

CITY OF QUINCY, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CITY OF QUINCY, FLORIDA
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FOR THE YEAR ENDED SEPTEMBER 30, 2016
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CITY OF QUINCY, FLORIDA

INTRODUCTORY SECTION

SEPTEMBER 30, 2016



June 20, 2017

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, 2016, 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, 2016. 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, 2016, 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 made great strides in reducing its accounts payable, reducing this amount from \$4,550,015 in Fiscal Year 2014 to \$1,314,935 in Fiscal Year 2016. It is committed to treating suppliers and service providers in a business-like manner.

The City's conservative budget and spending approach (just because it is budgeted does not mean it has to be spent) has bolstered fund balance and retained earnings.

Prospects for the Future

The State unemployment rate as of September 30, 2016 was 4.9% and the City rate trailed at 6.1%. The City looks forward to new businesses such as Popeye's. 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 the expanded presence of Tallahassee Community College in the City, there are encouraging signs.

Next Year's Budget and Economic Factors

The City is prospecting that with the completion of the Downtown Master Plan some new businesses will locate in downtown. The Leaf Theater and the Gadsden Art Center (the main business anchors downtown) are doing well. The Gadsden Art Center is in the process of a \$600,000 remodel and expansion.

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 the recent increase in the fed funds rate, 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
City Manager

**CITY OF QUINCY, FLORIDA
LIST OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**Daniel McMillan
Mayor**

Keith Dowdell

Commissioner

Angela Sapp

Commissioner

Derrick Elias

Commissioner

Andy Gay

Commissioner

Daniel McMillan

Commissioner

CITY OF QUINCY, FLORIDA

FINANCIAL SECTION

SEPTEMBER 30, 2016

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, 2016, 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.

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, 2016, 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.

INDEPENDENT AUDITORS' REPORT (Concluded)

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 3 through 12 and pages 57 through 63 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 s, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, 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

Moran & Smith
June 20, 2017
Quincy, Florida

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016. 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, 2016. Please read it in conjunction with the accompanying basic financial statements beginning on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position at September 30, 2016, was \$5,374,750 as compared to \$4,513,194 for fiscal year 2015 as restated for GASB 68 compliance. The City's unrestricted net assets as of September 30, 2015, were negative \$6,443,121 compared to negative \$3,681,564 for fiscal year ended September 30, 2016.
- Governmental activities net position was a negative \$1,286,702 as of September 30, 2015, versus negative \$1,675,755 as of September 30, 2016.
- The total revenues from all sources were \$23,301,176 for the fiscal year 2016 versus \$24,700,615 for the fiscal year 2015. While Enterprise fund revenue decreased \$1,912,626, governmental fund revenue increased \$522,187.
- The total cost of all City programs was \$22,439,620 for the fiscal year 2016 versus \$23,160,699 for the fiscal year 2015. Overall, there were decreases in expenses in the Governmental Funds of \$740,702 and an increase in the Enterprise Funds of \$19,623.
- During fiscal year 2016, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$861,556 while the expenses exceeded revenue by \$1,539,916 for 2015.
- Total expenditures in the Governmental Funds of \$8,796,113 exceeded total revenues of \$4,222,255 by \$4,573,858, excluding net transfers of \$4,184,805 for fiscal year 2016, while total expenditures for fiscal year 2015 of \$9,536,815 exceeded total revenues of \$3,700,068 by \$5,836,747, excluding net transfers in the amount of \$4,537,930.
- The General Fund's fund balance was \$437,750 for fiscal year 2015, and increased to \$676,919 at the end of fiscal year 2016.
- The City's total long-term debt is \$22,009,182 as of September 30, 2016 representing a decrease of \$1,262,196 from \$23,271,378 as of September 30, 2015.

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.

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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.

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 15 through 18 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, and landfill. 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 19 to 23 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

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

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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)	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	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	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

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 net assets exceeded liabilities by \$5,374,750 at the close of fiscal year 2016 as compared to \$4,513,194 in fiscal Year 2015. For fiscal year 2015, Governmental Activities comprised of negative \$1,286,702 of the net assets while Business Activities comprised \$5,799,896 of net assets versus fiscal year 2016 where Governmental was negative \$1,675,755 and Business \$7,050,506.

By far, the largest portion of the City's total assets, for fiscal year 2015 and for fiscal year 2016 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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current & Other	\$ 2,014,535	\$ 1,619,014	\$8,961,569	\$8,791,984	\$10,976,104	\$10,410,998
Capital	5,489,535	6,384,367	20,703,362	21,559,038	26,192,897	27,943,405
Total Assets	<u>7,504,070</u>	<u>8,003,381</u>	<u>29,664,931</u>	<u>30,351,022</u>	<u>37,169,001</u>	<u>38,354,403</u>
Deferred	<u>924,656</u>	<u>369,647</u>	<u>-</u>	<u>-</u>	<u>924,656</u>	<u>369,647</u>
Liabilities:						
Long-term Debt	3,685,094	3,680,416	16,593,897	17,556,052	20,278,991	21,236,468
Other Liabilities	3,448,750	3,182,356	6,020,528	6,995,073	9,469,278	10,177,429
Net Pension Liability	<u>2,768,435</u>	<u>2,620,070</u>	<u>-</u>	<u>-</u>	<u>2,768,435</u>	<u>2,620,070</u>
Total Liabilities	<u>9,902,279</u>	<u>9,482,842</u>	<u>22,614,425</u>	<u>24,551,125</u>	<u>32,516,704</u>	<u>34,033,967</u>
Deferred Inflow	<u>202,202</u>	<u>176,889</u>	<u>-</u>	<u>-</u>	<u>202,202</u>	<u>176,889</u>
Net Position:						
Invested in Capital	1,804,441	2,198,922	3,078,670	6,482,842	4,883,111	8,681,764
Restricted	546,680	401,066	3,626,523	1,873,485	4,173,203	2,274,551
Unrestricted	<u>(4,026,876)</u>	<u>(3,886,690)</u>	<u>345,313</u>	<u>(2,556,431)</u>	<u>(3,681,564)</u>	<u>(6,443,121)</u>
Total Net Position	<u>\$(1,675,755)</u>	<u>\$(1,286,702)</u>	<u>\$7,050,506</u>	<u>\$5,799,896</u>	<u>\$ 5,374,750</u>	<u>\$ 4,513,194</u>

An additional portion of the City's net assets (50%) for fiscal year 2015 versus (52%) for fiscal year 2016 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 2016 are negative \$3,681,564 versus negative \$6,443,121 for fiscal year 2015.

CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Governmental Activities

Governmental activities decreased the City's net assets by \$389,052 from fiscal year 2015 to fiscal year 2016. The Business-type activities increased the net assets by \$1,250,609 from fiscal year 2015 to fiscal year 2016. Key elements of these changes are as follows:

Table 3
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues	\$ 1,204,135	\$ 565,290	\$ 19,044,294	\$ 21,014,701	\$ 20,248,429	\$ 21,579,991
Property Tax	948,550	1,359,927	-	-	948,550	1,359,927
Tax Increment	420,755	502,664	-	-	420,755	502,664
Utility Service Tax	220,764	10,425	-	-	220,764	10,425
Discretionary Sales Tax	473,891	-	-	-	473,891	-
Local Option Sales Tax	228,515	241,427	-	-	228,515	241,427
Shared Revenues	524,131	715,217	-	-	524,131	715,217
Investment Earnings	57,316	(22,195)	34,627	(14,154)	91,943	(36,349)
Miscellaneous	144,198	327,313	-	-	144,198	327,313
Total Revenues	4,222,255	3,700,068	19,078,921	21,000,547	23,301,176	24,700,615
Program Expenses:						
General Government	2,713,570	3,750,563	-	-	2,713,570	3,750,563
Public Safety	3,771,990	3,829,033	-	-	3,771,990	3,829,033
Physical Environment	203,021	780,077	-	-	203,021	780,077
Transportation	1,058,963	130,220	-	-	1,058,963	130,220
Economic Environment	450,692	560,299	-	-	450,692	560,299
Culture and Recreation	504,795	385,289	-	-	504,795	385,289
Interest on Long-term Debt	93,082	101,334	-	-	93,082	101,334
Water	-	-	1,372,447	1,394,482	1,372,447	1,394,482
Electric	-	-	8,137,903	8,564,284	8,137,903	8,564,284
Sewer	-	-	1,594,883	1,520,175	1,594,883	1,520,175
Non-major	-	-	2,538,274	2,144,943	2,538,274	2,144,943
Total Expenses	8,796,113	9,536,815	13,643,507	13,623,884	22,439,620	23,160,699
Excess (deficit) before transfers	(4,573,858)	(5,836,747)	5,435,414	7,376,663	861,556	1,539,916
Transfers	4,184,805	4,537,930	(4,184,805)	(4,537,930)	-	-
Change in Net Assets	(389,052)	(1,298,817)	1,250,609	2,838,733	861,556	1,539,916
Net Position, Beginning	(1,286,703)	2,398,194	5,799,896	2,950,059	4,513,193	5,348,253
Prior Period Adjustments	-	(2,386,080)	-	(816,927)	-	(3,203,007)
Adjustments to Beginning	-	12,114	828,031	2,133,132	828,031	2,145,246
Net Position, Ending	\$ (1,675,755)	\$ (1,286,703)	\$ 7,050,505	\$ 4,971,865	\$ 5,374,750	\$ 3,685,162

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 2,713,570	\$(2,560,980)	\$ 3,750,563	\$(3,659,541)
Public Safety	3,771,990	(3,262,457)	3,829,033	(3,393,397)
Physical Environment	203,021	108,015	130,220	(130,220)
Transportation	1,058,963	(873,768)	780,077	(693,375)
Economic Environment	450,692	(450,692)	385,289	(374,239)
Culture and Recreation	504,795	(459,013)	946,749	(521,667)
Interest on Long-term Debt	93,082	(93,082)	101,334	(101,334)
	<u>\$ 8,796,113</u>	<u>\$(7,591,977)</u>	<u>\$ 9,923,265</u>	<u>\$(8,873,773)</u>

The cost of all governmental activities this year was \$8,796,113. As shown in the Statement of Activities, \$1,204,135 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 \$4,184,805 million, various taxes in the amount of \$2,292,475 and the remaining \$725,645 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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Electric	\$ 8,137,903	\$ 4,263,653	\$ 8,564,284	\$ 6,078,306
Water	1,372,447	360,252	1,394,482	201,419
Sewer	1,594,883	298,247	1,520,175	243,468
Non-major	2,538,274	478,634	2,144,943	867,625
	<u>\$ 13,643,507</u>	<u>\$ 5,400,786</u>	<u>\$ 13,623,884</u>	<u>\$ 7,390,818</u>

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Business Type Activities

Net assets of the Proprietary Funds at September 30, 2016 were \$7,050,505, which was up from \$5,799,896 in fiscal year 2015. Transfers from the Utility Funds to the General Fund were \$4,184,805 million in fiscal year 2016 compared to 4,537,930 in fiscal year 2015.

