

**CITY OF QUINCY, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

**ANNUAL FINANCIAL REPORT
AND COMPLIANCE REPORTS
OF THE
CITY OF QUINCY, FLORIDA**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION



December 31, 2014

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

The Annual Financial Report (AFR) of the City of Quincy (the "City") for the fiscal year ended September 30, 2013, 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 AFR. We believe the financial 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, **Moran & Smith 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, 2013. 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, 2013 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 Annual Financial Report contains two major sections; they are the Introductory, and Financial 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, Capital Projects Funds, Debt Service 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.

Major Accomplishments

The City has invested in the technology to have water, electric and gas meters automatically read. Moreover, customers can access their meter readings online during the month and monitor their consumption. The project is 90 percent complete.

The City adopted a 2015 budget with 8.5 decrease in General Fund expenditures, which is a very tangible signal that the City is serious about facing its budget challenges and living within its means.

Prospects for the Future

The Great Recession is receding and economic prospects appear brighter. The State unemployment rate as of September 30, 2013 was 6.9% and the City rate trailed slightly at 7.7%. As Quincy is located so near Tallahassee, it is encouraging news that State workers received a significant pay raise in FY 2012 for the first time in seven years. As the State eases out of the recession and State employees receive pay increases, the City will continue to receive positive economic impact.

Economic Conditions and Outlook

The low 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. With additional construction of the new Dollar Tree Store and anticipated expanded presence of Tallahassee Community College in the City, there are encouraging signs.

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 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.

Acknowledgments

An 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.



Interim City Manager

CITY OF QUINCY, FLORIDA

THE CITY COMMISSION

Derrick Elias Mayor

Keith Dowdell

Commissioner

Derrick Elias

Commissioner

Micah Brown

Commissioner

Andy Gay

Commissioner

Daniel McMillan

Commissioner

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commissioners and
City Manager
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 (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

INDEPENDENT AUDITORS' REPORT *(Continued)*

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 as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the other postemployment benefits schedule of funding progress on pages 4 through 14 and pages 62 through 67 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state financial awards is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Honorable Mayor, City Commissioners
and City Manager
Quincy, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of the City'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's internal control over financial reporting and compliance.

Moran & Smith LLP

January 6, 2015

Quincy, Florida

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, 2013. 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, 2013. Please read it in conjunction with the accompanying basic financial statements beginning on page 15.

FINANCIAL HIGHLIGHTS

- The City's net assets at September 30, 2013 were \$7.510 million as compared to \$9.742 million for fiscal year 2012. The City's unrestricted net assets as of September 30, 2012 were negative \$6.007 million compared to negative \$4.389 million for fiscal year ended September 30, 2013. Unrestricted net assets increased \$1.179 million in Governmental fund net assets and a \$438 thousand increase in Enterprise fund net assets.
- Governmental activities net assets were \$3.340 million as of September 30, 2012 versus \$4.560 million as of September 30, 2013.
- The total revenues from all sources were \$24.1 million for the fiscal year 2013 versus \$24.9 million for the fiscal year 2012. While Enterprise fund revenue increased \$1.314 million, Governmental fund revenue by decrease \$2.1 million primarily due to the reduction in grant revenue.
- The total cost of all City programs was \$28.1 million for the fiscal year 2013 versus \$27.8 million for the fiscal year 2012. Overall, there were decreases in expenses in the Governmental Funds of \$531 thousand and an increase in the Enterprise Funds of \$805 thousand.
- During fiscal year 2013, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$3.961 million while the expenses exceeded revenue by \$2.902 million for 2012.
- Total expenditures in the Governmental Funds of \$10.359 million exceeded total revenues of \$4.051 million by \$6.308 million, excluding net transfers of \$6.563 million for fiscal year 2013, while total expenditures for fiscal year 2012 of \$10.891 million exceeded total revenues of \$6.152 million by \$4.739 million, excluding net transfers in the amount of \$2.379 million.
- The General Fund's fund balance, had a negative balance of \$1.87 million for fiscal year 2012, and increased to a negative \$93 thousand at the end of fiscal year 2013.
- The City's total long-term debt of bonds and notes payable is \$26.827 million as of September 30, 2013 represented a decrease of \$.592 million from \$27.419 million as of September 30, 2012.

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.

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 25 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 26 and 27 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 7 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 <u>soon thereafter</u> 	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

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 \$8.161 million at the close of fiscal year 2013 as compared to \$9.743 million for fiscal year 2012. For fiscal year 2012, Governmental Activities comprised \$3.34 million of the net assets while Business Activities comprised \$6.4 million of net assets versus fiscal year 2013 where Governmental was \$4.56 million and Business \$3.6 million.

By far, the largest portion of the City's Total Assets, 71% for fiscal year 2012 and 79% for fiscal year 2013 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 Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 1,610,050	\$ 2,290,421	\$ 7,429,836	\$12,518,061	\$ 9,039,886	\$ 14,808,482
Capital assets	10,633,519	12,003,608	23,806,804	23,811,001	34,440,323	35,814,609
Total assets	12,243,569	14,294,029	31,236,640	36,329,062	43,480,209	50,623,091
Liabilities:						
Long-term debt outstanding	4,414,550	6,358,029	20,089,470	19,284,349	24,504,020	25,642,378
Other liabilities	3,268,449	4,595,908	8,197,107	10,641,93	11,495,556	15,237,841
Total liabilities	7,682,999	10,953,937	28,286,577	29,926,282	35,969,576	40,880,219
Net Assets:						
Invested in cap.assets, net of debt	5,789,848	5,091,345	3,561,996	5,911,036	9,351,844	11,002,381
Restricted	39,450	696,808	2,508,502	4,050,390	2,547,952	4,747,198
Unrestricted	(1,268,728)	(2,448,061)	(3,120,435)	(3,558,646)	(4,389,163)	(6,006,707)
Total net assets	\$4,560,570	\$ 3,340,092	\$ 2,950,063	\$ 6,402,780	\$ 7,510,633	\$ 9,742,872

An additional portion of the City's net assets (49%) for fiscal year 2012 versus (31%) for fiscal year 2013 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 2013 are negative (\$3.738) million versus negative (\$6.006) million for fiscal year 2012.

Governmental Activities

Governmental activities increased the City's net assets by \$1.220 million from fiscal year 2012 to fiscal year 2013. The Business-type activities decreased the net assets by \$3.452 million thousand from fiscal year 2012 to fiscal year 2013. Key elements of these changes are as follows:

Table 3						
Changes in Net Assets						
	Governmental		Business			
	Activities		Activities		Total	Total
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$606,463	\$762,335	\$20,071,175	\$18,756,210	\$20,677,638	\$19,518,545
General revenues:						
Property taxes	1,388,112	990,352	-	-	1,388,112	990,352
Local Option Fuel	403,809	393,639	-	-	403,809	393,639
Utility Taxes	8,207	7,905	-	-	8,207	7,905
Communication Service Tax	274,041	266,278	-	-	274,041	266,278
Shared Revenues	732,091	521,665	-	-	732,091	521,665
Investment earnings / Misc	79,557	20,269	733	-	80,290	20,269
Other	559,265	3,189,407	-	-	559,265	3,189,407
Total revenues	\$4,051,545	\$6,151,850	\$20,071,908	\$18,756,210	\$24,123,453	\$24,908,060
Expenses:						
Program expenses:						
General Government	4,100,371	4,838,002	-	-	4,100,371	4,838,002
Public Safety	3,735,638	3,848,054	-	-	3,735,638	3,848,054
Transportation	1,093,827	843,926	-	-	1,093,827	843,926
Physical environment	505,481	208,972	-	-	505,481	208,972
Recreation/culture services	532,414	499,150	-	-	532,414	499,150
Economic Environment	192,859	303,489	-	-	192,859	303,489
Cemetery		15,408	-	-		15,408
Interest on long-term debt	198,911	334,354	-	-	198,911	334,354
Electric	-	-	10,851,249	11,010,428	10,851,249	11,010,428
Water	-	-	1,751,214	1,479,469	1,751,214	1,479,469
Sewer	-	-	1,708,656	1,500,635	1,708,656	1,500,635
Non-Major	-	-	3,413,391	2,928,755	3,413,391	2,928,755
Total Expenses	10,359,501	10,891,355	17,724,510	16,919,287	28,084,011	27,810,642
Excess(Defic.) before transfers	(6,307,956)	(4,739,505)	2,347,398	1,836,923	(3,960,558)	(2,902,582)
Transfers	6,563,083	2,379,714	(6,563,083)	(2,379,714)	-	-
Change in net assets	255,127	(2,359,791)	(4,235,685)	(542,791)	(3,960,558)	(2,902,582)
Net assets – Beginning	3,340,092	4,274,907	6,402,780	6,945,571	9,742,872	11,220,478
Adjustment to Beg. NA's	965,350	1,424,976	762,961		1,728,311	1,424,976
Adjusted Beginning NA's	4,305,442	5,699,883	7,165,741	6,945,571	11,471,183	12,645,454
Net assets – Ending	\$4,560,570	\$3,340,092	\$2,950,060	\$6,402,780	\$7,510,633	\$9,742,872

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				
	2013		2012	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
General Government	\$ 4,100,371	\$ (3,983,880)	\$4,838,002	\$ (983,243)
Public Safety	3,735,638	(3,154,235)	3,848,054	(3,848,054)
Transportation	1,093,827	(1,087,037)	843,926	(843,926)
Culture/Recreation Services	532,414	(473,541)	499,150	(402,167)
Economic Environment	192,859	(192,859)	303,489	(303,489)
Cemetery			15,408	(15,408)
Physical Environment	505,481	(103,310)	208,972	(208,972)
Interest on Long-term Debt	198,911	(198,911)	334,354	(334,354)
Total	\$ 10,359,501	\$ (9,193,773)	\$ 10,891,355	\$ (6,939,613)

The cost of all governmental activities this year was \$10.4 million. As shown in the Statement of Activities, \$600 thousand of this cost was paid for by those who directly benefited from the programs. The remaining source of funding came from transfers from business activities in the amount of \$6.563 million, various taxes in the amount of \$2.067 million and the remaining \$1.17 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				
	2013		2012	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
Electric	\$10,851,252	\$3,019,956	\$11,010,428	\$1,782,449
Water	1,751,215	(353,242)	1,479,469	(280,893)
Sewer	1,708,656	(130,056)	1,500,635	78,797
Non-major	3,413,387	(189,987)	2,928,755	256,570
Total	\$ 17,724,510	\$ 2,346,671	\$16,919,287	\$1,836,923

Business Type Activities

Net assets of the Proprietary Funds at September 30, 2013 were \$2.95 million, which was down from \$7.165 million in fiscal year 2012. The decrease of \$4.215 million was caused by increase in transfers to the General Fund. The total transfer of \$6.5 million was inflated in fiscal year 2013 as prolonged negative cash position in the General Fund (negative 1.98 million in equity in pool cash deficit) was classified as a transfer. Future year's transfers will not have to be as large because of the austerity measures implemented in fiscal year 2014 and 2015.

It is noteworthy that the Proprietary Funds net revenue increased from \$1.836 million in fiscal year 2012 to \$2.334 million in fiscal year 2013. While the electric utility continues to be profitable, water rates and sewer rates may need to be adjusted to cover the cost of their operation.

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 2013, the City's governmental funds reported combined ending fund balance deficits of \$92 thousand. This represents an increase of \$1.77 million when compared to fund balances in fiscal year 2012 which was a deficit of \$1.75 million. Again, this was accomplished by transferring the funds from the utility to general fund that had previously been classified as negative equity in pooled cash.

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 #6.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$33.120 million (net of accumulated depreciation) compared to \$35.814 million at September 30, 2012. The decrease of \$2.694 million resulted primarily from depreciation.

Table 6						
Capital Assets						
(net of depreciation)						
	2013		Total-2013	2012		Total-2012
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Land	\$4,596,873	\$1,611,475	\$6,208,348	\$4,596,873	\$1,611,475	\$6,208,348
Building and Improvements	4,903,973	25,050,855	29,954,829	4,904,211	25,050,855	29,955,066
Improvements other than Buildings	10,651,120	19,066,963	29,718,083	10,651,120	19,066,963	29,718,083
Infrastructure	6,146,814	1,509,415	7,656,229	7,236,343	419,886	7,656,229
Furniture, Fixtures and Equipment	6,332,000	4,438,978	10,770,978	6,801,138	3,783,791	10,584,929
Total Assets	32,630,780	51,677,686	84,308,466	34,189,685	49,932,970	84,122,655
Less accumulated depreciation	23,317,452	27,870,883	51,188,335	22,185,839	26,121,969	48,307,808
Total	\$ 9,313,328	\$ 23,806,803	\$ 33,120,131	\$ 12,003,846	\$ 23,811,001	\$ 35,814,847

Additional information on the City's capital assets can be found in Note 6 on page 43 of this report.

Debt

Currently the City uses debt financing on an as needed basis each year. At the end of fiscal year 2013, the City had total debt of \$25.401 million versus \$26.017 million for fiscal year 2012, inclusive of Compensated Absences (vacation and sick time owed to employees) which totaled \$313 thousand and \$375 thousand respectively. Revenue bonds amounted to \$17.988 million for fiscal year 2013. Notes payable in the amount of \$6.1 million for fiscal year 2012 and \$5.625 million for fiscal year 2013 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						
	2013		Total-2013	2012		Total-2012
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenue Bonds	\$4,398,000	\$13,590,651	\$17,988,651	\$5,765,214	\$12,209,788	\$17,975,002
Capitalized Leases	166,176	1,308,066	1,474,242	194,488	1,384,384	1,578,872
Compensated Absences	213,659	99,467	313,126	272,961	102,462	375,423
Notes Payable	279,496	5,346,142	5,625,638	398,327	5,690,177	6,088,504
Estimated Landfill and Post Closure	-	1,425,548	1,425,548		1,401,718	1,401,718
Total	\$5,057,331	\$21,769,874	\$26,827,205	\$6,630,990	\$20,788,529	\$27,419,519

Additional information on the City's debt can be found in Note 7 on page 44 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The real estate market is improving nationally and similarly, Gadsden County and the surrounding counties of Leon, Jefferson, and Franklin have begun to see improvements in their housing markets. It is anticipated that as this trend continues the City of Quincy will see some improvements in new construction and its housing market as well.

