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August 13, 2002

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ORIGINAL

KAREN D. WALKER
850-425-5612

Internet
Address: kwalker@hklaw.com

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

020884-17

COMMISSION
CLERK

AUG 13 PM 4:15

RECEIVED-FPSC

Re: In re: Application for Certificate to provide Alternative Local Exchange Telecommunications Service by the City of Quincy

Dear Ms. Bayo:

Enclosed for filing with the Florida Public Service Commission are:

- 1) The original and six (6) copies of the City of Quincy's Application for Authority to Provide Alternative Local Exchange Telecommunications Service within the State of Florida; and
- 2) A check in the amount of \$250.00 for payment of the application fee.

For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration in this matter.

Sincerely,

HOLLAND & KNIGHT LLP

Karen D. Walker
Karen D. Walker

RECEIVED & FILED
Mas
FPSC-BUREAU OF RECORDS

Enclosures
KDW/chs

cc: Robert J. Washington

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check
dm

DOCUMENT NUMBER-DATE

08516 AUG 13 02

FPSC-COMMISSION CLERK

**** FLORIDA PUBLIC SERVICE COMMISSION ****

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

020884-TX

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).
- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.
- Use a separate sheet for each answer which will not fit the allotted space.
- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6770

- If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Regulatory Oversight
Certification Section
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850
(850) 413-6480

APPLICATION

1. This is an application for / (check one):

Original certificate (new company).

Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

Approval of transfer of control: Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

City of Quincy

3. Name under which the applicant will do business (fictitious name, etc.):

netquincy, netquincy.com, and www.netquincy.com

4. Official mailing address (including street name & number, post office box, city, state, zip code):

404 West Jefferson Street
Quincy, FL 32351

5. Florida address (including street name & number, post office box, city, state, zip code):

Same as Above

6. Structure of organization:

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Corporation |
| <input type="checkbox"/> Foreign Corporation | <input type="checkbox"/> Foreign Partnership |
| <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership |
| <input checked="" type="checkbox"/> Other <u>Municipal Government</u> | |

7. If individual, provide: Not applicable.

Name:

Title:

Address:

City/State/Zip:

Telephone No.: _____ Fax No.:

Internet E-Mail Address:

Internet Website Address:

8. If incorporated in Florida, provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number:

Not applicable.

9. If foreign corporation, provide proof of authority to operate in Florida:

(a) The Florida Secretary of State corporate registration number:

Not applicable.

10. If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) The Florida Secretary of State fictitious name registration number:

netquincy – G02213900148

netquincy.com – G02213900149

www.netquincy.com – G02213900147

11. If a limited liability partnership, provide proof of registration to operate in Florida:

(a) The Florida Secretary of State registration number:

Not applicable.

12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.

Name: Not applicable.

Title:

Address:

City/State/Zip:

Telephone No.: _____ Fax No.:

Internet E-Mail Address:

Internet Website Address:

13. If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: Not applicable.

14. Provide F.E.I. Number(if applicable): 596000416

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

None

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Karen D. Walker

Title: Holland & Knight LLP

Address: 315 South Calhoun Street, Suite 600

City/State/Zip: Tallahassee, FL 32301

Telephone No.: (850) 425-5612 Fax No.: (850) 224-8832

Internet E-Mail Address: kwalker@hklaw.com

Internet Website Address: http://www.hklaw.com

(b) Official point of contact for the ongoing operations of the company:

Name: Robert J. Washington
Title: Director of Telecommunications
Address: c/o The City of Quincy
404 W. Jefferson Street
City/State/Zip: Quincy, FL 32351
Telephone No.: (850) 627-7681 Ext. 251 Fax No.: (850) 875-3733

Internet E-Mail Address: bob@netquincy.com
Internet Website Address: www.netquincy.com

(c) Complaints/Inquiries from customers:

Name: Robert J. Washington
Title: Director of Telecommunications
Address: c/o City of Quincy, 404 W. Jefferson Street
City/State/Zip: Quincy, FL 32351
Telephone No.: (850) 627-7681 Ext. 251 Fax No.: (850) 875-3733
Internet E-Mail Address: bob@netquincy.com
Internet Website Address: www.netquincy.com

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None

(b) has applications pending to be certificated as an alternative local exchange company.

None

(c) is certificated to operate as an alternative local exchange company.

None

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

18. Submit the following:

A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Exhibit A.

B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See Exhibit A.

C. Financial capability.

The application should contain the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated. See Composite Exhibit B (audited financial statements for 1998, 1999 and 2000).

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. written explanation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. written explanation that the applicant has sufficient financial capability to maintain the requested service.
3. written explanation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit C.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** I understand that a non-refundable application fee of \$250.00 must be submitted with the application.

UTILITY OFFICIAL:

Robert J. Washington
Print Name

Director of Telecommunications
Title

(850) 627-6781 Ext. 251
Telephone No.

Signature

Date 8-9-2002

(850) 875-3733
Fax No.