It is noteworthy that the Proprietary Funds net revenue decreased from \$7,390,818 in fiscal year 2015 to \$5,400,786 in fiscal year 2016.

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 2016, the City's governmental funds reported combined ending fund balance of \$1,223,599. This represents an increase of \$384,783 when compared to fund balances in fiscal year 2015 which was \$838,816.

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, 2016, amounts to \$25,885,599 (net of accumulated depreciation) compared to \$27,931,803 at September 30, 2015. The decrease of \$2,046,204 million resulted primarily from depreciation.

CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Table 6
Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,606,224	\$ 4,606,224	\$ 1,611,475	\$ 1,611,475	\$ 6,217,699	\$ 6,217,699
Buildings and Improvements	5,246,749	4,935,713	25,050,855	25,050,855	30,297,604	29,986,568
Improvements other than Buildings	10,652,370	10,651,120	19,580,654	19,580,654	30,233,024	30,231,774
Infrastructure	6,347,418	6,152,319	1,509,415	1,509,415	7,856,833	7,661,734
Furniture, Fixtures, and Equipment	6,494,100	6,369,049	4,505,644	4,505,644	10,999,744	10,874,693
Total Assets	<u>33,346,861</u>	<u>32,714,425</u>	<u>52,258,043</u>	<u>52,258,043</u>	<u>85,604,904</u>	<u>84,972,468</u>
Less Accumulated Depreciation	(27,857,326)	(26,341,660)	(31,861,979)	(30,699,005)	(59,719,305)	(57,040,665)
Total Capital Assets	<u>\$ 5,489,535</u>	<u>\$ 6,372,765</u>	<u>\$ 20,396,064</u>	<u>\$ 21,559,038</u>	<u>\$ 25,885,599</u>	<u>\$ 27,931,803</u>

Additional information on the City's capital assets can be found in Note 6 on page 39 of this report.

Debt

Currently the City uses debt financing on an as needed basis each year. At the end of fiscal year 2016, the City had total debt of \$22,009,182 versus \$23,271,378 for fiscal year 2015, inclusive of Compensated Absences (vacation and sick time owed to employees) which totaled \$356,342 and \$327,969 respectively. Revenue bonds amounted to \$15,168,000 for fiscal year 2016. Notes payable in the amount of \$5,365,105 for fiscal year 2015 and \$4,949,595 for fiscal year 2016 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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$ 3,478,000	\$ 3,752,000	\$ 11,690,000	\$ 12,130,000	\$ 15,168,000	\$ 15,882,000
Capitalized Leases	113,652	125,328	1,022,876	1,127,957	1,136,528	1,253,285
Compensated Absences	269,704	245,405	86,638	82,564	356,342	327,969
Notes Payable	93,442	137,872	4,856,153	5,227,233	4,949,595	5,365,105
Landfill	-	-	398,717	443,019	398,717	443,019
Total Outstanding Debt	<u>\$ 3,954,798</u>	<u>\$ 4,260,605</u>	<u>\$ 18,054,384</u>	<u>\$ 19,010,773</u>	<u>\$ 22,009,182</u>	<u>\$ 23,271,378</u>

Additional information on the City's debt can be found in Note 7 on page 40 of this report.

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 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. The Gadsden Art Center is in the process of a \$600,000 remodeling and expansion.

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.

CITY OF QUINCY, FLORIDA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

CITY OF QUINCY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental	Business-Type	
Assets	Activities	Activities	Total
Cash and Cash Equivalents	\$ 603,556	\$ 370,199	\$ 973,754
Investments	699,220	671,259	1,370,480
Accounts Receivables, Net	25,232	2,029,152	2,054,384
Assessment Receivables	172,699	-	172,699
Due from Other Governments	500,716	-	500,716
Inventories	-	464,607	464,607
Restricted Assets:			
Restricted Cash and Investments	-	3,626,523	3,626,523
Capital Assets:			
Nondepreciable	4,606,224	1,611,475	6,217,699
Depreciable, Net	883,311	19,091,887	19,975,199
Internal Balances	13,112	1,799,829	1,812,941
Total Assets	7,504,070	29,664,931	37,169,001
Deferred Outflows of Resources			
Deferred Outflows for Pensions	924,656		924,656
Liabilities			
Accounts Payable	189,733	1,125,203	1,314,935
Accrued Payroll	301,914	73,787	375,700
Accrued Interest	-	317,438	317,438
Accrued Compensated Absences	-	21,659	21,659
Bonds and Notes Payable	-	975,132	975,132
Customer Deposits	-	1,403,786	1,403,786
Unearned Revenue	-	-	-
Rate Stabilization	-	-	-
Noncurrent Liabilities:			
Accrued Compensated Absences	269,704	64,978	334,682
Bonds and Notes Payable	3,685,094	16,593,897	20,278,991
Net Pension Liability	2,768,435	-	2,768,435
Internal Balances	173,112	1,639,829	1,812,941
Other Postemployment Benefits Liability	2,514,288	-	2,514,288
Landfill Closure	-	398,717	398,717
Total Liabilities	9,902,279	22,614,425	32,516,704
Deferred Inflows of Resources			
Deferred Inflows for Pensions	202,202	-	202,202
Net Position			
Net Investment in Capital Assets	1,804,441	3,078,670	4,883,111
Restricted for:			
Debt Service	97,483	3,626,523	3,724,006
Public Safety	25,796	-	25,796
Economic Environment	423,401	-	423,401
Unrestricted	(4,026,876)	345,313	(3,681,564)
Total Net Position	\$ (1,675,755)	\$ 7,050,506	\$ 5,374,750

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General Government	\$ 2,713,570	\$ 152,590	\$ -	\$ -	\$ (2,560,980)	\$ -	\$ (2,560,980)
Public Safety	3,771,990	509,533	-	-	(3,262,457)	-	(3,262,457)
Physical Environment	203,021	-	-	311,036	108,015	-	108,015
Transportation	1,058,963	-	-	185,195	(873,768)	-	(873,768)
Economic Environment	450,692	-	-	-	(450,692)	-	(450,692)
Culture and Recreation	504,795	45,782	-	-	(459,013)	-	(459,013)
Interest on Long-term Debt	93,082	-	-	-	(93,082)	-	(93,082)
Total Governmental Activities	8,796,113	707,905	-	496,230	(7,591,978)	-	(7,591,978)
Business- Type Activities							
Water Fund	1,372,447	1,732,699	-	-	-	360,252	360,252
Electric Fund	8,137,903	12,401,557	-	-	-	4,263,653	4,263,653
Wastewater Fund	1,594,883	1,845,165	47,966	-	-	298,247	298,247
Non-Major Funds	2,538,274	3,016,908	-	-	-	478,634	478,634
Total Business-type Activities	13,643,507	18,996,328	47,966	-	-	5,400,787	5,400,787
Total Primary Government	\$ 22,439,620	\$ 19,704,234	\$ 47,966	\$ 496,230	(7,591,978)	5,400,787	(2,191,191)

General Revenues

Taxes:			
Property Taxes	948,550	-	948,550
Tax Increment	420,755	-	420,755
Utility Service Tax	220,764	-	220,764
Discretionary Sales Surtax	473,891	-	473,891
Local Option Gas Tax	228,515	-	228,515
Sales Tax and Other Shared Revenues	524,131	-	524,131
Investment Earnings	57,316	34,627	91,944
Miscellaneous	144,198	-	144,198
Transfers	4,184,805	(4,184,805)	-
Total General Revenues and Transfers	7,202,925	(4,150,178)	3,052,747
Change in Net Position	(389,052)	1,250,609	861,557
Net Position Beginning of Year (As Restated)	(1,286,703)	5,799,896	4,513,193
Net Position End of Year	\$ (1,675,755)	\$ 7,050,505	\$ 5,374,750

