

**CITY OF QUINCY, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

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

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**CITY OF QUINCY, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

TABLE OF CONTENTS

I.	INTRODUCTORY SECTION	PAGE
	Letter of Transmittal	i
	List of Principal Officials	v
II.	FINANCIAL SECTION	
	Independent Auditors' Report	1
	Management's Discussion And Analysis	4
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
	Statement of Net Position	15
	Statement of Activities	16
	Fund Financial Statements:	
	Governmental Fund Financial Statements:	
	Balance Sheet – Governmental Funds	17
	Reconciliation of the Governmental Funds Balance Sheet –to the Statement of Net Position	18
	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
	Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds to the Statement of Activities	20
	Proprietary Funds:	
	Statement of Funds Net Position – Proprietary Funds	21
	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
	Statement of Cash Flows – Proprietary Funds	24
	Fiduciary Fund Financial Statements:	
	Statement of Fiduciary Net Assets – Fiduciary Funds	26
	Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
	Notes to Financial Statements	28
	Required Supplementary Information	
	Police and Firemen's Supplemental Pension Plan – Schedule of Progress / Funding Schedule Contributions – Footnotes	61
	Other Postemployment Benefits – Schedule of Funding Progress	63
	Budgetary Comparison Schedule:	
	General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	64
	CRA – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	65
	Notes to the Required Supplementary Information – Budgetary Comparison Schedule	66

**CITY OF QUINCY, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
TABLE OF CONTENTS
(CONTINUED)**

II. FINANCIAL SECTION (concluded)

Combining Fund Financial Statements:

Combining Balance Sheet – Non- Major Special Revenue Funds	67
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance	68
Combining Balance Sheet Non-Major Governmental Funds	69
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds	70
Combining Statement of Fund Net Position Non-Major Proprietary Fund	71
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Non-Major Proprietary Funds	73

III. OTHER INDEPENDENT AUDITOR’S REPORTS AND SCHEDULES

**Additional Elements of Report Prepared in Accordance with
Government Auditing Standards, Issued by the Controller General of
the United States; the *Rules of the Auditor General of the State of
Florida*; and Other Contract Requirements**

Schedule of Expenditures of Federal Awards and State Financial Assistance	74
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Independent Auditor’s Management Letter Required By Chapter 10.550, <i>Rules of the State of Florida Office of Auditor General</i>	77
Independent Accountants’ Report on Compliance with Section 218.415, Florida Statutes	79
Schedule of Findings and Questioned Costs	80

INTRODUCTORY SECTION



June 29, 2015

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, 2014, 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 accounting firm, 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, 2014. 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, 2014, 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: 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 ninety percent complete.

The City adopted a 2015 budget with 8.5 percent 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, 2014 was 6.19% and the City rate trailed slightly at 6.39%. As Quincy is located so near Tallahassee, it is encouraging news that State workers received a significant pay raise in FY 2012. 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

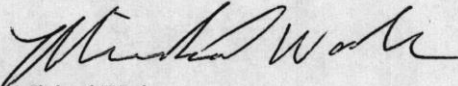
The limits stated above are on a per occurrence basis.

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.



Michael Wade
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, 2014, 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, 2014, 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 61 through 66 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 non-major fund financial statements and schedules, and schedule of expenditures of federal awards and state financial assistance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 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

June 29, 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, 2014. 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, 2014. Please read it in conjunction with the accompanying basic financial statements beginning on page 15.

FINANCIAL HIGHLIGHTS

- The City's net position at September 30, 2014, was \$5.359 million as compared to \$7.510 million for fiscal year 2013. The City's unrestricted net assets as of September 30, 2013, were negative \$4.389 million compared to negative \$4.688 million for fiscal year ended September 30, 2014. Unrestricted net assets increased \$146 thousand in governmental fund net assets and a \$152 thousand increase in Enterprise fund net assets.
- Governmental activities net position were \$4.560 million as of September 30, 2013, versus \$2.398 million as of September 30, 2014.
- The total revenues from all sources were \$24.5 million for the fiscal year 2014 versus \$24.1 million for the fiscal year 2013. While Enterprise fund revenue increased \$594 thousand, governmental fund revenue decreased \$2.5 thousand.
- The total cost of all City programs was \$26.1 million for the fiscal year 2014 versus \$28.1 million for the fiscal year 2013. Overall, there were decreases in expenses in the Governmental Funds of \$688 thousand and an decrease in the Enterprise Funds of \$1.3 million.
- During fiscal year 2014, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$660 thousand while the expenses exceeded revenue by \$3.961 million for 2013.
- Total expenditures in the Governmental Funds of \$9.671 million exceeded total revenues of \$3.836 million by \$5.834 million, excluding net transfers of \$4.346 million for fiscal year 2014, while total expenditures for fiscal year 2013 of \$10.359 million exceeded total revenues of \$4.051 million by \$6.308 million, excluding net transfers in the amount of \$6.563 million.
- The General Fund's fund balance, had a negative balance of \$93 thousand for fiscal year 2013, and increased to a positive \$283 thousand at the end of fiscal year 2014.
- The City's total long-term debt of bonds and notes payable is \$24.518 million as of September 30, 2014 representing a decrease of \$2.308 million from \$26.827 million as of September 30, 2013.

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 position and changes therein. Net position, 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 position are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Position 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 soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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 \$5.359 million at the close of fiscal year 2014 as compared to \$7.510 million for fiscal year 2013. For fiscal year 2013, Governmental Activities comprised \$4.56 million of the net assets while Business Activities comprised \$2.95 million of net assets versus fiscal year 2014 where Governmental was \$2.39 million and Business \$2.96 million.

By far, the largest portion of the City's total assets, for fiscal year 2013 and for fiscal year 2014 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 Position					
	As of September 30					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 1,435,531	\$ 1,610,050	\$ 7,378,811	\$ 7,429,836	\$ 8,814,342	\$ 9,039,836
Capital assets	7,818,786	10,633,519	22,995,207	23,806,804	30,813,993	34,440,323
Total Assets	9,254,317	12,243,569	30,374,018	31,236,640	39,628,335	43,480,209
Liabilities:						
Long-term debt outstanding	4,091,836	4,414,550	19,077,707	20,089,470	23,169,543	24,504,020
Other liabilities	2,764,287	3,268,449	8,335,149	8,197,107	11,099,436	11,495,556
Total Liabilities	6,856,123	7,682,999	27,412,856	28,286,577	34,268,979	35,969,576
Net Position:						
Invested in cap.assets, net of debt	3,564,480	5,789,848	3,568,996	3,561,996	7,132,983	9,351,844
Restricted	248,671	39,450	2,665,908	2,508,502	2,914,579	2,547,952
Unrestricted	(1,414,957)	(1,268,728)	(3,273,249)	(3,120,435)	(4,688,206)	(4,389,163)
Total Net Position	\$ 2,398,194	\$ 4,560,570	\$ 2,961,162	\$ 2,950,063	\$ 5,359,356	\$ 7,510,633

An additional portion of the City's net assets (34%) for fiscal year 2013 versus (54%) for fiscal year 2014 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 2014 are negative (\$4.688) million versus negative (\$4.389) million for fiscal year 2013.

Governmental Activities

Governmental activities decreased the City's net assets by \$2.162 million from fiscal year 2013 to fiscal year 2014. The Business-type activities increased the net assets by \$11,106 from fiscal year 2013 to fiscal year 2014. Key elements of these changes are as follows:

Table 3						
Changes in Net Position						
	Governmental		Business			
	Activities		Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 618,417	\$ 606,463	\$ 20,617,854	\$ 20,071,175	\$ 21,236,271	\$ 20,677,638
General revenues:						
Property taxes	1,380,391	1,388,112	-	-	1,380,391	1,388,112
Local Option Fuel	415,754	403,809	-	-	415,754	403,809
Utility Taxes	9,016	8,207	-	-	9,016	8,207
Communication Service Tax	233,918	274,041	-	-	233,918	274,041
Shared Revenues	738,569	732,091	-	-	738,569	732,091
Investment earnings / Misc.	61,467	79,557	48,504	733	109,971	80,290
Other	379,214	559,265	-	-	379,214	559,265
Total Revenues	\$ 3,836,746	\$ 4,051,545	\$ 20,666,358	\$ 20,071,908	\$ 24,503,104	\$ 24,123,453
Expenses:						
Program expenses:						
General Government	3,621,163	4,100,371	-	-	3,621,163	4,100,371
Public Safety	3,828,983	3,735,638	-	-	3,828,983	3,735,638
Transportation	946,749	1,093,827	-	-	946,749	1,093,827
Physical environment	272,089	505,481	-	-	272,089	505,481
Recreation/culture services	520,821	532,414	-	-	520,821	532,414
Economic Environment	321,624	192,859	-	-	321,624	192,859
Cemetery			-	-		
Interest on long-term debt	159,803	198,911	-	-	159,803	198,911
Electric	-	-	9,858,773	10,851,249	9,858,773	10,851,249
Water	-	-	1,432,413	1,751,214	1,432,413	1,751,214
Sewer	-	-	1,758,112	1,708,656	1,758,112	1,708,656
Non-Major	-	-	3,380,870	3,413,391	3,380,870	3,413,391
Total Expenses	9,671,232	10,359,501	16,430,168	17,724,510	26,101,400	28,084,011
Excess(Defic.) before transfers	(5,834,486)	(6,307,956)	4,236,190	2,347,398	(1,598,296)	(3,960,558)
Transfers	4,346,387	6,563,083	(4,346,387)	(6,563,083)	-	-
Extraordinary Item			938,227		938,277	
Change in Net Position	(1,488,099)	255,127	828,030	(4,235,685)	(660,069)	(3,960,558)
Net Position – Beginning	4,560,570	3,340,092	2,950,059	6,402,780	7,510,629	9,742,872
Adjustment to Beg. NA's	(674,277)	965,350	(816,927)	762,961	(1,491,204)	1,728,311
Adjusted Beginning NA's	3,886,293	4,305,442	2,133,132	7,165,741	6,019,425	11,471,183
Net Position – Ending	\$ 2,398,194	\$ 4,560,570	\$ 2,961,162	\$ 2,950,056	\$ 5,359,356	\$ 7,510,625