Address: City of Quincy

404 W. Jefferson St.

Quincy, FL 32351

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Robert J. Washington

Print Name

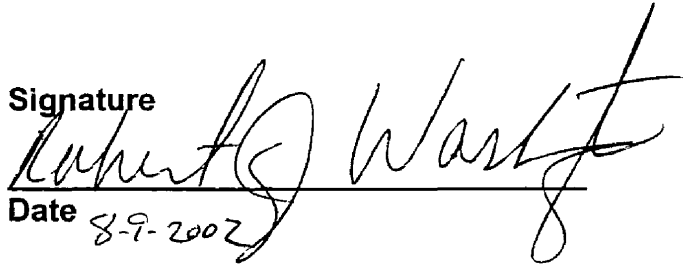
Director of Telecommunications

Title

(850) 627-6781 Ext. 251

Telephone No.

Signature



Date

8-9-2002

(850) 875-3733

Fax No.

Address: City of Quincy

404 W. Jefferson St.

Quincy, FL 32351

INTRASTATE NETWORK (if available)
[NOT APPLICABLE]

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP: Addresses where located, and indicate if owned or leased.**

1) _____ 2) _____

3) _____ 4) _____

2. **SWITCHES: Address where located, by type of switch, and indicate if owned or leased.**

1) _____ 2) _____

3) _____ 4) _____

3. **TRANSMISSION FACILITIES: POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.**

POP-to-POP

OWNERSHIP

1) _____

2) _____

3) _____

4) _____

**CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
[NOT APPLICABLE]**

I, (Name)
(Title) _____ of (Name of Company)

and current holder of Florida Public Service Commission Certificate Number #
_____, have reviewed this application and join in the petitioner's
request for a:

- () sale
- () transfer
- () assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

Print Name _____

Signature

Title _____

Date

Telephone No. _____

Fax No.

Address:

Exhibit A

The City of Quincy (the "City") is a municipality that is governed by a five-member City Commission. The City Commission is responsible for making all major budget and spending decisions, including decisions with regard to telecommunications services and facilities. The City is submitting this application for Alternative Local Exchange Company ("ALEC") certification so that it can build on its telecommunications capabilities and respond to community-based telecommunications needs.

The City has developed managerial and technical capabilities in numerous areas as a result of its wide-ranging responsibilities as a municipal government. The City has an annual budget of approximately \$ 30 million. The City's staff includes 156 employees.

Although the City itself has the managerial and technical capabilities required for ALEC certification, the City is currently in the process of exploring relationships with other entities, including other telecommunications providers, which could provide additional managerial and technical support to the City.

Managerial Capability

Robert J. Washington, Director of General Services/Telecommunications, will be responsible for implementation of policies established by the City Commission with regard to telecommunications services and facilities and overall management of the City's telecommunications operations. The City's General Services/Telecommunications Department is responsible for the City's information technology and telecommunications functions. Mr. Washington has been an administrator in local government for almost 16 years. In addition to information technology and telecommunications, Mr. Washington manages procurement, property control, risk management and public information. The City of Quincy became an Internet Service Provider in March of 2001. This project, which continues to be further developed today, was conceived, implemented and is being managed by Mr. Washington.

Prior to joining the City of Quincy, Mr. Washington was the assistant Procurement Director for the Leon County Board of County Commissioners for over 12 years where he was heavily involved in the acquisition of telecommunications and technological equipment and services.

Other City employees with managerial experience that can provide additional management and other support on an as-needed basis are Willie Earl Banks, Interim City Manager, and Jack L. McLean, Jr., City Attorney. The resumes of Mr. Banks and Mr. McLean are attached hereto.

Technical Capability

The City's Telecommunications Division of the General Services Department will be responsible for operation and management of the City's telecommunications system and services on a day-to-day basis, and development and improvement of the City's capabilities in this effort. The City's General Services Department has expertise in a wide range of technical areas. The City will also utilize consultants for technical expertise and will hire additional experienced technical personnel as its internet and telecommunications systems are further developed. The City has good relationships with a number of capable firms that will be of great assistance in this endeavor.

Information regarding the technical experience of Robert Washington is set forth above. As noted, other technical assistance will be provided through outside consultants which will be retained in the future.

Willie Earl Banks
362 E. King Street
Quincy, FL 32351
850/627-7681 (W) 850/875-2325 (H)

P E R S O N A L D A T A

Birthdate:	October 31, 1949
Marital Status	Married
Height	6'2"
Weight	195#
Health	Good
Children	4

E D U C A T I O N

Florida A & M University

1971 - 1977

Tallahassee, FL

B.S. - INDUSTRIAL ARTS

M. ED - INDUSTRIAL EDUCATION.

S U M M A R Y O F Q U A L I F I C A T I O N S

Knowledge of modern techniques, methods, procedures and practices of administration. Ability to plan, direct, supervise and inspect programs and activities. Ability to prepare written technical reports, estimates, construction and cost records. Ability to plan, assign, instruct, review and evaluate work assignments of personnel.

Ability to establish and maintain effective working relationships with subordinates, elected officials and pertinent community officials, such as, but not limited to, the County Manager, Director of the Chamber of Commerce and Gadsden County School Board members, relating to the area of responsibility.