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 267,896	\$ 212,380	\$ 123,279	\$ 603,556
Investments	699,220	-	-	699,220
Receivables (Net)	25,232	-	-	25,232
Assessment Receivables (Net)	172,699	-	-	172,699
Due from Other Governments	266,130	234,586	-	500,716
Advances to Other Funds	13,112	-	-	13,112
Total Assets	<u>1,444,289</u>	<u>446,966</u>	<u>123,279</u>	<u>2,014,535</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	182,261	7,472	-	189,733
Accrued Expenses	298,932	2,981	-	301,914
Due to Other Governments	-	-	-	-
Advances from Other Funds	160,000	13,112	-	173,112
Unearned Revenue	-	-	-	-
Total Liabilities	<u>641,193</u>	<u>23,565</u>	<u>-</u>	<u>664,758</u>
Deferred Inflows of Resources	<u>126,177</u>	<u>-</u>	<u>-</u>	<u>126,177</u>
Fund Balances				
Nonspendable:				
Prepays	-	-	-	-
Advances to Other Funds	13,112	-	-	13,112
Restricted for:				
Law Enforcement	-	-	25,796	25,796
Physical Environment	-	-	-	-
Economic Environment	-	423,401	-	423,401
Debt Service	-	-	97,483	97,483
Assigned	142,000	-	-	142,000
Unassigned	521,807	-	-	521,807
Total Fund Balances	<u>676,919</u>	<u>423,401</u>	<u>123,279</u>	<u>1,223,599</u>
Total Liabilities and Fund Balance	<u>\$ 1,444,289</u>	<u>\$ 446,966</u>	<u>\$ 123,279</u>	<u>\$ 2,014,534</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, 2016

Total Fund Balances of Governmental Funds			\$ 1,223,599
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.			5,489,535
Receivables that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds.			126,177
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
	(3,685,094)		
Other postemployment benefits	(2,514,288)		
Net pension liability	(2,768,435)		
Compensated absences	(269,704)	(9,237,521)	
The net pension asset is not a current financial resource and, therefore, is not reported in governmental funds.			-
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds.			
Deferred outflows of resources for pensions	924,656		
Deferred inflows of resources for pensions	(202,202)	722,454	
Total Net Position of Governmental Activities			<u><u>\$ (1,675,755)</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, 2016

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,871,720	\$ -	\$ -	\$ 1,871,720
Tax Increment	-	420,755	-	420,755
Licenses and Permits	115,627	-	-	115,627
Intergovernmental Revenues	775,916	311,036	-	1,086,952
Charges for Services	455,622	-	-	455,622
Fines and Foreitures	29,483	-	-	29,483
Miscellaneous Revenues	193,129	45,240	108	238,477
Total Revenues	<u>3,441,498</u>	<u>777,031</u>	<u>108</u>	<u>4,218,636</u>
Expenditures				
Current:				
General Government	1,963,580	-	-	1,963,580
Public Safety	3,337,915	-	-	3,337,915
Physical Environment	185,639	-	-	185,639
Transportation	655,421	-	-	655,421
Economic Environment	145,813	290,226	-	436,039
Culture and Recreation	384,440	-	-	384,440
Debt Service:	-	-	-	-
Principal	56,106	-	274,000	330,106
Interest	6,820	-	86,262	93,082
Capital Outlay	321,400	311,036	-	632,436
Total Expenditures	<u>7,057,134</u>	<u>601,262</u>	<u>360,262</u>	<u>8,018,657</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,615,636)</u>	<u>175,769</u>	<u>(360,154)</u>	<u>(3,800,021)</u>
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Transfers In	4,758,997	-	330,000	5,088,997
Transfers Out	(904,191)	-	-	(904,191)
Total Other Financing Sources (Uses)	<u>3,854,805</u>	<u>-</u>	<u>330,000</u>	<u>4,184,805</u>
Net Change in Fund Balances	239,169	175,769	(30,154)	384,784
Fund Balances, Beginning of Year	<u>437,750</u>	<u>247,633</u>	<u>153,433</u>	<u>838,816</u>
Fund Balances, End of Year	<u>\$ 676,919</u>	<u>\$ 423,401</u>	<u>\$ 123,279</u>	<u>\$ 1,223,600</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds.	\$	384,784
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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	632,436	
Less: Current Year Depreciation	<u>(1,515,666)</u>	(883,230)

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.		330,106
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The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.		-
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Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:

Deferred Inflows Related to Pensions	(25,313)	
Deferred Outflows Related to Pensions	<u>555,009</u>	529,696

