

CITY OF QUINCY, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CITY OF QUINCY, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
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CITY OF QUINCY, FLORIDA

INTRODUCTORY SECTION

SEPTEMBER 30, 2017



June 21, 2018

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, 2017, 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, 2017. 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, 2017, 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 steady and continual progress in reducing its accounts payable and debt. It remains committed paying its suppliers on time.

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, 2017, was at 3.9% and Gadsden County trailed at 5.0%. Trulieve, a grower of medical marijuana, is continuing to renovate the old Higdon Furniture facilities and build new facilities. It is projected that Trulieve will become a leading employer in the City and a significant electrical customer.

As payroll for State employees continues to grow, Quincy 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.

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 Gadsden Art Center, one of the main business anchors downtown, has completed its \$600,000 remodel and expansion. The City's CRA is placing an increased emphasis on the streetscape of businesses on Adams Street in downtown. The new streetscape will continue to enhance downtown, increasing shopping and investment. With the purchase of the Kelly lot downtown, the City has landbanked property that it can develop in keeping with the master plan to further enhance downtown.

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 May 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. With the current interest rate environment and the recent increases in the fed funds rate, the City is keeping 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.

Jack L. McLean, Jr.
Interim City Manager

**CITY OF QUINCY, FLORIDA
LIST OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Angela Sapp

Mayor

Keith Dowdell

Angela Sapp

Commissioner

Commissioner

Ronte Harris

Andy Gay

Commissioner

Commissioner

Daniel McMillan

Commissioner

CITY OF QUINCY, FLORIDA

FINANCIAL SECTION

SEPTEMBER 30, 2017

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, 2017, 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, 2017, 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 21, 2018, 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 21, 2018
Quincy, Florida

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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, 2017. 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, 2017, was \$6,448,651 as compared to \$5,374,751 for fiscal year 2016 as restated for GASB 68 compliance. The City's unrestricted net assets as of September 30, 2016, were negative \$3,681,563 compared to negative \$2,926,445 for fiscal year ended September 30, 2017.
- Governmental activities net position was a negative \$1,675,755 as of September 30, 2016, versus negative \$1,902,396 as of September 30, 2017.
- The total revenues from all sources were \$23,119,743 for the fiscal year 2017 versus \$23,301,176 for the fiscal year 2016. Enterprise fund revenue decreased \$181,626, while governmental fund revenue decreased \$437,508.
- The total cost of all City programs was \$22,045,842 for the fiscal year 2017 versus \$22,439,620 for the fiscal year 2016. Overall, there were decreases in expenses in the Governmental Funds of \$468,052 and an increase in the Enterprise Funds of \$74,275.
- During fiscal year 2017, the City's governmental and business activity total expenses exceeded revenues (change in net assets) by \$1,073,901 while the expenses exceeded revenue by \$861,556 for 2016.
- Total expenditures in the Governmental Funds of \$8,328,061 exceeded total revenues of \$3,784,847 by \$4,543,214, excluding net transfers of \$4,316,573 for fiscal year 2017, while total expenditures for fiscal year 2016 of \$8,796,113 exceeded total revenues of \$4,222,255 by \$4,573,858, excluding net transfers in the amount of \$4,184,805.
- The General Fund's fund balance was \$676,919 for fiscal year 2016, and increased to \$837,604 at the end of fiscal year 2017.
- The City's total long-term debt is \$20,656,946 as of September 30, 2017 representing a decrease of \$1,352,236 from \$22,009,182 as of September 30, 2016.

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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 \$6,448,651 at the close of fiscal year 2017 as compared to \$5,374,751 in fiscal Year 2016. For fiscal year 2016, Governmental Activities comprised of negative \$1,675,755 of the net assets while Business Activities comprised \$7,050,506 of net assets versus fiscal year 2017 where Governmental was negative \$1,902,396 and Business \$8,351,046.

By far, the largest portion of the City's total assets, for fiscal year 2016 and for fiscal year 2017 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	
	2017	2016	2017	2016	2017	2016
Assets:						
Current & Other	\$ 1,802,122	\$ 2,014,535	\$10,029,467	\$8,961,569	\$11,831,589	\$10,976,104
Capital	<u>5,340,753</u>	<u>5,489,535</u>	<u>19,701,060</u>	<u>20,703,362</u>	<u>25,041,813</u>	<u>26,192,897</u>
Total Assets	<u>7,142,875</u>	<u>7,504,070</u>	<u>29,730,527</u>	<u>29,664,931</u>	<u>36,873,402</u>	<u>37,169,001</u>
Deferred Outflow	<u>1,080,253</u>	<u>924,656</u>	<u>0</u>	<u>0</u>	<u>1,080,253</u>	<u>924,656</u>
Liabilities:						
Long-term Debt	3,353,765	3,685,094	15,589,932	16,593,897	18,943,697	20,278,691
Other Liabilities	3,869,173	3,448,750	5,789,549	6,020,528	9,658,722	9,469,278
Net Pension Liability	<u>2,902,585</u>	<u>2,768,435</u>	<u>0</u>	<u>0</u>	<u>2,902,585</u>	<u>2,768,435</u>
Total Liabilities	<u>10,125,523</u>	<u>9,902,279</u>	<u>21,379,481</u>	<u>22,614,425</u>	<u>31,505,004</u>	<u>32,516,404</u>
Deferred Inflow	<u>0</u>	<u>202,202</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,202</u>
Net Position:						
Invested in Capital	1,986,988	1,804,441	3,049,842	3,078,670	5,036,830	4,883,111
Restricted	355,933	546,680	3,982,332	3,626,523	4,338,265	4,173,203
Unrestricted	<u>(4,245,317)</u>	<u>(4,026,876)</u>	<u>1,318,872</u>	<u>345,313</u>	<u>(2,926,445)</u>	<u>(3,681,563)</u>
Total Net Position	<u>\$(1,902,396)</u>	<u>\$(1,675,755)</u>	<u>\$8,351,046</u>	<u>\$7,050,506</u>	<u>\$ 6,448,651</u>	<u>\$ 5,374,751</u>

An additional portion of the City's net assets (77%) for fiscal year 2016 versus (67%) for fiscal year 2017 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 2017 are negative \$2,926,445 versus negative \$3,681,563 for fiscal year 2016.

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Governmental Activities

Governmental activities decreased the City's net assets by \$226,640 from fiscal year 2016 to fiscal year 2017. The Business-type activities increased the net assets by \$1,300,540 from fiscal year 2016 to fiscal year 2017. Key elements of these changes are as follows:

Table 3
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues	\$ 772,069	\$ 1,204,135	\$ 19,276,293	\$ 19,044,294	\$ 20,048,362	\$ 20,248,429
Property Tax	932,993	948,550	0	0	932,993	948,550
Tax Increment	413,266	420,755	0	0	413,266	420,755
Utility Service Tax	240,872	220,764	0	0	240,872	220,764
Discretionary Sales Tax	470,288	473,891	0	0	470,288	473,891
Local Option Sales Tax	232,846	228,515	0	0	232,846	228,515
Shared Revenues	579,565	524,131	0	0	579,565	524,131
Investment Earnings	82,837	57,316	58,602	34,627	141,439	91,943
Miscellaneous	60,112	144,198	0	0	60,112	144,198
Total Revenues	3,784,847	4,222,255	19,334,895	19,078,921	23,119,743	23,301,176
Program Expenses:						
General Government	2,468,930	2,713,570	0	0	2,468,930	2,713,570
Public Safety	3,677,637	3,771,990	0	0	3,677,637	3,771,990
Physical Environment	209,640	203,021	0	0	209,640	203,021
Transportation	898,761	1,058,963	0	0	898,761	1,058,963
Economic Environment	542,682	450,692	0	0	542,682	450,692
Culture and Recreation	435,160	504,795	0	0	435,160	504,795
Interest on Long-term Debt	95,250	93,082	0	0	95,250	93,082
Water	0	0	1,359,812	1,372,447	1,359,812	1,372,447
Electric	0	0	8,343,613	8,137,903	8,343,613	8,137,903
Sewer	0	0	1,447,121	1,594,883	1,447,121	1,594,883
Non-major	0	0	2,567,236	2,538,274	2,567,236	2,538,274
Total Expenses	8,328,061	8,796,113	13,717,782	13,643,507	22,045,842	22,439,620
Excess (deficit) before transfers	(4,543,214)	(4,573,858)	5,617,113	5,435,414	1,073,901	861,556
Transfers	4,316,573	4,184,805	(4,316,573)	(4,184,805)	0	0
Change in Net Assets	(226,640)	(389,052)	1,300,540	1,250,609	1,073,901	861,556
Net Position, Beginning	(1,675,755)	(1,286,703)	7,050,505	5,799,896	5,374,750	4,513,193
Adjustments to Beginning	0	0	0	828,031	0	828,031
Net Position, Ending	\$ (1,902,395)	\$ (1,675,755)	\$ 8,351,045	\$ 7,050,505	\$ 6,448,650	\$ 5,374,750

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 2,468,930	\$(2,241,245)	\$ 2,713,570	\$(2,560,980)
Public Safety	3,677,637	(3,196,940)	3,771,990	(3,262,457)
Physical Environment	209,640	(209,640)	203,021	108,015
Transportation	898,761	(883,130)	1,058,963	(873,768)
Economic Environment	542,682	(542,682)	450,692	(450,692)
Culture and Recreation	435,160	(387,105)	504,795	(459,013)
Interest on Long-term Debt	95,250	(95,250)	93,082	(93,082)
	<u>\$ 8,328,060</u>	<u>\$(7,55,992)</u>	<u>\$ 8,796,113</u>	<u>\$(7,591,977)</u>

The cost of all governmental activities this year was \$8,328,060. As shown in the Statement of Activities, \$756,438 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 \$4,316,573, various taxes in the amount of \$2,290,265 and the remaining \$964,784 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

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Electric	\$ 8,343,613	\$ 4,195,386	\$ 8,137,903	\$ 4,263,653
Water	1,359,812	392,616	1,372,447	360,252
Sewer	1,447,121	497,263	1,594,883	298,247
Non-major	2,567,236	473,246	2,538,274	478,634
	<u>\$ 13,717,782</u>	<u>\$ 5,558,511</u>	<u>\$ 13,643,507</u>	<u>\$ 5,400,786</u>

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Business Type Activities

Net assets of the Proprietary Funds at September 30, 2017, were \$8,351,046, which was up from \$7,705,506 in fiscal year 2016. Transfers from the Utility Funds to the General Fund were \$4,316,573 million in fiscal year 2017 compared to \$4,184,805 in fiscal year 2016.