This improvement in the national economy is having an impact on the City's main industrial sector, principally Harborlite Corporation and Active Mineral, whose productions had remained flat during the downturn in the economy. These companies have begun to see increases in their production which implies increased utilization of the City's electric supply. The City's largest utility customer is BASF and its business continues to improve. The City is also hoping that the aerosol company, Sicamu Inc., which emigrated from Venezuela to locate on Strong Road, Quincy, will start production in 2015 which will result in greater purchasing of the City's utilities.

Signs of an improved economic future for the City could also be seen in the approval and construction of a Dollar Tree Store (a national store chain) in the City. There will be a restaurant located with Dollar Tree Plaza. This Dollar Tree store is scheduled to open by April 2015 and it is the first major business to open in the City in recent years.

The City is prospecting that with the completion of the Downtown Master Plan some new businesses will locate in the downtown; an encouraging sign of that prospect is the opening of a new restaurant: Front Street Café, at the junction of Madison Street and Jefferson Street. Leaf Theater and the Gadsden Art Center (the main business anchors at the downtown) are doing well and with the anticipated increase in tourism due to an improved national economy, these businesses will do even better in the coming years.

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

CITY OF QUINCY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 485,855	\$ 0	\$ 485,855
Investments	737,036	844,020	1,581,056
Accounts Receivable, Net	518	1,989,921	1,990,439
Assessment Receivables	172,699	0	172,699
Due from Other Governments	213,942	0	213,942
Inventories	0	397,564	397,564
Restricted Assets:			
Restricted Cash and Investments	0	2,508,502	2,508,502
Capital Assets:			
Nondepreciable	4,596,873	1,611,474	6,208,347
Depreciable, Net	6,036,646	22,195,330	28,231,976
Internal Balances	0	1,689,829	1,689,829
Total Assets	<u>12,243,569</u>	<u>31,236,640</u>	<u>43,480,209</u>
Liabilities			
Accounts Payable	1,242,331	3,134,687	4,377,018
Accrued Payroll	375,479	35,032	410,511
Accrued Interest	0	135,488	135,488
Due to Other Governments	0	429,645	429,645
Customer Deposits	0	1,092,073	1,092,073
Noncurrent Liabilities:			
Due Within One Year	642,781	1,680,353	2,323,134
Due in More Than One Year	4,414,550	20,089,470	24,504,020
Internal Balances	0	1,689,829	1,689,829
Other Postemployment Benefits Liability	1,007,858	0	1,007,858
Total Liabilities	<u>7,682,999</u>	<u>28,286,577</u>	<u>35,969,576</u>
Net Position			
Net Investment in Capital Assets	5,789,848	3,561,996	9,351,844
Restricted for:			
Debt Service	0	2,508,502	2,508,502
Public Safety	25,803	0	25,803
Economic Environment	13,647	0	13,647
Unrestricted	(1,268,728)	(3,120,435)	(4,389,163)
Total Net Position	<u>\$ 4,560,570</u>	<u>\$ 2,950,063</u>	<u>\$ 7,510,633</u>

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 4,100,371	\$ 116,491	\$ 0	\$ 0	\$ (3,983,880)	\$ 0	\$ (3,983,880)
Public Safety	3,735,638	431,099	63,104	87,200	(3,154,235)	0	(3,154,235)
Physical Environment	505,481			402,171	(103,310)	0	(103,310)
Transportation	1,093,827		6,790		(1,087,037)	0	(1,087,037)
Economic Environment	192,859				(192,859)	0	(192,859)
Culture and Recreation	532,414	58,873			(473,541)	0	(473,541)
Interest on Long-term Debt	198,911				(198,911)	0	(198,911)
Total Governmental Activities	<u>10,359,501</u>	<u>606,463</u>	<u>69,894</u>	<u>489,371</u>	<u>(9,193,773)</u>	<u>0</u>	<u>(9,193,773)</u>
Business-type Activities							
Water Fund	1,751,215	1,397,973	0	0	0	(353,242)	(353,242)
Electric Fund	10,851,252	13,871,208				3,019,956	3,019,956
Wastewater Fund	1,708,656	1,578,600				(130,056)	(130,056)
Non-Major Funds	3,413,387	3,223,400				(189,987)	(189,987)
Total Business-type Activities	<u>17,724,510</u>	<u>20,071,181</u>	<u>69,894</u>	<u>489,371</u>	<u>(9,193,773)</u>	<u>2,346,671</u>	<u>(2,346,671)</u>
Total Primary Government	<u>\$ 28,084,011</u>	<u>\$ 20,677,644</u>	<u>\$ 69,894</u>	<u>\$ 489,371</u>	<u>(9,193,773)</u>	<u>2,346,671</u>	<u>(6,847,102)</u>
General Revenues							
Taxes:							
Property Taxes					1,388,112	0	1,388,112
Franchise and Utility Taxes					0	0	0
Discretionary Sales Surtax					413,360	0	413,360
Local Option Gas Tax					272,697	0	272,697
Federal Payment in Lieu of Taxes					0	0	0
Sales Tax and Other Shared Revenues					732,092	0	732,092
Investment Earnings					513	734	1,247
Miscellaneous					79,044	0	79,044
Loss on Disposal of Assets					0	0	0
Transfers					6,563,083	(6,563,083)	0
Total General Revenues and Transfers					<u>9,448,901</u>	<u>(6,562,349)</u>	<u>2,886,552</u>
Change in Net Position					255,128	(4,215,678)	(3,960,550)
Net Position, Beginning of Year					3,340,092	6,402,780	9,742,872
Prior Period Adjustment					965,350	762,961	1,728,311
Net Position, Beginning of Year, Restated					<u>4,305,442</u>	<u>7,165,741</u>	<u>11,471,183</u>
Net Position, End of Year					<u>\$ 4,560,570</u>	<u>\$ 2,950,063</u>	<u>\$ 7,510,633</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
BALANCE SHEET GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 355,284	\$ 33,744	\$ 96,827	\$ 485,855
Investments	737,036	0	0	737,036
Receivables (Net)	518	0	0	518
Assessment Receivables (net)	172,699	0	0	172,699
Due from Other Governments	213,942	0	0	213,942
Advances to Other Funds	0	0	0	0
Total Assets	<u>1,479,479</u>	<u>33,744</u>	<u>96,827</u>	<u>1,610,050</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	1,200,561	38,746	3,024	1,242,331
Accrued Expenses	371,601	1,776	2,102	375,479
Due to Other Governments	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	<u>1,572,162</u>	<u>40,522</u>	<u>5,126</u>	<u>1,617,810</u>
Fund Balances				
Nonspendable:				
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Restricted for:				
Law Enforcement	0	0	25,803	25,803
Physical Environment	0	0	52,251	52,251
Economic Environment	0	(6,778)	13,647	6,869
Debt Service	0	0	0	0
Unassigned	(92,683)	0	0	(92,683)
Total Fund Balances	<u>(92,683)</u>	<u>(6,778)</u>	<u>91,701</u>	<u>(7,760)</u>
Total Liabilities and Fund Balance	<u>\$ 1,479,479</u>	<u>\$ 33,744</u>	<u>\$ 96,827</u>	<u>\$ 1,610,050</u>

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

Fund Balances - Total Governmental Funds on Page 17	\$ (7,760)
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Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	10,633,519
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,065,189)
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Net Position of Governmental Activities	<u><u>\$ 4,560,570</u></u>
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CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Revenues				
Taxes	\$ 1,907,748	\$ 0	\$ 0	\$ 1,907,748
Tax Increment	0	440,462	0	440,462
Licenses and Permits	109,295	0	0	109,295
Intergovernmental Revenues	527,944	0	489,371	1,017,315
Charges for Services	444,300	0	28,810	473,110
Fines and Forfeitures	24,058	0	0	24,058
Miscellaneous Revenues	61,715	91	17,751	79,557
Total Revenues	<u>3,075,060</u>	<u>440,553</u>	<u>535,932</u>	<u>4,051,545</u>
Expenditures				
Current:				
General Government	2,803,862	0	10	2,803,872
Public Safety	3,279,093	0	0	3,279,093
Physical Environment	98,260	0	406,677	504,937
Transportation	838,615	0	0	838,615
Economic Environment	0	159,209	33,075	192,284
Culture and Recreation	446,945	0	0	446,945
IT Support	201,837	10,667	0	212,504
Debt Service:				
Principal	114,232	116,665	4,994,000	5,224,897
Interest	16,527	8,089	174,295	198,911
Capital Outlay	137,053	0	0	137,053
Total Expenditures	<u>(7,936,424)</u>	<u>(294,630)</u>	<u>(5,608,057)</u>	<u>(13,839,111)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(4,861,364)</u>	<u>145,923</u>	<u>(5,072,125)</u>	<u>(9,787,566)</u>
Other Financing Sources (Uses)				
Debt Proceeds	83,754	0	4,507,000	4,590,754
Transfers in	11,450,546	0	514,257	11,964,803
Transfers (out)	(5,087,821)	0	(313,899)	(5,401,720)
Total Other Financing Sources (Uses)	<u>6,446,479</u>	<u>0</u>	<u>4,707,358</u>	<u>11,153,837</u>
Net Change in Fund Balances	1,585,115	145,923	(364,767)	1,366,271
Fund Balances				
Beginning of Year, Unadjusted	(1,869,323)	(152,701)	268,885	(1,753,139)
Prior Period Adjustment	191,525	0	187,583	379,108
Beginning of Year, Restated	(1,677,798)	(152,701)	456,468	(1,374,031)
End of Year	<u>\$ (92,683)</u>	<u>\$ (6,778)</u>	<u>\$ 91,701</u>	<u>\$ (7,760)</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 ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Differences in Amounts Reported for Governmental Activities in the
Statement of Activities on Page 16:

Net change in fund balances - total governmental funds. \$ 1,366,271

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.

Expenditures for Capital Assets	137,053	
Less: Current Year Depreciation	<u>(1,507,142)</u>	(1,370,089)

Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	5,224,897
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The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(4,590,753)
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Increase in OPEB Liability	(434,500)
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Change in compensated absences	59,302
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Change in Net Assets of Governmental Activities	<u><u>\$ 255,128</u></u>
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CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds					Business-Type
	Major Funds			Non-Major Funds	Total Enterprise Funds	Activities
	Water Fund	Electric Fund	Wastewater Fund			Internal Service Fund
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investments	558,798	285,175	0	44	844,017	0
Receivables (Net)	195,597	1,239,864	187,181	359,279	1,981,921	8,000
Prepaid items	0	0	0	0	0	0
Inventories	61,956	339,470	2,924	(6,786)	397,564	0
Total Current Assets	816,351	1,864,509	190,105	352,537	3,223,502	8,000
Noncurrent Assets						
Restricted Assets:						
Restricted Cash and Cash Equivalents	1,216,460	659,025	306,713	326,304	2,508,502	0
Total Restricted Assets	1,216,460	659,025	306,713	326,304	2,508,502	0
Capital Assets:						
Land and Land Improvements	400,323	403,717	403,717	403,717	1,611,474	0
Property, Plant, Equipment	14,281,364	18,880,036	8,797,720	6,411,372	48,370,492	1,695,720
(Accumulated Depreciation)	(9,062,514)	(11,009,637)	(3,966,077)	(3,457,125)	(27,495,353)	(375,530)
Total Net Capital Assets	5,619,173	8,274,116	5,235,360	3,357,964	22,486,613	1,320,190
Other Assets:						
Advances to other Funds	479,943	0	479,943	729,943	1,689,829	0
Total Noncurrent Assets	7,315,576	8,933,141	6,022,016	4,414,211	26,684,944	1,320,190
Total Assets	\$8,131,927	\$10,797,650	\$ 6,212,121	\$ 4,766,748	\$ 29,908,446	\$ 1,328,190