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Changes in Compensated Absences	(24,297)	
Change in Other Postemployment Benefits	(581,366)	
Change in Net Pension Liability	<u>(148,365)</u>	(754,028)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds		3,620
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Change in Net Position of Governmental Activities	\$	<u>(389,052)</u>
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CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION-PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds					Business-Type
	Major Funds			Non-Major Funds	Total	Activities
	Water Fund	Electric Fund	Wastewater Fund		Enterprise Funds	Internal Service Fund
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 241,457	\$ 47,703	\$ 670	\$ 79,994	\$ 369,824	\$ 375
Investments	363,329	307,930	-	-	671,259	-
Receivables (Net)	226,501	1,300,948	216,608	285,095	2,029,152	-
Prepaid Items	-	-	-	-	-	-
Inventories	77,009	383,495	2,093	2,010	464,607	-
Total Current Assets	<u>908,296</u>	<u>2,040,077</u>	<u>219,371</u>	<u>367,099</u>	<u>3,534,842</u>	<u>375</u>
Noncurrent Assets						
Restricted Assets:						
Restricted Cash and Cash Equivalents	1,714,285	840,645	456,756	388,213	3,399,898	226,625
Total Restricted Assets	<u>1,714,285</u>	<u>840,645</u>	<u>456,756</u>	<u>388,213</u>	<u>3,399,898</u>	<u>226,625</u>
Capital Assets:						
Land and Land Improvements	400,323	403,717	403,717	403,717	1,611,475	-
Property, Plant and Equipment	14,329,839	19,027,379	9,364,994	1,804,306	44,526,519	6,427,348
(Accumulated Depreciation)	(10,461,591)	(12,561,548)	(4,590,766)	(1,804,306)	(29,418,211)	(2,443,768)
Total Net Capital Assets	<u>4,268,571</u>	<u>6,869,549</u>	<u>5,177,945</u>	<u>403,717</u>	<u>16,719,782</u>	<u>3,983,580</u>
Other Assets:						
Advances to other Funds	479,943	360,000	479,943	479,943	1,799,829	-
Total Noncurrent Assets	<u>6,462,799</u>	<u>8,070,193</u>	<u>6,114,643</u>	<u>1,271,873</u>	<u>21,919,509</u>	<u>4,210,205</u>
Total Assets	<u>\$ 7,371,095</u>	<u>\$ 10,110,270</u>	<u>\$ 6,334,014</u>	<u>\$ 1,638,972</u>	<u>\$ 25,454,351</u>	<u>\$ 4,210,580</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION-PROPRIETARY
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds					Business-Type Activities Internal Service Fund
	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Total Enterprise Funds	
Liabilities						
Current Liabilities						
Accounts Payable	\$ 15,416	\$ 797,136	\$ 80,604	\$ 224,561	\$ 1,117,717	\$ 7,485
Accrued Payroll	6,275	51,684	6,274	7,587	71,820	1,967
Due to other Governments	-	-	-	-	-	-
Accrued Interest Payable	86,382	81,416	55,663	17,351	240,813	76,625
Current Portion:	-	-	-	-	-	-
Bonds Payable	95,800	97,600	95,800	20,800	310,000	150,000
Notes Payable	161,735	-	224,408	-	386,143	12,977
Capitalized Leases Payable	19,336	61,874	34,804	-	116,013	-
Compensated Absences Payable	3,656	8,455	3,656	5,067	20,835	825
Other Accruals	-	-	-	-	-	-
Total Current Liabilities	<u>388,599</u>	<u>1,098,165</u>	<u>501,210</u>	<u>275,366</u>	<u>2,263,340</u>	<u>249,879</u>
Noncurrent Liabilities						
Customer Deposits	23,223	1,371,945	-	8,618	1,403,786	-
Advances from Other Funds	-	1,439,829	200,000	-	1,639,829	-
Long-term Portion:	-	-	-	-	-	-
Bonds Payable	2,159,500	3,294,000	2,159,500	702,000	8,315,000	2,915,000
Notes Payable	3,196,649	-	1,260,384	-	4,457,033	-
Capitalized Lease Payable	151,144	483,661	272,059	-	906,864	-
Compensated Absences	10,969	25,366	10,969	15,200	62,504	2,474
Land Fill Closure Liability	-	-	-	398,717	398,717	-
Total Noncurrent Liabilities	<u>5,541,485</u>	<u>6,614,801</u>	<u>3,902,912</u>	<u>1,124,535</u>	<u>17,183,732</u>	<u>2,917,474</u>
Total Liabilities	<u>5,930,084</u>	<u>7,712,966</u>	<u>4,404,122</u>	<u>1,399,900</u>	<u>19,447,072</u>	<u>3,167,353</u>
Net Position						
Net Investment in Capital Assets	(1,515,592)	2,932,415	1,075,327	(319,083)	2,173,067	905,603
Restricted for:						
Debt Service	1,714,285	840,645	456,756	388,213	3,399,898	226,625
Unrestricted	1,242,318	(1,375,755)	397,810	169,941	434,314	(89,001)
Total Net Position	<u>1,441,011</u>	<u>2,397,304</u>	<u>1,929,892</u>	<u>239,071</u>	<u>6,007,279</u>	<u>1,043,227</u>
Total Liabilities and Net Position	<u>\$ 7,371,095</u>	<u>\$ 10,110,270</u>	<u>\$6,334,014</u>	<u>\$1,638,971</u>	<u>\$ 25,454,350</u>	<u>\$ 4,210,580</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds				Business-Type Activities Internal Service Fund
	Water Fund	Major Funds Electric Fund	Wastewater Fund	Non-Major Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 1,616,052	\$ 12,225,932	\$ 1,845,165	\$ 2,894,357	\$ 18,581,505
Interfund Charges	116,647	175,625	-		292,272
Total Operating Revenue	<u>1,732,699</u>	<u>12,401,557</u>	<u>1,845,165</u>	<u>2,894,357</u>	<u>18,873,777</u>
Operating Expenses					
Purchase Power	-	6,443,927	-	645,732	7,089,659
Personal Service	172,076	380,438	170,431	202,701	925,646
Contractual Service	353,255	60,766	761,135	1,151,733	2,326,888
Supplies	4,324	53,560	1,942	3,643	63,469
Repairs and Maintenance	22,825	80,298	23,231	16,963	143,317
Utility/Telephone	93,394	130,240	208,560	7,045	439,239
Shared Service	25,398	221,373	45,311	122,983	415,064
Depreciation	466,359	518,582	204,377	(26,343)	1,162,975
Other Expenses	7,132	50,612	4,923	63,906	126,573
Bad Debt	-	-	-	-	-
IT- Support	8,000	8,000	8,000	9,563	33,563
(Total Operating Expenses)	<u>(1,152,762)</u>	<u>(7,947,795)</u>	<u>(1,427,910)</u>	<u>(2,197,926)</u>	<u>(12,726,394)</u>
Operating Income	<u>579,937</u>	<u>4,453,761</u>	<u>417,255</u>	<u>696,431</u>	<u>6,147,383</u>
Non-Operating (Expenses)					
Capital Grants	-	-	47,966		47,966
Interest Income	2,521	12,336	26	23	14,906
Interest Expenses	(219,685)	(190,108)	(166,973)	(34,702)	(611,468)
Investment Gains and Losses	12,666	7,055	-	-	19,721
Total Non-Operating Revenues					
(Expenses)	<u>(204,497)</u>	<u>(170,716)</u>	<u>(118,982)</u>	<u>(34,679)</u>	<u>(528,875)</u>
Income Before Transfers	<u>375,439</u>	<u>4,283,045</u>	<u>298,273</u>	<u>661,751</u>	<u>5,618,508</u>
Operating Transfers					
Transfers In	-	-	141,000	36,000	177,000
Transfers Out	(275,286)	(4,083,217)	-	(541,494)	(4,899,997)
Total Operating Transfers	<u>(275,286)</u>	<u>(4,083,217)</u>	<u>141,000</u>	<u>(505,494)</u>	<u>(4,722,997)</u>
Extraordinary Item					
Change in Net Position	<u>100,153</u>	<u>199,828</u>	<u>439,273</u>	<u>156,257</u>	<u>895,512</u>
Net Position, Beginning of Year	1,340,857	2,197,476	1,490,619	82,814	5,111,767
Net Position, End of Year	<u>\$ 1,441,011</u>	<u>\$ 2,397,304</u>	<u>\$ 1,929,892</u>	<u>\$ 239,072</u>	<u>\$ 6,007,279</u>
					<u>\$ 1,043,227</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities						
Cash Received from Customers and Others	\$ 1,692,353	\$ 12,207,134	\$ 1,806,071	\$2,838,058	\$ 18,543,616	\$ 146,551
Cash Paid to Employees	(170,187)	(369,874)	(168,541)	(199,016)	(907,618)	(60,039)
Cash Paid to Suppliers	(559,449)	(7,964,221)	(1,117,711)	(2,066,695)	(11,708,076)	(89,020)
Net Cash Provided by (Used in) Operating Activities	<u>962,717</u>	<u>3,873,039</u>	<u>519,819</u>	<u>572,347</u>	<u>5,927,922</u>	<u>(2,508)</u>
Cash Flows from Noncapital Financing Activities						
Amounts Received from Other Funds	-	-	47,966	-	47,966	-
Operating Transfers In	-	-	141,000	36,000	177,000	538,191
Operating Transfers Out	(275,286)	(4,083,217)	-	(541,494)	(4,899,997)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(275,286)</u>	<u>(4,083,217)</u>	<u>188,966</u>	<u>(505,494)</u>	<u>(4,675,031)</u>	<u>538,191</u>
Cash Flows from Capital and Related Financing Activities						
Loan Proceeds	-	-	-	-	-	-
Principal Payments on Debt	(266,116)	(150,593)	(332,384)	(20,150)	(769,243)	(151,284)
Interest Payments on Debt	(221,794)	(191,643)	(169,082)	(35,030)	(617,549)	(157,399)
Purchase of Fixed Assets	(45,857)	(206,000)	(55,441)	-	(307,298)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(533,767)</u>	<u>(548,236)</u>	<u>(556,907)</u>	<u>(55,180)</u>	<u>(1,694,090)</u>	<u>(308,683)</u>
Cash Flows from Investing Activities						
Interest Received	2,521	1,119	26	23	3,689	-
Investment Activity	648,127	-	-	-	648,127	-
Net Cash Provided from Investing	<u>650,648</u>	<u>1,119</u>	<u>26</u>	<u>23</u>	<u>651,816</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	804,312	(757,295)	151,904	11,696	210,617	227,000
Cash and Cash Equivalents, Beginning of Year	1,151,430	1,645,643	305,522	456,511	3,559,106	-
Cash and Cash Equivalents, End of Year	<u>\$ 1,955,742</u>	<u>\$ 888,348</u>	<u>\$ 457,426</u>	<u>\$ 468,207</u>	<u>\$ 3,769,723</u>	<u>\$ 227,000</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Total Enterprise Funds	Internal Service Funds
<u>Included on the Accompanying Balance Sheet</u>						
<u>Under the Following Captions</u>						
Cash and Cash Equivalents	\$ 241,457	\$ 47,703	\$ 670	\$ 47,703	\$ 337,533	\$ 375
Restricted Assets:						
Cash and Cash Equivalents	1,714,285	840,645	456,756	420,504	3,432,190	226,625
Total	<u>1,955,742</u>	<u>888,348</u>	<u>457,426</u>	<u>468,207</u>	<u>3,769,723</u>	<u>227,000</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)	579,937	4,453,761	417,255	696,431	6,147,384	(29,258)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	466,359	518,582	204,377	(26,343)	1,162,975	-
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease)						
Inventory	8,241	2,707	106	2,394	13,448	-
Accounts Receivable, Net	(39,681)	(252,459)	(39,094)	(55,323)	(386,557)	-
Accounts Payable	(53,363)	(918,152)	(64,716)	(47,521)	(1,083,752)	2,124
Accrued Payroll	2,368	30,267	2,368	2,853	37,856	408
Due to Other Governments	-	-	-	-	-	-
Rate Stabilization	-	(200,062)	-	-	(200,062)	-
Advances to other Funds	-	-	-	-	-	24,000
Compensated Absences	(479)	(19,703)	(477)	832	(19,827)	218
Customer Deposits	(665)	258,098	-	(976)	256,457	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 962,717</u>	<u>\$ 3,873,039</u>	<u>\$ 519,819</u>	<u>\$ 572,347</u>	<u>\$ 5,927,922</u>	<u>\$ (2,508)</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION-FIDUCIARY FUND
SEPTEMBER 30, 2016

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 14,231	\$ 206,140	\$ 220,370
Investments	6,201,505	6,385,979	12,587,484
Receivables	-	79,495	79,495
Total Current Assets	<u>6,215,736</u>	<u>6,671,613</u>	<u>12,887,349</u>
Total Assets	<u><u>6,215,736</u></u>	<u><u>6,671,613</u></u>	<u><u>12,887,349</u></u>
Net Assets			
Held in Trust for Pension Benefits	6,215,736	6,671,613	12,887,349
Total Net Assets	<u><u>\$ 6,215,736</u></u>	<u><u>\$ 6,671,613</u></u>	<u><u>\$ 12,887,349</u></u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-FIDUCIARY FUND
SEPTEMBER 30, 2016

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
Additions			
Contributions			
Plan Members	\$ -	\$ 74,620	\$ 74,620
City	359,485	324,161	683,645
State	-	100,512	100,512
Total Contributions	<u>359,485</u>	<u>499,292</u>	<u>858,777</u>
Investment Income (Loss):			
Net Realized and Unrealized Gains	332,458	176,546	509,004
Interest and Dividends	370,113	164,193	534,306
Net Investment Income	<u>702,571</u>	<u>340,739</u>	<u>1,043,310</u>
Total Additions	<u>1,062,056</u>	<u>840,031</u>	<u>1,902,087</u>
Deductions			
Benefits Payments	634,517	696,094	1,330,611
Administrative Expenses	-	92,270	92,270
Total Deductions	<u>634,517</u>	<u>788,364</u>	<u>1,422,881</u>
Change in Net Position	427,538	51,667	479,205
Net Position - Beginning of Year	5,788,197	6,619,946	12,408,144
Net Assets - End of Year	<u>\$ 6,215,736</u>	<u>\$ 6,671,613</u>	<u>\$ 12,887,349</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, refuse collection, and a landfill.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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. 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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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

- **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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2016.

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

- **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.

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.

Deferred Outflows, Deferred Inflows, and Net Position

GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

GASB Statement 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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.

Budgets and Budgetary Accounting

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

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Concluded)

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, 2016, the following funds had deficit fund balances:

Fund	Type	Deficit
Refuse Fund	Proprietary	\$ (22,857)
Landfill Fund	Proprietary	\$ (351,590)

Note 2 - Cash, Cash Equivalents, and Investments

Deposits and investments as of September 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 973,754
Total Cash and Cash Equivalents	<u>973,754</u>
Restricted:	
Cash and Investments	3,626,523
Total Cash and Investments	<u>\$ 4,600,277</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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, 2016:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Certificates of Deposit	\$ 100,000	NA	<180 days
Externally Managed Portfolio			
Cantella	<u>1,270,480</u>	NA	NA
Total Externally Managed Portfolio	<u>1,270,480</u>		
Total Investment	<u>\$1,370,480</u>		

As of September 30, 2016, the value of the General Employees' Retirement Savings Plan's investment with their respective credit ratings, were as follows:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Externally Managed Portfolio			
American Funds	<u>\$6,215,736</u>	NA	NA
Total Externally Managed Portfolio	<u>\$6,215,736</u>		

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

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

As of September 30, 2016, the value of the City's deposits and investments in the Police and Fire Supplemental activities, with their respective credit ratings, were as follows:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Externally Managed Portfolio (Salem Trust Company)			
Stocks	\$3,695,663	NA	NA
Corporate Bonds	474,134	AAA	NA
Federal Agency Guaranteed Securities	66,602	AAA	NA
US Bonds and Bills	401,513	AAA	NA
Mutual Funds	1,748,067	NA	NA
Total Externally Managed Portfolio	<u>\$6,385,979</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.

