditions attendant to seasonal changes in the weather.

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 and is an accommodation to assist the budget process. 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 2012, the City's governmental funds reported combined ending fund balance deficits of \$1.75 million. This represents a decrease of \$2.68 million when compared to fund balances in fiscal year 2011 which totaled \$0.93 million.

The combined ending fund balances result in an Unassigned Fund Balance deficit of \$2.477 million for fiscal year 2012 and \$394 thousand for fiscal year 2011. This deficit means there are no fund balance carryovers 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 small 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, park facilities, etc. The City previously 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 now has chosen to report infrastructure assets and to depreciate them as well. The summary of these assets is included in the amount shown for entity-wide statements as well as Note #4.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$35.815 million (net of accumulated depreciation) compared to \$33.95 million at September 30, 2011. The increase of \$1.865 million resulted primarily from the additions related to the completion of the City's new fire station, which was constructed using federal grant funds.

Table 6						
Capital Assets						
(net of depreciation)						
	2012		Total-2012	2011		Total-2011
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Land	\$4,596,873	\$1,611,475	\$6,208,348	\$4,596,869	\$1,611,475	\$6,208,344
Building and Improvements	4,904,211	25,050,855	29,955,066	3,850,074	25,050,855	28,900,929
Improvements other than Buildings	10,651,120	19,066,963	29,718,083	9,869,557	16,939,893	26,809,450
Infrastructure	7,236,343	419,886	7,656,229	6,328,633	419,886	6,748,519
Furniture, Fixtures and Equipment	6,801,138	3,783,791	10,584,929	6,204,663	3,672,380	9,877,043
Total Assets	34,189,685	49,932,970	84,122,655	30,849,796	47,694,489	78,544,285
Less accumulated depreciation	22,185,839	26,121,969	48,307,808	20,697,007	24,647,429	45,344,436
Total	\$ 12,003,846	\$ 23,811,001	\$ 35,814,847	\$ 10,152,789	\$ 23,047,060	\$ 33,199,849

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 2012, the City had total debt of \$26.017 million versus \$26.5 million for fiscal year 2011, inclusive of Compensated Absences (vacation and sick time owed to employees) which totaled \$375 thousand and \$338 thousand respectively. Revenue bonds amounted to \$17.975 million for fiscal year 2012. Notes payable in the amount of \$7.3 million for fiscal year 2011 and \$6.089 million for fiscal year 2012 are all secured by related assets. The remaining loans payable are secured by franchise fees and public services taxes. The capital leases are secured by equipment.

Table 7						
Outstanding Debt						
	2012		Total-2012	2011		Total-2011
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenue Bonds	\$5,765,214	\$12,209,788	\$17,975,002	\$4,980,000	\$12,181,852	\$17,161,852
Capitalized Leases	194,488	1,384,384	1,578,872	225,756	1,495,915	1,721,671
Compensated Absences	272,961	102,462	375,423	240,345	97,748	338,093
Notes Payable	398,327	5,690,177	6,088,504	1,241,715	6,057,995	7,299,710
Estimated Landfill and Post closure	-	1,401,718	1,401,718	1,241,715	6,057,995	7,299,710
Total	\$6,630,990	\$20,788,529	\$27,419,519	\$7,929,531	\$25,891,505	\$33,821,036

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

The FY 2012 decline in the electric fund KWH sales caused by aberrant seasonal changes inhibited the City's ability to continue its planned reserves increase and caused some decrease in investment resources. As a result, the effect of the City's plan to build up targeted reserves and investments will be lower over the next two fiscal years.

The City will complete the build out of the telecommunication fund component of the smart grid; once the Hosford fiber run is completed, the City will reduce its broadband cost by fifty percent, which will have a positive impact on the smart grid operation and reduce telecommunication funds cost. One other cost cutting measure the City will implement to improve the telecommunication funds is the elimination of the residential phone service. Competition in the market is keen. In addition, the City will commission a rate study for the water, gas and sewer funds during the next fiscal year to make these funds self sufficient without reliance on the Electric Fund from time to time. It is anticipated that the rate increase will be effective in the 2014 fiscal year. The rate increase will aid the City in meeting its reserve and investment targets.

The City will, during the next fiscal year, refinance the 2002 Bond series. The refinancing will lower the City's annual debt requirement on the 2002 Bond series substantially.

The City's short-term debt of \$185 thousand will be retired in FY 2014 and FY 2015.

The real estate market is improving nationally and the counties of Gadsden, Jefferson, Franklin and Leon showed a significant increase of 39% in the number of new purchase agreements over 2011. However, sales for single family residents, new and existing, grew by 8.8% in Gadsden County. Quincy/Gadsden County growth in housing starts and sales are expected next year to increase modestly. The City's modest housing outlook is supported by Harborlite, a local company selling perlite. (Perlite is a mixed glassy silicate of volcanic origin which is used in horticulture activities, such as potting soil for plants, soil conditioning and turf dressing.) Its sales have not rebounded since 2008 and remain flat.

The City's largest utility customer is BASF and its business continues to improve and a reduction in the county's unemployment rate this FY 2013 will contribute to an improving economic future. The Tomato Café, a Havana Florida operation, opened a new outlet in Quincy. The Leaf Theatre and the Gadsden Art Center are doing well and continue to attract visitors to downtown to view the art and the theatre.

Nearly one half of the City and County's workforce is employed in State Government jobs. This year for the first time in seven years, the Florida Legislature granted state workers a pay raise of at least 3.5%. This increase will add \$72,000,000 of purchasing power to the Tallahassee metropolitan market. Quincy falls within this metropolitan area. The pay increases bode well for Quincy's businesses.

Quincy's view that the PCI Gambling Authorities/City of Gretna development may become a reality has not diminished. This Interstate I-10 facility is expected to draw 500,000 adults annually when the 10 story hotel is built. Quincy wholesale water revenue sales would substantially increase if this facility is built.

The economic picture remains challenging; however the prospects for greater economic growth appear brighter than in recent years. Quincy's next year's budget will likely remain at the same or slightly reduced spending levels. Property taxes will not increase; although some adjustments in rates are anticipated.

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.

Basic Financial Statements

Government-wide Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2012

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and equity in pooled cash	\$ 411,995	\$ 6,425,113	\$ 6,837,108
Investments	912,104	761,757	1,673,861
Accounts receivable - net	111,189	1,596,513	1,707,702
Assessment receivable	131,508	41,663	173,171
Inventories	26,817	423,607	450,424
Other assets	-	5,724	5,724
Restricted cash	696,808	3,263,684	3,960,492
Capital assets - net	12,003,608	23,811,001	35,814,609
Total Assets	14,294,029	36,329,062	50,623,091
Liabilities			
Accounts payable and accrued expenses	1,734,746	2,968,664	4,703,410
Cash deficits	2,014,843	5,122,836	7,137,679
Deferred income	-	26,846	26,846
Customer deposits	-	1,019,407	1,019,407
OPEB Liability	573,358	-	573,358
Long-term liabilities:			
Due in one year:			
Revenue bonds payable	1,215,214	276,958	1,492,172
Notes payable	239,362	388,278	627,640
Compensated absences	170,393	65,738	236,131
Due in more than one year:			
Revenue bonds payable	4,550,000	11,932,830	16,482,830
Notes payable	158,965	5,301,899	5,460,864
Capitalized lease payable	194,488	1,384,384	1,578,872
Compensated absences	102,568	36,724	139,292
Estimated landfill closure and post closure care costs	-	1,401,718	1,401,718
Total Liabilities	10,953,937	29,926,282	40,880,219
Net Assets			
Invested in capital assets, net of related debt	5,091,345	5,911,036	11,002,381
Restricted for:			
Capital projects	64,330	1,633,304	1,697,634
Debt service	619,908	1,573,412	2,193,320
Special revenue funds	12,570	-	12,570
Landfill	-	843,674	843,674
Unrestricted	(2,448,061)	(3,558,646)	(6,006,707)
Total Net Assets	\$ 3,340,092	\$ 6,402,780	\$ 9,742,872

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Program	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities							
General government	\$ 4,838,002	\$ 665,352	\$ 3,189,407	\$ -	(983,243)	\$ -	(983,243)
Public safety	3,848,054	-	-	-	(3,848,054)	-	(3,848,054)
Transportation	843,926	-	-	-	(843,926)	-	(843,926)
Culture and recreation	499,150	96,983	-	-	(402,167)	-	(402,167)
Economic environment	303,489	-	-	-	(303,489)	-	(303,489)
Physical environment	208,972	-	-	-	(208,972)	-	(208,972)
Cemetery	15,408	-	-	-	(15,408)	-	(15,408)
Interest and fiscal charges	334,354	-	-	-	(334,354)	-	(334,354)
Total governmental activities	<u>10,891,355</u>	<u>762,335</u>	<u>3,189,407</u>	<u>-</u>	<u>(6,939,613)</u>	<u>-</u>	<u>(6,939,613)</u>
Business-type activities:							
Electric	11,010,428	12,792,877	-	-	-	1,782,449	1,782,449
Gas	1,137,372	1,392,912	-	-	-	255,540	255,540
Water	1,479,469	1,198,576	-	-	-	(280,893)	(280,893)
Sewer	1,500,635	1,579,432	-	-	-	78,797	78,797
Refuse	1,176,752	1,329,934	-	-	-	153,182	153,182
Landfill	(71,251)	218,376	-	-	-	289,627	289,627
Telecommunication	685,882	244,103	-	-	-	(441,779)	(441,779)
Total business-type activities	<u>16,919,287</u>	<u>18,756,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,836,923</u>	<u>1,836,923</u>
Total primary government	<u>\$ 27,810,642</u>	<u>\$ 19,518,545</u>	<u>\$ 3,189,407</u>	<u>\$ -</u>	<u>\$ (6,939,613)</u>	<u>\$ 1,836,923</u>	<u>\$ (5,102,690)</u>
Component Unit:							
General Revenues							
Taxes							
Property Taxes					990,352	-	990,352
Local option gas tax					393,639	-	393,639
Utility taxes					7,905	-	7,905
Communication service tax					266,278	-	266,278
Shared revenues from State of Florida					521,665	-	521,665
Earnings on Investments					20,269	-	20,269
Transfers in (out)					2,379,714	(2,379,714)	-
Total general revenues and transfers					<u>4,579,822</u>	<u>(2,379,714)</u>	<u>2,200,108</u>
Change in net assets					<u>(2,359,791)</u>	<u>(542,791)</u>	<u>(2,902,582)</u>
Net assets - beginning of year					4,274,907	6,945,571	11,220,478
Adjustment to beginning net assets					1,424,976	-	1,424,976
Adjusted beginning net assets					<u>5,699,883</u>	<u>6,945,571</u>	<u>12,645,454</u>
Net assets - ending					<u>\$ 3,340,092</u>	<u>\$ 6,402,780</u>	<u>\$ 9,742,872</u>

See accompanying notes to financial statements

Fund Financial Statements

**CITY OF QUINCY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and equity in pooled cash	\$ 79,564	\$ 19,960	\$ -	\$ 99,524
Investments	912,104	-	-	912,104
Accounts receivable - net				
Assessment	131,508	-	-	131,508
Other	111,189	-	-	111,189
Inventories	26,817	-	-	26,817
Restricted assets:				
Cash	-	64,330	632,478	696,808
Total assets	<u>\$ 1,261,182</u>	<u>\$ 84,290</u>	<u>\$ 632,478</u>	<u>\$ 1,977,950</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,150,404	\$ 140,569	\$ 425,368	\$ 1,716,341
Cash and equity in pool cash deficit	<u>1,980,101</u>	<u>-</u>	<u>34,742</u>	<u>2,014,843</u>
Total liabilities	<u>3,130,505</u>	<u>140,569</u>	<u>460,110</u>	<u>3,731,184</u>
Fund balances:				
Non-spendable fund balance	26,817	-	-	26,817
Restricted fund balance	-	64,330	632,478	696,808
Unassigned fund (deficit)	<u>(1,896,140)</u>	<u>(120,609)</u>	<u>(460,110)</u>	<u>(2,476,859)</u>
Total fund balances	<u>(1,869,323)</u>	<u>(56,279)</u>	<u>172,368</u>	<u>(1,753,234)</u>
Total liabilities and fund balances	<u>\$ 1,261,182</u>	<u>\$ 84,290</u>	<u>\$ 632,478</u>	<u>\$ 1,977,950</u>



CITY OF QUINCY, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Total fund balances for governmental funds (page 15) \$ (1,753,234)

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. 10,633,932

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds funds (6,202,378)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets 661,772

Total net assets of governmental activities (page 14) \$ 3,340,092

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes (pledged)	\$ 1,928,447	\$ -	\$ 334,472	\$ 2,262,919
Licenses and permits	96,983	-	-	96,983
Intergovernmental (pledged)	519,530	-	2,135	521,665
Grant(s)	-	1,494,053	180,497	1,674,550
Fees and Fines	15,841	-	-	15,841
Charge for services	407,621	-	-	407,621
Rental	5,207	-	-	5,207
Other	746,567	12,438	150,328	909,333
Total revenues	<u>3,720,196</u>	<u>1,506,491</u>	<u>667,432</u>	<u>5,894,119</u>
EXPENDITURES				
Current:				
General government	2,960,781	719,808	872,875	4,553,464
Public safety	3,445,696	-	-	3,445,696
Culture and recreation	419,246	-	12,454	431,700
Transportation	576,421	-	-	576,421
Economic environment	-	279,370	23,665	303,035
Physical environment	208,972	-	-	208,972
Cemetery	14,979	-	-	14,979
Capital outlay	137,537	779,943	-	917,480
Debt Service:				
Principal	-	-	326,667	326,667
Interest and other charges	-	-	258,237	258,237
Total expenditures	<u>7,763,632</u>	<u>1,779,121</u>	<u>1,493,898</u>	<u>11,036,651</u>
Deficiency of expenditures over revenues	(4,043,436)	(272,630)	(826,466)	(5,142,532)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	4,899,473	131,574	1,457,228	6,488,275
Operating transfers out	(3,409,584)	-	(698,977)	(4,108,561)
Total other financing sources (uses)	<u>1,489,889</u>	<u>131,574</u>	<u>758,251</u>	<u>2,379,714</u>
Net change in fund balance	(2,553,547)	(141,056)	(68,215)	(2,762,818)
Fund balance				
At beginning of year as previously reported	684,224	84,777	240,583	1,009,584
At beginning of year, as adjusted	684,224	84,777	240,583	1,009,584
At end of year	<u>\$ (1,869,323)</u>	<u>\$ (56,279)</u>	<u>\$ 172,368</u>	<u>\$ (1,753,234)</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, 2012**

Net change in fund balances - total governmental funds (page 17)	\$	(2,762,818)
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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		890,619
Depreciation expense		(1,189,404)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		326,667
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported within governmental activities.		(93,991)
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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 governmental funds.		(73,655)
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Other reconciling items