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS FOR THE YEAR ENDED
SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds					Business-Type
	Major Funds				Total	Activities
	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Enterprise Funds	Internal Service Fund
Liabilities						
Current Liabilities						
Accounts Payable	\$ 173,451	\$ 1,948,299	\$ 313,007	\$ 679,560	\$ 3,114,317	\$ 20,359
Accrued Payroll	3,270	22,555	3,270	4,365	33,460	1,572
Due to other Governments	0	211,316	0	218,329	429,645	0
Accrued Interest Payable	75,095	0	43,138	0	118,233	17,255
Current Portion:						
Bonds Payable	85,100	88,450	85,100	124,850	383,500	26,500
Notes Payable	148,522	775,649	187,449	8,501	1,120,121	0
Mortgages Payable	0	20,048	0	20,048	40,096	0
Capitalized Leases Payable	14,211	45,476	25,580	0	85,267	0
Compensated Absences Payable	2,659	15,544	2,658	4,007	24,868	0
Other Accruals	12		0	0	12	0
Total Current Liabilities	502,320	3,127,337	660,202	1,059,660	5,349,519	65,686
Noncurrent Liabilities						
Customer Deposits	26,146	1,055,408	0	10,519	1,092,073	0
Advances from Other Funds	0	1,689,829	0	0	1,689,829	0
Long term portion:						
Bonds Payable	2,415,450	3,486,150	2,415,450	3,418,950	11,736,000	669,000
Notes Payable	3,668,387	0	1,234,779	29,966	4,933,132	0
Mortgages Payable	0	14,196	0	14,196	28,392	0
Capitalized Lease Payable	203,800	652,159	366,840	0	1,222,799	0
Compensated Absences	7,975	46,631	7,975	12,018	74,599	0
Land Fill Closure Liability	0	0	0	1,425,548	1,425,548	0
Total Noncurrent Liabilities	6,321,758	6,944,373	4,025,044	4,911,197	22,202,372	669,000
Total Liabilities	6,824,078	10,071,710	4,685,246	5,970,857	27,551,891	734,686
Net Position						
Net Investment in Capital Assets	(916,297)	3,191,987	920,162	(258,547)	2,937,305	624,690
Restricted for:						
Debt Service	1,216,460	659,025	306,713	326,304	2,508,502	0
Unrestricted	1,007,686	(3,125,072)	300,000	(1,271,866)	(3,089,252)	(31,186)
Total Net Position	1,307,849	725,940	1,526,875	(1,204,109)	2,356,555	593,504
Total Liabilities and Net Position	\$ 8,131,927	\$10,797,650	\$ 6,212,121	\$ 4,766,748	\$29,908,446	\$ 1,328,190

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Major Enterprise Funds			Total	Internal
	Water	Electric	Wastewater	Enterprise	Service
	Fund	Fund	Fund	Funds	Funds
Operating Revenues					
Charges for Services	\$ 1,397,971	\$ 13,871,208	\$ 1,578,598	\$ 3,223,396	\$ 20,071,173
Interfund Charges	0	0	0	0	291,410
Total Operating Revenue	<u>1,397,971</u>	<u>13,871,208</u>	<u>1,578,598</u>	<u>20,071,173</u>	<u>291,410</u>
Operating Expenses					
Purchase Power	0	7,940,712	0	8,858,576	0
Personal Service	160,613	503,114	160,610	1,077,502	120,540
Contractual Service	321,763	69,921	649,022	2,327,209	69,481
Supplies	1,604	35,163	1,714	44,078	2,348
Repairs and Maintenance	25,976	100,929	9,096	171,045	1,141
Utility/Telephone	142,804	381,689	308,579	868,677	4,355
Shared Service	63,569	285,128	64,859	611,307	0
Depreciation	466,359	518,582	204,377	1,474,540	59,616
Other Expenses	16,110	76,540	12,726	184,395	28,609
Bad Debt	210,634	581,151	40,436	858,826	0
IT- Support	(2,846)	8,000	8,000	29,556	0
(Total Operating Expenses)	<u>(1,406,586)</u>	<u>(10,500,929)</u>	<u>(1,459,419)</u>	<u>(16,505,711)</u>	<u>(286,090)</u>
Operating Income	<u>(8,615)</u>	<u>3,370,279</u>	<u>119,179</u>	<u>3,565,462</u>	<u>5,320</u>
Non-Operating (Expenses)					
Interest Income	628	0	53	733	0
Interest Expense	(340,627)	(320,456)	(245,085)	(1,171,849)	(52,265)
Investment Gains and Losses	0	0	0	0	0
Total Non-Operating Revenues (Expenses)	<u>(339,999)</u>	<u>(320,456)</u>	<u>(245,032)</u>	<u>(1,171,116)</u>	<u>(52,265)</u>
Income Before Capital					
Contributions and Transfers	<u>(348,614)</u>	<u>3,049,823</u>	<u>(125,853)</u>	<u>2,394,346</u>	<u>(46,945)</u>
Operating Transfers					
Capital Grants	0	0	0	0	0
Transfers In	0	0	0	4,878,034	0
Transfers Out	(836,823)	(8,449,479)	(223,360)	(11,145,080)	(296,037)
Total Capital Grants and Operating Transfers	<u>(836,823)</u>	<u>(8,449,479)</u>	<u>(223,360)</u>	<u>(6,267,046)</u>	<u>(296,037)</u>
Change in Net Position	<u>(1,185,437)</u>	<u>(5,399,656)</u>	<u>(349,213)</u>	<u>(3,872,700)</u>	<u>(342,982)</u>
Total Net Position:					
Beginning of Year, Unadjusted	<u>(480,730)</u>	<u>6,141,296</u>	<u>3,672,106</u>	<u>6,402,780</u>	<u>661,772</u>
Prior Period Adjustment	<u>2,974,016</u>	<u>(15,700)</u>	<u>(1,796,018)</u>	<u>(173,525)</u>	<u>274,714</u>
Beginning of Year, Restated	<u>2,493,286</u>	<u>6,125,596</u>	<u>1,876,088</u>	<u>6,229,255</u>	<u>936,486</u>
Total Net Position, End of Year	<u>\$ 1,307,849</u>	<u>\$ 725,940</u>	<u>\$ 1,526,875</u>	<u>\$ 2,356,555</u>	<u>\$ 593,504</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUND
FOR THE YEAR ENDED
SEPTEMBER 30, 2013

				Total	Internal
	Water	Electric	Wastewater	Enterprise	Service
	Fund	Fund	Fund	Funds	Funds
Cash Flows from Operating Activities					
Cash Received from Customers and Others	\$ 1,310,381	\$13,871,206	\$ 1,530,190	\$ 3,007,855	\$ 9,719,632
Cash Paid to Employees	(160,613)	(503,113)	(160,610)	(253,167)	(1,077,503)
Cash Paid to Suppliers	(936,915)	(9,134,735)	(1,126,334)	(2,524,717)	(13,722,701)
Net Cash Provided by (Used in) Operating Activities	<u>212,853</u>	<u>4,233,358</u>	<u>243,246</u>	<u>4,919,428</u>	<u>43,006</u>
Cash Flows from Noncapital Financing Activities					
Amounts Received from Other Funds	0	1,439,828	0	1,439,828	0
Operating Transfers In	0	0	0	4,878,034	4,878,034
Operating Transfers out	(836,823)	(8,449,479)	(223,360)	(1,635,418)	(11,145,080)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(836,823)</u>	<u>(7,009,651)</u>	<u>(223,360)</u>	<u>(4,827,218)</u>	<u>(296,037)</u>
Cash Flows from Capital and Related Financing Activities					
Loan Reclassification	(584,400)	15,700	(415,838)	0	(984,538)
Loan Proceeds	0	1,380,415	0	0	1,380,415
Principal Payments on Debt	(237,998)	(752,169)	(302,656)	(145,781)	(1,438,604)
Interest Payments on debt	(340,627)	(320,456)	(245,085)	(265,681)	(1,171,849)
Purchase of Fixed Assets	64,907	0	0	0	64,907
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,098,118)</u>	<u>323,490</u>	<u>(963,579)</u>	<u>(2,149,669)</u>	<u>(59,440)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,722,088)	(2,452,803)	(943,693)	(2,057,459)	(312,471)
Cash and Cash Equivalents, Beginning of Year	<u>2,938,548</u>	<u>3,111,828</u>	<u>1,250,406</u>	<u>(2,734,821)</u>	<u>4,565,961</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,216,460</u>	<u>\$ 659,025</u>	<u>\$ 306,713</u>	<u>\$ 326,304</u>	<u>\$ 2,508,502</u>
					<u>\$ 0</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUND
FOR THE YEAR ENDED
SEPTEMBER 30, 2013

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Wastewater Fund</u>	<u>Non-Major Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<u>Included on the Accompanying Balance Sheet</u>						
<u>Under the Following Captions</u>						
Restricted Assets:						
Cash and Cash Equivalents	\$1,216,460	\$ 659,025	\$ 306,713	\$ 326,304	\$ 2,508,502	\$ 0
Total	<u>1,216,460</u>	<u>659,025</u>	<u>306,713</u>	<u>326,304</u>	<u>2,508,502</u>	<u>0</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>						
<u>Provided by (Used in) Operating Activities</u>						
Cash Flows from Operating Activities						
Operating Income (Loss)	(348,614)	3,049,823	(125,853)	(181,010)	2,394,346	(46,945)
Adjustments to Reconcile Operating Income (Loss) to						
Net Cash Provided by (Used in) Operating Activities:						
Depreciation	466,359	518,582	204,377	285,222	1,474,540	59,616
Changes in Assets - Decrease (Increase)						
and Liabilities - Increase (Decrease):						
Accounts Receivable, Net	(87,590)	(172,910)	(48,408)	(35,137)	(344,045)	(8,000)
Inventory	(5,234)	(349)	3,123	27,805	25,345	0
Accounts Payable	(152,068)	214,741	28,779	75,675	167,127	13,929
Advances to other Funds	(479,943)	1,439,828	(479,943)	(479,942)	0	0
Customer Deposits	(2,070)	83,323	0	(8,587)	72,666	0
Other Liabilities	822,013	(899,680)	661,171	545,945	1,129,449	24,406
Net Cash Provided by (Used in) Operating Activities	<u>\$ 212,853</u>	<u>\$4,233,358</u>	<u>\$ 243,246</u>	<u>\$ 229,971</u>	<u>\$ 4,919,428</u>	<u>\$ 43,006</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2013

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 0	\$ 247,048	\$ 247,048
Investments	6,052,423	6,227,649	12,280,072
Receivables	0	14,664	14,664
	<hr/>	<hr/>	<hr/>
Total Current Assets	6,052,423	6,489,361	12,541,784
	<hr/>	<hr/>	<hr/>
Total Assets	<u>6,052,423</u>	<u>6,489,361</u>	<u>12,541,784</u>
Liabilities			
Net Assets			
Held in trust for pension benefits	6,052,423	6,489,361	12,541,784
Total Net Assets	<u>\$ 6,052,423</u>	<u>\$ 6,489,361</u>	<u>\$ 12,541,784</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND
FOR THE YEAR ENDED
SEPTEMBER 30, 2013

	<u>Retirement Savings</u>	<u>Police and Firemen's Pension</u>	<u>Totals</u>
ADDITIONS			
Contributions			
Plan Members	\$ 6,620	\$ 63,179	\$ 69,799
City	389,339	233,337	622,676
State	0	99,329	99,329
Total Contributions	<u>395,959</u>	<u>395,845</u>	<u>791,804</u>
Investment Income (loss):			
Net Realized and Unrealized Gains	741,036	528,670	1,269,706
Interest and Dividends	<u>102,779</u>	<u>145,523</u>	<u>248,302</u>
Net Investment Income	<u>843,815</u>	<u>674,193</u>	<u>1,518,008</u>
Total Additions	<u>1,239,774</u>	<u>1,070,038</u>	<u>2,309,812</u>
Deductions			
Benefits Payments	1,032,110	560,976	1,593,086
Administrative Expenses	<u>99</u>	<u>90,458</u>	<u>90,557</u>
Total Deductions	<u>1,032,209</u>	<u>651,434</u>	<u>1,683,643</u>
Change in Net Position	207,565	418,604	626,169
Net Position - Beginning of Year	<u>5,844,858</u>	<u>6,103,563</u>	<u>11,948,421</u>
Prior Period Adjustment	<u>0</u>	<u>(32,806)</u>	<u>(32,806)</u>
Net Position Beginning of Year Restated	<u>5,844,858</u>	<u>6,070,757</u>	<u>11,915,615</u>
Net Assets - End of Year	<u><u>\$ 6,052,423</u></u>	<u><u>\$ 6,489,361</u></u>	<u><u>\$12,541,784</u></u>

See accompanying notes to financial statements

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Quincy, Florida, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant City accounting policies are described below:

Reporting Entity

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, 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.

Reporting Standards, the accompanying financial statements include all funds for which the City is financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria for consideration in determining financial accountability. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or, (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City.

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 reported as a blended component unit because the organization's governing body is 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 major special revenue fund in order to more fully comply with generally accepted accounting principles.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the City. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental and 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 sixty 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, postemployment benefits, 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 revenues. In one, such as in grants and similar items, 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 susceptible to accrual criteria are met.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Licenses and permits, fines and forfeiture, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. Utility services, investment earnings, and utility taxes are recorded as earned, since they are measurable and available.

Property taxes are recognized as revenue at the time an enforceable legal claim is established. This is determined to occur November 1, of each year. The assessment roll is validated July 1, and the millage resolution is approved by September 30. The City's property tax becomes a lien on October 1, and the tax is levied by Gadsden County each November 1, for real and personal property located in the City. Property taxes are due before April 1, with the maximum discount available, if payment is made on or before November 30. If payment remains delinquent, a tax certificate for the full amount of any unpaid taxes is sold no later than June 1. Under this arrangement, there are no property tax receivables at the end of the fiscal year on September 30.

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:

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:

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, recreation programs and general service departments are accounted for in this fund.

Quincy Community Redevelopment Agency (The CRA) was created in accordance with Chapter 163, Florida Statutes on February 23, 1999, by the City. The CRA is charged with the responsibility of facilitating the revitalization of designated "slum" and or "blighted" areas within the City.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Special Revenue Funds - 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 special revenue funds are included in this fund type:

Mainstreet - used to account for receipts and disbursements of federal grants and City transfers for community development projects.

Confiscated Property - used to account for confiscated property to be used for public safety purposes.

Grant Funds - used to account for receipts and disbursements of state grants for construction and improvements of outdoor recreational and public safety facilities.

Quincy Fest – used to account for receipts and disbursements of City transfers, charges for services and state grants for improvements and construction projects.

Capital Projects Revenue Funds – used to account for the proceeds of the Series 2002, \$6.5 million bond, used to finance the cost of acquiring, and constructing certain infrastructure improvements.