Ability to evaluate problems and respond to community needs.

Ability to communicate effectively both orally and in writing.

Knowledge of personnel administration principles, rules and regulations, knowledge of budget and purchasing processes. Knowledge of administrative rules of the City of Quincy.

P R O F E S S I O N A L E X P E R I E N C E

City of Quincy, FL
Quincy, Florida
Interim City Manager.

January 2000 - Present

Major Functions: Perform the duties of the City Manager. Employ or appoint City employees.

Duties: Direct and supervise the administration of all departments, offices and agencies of the City.

Attend all City Commission meetings.

See that all laws, provisions of the charter and acts of the City Commission are faithfully executed.

Make reports as the City Commission requires concerning the operations of City departments, offices and agencies.

Keep the City Commission fully advised as to the financial condition and future needs of the City and make recommendations to the City Commission concerning the affairs of the City.

City of Quincy, FL
Quincy, Florida
PUBLIC WORKS DIRECTOR.

1991 - Present

Major Functions: Highly responsible administrative and technical work in directing all activities at the Public Works Department.

Duties: Plan, coordinate, direct and exercise supervision over employees engaged in a wide variety of public works services.

Study departmental organization, personnel distribution and project requirements to effect the most efficient and economical utilization of facilities, personnel and equipment.

Oversee construction and maintenance of the City street systems.

Develop and implement programs, practices and procedures for the department.

Conduct meetings and conferences to discuss work problems, policy changes, safety and other related matters.

Direct the budget preparation for the Department. Make procedural and operational recommendations to the City Manager.

Direct and participate in the selection, placement, promotion, training, development, safety, discipline and appraisal of personnel.

Perform other related duties as assigned.

City of Quincy, FL
Quincy, Florida

1988 - 1991

DIRECTOR OF HOUSING REHABILITATION.

Major Function: Responsible for the implementation of the Housing Rehabilitation Program. Supervising and carrying out grant-funded rehabilitation projects in the City's designated target areas.

Duties: Supervise a staff.

Determine contractor and applicant eligibility, assist prospective recipients with application and contract procedures.

Oversee cost estimates on each project handled by staff.

Receive bids and recommend bid awards to the Community Development Director.

Inspect construction sites to determine compliance with Program requirements and specifications.

Oversee property acquisitions and temporary relocation activities.

Determine necessary change orders and make those recommendations to the Community Development Director, giving final approval of rehabilitation work before payments are made to the contractor.

Report to the City Manager and the City Commission concerning program implementation and progress when necessary.

**Clark, Roumelis and Associates,
Inc.**

1987 - 1988

Tallahassee, FL

HOUSING REHABILITATION SPECIALIST.

Duties: Perform preliminary inspections of project sites to determine cost estimates. Prepare work write-ups giving rehabilitation requirements and procedures for each project

Conduct pre-bid conferences.

Assist in bid openings and perform daily inspections of construction. Make change order recommendations and submit requests for contractor payments to the Housing Rehabilitation Director

Report directly to the Housing Rehabilitation Director in all duties and when necessary to the Director of Community Development. This work covered three counties.

City of Quincy, FL

1983 - 1987

HOUSING REHABILITATION SPECIALIST

Duties: Same as above except I was only responsible for the City of Quincy.

Williston High School

1980 - 1983

Williston, FL

INSTRUCTOR OF INDUSTRIAL ARTS

Duties: Responsible for teaching woodwork, plastics, metal work and drafting to high school students.

Casting Company of America

1979 - 1980

Quincy, FL

PRODUCTION SUPERVISOR

Duties: Responsible for the supervision of fourteen men and maintaining over \$500,00 worth of foundry equipment.

Havana Middle School

1977 - 1979

Havana, FL

INSTRUCTOR OF INDUSTRIAL ARTS AND UNITED STATES HISTORY

Duties: Responsible for teaching woodwork in industrial arts and teaching United States history to eighth grade students.

Sunland Retardation Center

1973 - 1977

Tallahassee, FL

ORDERLY

Duties: Responsible for assisting clients to bed and helping plan and organize their routine for the next day.

M I L I T A R Y E X P E R I E N C E

August 1969 Basic Training (Ft. Benning, GA)
August 1971 Advance Infantry Training (Ft. Lewis, Washington)
Overseas - Vietnam
Rank: Sgt. E-5

P R O F E S S I O N A L M E M B E R S H I P S

Member of St. Hebron A.M.E. Church
Steward, Layman's President and Youth Coordinator

Director of A.M.E. Credit Union

Parliamentarian for Gadsden District Lay Organization

District Church School Superintendent

Board of Directors for Literacy Volunteers of Gadsden County

Board of Directors for Gadsden Arts

R E F E R E N C E S

AVAILABLE UPON REQUEST

<input type="button" value="x"/>	<input type="button" value="x"/>	<input type="button" value="x"/> Janice Weldons Tip of the Day.	<input type="button" value="x"/>	<input type="button" value="x"/>
<input type="button" value="x"/>				

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Enter 2-15 letters of the last name

Jack L. McLean, Jr. has practiced law for 25 years in the areas of labor and employment, commercial litigation, administrative and regulatory litigation, municipal and governmental litigation, zoning and land use litigation. As a trial lawyer he represented national, regional and public employers in jury and non-jury trials in individual and class action employment cases and labor controversies. He consulted with and counseled employers on numerous labor issues. In union representational proceedings, arbitration, and strikes, he trained, counseled and advised employers on union corporate campaign strategy, RICO violations, consumer boycotts, direct dealing, and strike misconduct. He is an integral part of the national planning with and training for national clients' managers and supervisors in negotiating collective bargaining agreements and coordinating strike preparation.