Total change in net assets of governmental activities (page 14)	\$	<u>(2,902,582)</u>
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CITY OF QUINCY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Enterprise Fund</u>				<u>Total</u>	<u>Non Major</u>
	<u>Major Funds</u>			<u>Other</u>	<u>Enterprise Funds</u>	<u>Internal Service</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Fund</u>
ASSETS						
Current assets:						
Cash and equity in pooled cash	\$ 3,811,213	\$ 1,305,244	\$ 463,700	\$ 844,956	\$ 6,425,113	\$ 312,471
Investments	279,471	482,286	-	-	761,757	-
Accounts receivable - net	1,066,954	108,007	139,073	324,142	1,638,176	-
Due from other funds	-	-	-	250,000	250,000	-
Inventories	339,819	56,722	6,047	21,019	423,607	-
Other current assets	5,724	-	-	-	5,724	-
Non-current assets:						
Restricted cash and equity in pooled cash	-	1,633,304	786,706	843,674	3,263,684	-
Capital assets - net	8,793,499	6,020,625	5,439,737	3,557,140	23,811,001	1,369,772
Total assets	<u>\$ 14,296,680</u>	<u>\$ 9,606,188</u>	<u>\$ 6,835,263</u>	<u>\$ 5,840,931</u>	<u>\$ 36,579,062</u>	<u>\$ 1,682,243</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,733,558	\$ 300,585	\$ 330,636	\$ 603,885	\$ 2,968,664	\$ 25,257
Cash and equity in pooled cash deficit	699,385	-	-	4,423,451	5,122,836	-
Customer deposits	972,085	28,216	-	19,106	1,019,407	-
Due to other funds	250,000	-	-	-	250,000	-
Revenue bond - current	-	250,000	13,479	13,479	276,958	-
Notes payable - current	19,607	152,844	196,220	19,607	388,278	-
Deferred Income	-	-	-	-	-	-
Compensated absences - current	40,216	7,299	7,299	10,924	65,738	-
Other current Liabilities	-	-	-	26,846	26,846	-
Non-current liabilities:						
Revenue bonds	3,644,300	5,305,266	771,754	2,211,510	11,932,830	995,214
Notes payable	34,281	3,808,430	1,424,907	34,281	5,301,899	-
Estimated landfill closure and post closure costs	-	-	-	1,401,718	1,401,718	-
Compensated absences	23,614	3,547	3,547	6,016	36,724	-
Capitalized lease payable	738,338	230,731	415,315	-	1,384,384	-
Total liabilities	<u>8,155,384</u>	<u>10,086,918</u>	<u>3,163,157</u>	<u>8,770,823</u>	<u>30,176,282</u>	<u>1,020,471</u>
NET ASSETS						
Invested in capital assets, net of related debt	4,356,973	(3,726,646)	2,618,062	2,063,497	5,311,886	374,558
Restricted for:						
Capital projects	-	1,633,304	-	-	1,633,304	-
Debt service	-	-	786,706	786,706	1,573,412	-
Landfill	-	-	-	843,674	843,674	-
Unrestricted	1,784,323	1,612,612	267,338	(6,623,769)	(2,959,496)	287,214
Total net assets	<u>6,141,296</u>	<u>(480,730)</u>	<u>3,672,106</u>	<u>(2,929,892)</u>	<u>6,402,780</u>	<u>661,772</u>
Total net assets and liabilities	<u>\$ 14,296,680</u>	<u>\$ 9,606,188</u>	<u>\$ 6,835,263</u>	<u>\$ 5,840,931</u>	<u>\$ 36,579,062</u>	<u>\$ 1,682,243</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, 2012

	Enterprise Funds					Non Major Internal Service Fund
	Major Funds			Other	Total	
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>	<u>Fund</u>
Operating revenues						
Charges for services (pledged)	\$ 12,785,843	\$ 1,198,576	\$ 1,495,490	\$ 3,091,364	\$ 18,631,273	\$ 257,731
Other income	<u>7,034</u>		<u>83,942</u>	<u>206,121</u>	<u>297,097</u>	<u>-</u>
Total operating revenues	<u>12,792,877</u>	<u>1,198,576</u>	<u>1,579,432</u>	<u>3,357,485</u>	<u>18,928,370</u>	<u>257,731</u>
Operating expenses						
Cost of sales and services	10,029,191	796,547	1,128,192	2,853,815	14,807,745	238,905
Depreciation and amortization	<u>731,562</u>	<u>468,410</u>	<u>204,377</u>	<u>248,617</u>	<u>1,652,966</u>	<u>36,605</u>
Total operating expenses	<u>10,760,753</u>	<u>1,264,957</u>	<u>1,332,569</u>	<u>3,102,432</u>	<u>16,460,711</u>	<u>275,510</u>
Operating income (loss)	2,032,124	(66,381)	246,863	255,053	2,467,659	(17,779)
Non-operating revenues (expenses)						
Interest income (expense) - net	<u>(262,872)</u>	<u>(208,060)</u>	<u>(171,011)</u>	<u>(1,427)</u>	<u>(643,370)</u>	<u>(76,117)</u>
Total Non-operating revenues(expenses)	<u>(262,872)</u>	<u>(208,060)</u>	<u>(171,011)</u>	<u>(1,427)</u>	<u>(643,370)</u>	<u>(76,117)</u>
Income (loss) before operating transfers	1,769,252	(274,441)	75,852	253,626	1,824,289	(93,896)
Operating transfers						
Transfers in	2,851,689	281,467	72,632	383,769	3,589,557	(95)
Transfers out	<u>(4,469,162)</u>	<u>(1,052,307)</u>	<u>(128,937)</u>	<u>(318,865)</u>	<u>(5,969,271)</u>	<u>-</u>
Change in net assets	151,779	(1,045,281)	19,547	318,530	(555,425)	(93,991)
Net assets, beginning of year	<u>5,989,517</u>	<u>564,551</u>	<u>3,652,559</u>	<u>(3,248,422)</u>	<u>6,958,205</u>	<u>755,763</u>
Net assets, end of year	<u>\$ 6,141,296</u>	<u>\$ (480,730)</u>	<u>\$ 3,672,106</u>	<u>\$ (2,929,892)</u>	<u>\$ 6,402,780</u>	<u>\$ 661,772</u>

See notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds				
	Major Funds			Other Enterprise Funds	Total
	Electric	Water	Sewer		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 13,027,718	\$ 1,507,994	\$ 1,694,555	\$ 3,547,566	\$ 19,777,833
Payments to suppliers	(7,868,951)	(971,417)	(708,682)	(2,663,887)	(12,212,937)
Payments to employees	(738,796)	(97,160)	(36,662)	(130,067)	(1,002,685)
Internal activity-payments from (to) other funds	(1,890,581)	562,640	(246,940)	(646,389)	(2,221,270)
Net cash provided by operating activities	2,529,390	1,002,057	702,271	107,223	4,340,941
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	(1,617,473)	(770,840)	(56,305)	64,904	(2,379,714)
Net cash provided by (used in) noncapital financing activities	(1,617,473)	(770,840)	(56,305)	64,904	(2,379,714)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
(Acquisition/construction) of capital assets	(2,127,344)	(10,255)	-	(279,309)	(2,416,908)
Principal paid on notes payable	(19,239)	(140,320)	(189,020)	(22,093)	(370,672)
Principal paid on bond payable	-	(221,467)	-	-	(221,467)
Capital lease payments	(59,484)	(18,588)	(33,459)	-	(111,531)
Interest paid on capital debt	(286,117)	(237,318)	(170,962)	1,427	(694,397)
Net cash provided by (used in) capital and related financing activities	(2,492,184)	(627,948)	(393,441)	(299,975)	(3,814,975)
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in investments	198,821	(38,520)	-	72,794	233,095
Interest income on investment	23,247	29,258	56	-	52,561
Net cash provided by (used in) investing activities	222,068	(9,262)	56	72,794	285,656
Net increase (decrease) in cash and equity in pooled cash	(1,358,199)	(405,993)	252,581	(55,054)	(1,568,092)
Cash and equity in pooled cash - beginning	4,470,027	3,344,541	997,825	(2,679,767)	6,132,626
Cash and equity in pooled cash - ending	\$ 3,111,828	\$ 2,938,548	\$ 1,250,406	\$ (2,734,821)	\$ 4,565,534
Displayed as:					
Cash and equity in pooled cash	\$ 3,811,213	\$ 1,305,244	\$ 463,700	\$ 844,956	\$ 6,425,113
Restricted cash	-	1,633,304	786,706	843,674	3,263,684
Cash and equity in pooled cash deficit	(699,385)	-	-	(4,423,451)	(5,122,836)
	\$ 3,111,828	\$ 2,938,548	\$ 1,250,406	\$ (2,734,821)	\$ 4,565,961
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 2,032,124	\$ (66,381)	\$ 246,863	\$ 255,053	\$ 2,467,659
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	731,562	468,410	204,377	248,617	1,652,966
Change in assets and liabilities:					
Decrease in receivables	211,418	309,457	115,123	363,081	999,079
(Increase) decrease in inventories	(34,174)	(9,201)	3,782	25,938	(13,655)
Decrease in due from other funds	1,415,138	1,345,104	-	1,893,713	4,653,955
Decrease in other assets	100,272	143,196	143,196	-	386,664
Increase (decrease) in accounts payable and accrued expenses	1,351,709	(406,366)	235,529	225,383	1,406,255
(Decrease) in due to other funds	(3,305,719)	(782,464)	(246,940)	(2,540,102)	(6,875,225)
Increase (decrease) in customers' deposits	23,423	(39)	-	(800)	22,584
Increase in compensated absences	3,637	341	341	399	4,718
(Decrease) in estimated landfill closure and post closure care costs	-	-	-	(253,962)	(253,962)
(Decrease) in other liabilities	-	-	-	(110,097)	(110,097)
Net cash provided by (used in) operating activities	\$ 2,529,390	\$ 1,002,057	\$ 702,271	\$ 107,223	\$ 4,340,941

See notes to the financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2012

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ 195,266	\$ 195,266
Investments	5,844,858	5,845,665	11,690,523
Due from independent agencies and other governments	-	62,632	62,632
Total assets	<u>5,844,858</u>	<u>6,103,563</u>	<u>11,948,421</u>
LIABILITIES			
NET ASSETS			
Held in trust for pension benefits	<u>\$ 5,844,858</u>	<u>\$ 6,103,563</u>	<u>\$ 11,948,421</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Plan members	\$ 400,772	\$ 64,378	\$ 465,150
City	<u>-</u>	<u>237,314</u>	<u>237,314</u>
Total contributions	<u>400,772</u>	<u>301,692</u>	<u>702,464</u>
Investment income (loss):			
Net depreciation in fair value and gain on sale of investments	805,823	817,703	1,623,526
Interest and dividends	<u>80,291</u>	<u>163,376</u>	<u>243,667</u>
Net investment income	<u>886,114</u>	<u>981,079</u>	<u>1,867,193</u>
Total Additions	<u>1,286,886</u>	<u>1,282,771</u>	<u>2,569,657</u>
DEDUCTIONS			
Benefits payments	364,956	469,754	834,710
Administrative expenses	<u>43,228</u>	<u>67,757</u>	<u>110,985</u>
Total Deductions	<u>408,184</u>	<u>537,511</u>	<u>945,695</u>
Change in net assets	878,702	745,260	1,623,962
Net assets - beginning of year	<u>4,848,393</u>	<u>5,358,303</u>	<u>10,206,696</u>
Prior period adjustment	<u>117,763</u>	<u>-</u>	<u>117,763</u>
Net assets - beginning of year as adjusted	<u>4,966,156</u>	<u>5,358,303</u>	<u>10,324,459</u>
Net assets - end of year	<u>\$ 5,844,858</u>	<u>\$ 6,103,563</u>	<u>\$ 11,948,421</u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

Blended Component Unit

Quincy Community Redevelopment Agency (CRA) - In 1999, the City passed Ordinance No. 896 establishing the CRA which is governed by a separate seven member board appointed by the City Commission. The CRA has responsibility for the southern portion of the City which includes three enumeration districts. The CRA is blended due to the organizations governing body being the same as the City and the organization provides services almost entirely to the primary government. With the adoption of GASB 61 and management's re-evaluation of the CRA, the City is now reporting the CRA as a blended component unit to more fully comply with generally accepted accounting principles.

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

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

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Fund Accounting

The accounts of the City are organized into 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:

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 street and highway maintenance; public safety, parks, library, recreation programs and general service departments; are accounted for in this fund.
- b) **Capital Projects Revenue Fund** - The Capital Projects Revenue Fund accounts for the proceeds of the Series 2002, \$6.5 million bonds, used to finance the cost of acquiring, and constructing certain infrastructure improvements.

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

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

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

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

Debt Service Funds

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

2) *Proprietary Fund Types*

Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows.

Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the Proprietary Fund types.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds 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.

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

3) *Fiduciary Fund Types (Trust Funds)*

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

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

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Non-spendable, 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 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*

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the results of 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:

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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Installment Sales Receivable/ Deferred Gross Profit

Installment sales receivable represents amounts due from customers on the sale of computers which are collectible over a period of three years. The related gross profit on the sale of computers are deferred and amortized to income based on cash collection during the year. Installment receivables due after one year are included in current assets, net of deferred gross profit, and allowance for bad debts, in accordance with trade practices.

Allowance for Bad Debts

The City calculates its allowance for bad debts using historical collection data, specific account analysis, and management's judgment. As of September 30, 2012 the allowance for bad debts was \$1,639,308 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

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During 2012, \$102,998 of capitalized interest was incurred as a result of construction projects.

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

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

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

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, 2012.

Fund Equity

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

Property Taxes

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

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 2011 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2011, and such taxes are collected to finance expenditures for the fiscal year ending September 30, 2012.

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.

Reclassifications

Certain reclassifications have been made to the opening balance to more fully comply with GAAP.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012, the value of the City's deposits and investments in non-pension activities, with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Deposits in Qualified Public Depositories	\$ 680,103	N/A	NA
Certificates of Deposits	100,000	Unrated	<180 days Effective Duration
<i>Externally Managed Portfolio:</i>			
Money Markets	1,270,608	N/A	NA
Certificate of Deposits	<u>1,655,662</u>	N/A	227 days
Externally Managed Portfolio Effective	<u>2,926,270</u>		
Total Cash and Investments	<u><u>\$ 3,706,373</u></u>		

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2012, the value of the General Employees' Retirement Savings Plan's investment with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Mutual Funds (General Employee Pension)	<u>\$ 5,844,858</u>	NA	NA
Total Cash and Investments	<u><u>\$ 5,844,858</u></u>		

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

As of September 30, 2012, the value of the City's deposits and investments in the Police and Fire Supplemental activities, with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Stocks (Police and Fire Supplemental Plan)	\$2,720,175	N/A	NA
Money Market (Police and Fire Suppl. Plan)	635,127	AAA	NA
U S Government Agency Notes	1,089,629	AAA	NA
Government MBS/CMO/ABS-Variable	1,596,000	NR	NA
Total Cash and Investments	<u><u>\$ 6,040,931</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, 2012**

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, 2012, were \$680,103 (exclusive of externally managed portfolio). 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, 2012**

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 \$2,926,270 at September 30, 2012, was invested for a weighted average term of days. The General Employee Pension Plan investments totaled \$5,844,858; please see Note 9 on pensions. The Police and Fire Supplemental plan totaled \$6,040,931.