It is noteworthy that the Proprietary Funds net revenue increased from \$5,400,786 in fiscal year 2016 to \$5,617,113 in fiscal year 2017.

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 2017, the City's governmental funds reported combined ending fund balance of \$1,193,537. This represents a decrease of \$30,063 when compared to fund balances in fiscal year 2016 which was \$1,223,600.

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, 2017, amounts to \$24,741,916 (net of accumulated depreciation) compared to \$25,885,599 at September 30, 2016. The decrease of \$1,143,683 million resulted primarily from depreciation.

**CITY OF QUINCY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Table 6
Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,606,224	\$ 4,606,224	\$ 1,666,353	\$ 1,611,475	\$ 6,272,577	\$ 6,217,699
Buildings and Improvements	5,471,612	5,246,749	25,071,847	25,050,855	30,543,459	30,297,604
Improvements other than Buildings	10,681,809	10,652,370	19,600,208	19,580,654	30,282,017	30,233,024
Infrastructure	6,377,530	6,347,418	1,509,415	1,509,415	7,886,945	7,856,833
Furniture, Fixtures, and Equipment	6,564,469	6,494,100	4,578,294	4,505,644	11,142,763	10,999,744
Total Assets	33,701,644	33,346,861	52,426,116	52,258,043	86,127,761	85,604,904
Less Accumulated Depreciation	(28,360,891)	(27,857,326)	(33,024,954)	(31,861,979)	(61,385,845)	(59,719,305)
Total Capital Assets	\$ 5,340,753	\$ 5,489,535	\$ 19,401,162	\$ 20,396,064	\$ 24,741,916	\$ 25,885,599

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 2017, the City had total debt of \$22,009,182 versus \$23,271,378 for fiscal year 2016, 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 2017. Notes payable in the amount of \$5,365,105 for fiscal year 2016 and \$4,949,595 for fiscal year 2017 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	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 3,195,000	\$ 3,478,000	\$ 11,230,000	\$ 11,690,000	\$ 14,425,000	\$ 15,168,000
Capitalized Leases	100,762	113,652	906,864	1,022,876	1,007,626	1,136,528
Compensated Absences	269,704	269,704	73,429	86,638	343,133	356,342
Notes Payable	58,003	93,442	4,460,930	4,856,153	4,518,933	4,949,595
Landfill	0	0	362,254	398,717	362,254	398,717
Total Outstanding Debt	\$ 3,623,469	\$ 3,954,798	\$ 17,033,477	\$ 18,054,384	\$ 20,656,946	\$ 22,009,182

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, 2017**

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.

The City's two existing industrial customers, Harborlite Corporation and Active Minerals, remain solid employers and utility customers. Trulieve, a medical marijuana grower, is experiencing rapid growth and has the potential to be a leading employer and utility customer.

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 has completed its \$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, 2017

CITY OF QUINCY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental	Business-Type	
Assets	Activities	Activities	Total
Cash and Cash Equivalents	\$ 530,514	\$ 704,817	\$ 1,235,331
Investments	781,832	1,129,237	1,911,069
Accounts Receivables, Net	31,716	2,132,870	2,164,586
Assessment Receivables	172,699	0	172,699
Due from Other Governments	265,360	0	265,360
Inventories	0	440,382	440,382
Restricted Assets:			
Restricted Cash and Investments	0	3,982,332	3,982,332
Capital Assets:			
Nondepreciable	4,606,224	1,666,353	6,272,577
Depreciable, Net	734,529	18,034,708	18,769,237
Internal Balances	20,000	1,639,829	1,659,829
Total Assets	7,142,875	29,730,527	36,873,402
Deferred Outflows of Resources			
Deferred Outflows for Pensions	1,080,253	0	1,080,253
Liabilities			
Accounts Payable	127,630	902,062	1,029,693
Accrued Payroll	327,697	74,580	402,277
Accrued Interest	0	303,575	303,575
Accrued Compensated Absences	0	18,357	18,357
Bonds and Notes Payable	0	1,007,861	1,007,861
Customer Deposits	0	1,425,960	1,425,960
Unearned Revenue	0	0	0
Rate Stabilization	0	0	0
Noncurrent Liabilities:			
Accrued Compensated Absences	269,704	55,071	324,775
Bonds and Notes Payable	3,353,765	15,589,932	18,943,697
Net Pension Liability	2,902,585	0	2,902,585
Internal Balances	20,000	1,639,829	1,659,829
Other Postemployment Benefits Liability	3,124,142	0	3,124,142
Landfill Closure	0	362,254	362,254
Total Liabilities	10,125,523	21,379,481	31,505,004
Deferred Inflows of Resources			
Deferred Inflows for Pensions	0	0	0
Net Position			
Net Investment in Capital Assets	1,986,988	3,049,842	5,036,831
Restricted for:			
Debt Service	94,512	3,982,332	4,076,843
Public Safety	25,786	0	25,786
Economic Environment	235,635	0	235,635
Unrestricted	(4,245,317)	1,318,872	(2,926,445)
Total Net Position	\$ (1,902,396)	\$ 8,351,046	\$ 6,448,651

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 2,468,930	\$ 227,685	\$ 0	\$ 0	\$ (2,241,245)	\$ 0	\$ (2,241,245)
Public Safety	3,677,637	480,697	0	0	(3,196,940)	0	(3,196,940)
Physical Environment	209,640	0	0	0	(209,640)	0	(209,640)
Transportation	898,761	0	0	15,631	(883,130)	0	(883,130)
Economic Environment	542,682	0	0	0	(542,682)	0	(542,682)
Culture and Recreation	435,160	48,056	0	0	(387,105)	0	(387,105)
Interest on Long-term Debt	95,250	0	0	0	(95,250)	0	(95,250)
Total Governmental Activities	8,328,061	756,438	0	15,631	(7,555,992)	0	(7,555,992)
Business-Type Activities							
Water Fund	1,359,812	1,752,428	0	0	0	392,616	392,616
Electric Fund	8,343,613	12,538,999	0	0	0	4,195,386	4,195,386
Wastewater Fund	1,447,121	1,939,558	4,826	0	0	497,263	497,263
Non-Major Funds	2,567,236	3,040,482	0	0	0	473,246	473,246
Total Business-type Activities	13,717,782	19,271,467	4,826	0	0	5,558,511	5,558,511
Total Primary Government	\$ 22,045,843	\$ 20,027,904	\$ 4,826	\$ 15,631	\$ (7,555,992)	\$ 5,558,511	\$ (1,997,481)
General Revenues							
Taxes:							
Property Taxes		\$ 932,993	\$ 0	\$ 0	\$ 932,993		
Tax Increment		413,266	0	0	413,266		
Utility Service Tax		240,872	0	0	240,872		
Discretionary Sales Surtax		470,288	0	0	470,288		
Local Option Gas Tax		232,846	0	0	232,846		
Sales Tax and Other Shared Revenues		579,565	0	0	579,565		
Investment Earnings		82,837	58,602	0	141,439		
Miscellaneous		60,112	0	0	60,112		
Transfers		4,316,573	(4,316,573)	0	0		
Total General Revenues and Transfers		7,329,352	(4,257,971)		3,071,381		
Change in Net Position		(226,640)			1,300,540		
Net Position Beginning of Year (As Restated)		(1,675,755)			7,050,505		
Net Position End of Year		\$ (1,902,395)			\$ 8,351,046		

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 149,620	\$ 260,596	\$ 120,298	\$ 530,514
Investments	781,832	0	0	781,832
Receivables (Net)	31,716	0	0	31,716
Assessment Receivables (Net)	172,699	0	0	172,699
Due from Other Governments	265,360	0	0	265,360
Advances to Other Funds	20,000	0	0	20,000
Total Assets	<u>1,421,227</u>	<u>260,596</u>	<u>120,298</u>	<u>1,802,121</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	125,681	1,949	0	127,630
Accrued Expenses	324,685	3,011	0	327,697
Due to Other Governments	0	0	0	0
Advances from Other Funds	0	20,000	0	20,000
Unearned Revenue	0	0	0	0
Total Liabilities	<u>450,367</u>	<u>24,961</u>	<u>0</u>	<u>475,327</u>
Deferred Inflows of Resources	<u>133,257</u>	<u>0</u>	<u>0</u>	<u>133,257</u>
Fund Balances				
Nonspendable:				
Prepays	0	0	0	0
Advances to Other Funds	20,000	0	0	20,000
Restricted for:				
Law Enforcement	0	0	25,786	25,786
Physical Environment	0	0	0	0
Economic Environment	0	235,635	0	235,635
Debt Service	0	0	94,512	94,512
Assigned	221,973	0	0	221,973
Unassigned	595,631	0	0	595,631
Total Fund Balances	<u>837,604</u>	<u>235,635</u>	<u>120,298</u>	<u>1,193,537</u>
Total Liabilities and Fund Balance	<u>\$ 1,421,227</u>	<u>\$ 260,596</u>	<u>\$ 120,298</u>	<u>\$ 1,802,121</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, 2017