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- [Accounting](#)
- [Credit & Collections](#)
- [Human Resources](#)
- [Information Technology](#)
- [Library & Research](#)
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Mr. McLean successfully defended employers in Fair Labor Standards Act litigation, First Amendment and Section 1983 property and due process claims, public accommodations claims, racial and ethnic discrimination claims, sexual harassment charges, equal pay act claims, rehabilitation act and ADA suits, non-compete litigation and hospital privilege/antitrust litigation. In the area of labor law, he trained and advised employers in organization campaigns, secondary picketing and enforcement machinery of the National Labor Relations Board and State Boards. He is experienced in representing employers in representational proceedings and unfair labor practice proceedings.

-
- [Firm Departments](#)
- [Business Law](#)
- [REELU](#)

He has extensive experience advising on personnel and human resources matters, and employment practices including drafting contracts, policies and procedures. He has taught courses and spoken to various groups on employment-related topics, including the Annual Employment Law Seminar sponsored by the National Employment Law Conference, and has published many articles on employment law matters, e.g., *An Analysis of Employer Liability for Leased Temporary Employees Under Labor and Employment Law*, National Employment Law Conference, 1997; J. McLean, Jr. and R. Hankins, *Employer Liability For Sexual Harassment*, 1998.

-
- [Web Desktop](#)

He previously served as Mayor/Commissioner for Tallahassee, Florida, Adjunct Professor for Private and Public Sector law at Florida A&M University, Adjunct Professor for Civil Trial Practice at Florida State University College of Law, Director, Legal Services of North Florida, Inc., Chair of Florida Human Relations Commission, Chair and General Counsel for Florida Public Employees Relations Commission (State labor

Practice

Area Webs

GlobalNet

Web

Audix

Web

Docs

Web Mail

Web

Citrix

H&K

Public Web

Adjuncts

H&K

Consulting

H&K

Foundation

H&K

Institute

commission) and currently is the City Attorney for Quincy, Florida.

He is active in his community, serving on volunteer panels for legal services and legal aid societies and sponsors a reading/scholarship program in Gadsden County, Florida and is member of the Cornerstone Society for Atlanta Public Service Television and Radio Stations.

Mr. McLean earned his B.A. from University of North Carolina in 1971, and his J.D. in 1974 from Florida State University College of Law.

Mr. McLean is admitted to practice before all Georgia state courts, the U.S. District Courts for the Northern, Southern and Middle Districts of Georgia, U.S. Northern and Southern Districts of Florida and the Eleventh Circuit Court of Appeals. He is a member of the State Bar of Georgia (Labor and Employment Law Section), The Florida Bar (Labor and Employment Section), the American Bar Association (Sections on Labor and Employment Law), the Gate City Bar Association, the National Bar Association, Phi Delta Phi Legal Fraternity, and Kappa Alpha Psi Fraternity.

Top

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Composite Exhibit B

Audited financial statements for 1998, 1999 and 2000 are attached.

CITY OF QUINCY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

**CITY OF QUINCY, FLORIDA
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SEPTEMBER 30, 1998**

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JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Quincy, Florida, as of and for the year ended September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Quincy, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Quincy, Florida, as of September 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

City of Quincy, Florida has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the general purpose financial statement. In addition, we do not provide assurance that the City of Quincy, Florida, is or will become year 2000 compliant, that City of Quincy, Florida's year 2000 remediation efforts will be successful in whole or in part, or that parties with which City of Quincy, Florida does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 1999, on our consideration of City of Quincy, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of financial awards and the accompanying additional information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Quincy, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

James Moore & Co.