Various restrictions on deposits and investments are summarized below.

Restricted by third parties:

Debt service	\$3,074,453
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Financial assurance requirements for landfill operations	843,674
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	42,365
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Total	<u><u>\$3,960,492</u></u>
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Restricted for debt service represent cash and cash equivalents (a) held by the paying agent as required in the Capital Revenue 2002 bond resolutions, \$668,887 (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, \$98,551; and (d) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement bond and loan covenants, \$1,656,315.

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 \$285,287 for closure cost estimate and \$1,401,718 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, 2012**

NOTE 3. RECEIVABLES

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

	Governmental Activities	Business- type Activities	Total
Accounts Receivable	\$ 125,084	\$2,531,070	\$ 2,656,154
Less: Allowance for Bad Debts	(13,895)	(934,557)	(1,653,203)
Net Accounts Receivable	\$ 111,189	\$1,596,513	\$ 1,002,951
Installment Sales Receivable	\$ -	\$ 746,414	\$ 746,414
Less: Deferred Gross Profit	-	-	-
Allowance for Bad Debts	-	(704,751)	(704,751)
Net Installment Sales Receivable	\$ -	\$ 41,663	\$ 41,663

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.

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CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTES 4. CAPITAL ASSETS

A SUMMARY OF THE CHANGES IN THE CAPITAL ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2012 IS AS FOLLOWS:

	Balance September 30, 2011	Increase	Decrease	Balance September 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,596,873	\$ -	\$ -	\$ 4,596,873
Total capital assets, not being depreciated	4,596,873		-	4,596,873
Capital assets, being depreciated:				
Buildings and improvements	3,850,074	1,053,899	-	4,903,973
Improvements other than building	9,869,557	781,563	-	10,651,120
Infrastructure	6,328,633	907,710	-	7,236,343
Equipment and other	6,204,662	596,476	-	6,801,138
Total capital assets, being depreciated	26,252,926	3,339,886	-	29,592,574
Less accumulated depreciation for:				
Buildings and improvements	(2,884,535)	(279,819)	-	(3,164,354)
Improvements other than building	(3,411,701)	(358,142)	-	(3,769,843)
Infrastructure	(6,043,671)	(156,909)	-	(6,200,580)
Equipment and other	(8,357,100)	(693,963)	-	(9,051,063)
Total accumulated depreciation	(20,697,007)	(1,488,832)	-	(22,185,839)
Total capital assets, being depreciated, net	5,555,919	1,851,054	-	7,406,735
Total governmental capital assets, net	\$ 10,152,792	\$ 1,851,054	\$ -	\$ 12,003,608
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,611,475	\$ -	\$ -	\$ 1,611,475
Total nondepreciable assets	1,611,475	-	-	1,611,475
Capital assets, being depreciated:				
Buildings	25,050,855	-	-	25,050,855
Utility equipment and improvements	16,939,893	2,127,070	-	19,066,963
Infrastructure	419,886	-	-	419,886
Equipment and other	3,672,380	111,411	-	3,783,791
Total capital assets, being depreciated	46,083,014	2,238,481	-	48,321,495
Less accumulated depreciation for:				
Buildings	(13,328,315)	(792,203)	-	(14,120,518)
Utility plant equipment and improvements	(8,121,666)	(331,903)	-	(8,453,569)
Equipment and other	(3,197,448)	(350,434)	-	(3,547,882)
Total accumulated depreciated	(24,647,429)	(1,474,540)	-	(26,121,969)
Total capital assets being depreciated, net	21,435,585	662,785	-	22,199,526
Total business-type activities capital assets, net	\$ 23,047,060	\$ 662,785	\$ -	\$ 23,811,001
Depreciation expense was charged to governmental functions as follows:				
General Government				\$ 451,208
Public Safety				402,358
Transportation				267,505
Culture and Recreation				67,450
Economic Development				454
Cemetery				429
				\$ 1,189,404

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5: TRANSFERS AND INTERFUND ITEMS

	TRANSFER OUT								
	General	Debt Service	Electric	Water	Sewer	Refuse	Landfill	Gas	Total
TRANSFER IN:									
General Fund	\$ -	\$ -	\$3,982,484	\$ 167,000	\$ 128,937	\$ -	\$ 43,515	\$577,537	\$4,899,473
Capital projects	-	-	131,574	-	-	-	-	-	131,574
Special revenue	-	297,016	-	698,977	-	-	-	-	995,993
Debt service	461,331	-	-	-	-	-	-	-	461,331
Electric	2,310,65	-	-	63,795	-	29,018	322,175	125,947	2,851,593
Water	221,467	-	60,000	-	-	-	-	-	281,467
Sewer	-	-	72,632	-	-	-	-	-	72,632
Refuse	229,798	-	-	-	-	-	-	-	229,798
Gas	-	-	153,971	-	-	-	-	-	153,971
Telecom	186,330	401,961	68,501	122,535	-	-	-	-	779,327
Sub-total	\$ 3,409,584	\$ 698,977	\$4,469,162	\$1,052,307	\$128,937	\$ 29,018	\$365,690	\$703,484	\$10,857,159

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>
Landfill	Electric	\$ (250,000)
		<u>\$ (250,000)</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.

NOTE 6. LONG TERM DEBT

	Balance September 30, 2011	Additions/ Adjustments	Reductions	Balance September 30, 2012	Due Within One Year
Governmental Activities:					
Revenue Bond	\$ 4,980,000	\$ -	\$ 210,000	\$ 4,770,000	\$ 220,000
Utility System Series 2003 Bonds	1,018,747	-	23,533	995,214	995,214
Capitalized Leases	225,757	-	31,269	194,488	28,312
Compensated Absences	242,393	30,568	-	272,961	170,393
Note Payable	1,241,715	-	843,388	398,327	239,362
Total Governmental Activities Long Term Liabilities	<u>\$ 7,708,612</u>	<u>\$ 30,568</u>	<u>\$1,108,190</u>	<u>\$ 6,630,990</u>	<u>\$1,653,281</u>
Business-Type Activities:					
State Revolving Loan - Project No. DW2006010	\$ 4,101,594	\$ -	\$ 140,320	\$ 3,961,274	\$ 144,365
State Revolving Loan - Project No. CS12064107P	1,774,561	-	173,789	1,600,772	182,741
Utility System Series 2003 Bonds	6,431,255	-	221,467	6,209,788	250,000
Utility System Series 2011 Bonds	6,000,000	-	-	6,000,000	280,887
Mortgage (Net Quincy Building)	146,255	-	38,478	107,777	39,243
Note Payable	35,586	-	15,231	20,355	16,108
Capitalized Leases	1,495,915	-	111,531	1,384,384	76,319
Compensated Absences	97,742	4,720	-	102,462	65,738
Total Business-Type Activities Long Term Liabilities	<u>\$ 20,082,908</u>	<u>\$ 4,720</u>	<u>\$ 700,816</u>	<u>\$ 19,386,812</u>	<u>\$ 1,054,514</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 6 LONG –TERM LIABILITIES (continued)

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, 2012**

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, 2012, funds held by the paying agent amounted to \$619,908 and consist of the following:

	Capital Revenue
Debt Service Interest	\$ 80,344
Debt Service Reserve	466,231
Bond Amortization	73,333
Total	\$ 619,908

- (c) 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, 2012 is \$1,590,173. The lease is payable in thirty semi-annual installments on 01/01 and 07/01 of which annual lease payments are due through 7/1/2023 in accordance with the payment schedule per agreement. Annual maturities are as follows:

Date	Principal	Interest	Total Payment
2013	100,914	94,209	195,124
2014	112,358	82,766	195,124
2015	119,051	76,073	195,124
2016	126,142	68,982	195,124
2017	133,656	61,468	195,124
2018-2022	797,622	177,997	975,619
2023	189,129	5,994	195,124
Total	\$ 1,578,873	\$ 567,490	\$ 2,146,362

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, estimated landfill post-closure costs, 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.	\$ 3,961,274
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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.	1,600,772
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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.	107,777
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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. (A portion of this balance \$995,214 is part of the internal services fund and shown as governmental activities).	7,205,002
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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;	<u>6,000,000</u>
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Total	18,874,825
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Less: unamortized bond discount	<u>(9,150)</u>
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Net	<u>\$18,865,675</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, 2012**

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 (October 1)</u>	<u>Principal Amount</u>	<u>Interest 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, 2012**

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 2012 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, 2012, other than the liability for accumulated vacation and sick leave, is as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 296,605	246,965	\$ 543,570	\$ 632,447	\$ 786,475	\$ 1,418,922
2014	280,437	232,602	513,039	785,163	765,823	1,550,987
2015	280,072	219,371	499,443	793,678	741,289	1,534,967
2016	257,879	206,349	464,228	794,436	710,760	1,505,196
2017	270,000	193,481	463,481	824,049	681,485	1,505,534
2018-2022	1,565,000	751,405	2,316,405	4,160,179	2,915,895	7,076,074
2023-2027	1,985,000	314,930	2,299,930	4,361,332	2,029,356	6,390,688
2028-2032	-	-	-	5,432,194	974,942	6,407,136
2033	-	-	-	1,111,694	51,074	1,162,768
Total	\$ 4,934,993	\$ 2,165,103	\$ 7,100,096	\$ 18,895,172	\$ 9,657,099	\$ 28,552,271

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7. CONTINGENCIES AND COMMITMENTS

Electric Purchase Contract

The City has existing electric purchase contracts with U.S. Department of Energy, Southern Power Administration (SEPA) and with Florida Municipal Power Agency (FMPA). 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, 2012, the City purchased electric capacity totaling \$8,300,992.

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, 2012, the City purchased gas totaling \$904,088.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012, the City's total liability for landfill closure and post-closure care costs was approximately \$1,401,718. 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 \$285,287 and cash deposited in the escrow account was \$58,440. The City currently has a shortage in this account totaling \$226,847.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 filed a one hundred and eighty (180) day permit renewal application before the August 19, 2013 Sewer permit expiration date to continue to operate the Sewer facilities. The City's 180 day permit renewal application provides an automatic extension to continue operations of the Sewer system facility, until the five (5) year renewal permit is issued.

NOTE 8. RETIREMENT SAVINGS PLAN (RSP)

The Retirement Savings Plan (RSP) of the City is a defined contribution pension plan established to provide benefits to employees upon retirement. The City is required to contribute an amount equal to 12% of the base pay of each eligible employee. Plan provisions and contribution requirements are established and may be amended by the City. During the fiscal year September 30, 2012, the City contributed \$400,772 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.

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, it paid on an ongoing basis, is projected to cover normal cost each year, calculated using the pay related entry age actuarial cost method and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

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

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

	FY 2012	FY2011
Annual required contribution (ARC)	\$548,659	323,532
Interest on net OPEB obligation	4,023	0
Adjustment to Annual Required Contribution (ARC)	(5,485)	0
Annual OPEB Cost	547,197	323,532
Contributions Made	(\$107,941)	(\$189,430)
Change in net OPEB obligation	\$439,256	\$134,102
Net OPEB obligation - October 1	134,102	0
Net OPEB obligation - September 30	\$573,358	\$134,102

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 follows:

<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
2012	547,197	19.7%	573,358

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 \$6.248 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$6.248 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.736 million and the ratio of the UAAL to the covered payroll was 172.39%.

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

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.

In the September 30, 2011 actuarial valuation, the pay related entry age actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return and a 1.5% inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open period of thirty years.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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, 2012, 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	20
Vested	26
Retired	28
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, 2012 was zero.

(d) Eligibility

All full-time Police Officers and Firefighters.

(e) Basic Compensation

Total cash compensation paid to the participant for services rendered.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

(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

(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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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

(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, 2012, expenditures exceeded appropriation in culture and recreation and in capital outlay by \$26,513 and \$137,537, respectively. These over expenditures were resolved by the utilization of fund balance reserves.

NOTE 13. DEFICIT FUND BALANCES

The City reported accumulated net asset deficits of \$1,869,323, 56,279, 337,655, 480,730, 85,737, 737,307, and 2,709,159 in the General, Capital Projects, Special Revenue, Water, Refuse, Landfill, and Telecommunication funds, respectively, as of September 30, 2012. 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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 13. DEFICIT FUND BALANCES (Continued)

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 decrease to \$350,225. 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.

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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

Note 14: Fund Balance (Continued)

- 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.

	General	Capital Projects Fund	Other Governmental	2012 Total Governmental	2011 Total Governmental
Fund Balances:					
Nonspendable					
Inventories	\$ 26,817	\$ -	\$ -	\$ 26,817	\$ 26,817
Restricted for :					
Debt Service	-	-	632,478	632,478	670,643
Capital Projects	-	64,330	-	64,330	-
Unassigned:	(1,896,140)	(120,609)	(460,110)	(2,476,763)	231,136
Total Fund Balance	<u><u>\$(1,869,323)</u></u>	<u><u>\$172,368</u></u>	<u><u>\$ 172,368</u></u>	<u><u>\$(1,753,138)</u></u>	<u><u>\$ 928,596</u></u>

Note 15: Prior Period Adjustments

Prior period adjustments relate primarily to the capital assets held by the internal service fund which were not previously presented in the amount of \$1,685,686 which were offset by an adjustment related to the change in the presentation of the CRA as a blended component unit in the amount of (\$260,710). Total prior period restatement is \$1,424,976.

Note 16: Subsequent Events

Subsequent to the end of the fiscal year, the Commission authorized management to re-finance the existing 2002 Series Bonds Payable. The \$6.5 million City of Quincy, Florida Capital Improvement Revenue Bonds, 2002 were defeased and discharged in accordance with a board approved resolution which authorized the refunded bonds. The \$4.507 million Capital Improvement Refunding Revenue Bonds Series 2012 were issued in December 2012.

Management has evaluated subsequent events through February 26, 2014, the date the financial were available to be issued, and concluded that there are no other subsequent events warranting presentation or disclosure in the financial statements.