Debt Service Funds – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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

Enterprise Funds 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:

Electric Fund – used to account for the operation and maintenance of the City's electric distribution system.

Water Fund – used to account for the operation and maintenance of the City's water distribution system.

Sewer Fund – used to account for the operation and maintenance of the City's sewer system.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Refuse Fund – used to account for the operation and maintenance of the City's refuse system.

Landfill Fund – used to account for the operation and maintenance of the City's landfill site.

Gas Fund – used to account for the operation and maintenance of the City's gas distribution system.

Internal Service Funds - 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 to both the general government and to the Enterprise Funds.

Fiduciary Fund Types (Trust Funds) - 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.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's electric, water, wastewater, gas and telecommunications function, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City's enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the 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 nonoperating revenues and expenses.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position or Equity

■ **Deposits and Investments**

The City maintains a cash pool that is available for use by all funds. Interest income earned as a result of pooling is distributed monthly to the appropriate funds based on average daily balances. The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid instruments with original maturities of three months or less from the date of acquisition.

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as qualified public depositories, a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral for their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2013.

Investments are held in the General fund and the proprietary funds and consist of marketable securities reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales quote at current exchange rates. Investments that do not have an established market are reported at estimated fair value based on market indicators regarded as measures of equity or fixed income performance results.

■ **Receivable and Payables**

Outstanding balances between funds are reported as "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."

Receivables are reported net of an allowance of uncollectible. The City calculates its allowance for uncollectible using historical collections data, specific account analysis, and managements judgment.

■ **Inventory**

Inventory for governmental-type activities is valued at the lower of cost, using the first-in, first-out (FIFO) method, or market value. Generally, the costs of governmental fund type inventories are recorded as expenditures when consumed (consumption method) rather than when purchased. Business-type activities, utility supplies and plant inventory are valued at lower of cost, as determined by the average unit cost method, or market value.

■ **Prepaid**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for by use of the consumption method.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

■ **Restricted Assets**

Certain resources are set aside for debt reserves, customer deposits, and other purposes. These resources are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, ordinances, or regulations.

■ **Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-50 Years
Improvements	10-35 Years
Infrastructure	40-55 Years
Furniture, Fixtures, and Equipment	3-20 Years

■ **Compensated Absences**

Accumulated unpaid vacation time, compensatory time, and sick time amounts, including the related direct and incremental salary-related payments, accrues in the enterprise funds, and appear as increases in salary expenses in the proprietary financial statements. In the governmental funds, these costs are recognized when payments are made to employees or when the costs mature as a result of an employee resignation or retirement. All vacation, compensatory, and sick pay accrues when incurred in the government-wide financial statements.

■ **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are expensed when incurred, with the exception of bond insurance, which is amortized over the term of the related debt.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types record bond premiums and discounts, as well as bond issuance costs in the year incurred. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

■ **Fund Balance**

Fund balance classifications comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned:

Nonspendable—this component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories. On the governmental funds balance sheet, the inventory balance reported is offset by a nonspendable fund balance classification which indicates it does not constitute “available spendable resources” even though it is a component of net current position.

Restricted—This component of fund balance consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.

Committed—this component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., by ordinance) of the organization’s governing authority (the City Council). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action employed to constrain those amounts.

Assigned—this component of fund balance consists of amounts that the City intends to use for a specific purpose as determined by the City Council in accordance with the City’s fiscal policies. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

Unassigned—this classification is used for: (a) deficit unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use in any governmental fund, it is the City’s practice to use committed resources first, then assigned, and then unassigned as needed.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position invested in capital assets, net of related debt, consist 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 position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations.

Net position not reported as net position invested in capital assets, net of related debt or restricted net position, are reported as unrestricted net position. Then both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Accounting Estimates

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

Implementation of Governmental Accounting Standards Statements

The City implemented the following GASB Statements during the year that ended September 30, 2013. Statement No. 65 is being early-implemented so as to coincide with the implementation of Statement No. 63.

- Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements: This Statement improves financial reporting by codifying all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position: This Statement provides guidance for certain items formally classified as assets and liabilities. The Statement redefines these as "deferred outflows of resources" (formally assets) and "deferred inflows of resources" (formally liabilities). Each new category must have its own Statement of Net Position section. GASB 63 also requires that the last line of the statements formerly called "Net Assets" now be titled "Net Position" to reflect the new classifications. In addition, "Capital Assets, Net of Debt" will now be titled "Net Investment in Capital Assets" in order properly present the total of the items.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

- Statement No. 65, Items Previously Reported as Assets and Liabilities: This statement provides more guidance for the items listed in GASB 63, and adds additional changes. It requires that statements avoid the use of the word “deferred” except as it relates to items that are deferred outflows or are deferred inflows. It addresses the calculation of a deferred outflow or inflow for the refunding of debt. For non-exchange transactions, like grants, amounts received before the time period of eligibility are treated as deferred inflows.

This Statement also addresses taxes received prior to the period to which they relate. GASB 65 also requires debt issuance costs to be expensed in the period that the debt was issued. In the past, subsequent to the implementation of GASB 34, these costs were amortized over the life of the issue. The effects of this change are required to be disclosed on the statements in the period it is implemented. Losses on debt refunding are not expenses, but rather, treated as deferred outflows. For operating leases, any initial direct costs are recognized in the period incurred, instead of being amortized over the life of the lease. When an asset is recorded in governmental fund statements, but the revenue is not available until a future period, a deferred inflow is reported until the revenue becomes available. The City early-implemented GASB Statement No. 65, as encouraged by the GASB.

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:
- 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.
- Public hearings are held to obtain taxpayer comments.
- 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.

All budgets are on a basis consistent with accounting principles generally accepted in the United States of America.

Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinances.

All annual appropriations lapse at fiscal year end.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Deficit Fund Equity

At September 30, 2013, the following funds had deficit fund balances:

Fund	Type	Deficit
General Fund	Governmental General	\$ 92,683
Community Redevelopment Agency	Governmental Special Revenue Fund	\$ 6,778
Refuse Fund	Proprietary	\$ 288,629
Landfill Fund	Proprietary	\$ 1,141,802

Note 2 - Cash, Cash Equivalents, and Investments

Deposits and investments as of September 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 485,855
Investment	1,581,054
Restricted:	
Cash and Investments	2,508,502
Total Cash and Investments	<u>\$ 4,575,411</u>

Deposits

All of the City's cash deposits are held in banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by chapter 280, Florida Statutes. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. In the event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by banks are fully insured and collateralized.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 2 - Cash, Cash Equivalents, and Investments (Continued)

Investments

Following are the investments, credit ratings and maturities of the City's governmental and business type activities at September 30, 2013:

	Carrying Amount	Credit Rating	Maturity
Certificates of Deposit	\$ 100,000	NA	<180 days
Externally Managed Portfolio			
Cantella	1,481,054	NA	NA
Bank of New York	<u>650,000</u>	NA	NA
Total Externally Managed Portfolio	<u>2,131,754</u>		
Total Investment	<u>\$2,231,754</u>		

As of September 30, 2013, the value of the General Employees' Retirement Savings Plan's investment with their respective credit ratings, were as follows:

	Carrying Amount	Credit Rating	Maturity
Externally Managed Portfolio			
American Funds	<u>\$6,052,423</u>	NA	NA
Total Externally Managed Portfolio	<u>\$6,052,423</u>		

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

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 2 - Cash, Cash Equivalents, and Investments (Continued)

As of September 30, 2013, 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
Externally Managed Portfolio (Salem Trust Company)			
Stocks	4,197,124	NA	NA
Money Market	261,712	AAA	NA
US Government Agency Obligations	899,015	AAA	NA
Gov't MBS/CMO/ABS-Variable	1,131,510	NR	NA
Total Externally Managed Portfolio	<u>\$6,489,361</u>		

Credit Risk- 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.

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.

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. The City generally utilizes third party custodians to help manage custodial credit risk. Custodians are primarily bank trust departments, insurance companies, and brokerage firms.

Concentration of Credit Risk- The City's investment policy requires diversification of investments in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. All of the City's investments are in external investment pools.

The City's deposits are, therefore, considered fully insured or collateralized. Cash balances at September 30, 2013, were \$680,103 (exclusive of externally managed portfolio). Due to the nature of the City's cash and investments, there is no exposure to credit risk, interest rate risk, custodial credit risk or concentration of credit risk.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 3 – Restricted Assets

Various restrictions on deposits and investments are summarized below.

Restricted by Third Party	
Debt Service	\$ 2,487,489
Financial Assurance Landfill Closure	<u>21,013</u>
Total	<u>\$ 2,508,502</u>

Restricted for debt service represents cash and cash equivalents (a) held by paying agents as required by Utility System Improvement and Refunding Revenue Bonds, Series 2003, \$650,700, additional debt of \$115,750 (b) amounts restricted for payments of drinking water loan, \$183,444; and (d) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement Bond and Loan Covenants, \$1,563,172.

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 \$ 290,137 for closure cost estimate and \$1,425,548 for post closure care costs, were filed with the Florida Department of Environmental Protection on September 11, 2013. Since the entire landfill site is not yet closed, the post closure care cost requirement is not applicable.

Note 4 - Inventory

Inventory at September 30, 2013, consists of the following:

Electric Utility Supplies	\$ 339,470
Water, Wastewater, and Gas Supplies	<u>58,094</u>
Total	<u>\$ 397,564</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 5 - Receivables

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

	Governmental						
	Activities						
	Total						
	General Fund	Sewer	Electric	Water	Gas	Refuse	Landfill
Accounts Receivable	\$ 518	\$ 240,718	\$ 1,833,483	\$ 356,518	\$ 175,982	\$ 185,237	\$ 13,980
Less Allowance for Bad Debt	0	(53,537)	(593,619)	(160,921)	0	(15,920)	0
Net Accounts Receivable	<u>\$ 518</u>	<u>\$ 187,181</u>	<u>\$ 1,239,864</u>	<u>\$ 195,597</u>	<u>\$ 175,982</u>	<u>\$ 169,317</u>	<u>\$ 13,980</u>

	Business-Type	
	Activities	
	Total	Total
Accounts Receivable	\$ 2,805,918	\$ 2,806,436
Less Allowance for Bad Debt	(823,997)	(823,997)
Net Accounts Receivable	<u>\$ 1,981,921</u>	<u>\$ 1,982,439</u>

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 may be terminated by either party by giving thirty (30) days prior written notice. The Program was discontinued during the 2013 year. The City has posted an allowance for doubtful accounts for the entire amount of any receivables related to the program.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 6 – Capital Assets

	Balance September 30, 2012	Increase	Decrease	Balance September 30, 2013
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,596,873	0	0	\$ 4,596,873
Total Capital Assets, Not Being Depreciated	<u>4,596,873</u>	<u>0</u>	<u>0</u>	<u>4,596,873</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,903,973	0	0	4,903,973
Improvements other than Building	10,651,120	0	0	10,651,120
Infrastructure	6,146,814	0	0	6,146,814
Equipment and other	6,194,947	137,053	0	6,332,000
Total Capital Assets, Being Depreciated	<u>27,896,854</u>	<u>137,053</u>	<u>0</u>	<u>28,033,907</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,164,354)	(279,819)	0	(3,444,173)
Improvements other than Building	(3,769,843)	(358,142)	0	(4,127,985)
Infrastructure	(5,995,406)	(156,909)	0	(6,152,315)
Equipment and other	(8,880,707)	(712,272)	0	(9,592,979)
Total Accumulated Depreciation	<u>(21,810,310)</u>	<u>(1,507,142)</u>	<u>0</u>	<u>(23,317,452)</u>
Total Capital Assets, Being Depreciated, net	<u>6,086,544</u>	<u>(1,370,089)</u>	<u>0</u>	<u>4,716,455</u>
Total Governmental Capital Assets, net	<u><u>\$ 10,683,417</u></u>	<u><u>\$ (1,370,089)</u></u>	<u><u>0</u></u>	<u><u>\$ 9,313,328</u></u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,611,475	0	0	\$ 1,611,475
Total Capital Assets, Not Being Depreciated	<u>1,611,475</u>	<u>0</u>	<u>0</u>	<u>1,611,475</u>
Capital Assets, Being Depreciated:				
Buildings	25,050,855	0	0	25,050,855
Utility Plant Equipment and Improvements	19,066,963	0	0	19,066,963
Infrastructure	1,509,415	0	0	1,509,415
Equipment and other	4,395,832	43,146	0	4,438,978
Total Capital Assets, Being Depreciated	<u>50,023,065</u>	<u>43,146</u>	<u>0</u>	<u>50,066,211</u>
Less Accumulated Depreciation for:				
Buildings	(14,325,692)	(792,203)	0	(15,117,895)
Utility Plant Equipment and Improvements	(8,522,769)	(331,903)	0	(8,854,672)
Equipment and other	(3,547,882)	(350,434)	0	(3,898,316)
Total Accumulated Depreciation	<u>(26,396,343)</u>	<u>(1,474,540)</u>	<u>0</u>	<u>(27,870,883)</u>
Total Capital Assets Being Depreciated, net	<u>23,626,722</u>	<u>(1,431,394)</u>	<u>0</u>	<u>22,195,328</u>
Total Business-type activities Capital Assets, net	<u><u>\$ 25,238,197</u></u>	<u><u>\$ (1,431,394)</u></u>	<u><u>0</u></u>	<u><u>\$ 23,806,803</u></u>
Depreciation expense was charged to governmental functions as follows:				
General Government				\$ 571,744
Public Safety				509,844
Transportation				338,966
Culture and Recreation				85,469
Economic Development				575
Physical Environment				544
				<u><u>\$ 1,507,142</u></u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 7 – Long Term Debt