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				
	2014		2013	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
General Government	\$ 3,621,163	\$ (3,474,871)	\$ 4,100,371	\$ (3,983,880)
Public Safety	3,828,983	(3,390,517)	3,735,638	(3,154,235)
Physical Environment	272,089	(272,089)	505,481	(103,310)
Transportation	946,749	(832,152)	1,093,827	(1,087,037)
Economic Environment	321,624	(296,624)	192,859	(192,859)
Culture and Recreation	520,821	(487,162)	532,414	(473,541)
Interest on Long-term Debt	159,803	(159,803)	198,911	(198,911)
Total	\$ 9,671,232	\$ (8,913,218)	\$ 10,359,501	\$ (9,193,773)

The cost of all governmental activities this year was \$9.67 million. As shown in the Statement of Activities, \$618 thousand of this cost was paid for by those who directly benefited from the programs. The remaining source of funding came from transfers from business activities in the amount of \$4.346 million, various taxes in the amount of \$2.068 million and the remaining \$1.149 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				
	2014		2013	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
Electric	\$ 9,858,773	\$ 3,680,692	\$ 10,851,252	\$ 3,019,956
Water	1,432,413	124,635	1,751,215	(353,242)
Sewer	1,758,112	30,964	1,708,656	(130,056)
Non-major	3,380,870	351,395	3,413,387	(189,987)
Total	\$ 16,430,168	\$ 4,187,686	\$ 17,724,510	\$ 2,346,671

Business Type Activities

Net assets of the Proprietary Funds at September 30, 2014 were \$2.96 million, which was up from \$2.95 million in fiscal year 2013. 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 \$2.347 million in fiscal year 2013 to \$4.236 million in fiscal year 2014. 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 2014, the City's governmental funds reported combined ending fund balance of \$283,357. This represents an increase of \$376,040 when compared to fund balances in fiscal year 2013 which was a deficit of \$92,000.

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, 2014, amounts to \$30.813 million (net of accumulated depreciation) compared to \$33.120 million at September 30, 2013. The decrease of \$2.306 million resulted primarily from depreciation.

Table 6						
Capital Assets						
(net of depreciation)						
	2014		Total-2014	2013		Total-2013
	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	29,954,828	4,903,973	25,050,855	29,954,828
Improvements other than Buildings	10,651,120	19,574,911	30,226,031	10,651,120	19,066,963	29,718,083
Infrastructure	6,146,814	1,509,415	7,656,229	6,146,814	1,509,415	7,656,229
Furniture, Fixtures and Equipment	6,346,000	4,461,851	10,807,851	6,332,000	4,438,978	10,770,978
Total Assets	32,644,780	52,208,507	84,853,287	32,630,780	51,677,686	84,308,466
Less accumulated depreciation	24,825,994	29,213,300	54,039,294	23,317,452	27,870,883	51,188,335
Total	\$ 7,818,786	\$ 22,995,207	\$ 30,813,993	\$ 9,313,328	\$ 23,806,803	\$ 33,120,131

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 2014, the City had total debt of \$24.518 million versus \$26.827 million for fiscal year 2013, inclusive of Compensated Absences (vacation and sick time owed to employees) which totaled \$350 thousand and \$313 thousand respectively. Revenue bonds amounted to \$16.572 million for fiscal year 2014. Notes payable in the amount of \$5.625 million for fiscal year 2013 and \$5.750 million for fiscal year 2014 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						
	2014		Total-2014	2012		Total-2012
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenue Bonds	\$4,022,000	\$12,550,000	\$16,572,000	\$4,398,00	\$13,590,651	\$17,988,651
Capitalized Leases	135,866	1,222,799	1,358,665	166,176	1,308,066	1,474,242
Compensated Absences	229,752	120,472	350,224	213,659	99,467	313,126
Notes Payable	96,440	5,653,908	5,750,345	279,496	5,346,142	5,625,638
Estimated Landfill and Post Closure	-	487,320	487,320		1,425,548	1,425,548
Total	\$4,484,058	\$20,034,496	\$24,518,554	\$5,057,331	\$21,769,874	\$26,827,205

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 relocated from Venezuela to locate on Strong Road, Quincy, will start production in 2015 which will result in greater purchasing of the City's utilities.

The City is prospecting that with the completion of the Downtown Master Plan some new businesses will locate in the downtown. The 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, 2014

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 335,671	\$ 710,755	\$ 1,046,426
Investments	671,914	0	671,914
Accounts Receivable, Net	16,104	1,784,810	1,800,914
Assessment Receivables	172,699	0	172,699
Due from Other Governments	218,192	0	218,192
Inventories	0	401,510	401,509
Restricted Assets:			
Restricted Cash and Investments	0	2,665,908	2,665,908
Capital Assets:			
Nondepreciable	4,596,873	1,611,475	6,208,348
Depreciable, Net	3,221,913	21,383,732	24,605,645
Internal Balances	20,951	1,815,829	1,836,780
Total Assets	<u>9,254,317</u>	<u>30,374,018</u>	<u>39,628,335</u>
Liabilities			
Accounts Payable	374,710	4,175,305	4,550,015
Accrued Payroll	340,020	32,182	372,202
Accrued Interest	0	336,314	336,314
Due to Other Governments	0	72,992	72,992
Customer Deposits	0	1,121,738	1,121,738
Noncurrent Liabilities:			
Due Within One Year	392,222	956,789	1,349,011
Due in More Than One Year	4,091,836	19,077,707	23,169,543
Internal Balances	196,951	1,639,829	1,836,780
Other Postemployment Benefits Liability	1,460,384	0	1,460,384
Total Liabilities	<u>6,856,123</u>	<u>27,412,856</u>	<u>34,268,979</u>
Net Position			
Net Investment in Capital Assets	3,564,480	3,568,503	7,132,983
Restricted for:			
Debt Service	130,100	2,665,908	2,796,008
Public Safety	25,767	0	25,767
Economic Environment	92,804	0	92,804
Unrestricted	(1,414,957)	(3,273,249)	(4,688,206)
Total Net Position	<u>\$ 2,398,194</u>	<u>\$ 2,961,162</u>	<u>\$ 5,359,356</u>

See accompanying notes to financial statements

**CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

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	\$ 3,621,163	\$ 146,292	\$ 0	\$ 0	\$ (3,474,871)	\$ 0	\$ (3,474,871)
Public Safety	3,828,983	438,466			(3,390,517)	0	(3,390,517)
Physical Environment	272,089				(272,089)	0	(272,089)
Transportation	946,749		114,597		(832,152)	0	(832,152)
Economic Environment	321,624			25,000	(296,624)	0	(296,624)
Culture and Recreation	520,821	33,659			(487,162)	0	(487,162)
Interest on Long-term Debt	159,803				(159,803)	0	(159,803)
Total Governmental Activities	<u>9,671,232</u>	<u>618,417</u>	<u>114,597</u>	<u>25,000</u>	<u>(8,913,218)</u>	<u>0</u>	<u>(8,913,218)</u>
Business-type Activities							
Water Fund	1,432,413	1,557,048	0	0	0	124,635	124,635
Electric Fund	9,858,773	13,539,465				3,680,692	3,680,692
Wastewater Fund	1,758,112	1,789,076				30,964	30,964
Non-Major Funds	3,380,870	3,732,265				351,395	351,395
Total Business-type Activities	<u>16,430,168</u>	<u>20,617,854</u>	<u>0</u>	<u>0</u>	<u>(8,913,218)</u>	<u>4,187,686</u>	<u>4,187,686</u>
Total Primary Government	<u>\$ 26,101,400</u>	<u>\$ 21,236,271</u>	<u>\$ 114,597</u>	<u>\$ 25,000</u>	<u>(8,913,218)</u>	<u>4,187,686</u>	<u>(4,725,532)</u>
General Revenues							
Taxes:							
Property Taxes					1,380,391	0	1,380,391
Discretionary Sales Surtax					272,272	0	272,272
Local Option Gas Tax					415,754	0	415,754
Sales Tax and Other Shared Revenues					709,231	0	709,231
Investment Earnings					61,467	48,504	109,971
Miscellaneous					239,617	0	239,617
Transfers					4,346,387	(4,346,387)	0
Extraordinary item						938,227	938,227
Total General Revenues and Transfers					<u>7,425,119</u>	<u>(3,359,656)</u>	<u>4,065,463</u>
Change in Net Position					(1,488,099)	828,030	(660,069)
Net Position, Beginning of Year					4,560,570	2,950,059	7,510,629
Prior Period Adjustment					(674,277)	(816,927)	(1,491,204)
Net Position, Beginning of Year, Restated					<u>3,886,293</u>	<u>2,133,132</u>	<u>6,019,425</u>
Net Position, End of Year					<u>\$ 2,398,194</u>	<u>\$ 2,961,162</u>	<u>\$ 5,359,356</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
BALANCE SHEET GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 44,521	\$ 133,335	\$ 157,815	\$ 335,671
Investments	671,914	0	0	671,914
Receivables (net)	16,104	0	0	16,104
Assessment Receivables (net)	172,699	0	0	172,699
Due from Other Governments	218,192	0	0	218,192
Advances to Other Funds	20,951	0	0	20,951
Total Assets	<u>1,144,381</u>	<u>133,335</u>	<u>157,815</u>	<u>1,435,531</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	363,823	1,509	9,377	374,709
Accrued Expenses	337,201	2,071	748	340,020
Due to Other Governments	0	0	0	0
Advances from Other Funds	160,000	36,951	0	196,951
Total Liabilities	<u>861,024</u>	<u>40,531</u>	<u>10,125</u>	<u>911,680</u>
Fund Balances				
Nonspendable:				
Prepays	0	0	0	0
Advances to Other Funds	0	0	0	0
Restricted for:				
Law Enforcement	0	0	25,767	25,767
Physical Environment	0	0	0	0
Economic Environment	0	92,804	0	92,804
Debt Service	0	0	130,100	130,100
Unassigned	283,357	0	(8,177)	275,180
Total Fund Balances	<u>283,357</u>	<u>92,804</u>	<u>147,690</u>	<u>523,851</u>
Total Liabilities and Fund Balance	<u>\$ 1,144,381</u>	<u>\$ 133,335</u>	<u>\$ 157,815</u>	<u>\$ 1,435,531</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, 2014

Fund Balances - Total Governmental Funds on Page 17	\$ 523,851
--	------------

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.	7,818,785
---	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,944,442)
--	-------------

Net Position of Governmental Activities	<u><u>\$ 2,398,194</u></u>
--	----------------------------