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, 2012

Year Ended September 30	Annual Required Contribution	Percentage Contributed
2012	\$ -	0.00%
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	10/1/10
Actuarial cost method	Frozen Entry Age
Amortization method	Level Dollar
Remaining amortization period	27 years as of 10/1/10
Asset valuation method	Four Year Smooth
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, 2012

Schedule of Funding Progress

Valuation Date	9/30/2012	9/30/2010	
Actuarial value of plan assets	6,139,473	6,422,266	(a)
Actuarial accrued liability (AAL)	<u>6,714,461</u>	<u>7,029,621</u>	(b)
Total unfunded actuarial liability or (funding excess) - (Unfunded AAL)	574,988	607,355	(b) - (a)
Actuarial value of assets as a percentage of actuarial accrued liability (funded ratio)	91.44%	91.36%	(a)/(b)
Annual payroll covered	<u>927,048</u>	<u>887,501</u>	(c)
Ratio of unfunded actuarial liability (excess) to annual covered payroll	62.02%	68.43%	((b)-(a))/(c)

Note: 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
2012	393,138	393,138	64,378	0	457,516	116.38%

**City of Quincy,
Schedule of Changes In Fund Balances – Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues				
Taxes	\$ 1,871,547	\$ 1,871,547	\$ 1,928,447	\$ 56,900
Licenses and Permits	91,088	91,088	96,983	5,895
Intergovernmental	465,637	465,637	519,530	53,893
Fines and Fees	25,894	25,894	15,841	(10,053)
Charges for Services	424,273	424,273	407,621	(16,652)
Rental	2,838	2,838	5,207	2,369
Other	401,500	401,500	746,567	345,067
Total Revenues	<u>3,282,777</u>	<u>3,282,777</u>	<u>3,720,196</u>	<u>437,419</u>
Expenditures				
Current:				
General Government	3,253,856	3,253,856	2,960,781	293,075
Public Safety	3,493,339	3,493,339	3,445,696	47,643
Transportation	820,284	820,284	576,421	243,863
Physical Environment	209,557	209,557	208,972	585
Culture and Recreation	392,733	392,733	419,246	(26,513)
Cemetery	18,216	18,216	14,979	3,237
Economic Environment	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	-	-	137,537	(137,537)
Total Expenditures	<u>8,187,985</u>	<u>8,187,985</u>	<u>7,763,632</u>	<u>424,353</u>
Excess (deficiency) of revenues over expenditures	<u>(4,905,208)</u>	<u>(4,905,208)</u>	<u>(4,043,436)</u>	<u>861,772</u>
Other financing sources (uses)				
Operating Transfers In	4,899,473	4,899,473	4,899,473	-
Operating Transfers Out			(3,409,584)	(3,409,584)
Total Other Financing	<u>4,899,473</u>	<u>4,899,473</u>	<u>1,489,889</u>	<u>(3,409,584)</u>
Excess of revenues and other financing sources over expenditures	<u>(5,735)</u>	<u>(5,735)</u>	<u>(2,553,547)</u>	<u>(3,396,518)</u>
Fund Balance				
At the beginning of the year			684,224	
Prior period adjustment			-	
At the beginning of the year as adjusted			<u>684,224</u>	
At the end of the year			<u>\$ (1,869,323)</u>	

City of Quincy, Florida
Notes to Budgetary Comparison Schedule
Fiscal Year Ended September 30, 2012

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. Budget 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, 2012

	<u>Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
ASSETS			
Restricted cash	12,570	619,908	632,478
Total assets	<u>\$ 12,570</u>	<u>\$ 619,908</u>	<u>\$ 632,478</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	315,483	109,789	425,272
Cash and equity in pooled cash deficit	34,742	-	34,742
Due to other funds	-	-	-
Total liabilities	<u>350,225</u>	<u>109,789</u>	<u>460,014</u>
 Fund balances:			
Non-spendable fund balance	-	-	-
Restricted fund balance	12,570	619,908	632,478
Assigned fund balance	-	-	-
Unassigned	<u>(350,225)</u>	<u>(109,789)</u>	<u>(460,014)</u>
Total fund balances	<u>(337,655)</u>	<u>510,119</u>	<u>172,464</u>
 Total liabilities and fund balances	<u>\$ 12,570</u>	<u>\$ 619,908</u>	<u>\$ 632,478</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, 2012

	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
Revenues			
Intergovernmental	\$ 2,135	\$ -	\$ 2,135
Grants	180,497		180,497
Tax increment	334,472		334,472
Other	<u>150,328</u>	-	<u>150,328</u>
Total revenues	<u>667,432</u>	-	<u>667,432</u>
Expenditures			
Current:			
General government	872,875	-	872,875
Economic Environment	23,665	-	23,665
Culture and recreation	12,454	-	12,454
Public safety	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	116,667	210,000	326,667
Interest and other charges	<u>6,756</u>	<u>251,481</u>	<u>258,237</u>
Total expenditures	<u>1,032,417</u>	<u>461,481</u>	<u>1,493,898</u>
Deficiency of revenue over expenditures	(364,985)	(461,481)	(826,466)
Other financing sources (uses)			
Operating transfers in	<u>995,993</u>	<u>461,331</u>	<u>1,457,324</u>
Operating transfers out	<u>-</u>	<u>(698,977)</u>	<u>(698,977)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	631,008	(699,127)	(68,119)
Fund balance (deficit)			
At beginning of year	<u>(968,663)</u>	<u>1,209,246</u>	<u>240,583</u>
At end of year	<u>\$ (337,655)</u>	<u>\$ 510,119</u>	<u>\$ 172,464</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NON MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2012

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Telecom</u>	<u>Total Non-major Enterprise Fund</u>
ASSETS					
Current assets:					
Cash and equity in pooled cash	\$ 81,641	\$ 318,950	\$ 444,365	\$ -	\$ 844,956
Accounts receivable- net	123,096	14,030	49,582	137,434	324,142
Investments	-	-	-	-	-
Inventory	-	-	14,106	6,913	21,019
Non-current assets:					
Due from other funds	-	250,000	-	-	250,000
Restricted cash	-	58,440	785,234	-	843,674
Fixed assets - net	-	33,091	316,917	3,207,132	3,557,140
Total assets	<u>204,737</u>	<u>674,511</u>	<u>1,610,204</u>	<u>3,351,479</u>	<u>5,840,931</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	290,474	5,082	203,082	105,247	603,885
Cash and equity in pooled cash deficit	-	-	-	4,423,451	4,423,451
Compensated absences - current	-	2,920	6,375	1,629	10,924
Note payable-current	-	-	-	19,607	19,607
Deposits	-	-	10,913	8,193	19,106
Deferred income	-	-	-	26,846	26,846
Due to other funds	-	-	-	-	-
Compensated absences	-	2,098	2,289	1,629	6,016
Notes Payable	-	-	-	34,281	34,281
Revenue Bonds	-	-	785,234	1,439,755	2,224,989
Estimated landfill closure and post closure costs	-	1,401,718	-	-	1,401,718
Total liabilities	<u>290,474</u>	<u>1,411,818</u>	<u>1,007,893</u>	<u>6,060,638</u>	<u>8,770,823</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	33,091	316,917	1,713,489	2,063,497
Restricted for landfill	-	58,440	785,234	-	843,674
Restricted for debt	-	-	-	786,706	786,706
Unrestricted	<u>(85,737)</u>	<u>(828,838)</u>	<u>(499,840)</u>	<u>(5,209,354)</u>	<u>(6,623,769)</u>
Total net assets	<u>\$ (85,737)</u>	<u>\$ (737,307)</u>	<u>\$ 602,311</u>	<u>\$ (2,709,159)</u>	<u>\$ (2,929,892)</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS
NON MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2012

	<u>Refuse</u>	<u>Landfill</u>	<u>Gas</u>	<u>Telecom</u>	<u>Total Non-Major Enterprise Funds</u>
Operating revenues					
Charges for services	\$ 1,315,743	\$ 390,536	\$ 1,200,982	\$ 244,103	\$ 3,151,364
Other income	<u>14,191</u>	<u>-</u>	<u>191,930</u>	<u>-</u>	<u>206,121</u>
Total operating revenue	<u>1,329,934</u>	<u>390,536</u>	<u>1,392,912</u>	<u>244,103</u>	<u>3,357,485</u>
Operating expenses					
Cost of sales and services	1,176,752	74,564	1,091,914	510,585	2,853,815
Depreciation and amortization	<u>-</u>	<u>26,343</u>	<u>48,451</u>	<u>173,823</u>	<u>248,617</u>
Total operating expenses	<u>1,176,752</u>	<u>100,907</u>	<u>1,140,365</u>	<u>684,408</u>	<u>3,102,432</u>
Operating income	153,182	289,629	252,547	(440,305)	255,053
Non operating revenues (expenses)	-	-	-	-	-
Interest income (expense) - net	<u>-</u>	<u>42</u>	<u>5</u>	<u>(1,474)</u>	<u>(1,427)</u>
Total non-operating expenses	<u>-</u>	<u>42</u>	<u>5</u>	<u>(1,474)</u>	<u>(1,427)</u>
Income before operating transfers	153,182	289,671	252,552	(441,779)	253,626
Operating transfers in	229,798	-	153,971	-	383,769
Operating transfers out	<u>(29,018)</u>	<u>(365,690)</u>	<u>(703,484)</u>	<u>779,327</u>	<u>(318,865)</u>
Change in net assets	353,962	(76,019)	(296,961)	337,548	318,530
Net assets, at beginning of year	<u>(439,699)</u>	<u>(661,288)</u>	<u>899,272</u>	<u>(3,046,707)</u>	<u>(3,248,422)</u>
Net assets, end of year	<u>\$ (85,737)</u>	<u>\$ (737,307)</u>	<u>\$ 602,311</u>	<u>\$ (2,709,159)</u>	<u>\$ (2,929,892)</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	2012
Governmental activities					
Invested in Capital assets, net of related debt	\$ 6,752,198	\$ 5,827,040	\$ 4,989,667	\$ 4,372,530	\$ 5,091,345
Restricted for:		-	-	-	-
Capital projects		-	48,589	48,638	64,330
Debt Services	667,239	619,892	-	622,005	619,908
Other governmental		-	-	-	12,570
Landfill		-	-	-	-
Unrestricted	372,222	776,679	2,355,982	(768,266)	(2,448,061)
Total governmental activities net assets	\$ 7,791,659	7,223,611	7,394,238	4,274,907	3,340,092
Business-type activities					
Invested in Capital assets, net of related debt	\$ 9,118,414	8,374,567	7,994,685	4,895,335	5,911,036
Restricted for:					
Capital projects	1,404,080	1,404,761	1,013,653	1,727,028	1,633,304
Debt service	276,929	134,881	1,565	786,753	1,573,412
Landfill	579,576	580,999	581,298	1,081,344	843,674
Unrestricted	(1,808,399)	(788,023)	30,098	(1,544,889)	(3,558,646)
Total business-type activities net assets	\$ 9,570,600	9,707,185	9,621,299	6,945,571	6,402,780
Primary Government					
Invested in Capital assets, net of related debt	\$ 15,870,612	14,201,607	12,984,352	9,267,865	11,002,381
Restricted for:					
Capital projects	1,404,080	1,404,761	1,062,242	1,775,666	1,697,634
Debt service	944,168	754,773	1,565	1,408,758	2,193,320
Special Revenue	-	-	-	-	12,570
Landfill	579,576	580,999	581,298	1,081,344	843,674
Unrestricted	(1,436,177)	(11,044)	2,386,080	(2,313,155)	(6,006,707)
Total primary government net assets	\$ 17,362,259	\$ 16,931,096	\$ 17,015,537	\$ 11,220,478	\$ 9,742,872

Source: Statement of Net Assets, current and prior years' financial statements.

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	2012
Expenses					
Governmental activities:					
General government	\$ 3,967,787	\$ 4,011,539	\$ 2,691,312	\$ 3,785,451	\$ 4,838,003
Public safety	3,823,681	3,245,470	3,381,166	3,838,456	3,848,054
Public works	776,214	669,360	598,906	831,387	843,926
Culture and recreation	740,792	550,763	347,566	476,561	499,150
Economic development	230,674	585,693	98,310	1,186,282	303,489
Physical environment	72,213	84,620	203,546	343,351	208,972
Cemetery	44,753	6,021	26,532	19,137	15,408
Interest and fiscal charges	496,959	465,231	460,981	305,422	334,354
Total governmental activities expenses	<u>\$ 10,153,073</u>	<u>\$ 9,618,697</u>	<u>\$ 7,808,319</u>	<u>\$ 10,786,047</u>	<u>\$ 10,891,356</u>
Business type activities					
Electric	11,944,128	\$ 12,291,827	\$ 14,319,340	\$ 11,823,108	\$ 11,010,428
Gas	1,865,677	1,489,427	1,397,410	1,447,695	1,137,372
Water	1,342,540	1,497,093	1,673,935	2,475,564	1,479,469
Sewer	1,474,673	1,471,399	1,665,285	1,466,940	1,500,635
Refuse	1,133,147	1,137,299	1,159,575	1,235,804	1,176,752
Landfill	1,126,621	991,236	211,187	203,251	(71,251)
Telecommunication	772,766	711,359	784,965	1,342,142	685,882
Total business type activities expenses	<u>19,659,552</u>	<u>19,589,640</u>	<u>21,211,697</u>	<u>19,994,504</u>	<u>16,919,287</u>
Total primary government expenses	<u><u>\$ 29,812,625</u></u>	<u><u>\$ 29,208,337</u></u>	<u><u>\$ 29,020,016</u></u>	<u><u>\$ 30,780,551</u></u>	<u><u>\$ 27,810,643</u></u>
Component Unit					
Community Redevelopment Agency	<u>\$ 487,667</u>	<u>\$ 766,121</u>	<u>\$ 829,942</u>	<u>\$ 1,116,895</u>	<u>\$ 753,102</u> (1)
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 312,528	\$ 435,194	\$ 344,266	\$ 805,203	\$ 665,352
Public safety	455,701	438,758	408,686	407,772	-
Public works			-		-
Culture and recreation	71,833	184,671	107,582	77,674	96,983
Economic environment	37,239	873,276	78,854		-
Cemetery			-		
Engineering			-		
Interest and fiscal charges			-		
Operating grants and contributions				812,100	3,189,407
Capital grants and contributions					-
Total governmental activities program revenues	<u>\$ 877,301</u>	<u>\$ 1,931,899</u>	<u>\$ 939,388</u>	<u>\$ 2,102,749</u>	<u>\$ 3,951,742</u>
Business type activities					
Charges for services:					
Electric	\$ 16,068,107	\$ 16,566,406	\$ 18,507,161	\$ 16,135,582	\$ 12,792,877
Gas	2,384,748	1,912,410	2,148,788	2,012,751	1,392,912
Water	1,758,404	1,697,803	1,650,519	1,653,154	1,198,576
Sewer	1,627,851	1,476,330	1,546,148	1,549,907	1,579,432
Refuse	1,221,620	1,215,667	1,201,340	1,250,087	1,329,934
Landfill	1,211,502	1,114,898	308,223	250,769	218,376
Telecommunication	223,525	220,524	259,660	174,529	244,103
Operating grants and contributions					
Capital grants and contributions					
Total business type activities program revenues	<u>24,495,757</u>	<u>24,204,038</u>	<u>25,621,839</u>	<u>23,026,779</u>	<u>18,756,210</u>
Total primary government program revenues	<u><u>\$ 25,373,058</u></u>	<u><u>\$ 26,135,937</u></u>	<u><u>\$ 26,561,227</u></u>	<u><u>\$ 25,129,528</u></u>	<u><u>\$ 22,707,952</u></u>