	September 30, 2012	Prior Year Reclassification	Additions	Reductions	September 30, 2013	Due within One year
Governmental Activities						
Bonds:						
Capital Improvement Bond 2002	\$ 4,770,000			\$ 4,770,000	\$ -	
Capital Improvement Refunding Revenue Bond 2012	0		4,507,000	224,000	4,283,000	261,000
Utility System Series 2003 Bonds	995,214	(995,214)			0	
2012 Bond Payable CRA	0	115,000			115,000	115,000
Capitalized Leases:						
Honeywell Lease (Gov't Portion)	153,820			8,480	145,340	9,474
Elgin Sweeper	40,668			19,832	20,836	20,836
Notes Payable:						
Equipment Loan Fire & Police - Police	90,399			28,155	62,244	29,406
Equipment Loan Fire & Police - Fire	13,508			4,207	9,301	4,394
Grapple Truck Loan	42,298			29,605	12,693	12,693
Equipment Loan Police & Utilities (Police Portion)	18,789			14,869	3,920	3,920
Equipment Loan Public Works & Net Quincy (PW Portion)			83,754	9,083	74,671	15,976
CRA Loan	233,333			116,666	116,667	116,667
Compensated Absences	272,961			59,302	213,659	53,415
Total Governmental Activities Debt	\$ 6,630,990	\$ (880,214)	\$ 4,590,754	\$ 5,284,199	\$ 5,057,331	\$ 642,781
Business-Type Activities:						
Bonds :						
Utility System Series 2003 Bonds	\$ 6,209,788	\$ 995,214		\$ 250,000	\$ 6,955,002	\$ 265,000
Utility System Series 2011 Bonds	6,000,000			140,000	5,860,000	145,000
Electric Utility Line of Credit Capital City Bank	-		1,380,415	604,766	775,649	775,649
Notes Payable:						
State Revolving Loan - Project No. DW2006010	3,961,274			144,365	3,816,909	148,522
State Revolving Loan - Project No. CS12064107P	1,600,772			182,741	1,418,031	187,449
Equipment Loan Police & Utilities (Utilities Portion)	20,355			16,108	4,247	4,247
Equipment Loan Public Works & Net Quincy (NQ Portion)			43,146	4,679	38,467	8,230
Mortgage (Net Quincy Building)	107,777			39,289	68,488	40,120
Capitalized Leases:						
Honeywell Lease (Sewer Portion)	415,315			22,895	392,420	25,580
Honeywell Lease (Electric Portion)	738,338			40,703	697,635	45,476
Honeywell Lease (Water Portion)	230,731			12,720	218,011	14,211
Estimated Landfill Closure and Post Closure	1,401,718		23,830		1,425,548	
Compensated Absences	102,462		2,343	5,338	99,467	24,867
Total Business-Type Activities Debt	\$ 20,788,530	\$ 995,214	\$ 1,449,734	\$ 1,463,604	\$ 21,769,874	\$ 1,684,351

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 7 – Long Term Debt (continued)

	September 30, 2012	Prior Year Reclassification	Additions	Reductions	September 30, 2013
Governmental Funds					
General Fund:					
Capital Improvement Bond 2002	\$ 4,770,000			\$ 4,770,000	\$ -
Capital Improvement Refunding Revenue Bond 2012	0		4,507,000	224,000	4,283,000
Honey Well Lease (Gov't Portion)	153,820			8,480	145,340
Elgin Sweeper	40,668			19,832	20,836
Equipment Loan Fire & Police - Police	90,399			28,155	62,244
Equipment Loan Fire & Police - Fire	13,508			4,207	9,301
Grapple Truck Loan	42,298			29,605	12,693
Equipment Loan Police & Utilities (Police Portion)	18,789			14,869	3,920
Equipment Loan Public Works & Net Quincy (PW Portion)	0		83,754	9,083	74,671
Compensated Absences	272,961			59,302	213,659
OPEB					
Total General Fund Debt	5,402,443	0	4,590,754	5,167,533	4,825,664
Special Revenue Fund - Community Redevelopment Agency.					
CRA Loan	233,333			116,666	116,667
2012 Bond Payable CRA	0	115,000			115,000
Total Special Revenue Debt	233,333	115,000	0	116,666	231,667
Total Governmental Activities Long Term Debt	\$ 5,635,776	\$ 115,000	\$ 4,590,754	\$ 5,284,199	\$ 5,057,331
Business-Type Activities:					
Electric Fund:					
Utility System Series 2011 Bonds	\$ 3,644,300	\$ 15,700		\$ 85,400	\$ 3,574,600
Mortgage (Net Quincy Building)	53,888			19,645	34,243
Electric Utility Line of Credit Capital City Bank	0		1,380,415	604,766	775,649
Honey Well Lease (Electric Portion)	738,338			40,703	697,635
Compensated Absences	63,830			1,655	62,175
Total General long Term Debt: Electric Fund	4,500,356	15,700	1,380,415	752,169	5,144,302
Water Fund:					
Utility System Series 2003 Bonds	4,770,033	(2,968,782)		62,500	1,738,751
Utility System Series 2011 Bonds	785,233	(5,233)		18,200	761,800
State Revolving Loan - Project No. DW2006010	3,961,274			144,365	3,816,909
Honey Well Lease (Water Portion)	230,731			12,720	218,011
Compensated Absences	10,846			213	10,633
Total General Long Term Debt: Water Fund	9,758,117	(2,974,015)	0	237,998	6,546,104
Sewer Fund:					
Utility System Series 2003 Bonds	0	1,801,251		62,500	1,738,751
Utility System Series 2011 Bonds	785,233	(5,233)		18,200	761,800
State Revolving Loan - Project No. CS12064107P	1,600,772			182,741	1,418,031
Equipment Loan Police & Utilities (Utilities Portion)	20,355			16,108	4,247
Honey Well Lease (Sewer Portion)	415,315			22,895	392,420
Compensated Absences	10,846			212	10,634
Total General Long Term Debt: Sewer Fund	2,832,521	1,796,018	0	302,656	4,325,883
Gas Fund:					
Utility System Series 2011 Bonds	785,235	(5,235)		18,200	761,800
Compensated Absences	8,664		1,942		10,606
Total General Long Term Debt: Gas Fund	793,899	(5,235)	1,942	18,200	772,406
Landfill Fund					
Compensated Absences	5,018		401		5,419
Estimated Landfill Closure and Post Closure	1,401,718		23,830		1,425,548
Total General Long Term debt: Landfill Fund	1,406,736	0	24,231	0	1,430,967
Telecommunications Fund					
Utility System Series 2003 Bonds	1,439,755	1,442,246		100,000	2,782,001
Mortgage (Net Quincy Building)	53,888			19,644	34,244
Equipment Loan Public Works & Net Quincy (NQ Portion)	0		43,146	4,679	38,467
Compensated Absences	3,258			3,258	0
Total General Long Term Debt: Telecommunications Fund	1,496,901	1,442,246	43,146	127,581	2,854,712
Internal Service Fund					
Utility System Series 2003 Bonds	995,214	(274,714)		25,000	695,500
Total General Long Term Debt: Internal Service Fund	995,214	(274,714)	0	25,000	695,500
Total General Long Term Debt all Non-Governmental Funds	\$ 21,783,744	\$ -	\$ 1,449,734	\$ 1,463,604	\$ 21,769,874

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Note 7 - Long-term Debt (continued)

Long-Term Debt – Governmental Activities

\$6,500,000 Capital Improvement Revenue Bond Series 2002

In December 2012, the City adopted Resolution No. 1292-2012 to authorize the City to issue the refunding Series 2012 Bond. The proceeds were used to discharge the Bond obligation of the Refunded Bonds (Series 2002 Bond)

Beginning of the Year Obligation 2002 Revenue Bond	\$ 4,770,000
Beginning of the Year Cash Held By Paying Agent	619,908
Proceeds Series 2012 Bond	4,507,000
Issuance Costs	67,667
Net Proceeds	4,439,333
Transfer from Cash Held by Paying Agent	466,231
Total proceeds	4,905,564
Interest	40,164
Redemption Premium	95,400
Principal Payment on Series 2002 Revenue Bond	\$ 4,770,000

\$4,507,000 City of Quincy, Florida Capital Improvement Refunding Revenue Bond Series 2012

Series 2012 Bond: Dated December 28, 2012, with a maturity date of June 1 2027. The fixed interest rate is 2.3%. Payments of principal and interest are due on June 1, and interest only due December 1. The first payment starts June 1, 2013, and continues until maturity on June 1, 2027.

The Series 2012 bond is declared to be a special, limited obligation of the issuer, secured solely by the pledged revenues, and shall not be or constitute a general obligation or indebtedness of the City. Neither the Series 2012 Bond nor the loan agreement shall constitute a “bond” of the issuer within the meaning of Article VII, Section 12, Florida Constitution (1968). 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, 2013

Note 7 - Long-term Debt (continued)

Long-term Debt – Governmental Activities (continued)

\$4,507,000 City of Quincy, Florida Capital Improvement Refunding Revenue Bond Series 2012 Series 2012 Bond (continued)

These bonds require the creation and establishment of a Debt Service Fund. On a monthly basis the city will transfer Pledged Revenues from the Revenue Fund to the Debt Service Fund to provide for the payment of debt service on the Series 2012 bonds. The Debt Service Fund and the portion of the Revenue Fund allocated to pay debt service on the Series 2012 Bonds will be used primarily to achieve a proper matching of pledged Revenues and debt service on the Series 2012 Bonds within each bond Year, and amounts deposited in such accounts allocated to the payment of debt service on the Series 2012 Bonds will be depleted at least once a year except for a reasonable carryover amount not to exceed the greater of the earning on such a fund for the immediately preceding Bond Year, or one-twelfth of the debt service on the Series 2012 Bonds for the immediately preceding bond year.

These funds are accounted for under the Debt Service Fund. As of September 30, 2013, the City had not transferred the required debt service payments to the Debt Service Fund. The City did make all required interest and principal payments for the Series 2012 Bond.

City of Quincy, Florida, Community Redevelopment Agency Redevelopment Revenue Note, Series 2011.

On June 22, 2011, the CRA agency issued a \$350,000 City of Quincy, Florida Community Redevelopment Agency Redevelopment Revenue Note, Series 2011, consisting of one fully-registered Note bearing interest at a fixed rate of 3.46% and maturing on June 22, 2014. The proceeds of the note were used to pay the costs consistent with and in furtherance of the Issuer's Redevelopment Plan including the engineering, design, construction and acquisition of recreational facilities including an amphitheater in Tanyard Creek Park.

Interest is calculated on the basis of actual number of days elapsed over an assumed 360-day year, and shall be payable monthly to the owner each first day of each calendar month, which commenced August 1, 2011, until maturity. Principal of \$116,666 shall be payable annually to the owner on July 13, 2013, and July 13, 2014.

City of Quincy, Florida, Community Redevelopment Agency Redevelopment Revenue Note, Series 2012.

In February 2012, the City of Quincy, Florida, Community Redevelopment Agency issued a \$115,000 City of Quincy, Florida Community Redevelopment Agency Redevelopment Revenue Note, Series 2012, consisting of one fully-registered Note bearing interest at a fixed rate of 3.3074% and maturing in February 2015. The proceeds of the note were used to pay the costs consistent with and in furtherance of the Issuer's Redevelopment Plan including the engineering, design, construction and acquisition of recreational facilities including an amphitheater in Tanyard Creek Park. The payments were due February 2013 - \$38,333, February 2014 - \$38,333 and February 2015 - \$38,333.

**CITY OF QUINCY, FLORIDA NOTES
TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Note 7 - Long Term Liabilities (Continued)

Equipment Loans and Capital Lease Obligations

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:

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:

\$8,890,000 City of Quincy, Florida Utility System Improvement and Refunding Revenue Bonds Series 2003. (the Series 2003 Bonds)

The City issued the Series 2003 Bonds for the purpose of refunding the utility system parity revenue Bonds Series 1986, to finance the acquisition and construction of various capital improvements to the City's water, electric and sewer systems, to finance the acquisition and construction of capital improvements to the City's fiber optics/broadband telecommunications system, and to fund the Reserve Account. The Series 2003 Utility Bonds are payable solely from and secured by a pledge of the net revenues of the City's Utility System. The Series 2003 Utility Bonds principal amounts, maturities and interest rates by lot are as follows:

\$2,200,000 4.0% Term Bonds Due October 1, 2013
\$3,450,000 5.0% Term Bonds Due October 1, 2023
\$3,240,000 5.0% Term Bonds Due October 1, 2029

The Bond was issued with an original issue discount of \$118,802. The Bond Resolution created and established numerous funds and accounts including the Water System Revenue Fund, the Sewer System Revenue Fund, the Electric System Revenue Fund, the Gas System Revenue Fund, the Fiber Optic Revenue Fund the Debt Service Fund, the Utility System Reserve Fund with the composite reserve account therein. It also required the establishment of a Utility System Renewal and Replacement Fund and the Utility System Rate Stabilization Fund. The Bond requires monthly transfers to the Debt Service Fund, the Utility System Reserve Fund, the Utility System Renewal and Replacement Fund and the Utility System Rate Stabilization Fund. The City has not made all the required transfers and the balances in the accounts are not sufficient to meet the requirements of the Bond.