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, 2016, were \$4,600,277 (exclusive of externally managed portfolio). Due to the nature of the City's cash and investments, there is no exposure to credit risk, interest rate risk, custodial credit risk or concentration of credit risk.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 3 - Restricted Assets

Various restrictions on deposits and investments are summarized below:

Business-Type Activities

Restricted by Third Party	
Smart Grid Cash from Bond Issue	\$ 1,377,439
Cash with Fiscal Agent (Series 2003 Bonds)	746,223
Cash held for Debt Service (Series 2003 Bonds)	77,070
Cash Held for Debt Service Drinking Loan	530,257
Financial Assurance Landfill Closure	44,771
Total Restricted Cash and Investments	<hr/> <u>\$ 2,775,760</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, \$746,223, other debt of \$77,070 (b) amounts restricted for payments of drinking water loan, \$530,257; and (c) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement Bond and Loan Covenants, \$1,377,439.

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 2015 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 \$398,717 for post closure care costs, were filed with the Florida Department of Environmental Protection on September 11, 2016. The amount was based on an estimated annual monitoring expense of \$44,302 multiplied by the number of years the City is required to monitor the closed landfill. Since the entire landfill site is now closed, the post closure care cost requirement is applicable. The restricted cash of \$44,934 is sufficient for monitoring requirements.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 4 - Inventory

Inventory at September 30, 2016, consists of the following:

Electric Utility Supplies	\$ 383,495
Water, Wastewater, and Gas Supplies	81,112
Total	<u>\$ 464,607</u>

Note 5 - Receivables

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

	Governmental Activities		Proprietary Fund Activities	
	General	Water	Electric	Waste Water
Accounts Receivable	\$ 25,232	\$ 369,860	\$ 1,870,042	\$ 329,710
Less Allowance for Bad Debt	-	(143,359)	(569,094)	(113,102)
Net Accounts Receivable	<u>\$ 25,232</u>	<u>\$ 226,501</u>	<u>\$ 1,300,948</u>	<u>\$ 216,608</u>

		Proprietary Fund Activities		
	Gas	Refuse	Landfill	Total
Accounts Receivable	\$ 206,047	\$ 236,455	\$ 13,980	\$3,051,326
Less Allowance for Bad Debt	(92,619)	(78,768)	-	(996,942)
Net Accounts Receivable	<u>\$ 113,428</u>	<u>\$ 157,687</u>	<u>\$ 13,980</u>	<u>\$ 2,054,384</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 6 - Capital Assets

	Balance September 30, 2015	Increase	Decrease	Balance September 30, 2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,606,224	\$ -	\$ -	\$ 4,606,224
Total Capital Assets, Not Being Depreciated	4,606,224	-	-	4,606,224
Capital Assets, Being Depreciated:				
Building and Improvements	4,935,713	311,036	-	5,246,749
Improvements other than Buildings	10,651,120	1,250	-	10,652,370
Infrastructure	6,152,319	195,099	-	6,347,418
Equipment and Other	6,369,049	125,051	-	6,494,100
Total Capital Assets, Being Depreciated	28,108,201	632,436	-	28,740,637
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,004,625)	(280,633)	-	(4,285,258)
Improvements other than Buildings	(4,844,269)	(358,142)	-	(5,202,411)
Infrastructure	(6,466,500)	(157,276)	-	(6,623,776)
Equipment and Other	(11,026,266)	(719,615)	-	(11,745,881)
Total Accumulated Depreciation	(26,341,660)	(1,515,666)	-	(27,857,326)
Total Capital Assets, Being Depreciated, Net	1,766,541	(883,230)	-	883,311
Total Governmental Capital Assets, Net	\$ 6,372,765	\$ (883,230)	\$ -	\$ 5,489,535
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,611,475	\$ -	\$ -	\$ 1,611,475
Total Capital Assets, Not Being Depreciated	1,611,475	-	-	1,611,475
Capital Assets, Being Depreciated				
Buildings	25,050,855	-	-	25,050,855
Utility, Plant Equipment and Improvements	19,580,654	237,550	(2,618)	19,820,822
Infrastructure	1,509,415	-	-	1,509,415
Equipment and Other	4,505,644	66,524	-	4,572,168
Total Capital Assets, Being Depreciated	50,646,568	304,074	(2,618)	50,953,260
Less Accumulated Depreciation for:				
Buildings	(16,311,593)	(708,878)	-	(17,020,471)
Utility, Plant Equipment and Improvements	(10,909,061)	(438,331)	-	(11,347,392)
Equipment and Other	(3,478,350)	(15,766)	-	(3,494,116)
Total Accumulated Depreciation	(30,699,004)	(1,162,975)	-	(31,861,979)
Total Capital Assets, Being Depreciated, Net	19,947,564	(858,901)	(2,618)	19,091,280
Total Business-Type Capital Assets, Net	\$ 21,559,039	\$ (858,901)	\$ (2,618)	\$ 20,702,755

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 571,744
Public Safety	512,454
Transportation	344,066
Culture and Recreation	85,469
Economic Development	1,389
Physical Environment	544
Total	\$ 1,515,666

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 7 - Long Term Debt

	September 30, 2015	Additions	Reductions	September 30, 2016
<u>Governmental Funds:</u>				
General Fund:				
Capital Improvement Refunding Revenue Bond 2012	\$ 3,752,000	\$ -	\$ 274,000	\$ 3,478,000
Honeywell Lease (Gov't Portion)	125,328	-	11,676	113,652
Equipment Loan Police Cars	95,637	-	27,378	68,259
Equipment Loan Public Works & Net Quincy (PW Portion)	42,235	-	17,052	25,183
Compensated Absences	245,405	24,299	-	269,704
Net Pension Liability	2,620,070	148,365	-	2,768,435
Other Post Employment Benefits Liability	1,932,922	581,366	-	2,514,288
Total General Fund Debt	8,813,597	754,030	330,106	9,237,521
Total Governmental Activities Long Term Debt	\$ 8,813,597	\$ 754,030	\$ 330,106	\$ 9,237,521
<u>Business-Type Activities:</u>				
Electric Fund:				
Utility System Series 2011 Bonds	\$ 3,486,150	\$ -	\$ 94,550	\$ 3,391,600
Honeywell Lease (Electric Portion)	601,577	-	56,043	545,534
Compensated Absences	32,923	898	-	33,821
Total General Long Term Debt: Electric Fund	4,120,650	898	150,593	3,970,956
Water Fund:				
Utility System Series 2003 Bonds	1,603,750	-	71,250	1,532,500
Utility System Series 2011 Bonds	742,950	-	20,150	722,800
State Revolving Loan - Project No. DW2006010	3,515,587	-	157,203	3,358,384
Honeywell Lease (Water Portion)	187,993	-	17,514	170,479
Compensated Absences	15,103	-	478	14,625
Total General Long Term Debt: Water Fund	6,065,383	-	266,595	5,798,788
Sewer Fund:				
Utility System Series 2003 Bonds	1,603,750	-	71,250	1,532,500
Utility System Series 2011 Bonds	742,950	-	20,150	722,800
State Revolving Loan - Project No. CS12064107P	1,038,303	-	197,232	841,071
State Revolving Loan - Project No. 200100	440,121	-	12,227	427,894
State Revolving Loan - Project No. 641090	215,827	-	-	215,827
Honeywell Lease (Sewer Portion)	338,387	-	31,524	306,863
Compensated Absences	15,103	-	478	14,625
Total General Long Term Debt: Sewer Fund	4,394,442	-	332,862	4,061,580
Gas Fund:				
Utility System Series 2011 Bonds	742,950	-	20,150	722,800
Compensated Absences	9,158	2,321	-	11,479
Total General Long Term Debt: Gas Fund	752,108	2,321	20,150	734,279
Landfill Fund:				
Compensated Absences	7,225	1,563	-	8,788
Estimated Landfill Closure and Post Closure	443,019	-	44,302	398,717
Total General Long Term Debt: Landfill Fund	450,244	1,563	44,302	407,505
Internal Service Fund:				
Compensated Absences	3,082	218	-	3,299
Utility System Series 2003 Bonds	3,207,500	-	142,500	3,065,000
Equipment Loan Public Works & Net Quincy (NQ Portion)	21,761	-	8,784	12,977
Total General Long Term Debt: Internal Service Fund	3,232,343	218	151,284	3,081,276
Total General Long Term Debt				
all Non-Governmental Funds	\$ 19,015,169	\$ 5,000	\$ 965,786	\$ 18,054,383

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 7 - Long Term Debt (Continued)