(Continued) (Continued)

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

Fiscal Year	2008	2009	2010	2011	2012
Component Unit					
Community Redevelopment Agency					
Operating grants and contributions	\$ 348,938	\$ 530,293	\$ 547,790	\$ 746,701	\$ 467,715 (1)
Net (Expense)/Revenue					
Governmental activities	(9,275,772)	(7,686,798)	(6,868,931)	(8,683,298)	(6,939,614)
Business type activities	4,836,205	4,614,398	4,410,142	3,032,275	1,836,923
Total primary government net expense	<u>\$ (4,439,567)</u>	<u>(3,072,400)</u>	<u>(2,458,789)</u>	<u>(5,651,023)</u>	<u>(5,102,691)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 644,323	802,221	987,980	872,142	990,352
Local option gas tax	364,059	339,375	309,474	633,355	393,639
Utility taxes	6,264	7,520	9,295	7,860	7,905
Communication service tax	419,502	364,491	297,478	207,704	266,278
Shared revenues from State of Florida	900,392	890,700	821,309	500,024	521,665
Earnings on investments	28,795	20,950	17,803	15,289	20,269
Miscellaneous	89,912	95,326	41,001		
Transfers - net	4,856,685	4,598,467	4,474,400	4,980,563	2,379,715
Capital assets, transferred from other government					
Total governmental activities	<u>\$ 7,309,932</u>	<u>7,119,050</u>	<u>6,958,740</u>	<u>7,216,937</u>	<u>4,579,823</u>
Business type activities:					
Earnings on investments		-	-	-	-
Miscellaneous		-	-	-	-
Transfers	(4,856,685)	(4,477,813)	(4,474,400)	(4,980,563)	(2,379,714)
Capital assets, transferred from other government		-	-	-	-
Total business type activities	<u>(4,856,685)</u>	<u>(4,477,813)</u>	<u>(4,474,400)</u>	<u>(4,980,563)</u>	<u>(2,379,714)</u>
Total primary government	<u>\$ 2,453,247</u>	<u>2,641,237</u>	<u>2,484,340</u>	<u>2,236,374</u>	<u>2,200,109</u>
Change in Net Assets					
Governmental activities	\$ (1,965,840)	(567,748)	89,809	(1,466,361)	(2,359,791)
Business type activities	(20,480)	136,585	(64,258)	(1,948,288)	(542,791)
Total primary government	<u>\$ (1,986,320)</u>	<u>\$ (431,163)</u>	<u>\$ 25,551</u>	<u>\$ (3,414,649)</u>	<u>\$ (2,902,582)</u>

(1) Blended in 2012 as Special Revenue Fund

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)

Fiscal Year	Property Taxes	Local Option Taxes and Sales Taxes	Utility Taxes	Communication Taxes	Total Taxes, excluding Property Taxes
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
2012	990,351	663,912	7,905	266,278	938,095

Source: City of Quincy financial records

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-spendable										
Inventories	172,284	\$ 181,665	\$ 181,665	\$ 26,816	\$ 26,817	\$ 26,816	\$ 26,817	\$ 26,817	\$ 26,817	\$ 26,817
General fund, unassigned	815,285	(455,855)	85,793	979,147	1,384,149	1,032,587	1,108,450	810,489	657,407	(1,896,140)
Total general fund	<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>	<u>(1,869,323)</u>
All Other Governmental Funds										
Restricted										
Capital Improvements	3,737,807	728,541	61,964							
Debt service	870,895	876,082	884,494	964,293	934,559	667,239	619,892	620,058	670,643	696,808
Unassigned	(526,294)	839,444	337,083	(136,122)	(845,426)	(451,988)	9,650	(807)	(426,271)	(580,719)
Total all other governmental funds	<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>	<u>116,089</u>
Total governmental funds	<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>	<u>\$ (1,753,138)</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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes:										
Taxes	\$ 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	\$ 2,262,919
Utility taxes	-	-	-	-	-	-	-	-	-	-
Communication Service	-	-	-	-	-	-	-	-	-	-
Licenses and permits	104,554	54,729	95,549	152,557	124,356	139,199	123,296	107,582	77,674	96,983
Intergovernmental	1,643,471	795,403	1,019,289	863,324	547,317	494,348	1,555,769	598,735	500,024	521,665
Charges for service	-	-	-	-	454,564	455,701	438,758	408,686	407,772	407,621
Fines and forfeitures	-	-	-	-	52,338	46,432	41,667	37,479	24,471	15,841
Grants	-	-	-	905,729	320,422	37,239	-	-	812,100	1,674,550
Investment earnings	-	-	-	-	-	-	-	-	-	-
Other	728,519	1,189,505	863,881	1,190,370	737,317	317,437	435,857	332,910	796,021	914,540
Total revenues	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	5,894,119
Expenditures										
Current:										
General government	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	4,553,464
Public safety	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	3,445,696
Public works	866,079	771,784	1,009,552	1,200,875	-	-	-	-	-	-
Transportation	-	-	-	-	678,380	776,214	669,130	598,906	516,924	576,421
Physical environment	-	-	-	-	77,577	72,213	83,587	203,546	184,609	208,972
Economic/Community Devlpmt	146,927	106,740	1,641	1,195,220	-	230,674	585,693	98,310	1,185,726	303,035
Culture/Recreation	637,927	567,817	620,453	598,737	804,660	740,792	552,026	347,566	397,271	431,700
Cemetery	30,152	37,341	41,633	44,277	45,170	44,753	6,021	26,532	18,655	14,979
Engineering	72,490	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	165,627	-	-	-	-	-
Debt service:										
Principal	503,646	651,924	376,764	375,000	390,000	184,167	185,000	190,000	200,000	326,667
Interest	386,458	371,315	337,422	420,824	304,331	312,792	280,231	270,981	261,481	258,237
Capital outlay	3,105,193	2,124,868	1,901,489	299,874	285,721	197,828	110,015	250,868	347,266	917,480
Total expenditures	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	11,036,651
Excess (deficiency) of revenues over expenditures	(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)	(5,142,532)
Other Financing Sources (Uses)										
Sales of fixed assets	-	-	-	106,422	-	-	-	-	-	-
Transfers in	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	6,488,275
Transfers out	(756,456)	(1,282,894)	(697,929)	(848,718)	-	(579,934)	(288,513)	(461,148)	(461,481)	(4,108,561)
Other	-	203,725	34,756	-	-	-	-	-	-	-
Total other financing sources (uses)	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	2,379,714
Net change in fund balances	\$ (2,032,211)	\$ (2,900,095)	\$ (618,580)	\$ 384,412	\$ (114,861)	\$ (908,912)	\$ 490,156	\$ (388,767)	\$ (527,961)	\$ (2,762,818)
Debt service as a percentage of noncapital expenditures	9.3%	11.1%	8.3%	7.6%	6.8%	5.8%	5.5%	5.6%	5.0%	5.8%
Source: City of Quincy financial statements										

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>
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
2012	\$ 990,351	\$ 7,905	\$ 96,983	\$ 519,530	\$ 407,621	\$ 15,841	\$ 1,681,965	\$ 3,720,196

Note: General fund only

Source: City of Quincy financial records

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Other Exemption</u>	<u>Assessed Value For Operations</u>
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
2012	2011	457,068,607	40,623,572	174,410,400	242,034,635

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

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

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total City Operations</u>	<u>Gadsden County Operations</u>	<u>Gadsden County Schools</u>	<u>North Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Children's Services Council</u>	<u>Total City Wide</u>
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
2012	2011	4.6561	8.9064	7.9220	0.0400	n/a	n/a	n/a	21.5245

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	\$ 10,978,434	3.884%
2	WAL-MART STORES INC	Retail	3,588,594	1.270%
3	QUINCY PLAZA LLC AND RIDGE	Shopping Center/Mall	2,515,898	0.890%
4	ARBOR CREST LTD	Apartment Complex	2,172,380	0.769%
5	CAPITAL CITY BANK	Banking	2,092,006	0.740%
6	GADSDEN SQUARE VGR LLC	Commercial Leasing	2,019,506	0.714%
7	SP GADSDEN PRESERVATION	Commercial Leasing	1,991,376	0.705%
8	HEALTH CARE REIT INC	Health Care	1,851,548	0.655%
9	HIGDON FURNITURE CO	Retail	1,651,116	0.584%
10	TALQUIN ELECTRIC	Electricity	1,483,518	0.525%

\$	30,344,376	10.735%
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<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Total</u>
\$ 242,034,635	\$ 40,623,572	\$ 282,658,207
(see assessed value worksheet)		

Source: Report from Gadsden County Property Appraisal's Office

CITY OF QUINCY, FLORIDA
PRINCIPAL TAXPAYERS-PERSONAL PROPERTY ONLY

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Taxable Value</u>	<u>Percentage of Total Taxable Valuation</u>
1	QUINCY TELEPHONE COMPANY	Telephone	\$ 6,848,988	16.860%
2	SUPERVALU	Retail	3,184,668	7.839%
3	GARGIULO INC	Retail	2,570,757	6.328%
4	ACTIVE MINERALS	Chemical Manufacturer	2,424,796	5.969%
5	WAL-MART STORE # DIVISION STORE	Retail	2,054,374	5.057%
6	HIDGON FURNITURE CO	Furniture Manufacturer	1,154,328	2.842%
7	DL PETERSON TRUST		1,084,123	2.669%
8	COMCAST OF QUINCY INC	Cable	1,059,067	2.607%
9	FLORIDA POWER CORP	POWER	720,494	1.774%
10	QUINCY JOIST COMPANY	Steel Joist Manufacturer	591,856	1.457%
			<u>\$ 21,693,451</u>	<u>53.401%</u>

40,623,572
(see assessed value worksheet)

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

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Tax Levy *</u>	<u>Amount of Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for Year</u>	<u>Ratio of Total Taxes Collected to Total Current Levy</u>
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%
2012	2011	1,042,370	1,029,940	98.81%	N/A	1,029,940	98.81%

* Gross taxes before discounts exclusive of voted debt levies.

Source: Gadsden County Tax Collector

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

Fiscal Year	General Obligation Bonds	Revenue Bonds Series 2002	Special Assessment Bonds Series 2003	Revenue Bonds Series 2011	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
2012		4,775,000	7,205,000	6,000,000	17,980,000	2.38%	2,692

Source: Columns C,D,E - (see Item 4Q- Long Term Debt Service Schedule for Bonds)
Columns G,H- (Go to Fred.labormarketinfo.com)

**CITY OF QUINCY, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
TOTAL GENERAL FUND DEBT
SEPTEMBER 30, 2012**

	<u>Net Debt**</u>	<u>Percent Applicable *</u>	<u>Amount Applicable to City of Quincy</u>
City of Quincy	\$ 18,615,729	100%	\$ 18,615,729
Gadsden County School Districts	- 1	25.00%	-
Gadsden County	<u>2</u>	10.70%	<u>-</u>
Total Direct and Overlapping Debt	<u><u>\$ 18,615,729</u></u>		<u><u>\$ 18,615,729</u></u>

Sources:

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

2 Gadsden County Accounting Division - conniem@gadsdenclerk.com 875-8601 x 260

* Percentage based on ratio of assessed taxable value.

**Item 4Q Long Term Debt Liabilities

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				
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
2012	216,127	70,000	83,827	1.41
Revenue Bonds Secured by Local Communication Service Tax Revenues				
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
2012	266,278	70,000	83,827	1.73
Revenue Bonds Secured by Half-Cent Sales Tax Revenues				
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
2012	191,111	70,000	83,827	1.24

Source: City of Quincy financial records

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Percentage with a bachelor's degree or higher</u>	<u>School Enrollment</u>	<u>Unemployment</u>
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%
2012	7,972	1,281,980	27,778	38.9	13.20%	6,077	9.00%
<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, 2012

Date of Incorporation

November 19, 1828

Date of Adoption of City Charter

August 14, 1963

Form of City Government

Commission / Manager

Public Education

Number of schools

Number of teachers

Number of students

Total of all faculty

15-County

7-City Limits

483-County

189-City Limits

6077-County

2416-City Limits

947-County

540-City Limits

Area

Square miles

7.766

Building Permits this Period

Permits issued

567

Estimated value

51,037

Streets, Sidewalks, Sewers,

Storm Drainage

Miles of streets

63

Miles of sidewalks

29

Miles of sanitary sewers

70

Miles of storm drainage

32

Recreation

Public park facilities

66.88 acres

Tennis courts, boat ramp

Baseball, basketball, picnic areas, soccer, football,

Handball, volleyball, par course, etc.