Tallahassee, Florida
September 3, 1999

CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1998

	Governmental		Proprietary		Fiduciary		Account Groups			Totals (Memorandum Only)
	Fund Types		Fund Type		Fund Type		General			
	General	Special Revenue	Enterprise	Trust Funds	Fixed Assets	Long-term Debt				
ASSETS AND OTHER DEBITS										
Assets										
Cash and cash equivalents	\$ -	\$ 74,735	\$ 2,505,311	\$ 189,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,769,531
Investments	1,049,201	-	813,028	8,623,559	-	-	-	-	-	10,485,788
Receivables:										
Accounts, net of allowance for uncollectible accounts	68,682	-	1,300,477	-	-	-	-	-	-	1,369,159
Accrued interest	-	-	-	19,078	-	-	-	-	-	19,078
Due from other funds	-	-	334,702	193,960	-	-	-	-	-	528,662
Due from other governments	86,188	1,441	-	-	-	-	-	-	-	87,629
Assessments receivable	168,690	-	-	-	-	-	-	-	-	168,690
Assessment interest receivable	134,083	-	-	-	-	-	-	-	-	134,083
Inventories	60,306	-	100,337	-	-	-	-	-	-	160,643
Restricted assets:										
Cash and cash equivalents	-	-	57,391	-	-	-	-	-	-	57,391
Investments	-	-	1,444,467	-	-	-	-	-	-	1,444,467
Fixed assets, net, where applicable, of accumulated depreciation	-	-	11,005,044	-	13,402,246	-	-	-	-	24,407,290
Other assets	30,984	-	35,632	-	-	-	-	-	-	66,616
Other debits										
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	681,517	-	-	-	681,517
Total Assets and Other Debits	<u>\$ 1,598,134</u>	<u>\$ 76,176</u>	<u>\$ 17,596,389</u>	<u>\$ 9,026,082</u>	<u>\$ 13,402,246</u>	<u>\$ 681,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,380,544</u>

CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1998
(Continued)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Trust Funds	General Fixed Assets	General Long-term Debt	
LIABILITIES, EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued expenses	\$ 454,673	\$ 2,369	\$ 1,020,053	\$ 30,452	\$ -	\$ -	\$ 1,507,547
Compensated absences payable	-	-	18,982	-	-	152,355	171,337
Payable from restricted assets:							
Current portion of revenue bonds payable	-	-	10,000	-	-	-	10,000
Accrued interest on matured bonds payable	-	-	4,615	-	-	-	4,615
Customer deposits	-	225	460,966	-	-	-	461,191
Deferred revenues	304,273	75,089	122,927	-	-	-	502,289
Due to other funds	468,515	-	44,472	15,675	-	-	528,662
Revenue bonds payable, long-term portion	-	-	876,000	-	-	-	876,000
Estimated landfill closure costs	-	-	1,005,500	-	-	-	1,005,500
Contingent liabilities	-	-	200,000	-	-	-	200,000
Capital lease payable	-	-	-	-	-	10,200	10,200
Notes payable	-	-	331,200	-	-	518,962	850,162
Total liabilities	<u>1,227,461</u>	<u>77,683</u>	<u>4,094,715</u>	<u>46,127</u>	<u>-</u>	<u>681,517</u>	<u>6,127,503</u>
Equity and other credits							
Investment in general fixed assets	-	-	-	-	13,402,246	-	13,402,246
Contributions:							
Contributed capital – capital grants	-	-	3,133,671	-	-	-	3,133,671
Contributed capital – other	-	-	251,669	-	-	-	251,669
Retained earnings:							
Reserved for capital improvements	-	-	57,391	-	-	-	57,391
Reserved for contingency and landfill	-	-	850,264	-	-	-	850,264
Reserved for debt service	-	-	118,622	-	-	-	118,622
Unreserved	-	-	9,090,057	-	-	-	9,090,057
Fund balances:							
Reserved for prepaid assets	30,884	-	-	-	-	-	30,884
Reserved for employee retirement	-	-	-	8,979,955	-	-	8,979,955
Unreserved	339,789	(1,507)	-	-	-	-	338,282
Total equity and other credits	<u>370,673</u>	<u>(1,507)</u>	<u>13,501,674</u>	<u>8,979,955</u>	<u>13,402,246</u>	<u>-</u>	<u>36,253,041</u>
Total Liabilities, Equity and Other Credits	<u>\$ 1,598,134</u>	<u>\$ 76,176</u>	<u>\$ 17,596,389</u>	<u>\$ 9,026,082</u>	<u>\$ 13,402,246</u>	<u>\$ 681,517</u>	<u>\$ 42,380,544</u>