The Series 2003 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 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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 7 – Long Term Liabilities (continued)

\$6,000,000 City of Quincy, Florida Utility System Revenue Bonds Series 2011 (the Series 2011 Utility Bond)

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 consists 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 seven substation reclosers and twenty-one substation regulators controllers for voltage control along with thirty-six 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 Bond Resolution created and established numerous funds and accounts including the Water System Revenue Fund, the Sewer System Revenue Fund, the Electric System Revenue Fund, the Gas System Revenue Fund, the Fiber Optic Revenue Fund the Debt Service Fund, the Utility System Reserve Fund with the composite reserve account therein. It also required the establishment of a Utility System Renewal and Replacement Fund and the Utility System Rate Stabilization Fund. The Bond requires monthly transfers to the Debt Service Fund, the Utility System Reserve Fund, the Utility System Renewal and Replacement Fund and the Utility System Rate Stabilization Fund. The City has not made all the required transfers and the balances in the accounts are not sufficient to meet the requirements of the Bond.

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.

Drinking Water State Revolving Loan Note from Florida Department of Environmental Protection ("FDEP") (Project DW2006010)

The loan was issued 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.

State Revolving Loan Note from FDEP (CS12064107P)

The loan was issued 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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 7 – Long Term Liabilities (continued)

Mortgage (Net Quincy Building)

The City signed a \$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. The loan of \$350,000 from Capital City Bank was used to purchase the NetQuincy building on December 15, 2004.

Equipment Loans and Capital Lease Obligations

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 January 1, and July 1 of which annual lease payments are due through July 1, 2023 in accordance with the payment schedule per agreement. Annual maturities are as follows:

Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at September 30, 2013, other than the liability for accumulated vacation and sick leave, is as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 589,366	\$ 116,353	\$ 705,719	\$ 1,659,484	\$ 822,151	\$ 2,481,635
2015	300,335	99,827	400,162	907,073	790,840	1,697,913
2016	303,301	92,543	395,844	913,596	757,156	1,670,752
2017	303,405	85,179	388,584	943,933	722,055	1,665,988
2018	305,186	77,999	383,185	991,603	684,730	1,676,333
2019-2023	1,632,576	276,022	1,908,598	4,922,287	2,807,063	7,729,350
2024-2028	1,409,502	78,867	1,488,369	4,570,729	1,783,003	6,353,732
2029-2033	0	0	0	5,336,155	578,023	5,914,178
Total	\$ 4,843,671	\$ 826,790	\$ 5,670,461	\$ 20,244,860	\$ 8,945,021	\$29,189,881

Note 8 - 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 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, 2013, the City purchased electric capacity totaling \$7,940,712.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 8 - Contingencies and Commitments (continued)

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, 2013, the City purchased gas totaling \$917,864.

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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 8 - Contingencies and Commitments (continued)

Accounting for Municipal Landfill Closure and Post Closure Care Costs.

At September 30, 2013, the City's total liability for landfill closure and post-closure care costs was approximately \$1,425,548. The liability balance is based on the use of the existing landfill capacity. As the 2009, permit indicates the facility is in closing. The minimum amount required (closing cost) and \$47,518 annual long-term care cost for a total of \$337,655. 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. Cash deposited in the escrow account was \$21,013. The City currently has a shortage in this account totaling \$316,642.

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 9 - 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, 2013, the City contributed \$389,339 for eligible employees.

Note 10 - 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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 10 - Other Post-Employment Benefits (OPEB) (continued)

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

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability 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 constant revision as actual experience is compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to the point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial assets.

For the Actuarial Valuation, the Entry Age Normal (level % of pay) actuarial cost method was used. Select Actuarial Assumptions are listed in the table below:

Valuation Interest Rate	4.0%
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Health Care Inflation Post-Medicare: 8.5% in Fiscal 2013 (grading down to 4.5% in Fiscal 2017).

Payroll Growth Assumption	1.5%
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Salary Increase Rate	4.0%
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Amortization of UAAL	Level Percentage of Payroll (Closed Amortization over 30 Years)
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Employee Contribution Information

The City pays 100% of the retiree's monthly medical premium before and after age 65. The retiree must pay the full premium for eligible dependent coverage. Retirees are covered for their lifetime and eligible dependents are also covered for their lifetime as long as they continue to pay the premium. Retirees participating in the dental insurance plans offered by the City are required to contribute 100% of active premiums. As such, the projected employee premiums for the dental program are assumed to cover the entire costs of the program.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 10 - Other Post-Employment Benefits (OPEB) (continued)

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

Valuation Date	10/01/2011	10/01/2012
Applicable for Fiscal Year Ending	9/30/2012	9/30/2013
Annual Required Contribution	\$ 548,659	\$ 633,899
Interest on Net OPEB Obligation	4,023	22,934
Adjustment to Annual Required Contribution	(5,485)	(27,810)
Annual OPEB Cost / (Expense)	547,197	629,023
Estimated Contributions Made	(107,941)	(194,523)
Anticipated Increase in Net OPEB Obligation	439,256	434,500
Net OPEB Obligation – Beginning of Year	134,102	573,358
Estimated OPEB Obligation – End of Year	\$ 573,358	\$ 1,007,858
Funded Status as of	10/01/2011	10/01/2012
Actuarial Accrued Liability (AAL)	\$ 6,248,009	\$ 6,399,750
Actuarial Value of Assets (AVA)	0	0
Unfunded Actuarial Accrued Liability (UAAL)	6,248,009	6,399,750
Funded Ratio	0.00%	0.00%
Covered Payroll	3,736,000	3,804,940
Ratio of UAAL to Covered Payroll	167.2%	168.2%

Funded Status and Funding Progress:

As of October 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$6.399 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$6.399 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.804 million and the ratio of the UAAL to the covered payroll was 168.2%.

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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 10 - Other Post-Employment Benefits (OPEB)

Three Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2013	\$ 629,023	30.9%	\$ 1,007,858
9/30/2012	547,197	19.7%	573,358
9/30/2011	\$ 323,532	58.6%	\$ 134,102

<u>PARTICIPANT DATA</u>	<u>10/01/2013</u>	<u>10/01/2012</u>
Number Included		
Actives	20	20
Service Retirees	33	28
Beneficiaries	2	2
Terminated Vested	24	26
Disability Retirees	1	1
Total	80	77
Total Annual Payroll	\$ 847,696	\$ 909,556
Payroll Under Assumed Ret. Age	\$ 800,370	\$ 796,424
Annual Rate of Payments to:		
Service Retirees	\$ 576,813	\$ 448,220
Beneficiaries	\$ 25,744	\$ 25,744
Terminated Vested	\$ 15,999	\$ 119,635
Disability Retirees	\$ 10,990	\$ 10,990

Note 11- Police and Firemen's Supplemental Pension Plan (PFSP)

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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 11- Police and Firemen's Supplemental Pension Plan (PFSP) (continued)

(a) 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.

(b) Annual Pension Cost

The City's contribution requirement for the year ended September 30, 2013 was \$233,338

(c) Eligibility

All full-time Police Officers and Firefighters.

(d) Basic Compensation

Total cash compensation paid to the participant for services rendered.

(e) 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.

(f) Credited Service

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

(g) 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.

(h) Normal Retirement Benefit

1.7% of average 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 2.5%.

(i) Normal Benefit Form

Ten Year Certain and Single Life Annuity.

(j) 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 2.5%.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 11- Police and Firemen's Supplemental Pension Plan (PFSP) (Continued)

(k) 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.

(l) 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:
 - 120 times average final monthly compensation at date of death, and
 - 100 times anticipated monthly retirement income at normal retirement.

(m) 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.

(n) 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

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 11- Police and Firemen's Supplemental Pension Plan (PFSP) (continued)

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:

The contribution requirements, compared with amounts developed in the October 1, 2012 Actuarial Valuation are as follows

Valuation Date Applicable Plan/Fiscal Year	10/01/2012 9/30/2013	10/01/2013 9/30/2014
Total Required Contribution		
% of Total Annual Payroll	55.4%	58.2%
Member Contributions (EST)		
% of Total Annual Payroll	7.5%	7.5%
City and State Required Contribution		
% of Total Annual Payroll	47.9%	50.7%
State Contribution *	\$ 99,329	\$ 102,057
% of Total Annual Payroll	12.4%	12.8%
Balance From City		
% of Total Annual Payroll	35.5%	37.9%

State Contribution

The City may use up to \$247,985 in State Contributions for determining its minimum funding requirements, based on traditional interpretation of Chapter 99-1, Florida Statutes. Note the \$102,057 State Contribution shown in the right – hand column above is the amount withheld for fiscal 2013. Upon completion of the audit, this amount expected to be released in fiscal 2014.

Note 12 - 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 13 - Budget

For the year ended September 30, 2013, expenditures exceeded appropriations in the City's general fund in most expenditure categories. These over expenditures were resolved by the utilization of fund balance reserves and transfers.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 14 - Interfund Transfers

		Transfers In				
Transfers Out	General Fund	Special Revenue	Capital Projects	Debt Service	Telecom	Total
General Fund		\$ 34,713	\$ 64,447	\$ 376,465	\$ 4,612,196	\$ 5,087,821
Capital Projects				38,632		38,632
Debt Service	\$ 275,267					275,267
Electric	8,183,642				265,838	8,449,480
Water	836,822					836,822
Waste Water	223,360					223,360
Refuse	367,350					367,350
Gas	954,287					954,287
Landfill	313,781					313,781
Internal Service	296,037					296,037
Total	\$ 11,450,546	\$ 34,713	\$ 64,447	\$ 415,097	\$ 4,878,034	\$ 16,842,837

Note 15 - Advances To and From Other Funds

<u>Advances To Other Funds</u>		<u>Advances From Electric</u>	
Water Fund	\$ 479,943	\$ 479,943	
Waste Water	479,943	479,943	
Gas Fund	479,943	479,943	
Landfill Fund	250,000	250,000	
Totals	<u>\$ 1,689,829</u>	<u>\$ 1,689,829</u>	

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 16 - 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 a) not in a spendable form, such as inventory, or b) because they are legally or contractually required to be maintained intact.

Spendable fund balances:

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

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

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

Fund Balances:	General	CRA	Special Revenue	Capital Projects	Total Governmental Funds
Non- spendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Law Enforcement	0	0	25,803	0	25,803
Physical					
Environment	0	0	0	52,251	52,251
Economic					
Environment	0	(6,778)	13,647	0	6,869
Capital Projects	0	0	0	0	0
Unassigned	(92,683)	0	0	0	(92,683)
Total Fund Balance	<u>\$(92,683)</u>	<u>\$(6,778)</u>	<u>\$ 39,450</u>	<u>\$ 52,251</u>	<u>\$ (7,760)</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 15 - Prior Period Adjustments

Prior period adjustments relate primarily to the reallocation of general long term debt related to the Utility System Series 2003 Bonds. The amounts were presented in a debt service fund and were allocated on the financial statements for presentation purposes. The City reallocated the debt between the various enterprise and the internal service funds. (See Footnote 6.) The Special Revenue funds were restated for a CRA loan not recorded in 2012, as well as for numerous small grant funds that were closed out prior to 2012. The General Fund was restated to account for the proper period recording of state shared revenues.

Note 16 - Subsequent Events

Management has evaluated subsequent events through January 6, 2015, the date the financial statements 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
YEAR ENDED SEPTEMBER 30, 2013

Disclosure information per Statement No. 25 of the Governmental Accounting Standards Board.

The schedule provided below has been prepared in accordance with the requirements of Paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/13	6,312,102	9,332,438	3,020,336	67.64%	847,696	356.30%
10/01/12	6,012,674	9,144,777	3,132,103	65.75%	909,556	344.36%
10/01/10	6,422,266	8,759,168	2,336,902	73.32%	887,501	263.31%
10/01/08	6,685,063	7,230,126	545,063	92.46%	935,314	58.28%

The schedule provided below has been prepared in accordance with the requirements of Paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2013	403,503	304,174	99,329	100.00%
2012	260,947	260,947	0	100.00%
2011	267,653	171,396	96,257	100.00%
2010	262,316	110,287	209,426	121.88%
2009	274,602	162,169	112,433	100.00%
2008	195,430	148,778	105,417	130.07%

Disclosure Information per Statement No. 27 of the Governmental Accounting Standards Board

**CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION POLICE AND
FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2013**

Annual Pension Costs and Related Information

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:

Contribution Rates as of September 30, 2013

City and State	47.9%
Plan member	7.5%
Actuarial Determined Contribution	403,503 *
Actuarial Valuation Date	10/01/2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	25 years as of 10/01/2012
Asset Valuation Method	4 year Smooth
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increase	4.00%
Includes Inflation at	3.00%
Post Retirement COLA	0.00%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC) *	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	403,503	100.00%	0
9/30/2012	260,947	100.00%	0
9/30/2011	267,653	100.00%	0

* Beginning September 30, 2011, these amounts include both City and State Contributions

**CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/2012	0	6,399,750	6,399,750	0.00%	3,804,940	168.00%
9/30/2012	0	6,440,619	6,440,619	0.00%	3,736,000	172.00%
9/30/2011	0	4,892,799	4,892,799	0.00%	3,468,000	141.00%

Three Year Trend Information

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	629,023	30.9%	1,007,858
9/30/2012	547,197	19.7%	573,358
9/30/2011	323,532	58.6%	134,102