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Revenues				
Taxes	\$ 1,861,388	\$ 0	\$ 0	\$ 1,861,388
Tax Increment	0	440,947	0	440,947
Licenses and Permits	106,549	0	0	106,549
Intergovernmental Revenues	614,910	0	0	614,910
Charges for Services	480,152	0	0	480,152
Fines and Forfeitures	31,716	0	0	31,716
Miscellaneous Revenues	300,855	182	48	301,085
Total Revenues	<u>3,395,570</u>	<u>441,129</u>	<u>48</u>	<u>3,836,747</u>
Expenditures				
Current:				
General Government	2,390,359	0	0	2,390,359
Public Safety	3,319,079	0	60	3,319,139
Physical Environment	156,193	0	115,352	271,545
Transportation	620,383	0	0	620,383
Economic Environment	151,949	164,806	4,294	321,049
Culture and Recreation	435,352	0	0	435,352
IT Support	165,492	10,949	0	176,441
Debt Service:				
Principal	96,631	116,667	261,000	474,298
Interest	12,126	49,125	98,552	159,803
Capital Outlay	14,000	0	0	14,000
Total Expenditures	<u>(7,361,564)</u>	<u>(341,547)</u>	<u>(479,258)</u>	<u>(8,182,369)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(3,965,994)</u>	<u>99,582</u>	<u>(479,210)</u>	<u>(4,345,622)</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Transfers in	4,731,128	0	554,628	5,285,756
Transfers (out)	(919,940)	0	(19,429)	(939,369)
Total Other Financing Sources (Uses)	<u>3,811,188</u>	<u>0</u>	<u>535,199</u>	<u>4,346,837</u>
Net Change in Fund Balances	(154,806)	99,582	55,989	765
Fund Balances				
Beginning of Year, Unadjusted	(92,683)	(6,778)	91,701	(7,760)
Prior Period Adjustment	530,846	0	0	530,846
Beginning of Year, Restated	438,163	(6,778)	91,701	523,086
End of Year	<u>\$ 283,357</u>	<u>\$ 92,804</u>	<u>\$ 147,690</u>	<u>\$ 523,851</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, 2014**

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

Net change in fund balances - total governmental funds.	\$	765
---	----	-----

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	14,000	
Less: Current Year Depreciation	<u>(1,508,542)</u>	(1,494,542)

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.	474,298
---	---------

The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.

Increase in OPEB Liability	(452,526)
----------------------------	-----------

Change in compensated absences	(16,093)
--------------------------------	----------

Change in Net Assets of Governmental Activities	<u><u>\$ (1,488,098)</u></u>
--	------------------------------

CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	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
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 354,016	\$ 329,919	\$ 3,128	\$ 4,387	\$ 691,450	\$ 19,305
Investments	0	0	0	0	0	0
Receivables (Net)	177,804	1,180,928	178,542	247,536	1,784,810	0
Prepaid items	0	0	0	0	0	0
Inventories	65,779	333,885	1,846	0	401,510	0
Total Current Assets	597,599	1,844,732	183,516	251,923	2,877,770	19,305
Noncurrent Assets						
Restricted Assets:						
Restricted Cash and Cash Equivalents	1,609,351	312,402	417,939	326,216	2,665,908	0
Total Restricted Assets	1,609,351	312,402	417,939	326,216	2,665,908	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	18,902,248	9,306,327	6,411,372	48,901,311	1,695,720
(Accumulated Depreciation)	(9,528,873)	(11,528,219)	(4,182,012)	(3,539,050)	(28,778,154)	(435,145)
Total Net Capital Assets	5,152,814	7,777,746	5,528,032	3,276,039	21,734,631	1,260,575
Other Assets:						
Advances to other Funds	479,943	360,000	479,943	479,943	1,799,829	16,000
Total Noncurrent Assets	7,242,108	8,450,148	6,425,914	4,082,198	26,200,368	1,276,575
Total Assets	\$7,839,707	\$10,294,880	\$ 6,609,430	\$ 4,334,121	\$ 29,078,138	\$ 1,295,880

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION
PROPRIETARY FUNDS FOR THE YEAR ENDED
SEPTEMBER 30, 2014

	Business-Type Activities - Enterprise Funds				Total	Business-Type
	Major Funds			Non-Major	Enterprise	Activities
	Water	Electric	Wastewater	Funds	Funds	Internal Service
	Fund	Fund	Fund			Fund
Liabilities						
Current Liabilities						
Accounts Payable	\$ 104,788	\$ 1,635,766	\$ 325,221	\$ 463,222	\$ 2,528,997	\$ 14,758
Accrued Payroll	3,899	19,330	3,899	4,248	31,376	806
Due to other Governments	0	56,163	0	16,829	72,992	0
Accrued Interest Payable	90,516	84,391	59,797	73,992	308,696	16,725
Current Portion:						
Bonds Payable	87,600	88,450	87,600	128,850	392,500	27,500
Notes Payable	152,800	0	221,953	8,500	383,253	0
Mortgages Payable	0	14,288	0	14,289	28,577	0
Capitalized Leases Payable	15,807	50,581	28,452	0	94,840	0
Compensated Absences Payable	3,119	19,283	3,119	4,598	30,119	0
Other Accruals	12	1,642,431	0	0	1,642,443	0
Total Current Liabilities	458,541	3,610,683	730,041	714,528	5,513,793	59,789
Noncurrent Liabilities						
Customer Deposits	25,073	1,086,776	0	9,889	1,121,738	0
Advances from Other Funds	0	1,439,829	200,000	0	1,639,829	0
Long term portion:						
Bonds Payable	2,346,700	3,486,150	2,346,700	3,308,950	11,488,500	641,500
Notes Payable	3,515,587	0	1,704,747	21,740	5,242,074	0
Mortgages Payable	0	0	0	0	0	0
Capitalized Lease Payable	187,993	601,578	338,388	0	1,127,959	0
Compensated Absences	9,355	57,850	9,355	13,793	90,353	0
Land Fill Closure Liability	0	0	0	487,321	487,321	0
Total Noncurrent Liabilities	6,084,708	6,672,183	4,599,190	3,841,693	21,197,774	641,500
Total Liabilities	6,543,249	10,282,866	5,329,231	4,556,221	26,711,567	701,289
Net Position						
Net Investment in Capital Assets	(1,153,673)	3,536,697	800,192	(206,290)	2,976,926	591,575
Restricted for:						
Debt Service	1,609,351	312,402	417,939	326,216	2,665,908	0
Unrestricted	840,780	(3,837,085)	62,068	(342,026)	(3,276,263)	3,016
Total Net Position	1,296,458	12,014	1,280,199	(222,100)	2,366,571	594,591
Total Liabilities and Net Position	\$ 7,839,707	\$ 10,294,880	\$ 6,609,430	\$ 4,334,121	\$ 29,078,138	\$ 1,295,880

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Major Enterprise Funds			Non-Major	Total	Internal
	Water	Electric	Wastewater	Funds	Enterprise	Service
	Fund	Fund	Fund		Funds	Funds
Operating Revenues						
Charges for Services	\$ 1,557,048	\$ 13,539,465	\$ 1,789,076	\$ 3,732,265	\$ 20,617,854	\$ 0
Interfund Charges	0	0	0	0	0	213,493
Total Operating Revenue	<u>1,557,048</u>	<u>13,539,465</u>	<u>1,789,076</u>	<u>3,732,265</u>	<u>20,617,854</u>	<u>213,493</u>
Operating Expenses						
Purchase Power	0	7,580,594	0	943,727	8,524,321	0
Personal Service	169,981	417,551	169,584	213,446	970,562	43,871
Contractual Service	347,133	69,697	747,860	1,218,093	2,382,783	49,480
Supplies	2,337	33,727	1,423	3,222	40,709	287
Repairs and Maintenance	20,493	43,240	3,904	2,370	70,007	1,605
Utility/Telephone	77,705	380,555	262,846	27,621	748,727	600
Shared Service	60,114	269,631	61,334	187,004	578,083	0
Depreciation	466,359	518,582	215,935	217,176	1,418,052	59,616
Other Expenses	10,829	59,724	8,004	165,368	243,925	23,497
Bad Debt	31,854	255,700	106,669	222,618	616,841	0
IT- Support	8,000	8,000	8,000	8,784	32,784	0
(Total Operating Expenses)	<u>(1,194,805)</u>	<u>(9,637,001)</u>	<u>(1,585,559)</u>	<u>(3,209,429)</u>	<u>(15,626,794)</u>	<u>(178,956)</u>
Operating Income	<u>362,243</u>	<u>3,902,464</u>	<u>203,517</u>	<u>522,836</u>	<u>4,991,060</u>	<u>34,537</u>
Non-Operating (Expenses)						
Interest Income	32,529	15,887	49	39	48,504	0
Interest Expense	(237,691)	(222,443)	(172,663)	(171,664)	(804,461)	(33,450)
Investment Gains and Losses	0	0	0	0	0	0
Total Non-Operating Revenues (Expenses)	<u>(205,162)</u>	<u>(206,556)</u>	<u>(172,614)</u>	<u>(171,625)</u>	<u>(755,957)</u>	<u>(33,450)</u>
Income Before Transfers	<u>157,081</u>	<u>3,695,908</u>	<u>30,903</u>	<u>351,211</u>	<u>4,235,103</u>	<u>1,087</u>
Operating Transfers						
Transfers In	0	250,000	0	440,388	690,388	0
Transfers Out	(168,472)	(3,923,481)	(61,752)	(883,070)	(5,036,775)	0
Total Operating Transfers	<u>(168,472)</u>	<u>(3,673,481)</u>	<u>(61,752)</u>	<u>(442,682)</u>	<u>(4,346,387)</u>	<u>0</u>
Extraordinary Item						
Change in Landfill Closure Estimate				938,227	938,227	
Change in Net Position	<u>(11,391)</u>	<u>22,427</u>	<u>(30,849)</u>	<u>846,756</u>	<u>826,943</u>	<u>1,087</u>
Total Net Position:						
Beginning of Year, Unadjusted	1,307,849	725,940	1,526,875	(1,204,108)	2,356,556	593,504
Prior Period Adjustment	0	(736,353)	(215,827)	135,252	(816,928)	0
Beginning of Year, Restated	<u>1,307,849</u>	<u>(10,413)</u>	<u>1,311,148</u>	<u>(1,068,856)</u>	<u>1,539,628</u>	<u>593,504</u>
Total Net Position, End of Year	<u>\$ 1,296,458</u>	<u>\$ 12,014</u>	<u>\$ 1,280,199</u>	<u>\$ (222,100)</u>	<u>\$ 2,366,571</u>	<u>\$ 594,591</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED
SEPTEMBER 30, 2014