CITY OF QUINCY, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues			
Taxes, licenses and permits	\$ 945,283	\$ -	\$ 945,283
Intergovernmental	631,611	8,936	640,547
Other	1,065,939	2,937	1,068,876
Total revenues	<u>2,642,833</u>	<u>11,873</u>	<u>2,654,706</u>
Expenditures			
General government	1,219,673	-	1,219,673
Public safety	3,126,254	-	3,126,254
Transportation	626,620	-	626,620
Human services	24,293	-	24,293
Culture and recreation	656,326	6,666	662,992
Physical environment	299,828	-	299,828
Economic environment	84,314	14,103	98,417
Total expenditures	<u>6,037,308</u>	<u>20,769</u>	<u>6,058,077</u>
Excess (deficiency) of revenues over expenditures	<u>(3,394,475)</u>	<u>(8,896)</u>	<u>(3,403,371)</u>
Other financing sources (uses)			
Sale of general fixed assets	40,762	-	40,762
Operating transfers in	3,600,000	-	3,600,000
Operating transfers out	(5,407)	-	(5,407)
Total other financing sources (uses)	<u>3,635,355</u>	<u>-</u>	<u>3,635,355</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>240,880</u>	<u>(8,896)</u>	<u>231,984</u>
Fund balances, beginning of year	129,793	7,389	137,182
Fund balances, end of year	<u>\$ 370,673</u>	<u>\$ (1,507)</u>	<u>\$ 369,166</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF QUINCY, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – ALL BUDGETED GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes, licenses and permits	\$ 822,500	\$ 945,283	\$ 122,783
Intergovernmental	1,006,309	631,611	(374,698)
Other	1,014,979	1,065,939	50,960
Total revenues	<u>2,843,788</u>	<u>2,642,833</u>	<u>(200,955)</u>
Expenditures			
General government	1,253,479	1,219,673	33,806
Public safety	3,496,873	3,126,254	370,619
Transportation	954,004	626,620	327,384
Human services	28,651	24,293	4,358
Culture and recreation	734,118	656,326	77,792
Physical environment	404,795	299,828	104,967
Economic environment	216,495	84,314	132,181
Total expenditures	<u>7,088,415</u>	<u>6,037,308</u>	<u>1,051,107</u>
Excess (deficiency) of revenues over expenditures	<u>(4,244,627)</u>	<u>(3,394,475)</u>	<u>850,152</u>
Other financing sources (uses)			
Sale of general fixed assets	145,000	40,762	(104,238)
Operating transfers in	3,600,000	3,600,000	-
Operating transfers out	-	(5,407)	(5,407)
Total other financing sources (uses)	<u>3,745,000</u>	<u>3,635,355</u>	<u>(109,645)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(499,627)</u>	<u>240,880</u>	<u>740,507</u>
Fund balances, beginning of year	129,793	129,793	-
Fund balances, end of year	<u>\$ (369,834)</u>	<u>\$ 370,673</u>	<u>\$ 740,507</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
 EARNINGS -- ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Operating revenues	
Charges for services	<u>\$ 16,942,587</u>
Operating expenses	
Cost of sales and services	10,958,054
General and administrative	858,452
Depreciation and amortization	552,771
Taxes	216,439
Treatment	869,347
Total operating expenses	<u>13,455,063</u>
Operating income	<u>3,487,524</u>
Nonoperating revenues (expenses)	
Interest income	236,777
Interest expense	<u>(55,901)</u>
Total nonoperating revenues (expenses)	180,876
Income before operating transfers	<u>3,668,400</u>
Operating transfers	
Operating transfers in	5,407
Operating transfers out	<u>(3,600,000)</u>
Net operating transfers	<u>(3,594,593)</u>
Net income	<u>73,807</u>
Retained earnings, beginning of year	10,042,527
Retained earnings, end of year	<u><u>\$ 10,116,334</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS --
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
State of Florida	\$ -	\$ 85,453	\$ 85,453
Plan members	-	103,752	103,752
Employer	386,695	-	386,695
Total contributions	386,695	189,205	575,900
Investment income:			
Earnings	324,456	151,365	475,821
Total Additions	<u>711,151</u>	<u>340,570</u>	<u>1,051,721</u>
<u>DEDUCTIONS</u>			
Benefit payments	744,438	97,044	841,482
Administrative expense	-	48,493	48,493
Total Deductions	<u>744,438</u>	<u>145,537</u>	<u>889,975</u>
Net increase (decrease)	(33,287)	195,033	161,746
Net assets held in trust for pension benefits			
Beginning of year	5,141,663	3,676,349	8,818,012
End of year	<u>\$ 5,108,376</u>	<u>\$ 3,871,382</u>	<u>\$ 8,979,758</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF CASH FLOWS--
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1998
 Increase (Decrease) in Cash and Cash Equivalents**

Cash flows from operating activities	
Cash received from customers	\$ 16,890,302
Cash paid to suppliers	(12,036,241)
Cash paid to employees	(559,942)
Net cash provided by operating activities	<u>4,294,119</u>
Cash flows from noncapital financing activities	
Proceeds from other funds	1,135,969
Operating transfers out	(3,600,000)
Operating transfers in	5,407
Net cash used in noncapital financing activities	<u>(2,458,624)</u>
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(10,000)
Proceeds from long-term debt	331,200
Acquisition and construction of capital assets	(702,334)
Interest paid	(56,000)
Net cash used in capital and related financing activities	<u>(437,134)</u>
Cash flows from investing activities	
Interest income	236,777
Purchase of investments	(234,348)
Net cash provided by investing activities	<u>2,429</u>
Net increase in cash and cash equivalents	<u>1,400,790</u>
Cash and cash equivalents, beginning of year	1,161,912
Cash and cash equivalents, end of year	<u>\$ 2,562,702</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,487,524
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	552,771
Changes in assets and liabilities:	
Increase in accounts receivable	(52,285)
Decrease in inventories	19,279
Increase in accounts payable and accrued expenses	20,071
Increase in utility deposits	85,479
Decrease in other assets	21,215
Decrease in due to other governments	(63,435)
Increase in landfill closure costs payable	223,500
Total adjustments	<u>806,595</u>
Net cash provided by operating activities	<u>\$ 4,294,119</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Quincy, Florida, is a municipality which operates under a commission-manager form of government. The City was incorporated in 1823 pursuant to a Special Act of the State of Florida Legislature. Services provided by the City include public safety (police and fire), utility services (electric, water, sewer, gas, refuse collection and landfill), urban and economic development, highways and streets including public improvements and other general government activities.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental funds are used to account for the City's general governmental activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental funds include the following fund types:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

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 of Quincy, Florida's, Retirement Savings Plan and for the Police and Firemen's Supplemental Pension Plan. Employee and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and State Treasurer's Investment Pool.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

C. Assets, Liabilities and Equity (Continued)

Investments are stated at fair value.