Total Fund Balances of Governmental Funds	\$ 1,193,537
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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.	5,340,753
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Receivables that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds.	133,257
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds and Notes Payable	(3,353,765)	
Other postemployment benefits	(3,124,142)	
Net pension liability	(2,902,585)	
Compensated absences	(269,704)	(9,650,196)

The net pension asset is not a current financial resource and, therefore, is not reported in governmental funds.	0
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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	1,080,253	
Deferred inflows of resources for pensions	0	1,080,253

Total Net Position of Governmental Activities	\$ (1,902,396)
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CITY OF QUINCY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Community Redevelopment Agency	Non-Major Governmental	Total Governmental Funds
Revenues				
Taxes	\$ 1,875,385	\$ 0	\$ 0	\$ 1,875,385
Tax Increment	0	413,266	0	413,266
Licenses and Permits	168,315	0	0	168,315
Intergovernmental Revenues	617,942	0	0	617,942
Charges for Services	462,223	0	0	462,223
Fines and Foreitures	38,317	0	0	38,317
Miscellaneous Revenues	202,094	213	13	202,319
Total Revenues	3,364,276	413,479	13	3,777,768
Expenditures				
Current:				
General Government	2,099,494	0	0	2,099,494
Public Safety	3,425,979	0	0	3,425,979
Physical Environment	192,505	0	0	192,505
Transportation	724,561	0	0	724,561
Economic Environment	143,944	384,921	0	528,865
Culture and Recreation	371,637	0	0	371,637
Debt Service:				
Principal	48,329	0	283,000	331,329
Interest	15,256	0	79,994	95,250
Capital Outlay	138,459	216,324	0	354,783
Total Expenditures	7,160,165	601,245	362,994	8,124,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,795,888)	(187,766)	(362,981)	(4,346,636)
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Transfers In	4,668,873	0	360,000	5,028,873
Transfers Out	(712,300)	0	0	(712,300)
Total Other Financing Sources (Uses)	3,956,573	0	360,000	4,316,573
Net Change in Fund Balances	160,685	(187,766)	(2,981)	(30,063)
Fund Balances, Beginning of Year	676,919	423,401	123,279	1,223,600
Fund Balances, End of Year	\$ 837,604	\$ 235,635	\$ 120,298	\$ 1,193,537

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, 2017

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

Net Change in Fund Balances - Total Governmental Funds.	\$	(30,063)
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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	354,783	
Less: Current Year Depreciation	(503,565)	(148,782)

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.		331,329
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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.		0
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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	202,202	
Deferred Outflows Related to Pensions	155,597	357,799

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	0	
Change in Other Postemployment Benefits	(609,854)	
Change in Net Pension Liability	(134,150)	(744,004)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds		7,080
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Change in Net Position of Governmental Activities	\$	(226,640)
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CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION-PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds					Business-Type Activities
	Major Funds				Total Enterprise Funds	Internal Service Fund
	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds		
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 189,174	\$ 308,635	\$ 90,457	\$ 116,367	\$ 704,634	\$ 183
Investments	803,129	326,109	0	0	1,129,237	0
Receivables (Net)	219,742	1,336,822	227,085	349,221	2,132,870	0
Prepaid Items	0	0	0	0	0	0
Inventories	80,290	357,372	2,564	156	440,382	0
Total Current Assets	1,292,335	2,328,938	320,106	465,745	4,407,124	183
Noncurrent Assets						
Restricted Assets:						
Restricted Cash and Cash Equivalents	1,778,491	993,404	589,327	387,740	3,748,961	233,371
Total Restricted Assets	1,778,491	993,404	589,327	387,740	3,748,961	233,371
Capital Assets:						
Land and Land Improvements	400,323	403,717	403,717	458,595	1,666,353	0
Property, Plant and Equipment	14,343,860	19,108,179	9,375,969	1,804,306	44,632,314	6,427,348
(Accumulated Depreciation)	(10,927,950)	(13,080,130)	(4,795,143)	(1,777,963)	(30,581,186)	(2,443,768)
Total Net Capital Assets	3,816,233	6,431,766	4,984,543	484,938	15,717,481	3,983,580
Other Assets:						
Advances to other Funds	479,943	200,000	479,943	479,943	1,639,829	0
Total Noncurrent Assets	6,074,667	7,625,170	6,053,813	1,352,621	21,106,270	4,216,951
Total Assets	\$ 7,367,002	\$ 9,954,108	\$6,373,919	\$ 1,818,365	\$ 25,513,394	\$ 4,217,133

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FUNDS NET POSITION-PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds					Business-Type Activities Internal Service Fund
	Major Funds				Total	
	Water Fund	Electric Fund	Wastewater Fund	Non-Major Funds	Enterprise Funds	
Liabilities						
Current Liabilities						
Accounts Payable	\$ 2,567	\$ 710,564	\$ 48,783	\$ 130,797	\$ 892,711	\$ 9,352
Accrued Payroll	4,929	54,291	4,698	8,678	72,595	1,984
Due to other Governments	0	0	0	0	0	0
Accrued Interest Payable	84,143	79,708	53,424	16,987	234,263	69,313
Current Portion:	0	0	0	0	0	0
Bonds Payable	100,800	97,600	100,800	20,800	320,000	160,000
Notes Payable	166,399	0	229,888	0	396,287	3,897
Capitalized Leases Payable	21,280	68,095	38,303	0	127,678	0
Compensated Absences Payable	2,477	7,952	2,468	4,518	17,415	942
Other Accruals	0	0	0	0	0	0
Total Current Liabilities	382,595	1,018,210	478,364	181,780	2,060,949	245,487
Noncurrent Liabilities						
Customer Deposits	21,763	1,395,359	0	8,838	1,425,960	0
Advances from Other Funds	0	1,439,829	200,000	0	1,639,829	0
Long-term Portion:	0	0	0	0	0	0
Bonds Payable	2,058,700	3,196,400	2,058,700	681,200	7,995,000	2,755,000
Notes Payable	3,030,250	0	1,030,496	0	4,060,746	0
Capitalized Lease Payable	129,864	415,566	233,756	0	779,186	0
Compensated Absences	7,432	23,857	7,404	13,553	52,245	2,826
Land Fill Closure Liability	0	0	0	362,254	362,254	0
Total Noncurrent Liabilities	5,248,009	6,471,011	3,530,355	1,065,844	16,315,219	2,757,826
Total Liabilities	5,630,604	7,489,220	4,008,720	1,247,624	18,376,168	3,003,313
Net Position						
Net Investment in Capital Assets	(1,691,060)	2,654,106	1,239,175	(217,062)	1,985,160	1,064,683
Restricted for:						
Debt Service	1,778,491	993,404	589,327	387,740	3,748,961	233,371
Unrestricted	1,648,966	(1,182,622)	536,697	400,064	1,403,106	(84,233)
Total Net Position	1,736,397	2,464,887	2,365,199	570,742	7,137,226	1,213,820
Total Liabilities and Net Position	\$ 7,367,002	\$ 9,954,108	\$6,373,919	\$1,818,365	\$ 25,513,394	\$ 4,217,133