Golf putt range

Waterways

Miles of canals and waterways

-

Acres of lakes

-

Water and Sewer Utilities

Active accounts

3751

Wastewater

3177

Miles of mains

82.1

69.6

Fire hydrants

503

0

Wastewater pump stations

0

10

Employees as of September 30, 2012

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>
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%
2012	7,972	1.32%	47,506	-1.44%	315,091,138	1.06%

City of Quincy, Florida
Principal Employers
September 30, 2011

Employer	Employees (1)	Rank	Percentage of Total City
Gadsden County School Board	947	1	41.61%
Gadsden County BOCC	203	2	8.92%
Talquin Electric	187	3	8.22%
Wal-Mart, Quincy	178	4	7.82%
Berry Nurseries	167	5	7.34%
BASF	161	6	7.07%
Supervalu Quincy Distr. Center	132	7	5.80%
City of Quincy	114	8	5.01%
Higdon Furniture	77	9	3.38%
Quincy Joist Company	68	10	2.99%
Active Minerals	42	11	1.85%
Total	2,276		

Source-

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

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Manager	2	2	2	4	2	3	2	2	2	2
General services	3	3	2	2	2	1	1	1	0	0
City Clerk	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police:										
Sworn	49	49	50	48	27	26	25	29	28	28
Administration/Other	6	6	7	6	22	18	6	4	4	4
Fire	25	24	25	25	24	24	19	20	19	19
Building & Planning	6	6	6	5	3	3	2	1	1	1
Code Enforcement					1	1	1	1	1	1
Community Redevelopment Agency	3	3	2	2	1	2	2	2	2	2
Netquincy			6	2	5	5	3	2	4	4
Public Works	23	23	31	23	23	21	19	17	20	20
Customer Service	5	5	5		9	8	6	6	6	6
Human Resources:	3	4	4	4	2.5	2	2	2	2	2
Parks & Recreation	34	26	26	32	30	9	3	2	2	2
Utilities	27	27	30	31	23	21	20	20	16	16
Finance	6	6	10	9	4.5	7	5	6	6	6
Total:	193	185	207	194	180	152	117	116	114	114

Source: City of Quincy Human Resources

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units										
Fire Rescue:	26	26	25	24	22	22	22	22	22	23
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	82
Fire Hydrants								503	503	503
Maximum daily permit capacity (millions of gallons)	3.62	3.62	3.62	3.62	3.24	3.62	3.62	3.62	3.62	3.62
Maximum daily plant capacity (millions of gallons)	3.89	3.89	3.89	3.89	3.89	4.60	4.60	4.60	4.60	4.60
Culture/Recreation										
Parks Acreage	47.52	47.52	47.52	47.52	47.52	47.52	47.52	47.88	66.88	172
Parks	14	14	14	14	14	14	14	14	15	16
Swimming Pools	2	2	2	2	1	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	2
Football/Soccer Fields	1	1	1	1	3	3	3	3	3	1
Basketball Courts	9	9	9	9	9	9	9	9	9	9
Playgrounds	8	8	8	8	8	8	8	8	9	9
Baseball/Softball Fields										8
Splash Parks										1
Public Safety										
Police:										
Number of calls answered	30,495	27,741	27,147	22,382	26,366	23,676	21,142	42,100	26,714	28,821
Felony arrests	803	811	882	630	67	138	225	143	467	441
Traffic accidents	526	508	435	457	453	517	469	298	402	408
Traffic/Parking citations	2,667	2,518	3,349	2,085	3,644	1,897	1,653	2,351	1,588	494
Fire Rescue:										
Number of fire calls answered	464	531	452	524	473	481	1,023	2,100	1,283	1,491
Building and Planning:										
Building Permits issued					498	241	233	417	315	567

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Physical Environment										
Maintained rights of ways (miles)	62.78	62.84	62.84	62.84	62.84	62.84	62.84	62.84	62.84	63
Landscaping and irrigation (miles)	1	1	1	1	1	1	1	1	1	1
Transportation										
Traffic guardrails installed (linear feet)	-	-	-	100	200	150	-	-	-	75
Sidewalks replaced (linear feet)	5,250	260	50	50	75	50	-	-	200	1,200
Curbing installed (linear feet)	5,280	280	50	50	45	-	-	-	75	2,000
									replaced 2	
Culture/ Recreation										
Number of sports leagues	5	5	5	5	18	17	17	17	17	20
Water-Sewer combined service	6,688	7,000	7,070	7,160	7,007	7,198	7,893	7,322	7,125	6,928
Number of water accounts	3,707	3,757	3,809	3,865	3,775	3,905	4,323	3,975	3,868	3,751
Sewer mains rehabilitated (linear feet)	-	-	-	-	-	-	-	-	-	-
Average daily consumption (millions of gallons)	1.19	1.31	1.16	1.22	1.22	1.43	1.36	1.37	1.49	1.43

CITY OF QUINCY, FLORIDA
PROPERTY ASSESSED VALUE, OUTSTANDING DEBT, LEGAL DEBT LIMITS & COVENANTS
SEPTEMBER 30, 2012

Estimated Actual Taxable Value	\$	457,068,607
Less: Homestead Exemption		40,623,572
Other Exemptions		174,410,400
Total Taxable Assessed Value	\$	<u>242,034,635</u>

City's direct unlimited debt limitation (1.25% of the City's total taxable assessed valuation) **3,025,433**

Amount of debt outstanding:

Revenue Bonds:

Capital Improvement (2002)	\$	4,770,000
Utility System Improvement & Refunding (2003)		7,205,000
Capital Improvement Smart Grid (2011)		<u>6,000,000</u>
Total outstanding revenue bonds		<u>17,975,000</u>

General Obligation Bonds:

N/A

Total outstanding bonded debt	17,975,000
Less: Reserve for debt service	2,193,320
Net total outstanding debt	<u>\$ 15,781,680</u>

Legal Debt Margin **3,025,433**

Source: Gadsden County tax Collector and City of Quincy financial records

CITY OF QUINCY, FLORIDA
Schedule of Debt Service on Outstanding Bonds as September 30, 2012

<u>Type of Bonds</u>	<u>Utility System Improvement and Refunding Revenue Series 2003 Bonds</u>	<u>Capital Improvement Revenue Bonds Series 2002</u>	<u>Utility System Revenue Bonds Series 2011</u>	<u>Total</u>
2013	\$ 600,100	\$ 460,981	\$ 420,888	\$ 1,481,969
2014	604,800	459,981	421,688	1,486,469
2015	602,625	463,481	426,975	1,493,081
2016	598,625	461,231	426,938	1,486,794
2017	599,000	463,481	421,338	1,483,819
2018	603,500	464,981	424,938	1,493,419
2019	602,125	455,731	428,138	1,485,994
2020	595,125	466,231	420,488	1,481,844
2021	602,250	465,481	426,938	1,494,669
2022	598,375	463,981	417,675	1,480,031
2023	603,500	461,731	423,413	1,488,644
2024	597,625	458,281	398,438	1,454,344
2025	625,125	464,063	394,175	1,483,363
2026	625,750	458,563	394,675	1,478,988
2027	625,125	457,294	394,700	1,477,119
2028	623,250	-	389,250	1,012,500
2029	629,875	-	398,000	1,027,875
2030	620,125	-	1,035,750	1,655,875
2031	-	-	1,031,000	1,031,000
2032	-	-	1,034,250	1,034,250
Total debt service	\$ 10,956,900	\$ 6,925,494	\$ 10,129,650	\$ 28,012,044
Principal Outstanding	\$ 6,955,000	\$ 4,770,000	\$ 6,000,000	\$ 17,725,000

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

<u>Fiscal Year</u>	<u>Gross Revenue***</u>	<u>Operating Expenses *</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service**</u>	<u>Coverage</u>
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	2,978,953	224,108	940,651	0.238
2012	2,980,104	2,034,128	945,976	988,880	0.957

Note: Water and Sewer Funds

* Total expenses excluding debt service on revenue bonds

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

***Statement of Activities (Water and Sewer Funds)

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>
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
2012	N/A	N/A	210,546,000

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

**CITY OF QUINCY, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2012**

Assessed valuation 2012 roll	<u>\$ 242,034,635</u>
Gen Oblgtn. Bonded debt limit - 15% of assessed value	\$ 36,305,195
Total bonded debt- Utilities Funds	17,975,000
Less: Revenue Bonds	(17,975,000)
Amount of debt applicable	<u>-</u>
Legal debt margin	<u>\$ 36,305,195</u>

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**

Fiscal Year	Total Amount Of Special Assessments Receivable Beginning of Year	Amount of Special Assessments Becoming Due During Fiscal Year	Special Assessment Collected	Total Amount of Special Assessments Receivable End of Year
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
2012	131,508	131,508	131,508	131,508

Source: Balance Sheet - Governmental Funds - General Fund Only

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

Fiscal Year	Road Street Facilities Personal Services	Road Street Facilities Operating Expenses	Road Street Facilities Capital Outlay	Debt Service Payment Debt Service	Debt Service Other General Operating Expense	Transportation	Total
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
2012						570,877	570,877

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

IV. COMPLIANCE SECTION

CITY OF QUINCY, FLORIDA
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2012

<u>Grantor /Pass-Through Grantor</u>	<u>Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Grantor/Contract Number</u>	<u>Total Expenditures FY 2012</u>
Federal Awards:				
Federal Emergency Management Agency/Dept of Homeland Security	American Recovery & Reinvestment Act Assistance to Firefighters Station Construction Grants (ARRA-SCG)	97.115	EMW-2009-FC-05512R	\$ 1,054,136
Florida Department of Economic Opportunity	Neighborhood Revitalization Tanyard Creek	14.228	11-DB-L4-02-30-02-N27	\$ 4,300
Total Expenditures of Federal Awards				<u>\$ 1,058,436</u>

See notes to Schedule of Expenditures of Federal Awards

City of Quincy, Florida
Notes to Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended September 30, 2012

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, 2012.

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.

NOTE 3. ARRA

American Recovery and Reinvestment Act Assistance to Firefighters Station Construction Grants (ARRA SCG) included \$1,054,136 to construct the firestation.



Independent Auditor's Report

Mayor and City Commission
The City of Quincy, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Florida as of and for the year ended September 30, 2012 and the related notes to the financial statements, which collectively comprise the City of Quincy, Florida's basic financial statements, and have issued our report thereon dated February 26, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2011-IC-MW-11-01, 2011-IC-MW-11-02, 2011-IC-MW-11-03, 2012-IC-04, 2012-IT-IC-05, 2012-IT/IC-08, 2005-IC-M-05-04, 2005-IC-M-04-05, 2004-IC-M-04-06, 2005-IC-M-05-03, 2001-C/IC-M-01-03, 2001-IC-M-01-04, and 2001-C/IC-M-01-3

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, 2011-IC-SD-11-04, 2012-IC-02, 2012-IC-03, 2012-IT/IC-06, 2012-IT/IC-06, 2012-IT/IC-07, 2011-IC-CD-05, 2011-IC-CD-11-06, 2011-C/IC-11-08, 2010-IC-IM-10-03, 2004-IC-M-04-06

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Quincy, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of findings and questioned costs* as 2012-C-01, 2011-C/IC-11-08, 2011-C/IC-11-10, 2011-C/IC-11-11, 2010-IC-IM-10-01, 2005-C-M-1, 2005-C-M-2, and 2009-C-11-09.

The City of Quincy, Florida's Response to Findings

The City of Quincy, Florida's response to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The City of Quincy, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Tallahassee, Florida
February 26, 2014

BCA Watson Rice LLP



Independent Auditor's Report

To The Mayor And City Commission
The City of Quincy, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Quincy, Florida compliance 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 City of Quincy, Florida major Federal programs for the year ended September 30, 2012. The City of Quincy, Florida's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Quincy, Florida major Federal programs and State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Quincy, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City of Quincy, Florida's compliance.

Basis for Modified Opinion on FEMA Program 97.115, Firefighters Construction Grant

As described in the accompanying schedule of findings and questioned costs, City of Quincy, Florida did not comply with requirements regarding coding on capital assets as to funding source *FEMA Program 97.115, Firefighters Construction Grant*. Compliance with such requirements is necessary, in our opinion, for City of Quincy, Florida to comply with the requirements applicable to that program.

Modified Opinion on FEMA Program 97.115 Firefighters Construction Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Quincy, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *FEMA Program 97.115, Firefighters Construction Grant* for the year ended September 30, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Quincy, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect the other major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2012.

Other Matters

The results of our auditing procedures disclosed instance of noncompliance which required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, and which is described in the accompanying schedule of findings and questioned costs as 2012-IC-11. 2-11-C-04, and 2011-C-M-2. Our opinion on each major Federal program and State project is not modified with respect to these matters.

City of Quincy, Florida response to the noncompliance findings identified in our audit are described in the *schedule of findings and questioned costs*. City of Quincy, Florida response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Quincy, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Quincy, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Quincy, Florida internal control over compliance.

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

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

of compliance requirement of a Federal program 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a Federal program or State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-IC-09, 2011-IC-01, 2011-C-02, 2011-IC-03, and 2011-C-04 to be significant deficiencies.

City of Quincy, Florida response to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and corrective action plan*. City of Quincy, Florida response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Tallahassee, Florida
February 26, 2014

BCA Watson Rice LLP



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

We have audited the financial statements of the City of Quincy, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated February 26, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 26, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (except as noted below 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 of Quincy, Florida 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 identify any such recommendations, except as noted in findings and questioned costs.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 such findings as 2010-IC-IM-10-02, 2010-IC-IM-10-05, 2009-IC-IM-09-01, and 2010-IC-IM-10-01.
- 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. Such information has been disclosed in note 1 to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Quincy, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, however, it did have unassigned fund balance deficits that were offset by capital assets that could be used without impairing the City's operations.
- Section 10.554(1) (i) 7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Quincy, Florida for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes, is substantially in agreement with the annual financial audit report for the fiscal year ended September 30, 2012, however, see 2009-C-11-09. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1) (i) 7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Quincy, Florida financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Tallahassee, Florida
February 26, 2014

BCA Watson Rice LLP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

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

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster

CFDA 97.115 – Assistance to Firefighters Grant (ARRA)

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II: Financial Statement Findings

2012-C-01 Consistently Observe the Uniform Accounting System Manual Prescribed by the Florida Department of Financial Services

Criteria

Per Uniform Accounting System Manual prescribed by the Florida Department of Financial Services, capital outlay expenditures should be recorded with the sub-object code of “60”.

Condition

It was noted that not all capital outlay expenditures were recorded using the sub-object code of “60”.

Effect

Some capital outlay expenditures related to a grant were not reported as such in the governmental funds. In the government-wide reporting, capital assets was understated by about \$738,000.

Cause

The improper use and lack of adherence to the prescribed Uniform Accounting System Manual may cause inaccurate recording of transactions.

Recommendation

We strongly suggest that the Finance Director ensure strict observance of the Uniform Accounting System Manual as prescribed by the Florida State of Department of Financial Services.

View of Responsible Officials and Planned Corrective Action

We concur. The City currently utilizes the sub-object code of “60” as noted in the Uniform Accounting System Manual when identifying capital outlay expenditures. The City also uses separate funds to track capital projects in addition to the sub-coding. The expenditure identified above pertain to the construction contract which may not necessarily be treated as capital outlay expenditures. To ensure these expenditures are accurately captured, current coding will be reviewed and follow-up will be made with the software vendor to explore what additional coding can be added in the systems to assist in capturing all cost in its appropriate category.

Section II: Financial Statement Findings (Continued)

2012-IC-02 Daily Cash Collections

Criteria

An effective system of internal control should serve to prevent fraud and minimize errors.

Condition

During our test of controls, a review of the City's processes with collecting, handling, and recording cash received, we noted a lack of supervisory review on three separate occasions. First, the total amount of cash collected for the day did not match the total cash collected. Also, on two separate occasions, deposit slips for cash and check collections were missing. The bank had to make a "deposit credit adjustment" for the collections deposited, but not reflected on the deposit slips.

Effect

The City is susceptible to undetected fraud and error.

Cause

The City has failed to implement and adhere to a system of internal control which includes supervisory review of cash transactions.

Recommendation

A supervisory level person in the Customer Services department with no cashier responsibilities should independently count cash deposits each day, and verify against the deposit slip. This would ensure cash discrepancies are investigated immediately and deposit slips match collections in total.

Management's Response

The city agrees with the recommendation. The Customer Service Director will assume the task of independently counting cash deposits and verifying cash deposit against the deposit slip. Evidence of completion of task will be indicated via initial on all cash deposits and verification forms.

2012-IC-03 Absence of a Valid Invoice for Expenditures

Criteria

Payments should be supported by the proper documentation. Which includes a properly approved Purchase Order, vendor's invoice, and evidence of receipt of goods or services and evidence of review and approval by the Finance Department before payment is made.