The City is authorized by Chapter 1662.61 Florida Statutes to invest in certain government secured or guaranteed instruments and the City Charter further restricts such investments to interest-bearing United States, state and local government bonds, City of Quincy revenue certificate bonds and paving and tax liens. All investments are insured and held in the name of the City by its agent.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade receivables are shown net of an allowance for uncollectibles.

Ad valorem property tax revenue is recognized in the fiscal year for which taxes are levied and available. Uncollected taxes are not accrued because such amounts are not measurable and available as of the balance sheet date. Taxes are billed and collected for the City by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

3. Inventories/Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

C. Assets, Liabilities and Equity (Continued)

5. Fixed Assets

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight line method over the following estimated useful lives ranging from 3 to 40 years.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

C. Assets, Liabilities and Equity (Continued)

7. Long-term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

9. Other Assets

Other assets include \$10,605 of unamortized loan costs which relate to the issuance of Revenue Bonds. The original bond issue costs of \$14,567 are being amortized using the straight-line method over the term of the bond issue (41 years).

10. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Charter Section 5.09 through 5.12 specifies the budget procedures. A brief description is as follows:

1. The City Manager is responsible for preparation and submission of a proposed budget to the Commission prior to September 30. The budget includes proposed expenditures and the means to finance them.
2. Public hearings are held to obtain taxpayer comments.
3. On or before the last day of the fiscal year, the budget is adopted by ordinance.
4. The City Manager is authorized to transfer part of all of any unencumbered appropriation balance among programs within a department, office or agency. Upon written request by the City Manager, the Commission, by ordinance, may transfer part or all of any unencumbered appropriation balance from one department, office or agency to another.
5. Budgets are prepared in accordance with generally accepted accounting principles.

B. Deficit Retained Earnings

The Refuse Fund's deficit balance in retained earnings of \$427,362 is the result of revenues inadequate to cover expenses in current and prior fiscal years. This deficit retained earnings is offset by contributed capital.

C. Deficit Fund Balance

The special revenue's deficit fund balance of \$1,507 is the result of revenues inadequate to cover expenses in the current year. This deficit fund balance will be offset by available fund balance in other funds.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year end, the City's carrying amount of deposits was \$2,636,662 and the bank balance was \$2,921,629. Of the bank balance, the City's deposits (including certificates of deposit) are entirely covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

B. Receivables

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

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Accounts	\$ 68,682	\$ -	\$ 1,773,252	\$ 1,841,934
Less: Allowance for uncollectibles	-	-	472,775	472,775
Net total receivables	<u>\$ 68,682</u>	<u>\$ -</u>	<u>\$ 1,300,477</u>	<u>\$ 1,369,159</u>

C. Fixed Assets

Activity in the general fixed assets account group for the City for the year ended September 30, 1998, was as follows:

	<u>Balance October 1, 1997</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 1998</u>
Land	\$ 1,428,444	\$ 58,585	\$ -	\$ 1,487,029
Buildings	1,024,226	-	-	1,024,226
Improvements other than buildings	7,813,451	-	-	7,813,451
Vehicles, furniture and equipment	2,946,025	174,992	43,477	3,077,540
Total general fixed assets	<u>\$13,212,146</u>	<u>\$ 233,577</u>	<u>\$ 43,477</u>	<u>\$13,402,246</u>

The following is a summary of proprietary fund type fixed assets for the City at September 30, 1998:

	<u>Enterprise Funds</u>
Land	\$ 209,913
Improvements	7,351,175
Equipment and other	1,365,135
Buildings	10,498,469
Construction in process	136,450
	<u>19,561,142</u>
Less: Accumulated depreciation	8,556,098
Total fixed assets	<u>\$ 11,005,044</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

D. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 1998, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 468,515
Proprietary Funds:		
Water Fund	-	25,074
Electric Fund	334,702	-
Landfill Fund	-	19,398
Fiduciary Funds:		
Municipal Firemen's Pension Trust	<u>193,960</u>	<u>15,675</u>
	<u>\$ 528,662</u>	<u>\$ 528,662</u>

E. General Long-term Debt

General Long-term Liabilities

The following is a summary of the changes in amounts payable in the general long-term debt account group for the City for the year ended September 30, 1998:

	<u>Balance October 1, 1997</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 1998</u>
Capital leases payable	\$ 20,747	\$ -	\$ 10,547	\$ 10,200
Notes payable	685,270	-	166,308	518,962
Compensated absences	<u>173,859</u>	<u>-</u>	<u>21,504</u>	<u>152,355</u>
	<u>\$ 879,876</u>	<u>\$ -</u>	<u>\$ 198,359</u>	<u>\$ 681,517</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