	September 30, 2015	Additions	Reductions	September 30, 2016	Due Within One Year
<u>Governmental Activities:</u>					
Bonds:					
Capital Improvement Refunding Revenue Bond 2012	\$ 3,752,000	\$ -	\$ 274,000	\$ 3,478,000	\$ -
Capitalized Leases:					
Honeywell Lease (Gov't Portion)	125,328	-	11,676	113,652	12,890
Notes Payable:					
Equipment Loan Police Cars	95,637	-	27,378	68,259	24,603
Equipment Loan Public Works & Net Quincy (PW Portion)	42,235	-	17,052	25,183	17,074
Compensated Absences	245,405	24,299	-	269,704	67,426
Net Pension Liability	2,620,070	148,365	-	2,768,435	-
Other Post Employment Benefits Liability	1,932,922	581,366	-	2,514,288	-
Total Governmental Activities Debt	\$ 8,813,597	\$ 754,030	\$ 330,106	\$ 9,237,521	\$ 121,993
<u>Business-Type Activities:</u>					
Bonds:					
Utility System Series 2003 Bonds	\$ 6,415,000	\$ -	\$ 285,000	\$ 6,130,000	\$ 300,000
Utility System Series 2011 Bonds	5,715,000	-	155,000	5,560,000	160,000
Notes Payable:					
State Revolving Loan - Project No. DW2006010	3,515,587	-	157,203	3,358,384	161,735
State Revolving Loan - Project No. CS12064107P	1,038,303	-	197,232	841,071	202,314
State Revolving Loan - Project No. 200100	440,121	-	12,227	427,894	22,028
State Revolving Loan - Project No. 641090	215,827	-	-	215,827	31,468
Equipment Loan Public Works & Net Quincy (NQ Portion)	21,761	-	8,784	12,977	8,795
Capitalized Leases:					
Honeywell Lease (Sewer Portion)	338,387	-	31,524	306,863	34,805
Honeywell Lease (Electric Portion)	601,577	-	56,043	545,534	61,875
Honeywell Lease (Water Portion)	187,993	-	17,514	170,479	19,336
Estimated Landfill Closure and Post Closure	443,019	-	44,302	398,717	44,302
Compensated Absences	82,593	5,000	956	86,638	21,659
Total Business-Type Activities Debt	\$ 19,015,169	\$ 5,000	\$ 965,786	\$ 18,054,383	\$ 1,068,317

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, 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, 2016, 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.

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 7 – Long Term Debt (Continued)

Long Term Debt – Business-type Activities

Long-term debt of the City's business-type activities, excluding compensated absences, estimated landfill post-closure costs, and capitalized leases, consists of the following:

\$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, 2015
\$3,450,000	5.0% Term Bonds Due October 1, 2023
\$3,240,000	5.0% Term Bonds Due October 1, 2029

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

The Series 2003 Bonds are payable solely from and secured by a pledge of the net revenues of the City's utility system. The Series 2003 Utility Bonds are subject to redemption prior to their stated dates of maturity at redemption prices equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

\$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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 7 – Long Term Debt (Continued)

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

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

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

The loan was issued in an amount up to \$6,277,772 for the construction of water supply and transmission facilities which bears an annual interest of 2.33% and payable in 40 semiannual payments of \$213,246 including interest, every June 15 and December 15 of each year, starting June 15, 2003 through June 15, 2023, collateralized by revenues from the operation of the water and sewer systems.

State Revolving Loan Note from FDEP (CS12064107P)

The loan was issued in an amount up to \$3,466,732, for 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, 2015, 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 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, 2016. The Note is collateralized by revenues from the operation of the water and sewer systems.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 7 – Long Term Debt (Concluded)

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.

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%. The City entered into a new capital lease for the purchase of 4 new police cars.

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, 2016 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.

Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at September 30, 2016, other than the liability for accumulated vacation and sick leave, is as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 336,744	\$ 89,836	\$ 962,092	\$ 735,083
2018	337,234	80,909	1,003,965	697,986
2019	329,253	72,098	1,049,756	658,682
2020	323,042	63,279	1,095,787	617,312
2021	330,114	55,437	737,435	573,334
2022-2026	1,685,081	157,509	3,627,721	2,389,500
2027-2031	349,000	8,027	5,411,387	1,497,297
2032-2033	-	-	3,438,492	51,481
Total	<u>\$ 3,690,468</u>	<u>\$ 527,095</u>	<u>\$ 17,326,635</u>	<u>\$ 7,220,675</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 8 - Contingencies and Commitments

Electric Purchase Contract

During the fiscal year 2016, the City had purchase power contract with the U.S. Department of Energy, Southern Power Administration (SEPA) and with Florida Municipal Power Agency (FMPA). Under the terms of these contracts, in the given month the City purchased 8,400 kilowatts of its capacity from SEPA and the remainder of its capacity from 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. The City's five-year contract with FMPA in December 2015, and the City entered into an eight-year agreement with Florida Power and Light beginning January 1, 2016. The City may elect to terminate early on December 31, 2021. For the year ended September 30, 2016, the City purchased electric capacity totaling \$6,443,927.

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. For the year ended September 30, 2016, the City purchased gas totaling \$645,732.

Grant Programs

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

Litigation

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

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 8 - Contingencies and Commitments (Concluded)

Accounting for Municipal Landfill Closure and Post Closure Care Costs

At September 30, 2016, the City's total liability for landfill closure and post-closure care costs was approximately \$398,717. The City was notified by Florida Department of Environmental Protection (FDEP) that the Quincy-Byrd Landfill was determined to be closed.

The current liability is based on annual monitory costs of \$44,302 for a period of nine years. The liability was reduced by the annual monitoring expenses estimated. 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 \$44,934. The City currently has the required amount in the cash account.

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, 2016, 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, 2016, the City contributed \$359,484 for eligible employees.

Note 10 - Other Post-Employment Benefits (OPEB)

Plan Description

The City administers a single-employer defined benefit healthcare plan. The plan provides health insurance and prescription drug coverage for eligible retirees and their dependents through the City's health insurance program, which covers both active and retired employees.

Funding Policy

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

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Annual OPEB Cost and Net OPEB Obligation

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

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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

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

Valuation Interest Rate: 4.0%

Health Care Inflation Pre - Post-Medicare: 8.0% in Fiscal 2016 (grading down to 4.0% in Fiscal 2073).

Payroll Growth Assumption: 1.5%

Salary Increase Rate: 4.0%

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

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Valuation Date:	10/1/2012	10/1/2015
Applicable for fiscal year:	<u>9/30/2015</u>	<u>9/30/2016</u>
Annual Required Contribution	\$ 712,832	\$ 803,520
Interest on Net OPEB Obligation	58,416	77,317
Adjustment to Annual Required Contribution	<u>(72,448)</u>	<u>(97,015)</u>
Annual OPEB Cost / (Expense)	\$ 698,800	\$ 783,822
Net Contribution Made	<u>(226,262)</u>	<u>(202,456)</u>
Anticipated Increase in Net OPEB Obligation	\$ 472,538	\$ 581,366
Net OPEB Obligation - Beginning of Year	<u>1,460,384</u>	<u>1,932,922</u>
Estimated OPEB Obligation - End of Year	\$1,932,922	\$2,514,288
Funded Status as of Valuation Date:	<u>10/1/2012</u>	<u>10/1/2015</u>
Actuarial Accrued Liability (AAL)	\$6,399,750	\$7,116,183
Actuarial Value of Assets (AVA)	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$6,399,750	\$7,116,183
Funded Ratio		
Covered Payroll	\$3,804,940	\$3,790,036
Ratio of UAAL to Covered Payroll	168.20%	190.60%

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

Funded Status

As of October 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7.116 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$7.116 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.79 million and the ratio of the UAAL to the covered payroll was 190.6%.

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Three Year Trend Information:

Year Ending	Annual OPEB Cost	Percentage Of OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 783,822	25.80%	\$ 2,514,288
9/30/2015	\$ 698,800	32.40%	\$ 1,932,922
9/30/2014	\$ 663,121	31.80%	\$ 1,460,384

Note 11- Police and Firemen's Supplemental Pension Plan

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Five Members, two of whom, unless prohibited by law shall be legal residents of the municipality, who shall be appointed by the legislative body of the city and one Member of the Board shall be a police officer as defined in F.S. & 185.02 and one Member shall be a firefighter as defined in F.S. & 175.032, respectively, elected by a majority of the active firefighters and police officers who are Members of the plan. The fifth Member shall be chosen by a majority of the previous four Members as provided for herein, and such person's name shall be submitted to the legislative body of the city.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	35
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	28
Active Plan Members	21
	<hr/> 84 <hr/>

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement

Eligibility: Earlier of: 1) age 55 and 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation through April 10, 2007 and 2.5% thereafter, times Credited Service.

Early Retirement

Eligibility: Age 50 and 10 years of Credited Service.

Benefit: Calculated in the same manner as for Normal Retirement, but reduced 3% per year that the Early Retirement Date precedes Normal Retirement.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Vesting

Less than 5 years of Service: Refund of Member Contributions, if any, with 5% interest.

5 years or more: Vested percentage of accrued benefit payable at otherwise Normal Retirement Date.

Percentage determined as follows:

<u>Credited Service</u>	<u>Percentage</u>
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Disability

Eligibility: Service Incurred Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred.)

Pre-Retirement Death Benefits

Hired before 12/31/99: A monthly income which can be provided by greater of

- (a) Single-sum value of accrued deferred monthly retirement income at date of death, or
- (b) The smaller of:
 - 1. 120 times Average Final Compensation at date of death, or
 - 2. 100 times anticipated monthly retirement income at normal retirement.

Hired after 12/30/99:

Vested Monthly accrued benefit payable to designated Beneficiary for life (with the first 120 payments guaranteed) at otherwise Normal Retirement Date.

Non-Vested Refund of accumulated contributions with interest.

Contributions

Member Contributions: 7.5% of Salary.