Condition

During our search for unrecorded liabilities, we noted a check written in November 2012 for approximately \$45,000 was paid with only a copy of the vendor's proposal. There was no invoice or any evidence of acceptance or approval of the proposal. Upon further investigation, an invoice was later provided dated December 2012, however, the contract was not signed until March of 2013.

Section II: Financial Statement Findings (Continued)

Effect

The payment to the vendor maybe inaccurate, fraudulent, or goods or services may not have been received by the City.

Cause

Lack of internal control over purchases.

Recommendation

The City has a procurement policy in place. We recommend that the City adhere to that policy. The Finance Department should also review check requests and purchase orders with more scrutiny to ensure a proper audit trail and adequate supporting documentation is accompanied with the request.

Management's Response

The City agrees with the recommendation. The individual departments will be tasked with responsibility of providing proper supporting documentation to the Finance Director. The Finance Department will not process the check request until all proper documentation is in hand.

2012-IC-04 Lack of Segregation of Duties

Criteria

The City must maintain a system of internal control which includes proper segregation of duties.

Condition

During the course of the audit we noted that there was a lack of segregation of duties between entering, approving and printing checks. We noted that access control within the application allowed several employees to perform all duties related to entering and printing checks.

Effect

A lack of segregation of duties creates an environment where intended controls can be circumvented causing fraud to be easily performed and/or undetectable. 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 enter, approve and print checks within the financial application. These functions should be separated to ensure adequate segregation of duties surrounding entering, approving and printing checks.

Cause

This condition exists because reviews of employees' access to the financial management system were not being performed on a periodic basis. This would help in detecting and correcting inappropriate access to the check printing module. This issue is exacerbated by the lack of review of access to the application (covered in "2012-IT/IC-08 General Operating Controls").

Section II: Financial Statement Findings (Continued)

Recommendation

We recommend the City of Quincy perform an access control review prior to moving to the upgraded web-based system. In addition, access control reviews should be performed on a periodic basis determined by the City. Best practices range from quarterly to yearly. The City should also update policies and procedures to reflect the frequency with which reviews will be conducted.

Management's Response

The City uses a Windows Network/Active Directory network structure which can be configured to provide a secure computing environment for users requiring access to network resources. However as stated in the audit concern controls should be in place to only allow the level of access needed to complete tasks. The following actions are/will be implemented immediately.

1. A group policy has been configured to lockout users after a period of 15 minutes of inactivity. The user's password will be required to access the workstation once the lockout happens.
2. All Network users are being reviewed at this time to determine the level of access needed to complete their assigned tasks. Level of access will be determined by the Supervisor/Department Manager; reviewed by the IT Director for approval or disapproval. The level of access will be reviewed at least every six months or when the employee job related duties change.
3. All employees will be required to sign a form (***Request for Application\Network Access***) indicating that they understand they are to abide by the policies and procedures of the City of Quincy FL and the Acceptable Use Policy signed in the Human Resources Department. This will be an ongoing tasks by the IT department and will be documented and place in the HR Department.

Strengthening these controls will provide a more secure environment for confidential and sensitive data. It will also ensure that employee have access to tools to complete their tasks, but not more than that.

Section II: Financial Statement Findings (Continued)

Findings related to IT controls over the financial reporting process

2012-IT/IC-05 Application Controls

Criteria

The City must have proper application controls which are automated procedures which help to ensure completeness and accuracy of information being processed through the application. It also helps to prevent or detect potential fraudulent activities. The City's Financial Management System (American Data Group Application) is used for maintaining and processing critical information and business processes which is used for disbursements and decision making.

Condition

Inadequate Controls over Vendor Data

The City of Quincy's vendor management system lacks controls which would ensure adequate integrity of the vendor master file. A significant number of vendor tax ID numbers are missing from the City's vendor master file. This indicates that the vendor tax ID is not a required field and this significantly increases the risk of incorrect or duplicate payments to vendors. In addition, there are 415 occurrences of duplicate vendor Tax ID numbers within the City of Quincy's vendor master file. 310 of the 415 duplicate tax ID numbers within the master file belong to the City of Quincy. The City's tax ID number is being used to identify vendors within the master file. Duplicate tax IDs indicate that the system does not have controls in place to ensure that vendors can only exist once within the master file.

Inadequate Application Audit or Processing Logs

The Financial Management System produces audit trails for changes made to the Vendor Master and the payroll modules, however, there are no audit logs produced for other critical modules; such as accounts payable and check writing. In addition, the application does not record processing logs which show all transactions or processes initiated within the system. Combined with other weak application controls identified this severely increases risks of fraud being undetected.

Weak Controls over Check Management

The Financial Management System does not have adequate controls over check printing and processing to ensure that integrity of data and processing are maintained. We found that the application allows check numbers to be skipped. When a batch is updated the check count does not reflect the skipped numbers and continues numbering from the last check number entered.

In addition, we found that the application allows multiple checks with the same number to be printed. Only the last printed check number at the time of batch update is recorded.

Also, users can print a check then subsequently remove the check number from the batch prior to update within the system so that the use of the check number is not recorded. This provides the opportunity for unrecorded checks to be printed with opportunity for detection.

Section II: Financial Statement Findings (Continued)

Effect

Critical data such as vendor master file should have adequate referential integrity and controls to ensure that accuracy, consistency and integrity of vendor records are maintained. This would avoid duplicate records and significantly reduce the risk of duplicate or incorrect payments. This would also decrease the risk of establishment of fraudulent vendors. In addition, if payments to vendors are not adequately reported to the federal government through the use of the federal tax ID numbers as is required, the City increases the risk of under-reporting or non-reporting of payments to vendors.

Finally, adequate controls over processing and printing of checks will provide a strong control environment surrounding disbursements and reconciliation which in turn will aid in detecting and eliminating duplicate invoices and/or incorrect disbursements.

Cause

This condition exists because the American Data Group (ADG) application was not properly designed with the functionality to support automated controls to prevent and or detect abnormal activities.

Recommendations

We recommend the City of Quincy perform the following steps in order to rectify the data integrity and application issues listed above:

1. The City of Quincy should require federal tax ID numbers from all existing and new vendors with which it does business. The federal tax ID numbers should be validated prior to payment;
2. The City's tax ID number should not be used to identify vendors in the master file. The federal tax ID numbers for each vendor should be collected and used to preserve integrity and accuracy of the vendor master file;
3. The City of Quincy should eliminate or merge instances of duplicate vendors within the master file so that data integrity controls can be established and associated risks can be reduced. This practice should be continued until a system with relevant automated controls can accomplish this task;
4. The City of Quincy should communicate with ADG to determine whether the software can be modified to accomplish the following tasks:
 - a. Duplicate vendors should not be allowed within the system;
 - b. Tax ID numbers must be a required field. This field should be validated during input;
 - c. Check numbers should be assigned automatically (or the City should institute use pre-printed checks) and users should not be allowed to skip numbers; and
 - d. Checks with the same number should only be allowed to be printed once; and
 - e. Checks should not be allowed to be printed unless it has been updated within the system. This will avoid "phantom" checks from being printed;
 - f. Audit trails and processing logs should be maintained for all activities within the system. This will serve as a detective control.
5. The City of Quincy should institute an additional control of bank sponsored check verification such as "Positive Pay" or similar to ensure that only valid checks are cashed at various banks.

Section II: Financial Statement Findings (Continued)

6. In light of the material weaknesses found within the ADG application, the City of Quincy should perform a detailed Risk Assessment (RA) and Independent Verification and Validation (IV&V) of the upgraded system to identify all risks and weaknesses within the application. The product of these reviews should be used to establish a dialogue with ADG in order to correct all deficiencies found as soon as possible; and
7. The City should institute manual controls where possible to compensate for the lack of automated controls within the ADG system. This will aid in the integrity of operations until software with relevant automated controls can be implemented.

Management's Response

The Finance Department staff will begin the process of requesting W-9's from all active vendors included in the Vendor Master file. In addition, the new policy will require that a W-9 be obtained and maintained on file for all vendors prior to processing payments. Follow-up will also be completed with ADG to determine if the controls can be changed to make this EIN a required file when establishing new vendors.

Prior to the review of these controls, staff had already begun the process of reviewing the vendor master file for duplicate vendors. Assistance will be requested from ADG for an expedited process for identifying duplicate vendors and once identified merging to eliminate the duplicate vendor.

Additional procedures/processes suggested (such as positive pay, risk assessment and independent verification and validation) will be reviewed to determine the feasibility of implementation for the City.

2012-IT/IC-06 Data Center Controls

Criteria

The City must maintain proper controls over the data center. The data center is essential for safely and securely housing the City's critical computer systems and networks. It is the backbone of the City's network and is important for maintaining effective and efficient operations.

Condition

We found the following during our review of the Data center operations:

1. No emergency procedures - to explain actions necessary during minor emergencies
2. No fire or smoke detectors – to detect and alert occupants of the building and the fire; department in the event of a fire;
3. No fire extinguisher – to assist in dealing with minor to moderate fires;
4. No training – to educate relevant employees on how to respond the various situations or emergencies which can occur during the operation of a data center. This includes dealing with minor fires;
5. No fire suppression system – for an automated response for any fires which place the data center at risk of significant damage or destruction; and
6. No humidity monitor – to ensure that the humidity levels within the data center are maintained at a safe level to prevent damage to equipment.

Section II: Financial Statement Findings (Continued)

Effect

Inadequate data center controls places the City's data center at significant risk of damage or destruction. Combined with the weak disaster recovery controls this significantly increases the risk of severe inability to continue normal business operations within a reasonable time period

Cause

This condition exists because the City did not prioritize the establishment of adequate controls in the outlined areas within the data center.

Recommendation

We recommend the City of Quincy rectify the weak data center controls by performing the following steps:

1. The City should post emergency procedures so that employees are readily reminded and always able to reference appropriate responses in the event of minor emergencies;
2. The City should install and periodically test both fire and smoke detectors within the data center;
3. The City should install fire extinguishers within the data center to ensure that employees can respond to minor fires;
4. The City should conduct periodic training to ensure that all relevant employees are aware of appropriate behavior and also responses during specific emergencies;
5. The City should install an automated fire suppression system which can suppress a fire while the fire department is responding; and
6. The City should install a humidity monitor to ensure that humidity levels are kept within a safe operating range to protect the equipment. Best practices establish a range of 40% to %55.

Management's Response

The City data center is located upstairs at 404 West Jefferson Quincy FL or the top floor of the City Hall. The IT Department has responded to the recommendations of the Audit of March 2013 in the following manner.

1. Emergency procedures to address events such as a fire, flood, wind or smoke are being developed and will be in place by April 15, 2013. Staff will be trained and training recorded prior to implementing the procedures.
2. Fire and smoke detectors have been purchased. They will be tested and installed prior to March 31, 2013.
3. The contracted Fire Extinguisher vendor will be notified and properly rated fire extinguishers will be in place prior to March 31, 2013. The devices will be tested by the vendor every six months and documented on the device.
4. Training and/or drills will be conducted semi-annually to ensure that staff reacts appropriately during unplanned events and emergencies. This training will be documented and placed in the Human Resources department for review.

Section II: Financial Statement Findings (Continued)

5. The IT Director is currently gathering quotes for a Fire Suppression system similar to the FM-200 for installation in the Data Center. We expect to have this completed and installed within 120 calendar days.
6. The IT department will install an environmental monitor on at least two servers to provide information to IT staff in a remote fashion of conditions inside the Data Center at any time. The environmental monitor will send an email to designated IT staff and one to the duty officer at the Fire Department when conditions are not within the specific range of temperature humidity or smoke present. Honeywell currently provides environmental services to all parts of the City and they will be asked to provide a humidity control device in the Data Center. We expect to have this completed within 60 calendar days.

We feel that the above actions will serve to strengthen the controls over the Data Center and improve operations tremendously.

2012-IT/IC-07 Recovery Planning and Testing Procedures

Criteria

During our audit we noted that the City has a comprehensive disaster recovery plan, however, it is outdated. The last time the plan was updated was June 2011. In addition, the disaster recovery plan has never been tested to ensure that procedures are adequate and response is effective during a disaster.

Effect

Without adequate disaster recovery plan and procedures the City will be unable to ensure continuity of operations in the event of disruption ranging from minor interruptions to major disasters. This places the City critical infrastructure and data at risk.

Cause

This condition exists because the City recently developed the disaster recovery plan and prioritized operation of the data center over disaster recovery testing and updating the plan.

Recommendation

We recommend the City update the disaster recovery plan as soon as possible. The City should also ensure that all information listed in the plan is accurate and current. Finally, the City should perform disaster recovery testing as soon as possible. Thereafter, disaster recovery tests should be performed annually.

Management's Response

The IT Disaster Recovery Plan is now under review. The Plan will be edited to reflect changes in organizational structure and contingencies. Once completed we will perform a test of the plan during the next quarter 2013 (April-June 2013) and document the results. As part of the updates to the plan it will be noted as part of the plan to have semiannual drills to ensure relevancy and coordination.

Section II: Financial Statement Findings (Continued)

2012-IT/IC-08 General Operating Controls

Criteria

A city utilizing information technology for financial reporting should have general operating controls. Which help the City ensure that its infrastructure and supporting processes support a strong operating environment with adequate controls.

Condition

During our testing procedures we noted that the general operating controls were weak in the following areas

Inadequate Automated Timeout after Inactivity

User's computers do not automatically timeout and lock after a pre-defined and enforced period of inactivity. This means that persons with physical access to machines will be able to access otherwise privileged information which should be kept confidential.

No Periodic Review of User Access

We found that there is no periodic review of access for users of the financial application system. Users' access to the system should be reviewed periodically to ensure that there is no privilege and access to all assigned modules is reviewed, approved and signed off.

Weak Access Authorization Forms

We found that there were no access authorization forms to support the access that current employees have in the system. There is no audit trail to show that employees' access are properly approved by department heads and application owner prior to access being granted. This significantly increases the risk of inappropriate access.

Effect

General operating controls are implemented to ensure that the system on which critical applications are stored as well as other compensating controls such as policies and procedures are adequate to support the safe, secure and efficient operations

Cause

These conditions exist because the group policy within active directory was not enabled to force system lockout after a period of inactivity. In addition, access authorization forms were not developed and used prior to this review. Finally, periodic review of user access was not performed prior to our assessment

Recommendation

We recommend the City of Quincy perform the following steps in order to rectify the general operating controls deficiency:

1. The City should enforce system lockout after a pre-determined length of inactivity. This varies by organization based on risk of the application and overall system. Best practices state that systems should lock between 15 and 20 minutes;

Section II: Financial Statement Findings (Continued)

2. The City should perform a review of user access as soon as possible and verify that all users only have access to modules for which performing their job duties is necessary. Access to any other modules should be removed right away. In addition, periodic reviews should occur on an annual basis; and
3. We understand that the City has developed an access authorization form for use going forward. Subsequent to an access control review explained in #2 above, the City should require all employees to sign the new access authorization forms.