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,800,758	\$ 1,800,758	\$ 1,907,748	\$ 106,990
Tax Increment	0	0	0	0
Licenses and Permits	113,100	113,100	109,295	(3,805)
Intergovernmental Revenues	485,610	485,610	527,944	42,334
Charges for Services	435,432	435,432	444,300	8,868
Fines and Forfeitures	25,894	25,894	24,058	(1,836)
Miscellaneous Revenues	414,233	414,233	61,715	(352,518)
Total Revenues	<u>3,275,027</u>	<u>3,275,027</u>	<u>3,075,060</u>	<u>(199,968)</u>
Expenditures				
Current:				
General Government	2,487,802	2,487,802	2,803,862	(316,060)
Public Safety	3,342,214	3,342,214	3,279,093	63,121
Physical Environment	196,151	196,151	98,260	97,891
Transportation	543,380	543,380	838,615	(295,235)
Economic Environment	0	0	0	0
Culture and Recreation	432,813	432,813	446,945	(14,132)
IT Support	201,730	201,730	201,837	(107)
Debt Service:				
Principal	77,942	77,942	114,232	(36,290)
Interest	6,380	6,380	16,527	(10,147)
Capital Outlay	260,308	260,308	137,053	123,255
Total Expenditures	<u>7,548,720</u>	<u>(7,548,720)</u>	<u>(7,936,424)</u>	<u>(387,703)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,273,693)</u>	<u>(4,273,693)</u>	<u>(4,861,364)</u>	<u>(587,671)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	83,754	83,754
Operating Transfers In	4,899,473	4,899,473	11,450,546	6,551,073
Operating Transfers out	(460,981)	(460,981)	(5,087,821)	(4,626,840)
Total Other Financing Sources (Uses)	<u>4,438,492</u>	<u>4,438,492</u>	<u>6,446,479</u>	<u>2,007,986</u>
Net Change in Fund Balances	164,799	164,799	1,585,115	1,420,316
Fund Balances				
Beginning of Year, Unadjusted	0	0	(1,869,323)	(1,869,323)
Prior Period Adjustment	0	0	191,525	191,525
Beginning of Year, Restated	0	0	(1,677,798)	(1,677,798)
Fund Balance, End of Year	<u>\$ 164,799</u>	<u>\$ 164,799</u>	<u>\$ (92,683)</u>	<u>\$ (257,487)</u>

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
CRA FUND
SEPTEMBER 30, 2013

		Budgeted	Actual	Variance
	Original	Amounts	Amounts	With
		Final		Final
Revenues				Budget
				Positive
				(Negative)
Taxes				
Tax Increment	\$ 436,819	\$ 436,819	\$ 440,462	\$ 3,643
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	1,212	1,212	91	(1,121)
Total Revenues	<u>438,031</u>	<u>438,031</u>	<u>440,553</u>	<u>2,522</u>
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	256,408	256,408	159,209	97,199
Culture and Recreation	0	0	0	0
IT Support	8,000	8,000	10,667	(2,667)
Debt Service:				
Principal	155,001	155,001	116,665	38,336
Interest	5,000	5,000	8,089	(3,089)
Capital Outlay	2,400	2,400	0	2,400
Total Expenditures	<u>426,809</u>	<u>426,809</u>	<u>294,630</u>	<u>132,179</u>
Excess of Revenue Over				
Expenditures	<u>11,222</u>	<u>11,222</u>	<u>145,923</u>	<u>134,701</u>
Other Financing Sources (Uses)				
Debt Proceeds				
Transfers in				
Transfers (out)	0	0	0	0
Total Other Financing Sources				
(Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	11,222	11,222	145,923	134,701
Fund Balances				
Beginning of Year, Unadjusted	0	0	(152,701)	(152,701)
Prior Year Adjustment	0	0	0	0
Beginning of Year, as Restated	0	0	(152,701)	152,701
Fund Balance, End of Year	<u>\$ 11,222</u>	<u>\$ 11,222</u>	<u>\$ (6,778)</u>	<u>\$ (18,000)</u>

CITY OF QUINCY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2013

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
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	Confiscated Property Fund	Mainstreet Fund	QuincyFest Fund	Grants Fund	Total Combined Non-Major Special Revenue
Assets					
Cash and Cash Equivalent	\$ 25,803	\$ 0	\$ 9,353	\$ 4,294	\$ 39,450
Investments	0	0	0	0	0
Receivables (Net)	0	0	0	0	0
Assessment Receivables (net)	0	0	0	0	0
Due from Other Governments	0	0	0	0	0
Advances to Other Funds	0	0	0	0	0
Total Assets	<u>25,803</u>	<u>0</u>	<u>9,353</u>	<u>4,294</u>	<u>39,450</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	0	0	0	0	0
Accrued Expenses	0	0	0	0	0
Due to Other Governments	0	0	0	0	0
Advances from Other Funds	0	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
Nonspendable:					
Prepays	0	0	0	0	0
Advances to Other Funds	0	0	0	0	0
Restricted for:					
Law Enforcement	25,803	0	0	0	25,803
Physical Environment	0	0	0	0	0
Economic Environment	0	0	9,353	4,294	13,647
Debt Service	0	0	0	0	0
Unassigned	0	0	0	0	0
Total Fund Balances	<u>25,803</u>	<u>0</u>	<u>9,353</u>	<u>4,294</u>	<u>39,450</u>
Total Liabilities and Fund Balances	<u>\$ 25,803</u>	<u>\$ 0</u>	<u>\$ 9,353</u>	<u>\$ 4,294</u>	<u>\$ 39,450</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Revenues	Confiscated Property Fund	Mainstreet Fund	QuincyFest Fund	Grants Fund	Total Combined Non-Major Special Revenue
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Tax Increment	0	0	0	0	0
Licenses and Permits	0	0	0	0	0
Intergovernmental Revenues	0	0	0	0	0
Charges for Services	0	0	28,810	0	28,810
Fines and Forfeitures	0	0	0	0	0
Miscellaneous Revenues	30	0	0	6,353	6,383
Total Revenues	30	0	28,810	6,353	35,193
Expenditures					
General Government	10	0	0	0	10
Public Safety	0	0	0	0	0
Physical Environment	0	0	0	0	0
Transportation	0	0	0	0	0
Economic Environment	0	14,289	18,786	0	33,075
Culture and Recreation	0	0	0	0	0
IT Support	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Total Expenditures	(10)	(14,289)	(18,786)	0	(33,085)
Excess (Deficiency) of Revenues Over (Under) Expenditures	20	(14,289)	10,024	6,353	2,108
Other Financing Sources (Uses)					
Debt Proceeds	0	0	0	0	0
Transfers in	0	34,713	0	0	34,713
Transfers (out)	0	0	0	0	0
Total Other Financing Sources (Uses)	0	34,713	0	0	34,713
Net Change in Fund Balances	20	20,424	10,024	6,353	36,821
Fund Balances					
Beginning of Year, Unadjusted	25,783	(20,424)	(671)	(189,642)	(184,954)
Prior Period Adjustment	0	0	0	187,583	187,583
Beginning of Year, as Restated	25,783	(20,424)	(671)	(2,059)	2,629
End of Year	\$ 25,803	\$ 0	\$ 9,353	\$ 4,294	\$ 39,450

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Special Revenue	Capital Projects	Debt Service	Total Non-Major Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 39,450	\$ 57,377	\$ 0	\$ 96,827
Investments	0	0	0	0
Receivables (Net of	0	0	0	0
Assessment Receivables (net)	0	0	0	0
Due from Other Governments	0	0	0	0
Advances to Other Funds	0	0	0	0
Total Assets	<u>39,450</u>	<u>57,377</u>	<u>0</u>	<u>96,827</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	0	3,024	0	3,024
Accrued Expenses	0	2,102	0	2,102
Due to Other Governments	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>5,126</u>	<u>0</u>	<u>5,126</u>
Fund Balances				
Nonspendable:				
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Restricted for:				
Law Enforcement	25,803	0	0	25,803
Physical Environment	0	52,251	0	52,251
Economic Environment	13,647	0	0	13,647
Debt Service	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>39,450</u>	<u>52,251</u>	<u>0</u>	<u>91,701</u>
Total Liabilities and Fund Balances	<u>\$ 39,450</u>	<u>\$ 57,377</u>	<u>\$ 0</u>	<u>\$ 96,827</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue	Capital Projects	Debt Service	Total Non-Major Governmental Funds
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Tax Increment	0	0	0	0
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	0	489,371	0	489,371
Charges for Services	28,810	0	0	28,810
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	6,383	22	11,346	17,751
Total Revenues	35,193	489,393	11,346	535,932
Expenditures				
General Government	10	0	0	10
Public Safety	0	0	0	0
Physical Environment	0	406,677	0	406,677
Transportation	0	0	0	0
Economic Environment	33,075	0	0	33,075
Culture and Recreation	0	0	0	0
IT Support	0	0	0	0
Debt Service:				
Principal	0	0	4,994,000	4,994,000
Interest	0	0	174,295	174,295
Capital Outlay	0	0	0	0
Total Expenditures	(33,085)	(406,677)	(5,168,295)	(5,608,057)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,108	82,716	(5,156,949)	(5,072,125)
Other Financing Sources (Uses)				
Debt Proceeds	0	0	4,507,000	4,507,000
Transfers in	34,713	64,447	415,097	514,257
Transfers (out)	0	(38,632)	(275,267)	(313,899)
Total Other Financing Sources (Uses)	34,713	25,815	4,646,830	4,707,358
Net Change in Fund Balances	36,821	108,531	(510,119)	(364,767)
Fund Balances				
Beginning of Year, Unadjusted	(184,954)	(56,280)	510,119	268,885
Prior Period Adjustment	187,583	0	0	187,583
Beginning of Year, as Restated	2,629	(56,280)	510,119	456,468
End of Year	\$ 39,450	\$ 52,251	\$ 0	\$ 91,701

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds				
	Non-Major Funds				Total
	Refuse Fund	Landfill Fund	Gas Fund	Telecom Fund	Non-Major Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	44	0	44
Receivables (Net)	169,317	13,980	175,982	0	359,279
Inventories	0	0	(6,786)	0	(6,786)
Total Current Assets	169,317	13,980	169,240	0	352,537
Noncurrent Assets					
Restricted Assets:					
Restricted Cash and Cash					
Equivalents	0	21,013	305,291	0	326,304
Total Restricted Assets	0	21,013	305,291	0	326,304
Capital Assets:					
Land and Land Improvements	0	0	403,717	0	403,717
Property, Plant, Equipment	0	485,528	1,318,778	4,607,066	6,411,372
(Accumulated Depreciation)	0	(478,780)	(1,454,029)	(1,524,316)	(3,457,125)
Total Net Capital Assets	0	6,748	268,466	3,082,750	3,357,964
Other Assets:					
Advances to Other Funds	0	250,000	479,943	0	729,943
Total Noncurrent Assets	0	277,761	1,053,700	3,082,750	4,414,211
Total Assets	\$ 169,317	\$ 291,741	\$ 1,222,940	\$ 3,082,750	\$ 4,766,748

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2013
(CONTINUED)

	Business-Type Activities - Enterprise Funds				
	Non-Major Funds				Total
	Refuse Fund	Landfill Fund	Gas Fund	Telecom Fund	Non- Major Funds
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 457,946	\$ 962	\$ 214,017	\$ 6,635	\$ 679,560
Accrued Expenses	0	1,614	1,497	1,254	4,365
Due to other Governments	0	0	218,329	0	218,329
Accrued Interest Payable	0	0	0	0	0
Current portion:					
Bonds Payable	0	0	18,850	106,000	124,850
Notes Payable	0	0	0	8,501	8,501
Mortgages Payable	0	0	0	20,048	20,048
Capitalized Lease Payable	0	0	0	0	0
Compensated Absences	0	1,355	2,652	0	4,007
Total Current Liabilities	<u>457,946</u>	<u>3,931</u>	<u>455,345</u>	<u>142,438</u>	<u>1,059,660</u>
Noncurrent Liabilities:					
Customer Deposits	0	0	10,519	0	10,519
Advances from Other Funds	0	0	0	0	0
Long term portion:					
Bonds Payable	0	0	742,950	2,676,000	3,418,950
Notes Payable	0	0	0	29,966	29,966
Mortgages Payable	0	0	0	14,196	14,196
Capitalized Lease Payable	0	0	0	0	0
Compensated Absences	0	4,064	7,954	0	12,018
Land Fill Closure Liability	0	1,425,548	0	0	1,425,548
Total Noncurrent Liabilities	<u>0</u>	<u>1,429,612</u>	<u>761,423</u>	<u>2,720,162</u>	<u>4,911,197</u>
Total Liabilities	<u>457,946</u>	<u>1,433,543</u>	<u>1,216,768</u>	<u>2,862,600</u>	<u>5,970,857</u>
Net Position					
Net Investment in Capital Assets	0	6,748	(493,334)	228,039	(258,547)
Restricted for:					
Debt Service	0	21,013	305,291	0	326,304
Unrestricted	(288,629)	(1,169,564)	194,216	(7,889)	(1,271,866)
Total Net Position	<u>(288,629)</u>	<u>(1,141,803)</u>	<u>6,173</u>	<u>220,150</u>	<u>(1,204,109)</u>
Total Liabilities and Net Position	<u>\$ 169,317</u>	<u>\$ 291,740</u>	<u>\$ 1,222,941</u>	<u>\$ 3,082,750</u>	<u>\$ 4,766,748</u>