City and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Investment Policy

The following was the Board's adopted asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation
Domestic Equity	55%
International Equity	10%
Broad Market Fixed Income	20%
Global Fixed Income	5%
Real Estate	10%
Total	100%

Concentrations

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 4.46 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Sponsor

The components of the Net Pension Liability of the Sponsor on September 30, 2016, were as follows:

Total Pension Liability	\$9,854,385
Plan Fiduciary Net Position	(6,671,614)
Sponsor's Net Pension Liability	<u>\$3,182,771</u>
Plan Fiduciary Net Position as a percentage of Total	<u>67.70%</u>

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015, updated to September 30, 2016, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	4.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Mortality Rate: RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. The significant assumptions are based upon the most recent actuarial experience study dated July 30, 2013, for the period 1995-2012.

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Global Fixed Income	3.5%
Real Estate	4.5%

Discount Rate: The discount rate used to measure the Total Pension Liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension liability to Changes in the Discount Rate

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 4,214,840	\$ 3,182,771	\$ 2,312,970

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Change of Assumption

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption by Plan's investment consultant.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in Required Supplementary Information starting on page 57.

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, 2016, expenditures were under appropriations in the City's general fund in most expenditure categories.

Note 14 - Interfund Transfers

Transfers Out	Transfers In					Total
	General Fund	Capital Projects	Debt Service	Waste Water	Internal Service	
General Fund	\$ -	\$ -	\$ 330,000	\$ 36,000	\$ 538,191	\$ 904,191
Electric	4,083,217	-	-	-	-	4,083,217
Water	134,286	-	141,000	-	-	275,286
Refuse	10,329	-	-	-	-	10,329
Gas	531,165	-	-	-	-	531,165
Total	\$ 4,758,997	\$ -	\$ 471,000	\$ 36,000	\$ 538,191	\$ 5,804,188

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 15 - Advances To and From Other Funds

Advances To	Advances From				Total
	General Fund	CRA	Electric	Waste Water	
General Fund	\$ -	\$ 13,112	\$ -	\$ -	\$ 13,112
Electric	160,000	-	-	200,000	360,000
Water	-	-	479,943	-	479,943
Waste Water	-	-	479,943	-	479,943
Gas	-	-	479,943	-	479,943
Total	<u>\$ 160,000</u>	<u>\$ 13,112</u>	<u>\$ 1,439,829</u>	<u>\$ 200,000</u>	<u>\$ 1,812,941</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.
- 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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 16 - Fund Balance (Concluded)

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>CRA</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Law Enforcement	-	-	25,796	-	25,796
Debt Service	-	-	-	97,483	97,483
Economic Environment	-	423,401	-	-	423,401
Capital Projects	-	-	-	-	-
Unassigned	<u>664,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,285</u>
Total Fund Balance	<u>\$ 664,285</u>	<u>\$ 423,401</u>	<u>\$ 25,796</u>	<u>\$ 97,483</u>	<u>\$ 1,210,965</u>

Note 17 – Subsequent Events

Management has evaluated subsequent events through June 20, 2017 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.

CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

CITY OF QUINCY, FLORIDA
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Changes in Net Pension Liability

Reporting Period Ending Measurement Date	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014
Total Pension Liability			
Service Cost	\$ 81,748	\$ 79,756	\$ 75,629
Interest	706,961	707,360	702,446
Change in Funding Standard Account	-	-	(104,969)
Differences Between Expected and Actual Experience	28,822	(139,070)	-
Changes of Assumptions	344,566	-	-
Benefit Payments	(696,094)	(614,276)	(613,357)
Net Change in Total Pension Liability	466,003	33,770	59,749
Total Pension Liability - Beginning	9,388,382	9,354,612	9,294,863
Total Pension Liability - Ending (a)	9,854,385	9,388,382	9,354,612
Plan Fiduciary Net Position			
Contributions - Employer	324,161	173,276	203,047
Contributions - State	100,511	196,371	102,057
Contributions - Employee	74,620	64,890	60,662
Net Investment Income	286,861	(96,294)	713,364
Benefit Payments, including Refunds and Contributions	(696,094)	(614,276)	(613,357)
Administrative Expense	(38,392)	(31,320)	(27,834)
Net Change in Plan Fiduciary Net Position	51,667	(307,353)	437,939
Plan Fiduciary Net Position - Beginning	6,619,947	6,927,300	6,489,361
Plan Fiduciary Net Position - Ending (b)	6,671,614	6,619,947	6,927,300
Net Pension Liability (Asset) (a) - (b)	\$ 3,182,771	\$ 2,768,435	\$ 2,427,312
 Plan Fiduciary Net Position as a percentage of the Total Pension Liabil	 67.70%	 70.51%	 74.05%
 Covered Employee Payroll	 \$ 1,023,306	 \$ 867,717	 \$ 808,824
Net Pension Liability as a percentage of Covered Employee Payroll	311.03%	319.05%	300.10%

Notes to Schedule:

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2016

Schedule of Contributions

Last 10 Fiscal Years

	9/30/2016	9/30/2015	9/30/2014
Actuarial Determined Contribution	\$ 424,672	\$ 369,647	\$ 410,073
Contributions in relation to the Actuarial Determined Contribution	424,672	369,647	410,073
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,023,306	\$ 867,717	\$ 808,824
Contributions as a percentage of Covered Employee Payroll	41.50%	42.60%	50.70%

Notes to Schedule

Valuation Date: 10/01/2015

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method

Amortization Method: Level dollar

Remaining Amortization Period: 22 years (as of 10/1/2015) valuation

Mortality Rate: RP-2000 Combined Healthy Mortality Table, Sex Distinct, Disabled lives are set forward, 5 years. We believe this assumption sufficiently accommodates mortality improvements.

Interest Rate: 7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Normal Retirement:	<u>Credit Service</u>	<u>Probability</u>
	25	50%
	26	25%
	27	67%
	28	50%
	29	50%
	30	100%

In addition to the above table, 100% of retirement is assumed upon the attainment of age 55 with 10 years Credited Service. These rates are based on an experience study issued July 30, 2013.

CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2016

Notes to Schedule (Concluded)

Disability Rate: See table for below sample rates. 75% Disability Retirements are assumed to be service-incurred.

Age	% Becoming Disabled During the Year
25	0.09%
35	0.14%
45	0.24%
55	0.38%

These rates are based on an experience study issued July 30, 2013.

Payroll Growth: None

Salary Increase: 4% per year

Final Salary Load: Projected salary in the year of retirement is increased by 2% to account for non-regular compensation.

Asset Smoothing Methodology: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in an insignificant bias that is above or below the Market Value of Assets.

Termination Rates:	Credit Service	Assumption
	Less than 5 years	20.0%
	5 or more years	5.0%

Early Retirement: Commencing at the eligibility for Early Retirement, Members are assumed to retire with an immediate subsidized benefit at the rate of 20% per year. This rate is based on an experience study issued July 30, 2013.

Schedule of Investment Returns

Last 10 Fiscal Years

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money - Weighed Rate of Return (Net of Expense)	4.46%	-1.44%	11.33%

**CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
YEAR ENDED SEPTEMBER 30, 2016**

Note - Other Postemployment Benefit Plan

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10/1/2015	\$ -	\$ 7,116,183	\$ 7,116,183	0.00%	\$ 3,790,036	187.8%
10/1/2014	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2013	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2012	\$ -	\$ 6,399,750	\$ 6,399,750	0.00%	\$ 3,804,940	168.2%

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,948,056	\$ 1,948,056	\$ 1,871,720	\$ (76,336)
Licenses and Permits	89,700	89,700	115,627	25,927
Intergovernmental Revenues	574,050	748,878	775,916	27,038
Charges for Services	444,300	444,300	455,622	11,322
Fines and Forfeitures	30,000	30,000	29,483	(517)
Miscellaneous Revenues	123,750	124,750	193,129	68,379
Total Revenues	3,209,856	3,385,684	3,441,498	55,814
Expenditures				
Current:				
General Government	2,815,104	2,815,104	1,963,580	851,524
Public Safety	3,331,591	3,332,591	3,337,915	(5,324)
Physical Environment	200,365	200,365	185,639	14,726
Transportation	647,944	647,944	655,421	(7,477)
Economic Environment	144,000	144,000	145,813	(1,813)
Culture and Recreation	420,294	415,466	384,440	31,026
Debt Service:				-
Principal	61,118	61,118	56,106	5,012
Interest	6,865	6,865	6,820	45
Capital Outlay	376,800	556,456	321,400	235,056
(Total Expenditures)	(8,004,081)	(8,179,909)	(7,057,134)	1,122,775
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(4,794,225)	(4,794,225)	(3,615,636)	1,178,589
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Operating Transfers in	-	-	4,758,997	4,758,997
Operating Transfers out	-	-	(904,191)	(904,191)
Total Other Financing Sources (Uses)	-	-	3,854,805	3,854,805
Net Change in Fund Balance	(4,794,225)	(4,794,225)	239,169	5,033,394
Fund Balance, Beginning of Year	-	-	437,750	437,750
Fund Balance, End of Year	\$ (4,794,225.00)	\$ (4,794,225.00)	\$ 676,919	\$ 5,471,144.32

CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-COMMUNITY REDEVELOPMENT AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	420,000	420,000	420,755	755
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	-	-	311,036	311,036
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	297,000	297,000	45,240	(251,760)
Total Revenues	<u>717,000</u>	<u>717,000</u>	<u>777,031</u>	<u>60,031</u>
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	362,000	362,000	290,226	(71,774)
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	355,000	355,000	311,036	
(Total Expenditures)	<u>362,000</u>	<u>362,000</u>	<u>290,226</u>	<u>(71,774)</u>
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	<u>355,000</u>	<u>355,000</u>	<u>486,804</u>	<u>131,804</u>
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Operating Transfers in	-	-	-	-
Operating Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>355,000</u>	<u>355,000</u>	<u>486,804</u>	<u>131,804</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>247,633</u>	<u>247,633</u>
Fund Balance, End of Year	<u>\$ 355,000</u>	<u>\$ 355,000</u>	<u>\$ 734,437</u>	<u>\$ 379,437</u>

CITY OF QUINCY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2016

Notes to 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.