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, 2017

	Business-Type Activities - Enterprise Funds				Business-Type	
	Major Funds			Total Enterprise Funds	Activities	
	Water Fund	Electric Fund	Wastewater Fund		Non-Major Funds	Internal Service Fund
Operating Revenues						
Charges for Services	\$ 1,652,815	\$ 12,266,046	\$ 1,939,558	\$ 2,920,482	\$ 18,778,902	\$ 0
Interfund Charges	99,613	272,952	0	0	372,565	120,000
Total Operating Revenue	<u>1,752,428</u>	<u>12,538,999</u>	<u>1,939,558</u>	<u>2,920,482</u>	<u>19,151,467</u>	<u>120,000</u>
Operating Expenses						
Purchase Power	0	6,623,861	0	780,158	7,404,019	0
Personal Service	155,438	424,567	152,318	251,773	984,096	61,939
Contractual Service	361,185	58,210	681,410	1,083,770	2,184,575	46,710
Supplies	4,030	57,622	1,383	5,979	69,015	721
Repairs and Maintenance	34,911	89,529	7,539	14,996	146,976	0
Utility/Telephone	89,622	53,215	197,521	5,835	346,194	9,427
Shared Service	26,731	276,420	48,339	85,276	436,766	0
Depreciation	466,359	518,582	204,377	(26,343)	1,162,975	0
Other Expenses	8,411	49,582	186	59,239	117,417	5,432
Bad Debt	(4,716)	0	0	0	(4,716)	0
IT- Support	8,000	8,000	8,000	5,872	29,872	0
(Total Operating Expenses)	<u>(1,149,970)</u>	<u>(8,159,589)</u>	<u>(1,301,075)</u>	<u>(2,266,556)</u>	<u>(12,877,190)</u>	<u>(124,228)</u>
Operating Income	<u>602,457</u>	<u>4,379,410</u>	<u>638,483</u>	<u>653,926</u>	<u>6,274,277</u>	<u>(4,228)</u>
Non-Operating (Expenses)						
Capital Grants	0	0	4,826		4,826	
Interest Income	3,273	7,366	44	13	10,696	0
Interest Expenses	(209,841)	(184,024)	(146,047)	(33,974)	(573,886)	(142,478)
Investment Gains and Losses	36,995	10,912	0	0	47,906	0
Total Non-Operating Revenues						
(Expenses)	<u>(169,574)</u>	<u>(165,746)</u>	<u>(141,176)</u>	<u>(33,961)</u>	<u>(510,457)</u>	<u>(142,478)</u>
Income Before Transfers	<u>432,883</u>	<u>4,213,664</u>	<u>497,307</u>	<u>619,965</u>	<u>5,763,819</u>	<u>(146,706)</u>
Operating Transfers						
Transfers In	0	0	0	75,000	75,000	317,300
Transfers Out	(137,497)	(4,146,081)	(62,000)	(363,295)	(4,708,873)	0
Total Operating Transfers	<u>(137,497)</u>	<u>(4,146,081)</u>	<u>(62,000)</u>	<u>(288,295)</u>	<u>(4,633,873)</u>	<u>317,300</u>
Extraordinary Item						
Change in Net Position	<u>295,386</u>	<u>67,583</u>	<u>435,307</u>	<u>331,670</u>	<u>1,129,946</u>	<u>170,594</u>
Net Position, Beginning of Year	1,441,011	2,397,304	1,929,892	239,072	6,007,279	1,043,227
Net Position, End of Year	<u>\$ 1,736,397</u>	<u>\$ 2,464,887</u>	<u>\$ 2,365,199</u>	<u>\$ 570,742</u>	<u>\$ 7,137,225</u>	<u>\$ 1,213,820</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	\$ 1,747,623	\$ 12,567,658	\$ 1,924,054	\$2,868,053	\$ 19,107,388	\$ 120,000
Cash Paid to Employees	(160,243)	(395,908)	(167,822)	(304,202)	(1,028,175)	(64,418)
Cash Paid to Suppliers	(537,695)	(7,187,781)	(959,884)	(2,093,554)	(10,778,913)	(64,769)
Net Cash Provided by (Used in) Operating Activities	<u>1,049,685</u>	<u>4,983,969</u>	<u>796,348</u>	<u>470,297</u>	<u>7,300,299</u>	<u>(9,187)</u>
Cash Flows from Noncapital Financing Activities						
Amounts Received from Other Funds	0	0	0	0	0	0
Operating Transfers In	0	0	0	75,000	75,000	317,300
Operating Transfers Out	(137,497)	(4,146,081)	(62,000)	(363,295)	(4,708,873)	0
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(137,497)</u>	<u>(4,146,081)</u>	<u>(62,000)</u>	<u>(288,295)</u>	<u>(4,633,873)</u>	<u>317,300</u>
Cash Flows from Capital and Related Financing Activities						
Loan Proceeds	0	0	0	0	0	0
Principal Payments on Debt	(276,870)	(159,474)	(355,012)	(57,263)	(848,619)	(159,080)
Interest Payments on Debt	(209,841)	(184,024)	(146,047)	(33,974)	(573,886)	(142,478)
Purchase of Fixed Assets	(14,020)	(80,800)	(10,975)	(54,878)	(160,673)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(500,732)</u>	<u>(424,297)</u>	<u>(512,033)</u>	<u>(146,115)</u>	<u>(1,583,177)</u>	<u>(301,558)</u>
Cash Flows from Investing Activities						
Interest Received	3,273	7,366	44	13	10,696	0
Investment Activity	36,995	10,912	0	0	47,906	0
Investments Purchased	(439,800)	(18,179)	0	0	(457,979)	0
Net Cash Provided from Investing	<u>(399,533)</u>	<u>99</u>	<u>44</u>	<u>13</u>	<u>(399,377)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,923	413,690	222,359	35,900	683,872	6,555
Cash and Cash Equivalents, Beginning of Year	1,955,742	888,348	457,426	468,207	3,769,723	227,000
Cash and Cash Equivalents, End of Year	<u>\$ 1,967,665</u>	<u>\$ 1,302,039</u>	<u>\$ 679,784</u>	<u>\$ 504,107</u>	<u>\$ 4,453,595</u>	<u>\$ 233,554</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CASH FLOWS PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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	\$ 189,174	\$ 308,635	\$ 90,457	\$ 116,367	\$ 704,634	\$ 183
Restricted Assets:						
Cash and Cash Equivalents	1,778,491	993,404	589,327	387,740	3,748,961	233,371
Total	1,967,665	1,302,039	679,784	504,107	4,453,595	233,554
<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)	602,457	4,379,410	643,309	653,926	6,279,103	(4,228)
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	0
Changes in Assets - Decrease (Increase)						
and Liabilities - Increase (Decrease)						
Inventory	(3,281)	26,123	(471)	1,854	24,225	0
Accounts Receivable, Net	6,759	(35,874)	(10,477)	(64,126)	(103,718)	0
Accounts Payable	(12,849)	(86,572)	(31,821)	(93,764)	(225,006)	1,867
Accrued Payroll	(1,346)	2,607	(1,576)	1,091	776	17
Accrued Interest Payable	(2,239)	(1,708)	(2,239)	(364)	(6,550)	(7,312)
Rate Stabilization	0		0	0	0	0
Advances to other Funds	0	160,000	0	0	160,000	0
Compensated Absences	(4,716)	(2,012)	(4,753)	(2,196)	(13,677)	469
Customer Deposits	(1,460)	23,414	0	220	22,174	0
Net Cash Provided by (Used in) Operating Activities	\$ 1,049,684	\$ 4,983,970	\$ 796,349	\$ 470,298	\$ 7,300,302	\$ (9,187)

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION-FIDUCIARY FUND
SEPTEMBER 30, 2017

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 7,135	\$ 218,646	\$ 225,781
Investments	6,832,806	7,085,498	13,918,303
Receivables	0	90,566	90,566
Total Current Assets	<u>6,839,941</u>	<u>7,394,710</u>	<u>14,234,650</u>
Total Assets	<u><u>6,839,941</u></u>	<u><u>7,394,710</u></u>	<u><u>14,234,650</u></u>
Net Assets			
Held in Trust for Pension Benefits	6,839,941	7,394,710	14,234,650
Total Net Assets	<u><u>\$ 6,839,941</u></u>	<u><u>\$ 7,394,710</u></u>	<u><u>\$ 14,234,650</u></u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-FIDUCIARY FUND
SEPTEMBER 30, 2017

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
Additions			
Contributions			
Plan Members	\$ 0	\$ 69,532	\$ 69,532
City	371,542	332,847	704,389
State	0	100,512	100,512
Total Contributions	<u>371,542</u>	<u>502,891</u>	<u>874,433</u>
Investment Income (Loss):			
Net Realized and Unrealized Gains	668,576	817,693	1,486,269
Interest and Dividends	261,475	183,448	444,923
Net Investment Income	<u>930,050</u>	<u>1,001,142</u>	<u>1,931,192</u>
Total Additions	<u>1,301,592</u>	<u>1,504,033</u>	<u>2,805,625</u>
Deductions			
Benefits Payments	663,311	705,357	1,368,669
Administrative Expenses	0	75,579	75,579
Total Deductions	<u>663,311</u>	<u>780,936</u>	<u>1,444,248</u>
Change in Net Position	638,281	723,096	1,361,377
Net Position - Beginning of Year	6,215,736	6,671,613	12,887,349
Net Assets - End of Year	<u>\$ 6,854,017</u>	<u>\$ 7,394,710</u>	<u>\$ 14,248,726</u>

See accompanying notes to Financial Statements

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017.

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, the following funds had deficit fund balances:

<u>Fund</u>	<u>Type</u>	<u>Deficit</u>
Landfill Fund	Proprietary	\$ (175,292)

Note 2 - Cash, Cash Equivalents, and Investments

Deposits and investments as of September 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	<u>\$ 1,235,331</u>
Total Cash and Cash Equivalents	<u>1,235,331</u>
Restricted:	
Cash and Investments	<u>3,982,332</u>
Total Cash and Investments	<u>\$ 5,217,663</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Certificates of Deposit	\$ 501,236	NA	<180 days
Externally Managed Portfolio Cantella	<u>1,409,833</u>	NA	NA
Total Externally Managed Portfolio	<u>1,409,833</u>		
Total Investment	<u>\$1,911,069</u>		

As of September 30, 2017, 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>\$6,839,941</u>	NA	NA
Total Externally Managed Portfolio	<u>\$6,839,941</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, 2017

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

As of September 30, 2017, 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>Cost Amount</u>	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Externally Managed Portfolio				
<u>Salem Trust - 515</u>				
Cash and Equivalents	\$ 199,809	\$ 199,809	NA	NA
<u>Salem Trust - 507</u>				
Cash and Equivalents	18,838	18,838	NA	NA
Mutual Funds – Fixed Inc.	1,441,208	1,467,054	AAA	NA
Mutual Funds - Equity Guaranteed	4,521,031	4,907,693	AAA	NA
American Core Realty	122,180	710,750	AAA	NA
Total Externally Managed Portfolio	<u>\$ 6,303,066</u>	<u>\$ 7,304,144</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, 2017, were \$1,235,331 and restricted cash (exclusive of externally managed portfolio) of \$2,480,769. 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, 2017

Note 3 - Restricted Assets

Various restrictions on deposits and investments are summarized below:

Restricted by Third Party	
Smart Grid Cash from Bond Issue	\$ 1,531,805
Cash with Fiscal Agent (Series 2003 Bonds)	523,542
Cash held for Debt Service (Series 2003 Bonds)	77,246
Cash held for Debt Service SRF Loan	129,812
Cash held for Debt Service Drinking Loan	591,032
Cash held for Rate Stabilization	200,162
Financial Assurance Landfill Closure	44,661
Total Restricted Cash and Investments	<u>\$ 3,748,961</u>

Business Type Activities

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, \$523,542, other debt of \$77,246 (b) amounts restricted for payments of drinking water loan, \$591,032; and amounts restricted for a State Revolving Loan for Sewer, \$129,812 c) funds required to be restricted for debt service under the terms of the 2011 Series Capital Improvement Bond and Loan Covenants, \$1,531,805.