					Total	Internal
	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Enterprise Funds	Service Funds
Cash Flows from Operating Activities						
Cash Received from Customers and Others	\$ 1,436,548	\$ 13,396,892	\$ 1,893,647	\$ 2,369,838	\$ 19,096,925	\$ 205,493
Cash Paid to Employees	(171,821)	(421,290)	(170,045)	(214,037)	(977,193)	(43,871)
Cash Paid to Suppliers	(473,999)	(8,248,976)	(1,063,039)	(1,403,055)	(11,189,070)	(82,367)
Net Cash Provided by (Used in) Operating Activities	<u>790,728</u>	<u>4,726,626</u>	<u>660,563</u>	<u>752,746</u>	<u>6,930,662</u>	<u>79,255</u>
Cash Flows from Noncapital Financing Activities						
Amounts Received from Other Funds	0	0	0	0	0	0
Operating Transfers In	0	250,000	0	440,388	690,388	0
Operating Transfers out	(168,472)	(3,923,481)	(61,752)	(883,070)	(5,036,775)	0
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(168,472)</u>	<u>(3,673,481)</u>	<u>(61,752)</u>	<u>(442,682)</u>	<u>(4,346,387)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Loan Proceeds	0	220,000	480,291	0	700,291	0
Principal Payments on Debt	(228,984)	(1,061,080)	(283,527)	(134,183)	(1,707,774)	(26,500)
Interest Payments on debt	(237,691)	(222,443)	(172,663)	(171,664)	(804,461)	(33,450)
Purchase of Fixed Assets	0	(22,213)	(508,607)	0	(530,820)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(466,675)</u>	<u>(1,085,736)</u>	<u>(484,506)</u>	<u>(305,847)</u>	<u>(2,342,764)</u>	<u>(59,950)</u>
Cash Flows from Investing Activities						
Interest Received	32,529	15,887	49	39	48,504	0
Investment Activity	558,798	0	0	44	558,798	0
Net Cash Provided from Investing	<u>591,327</u>	<u>15,887</u>	<u>49</u>	<u>83</u>	<u>607,346</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	746,907	(16,704)	114,354	4,299	848,856	19,305
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year	<u>\$ 1,963,367</u>	<u>\$ 642,321</u>	<u>\$ 421,067</u>	<u>\$ 330,603</u>	<u>\$ 3,357,358</u>	<u>\$ 19,305</u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED
SEPTEMBER 30, 2014

	<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>						
Cash and Cash Equivalents	\$ 354,016	\$ 329,919	\$ 3,128	\$ 4,387	\$ 691,450	\$ 19,305
Restricted Assets:						
Cash and Cash Equivalents	<u>1,609,351</u>	<u>312,402</u>	<u>417,939</u>	<u>326,216</u>	<u>2,665,908</u>	<u>0</u>
Total	<u><u>1,963,367</u></u>	<u><u>642,321</u></u>	<u><u>421,067</u></u>	<u><u>330,603</u></u>	<u><u>3,357,358</u></u>	<u><u>19,305</u></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)	362,244	3,902,464	203,517	522,833	4,991,058	34,537
Adjustments to Reconcile Operating Income (Loss) to						
Net Cash Provided by (Used in) Operating Activities:						
Depreciation	466,359	518,582	215,935	217,176	1,418,052	59,616
Changes in Assets - Decrease (Increase)						
and Liabilities - Increase (Decrease):						
Inventory	(3,824)	5,585	1,078	(6,786)	(3,946)	0
Accounts Receivable, Net	17,793	58,936	8,639	15,807	101,175	8,000
Accounts Payable	(69,663)	(312,533)	12,214	(132,511)	(502,492)	(5,601)
Accrued Payables	17,051	116,341	16,876	84,768	235,037	1,240
Due to Other Governments	0	(155,153)	0	(201,500)	(356,653)	0
Rate Stabilization	0	906,078	0	0	0	0
Advances to other Funds	0	(360,000)	200,000	250,000	90,000	16,000
Compensated Absences	1,840	3,739	461	591	6,631	0
Customer Deposits	<u>(1,073)</u>	<u>42,587</u>	<u>1,842</u>	<u>2,366</u>	<u>45,722</u>	<u>0</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 790,728</u></u>	<u><u>\$4,726,625</u></u>	<u><u>\$ 660,563</u></u>	<u><u>\$ 752,745</u></u>	<u><u>\$ 6,930,661</u></u>	<u><u>\$ 79,255</u></u>

See accompanying notes to financial statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2014

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 0	\$ 185,579	\$ 185,579
Investments	6,315,060	6,612,330	12,927,390
Receivables	0	129,391	129,391
Total Current Assets	<u>6,315,060</u>	<u>6,927,300</u>	<u>13,242,360</u>
Total Assets	<u><u>6,315,060</u></u>	<u><u>6,927,300</u></u>	<u><u>13,242,360</u></u>
Liabilities			
Net Assets			
Held in trust for pension benefits	<u>6,315,060</u>	<u>6,927,300</u>	<u>13,242,360</u>
Total Net Assets	<u><u>\$ 6,315,060</u></u>	<u><u>\$ 6,927,300</u></u>	<u><u>\$ 13,242,360</u></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, 2014

	Retirement Savings	Police and Firemen's Pension	Totals
ADDITIONS			
Contributions			
Plan Members	\$ 6,841	\$ 60,662	\$ 67,503
City	370,260	308,016	678,276
State	0	102,057	102,057
Total Contributions	<u>377,101</u>	<u>470,735</u>	<u>847,836</u>
Investment Income (loss):			
Net Realized and Unrealized Gains	400,272	624,869	1,025,141
Interest and Dividends	<u>268,461</u>	<u>149,346</u>	<u>417,807</u>
Net Investment Income	<u>668,733</u>	<u>774,215</u>	<u>1,442,948</u>
Total Additions	<u>1,045,834</u>	<u>1,244,950</u>	<u>2,290,784</u>
Deductions			
Benefits Payments	783,197	613,357	1,396,554
Administrative Expenses	<u>0</u>	<u>88,685</u>	<u>88,685</u>
Total Deductions	<u>783,197</u>	<u>702,042</u>	<u>1,485,239</u>
Change in Net Position	262,637	542,908	805,545
Net Position - Beginning of Year	<u>6,052,423</u>	<u>6,489,361</u>	<u>12,541,784</u>
Prior Period Adjustment	<u>0</u>	<u>(104,969)</u>	<u>(104,969)</u>
Net Position Beginning of Year Restated	<u>6,052,423</u>	<u>6,384,392</u>	<u>12,436,815</u>
Net Assets - End of Year	<u><u>\$ 6,315,060</u></u>	<u><u>\$ 6,927,300</u></u>	<u><u>\$ 13,242,360</u></u>

See accompanying notes to financial statements

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 (waste water), gas, and refuse collection, landfill, and internet access services.

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

Reporting Standards In accordance with Codification of Governmental Accounting and Financial 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, 2014

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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 funded by the incremental tax funds contributed by Gadsden County and the City, and 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, 2014

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:

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 accounts 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.

Waste Water 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, 2014

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, 2014

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, 2014.

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 management's 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, 2014

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 (e.g., 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, 2014

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 Commission). These committed amounts cannot be used for any other purpose unless the City Commission 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 Commission 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, 2014

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. When 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

New Accounting Standards

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective for the City's fiscal year ending September 30, 2015, which establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures for pensions. This statement requires recognition of the liability of employers to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

As described in Note 13, the City participates in the Police and Firemen's Supplemental Pension plan, a cost-sharing, multiple-employer defined benefit public retirement plan. Upon implementation of GASB Statement No. 68, the City will be required to recognize a liability for its proportionate share of the collective net pension liability of all employers for benefits provided through the pension plan, and related pension expense/expenditure and deferred outflows and inflows of resources. The effect of the application of GASB Statement No. 68 has not yet been determined.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1 - Summary of Significant Accounting Policies (Concluded)

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.

Deficit Fund Equity

At September 30, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Type</u>	<u>Deficit</u>
Refuse Fund	Proprietary	\$ (239,009)
Landfill Fund	Proprietary	\$ (463,180)

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 2 - Cash, Cash Equivalents, and Investments

Deposits and investments as of September 30, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and Cash Equivalents	\$ 1,046,426
Investment	671,914
Restricted:	
Cash and Investments	2,665,908
Total Cash and Investments	<u>\$ 4,384,248</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.

Investments

Following are the investments, credit ratings and maturities of the City's governmental and business type activities at September 30, 2014:

	Carrying Amount	Credit Rating	Maturity
Certificates of Deposit	\$ 100,000	NA	<180 days
Externally Managed Portfolio			
Cantella	1,229,149	NA	NA
Bank of New York	650,700	NA	NA
Total Externally Managed Portfolio	<u>1,879,849</u>		
Total Investment	<u>\$ 1,979,849</u>		

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

As of September 30, 2014, 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	\$ 6,315,060	NA	NA
Total Externally Managed Portfolio	<u>\$ 6,315,060</u>		

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

As of September 30, 2014, 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	\$ 4,560,002	NA	NA
Money Market	314,970	AAA	NA
US Government Agency Obligations	889,032	AAA	NA
Gov't MBS/CMO/ABS- Variable	1,163,296	NA	NA
Total Externally Managed Portfolio	<u>\$ 6,927,300</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, and 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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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, 2014, 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.

Note 3 - Restricted Assets

Various restrictions on deposits and investments are summarized below.

Restricted by Third Party	
Debt Service	\$ 2,645,028
Financial Assurance Landfill Closure	20,880
Total	<u>\$ 2,665,908</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, other debt of \$447,812 (b) amounts restricted for payments of drinking water loan, \$217,367; and (c) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement Bond and Loan Covenants, \$1,329,149.