Management's Response

The City uses a Windows Network/Active Directory network structure which can be configured to provide a secure computing environment for users requiring access to network resources. However as stated in the audit concern controls should be in place to only allow the level of access needed to complete tasks. The following actions are/will be implemented immediately.

1. A group policy has been configured to lockout users after a period of 15 minutes of inactivity. The user's password will be required to access the workstation once the lockout happens.
2. All Network users are being reviewed at this time to determine the level of access needed to complete their assigned tasks. Level of access will be determined by the Supervisor/Department Manager; reviewed by the IT Director for approval or disapproval. The level of access will be reviewed at least every six months or when the employee job related duties change.
3. All employees will be required to sign a form (***Request for Application\Network Access***) indicating that they understand they are to abide by the policies and procedures of the City of Quincy FL and the Acceptable Use Policy signed in the Human Resources Department. This will be an ongoing tasks by the IT department and will be documented and place in the HR Department.

Strengthening these controls will provide a more secure environment for confidential and sensitive data. It will also ensure that employee have access to tools to complete their tasks, but not more than that.

Section III: Federal Awards Findings

Federal Program Name and CFDA#: Firefighters' Construction Grant #97.115

Federal Award Number and Year: EMW-2009-FC-05512R (2009)

Compliance Requirements: Allowable Costs/Allowable Activities

Known Questioned Costs: \$6,000

Type of Finding: Internal Control and Compliance

2012-IC-09 Administrative Fees Paid Out as Bonus

Condition

We noted that some funds were paid out to the former fire chief and his assistant as administrative fees for managing the Firefighter's Grant. Those payments were paid as "bonus" on top of their regular salaries and wages which were paid by the City.

Criteria

Although the Firefighter's grant allowed 3% administrative cost to be charged to the program, pursuant to OMB A-87 Allowable Cost policy guidance under Part C. Basic Guidelines, Item A, costs should be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Questioned Cost

Total "bonus" or additional pay made out to the former Fire Chief and his assistant (now the current fire chief) was \$6,000.

Effect

Charging of non-allowable expenditures to the program may jeopardize the City's reputation and may discourage the Grantor and other funding sources from providing additional funds in the future.

Cause

Lack of review by the City's Finance Department on the grant expenditures.

Recommendation

We suggest that the City initiate and provide a report to the grantor about the unallowable expenditures and arrange for the funds to be returned.

View of Responsible Officials and Planned Corrective Action

The grant provided for the payment of administrative fees and the request for the payment of these administrative fees was approved by the granting agency. The City's supporting documentation identified the sums paid as administrative cost. However, coding was inappropriately changed to "bonus" pay when processed in Finance.

Section III: Federal Awards Findings (Continued)

Federal Program Name and CFDA#: *Firefighters' Construction Grant #97.115*

Federal Award Number and Year: *EMW-2009-FC-05512R (2009)*

Compliance Requirements: *Equipment and Real Property Management*

Known Questioned Costs: *N/A*

Type of Finding: *Internal Control and Compliance*

2012-IC-10 Absence of Coding on Capital Assets as to Funding Source

Criteria

Pursuant to OMB A-102 Common Rule (§___.32), OMB Circular A-110 (2CFR section 216.35) on equipment and real property management, capital assets acquired through federal or state funds should be adequately identified in the grantees' capital asset system.

Condition

Capital assets are not coded in such a way that identification of funding source (i.e., federal or state grants or city's capital budget) can be readily determined.

Effect

Lack of proper equipment and real property management by grant recipients is a reportable condition which may cause the federal or state funding agencies to withdraw funds to support capital asset acquisition projects.

Cause

The City is not currently using its capital asset system and the Finance Director maintains an excel spreadsheet of all assets. However, maintaining the capital asset records in such fashion is not an acceptable excuse for not providing the funding source information on the capital assets acquired through federal and state funds.

Recommendation

We strongly suggest that the Finance Director review the capital asset listing and design a code to be incorporated on the list to properly identify the capital assets as to its funding source (i.e., federal/state or local funds).

View of Responsible Officials and Planned Corrective Action

The Account Control Specialist will begin the process of reviewing capital assets and identifying the source of funding for those assets. An appropriate code will be added to the asset identifying its source as either federal, state or other funds. This process will provide the necessary data to comply with identifying the funding source.

Section III: Federal Awards Findings (Continued)

Federal Program Name and CFDA#: Firefighters' Construction Grant #97.115

Federal Award Number and Year: EMW-2009-FC-05512R (2009)

Compliance Requirements: Reporting

Known Questioned Costs: N/A

Type of Finding: Internal Control and Compliance

2012-IC-11 Incomplete and Late Reporting

Criteria

As stipulated on Article VIII–Financial Reporting Article IV–Other Reporting in the Grant Agreement, Semi-Annual Progress Report was to be submitted for the life of the grant and was due within 30 days after the close of the period, while the ARRA Quarterly Report was due on the 10th day following the close of the quarter.

Condition

There was no evidence that the Semi-Annual Report for the period March 25 to September 24, 2012, was submitted to the funding agency while the July-Sept 2012 Quarterly ARRA Report was filed on October 13, 2012 or 3 days late from its due date of 10 days after the close of the quarter.

Effect

Incomplete and late reporting may jeopardize the City's reputation and may discourage the Grantor and other funding sources from providing additional funds in the future.

Cause

The former Fire Chief who acted as the grant administrator was a one-man team who also performed the legwork relative to the reportorial requirements of the grant and nobody was above him to perform supervisory control to ensure that all the requirements were met.

Recommendation

In the future, we suggest that there should be supervisory control over grant administration to provide an added level of assurance that all the compliance requirements are met.

View of Responsible Officials and Planned Corrective Action

The Account Control Specialist (ACS) will be assign responsibility for monitoring reporting compliance for all grants. Current procedures will be modified to ensure that the ACS is informed of all grants which the City has and has full knowledge of the reporting requirement of each. Monthly (or quarterly, if more appropriate) reports will be provided to the Finance Director and City Manager regarding compliance with reporting requirements for each grant.

City of Quincy, Florida
Summary Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings

Audit Finding Reference: 2011-IC-MW-11-01 **Lack of Segregation of Duties**

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs with the recommendation and performed a risk assessment to evaluate the internal control structure currently in place in March 2013. The risk assessment was completed March 19, 2013. As a result of the risk assessment management has implemented the following:

1. A group policy has been configured to lockout users after a period of 15 minutes of inactivity. The user's password will be required to access the workstation once the lockout happens.
2. All Network users were reviewed to determine the level of access needed to complete their assigned tasks. Level of access were determined by the Supervisor/Department Manager; reviewed by the IT Director for approval or disapproval. The necessary level of access was established for each employee. The level of access will be reviewed at least every six months or when the employee job related duties change.
3. All employees were required to sign a form (Request for Application\Network Access) indicating that they understand and abide by the policies and procedures of the City of Quincy FL and the Acceptable Use Policy signed in the Human Resources Department. This will be an ongoing tasks by the IT department and will be documented and place in the HR Department. Strengthening these controls will provide a more secure environment for confidential and sensitive data. It will also ensure that employee have access to tools to complete their tasks, but not more than that.

Specifically, the Finance Department does not have access to HR Master files and nor does it possess the ability to make changes in HR and process payroll.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

The City's Financial Management System (American Data Group Application) generate audit trail report which details all activity performed by the user ID.

Finally, finance staff is now required to participate in regular trainings including those specifically related to governmental accounting regulations and control and compliance standards. Staff attended the GFOA's "Accounting Academy" offered in Chicago in July 2013.

Audit Finding Reference: 2011-IC-MW-11-02 Accounts not Reconciled

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs with the reconciliation of accounts on a monthly basis and will implement the following:

- Less complex reconciliations-single bank account to single general ledger account type reconciliation- reconciliations were assigned to the Account Control Specialist. The Account Control Specialist's reconciliation is reviewed by Accountant.
- Assigned identified components of complex reconciliation 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.
- The failure to do monthly reconciliation will result in discipline.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: 2011-IC-MW-11-03 No Process for internal control over financial reporting

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

MANAGEMENT'S RESPONSE

Management concurs. Recently, the Finance Department presented to the City Commission the New COSO Internal Control- Integrated Framework for approval. The new internal control guidelines were approved in June 2013. Within next 12 months a formal financial reporting process/manual will be developed. A regular training regiment is in place for the Director of Finance and the Account III. (See IC-MW-11-01)

Audit Finding Reference: 2011-IC-SD-11-04 Lack of Supervisory Review over employee benefits

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs. Current procedures were reviewed and modified in November 2012 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 is 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
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: **2011-IC-CD-11-05** **Journal entries not automatically numbered**

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's 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.

Audit Finding Reference: **2011-IC-CD-11-06** **P-Card Controls**

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.

Status of Prior Finding

Partially corrected. The P-Card Policy was revised and implemented during fiscal year 2012.

Management's Response

Management concurs and notes that a major revision of the P-Card Policy and public disclosure of P-Card transaction on the city's website was implemented in 2012, which addresses the recommendation. Management is unaware that the discrepancies noted were present in this year's audit.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: 2011-IC-CD-11-07 *No Employee Evaluations*

Condition

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

Status of Prior Finding

Partially corrected. Evaluations started being performed during the fiscal year.

Management's Response

Management concurs; however employee evaluations were conducted.

Audit Finding Reference: 2011-C/IC-11-08 *No inventory of property*

Condition

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

Status of Prior Finding

Partially corrected. Utility department inventory was completed.

Management's Response

Management concurs and notes that utility department's inventory was completed and reconciled to the general ledger. The inventory of land, etc will be completed in November of the 2013.

Audit Finding Reference: 2011-C-M-2 *Failure to provide timely reports*

See section "Prior Year Findings Related to Federal Awards"

Audit Finding Reference: 2011-C/IC-11-10 *Timely submission of audit report to State*

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Management's Response

Management concurs. The failure to timely implement this recommendation will result in discipline.

Audit Finding Reference: **2011-C/IC-11-11** **Timely submission of AFR**

Condition

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

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs. The failure to timely implement this recommendation will result in discipline.

Audit Finding Reference: **2010-IC-IM-10-01** **No Filing of annual OPD to State**

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

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

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 currently 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.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: **2010-IC-IM-10-02** **Accounts Receivable not monitored**

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs. The detail subsidiary ledger and the general ledger were not in sync with one to the other. Principally, because approved write-of were not timely and appropriately made. The finance department will ensure timely reconciliation of the two ledgers. 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. On July 9 the City Commission adopted Management Guidance Policy/Procedure for Uncollectible Accounts and Write-offs. The draft policy identifies the method for determining uncollectible/doubtful accounts, defines the timeline and write-off procedures for addressing the uncollectible/doubtful accounts, and provides a procedure for handling subsequent collection of an uncollectible account. The Finance Department in conjunction with Customer Service implement the adopted policy.

Audit Finding Reference: **2010-IC-IM-10-03** **Improper Calculation of Customer Utility Bills**

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.

Status of Prior Finding

Planned corrective action completed this fiscal year.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: 2010-IC-IM-10-04 *Improper posting of Journal Entries*

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.

Status of Prior Finding

Planned corrective action completed this fiscal year.

Audit Finding Reference: 2010-IC-IM-10-05 *Journal entries lack approval*

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management has increased staff and the journal entries are as of October 2012 created by either the Account I, Account Specialist or Account III depending on the task assigned. The Finance Director reviews and approves the journal entries.

Audit Finding Reference: 2009-IC-IM-09-01 *Account monitoring/Timing of Journal Entry postings*

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

Management concurs with the finding. As of October 2012, journal entries are recorded and posted 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
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: 2009-C-11-09 *Uniform Chart of Accounts*

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Management's Response

The Account III will be responsible for reviewing the Uniform Chart of Accounts to ensure compliance with the state requirements and recommending to the Finance Director appropriate modification.

City of Quincy, Florida
Summary of Prior Year Audit Findings
Fiscal Year Ended September 30, 2012

Prior Year Financial Statement Findings (Continued)

Audit Finding Reference: **2005-C-M-1** **Loan Compliance Not Met**

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.

Status of Prior Finding

This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

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.

Audit Finding Reference: **2005-C-M-2** **Loan Compliance Not Met**

Condition

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

Status of Prior Finding

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

Management has worked diligently to ensure that compliance issues pertaining to the State Revolving Loan Fund Agreement are complied with.

City of Quincy, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding Reference: **2005-IC-M-05-03** **Lack of Access control/Segregation of Duties**

Condition

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

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

See Management response to 2011-IC-MW-11-01.

Audit Finding Reference: **2005-IC-M-05-04** **Revenue bonds not recorded**

Condition

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

Status of Prior Finding

Similar findings noted in the current year.

Management's Response

Effective immediately, responsibility for these transactions are assigned to the Account III and reviewed by the Finance Director. Completion of task will be linked to the Accountant and the Finance Director's performance evaluation.

Audit Finding Reference: **2005-IC-M-04-05** **Bank Reconciliations not prepared**

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.

Status of Prior Finding

Similar findings noted in the current year.

Management's Response

Management concurs. See Management response to 2011- IC-MW-11-02. The Account III is assigned the responsibility for reconciliation of the operating account (pooled cash account) and the reconciliation of accounts between subsidiary ledger and general ledger.

City of Quincy, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding Reference: **2004-IC-M-04-06** **Customer Deposits not in cash account**

Condition

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

Status of Prior Finding

Similar finding noted in the current year.

Management's Response

Management will implement an actual pool cash account for customers' deposits and reflect the deposits in the general ledger.

Audit Finding Reference: **2003-IC-M-03-1** **Management of Internet Service Program**

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.

Status of Prior Year Finding

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

Audit Finding Reference: **2001-IC-M-01-4** **Financial Reporting Weaknesses**

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.

City of Quincy, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS (*CONTINUED*)

Status of Prior Finding

Similar finding noted during the current year's audit. Noted as a material weakness at 2011-IC-MW-11-02

Management's Response

See Management response 2011-IC-MW-11-02.

Audit Finding Reference: 2001-C/IC-M-01-3 No reconciliation of Inventory

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

See Management's response to 2011-C/IC-11-08.

City of Quincy, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA 14.228

2011-IC-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.

Current Year Status

Condition not corrected in current year.

Managements Response

Management concurs with the recommendation.

City of Quincy, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA 81.122

2011-C-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.

Current Year Status

Grant was not audited in current year. As program is no longer in place.

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
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA 81.122

2011-IC-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.

Current Year Status

Grant was not audited in current year. As program is no longer in place.

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
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA 81.122

2011-C-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.

Current Year Status

Grant was not audited in current year, as program is no longer in place.

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
Fiscal Year Ended September 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA# 81.122

Audit Finding Reference: **2011-C-M-2 Reporting**

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).

Status of Prior Finding

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

Management's Response

Effective immediately Management has assigned the compliance tasks to the Account Control Specialist.