The City is required to establish a landfill escrow account in compliance with the financial assurance requirements of Section 62-701.630 of the Florida Administrative Code. This rule requires the City to annually deposit funds in an interest-bearing escrow account for the purpose of funding the estimated landfill closure and post closure costs of the City's landfill.

The amount to be deposited into the Escrow Account is based on financial cost assurance cost estimates made annually by a Registered Professional Engineer. The City has 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 \$362,254 for post closure care costs, were filed with the Florida Department of Environmental Protection on October 20, 2016. The amount was based on an estimated annual monitoring expense of \$45,282 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 \$44,661 is not sufficient for monitoring requirements. The City added sufficient cash to cover the monitoring requirements after year end.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 4 - Inventory

Inventory at September 30, 2017, consists of the following:

Electric Utility Supplies	\$ 357,372
Water, Wastewater, and Gas Supplies	83,010
Total	<u>\$ 440,382</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	\$ 31,716	\$ 353,867	\$ 1,932,924	\$ 346,963
Less Allowance for Bad Debt	-	(134,125)	(596,102)	(119,878)
Net Accounts Receivable	<u>\$ 31,716</u>	<u>\$ 219,742</u>	<u>\$ 1,336,822</u>	<u>\$ 227,085</u>

		Proprietary Fund Activities		
	Gas	Refuse	Landfill	Total
Accounts Receivable	\$ 198,663	\$ 250,889	\$ 68,957	\$3,183,979
Less Allowance for Bad Debt	(93,511)	(75,776)	-	(1,019,392)
Net Accounts Receivable	<u>\$ 105,152</u>	<u>\$ 175,113</u>	<u>\$ 68,957</u>	<u>\$ 2,164,587</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 6 - Capital Assets

	Balance September 30, 2016	Increase	Decrease	Balance September 30, 2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,606,224	\$ 0	\$ 0	\$ 4,606,224
Total Capital Assets, Not Being Depreciated	4,606,224	0	0	4,606,224
Capital Assets, Being Depreciated:				
Building and Improvements	5,246,749	224,863	0	5,471,612
Improvements other than Buildings	10,652,370	29,439	0	10,681,809
Infrastructure	6,347,418	30,112	0	6,377,530
Equipment and Other	6,494,100	70,369	0	6,564,469
Total Capital Assets, Being Depreciated	28,740,637	354,783	0	29,095,420
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,585,278)	(280,633)	0	(4,865,911)
Improvements other than Buildings	(10,402,411)	(214,885)	0	(10,617,296)
Infrastructure	(6,323,776)	(1,011)	0	(6,324,787)
Equipment and Other	(6,545,861)	(7,036)	0	(6,552,897)
Total Accumulated Depreciation	(27,857,326)	(503,565)	0	(28,360,891)
Total Capital Assets, Being Depreciated, Net	883,311	(148,782)	0	734,529
Total Governmental Capital Assets, Net	\$ 5,489,535	\$ (148,782)	\$ 0	\$ 5,340,753

Business-Type Activities:

Capital Assets, Not Being Depreciated:				
Land	\$ 1,611,475	\$ 54,878	\$ 0	\$ 1,666,353
Total Capital Assets, Not Being Depreciated	1,611,475	54,878	0	1,666,353
Capital Assets, Being Depreciated				
Buildings	25,050,855	20,992	0	25,071,847
Utility, Plant Equipment and Improvements	19,580,654	15,854	(3,700)	19,600,208
Infrastructure	1,509,415	0	0	1,509,415
Equipment and Other	4,505,644	72,650	0	4,578,294
Total Capital Assets, Being Depreciated	50,646,568	109,495	(3,700)	50,759,763
Less Accumulated Depreciation for:				
Buildings	(17,020,471)	(708,878)	0	(17,729,349)
Utility, Plant Equipment and Improvements	(11,347,392)	(438,331)	0	(11,785,723)
Equipment and Other	(3,494,116)	(15,766)	0	(3,509,882)
Total Accumulated Depreciation	(31,861,979)	(1,162,975)	0	(33,024,954)
Total Capital Assets, Being Depreciated, Net	18,784,589	(1,053,480)	(3,700)	17,734,809
Total Business-Type Capital Assets, Net	\$ 20,396,064	\$ (998,602)	\$ (3,700)	\$ 19,401,162

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 189,956
Public Safety	170,258
Transportation	114,313
Culture and Recreation	28,396
Economic Development	461
Physical Environment	181
Total	\$ 503,565

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 7 - Long Term Debt

	September 30, 2016	Additions	Reductions	September 30, 2017
<u>Governmental Funds:</u>				
General Fund:				
Capital Improvement Refunding Revenue Bond 2012	\$ 3,478,000	\$ 0	\$ 283,000	\$ 3,195,000
Honeywell Lease (Gov't Portion)	113,652	0	12,890	100,762
Equipment Loan Police Cars	68,259	0	17,813	50,446
Equipment Loan Public Works & Net Quincy (PW Portion)	25,183	0	17,626	7,557
Compensated Absences	269,704	0	0	269,704
Net Pension Liability	2,768,435	134,150	0	2,902,585
Other Post Employment Benefits Liability	2,514,288	609,854	0	3,124,142
Total General Fund Debt	9,237,521	744,004	331,329	9,650,196
Total Governmental Activities Long Term Debt	\$ 9,237,521	\$ 744,004	\$ 331,329	\$ 9,650,196
 <u>Business-Type Activities:</u>				
Electric Fund:				
Utility System Series 2011 Bonds	\$ 3,391,600	\$ 0	\$ 97,600	\$ 3,294,000
Honeywell Lease (Electric Portion)	545,534	0	61,874	483,661
Compensated Absences	33,821	(2,011)	0	31,810
Total General Long Term Debt: Electric Fund	3,970,956	(2,011)	159,474	3,809,470
Water Fund:				
Utility System Series 2003 Bonds	1,532,500	0	75,000	1,457,500
Utility System Series 2011 Bonds	722,800	0	20,800	702,000
State Revolving Loan - Project No. DW2006010	3,358,384	0	161,735	3,196,649
Honeywell Lease (Water Portion)	170,479	0	19,336	151,144
Compensated Absences	14,625	0	4,716	9,909
Total General Long Term Debt: Water Fund	5,798,788	0	281,586	5,517,202
Sewer Fund:				
Utility System Series 2003 Bonds	1,532,500	0	75,000	1,457,500
Utility System Series 2011 Bonds	722,800	0	20,800	702,000
State Revolving Loan - Project No. CS12064107P	841,071	0	202,314	638,757
State Revolving Loan - Project No. 200100	427,894	0	22,094	405,800
State Revolving Loan - Project No. 641090	215,827	0	0	215,827
Honeywell Lease (Sewer Portion)	306,863	0	34,804	272,059
Compensated Absences	14,625	0	4,753	9,872
Total General Long Term Debt: Sewer Fund	4,061,580	0	359,765	3,701,815
Gas Fund:				
Utility System Series 2011 Bonds	722,800	0	20,800	702,000
Compensated Absences	11,479	2,801	0	11,410
Total General Long Term Debt: Gas Fund	734,279	2,801	20,800	713,410
Landfill Fund:				
Compensated Absences	8,788	(2,128)	0	6,661
Estimated Landfill Closure and Post Closure	398,717	0	36,463	362,254
Total General Long Term Debt: Landfill Fund	407,505	(2,128)	36,463	368,914
Internal Service Fund:				
Compensated Absences	3,299	469	0	3,768
Utility System Series 2003 Bonds	3,065,000	0	150,000	2,915,000
Equipment Loan Public Works & Net Quincy (NQ Portion)	12,977	0	9,080	3,897
Total General Long Term Debt: Internal Service Fund	3,081,276	469	159,080	2,922,665
Total General Long Term Debt	\$ 18,054,384	\$ (870)	\$ 1,017,168	\$ 17,033,476
all Non-Governmental Funds	\$ 18,054,384	\$ (870)	\$ 1,017,168	\$ 17,033,476

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 7 - Long Term Debt (Continued)