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. During the 2014 fiscal year the City closed the landfill. The City was also able to document that the Landfill had not taken any class II garbage in the past nineteen (19) years and as a result the City has been given credit for the past monitoring. The latest estimates prepared by the City's contracted engineers of \$487,320 for post closure care costs, were filed with the Florida Department of Environmental Protection on September 11, 2014. Since the entire landfill site is now closed, the post closure care cost requirement is applicable. The restricted cash of \$20,880 is underfunded by \$23,422.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 4 - Inventory

Inventory at September 30, 2014, consists of the following:

Electric Utility Supplies	\$ 333,885
Water, Wastewater, and Gas Supplies	67,625
Total	<u>\$ 401,510</u>

Note 5 - Receivables

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

	<u>Governmental Activities</u>	<u>Proprietary fund Activities</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Waste Water Fund</u>
Accounts Receivable	\$ 16,104	\$ 370,577	\$ 2,034,126	\$ 338,749
Less Allowance for Bad Debt	0	(192,773)	(853,198)	(160,207)
Net Accounts Receivable	<u>\$ 16,104</u>	<u>\$ 177,804</u>	<u>\$ 1,180,928</u>	<u>\$ 178,542</u>

	<u>Proprietary Fund Activities (Continued)</u>				
	<u>Gas Fund</u>	<u>Refuse Fund</u>	<u>Landfill Fund</u>	<u>Net Quincy Fund</u>	<u>Total</u>
Accounts Receivable	\$99,191	\$234,028	\$13,981	\$7,793	\$ 3,098,445
Less Allowance for Bad Debt	0	(107,457)	0	0	(1,313,635)
Net Accounts Receivable	<u>99,191</u>	<u>\$126,571</u>	<u>\$13,981</u>	<u>\$7,793</u>	<u>\$ 1,784,810</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 6 – Capital Assets

	Balance September 30, 2013	Increase	Decrease	Balance September 30, 2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,596,873	\$ 0	\$ 0	\$ 4,596,873
Total Capital Assets, Not Being Depreciated	4,596,873	0	0	4,596,873
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	6,332,000	14,000	0	6,346,000
Total Capital Assets, Being Depreciated	28,033,907	14,000	0	28,047,907
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,444,173)	(279,819)	0	(3,723,992)
Improvements other than Building	(4,127,985)	(358,142)	0	(4,486,127)
Infrastructure	(6,152,315)	(156,909)	0	(6,309,224)
Equipment and other	(9,592,979)	(713,672)	0	(10,306,651)
Total Accumulated Depreciation	(23,317,452)	(1,508,542)	0	(24,825,994)
Total Capital Assets, Being Depreciated, net	4,716,455	(1,494,542)	0	3,221,913
Total Governmental Capital Assets, net	\$ 9,313,328	\$(1,494,542)	\$ 0	\$ 7,818,786
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,611,475	\$ 0	\$ 0	\$ 1,611,475
Total Capital Assets, Not Being Depreciated	1,611,475	0	0	1,611,475
Capital Assets, Being Depreciated				
Buildings	25,050,855	0	0	25,050,855
Utility, Plant Equipment and Improvements	19,066,963	507,948	0	19,574,911
Infrastructure	1,509,415	0	0	1,509,415
Equipment and other	4,438,978	22,873	0	4,461,851
Total Capital Assets, Being Depreciated	50,066,211	530,821	0	50,597,032
Less Accumulated Depreciation for:				
Buildings	(14,982,644)	(801,918)	0	(15,784,562)
Utility, Plant Equipment and Improvements	(8,854,672)	(343,067)	0	(9,197,739)
Equipment and other	(3,898,316)	(332,683)	0	(4,230,999)
Total Accumulated Depreciation	(27,735,632)	(1,477,668)	0	(29,213,300)
Total Capital Assets, Being Depreciated, net	22,330,579	(946,847)	0	21,383,732
Total Business-Type Capital Assets, net	\$ 23,942,054	\$ (946,847)	\$ 0	\$ 22,995,207
Depreciation expense was charged to				
Governmental functions as follows:				
General Government				\$ 571,744
Public Safety				509,844
Transportation				340,366
Culture and Recreation				85,469
Economic Development				575
Physical Environment				544
Total				\$ 1,508,542

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 – Long Term Debt

Governmental Funds	September 30, 2013	Additions	Reductions	September 30, 2014
General Fund :				
Capital Improvement Refunding Revenue Bond 2012	\$ 4,283,000	\$ 0	\$ 261,000	\$ 4,022,000
Honeywell Lease (Gov't Portion)	145,340	0	9,474	135,866
Elgin Sweeper	20,836	0	20,836	0
Equipment Loan Fire & Police - Police	62,244	0	29,406	32,838
Equipment Loan Fire & Police - Fire	9,301	0	4,394	4,907
Grapple Truck Loan	12,693	0	12,693	0
Equipment Loan Police & Utilities (Police Portion)	3,920	0	3,920	0
Equipment Loan Public Works & Net Quincy (PW Portion)	74,671	0	15,976	58,695
Compensated Absences	213,659	16,093	0	229,752
Total General Fund Debt	4,825,664	16,093	357,699	4,484,058
Special Revenue Fund - Community Redevelopment Agency				
CRA Loan	116,667	0	116,667	0
Total Special Revenue Debt	116,667	0	116,667	0
Total Governmental Activities Long Term Debt	\$ 4,942,331	\$ 16,093	\$ 474,366	\$ 4,484,058
Business-Type Activities:				
Electric Fund:				
Utility System Series 2011 Bonds	\$ 3,574,600	\$ 0	\$ 0	\$ 3,574,600
Mortgage (Net Quincy Building)	34,243	0	19,955	14,288
Electric Utility Line of Credit Capital City Bank	775,649	220,000	995,649	0
Honeywell Lease (Electric Portion)	697,635	0	45,476	652,159
Compensated Absences	62,175	14,598	0	77,133
Total General Long Term Debt: Electric Fund	5,144,302	234,958	1,061,080	4,318,180
Water Fund:				
Utility System Series 2003 Bonds	1,738,751	0	66,251	1,672,500
Utility System Series 2011 Bonds	761,800	0	0	761,800
State Revolving Loan - Project No. DW2006010	3,816,909	0	148,522	3,668,387
Honeywell Lease (Water Portion)	218,011	0	14,211	203,800
Compensated Absences	10,633	1,841	0	12,474
Total General Long Term Debt: Water Fund	6,546,104	1,841	228,984	6,318,961
Sewer Fund:				
Utility System Series 2003 Bonds	1,738,751	0	66,251	1,672,500
Utility System Series 2011 Bonds	761,800	0	0	761,800
State Revolving Loan - Project No. CS12064107P	1,418,031	0	187,449	1,230,582
State Revolving Loan - Project No. 200100	0	480,291	0	480,291
State Revolving Loan - Project No. 641090	215,827	0	0	215,827
Equipment Loan Police & Utilities (Utilities Portion)	4,247	0	4,247	0
Honeywell Lease (Sewer Portion)	392,420	0	25,580	366,840
Compensated Absences	10,634	1,840	0	12,474
Total General Long Term Debt: Sewer Fund	4,541,710	482,131	283,527	4,740,314
Gas Fund:				
Utility System Series 2011 Bonds	761,800	0	0	761,800
Compensated Absences	10,606	1,583	0	12,189
Total General Long Term Debt: Gas Fund	772,406	1,583	0	773,989
Landfill Fund				
Compensated Absences	5,419	783	0	6,202
Estimated Landfill Closure and Post Closure	1,425,548	0	938,227	487,321
Total General Long Term Debt: Landfill Fund	1,430,967	783	938,227	493,523
Telecommunications Fund				
Utility System Series 2003 Bonds	2,782,001	0	106,001	2,676,000
Mortgage (Net Quincy Building)	34,244	0	19,955	14,289
Equipment Loan Public Works & Net Quincy (NQ Portion)	38,467	0	8,227	30,240
Total General Long Term Debt: Telecommunications Fund	2,854,712	0	134,183	2,720,529
Internal Service Fund				
Utility System Series 2003 Bonds	695,500	0	26,500	669,000
Total General Long Term Debt: Internal Service Fund	695,500	0	26,500	669,000
Total General Long Term Debt all Non-Governmental Funds	\$ 21,985,701	\$ 721,296	\$ 2,672,501	\$ 20,034,496

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 – Long Term Debt (continued)

Governmental Activities	September 30, 2013	Additions	Reductions	September 30, 2014	Due within One Year
Bonds:					
Capital Improvement Refunding Revenue Bond 2012	\$ 4,283,000	\$ 0	\$ 261,000	\$ 4,022,000	\$ 270,000
Capitalized Leases:					
Honeywell Lease (Gov't Portion)	145,340	0	9,474	135,866	10,538
Elgin Sweeper	20,836	0	20,836	0	0
Notes Payable:					
Equipment Loan Fire & Police - Police	62,244	0	29,406	32,838	32,838
Equipment Loan Fire & Police - Fire	9,301	0	4,394	4,907	4,907
Grapple Truck Loan	12,693	0	12,693	0	0
Equipment Loan Police & Utilities (Police Portion)	3,920	0	3,920	0	0
Equipment Loan Public Works & Net Quincy (PW Portion)	74,671	0	15,976	58,695	16,501
CRA Loan	116,667	0	116,667	0	0
Compensated Absences	<u>213,659</u>	<u>16,093</u>	<u>0</u>	<u>229,752</u>	<u>57,438</u>
Total Governmental Activities Debt	<u>\$ 4,942,331</u>	<u>\$ 16,093</u>	<u>\$ 474,366</u>	<u>\$ 4,484,058</u>	<u>\$ 392,222</u>
Business-Type Activities:					
Bonds:					
Utility System Series 2003 Bonds	\$ 6,955,002	\$ 0	\$ 265,002	\$ 6,690,000	\$ 275,000
Utility System Series 2011 Bonds	5,860,000	0	0	5,860,000	145,000
Notes Payable:					
Electric Utility Line of Credit Capital City Bank	775,649	220,000	995,649	0	0
State Revolving Loan - Project No. DW2006010	3,816,909	0	148,522	3,668,387	152,800
State Revolving Loan - Project No. CS12064107P	1,418,031	0	187,449	1,230,582	192,278
State Revolving Loan - Project No. 200100	0	480,291	0	480,291	29,674
State Revolving Loan - Project No. 641090	215,827	0	0	215,827	0
Equipment Loan Police & Utilities (Utilities Portion)	4,247	0	4,247	0	0
Equipment Loan Public Works & Net Quincy (NQ Portion)	38,467	0	8,227	30,240	8,500
Mortgage (Net Quincy Building)	68,488	0	39,910	28,578	28,578
Capitalized Leases:					
Honeywell Lease (Sewer Portion)	392,420	0	25,580	366,840	28,452
Honeywell Lease (Electric Portion)	697,635	0	45,476	652,159	50,582
Honeywell Lease (Water Portion)	218,011	0	14,211	203,800	15,807
Estimated Landfill Closure and Post Closure	<u>1,425,548</u>	<u>0</u>	<u>938,228</u>	<u>487,320</u>	<u>0</u>
Compensated Absences	<u>99,467</u>	<u>21,005</u>	<u>0</u>	<u>120,472</u>	<u>30,118</u>
Total Business-Type Activities Debt	<u>\$ 21,985,701</u>	<u>\$ 721,296</u>	<u>\$ 2,672,501</u>	<u>\$ 20,034,496</u>	<u>\$ 956,789</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 – Long Term Debt (continued)

Long Term Debt – Governmental Activities

\$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, 2014, 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.