CITY OF QUINCY, FLORIDA
COMBINING FUND FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>Special Revenue Confiscated Property Fund</u>	<u>Debt Service 2012 Refunding Bond</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and Cash Equivalent	\$ 25,796	\$ 97,483	\$ 123,279
Investments	-	-	-
Reveivables (Net)	-	-	-
Assessment Receivables (Net)	-	-	-
Due from Other Governments	-	-	-
Advances to Other Funds	-	-	-
Total Assets	<u>25,796</u>	<u>97,483</u>	<u>123,279</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	-	-	-
Accrued Expenses	-	-	-
Due to Other Governments	-	-	-
Advances to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Advances to Other Funds	-	-	-
Restricted for:			
Law Enforcement	25,796	-	25,796
Physical Environment	-	-	-
Debt Service	-	97,483	97,483
Unassigned	-	-	-
Total Fund Balances	<u>25,796</u>	<u>97,483</u>	<u>123,279</u>
Total Liabilities and Fund Balances	<u>\$ 25,796</u>	<u>\$ 97,483</u>	<u>\$ 123,279</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Special Revenue Confiscated Property Fund</u>	<u>Debt Service 2012 Refunding Bond</u>	<u>Total Combined Non-Major Funds</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Tax Increment	-	-	-
Licenses and Permits	-	-	-
Intergovernmental Revenues	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Miscellaneous Revenues	26	82	108
Total Revenues	<u>26</u>	<u>82</u>	<u>108</u>
Expenditures			
General Government	-	-	-
Public Safety	-	-	-
Physical Environment	-	-	-
Transportation	-	-	-
Economic Environment	-	-	-
Culture and Recreation	-	-	-
IT Support	-	-	-
Debt Service:	-	-	-
Principal	-	274,000	274,000
Interest	-	86,262	86,262
Capital Outlay	-	-	-
(Total Expenditures)	<u>-</u>	<u>360,262</u>	<u>360,262</u>
(Deficiency) Excess of Revenues (Under)			
Over Expenditures	<u>26</u>	<u>(360,180)</u>	<u>(360,154)</u>
Other Financing Sources (Uses)			
Debt Proceeds	-	-	-
Transfers in	-	330,000	330,000
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>330,000</u>	<u>330,000</u>
Net Change in Fund Balances	26	(30,180)	(30,154)
Fund Balances, Beginning of Year	<u>25,770</u>	<u>127,663</u>	<u>153,433</u>
Fund Balances, End of Year	<u>\$ 25,796</u>	<u>\$ 97,483</u>	<u>\$ 123,279</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds			
	Non-Major Funds			Total
	Refuse	Landfill	Gas	Non-Major
	Fund	Fund	Fund	Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 762	\$ 79,232	\$ 79,994
Investments	-	-	-	-
Receivables	157,687	13,980	113,428	285,095
Inventories	-	-	2,010	2,010
Total Current Assets	<u>157,687</u>	<u>14,742</u>	<u>194,670</u>	<u>367,099</u>
Noncurrent Assets				
Restricted Assets:				
Restricted Cash and Cash Equivalents	-	44,771	343,442	388,213
Total Restricted Assets	<u>-</u>	<u>44,771</u>	<u>343,442</u>	<u>388,213</u>
Capital Assets:				
Land and Land Improvements	-	-	403,717	403,717
Property, Plant and Equipment	-	485,528	1,318,778	1,804,306
(Accumulated Depreciation)	-	(485,528)	(1,318,778)	(1,804,306)
Total Net Capital Assets	<u>-</u>	<u>-</u>	<u>403,717</u>	<u>403,717</u>
Other Assets:				
Advances to Other Funds	-	-	479,943	479,943
Total Noncurrent Assets	<u>-</u>	<u>44,771</u>	<u>1,227,102</u>	<u>1,271,873</u>
Total Assets	<u>\$ 157,687</u>	<u>\$ 59,513</u>	<u>\$ 1,421,772</u>	<u>\$ 1,638,972</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds			Total Non-Major Funds
	Refuse Fund	Landfill Fund	Gas Fund	
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 180,543	\$ 457	\$ 43,561	\$ 224,561
Accrued Expenses	-	3,141	4,446	7,587
Due to Other Governments	-	-	-	-
Accrued Interest Payable	-	-	17,351	17,351
Current Portion:	-	-	-	-
Bonds Payable	-	-	20,800	20,800
Notes Payable	-	-	-	-
Mortgages Payable	-	-	-	-
Capitalized Lease Payable	-	2,197	2,870	5,067
Compensated Absences	-	-	-	-
Total Current Liabilities	<u>180,543</u>	<u>5,796</u>	<u>89,027</u>	<u>275,366</u>
Noncurrent Liabilities:				
Customer Deposits	-	-	8,618	8,618
Advances to Other Funds	-	-	-	-
Long Term Portion:	-	-	-	-
Bonds Payable	-	-	702,000	702,000
Notes Payable	-	-	-	-
Capitalized Lease Payable	-	-	-	-
Compensated Absences	-	6,591	8,609	15,200
Land Fill Closure Liability	-	398,717	-	398,717
Total Noncurrent Liabilities	<u>-</u>	<u>405,308</u>	<u>719,227</u>	<u>1,124,535</u>
Total Liabilities	<u>180,543</u>	<u>411,104</u>	<u>808,253</u>	<u>1,399,900</u>
Net Position				
Net Investment in Capital Assets	-	-	(319,083)	(319,083)
Restricted for:	-	-	-	-
Debt Service	-	44,771	343,442	388,213
Unrestricted	(22,857)	(396,362)	589,159	169,941
Total Net Position	<u>(22,857)</u>	<u>(351,590)</u>	<u>613,519</u>	<u>239,071</u>
Total Liabilities and Net Position	<u>\$ 157,686</u>	<u>\$ 59,513</u>	<u>\$ 1,421,772</u>	<u>\$ 1,638,971</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, 2016

	Business-Type Activities - Enterprise Funds			
	Non-Major Funds			Total
	Refuse Fund	Landfill Fund	Gas Fund	Non-Major Funds
Operating Revenues				
Charges for Services	\$ 1,273,500	\$ 123,531	\$ 1,497,326	\$ 2,894,357
Total Operating Revenue	<u>1,273,500</u>	<u>123,531</u>	<u>1,497,326</u>	<u>2,894,357</u>
Operating Expenses				
Purchase Power	-	-	645,732	645,732
Personal Service	-	92,173	110,528	202,701
Contractual Service	1,150,610	(16,022)	17,145	1,151,733
Supplies	-	-	3,643	3,643
Repairs and Maintenance	-	259	16,703	16,963
Utility/Telephone	-	993	6,052	7,045
Shared Service	29,061	41,550	52,372	122,983
Depreciation	-	(26,343)	-	(26,343)
Other Expenses	52,598	2,515	8,794	63,906
Bad Debt	-	-	-	-
IT-Support	-	1,563	8,000	9,563
(Total Operating Expenses)	<u>(1,232,269)</u>	<u>(96,689)</u>	<u>(868,968)</u>	<u>(2,197,926)</u>
Operating Income	<u>41,231</u>	<u>26,842</u>	<u>628,358</u>	<u>696,431</u>
Non-Operating Revenues (Expenses)				
Capital Grants	-	-	-	-
Interest Income	-	23	-	23
Interest Expense	-	-	(34,702)	(34,702)
Investment Gains and Losses	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>23</u>	<u>(34,702)</u>	<u>(34,679)</u>
Income Before Capital Contributions and Transfers	<u>41,231</u>	<u>26,865</u>	<u>593,656</u>	<u>661,751</u>
Operating Transfers				
Transfers In	-	36,000	-	36,000
Transfers Out	(10,329)	-	(531,165)	(541,494)
Total Capital Grants and Operating Transfers	<u>(10,329)</u>	<u>36,000</u>	<u>(531,165)</u>	<u>(505,494)</u>
Change in Net Position	<u>30,902</u>	<u>62,865</u>	<u>62,491</u>	<u>156,257</u>
Net Position, Beginning of Year	<u>(53,758)</u>	<u>(414,455)</u>	<u>551,028</u>	<u>82,814</u>
Net Position, End of Year	<u>\$ (22,857)</u>	<u>\$ (351,590)</u>	<u>\$ 613,519</u>	<u>\$ 239,072</u>

CITY OF QUINCY, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2016

**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**

To the Honorable City Council,
City of Quincy, Florida:

We have audited, in accordance with the 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 and each major fund of City of Quincy, Florida (the "Authority"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 Authority'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*.

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 Authority'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

Moran and Smith LLP
June 20, 2017
Quincy, FL

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415 FLORIDA STATUTES**

To the Honorable City Council,
City of Quincy, Florida:

We have examined the City of Quincy, Florida (the "City"), compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2016, 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 fiscal year ended September 30, 2016.

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

Moran & Smith LLP

Moran and Smith LLP
June 20, 2017
Quincy, FL

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

To the Honorable City Council,
City of 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, 2016, and have issued our report thereon dated June 20, 2017.

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; Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for The Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 20, 2017, 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.

Official Title and Legal City

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 the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal City of the primary government and component unit are disclosed in the notes to the financial statements.

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7) *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 have any such recommendations.

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 which warrants the attention of those charged with governance. 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, Members of the City and management, and is not intended to be and should not be used by anyone other than these specified parties.

Moran & Smith LLP

Moran and Smith LLP
June 20, 2017
Quincy, FL