	September 30, 2016	Additions	Reductions	September 30, 2017	Due Within One Year
<u>Governmental Activities:</u>					
Bonds:					
Capital Improvement Refunding Revenue Bond 2012	\$ 3,478,000	\$ 0	\$ 283,000	\$ 3,195,000	\$ 291,000
Capitalized Leases:					
Honeywell Lease (Gov't Portion)	113,652	0	12,890	100,762	14,186
Notes Payable:					
Equipment Loan Police Cars	68,259	0	17,813	50,446	25,914
Equipment Loan Public Works & Net Quincy (PW Portion)	25,183	0	17,626	7,557	7,557
Compensated Absences	269,704	58,289	0	269,704	67,426
Net Pension Liability	2,768,435	134,150	0	2,902,585	0
Other Post Employment Benefits Liability	2,514,288	609,854	0	3,124,142	0
Total Governmental Activities Debt	<u>9,237,521</u>	<u>802,293</u>	<u>331,329</u>	<u>9,650,196</u>	<u>406,083</u>
<u>Business-Type Activities:</u>					
Bonds:					
Utility System Series 2003 Bonds	6,130,000	0	300,000	5,830,000	320,000
Utility System Series 2011 Bonds	5,560,000	0	160,000	5,400,000	170,000
Notes Payable:					
State Revolving Loan - Project No. DW2006010	3,358,384	0	161,735	3,196,649	166,398
State Revolving Loan - Project No. CS12064107P	841,071	0	202,314	638,757	207,526
State Revolving Loan - Project No. 200100	427,894	0	22,094	405,800	22,362
State Revolving Loan - Project No. 641090	215,827	0	0	215,827	0
Equipment Loan Public Works & Net Quincy (NQ Portion)	12,977	0	9,080	3,897	3,897
Capitalized Leases:					
Honeywell Lease (Sewer Portion)	306,863	0	34,804	272,059	38,303
Honeywell Lease (Electric Portion)	545,534	0	61,874	483,661	68,094
Honeywell Lease (Water Portion)	170,479	0	19,336	151,144	21,280
Estimated Landfill Closure and Post Closure	398,717	0	36,463	362,254	44,302
Compensated Absences	86,638	(870)	9,469	73,429	18,357
Total Business-Type Activities Debt	<u>\$ 18,054,384</u>	<u>\$ (870)</u>	<u>\$ 1,017,168</u>	<u>\$ 17,033,476</u>	<u>\$ 1,080,519</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, 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, 2017, 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%. the balance of the Governmental for Equipment loans was \$58,003. In addition, Honeywell’s high efficiency HVAC and lighting upgrades throughout the City represents the remaining capital lease obligations. The balance of lease payables (including the Governmental portion) as of September 30, 2017 is \$ 1,022,877. 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, 2017

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:

\$1,845,000	5.0% Term Bonds Due October 1, 2023
\$3,060,000	5.0% Term Bonds Due October 1, 2029
\$ 605,000	5.0% Term Bonds Due October 1, 2030

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. All bond payments were made in a timely manner. Balance at September 30, 2017: \$5,830,000.

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, 2017

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, 2016, 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, 2017. 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, 2017

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, 2017. 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, 2017 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, 2017, other than the liability for accumulated vacation and sick leave, is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	338,620	79,523	1,007,862	697,986
2019	327,908	70,634	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	335,964	47,408	765,604	541,263
2023-2027	1,698,117	118,128	3,627,063	2,233,144
2027-2031	0	0	4,646,439	1,112,389
2032-2033	0	0	3,667,847	51,481
Total	<u>\$ 3,353,765</u>	<u>\$ 434,409</u>	<u>\$ 16,597,793</u>	<u>\$ 6,485,591</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 8 - Contingencies and Commitments

Electric Purchase Contract

During the fiscal year 2017, the City had purchase power contract with the U.S. Department of Energy, Southern Power Administration (SEPA) and with Florida Power and Light (FP&L). 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 FP&L. 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 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, 2017, the City purchased electric capacity totaling \$6,623,860.

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, 2017, the City purchased gas totaling \$780,732.

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, 2017

Note 8 - Contingencies and Commitments (Concluded)

Accounting for Municipal Landfill Closure and Post Closure Care Costs

At September 30, 2017, the City's total liability for landfill closure and post-closure care costs was approximately \$362,254. 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 \$45,282 for a period of eight 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 \$45,281. Cash deposited in the escrow account was \$44,661. The City did not have the required amount of cash at year end. Subsequently a deposit was made and 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, 2017, 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, 2017, the City contributed \$371,541 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, 2017

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

Summary of Plan Provision

Credited Service:	Total completed years of employment with the City.
Eligibility for Insurance Coverage	
General	Age 62 and 10 years of service.
Police & Fire	Age 55 with 10 years of service, or upon completion of 25 years regardless of age. Employees may retire early at the earlier of age 50 and 10 years of service.
Health Contributions	
Retiree Only	No contribution.
Eligible Dependent	100% of the dependent premium.
City	The City subsidizes 100% of the Active Premium Rate for pre-65 Retirees, and 100% of the Medicare Supplement rate for retirees age 65 and over.
Dental Care Insurance	Retiree pays 100% of the active premium rate. Retiree may also purchase spouse coverage at the Active premium rate.

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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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:

Actuarial Assumptions and Funding Methods

Actuarial Assumptions

Valuation Date	October 1, 2015
Measurement Date	October 1, 2016
Fiscal Year End	September 30.
Actuarial Value of Assets	Market Value.
Mortality Rates	
General	RP-2000 Combined Healthy Mortality Table (sex distinct), projected to the Valuation Date.
Police & Fire	RP-2000, Combined Healthy – sex distinct. Disabled lives are set forward five years.
Interest Rate	4.0% per year, compounded annually, net of investment related expenses.
Retirement Rates	
General	100% are assumed to retire at age 65.
Police & Fire	
	Credited Service Probability
	25 50%
	26 25%
	27 67%
	28 50%
	29 50%
	30+ 100%
Early Retirement Rates	
	General Members are assumed to retire early at the rates shown below:
	Age Probability
	62 30%
	63 10%
	64 10%
	65 100%
Police & Fire	Commencing at eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 20% per year.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Marital Status 100% assumed married, with male spouses 3
Years older than female spouses.

Disability Rates
General None applied.

Police & Fire See table below for sample rates.

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

Termination Rates
General See table below for selected rates.

<u>AGE</u>	<u>% Terminating</u>
20	6.0%
30	5.0
40	2.6
50	0.8
60	0.2

Police & Fire

Less than 5 years	20%
5 years or more	5%

Health Care Participation 90% participation assumed, with 40% electing
spouse coverage.

Health Care Inflation Initial rate of 8.75% in fiscal 2017, then 8.50% in
fiscal 2018, grading down to the ultimate trend
rate of 4.00% in fiscal 2073:

Medical Aging Factors 4% per year prior to age 65;
3% per year between ages 65 and 75;
2% per year between ages 75 and 85;
0% per year thereafter.

Health Claims Developed using a blend of manual and active
fully insured rates. The updated manual rating
tool includes more recent claims data from which
to develop expected costs, and higher expected
discounts from providers in-network than used in
prior valuations.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Administrative Expenses	\$2,900 annually, added to Normal Cost.
Payroll Growth Rate	1.5% per year
Inflation Rate	3.0% per year
Salary Increase Rate	4.0% per year
Funding Method	Entry Age Normal Actuarial Cost Method (Level Percent of Pay).
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.

Valuation Date:	10/1/2015	10/1/2015
Applicable for fiscal year:	<u>9/30/2016</u>	<u>9/30/2017</u>
Annual Required Contribution	\$ 803,520	\$ 854,511
Interest on Net OPEB Obligation	77,317	100,571
Adjustment to Annual Required Contribution	<u>(97,015)</u>	<u>(127,474)</u>
Annual OPEB Cost / (Expense)	\$ 783,822	\$ 827,608
Net Contribution Made	<u>(202,456)</u>	<u>(217,754)</u>
Anticipated Increase in Net OPEB Obligation	\$ 581,366	\$ 609,854
Net OPEB Obligation - Beginning of Year	<u>1,932,922</u>	<u>2,514,288</u>
Estimated OPEB Obligation - End of Year	<u>\$2,514,288</u>	<u>\$3,124,142</u>

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Funded Status as of Valuation Date:	<u>10/1/2015</u>
Actuarial Accrued Liability (AAL)	\$7,116,183
Actuarial Value of Assets (AVA)	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$7,116,183
Funded Ratio	0%
Covered Payroll	\$3,790,036
Ratio of UAAL to Covered Payroll	190.60%

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.

Three Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2017	\$ 827,608	26.30%	\$ 3,124,142
9/30/2016	\$ 783,822	25.80%	\$ 2,514,288
9/30/2015	\$ 698,800	32.40%	\$ 1,932,922

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of 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 health care cost trend. Amounts determined regarding the funding status of a plan and the annual required contributions of the employer are subject to continued revision, as actual results are 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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

The following is a schedule of funded status and funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/1/2016	\$ -	\$ 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%

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, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	35
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	28
Active Plan Members	22
	85

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, 2017

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, 2017

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, 2017:

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, 2017, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 14.85 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, 2017, were as follows:

Total Pension Liability	\$10,297,295
Plan Fiduciary Net Position	(7,394,710)
Sponsor's Net Pension Liability	<u>\$2,902,585</u>
Plan Fiduciary Net Position as a percentage of Total	71.81%

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2017, updated to September 30, 2017, 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, 2017

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, 2017, 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	\$ 3,987,914	\$ 2,902,585	\$ 1,989,639

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>9/30/2017</u>
Total Pension Liability	
Service Cost	\$ 97,154
Interest	743,912
Change in Funding Standard Account	0
Differences Between Expected and Actual Experience	307,201
Changes of Assumptions	0
Benefit Payments, including refunds of Employee Contributions	<u>(705,357)</u>
Net Change in Total Pension Liability	442,910
Total Pension Liability - Beginning	<u>9,854,385</u>
Total Pension Liability - Ending (a)	<u><u>10,297,295</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	332,291
Contributions - State	101,068
Contributions - Employee	69,532
Net Investment Income	957,394
Benefit Payments, including Refunds and Contributions	(705,357)
Administrative Expense	<u>(31,832)</u>
Net Change in Plan Fiduciary Net Position	723,096
Plan Fiduciary Net Position - Beginning	<u>6,671,614</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>7,394,710</u></u>
 Net Pension Liability (Asset) (a) - (b)	 \$2,902,585
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 71.81%
 Covered Employee Payroll	 \$ 931,955
Net Pension Liability as a percentage of Covered Employee Payroll	311.45%

Change of Assumption

For measurement date 09/30/2017, as a result of Chapter 2016-157, 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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Schedule of Contributions

	<u>9/30/2017</u>
Actuarial Determined Contribution	\$ 433,359
Contributions in relation to the Actuarial Determined Contribution	<u>433,359</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
 Covered Employee Payroll	 \$ 931,955
Contributions as a percentage of Covered Employee Payroll	46.50%

Notes to Schedule

Valuation Date: 10/01/2016

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:	21 years (as of 10/1/2016) valuation
Mortality Rate:	<i>Healthy Lives</i> ; Female RP2000 Generational, 100% Annuitant White collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB <i>Disabled Lives</i> ; Female 60% RP 2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male; 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
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.
Salary Increases:	4% per year.
Final Salary Load:	Projected salary in the year of retirement is increased by 2% to account for non-regular compensation.
Payroll Growth:	None

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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.