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. 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, 2014, 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 – Long Term Debt (continued)

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, 2014. The Note was paid off in the 2014 year.

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, 2014
\$3,450,000	5.0% Term Bonds Due October 1, 2023
\$3,240,000	5.0% Term Bonds Due October 1, 2029

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 - Long Term Liabilities (Continued)

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

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.

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

The \$6.0 million Series 2011 Utility Bonds were 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 the 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 six 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.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 7 – Long Term Liabilities (continued)

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 a 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.

State Revolving Loan Note from FDEP (200100)

The loan has an original award date of February 11, 2014 with an award amount of up to \$564,488, of which the City borrowed \$480,291 during the year. The proceeds were used for a waste water treatment plant upgrade. The interest rate is 6.05%. The Loan had capitalized interest of \$127, and accrued interest due of \$1,585 at September 30, 2014. The loan is currently set at forty semi-annual payments of \$16,258 scheduled to be made on March 15 and September 15. The first payment was scheduled to be made September 15, 2014. The Note is collateralized by revenues from the operation of the water and sewer systems.

State Revolving Loan Note from FDEP (641090)

The loan has an original award date of September 2, 2009, with an award amount of up to \$478,753, of which the City borrowed \$200,618 over the past five years. The proceeds were used for a waste water inflow infiltration correction. The interest rate is 1.07%. The Loan had capitalized interest of \$15,208. The loan is currently set for semi-annual payments of \$15,734 scheduled to be made on May 15 and November 15 the first payment was scheduled to be made May 15, 2016. The note is collateralized by revenues from the operation of the water and wastewater systems.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 7 – Long Term Liabilities (concluded)

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, 2014, other than the liability for accumulated vacation and sick leave, is as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 334,784	\$ 101,049	\$ 435,833	\$ 926,671	\$ 798,679	\$ 1,725,350
2016	302,730	93,114	395,844	1,053,774	765,151	1,818,925
2017	313,516	85,685	399,201	1,079,174	730,399	1,809,573
2018	312,701	78,057	390,758	1,015,688	693,462	1,709,150
2019	303,339	70,634	373,973	1,057,517	654,285	1,711,802
2020-2024	1,656,236	236,622	1,892,858	4,842,510	2,649,945	7,492,455
2025-2029	1,031,000	47,633	1,078,633	4,920,443	1,627,686	6,548,129
2030-2034	0	0	0	4,530,927	503,809	5,034,736
Total	\$ 4,254,306	\$ 712,794	\$ 4,967,100	\$ 19,426,704	\$ 8,423,416	\$27,850,120

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 kilowatts 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, 2014, the City purchased electric capacity totaling \$7,580,594.

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, 2014, the City purchased gas totaling \$943,727.

Grant Programs

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

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 8 - Contingencies and Commitments (concluded)

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.

Accounting for Municipal Landfill Closure and Post Closure Care Costs.

At September 30, 2014, the City's total liability for landfill closure and post-closure care costs was approximately \$487,320. The City was notified by Florida Department of Environmental Protection (FDEP) that the Quincy-Byrd Landfill was determined to be closed. The FDEP also made a determination that the landfill had been closed to Class 1 waste since September 1995, and that the final closed cell 9 had only accepted land clearing debris. As a result the FDEP gave the City credit for the monitoring of the landfill for the past nineteen years.

This resulted in a reduction of the accrued liability of \$1,425,548 to only \$487,320, a onetime reduction of \$938,228. This forgiveness of debt was recorded as an extraordinary item in the Solid Waste Fund. The current liability is based on annual monitory costs of \$44,302 for a period of eleven years. The City is required by state and federal laws and regulations to make annual deposits in an interest-bearing escrow account to cover one year of post closure care costs of \$44,302. Cash deposited in the escrow account was \$20,880. The City currently has a shortage in this account totaling \$23,422.

Permit to Operate Sewer System

The City is operating its Sewer system under a permit from the 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, 2014, 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, 2014, the City contributed \$370,260 for eligible employees.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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.

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%

Health Care Inflation Post-Medicare: 7.5% in Fiscal 2014 (grading down to 4.5% in Fiscal 2017).

Payroll Growth Assumption: 1.5%

Salary Increase Rate: 4.0%

Amortization of UAAL: Level Percentage of Payroll (Closed Amortization over 30 Years)

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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.

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	10/01/2012	10/01/2012
Applicable for Fiscal Year Ending	9/30/2013	9/30/2014
Annual Required Contribution	\$ 633,899	\$ 672,237
Interest on Net OPEB Obligation	22,934	40,314
Adjustment to Annual Required Contribution	(27,810)	(49,430)
Annual OPEB Cost / (Expense)	629,023	663,121
Estimated Contributions Made	(194,523)	(210,595)
Anticipated Increase in Net OPEB Obligation	434,500	452,526
Net OPEB Obligation – Beginning of Year	573,358	1,007,858
Estimated OPEB Obligation – End of Year	\$ 1,007,858	\$ 1,460,384
Funded Status as of		10/01/2012
Actuarial Accrued Liability (AAL)		\$ 6,399,750
Actuarial Value of Assets (AVA)		0
Unfunded Actuarial Accrued Liability (UAAL)		6,399,750
Funded Ratio		0.00%
Covered Payroll		\$ 3,804,940
Ratio of UAAL to Covered Payroll		168.2%

Funded Status

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%.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

Funding Progress

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.

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>
9/30/2014	\$ 663,121	31.8%	\$ 1,460,384
9/30/2013	\$ 629,023	30.9%	\$ 1,007,858
9/30/2012	\$ 547,197	19.7%	\$ 573,358

<u>STATICTICAL DATA</u>	<u>10/01/2012</u>
Number Included	
Actives	99
Average Current Age	44.1
Average Age at Employment	34.6
Average Past Service	9.5
Average Annual Salary	\$ 38,434
Number of Retirees (with coverage)	
Pre-Medicare	18
Post-Medicare	21
Average Current Age or Retirees	66.9
Number of Covered Spouses	
Pre-Medicare	3
Post -Medicare	3

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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.

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.

Annual Pension Cost

The City's contribution requirement for the year ended September 30, 2014, was \$308,016.

Eligibility

All full-time Police Officers and Firefighters.

Basic Compensation

Total cash compensation paid to the participant for services rendered.

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.

Credited Service

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

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.

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%.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

Normal Benefit Form

Ten Year Certain and Single Life Annuity.

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%.

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.

Pre-Retirement Death Benefit

A monthly income which can be provided by greater of:

Single-sum value of accrued deferred monthly retirement income at date of death, or

The smaller of:

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

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.

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, 2014

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

At October 1, 2014, 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, 2013 Actuarial Valuation are as follows:

Valuation Date	10/01/2013	10/01/2014
Applicable Plan/Fiscal Year	9/30/2014	9/30/2015
Total Required Contribution		
% of Total Annual Payroll	58.2%	50.1%
Member Contributions (EST)		
% of Total Annual Payroll	7.5%	7.5%
City and State Required Contribution		
% of Total Annual Payroll	50.7%	42.6%
State Contribution	\$ 102,057	\$101,350
% of Total Annual Payroll	12.8%	12.4%
Balance From City		
% of Total Annual Payroll	37.9%	30.2%

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 column above is the amount withheld for 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, 2014, 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, 2014

Note 14 - Interfund Transfers

Transfers Out	Transfers In					
	General Fund	Capital Projects	Debt Service	Electric	Telecom	Total
General Fund	\$ 0	\$ 0	\$ 479,552	\$ 0	\$ 440,388	\$ 919,940
Special Revenue	9,353	0	0	0	0	9,353
Capital Projects	0	0	10,076	0	0	10,076
Electric	3,858,481	65,000	0	0	0	3,923,481
Water	168,472	0	0	0	0	168,472
Waste Water	61,752	0	0	0	0	61,752
Refuse	45,864	0	0	0	0	45,864
Gas	578,392	0	0	0	0	578,392
Landfill	8,814	0	0	250,000	0	258,814
Total	<u>\$ 4,731,128</u>	<u>\$ 65,000</u>	<u>\$ 489,628</u>	<u>\$ 250,000</u>	<u>\$ 440,388</u>	<u>\$ 5,976,144</u>

Note 15 - Advances To and From Other Funds

Advances to Other Funds		Advances from Other Funds				Total
		General Fund	CRA Fund	Electric Fund	Waste water Fund	
General Fund	\$ 20,951	\$ 0	\$ 20,951	\$ 0	\$ 0	\$ 20,951
Electric Fund	360,000	160,000	0	0	200,000	360,000
Water Fund	479,943	0	0	479,943	0	479,943
Waste Water Fund	479,943	0	0	479,943	0	479,943
Gas Fund	479,943	0	0	479,943	0	479,943
Internal Service Fund	16,000	0	16,000		0	16,000
Totals	<u>\$ 1,836,780</u>	<u>\$ 160,000</u>	<u>\$ 36,951</u>	<u>\$ 1,689,829</u>	<u>\$ 200,000</u>	<u>\$ 1,836,780</u>

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.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 16 - Fund Balance (concluded)

- 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.

Schedule of the City's Fund Balances is shown below.