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds				Total
	Non-Major Funds				Non-Major
	Refuse	Landfill	Gas	Telecom	Enterprise
	Fund	Fund	Fund	Fund	Funds
Operating Revenues					
Charges for Services	\$ 1,289,776	\$ 167,560	\$ 1,669,353	\$ 96,709	\$ 3,223,396
Interfund Charges	0	0	0	0	0
Total Operating Revenue	<u>1,289,776</u>	<u>167,560</u>	<u>1,669,351</u>	<u>96,709</u>	<u>3,223,396</u>
Operating Expenses					
Purchase Power	0	0	917,864	0	917,864
Personal Service	0	94,882	93,032	65,251	253,165
Contractual Service	1,131,000	68,132	7,001	80,370	1,286,503
Supplies	0	0	3,526	2,071	5,597
Repairs and Maintenance	0	375	34,669	0	35,044
Utility/Telephone	0	1,420	4,435	29,749	35,604
Shared Service	34,744	59,477	103,530	0	197,751
Depreciation	0	26,343	48,451	210,428	285,222
Other Expenses	58,158	(704)	17,155	4,411	79,020
Bad Debt	2,605	0	24,000	0	26,605
IT- Support	0	8,402	8,000	0	16,402
(Total Operating Expenses)	<u>(1,226,507)</u>	<u>(258,327)</u>	<u>(1,261,663)</u>	<u>(392,280)</u>	<u>(3,138,777)</u>
Operating Income	<u>63,269</u>	<u>(90,767)</u>	<u>407,688</u>	<u>(295,571)</u>	<u>84,619</u>
Nonoperating (Expenses)					
Interest Income	0	52	0	0	52
Interest Expense	0	0	(54,773)	(210,908)	(265,629)
Investment Gains and Losses	0	0	0	0	0
Total Non-Operating Revenues	<u>0</u>	<u>52</u>	<u>(54,773)</u>	<u>(210,908)</u>	<u>(265,629)</u>
Income Before Capital					
Contributions and Transfers	<u>63,269</u>	<u>(90,715)</u>	<u>352,915</u>	<u>(506,479)</u>	<u>(181,010)</u>
Operating Transfers					
Capital Grants	0	0	0	0	0
Transfers In	0	0	0	4,878,034	4,878,034
Transfers Out	(367,350)	(313,781)	(954,287)	0	(1,635,418)
Total Capital Grants and Operating					
Transfers	<u>(367,350)</u>	<u>(313,781)</u>	<u>(954,287)</u>	<u>4,878,034</u>	<u>3,242,616</u>
Change in Net Position	<u>(304,081)</u>	<u>(404,496)</u>	<u>(601,372)</u>	<u>4,371,555</u>	<u>3,061,606</u>
Total Net Position:					
Beginning of Year, Unadjusted	(85,737)	(737,307)	602,311	(2,709,159)	(2,929,892)
Prior Period Adjustment	101,189	0	5,234	(1,442,246)	(1,335,823)
Beginning of Year, Restated	15,452	(737,307)	607,545	(4,151,405)	(4,265,715)
Total Net Position, End of Year	<u>\$ (288,628)</u>	<u>\$ (1,141,803)</u>	<u>\$ 6,173</u>	<u>\$ 220,150</u>	<u>\$ (1,204,109)</u>

**OTHER INDEPENDENT AUDITORS' REPORT
AND SCHEDULES**

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES,
THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA, AND OTHER
CONTRACT REQUIREMENTS**

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

Honorable Mayor, City Commissioners and
City Manager
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 (the City) as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control over Financial Reporting

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

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 City'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; Finding 2013-IC-01, Finding 2013-IC-02, Finding 2013-IC-3, Finding 2013-IC-4 and Finding 2013-IC-5.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Section IV Prior Year Financial Statement Findings in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Quincy, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The City's response was not subjected to the auditing procedures applied in the audit of 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 City'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.

Moran & Smith LLP

January 6, 2015
Quincy, Florida

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550,
RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

We have audited the financial statements of the City of Quincy, Florida, (the City) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 6, 2015.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Disclosures in those reports and schedule, which are dated January 6, 2015, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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 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 the schedule of findings and questioned costs.
- Section 10.554(1)(i)4, *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550,
RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL
(concluded)**

- Section 10.554(1)(i)5, *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. This information is included in Note-1 to the financial statements.
- Section 10.554(1)(i)6.(a), *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.(b), *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.(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 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.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Moran & Smith LLP

Quincy, Florida
January 6, 2015

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I - Summary of Audit Results

Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements of the City of Quincy, Florida.
2. The audit disclosed significant and/or material weakness in internal control over financial reporting.
3. Instances of noncompliance material to the basic financial statements of the City of Quincy, Florida, were disclosed during the audit.

Federal and State Financial Assistance

4. There were no major Federal or State Awards Programs during the year ended September 30, 2013.

Section II - Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

The audit disclosed findings that are required to be reported under Generally Accepted Government Auditing Standards (GAGAS)

Section III - Findings and Questioned Costs for Major Federal and State Projects

There were no major Federal or State Awards Programs during the year ended September 30, 2013.

Section IV - Summary Schedule of Prior Audit Findings

See the attached Schedule of Prior Year Findings

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section II: Financial Statement Findings

Current Year Findings

Finding 2013-IC-01 Prior Year Financial Statement Findings

The City's prior year audit report had numerous current year and prior year comments related to internal control deficiencies and recommendations. The majorities of these comments are still applicable for the 2013 audit and are still material weaknesses. Many of these comments, especially the most significant ones, have been prior year comments for years. The Failure to correct these deficiencies have made it impossible to produce the timely and accurate financial information the Board and City management need to make sound financial decisions.

We recommend that the City address each of the uncorrected comments and set up procedures to correct them in a timely manner.

Management Response

Management concurs with the comment and will immediately set up the appropriate procedures to address each of these material weaknesses.

Finding 2013-IC-02 Bond Compliance

The City is not in compliance with the various provisions of the 2002 Revenue Bond, the 2012 Revenue Bond or the 2003 and the 2011 Utility System Revenue Bonds. The following areas of non-compliance were noted:

- Failure to make monthly transfers to debt and interest sinking funds as required by the Bond Ordinance
- Failure to set up and fund various other required funds, such as reserve funds, renewal and replacement funds, and rate stabilization funds.

We recommend that the City review all the compliance requirements of the various bonds and adhere to those bond requirements

Management Response

Management concurs with the comment; all bond requirements will be reviewed and adhered to, it is also noted that all bond payments of principal and interest were made in a timely manner as required by the Bond ordinances, during the 2013 year.

Finding 2013-IC-03 \$6,000,000 City of Quincy Utility System Revenue Bonds Series 2011

The City is not in compliance with the various provisions of the Bond. The original intent of the proceeds of the Bond was to finance the acquisition and construction of various capital improvements to the City's Utility System. Prior to the 2013 year, the City's Electric fund borrowed \$1,439,114 of the "Smart Grid" cash and transferred it to the General Fund. It was classified as a negative cash account in the 2012 audit. It has since been classified as an advance to other funds. During the 2013 year, numerous expenses were paid out of the "Smart Grid" capital project funds that were not related to capital improvements.

We recommend that the City review all the compliance requirements of the Series 2011 Bond and adhere to those loan requirements.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section II: Financial Statement Findings (continued)

Current Year Findings (continued)

Management Response

Management concurs with the comment; all loan requirements will be reviewed and adhered to. It is also noted that all principal and interest payments were made in a timely manner as required by the Bond agreements. Management is scheduling out all past activity of the Bond, to better determine the appropriate uses of the funds.

Finding 2013-IC-4 Finance Department

The City lost its Chief Financial Officer (CFO) after year end, and prior to 2013 year-end closing entries and final year-end adjustments being posted. The closeout process was hindered by the failure of staff to implement the numerous prior years' internal control deficiency comments. The City hired an outside contract CFO to assist with the closing process. However this person left before the start of the 2013 annual audit and was not replaced until after the close of the 2014 fiscal year. As a result, numerous adjustments were proposed and delays in performing the audit were encountered.

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a rebuttable assumption that a deficiency in internal control exists when the financial statements and related disclosures are drafted by the auditor, unless the City possesses an accounting department that is staffed with personnel with the requisite skills and training to perform such functions and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us by management that were generated by the contract CFO. We proposed certain material adjustments to these financial statements as a result of our audit, drafted the final financial statements, drafted the disclosures required by professional standards, and submitted the draft to management for approval.

We recommend that management correct all prior year internal control deficiencies comments, and insure that the City has a qualified CFO who can prepare and accept responsibility for the financial statements and disclosure requirements.

Managements Response

Management concurs with the comment and has already hired a full time CFO who possesses these necessary skills

Finding 2013-IC-05 Rate Stabilization Charge

The City is assessing a Rate Stabilization Charge on electricity charges. The proceeds collected were used to pay current electricity purchased power, however the amounts were not set aside in a separate fund to be used later to offset future fuel charges assessed by the City's provider of electricity, as was the intent of the additional charge.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section II: Financial Statement Findings (continued)

Finding 2013-IC-05 Rate Stabilization Charge (continued)

We recommend that the City review the legal requirements related to Rate Stabilization charges and determine that they are in compliance with the specifics of state law and the ordinance establishing the rate increase.

Management Response

The City is currently reviewing the requirements of the Rate Stabilization Ordinance, as well as all State utility rate requirements related to rate stabilization charges to insure compliance.

Section III - Findings and Questioned Costs for Major Federal and State Projects

This Section is not applicable

Section IV: Prior year Financial Statement Findings

Prior year comments were corrected or the deficiency was not observed during the current year audit with the exception of the following:

Audit Finding Reference: 2012-IC-02 Daily cash collections

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. The total amount of cash collected for the day did not match the total cash deposited.

Status of Prior Finding

A similar finding was noted during the current year audit.

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.

Audit Finding Reference: 2012-IC-04 Lack of 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.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

The prior year comment was received after the close of the 2013 year. These items were addressed during the 2014 year. 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, certain controls should be in place to only allow the level of access needed to complete tasks.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2012-IT/IC-05 Application Controls

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.

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. 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 without opportunity for detection.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

The prior year comment was received after the close of the 2013 year. These items were addressed during the 2014 year. 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, certain controls should be in place to only allow the level of access needed to complete tasks.

Audit Finding Reference: 2012-IT/IC-06 Data Center Controls

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 to the various situations or emergencies which can occur during the operation of a data center. This includes dealing with minor fires;

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2012-IT/IC-06 Data Center Controls (continued)

Condition (continued)

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.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

The prior year comment was received after the close of the 2013 year. These items were addressed during the 2014 year. 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.

Audit Finding Reference: 2012-IT/IC-07 Recovery planning and testing procedures

Condition

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.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

The prior year comment was received after the close of the 2013 year. These items were addressed during the 2014 year. The IT Disaster Recovery Plan was reviewed. The Plan was edited to reflect changes in organizational structure and contingencies. 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.

Audit Finding Reference: 2012-IT/IC-08 General operating 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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

2012-IT/IC-08 General operating controls (continued)

Condition (continued)

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 employee access is properly approved by department heads and application owner prior to access being granted. This significantly increases the risk of inappropriate access.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

The prior year comment was received after the close of the 2013 year. These items were addressed during the 2014 year.

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.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

Management concurs with the comment and corrective action was taken during the 2014 year.

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

A similar finding was noted during the current year audit.

Management's Response

Management concurs with the reconciliation of accounts on a monthly basis and will implement the necessary corrections for the 2014 fiscal year.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: 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

A similar finding was noted during the current year audit.

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.

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.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

Management concurs. Current procedures were reviewed and modified 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.

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

A similar finding was noted during the current year audit.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2011-IC-CD-11-05 Journal entries not automatically numbered (continued)

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-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

A similar finding was noted during the current year audit.

Management's Response

Management concurs and notes that utility department's inventory was completed but was not reconciled to the general ledger. The inventory of land, etc will be completed during the current year.

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, 2014.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

Management concurs. All filing requirements will be met going forward.

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

A similar finding was noted during the current year audit.

Management's Response

Management concurs. All filing requirements will be met going forward.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2010-IC-IM-10-01 No Filing of annual QPD 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

A similar finding was noted during the current year audit.

Management's Response

Management concurs and will ensure responsibility for this task is assigned to a designated person with its completion verified by the Finance Director. In the current year, the Account Control Specialist is in the process of preparing the confirmations for fiscal year 2014 and will ensure that the Public Depositor Annual Report is filed with the Department of Financial Services before the required deadline.

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 to one another.

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

Management concurs. The detail subsidiary ledger and the general ledger were not reconciled on a daily basis. Principally, because approved write-offs 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.

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

Condition

During our review of journal entries we noted that 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

A similar finding was noted during the current year audit

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2010-IC-IM-10-05 Journal entries lack approval (continued)

Management's Response

Management concurs with the comment and corrective action was taken during the 2014 year.

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 the transactions were related to the current audit period; however, the authorization date and the posting dates were after the year-end.

Status of Prior Finding

A similar finding was noted during the current year audit

Management's Response

Management concurs with the finding. Currently, 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.

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

Management concurs with the comment and corrective action was taken during the 2014 year.

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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2005-C-M-1 Loan compliance not met (continued)

Status of Prior Finding

A similar finding was noted during the current year audit.

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

A similar finding 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.

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

Management concurs with the comment and corrective action was taken during the 2014 year.

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

A similar finding was noted during the current year audit.

Management's Response

Management concurs with the comment and corrective action was taken during the 2014 year.

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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

Audit Finding Reference: 2005-IC-M-04-05 Bank Reconciliations not prepared (Continued)

Status of Prior Finding

A similar finding was noted during the current year audit.

Management's Response

Management concurs with the comment and corrective action was taken during the 2014 year.

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

A similar finding was noted in the current year audit.

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: 2001-IC-M-01-4 Financial Reporting Weaknesses

Condition

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

- Absence of monthly financial statements in the same format as the audited financial statements; and
- 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.

Status of Prior Finding

A similar finding noted during the current year's audit.

Management's Response

Management confers with the comment and corrective action was taken during the 2014 year.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section IV: Prior year Financial Statement Findings (continued)

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

Condition

In the prior year's audit, 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.

Status of Prior Findings

A similar finding was noted in the current year audit.

Management's Response

Management concurs with the comment and corrective action was taken during the 2014 year.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Audit Finding Reference 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.

Current Year Status

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

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

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Section III: Federal Awards Findings (continued)

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

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.

Current Year Status

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

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

Audit Finding Reference 2012-IC-11 Incomplete and Late Reporting

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.

Current Year Status

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