Disability Rates: See Table for below sample rates. 75% of Disability Retirements are assumed to be service-incurred.

	<u>AGE</u>	<u>% Becoming Disabled During the year</u>
	25	0.09%
	35	0.14%
	45	0.24%
	55	0.38%

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

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

<u>Credit Service</u>	<u>Assumption</u>
Less than 5 years	20%
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.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Schedule of Investment Returns

9/30/2017

Annual Money - Weighed Rate of Return (Net of Expense) 14.85%

Final Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the sponsor has recognized a Pension expense of \$489,896.

On September 30, 2017, the sponsor reported Deferred outflows or resources and Deferred inflows of Resources related to Pensions from the following sources:

Schedule of Deferred Outflows and Deferred Inflows

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between Expected and Actual Experiences	\$ 14,411	\$ 0
Change of Assumptions	172,283	0
Net Difference between Projected and Actual Earnings on Pension		
Plan Investment	460,200	0
Employer and State Contributions Subsequent to Measurement Date	433,569	0
Total	<u>\$ 1,080,253</u>	<u>\$ 0</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date has been recognized as a reduction of the Net Pension Liability in the year-ended September 30, 2017. Other amounts reported as Deferred Outflows of resources and Deferred Inflows of Resources related to pension will be recognized in Pension Expense as follows:

Year ended September 30,	
2018	\$ 310,882
2019	124,188
2020	168,410
2021	43,414
2022	0
Thereafter	0
Total	<u>\$ 646,894</u>

Payable to the Pension Plan: On September 30, 2016, the sponsor reported a payable of \$58,956 for the outstanding amount of contributions of the Pension plan required for the year-ended September 30, 2016.

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, 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	Landfill	Internal Service	
General Fund	\$ 0	\$ 0	\$ 360,000	\$ 35,000	\$ 317,300	\$ 712,300
Electric	4,146,081	0	0	0	0	4,146,081
Water	137,497	0	0	0	0	137,497
Waste Water	62,000	0	0	0	0	62,000
Refuse	10,000	0	0	40,000	0	50,000
Gas	313,295	0	0	0	0	313,295
Total	\$ 4,668,873	\$ 0	\$ 360,000	\$ 75,000	\$ 317,300	\$ 5,421,173

Note 15 - Advances To and From Other Funds

Advances To		Advances From				
		General Fund	CRA	Electric	Waste Water	Total
General Fund	\$ 20,000	\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Electric	200,000	0	0	0	200,000	200,000
Water	479,943	0	0	479,943	0	479,943
Waste Water	479,943	0	0	479,943	0	479,943
Gas	479,943	0	0	479,943	0	479,943
Total	\$ 1,659,829	\$ 0	\$ 20,000	\$ 1,439,829	\$ 200,000	\$ 1,659,829

CITY OF QUINCY, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.

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	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 20,000
Restricted for:					
Law Enforcement	0	0	25,786	0	25,786
Debt Service	0	0	0	94,512	94,512
Economic Environment	0	235,635	0	0	235,635
Assigned	221,973	0	0	0	221,973
Unassigned	595,631	0	0	0	595,631
Total Fund Balance	<u>\$ 837,604</u>	<u>\$ 235,635</u>	<u>\$ 25,786</u>	<u>\$ 94,512</u>	<u>\$ 1,193,537</u>

Note 17 – Subsequent Events

Management has evaluated subsequent events through June 21, 2018 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, 2017

**CITY OF QUINCY, FLORIDA
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2017**

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	9/30/2014 9/30/2013
Total Pension Liability				
Service Cost	\$ 97,154	\$ 81,748	\$ 79,756	\$ 75,629
Interest	743,912	706,961	707,360	702,446
Change in Funding Standard Account	0	0	0	(104,969)
Differences Between Expected and Actual Experience	307,201	28,822	(139,070)	0
Changes of Assumptions	0	344,566	0	0
Benefit Payments	(705,357)	(696,094)	(614,276)	(613,357)
Net Change in Total Pension Liability	442,910	466,003	33,770	59,749
Total Pension Liability - Beginning	9,854,385	9,388,382	9,354,612	9,294,863
Total Pension Liability - Ending (a)	10,297,295	9,854,385	9,388,382	9,354,612
Plan Fiduciary Net Position				
Contributions - Employer	332,291	324,161	173,276	203,047
Contributions - State	101,068	100,511	196,371	102,057
Contributions - Employee	69,532	74,620	64,890	60,662
Net Investment Income	957,394	286,861	(96,294)	713,364
Benefit Payments, including Refunds and Contributions	(705,357)	(696,094)	(614,276)	(613,357)
Administrative Expense	(31,832)	(38,392)	(31,320)	(27,834)
Net Change in Plan Fiduciary Net Position	723,096	51,667	(307,353)	437,939
Plan Fiduciary Net Position - Beginning	6,671,614	6,619,947	6,927,300	6,489,361
Plan Fiduciary Net Position - Ending (b)	7,394,710	6,671,614	6,619,947	6,927,300
Net Pension Liability (Asset) (a) - (b)	\$ 2,902,585	\$ 3,182,771	\$ 2,768,435	\$ 2,427,312
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 71.81%	 67.70%	 70.51%	 74.05%
 Covered Employee Payroll	 \$ 931,955	 \$ 1,023,306	 \$ 867,717	 \$ 808,824
Net Pension Liability as a percentage of Covered Employee Payroll	311.45%	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, 2017

Schedule of Contributions
Last 10 Fiscal Years

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Actuarial Determined Contributions	\$ 433,359	\$ 424,672	\$ 369,647	\$ 410,073
Contributions in relation to the Actuarial Determined Contribution	433,359	424,672	369,647	410,073
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 931,955	\$ 1,023,306	867,717	\$ 808,824
Contributions as a percentage of Covered Employee Payroll	46.50%	41.50%	42.60%	50.70%
Valuation Date	10/01/2016	10/01/2015	10/01/2014	10/01/2012

Notes to Schedule

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.

Funding Method: Entry Age Normal Actuarial Cost Method
Amortization Method: Level dollar

Remaining Amortization Period: 22 years (as of 10/1/2016) 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.

CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2017

Notes to Schedule (Concluded)

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.

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

	<u>Age</u>	<u>% Becoming Disabled During the Year</u>
	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:	<u>Credit Service</u>	<u>Assumption</u>
	Less than 5 years	20.0%
	5 or more years	5.0%

**CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
YEAR ENDED SEPTEMBER 30, 2017**

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.

<u>Schedule of Investment Returns</u>				
Last 10 Fiscal Years				
	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual Money - Weighted Rate of Return (Net of Expense)	14.85%	4.46%	-1.44%	11.33%

**CITY OF QUINCY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
YEAR ENDED SEPTEMBER 30, 2017**

Note - Other Postemployment Benefit Plan

Schedule of Employer Contributions
Other Postemployment Benefits

<u>Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2017	\$ 827,608	26.30%	\$ 3,124,142
9/30/2016	\$ 783,822	25.80%	\$ 2,514,288
9/30/2015	\$ 698,800	32.40%	\$ 1,932,922

Schedule of Funding Progress
Other Postemployment Benefits

<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>
10/1/2016	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2016	\$ -	\$ 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, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,837,543	\$ 1,837,543	\$ 1,875,385	\$ 37,842
Licenses and Permits	110,041	110,041	168,315	58,274
Intergovernmental Revenues	601,580	601,580	617,942	16,362
Charges for Services	452,220	452,220	462,223	10,003
Fines and Forfeitures	30,000	30,000	38,317	8,317
Miscellaneous Revenues	132,100	132,100	202,094	69,994
Total Revenues	3,163,484	3,163,484	3,364,276	200,792
Expenditures				
Current:				
General Government	2,859,297	2,868,797	2,099,494	769,303
Public Safety	3,442,112	3,434,112	3,425,979	8,133
Physical Environment	177,471	175,071	192,505	(17,434)
Transportation	671,710	664,610	724,561	(59,951)
Economic Environment	146,000	146,000	143,944	2,056
Culture and Recreation	389,484	389,484	371,637	17,847
Debt Service:				
Principal	57,756	57,756	48,329	9,427
Interest	5,827	5,827	15,256	(9,429)
Capital Outlay	434,700	442,700	138,459	304,241
(Total Expenditures)	(8,184,357)	(8,184,357)	(7,160,165)	1,024,192
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(5,020,873)	(5,020,873)	(3,795,888)	1,224,985
Other Financing Sources (Uses)				
Debt Proceeds	0	0	0	0
Operating Transfers in	4,878,873	4,878,873	4,668,873	(210,000)
Operating Transfers out	0	0	(712,300)	(712,300)
Total Other Financing Sources (Uses)	4,878,873	4,878,873	3,956,573	(922,300)
Net Change in Fund Balance	(142,000)	(142,000)	160,685	302,685
Fund Balance, Beginning of Year	676,750	676,750	676,919	169
Fund Balance, End of Year	\$ 534,750	\$ 534,750	\$ 837,604	\$ 302,854