Fund Balances:	General	CRA	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Non-spendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:						
Law						
Enforcement	0	0	25,767	0		25,767
Debt Service	0	0	0	0	130,100	130,100
Economic						
Environment	0	92,804	0	0		92,804
Capital						
Projects	0	0	0	0		0
Unassigned	283,357	0	0	(8,177)		275,180
Total Fund						
Balance	\$ 283,357	\$ 92,804	\$ 25,767	\$ (8,177)	\$ 130,100	\$ 523,851

Note 15 - Prior Period Adjustments

Prior period adjustments were made for the following

Statement of Activities	\$ (1,320,191)	Governmental Fixed Assets overstated
Statement of Activities	115,067	Governmental Debt overstated
Total Statement of Activities Restatement	<u>(1,205,124)</u>	
General Fund	530,846	General Fund Accounts Payable overstated
Wastewater Fund	(215,827)	Debt Understated
		Deferred Revenue Rate Stabilization
Electric Fund	(736,353)	understated
Gas Fund	(135,252)	Accumulated Depreciation overstated
Police and Firemen's Pension Fund	(104,969)	Pension Liability was understated
Total Fund Restatements	<u>\$ (661,555)</u>	

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 16 - Subsequent Events

Management has evaluated subsequent events through June 29, 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, 2014

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
10/01/14	\$6,620,819	\$9,267,425	\$2,646,606	71.44%	\$865,509	305.72%
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
2014	\$ 410,074	\$ 308,016	\$ 102,057	100.00%
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%

CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2014

Note – Firemen's Supplemental Pension Plan 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, 2014

City and State	50.7%
Plan member	7.5%
Actuarial Determined Contribution	\$ 410,074 *
Actuarial Valuation Date	10/01/2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	25 Years as of 10/01/2013
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
9/30/2014	\$ 410,074	100.00%	\$ 0
9/30/2013	\$ 203,503	100.00%	\$ 0
9/30/2012	\$ 260,947	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, 2014**

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
10/01/2013	\$ 0	N/A	N/A	N/A	N/A	N/A
10/1/2012	\$ 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%

Three Year Trend Information

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	\$ 663,121	31.8%	\$ 1,460,384
9/30/2013	\$ 629,023	30.9%	\$ 1,007,858
9/30/2012	\$ 547,197	19.7%	\$ 573,358

Note - Other Postemployment Benefit plan

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

Valuation Date	October 1, 2012
Actuarial Cost Method	Projected Unit Credit Cost
Amortization Method	Level percentage of payroll
Remaining Amortization Period	Closed Amortization over 30 Years
Asset Valuation Method	N/A
Valuation Interest Rate	4.0%
Health Care Inflation	Pre-Medicare: 7.5% in Fiscal 2014 (Grading down to 4.5% in Fiscal 2017)
Payroll Growth Assumption	1.5%
Salary Increase Rate	4.0% per Year

CITY OF QUINCY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Taxes	\$ 2,099,440	\$ 2,099,440	\$ 1,861,388	\$ (238,052)
Tax Increment	0	0	0	0
Licenses and Permits	112,978	112,978	106,549	(6,429)
Intergovernmental Revenues	297,582	297,582	614,910	317,328
Charges for Services	429,883	429,883	480,152	50,269
Fines and Forfeitures	0	0	31,716	31,716
Miscellaneous Revenues	153,494	153,494	300,855	147,361
Total Revenues	<u>3,093,377</u>	<u>3,093,377</u>	<u>3,395,570</u>	<u>302,193</u>
Expenditures				
Current:				
General Government	2,956,805	2,956,805	2,309,359	566,446
Public Safety	3,318,072	3,318,072	3,319,079	(1,007)
Physical Environment	197,459	197,459	156,193	41,266
Transportation	290,675	290,675	620,383	(329,708)
Economic Environment	0	0	151,949	(151,949)
Culture and Recreation	440,813	440,813	435,352	5,461
IT Support	0	0	165,492	(165,492)
Debt Service:				
Principal	43,884	43,884	96,631	(52,747)
Interest	6,380	6,380	12,126	(5,746)
Capital Outlay	334,463	334,463	14,000	320,463
Total Expenditures	<u>(7,588,551)</u>	<u>(7,588,551)</u>	<u>(7,361,564)</u>	<u>226,987</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(4,495,174)</u>	<u>(4,495,174)</u>	<u>(3,965,994)</u>	<u>529,180</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Operating Transfers In	4,906,155	4,906,155	4,731,128	(175,027)
Operating Transfers out	(410,981)	(410,981)	(919,940)	(508,959)
Total Other Financing Sources (Uses)	<u>4,495,174</u>	<u>4,495,174</u>	<u>3,811,188</u>	<u>(683,986)</u>
Net Change in Fund Balances	0	0	(154,806)	(154,806)
Fund Balances				
Beginning of Year, Unadjusted	0	0	(92,683)	(92,683)
Prior Period Adjustment	0	0	530,846	530,846
Beginning of Year, Restated	0	0	438,163	438,163
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 283,357</u>	<u>\$ 283,357</u>

CITY OF QUINCY, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY
SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				Positive
				(Negative)
Taxes				
Tax Increment	\$ 443,790	\$ 443,790	\$ 440,947	\$ (2,843)
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	0	0	182	182
Total Revenues	443,790	443,790	441,129	(2,661)
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	273,390	273,390	164,806	108,584
Culture and Recreation	0	0	0	0
IT Support	0	0	10,949	(10,949)
Debt Service:				
Principal	155,000	155,000	116,667	38,333
Interest	13,000	13,000	49,125	(36,125)
Capital Outlay	2,400	2,400	0	2,400
Total Expenditures	443,790	443,790	341,547	102,243
Excess of Revenue Over Expenditures	0	0	99,582	99,582
Other Financing Sources (Uses)				
Debt Proceeds				
Transfers in				
Transfers (out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	0	99,582	99,582
Fund Balances				
Beginning of Year, Unadjusted	0	0	(6,778)	(6,778)
Fund Balance, End of Year	\$ 0	\$ 0	\$ 92,804	\$ 92,804

CITY OF QUINCY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Notes to the Required Supplementary Information- Budgetary Comparison Schedule

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

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

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

COMBINING FUND FINANCIAL STATEMENTS

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014**

	Confiscated Property Fund	Quincy Fest Fund	Grants Fund	Total Combined Non-Major Special Revenue
Assets				
Cash and Cash Equivalent	\$ 25,767	\$ 0	\$ 0	\$ 25,767
Investments	0	0	0	0
Receivables (net)	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>25,767</u>	<u>0</u>	<u>0</u>	<u>25,767</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	0	0	0	0
Accrued Expenses	0	0	0	0
Due to Other Governments	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Nonspendable:				
Advances to Other Funds	0	0	0	0
Restricted for:				
Law Enforcement	25,767	0	0	25,767
Physical Environment	0	0	0	0
Economic Environment	0	0	0	0
Debt Service	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>25,767</u>	<u>0</u>	<u>0</u>	<u>25,767</u>
Total Liabilities and Fund Balances	<u>\$ 25,767</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,767</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Revenues	Confiscated Property Fund	Quincy Fest Fund	Grants Fund	Total Combined Non-Major Special Revenue
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Tax Increment	0	0	0	0
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	24	0	0	24
Total Revenues	24	0	0	24
Expenditures				
General Government	0	0	0	0
Public Safety	60	0	0	60
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	4,294	4,294
Culture and Recreation	0	0	0	0
IT Support	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	(60)	0	(4,294)	(4,354)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(36)	0	(4,294)	(4,330)
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Transfers in	0	0	0	0
Transfers (out)	0	(9,353)	0	(9,353)
Total Other Financing Sources (Uses)	0	(9,353)	0	(9,353)
Net Change in Fund Balances	(36)	(9,353)	(4,294)	(13,683)
Fund Balances				
Beginning of Year	25,803	9,353	4,294	39,450
End of Year	\$ 25,767	\$ 0	\$ 0	\$ 25,767

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Special Revenue	Capital Projects	Debt Service	Total Non-Major Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 25,767	\$ 1,948	\$ 130,100	\$ 157,815
Investments	0	0	0	0
Receivables (net)	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>25,767</u>	<u>1,948</u>	<u>130,100</u>	<u>157,815</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	0	9,377	0	9,377
Accrued Expenses	0	748	0	748
Due to Other Governments	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>10,125</u>	<u>0</u>	<u>10,125</u>
Fund Balances				
Nonspendable:				
Advances to Other Funds	0	0	0	0
Restricted for:				
Law Enforcement	25,767	0	0	25,767
Physical Environment	0	0	0	0
Economic Environment	0	0	0	0
Debt Service	0	0	130,100	130,100
Unassigned	0	(8,177)	0	(8,177)
Total Fund Balances	<u>25,767</u>	<u>(8,177)</u>	<u>130,100</u>	<u>147,690</u>
Total Liabilities and Fund Balances	<u>\$ 25,767</u>	<u>\$ 1,948</u>	<u>\$ 130,100</u>	<u>\$ 157,815</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	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	0	0	0
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	24	0	24	48
Total Revenues	24	0	24	48
Expenditures				
General Government	0	0	0	0
Public Safety	60	0	0	60
Physical Environment	0	115,352	0	115,352
Transportation	0	0	0	0
Economic Environment	4,294	0	0	4,294
Culture and Recreation	0	0	0	0
IT Support	0	0	0	0
Debt Service:				
Principal	0	0	261,000	261,000
Interest	0	0	98,552	98,552
Capital Outlay	0	0	0	0
Total Expenditures	(4,354)	(115,352)	(359,552)	(479,258)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,330)	(115,352)	(359,528)	(479,210)
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Transfers in	0	65,000	489,628	554,628
Transfers (out)	(9,353)	(10,076)	0	(19,429)
Total Other Financing Sources (Uses)	(9,353)	54,924	489,628	535,199
Net Change in Fund Balances	(13,683)	(60,428)	130,100	55,989
Fund Balances				
Beginning of Year	39,450	52,251	0	91,701
End of Year	\$ 25,767	\$ (8,177)	\$ 130,100	\$ 147,690

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Business-Type Activities - Enterprise Funds				Total
	Non-Major Funds				Non-Major Funds
	Refuse Fund	Landfill Fund	Gas Fund	Telecom Fund	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 4,387	\$ 0	\$ 4,387
Investments	0	0	0	0	0
Receivables (Net)	126,571	13,981	99,191	7,793	247,536
Inventories	0	0	0	0	0
Total Current Assets	<u>126,571</u>	<u>13,981</u>	<u>103,578</u>	<u>7,793</u>	<u>251,923</u>
Noncurrent Assets					
Restricted Assets:					
Restricted Cash and Cash Equivalents	0	20,880	305,336	0	326,216
Total Restricted Assets	<u>0</u>	<u>20,880</u>	<u>305,336</u>	<u>0</u>	<u>326,216</u>
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	(485,528)	(1,318,778)	(1,734,744)	(3,539,050)
Total Net Capital Assets	<u>0</u>	<u>0</u>	<u>403,717</u>	<u>2,872,322</u>	<u>3,276,039</u>
Other Assets:					
Advances to Other Funds	0	0	479,943	0	479,943
Total Noncurrent Assets	<u>0</u>	<u>20,880</u>	<u>1,188,996</u>	<u>2,872,332</u>	<u>4,082,198</u>
Total Assets	<u>\$ 126,571</u>	<u>\$ 34,861</u>	<u>\$ 1,292,574</u>	<u>\$ 2,880,115</u>	<u>\$ 4,334,121</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(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	\$ 365,580	\$ 2,703	\$ 88,080	\$ 6,859	\$ 463,222
Accrued Expenses	0	1,815	1,895	538	4,248
Due to other Governments	0	0	16,829	0	16,829
Accrued Interest Payable	0	0	17,985	56,007	73,992
Current portion:					
Bonds Payable	0	0	18,850	110,000	128,850
Notes Payable	0	0	0	8,500	8,500
Mortgages Payable	0	0	0	14,289	14,289
Capitalized Lease Payable	0	0	0	0	0
Compensated Absences	0	1,550	3,048	0	4,598
Total Current Liabilities	<u>365,580</u>	<u>6,068</u>	<u>146,687</u>	<u>196,193</u>	<u>714,528</u>
Noncurrent Liabilities:					
Customer Deposits	0	0	9,889	0	9,889
Advances from Other Funds	0	0	0	0	0
Long term portion:					
Bonds Payable	0	0	742,950	2,566,000	3,308,950
Notes Payable	0	0	0	21,740	21,740
Mortgages Payable	0	0	0	0	0
Capitalized Lease Payable	0	0	0	0	0
Compensated Absences	0	4,652	9,141	0	13,793
Land Fill Closure Liability	0	487,321	0	0	487,321
Total Noncurrent Liabilities	<u>0</u>	<u>491,973</u>	<u>761,980</u>	<u>2,587,740</u>	<u>3,841,693</u>
Total Liabilities	<u>365,580</u>	<u>498,041</u>	<u>908,667</u>	<u>2,783,933</u>	<u>4,556,221</u>
Net Position					
Net Investment in Capital Assets	0	0	(358,083)	151,793	(206,290)
Restricted for:					
Debt Service	0	20,880	305,336	0	326,216
Unrestricted	(239,009)	(484,060)	436,654	(55,611)	(342,026)
Total Net Position	<u>(239,009)</u>	<u>(463,180)</u>	<u>383,907</u>	<u>96,182</u>	<u>(222,100)</u>
Total Liabilities and Net Position	<u>\$ 126,571</u>	<u>\$ 34,861</u>	<u>\$ 1,292,574</u>	<u>\$ 2,880,115</u>	<u>\$ 4,334,121</u>

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	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	\$ 1,323,216	\$ 204,835	\$ 2,159,972	\$ 44,242	\$ 3,732,265
Total Operating Revenue	<u>1,323,216</u>	<u>204,835</u>	<u>2,159,972</u>	<u>44,242</u>	<u>3,732,265</u>
Operating Expenses					
Purchase Power	0	0	943,727	0	943,727
Personal Service	0	88,818	85,079	39,549	213,446
Contractual Service	1,049,092	46,320	9,952	112,729	1,218,093
Supplies	0	0	3,222	0	3,222
Repairs and Maintenance	0	0	2,370	0	2,370
Utility/Telephone	0	1,453	3,753	22,415	27,621
Shared Service	32,855	56,246	97,903	0	187,004
Depreciation	0	6,748	0	210,428	217,176
Other Expenses	54,248	5,295	18,043	87,782	165,368
Bad Debt	91,537	0	131,081	0	222,618
IT- Support	0	784	8,000	0	8,784
(Total Operating Expenses)	<u>(1,227,732)</u>	<u>(205,664)</u>	<u>(1,303,130)</u>	<u>(472,903)</u>	<u>(3,209,429)</u>
Operating Income	<u>95,484</u>	<u>(829)</u>	<u>856,842</u>	<u>(428,661)</u>	<u>522,836</u>
Nonoperating (Expenses)					
Interest Income	0	39	0	0	39
Interest Expense	0	0	(35,969)	(135,695)	(171,664)
Investment Gains and Losses	0	0	0	0	0
Total Non-Operating Revenues	<u>0</u>	<u>39</u>	<u>(35,969)</u>	<u>(135,695)</u>	<u>(171,625)</u>
Income Before Capital					
Contributions and Transfers	<u>95,484</u>	<u>(790)</u>	<u>820,873</u>	<u>(564,356)</u>	<u>351,211</u>
Operating Transfers					
Capital Grants	0	0	0	0	0
Transfers In	0	0	0	440,388	440,388
Transfers Out	(45,865)	(258,814)	(578,391)	0	(883,070)
Total Capital Grants and Operating					
Transfers	<u>(45,865)</u>	<u>(258,814)</u>	<u>(578,391)</u>	<u>440,388</u>	<u>(442,682)</u>
Extraordinary Item					
Change in Landfill Closure Estimate	<u>0</u>	<u>938,227</u>	<u>0</u>	<u>0</u>	<u>938,227</u>
Change in Net Position	<u>49,619</u>	<u>678,623</u>	<u>242,482</u>	<u>(123,968)</u>	<u>846,756</u>
Total Net Position:					
Beginning of Year, Unadjusted	<u>(288,628)</u>	<u>(1,141,803)</u>	<u>6,173</u>	<u>220,150</u>	<u>(1,204,108)</u>
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>135,252</u>	<u>0</u>	<u>135,252</u>
Beginning of Year, Restated	<u>(288,628)</u>	<u>(1,141,803)</u>	<u>141,425</u>	<u>220,150</u>	<u>(1,068,856)</u>
Total Net Position, End of Year	<u>\$ (239,009)</u>	<u>\$ (463,180)</u>	<u>\$ 383,907</u>	<u>\$ 96,182</u>	<u>\$ (222,100)</u>

**OTHER INDEPENDENT AUDITORS' REPORTS
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**

CITY OF QUINCY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>State Grantor</u>	<u>CSFA Number</u>	<u>Grant / Contract number</u>	<u>Expenditure</u>
State Awards			
Florida Department of Environmental Protection			
Wastewater Treatment Facility Construction	37.077	200100	\$ 480,291
Total Florida Department of Environmental Protection			<u>480,291</u>
Florida Department of Economic Opportunity			
Growth Management Implementation	40.024	P0063	25,000
Total Florida Department of Economic Opportunity			<u>25,000</u>
Total State Financial Assistance			<u>\$ 699,833</u>

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 1 - General

The accounting policies and presentation of the accompanying schedule of expenditures of federal awards and state financial assistance of the City of Quincy, Florida (the City) have been designed to conform with generally accepted accounting principles applicable to governmental units, including the reporting requirements of *the Single Audit Act of 1984, the Single Audit Act Amendments of 1996*, U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (federal awards), and Chapter 10.550, *Rules of the Auditor General* of the State of Florida.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance projects includes the federal and state award activity of the City of Quincy, Florida, and is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis of accounting, as described in Note 2 to the County's financial statements.

Note 3 – Contingencies

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursements due to disallowances of expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the County.

Note 4 – Loans Outstanding

The City had the following loan balances outstanding at September 30, 2014:

<u>Federal Program Name</u>	<u>Funding Number</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds ARRA	641090	66.458	\$ 215,827
Capitalization Grants for Clean Water State Revolving Funds ARRA	CS12064107P	66.458	1,324,902
Total Federal Loans			<u>1,540,729</u>
<u>State Program Name</u>		<u>CSFA Number</u>	
Waste Water Treatment Facility Construction	200100	37.077	<u>\$ 480,418</u>

**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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 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 2014-IC-01, and prior year findings 2013-IC-01, 2013-IC-02, 2013-IC-03, 2013-IC-04, 2013-IC-05.

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 (excluding the prior year findings listed above).

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

June 29, 2015
Quincy, Florida

MANAGEMENT LETTER

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Quincy, Florida, (the City) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 29, 2015.

Auditor's Responsibility

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*.

Other Reports and Schedule

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*, and Independent Accountants Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 29, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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).

Official Title and Legal Authority

Section 10.554(1)(i)4., *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. There were no component units for the City of Quincy.

Financial Condition

Section 10.554(1)(i)5.(a), *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City of Quincy has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Quincy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Honorable Mayor, City Commissioners and
City Manager
Quincy, Florida

MANAGEMENT LETTER (continued)

Pursuant to Sections 10.554(1)(i)5.(c), and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Quincy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.(b)., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *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)3., *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.

Purpose of this letter

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, the City Commissioners 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

June 29, 2015
Quincy, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH SECTION 218.415, FLORIDA
STATUTES**

To the Mayor and City
Commissioners City of Quincy,
Florida

We have examined the City of Quincy, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report 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, the City Commissioners, and management and is not intended to be and should not be used by anyone other than these specified parties.

Moran & Smith LLP

June 29, 2015
Quincy, Florida

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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, 2014.

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, 2014.

Current Year Findings

Finding 2014-IC-01

This is the same as the prior year comment Finding 2013-IC-01: 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 2014 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. It is noted that the City hired a new finance officer after the close of the September 30, 2014 year.

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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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:

Prior Year Financial Statement Findings

Finding 2013-IC-01

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 2014 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 2014 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 2014 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 2014 year, The City again borrowed and additional \$500,000 and numerous expenses were paid out of the "Smart Grid" capital project funds that were not related to capital improvements.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Prior Year Findings (continued)

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

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

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-04 Finance Department

The City lost its Chief Financial Officer (CFO) after year end, and prior to 2014 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 2014 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.

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 budget ordinance establishing the rate increase.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Prior Year Findings (continued)

Finding 2014-IC-05 Rate Stabilization Charge (continued)

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.

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 2014 year. These items were addressed during the 2015 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: 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 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, 2014**

Section IV: Prior year Financial Statement Findings (continued)

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.

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 2014.

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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section IV: Prior year Financial Statement Findings (continued)

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: 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 2015 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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section IV: Prior year Financial Statement Findings (continued)

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

Condition

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

Status of Prior Finding

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

Management's Response

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.

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: 2004-IC-M-04-06 Customer Deposits not in cash account

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section IV: Prior year Financial Statement Findings (continued)

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.

Audit Finding Reference: 2001-IC-M-01-4 Financial Reporting Weaknesses (continued)

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.

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.

**CITY OF QUINCY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Section IV: Prior year Financial Statement Findings (concluded)

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

There are no prior year findings related to Federal Awards that are still applicable.