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, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Tax Increment	420,755	420,755	413,266	(7,489)
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	250,000	250,000	0	(250,000)
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	71	71	213	142
Total Revenues	670,826	670,826	413,479	(257,347)
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	483,326	377,767	384,921	7,154
Culture and Recreation	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Capital Outlay	437,500	437,500	216,324	(221,176)
(Total Expenditures)	920,826	815,267	601,245	7,154
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(250,000)	(144,441)	(187,766)	(264,501)
Other Financing Sources (Uses)				
Operating Transfers in	0	0	0	0
Operating Transfers out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(250,000)	(144,441)	(187,766)	(264,501)
Fund Balance, Beginning of Year	250,000	175,768	423,401	247,633
Fund Balance, End of Year	\$ 0	\$ 31,327	\$ 235,635	\$ (16,868)

**CITY OF QUINCY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue Confiscated Property Fund	Debt Service 2012 Refunding Bond	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalent	\$ 25,786	\$ 94,512	\$ 120,298
Investments	0	0	0
Reveivables (Net)	0	0	0
Assessment Receivables (Net)	0	0	0
Due from Other Governments	0	0	0
Advances to Other Funds	0	0	0
Total Assets	<u>25,786</u>	<u>94,512</u>	<u>120,298</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Accrued Expenses	0	0	0
Due to Other Governments	0	0	0
Advances to Other Funds	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable:			
Advances to Other Funds	0	0	0
Restricted for:			
Law Enforcement	25,786	0	25,786
Physical Environment	0	0	0
Debt Service	0	94,512	94,512
Unassigned	0	0	0
Total Fund Balances	<u>25,786</u>	<u>94,512</u>	<u>120,298</u>
Total Liabilities and Fund Balances	<u>\$ 25,786</u>	<u>\$ 94,512</u>	<u>\$ 120,298</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, 2017

	Special Revenue Confiscated Property Fund	Debt Service 2012 Refunding Bond	Total Combined Non-Major Funds
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Tax Increment	0	0	0
Licenses and Permits	0	0	0
Intergovernmental Revenues	0	0	0
Charges for Services	0	0	0
Fines and Forfeitures	0	0	0
Miscellaneous Revenues	(9)	22	13
Total Revenues	<u>(9)</u>	<u>22</u>	<u>13</u>
Expenditures			
General Government	0	0	0
Public Safety	0	0	0
Physical Environment	0	0	0
Transportation	0	0	0
Economic Environment	0	0	0
Culture and Recreation	0	0	0
IT Support	0	0	0
Debt Service:	0	0	0
Principal	0	283,000	283,000
Interest	0	79,994	79,994
Capital Outlay	0	0	0
(Total Expenditures)	<u>0</u>	<u>362,994</u>	<u>362,994</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(9)</u>	<u>(362,972)</u>	<u>(362,981)</u>
Other Financing Sources (Uses)			
Debt Proceeds			0
Transfers in	0	360,000	360,000
Transfers (out)	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>360,000</u>	<u>360,000</u>
Net Change in Fund Balances	(9)	(2,972)	(2,981)
Fund Balances, Beginning of Year	<u>25,796</u>	<u>97,483</u>	<u>123,279</u>
Fund Balances, End of Year	<u><u>\$ 25,786</u></u>	<u><u>\$ 94,512</u></u>	<u><u>\$ 120,298</u></u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	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	\$ 30,864	\$ 1,667	\$ 83,837	\$ 116,367
Investments	0	0	0	0
Receivables	175,113	68,957	105,152	349,221
Inventories	0	0	156	156
Total Current Assets	<u>205,976</u>	<u>70,623</u>	<u>189,145</u>	<u>465,745</u>
Noncurrent Assets				
Restricted Assets:				
Restricted Cash and Cash Equivalents	0	44,661	343,078	387,740
Total Restricted Assets	<u>0</u>	<u>44,661</u>	<u>343,078</u>	<u>387,740</u>
Capital Assets:				
Land and Land Improvements	0	54,878	403,717	458,595
Property, Plant and Equipment	0	485,528	1,318,778	1,804,306
(Accumulated Depreciation)	0	(459,185)	(1,318,778)	(1,777,963)
Total Net Capital Assets	<u>0</u>	<u>81,221</u>	<u>403,717</u>	<u>484,938</u>
Other Assets:				
Advances to Other Funds	0	0	479,943	479,943
Total Noncurrent Assets	<u>0</u>	<u>125,882</u>	<u>1,226,738</u>	<u>1,352,621</u>
Total Assets	<u>\$ 205,976</u>	<u>\$ 196,506</u>	<u>\$ 1,415,883</u>	<u>\$ 1,818,365</u>

CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities - Enterprise Funds			
	Non-Major Funds			Total
	Refuse Fund	Landfill Fund	Gas Fund	Non-Major Funds
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 91,546	\$ 120	\$ 39,131	\$ 130,797
Accrued Expenses	0	2,764	5,915	8,678
Due to Other Governments	0	0	0	0
Accrued Interest Payable	0	0	16,987	16,987
Current Portion:	0	0	0	0
Bonds Payable	0	0	20,800	20,800
Notes Payable	0	0	0	0
Mortgages Payable	0	0	0	0
Capitalized Lease Payable	0	1,665	2,852	4,518
Compensated Absences	0	0	0	0
Total Current Liabilities	<u>91,546</u>	<u>4,549</u>	<u>85,685</u>	<u>181,780</u>
Noncurrent Liabilities:				
Customer Deposits	0	0	8,838	8,838
Advances to Other Funds	0	0	0	0
Long Term Portion:	0	0	0	0
Bonds Payable	0	0	681,200	681,200
Notes Payable	0	0	0	0
Capitalized Lease Payable	0	0	0	0
Compensated Absences	0	4,995	8,557	13,553
Land Fill Closure Liability	0	362,254	0	362,254
Total Noncurrent Liabilities	<u>0</u>	<u>367,249</u>	<u>698,595</u>	<u>1,065,844</u>
Total Liabilities	<u>91,546</u>	<u>371,798</u>	<u>784,280</u>	<u>1,247,624</u>
Net Position				
Net Investment in Capital Assets	0	81,221	(298,283)	(217,062)
Restricted for:	0	0	0	0
Debt Service	0	44,661	343,078	387,740
Unrestricted	114,431	(301,175)	586,808	400,064
Total Net Position	<u>114,431</u>	<u>(175,292)</u>	<u>631,603</u>	<u>570,742</u>
Total Liabilities and Net Position	<u>\$ 205,976</u>	<u>\$ 196,506</u>	<u>\$ 1,415,883</u>	<u>\$ 1,818,365</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, 2017

	Business-Type Activities - Enterprise Funds			
	Non-Major Funds			Total
	Refuse Fund	Landfill Fund	Gas Fund	Non-Major Funds
Operating Revenues				
Charges for Services	\$ 1,342,562	\$ 159,365	\$ 1,418,555	\$ 2,920,482
Total Operating Revenue	<u>1,342,562</u>	<u>159,365</u>	<u>1,418,555</u>	<u>2,920,482</u>
Operating Expenses				
Purchase Power	0	0	780,158	780,158
Personal Service	0	86,130	165,643	251,773
Contractual Service	1,069,646	(2,573)	16,697	1,083,770
Supplies	0	0	5,979	5,979
Repairs and Maintenance	0	186	14,810	14,996
Utility/Telephone	0	643	5,192	5,835
Shared Service	30,505	0	54,771	85,276
Depreciation	0	(26,343)	0	(26,343)
Other Expenses	55,124	2,165	1,951	59,239
Bad Debt	0	0	0	0
IT-Support	0	(2,128)	8,000	5,872
(Total Operating Expenses)	<u>(1,155,275)</u>	<u>(58,080)</u>	<u>(1,053,201)</u>	<u>(2,266,556)</u>
Operating Income	<u>187,287</u>	<u>101,285</u>	<u>365,354</u>	<u>653,926</u>
Non-Operating Revenues (Expenses)				
Capital Grants	0	0	0	0
Interest Income	0	13	0	13
Interest Expense	0	0	(33,974)	(33,974)
Investment Gains and Losses	0	0	0	0
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>13</u>	<u>(33,974)</u>	<u>(33,961)</u>
Income Before Capital Contributions and Transfers	<u>187,287</u>	<u>101,298</u>	<u>331,380</u>	<u>619,965</u>
Operating Transfers				
Transfers In	0	75,000	0	75,000
Transfers Out	(50,000)	0	(313,295)	(363,295)
Total Capital Grants and Operating Transfers	<u>(50,000)</u>	<u>75,000</u>	<u>(313,295)</u>	<u>(288,295)</u>
Change in Net Position	<u>137,287</u>	<u>176,298</u>	<u>18,085</u>	<u>331,670</u>
Net Position, Beginning of Year	(22,857)	(351,590)	613,519	239,072
Net Position, End of Year	<u>\$ 114,431</u>	<u>\$ (175,292)</u>	<u>\$ 631,603</u>	<u>\$ 570,742</u>

CITY OF QUINCY, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2017

**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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2018.

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 21, 2018
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, 2017, 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, 2017.

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 21, 2018
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, 2017, and have issued our report thereon dated June 21, 2018.

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 21, 2018, 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 21, 2018
Quincy, FL