E. General Long-term Debt (Continued)

1. Notes Payable

Notes payable at September 30, 1998, is comprised of the following:

8.00% note payable to individual in quarterly installments of \$20,095 through November 2004, collateralized by land	\$ 392,289
5.50% note payable to bank in annual payments of \$133,570 through May 1999, collateralized by fire truck	<u>126,673</u>
	<u>\$ 518,962</u>

Maturities of notes payable for the next five years are as follows:

	<u>Amount</u>
1999	\$ 177,153
2000	54,623
2001	59,161
2002	64,021
2003	69,298
Thereafter	94,706

2. Capital Leases

Capital leases payable at September 30, 1998, are comprised of the following:

9.84% capital lease payable to Corporation in monthly installments of \$608 including interest through February 2000, collateralized by two copiers	\$ 9,076
7.01% capital lease payable to corporation in monthly payments of \$394 including interest through December 1998, collateralized by computer equipment	<u>1,124</u>
	<u>\$ 10,200</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 1998, is as follows:

	<u>Amount</u>
1999	\$ 8,428
2000	2,430
2001	-
2002	-
2003	-
Total minimum lease payments	10,858
Less current amount representing interest	658
Present value of minimum lease payments	<u>\$ 10,200</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

F. Enterprise Funds Long-term Debt

1. Note Payable

Note payable at September 30, 1998, is comprised of the following:

1.28% note payable to government agency, semi-annual payments of \$11,600 plus interest, collateralized by revenues from the operation of the water and sewer systems	<u>\$ 331,200</u>
--	-------------------

Maturities of note payable are as follows:

	<u>Amount</u>
1999	\$ -
2000	-
2001	23,200
2002	23,200
2003	23,200
Thereafter	261,600

See Note IV.(E). **Subsequent Events** for discussion of amendment to the loan agreement of the note payable.

2. Water Revenue Bonds

Long-term liabilities at September 30, 1998, is comprised of the following:

\$950,000 Water Revenue Bonds payable in annual installments ranging from \$7,000 to \$63,000 through September 2028, plus interest at 6.25% collateralized by operating income before depreciation of the water, sewer, electric and gas system	<u>\$ 886,000</u>
---	-------------------

Interest expense for the enterprise fund for the year ended September 30, 1998 was \$56,000.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

Future debt service requirements, including principal and interest, on bonded debt are as follows:

<u>Year</u>	<u>Amount</u>
1999	\$ 65,375
2000	65,750
2001	66,063
2002	65,312
2003	65,563
2004	65,750
2005	65,875
2006	65,938
2007	65,938
2008	65,875
2009	65,750
2010	65,563
2011	66,313
2012	65,938
2013	66,500
2014	65,938
2015	66,313
2016	66,563
2017	66,688
2018	66,688
2019	66,563
2020	66,313
2021	66,938
2022	67,375
2023	67,625
2024	67,688
2025	67,563
2026	68,250
2027	67,688
2028	66,938
Total	<u>\$ 1,992,634</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

IV. OTHER INFORMATION

A. Contingent Liabilities

Grant Programs--Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects amounts, if any, to be immaterial.

Litigation--The City is involved in pending lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, potential claims from litigation against the City not covered by insurance, would not materially affect the financial position of the City.

Contamination Assessment--During the fiscal year ended 1991, contamination was noted in several of the City's closed landfill cells. The City contracted with local engineers to provide contamination assessment and assist in the clean-up. The engineers have indicated that clean-up costs could approximate \$200,000.

The sewer system is currently operating under a provisional permit from the State of Florida Department of Environmental Protection (DEP). The permit establishes a schedule that will allow the City to fully comply with Chapter 403, Florida Statutes and rules of DEP relating to waste water treatment plant upgrades by December 1, 1999. Management estimates that upgrades on construction of new waste water treatment facilities will approximate \$3 million. Funding is expected to come from low interest governmental loans.

B. Retirement Savings Plan

The Retirement Savings Plan (RSP) of the City of Quincy, Florida is a defined contribution pension plan established to provide benefits at retirement for the employees. The City is required to contribute an amount equal to 12% of the base pay of each eligible participant. Plan provisions and contribution requirements are established and may be amended by the City of Quincy, Florida Commission.

C. Police and Firemen's Supplemental Pension Plan (PFSP)

(a) **Plan Membership**--All of the City's full-time police officers and firefighters hired under the age of 50 are eligible to participate in the Police and Firemen's Supplementary Pension Plan (PFSP), a single-employer, defined benefit pension plan. PFSP provides retirement, disability and death benefits to plan members. The following brief description is provided for general information purposes only. Participants should refer to Ordinance 72-541 of the City of Quincy, Florida and the Summary Plan Description for more complete information.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998**

C. Police and Firemen's Supplemental Pension Plan (PFSP) (Continued)

At October 1, 1997 the City of Quincy, Florida Police and Firemen's Supplemental Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	<u>31</u>
Employees of the City by status were as follows:	
Vested	36
Nonvested	<u>17</u>
Total current employees	<u>53</u>

(b) **Funding Policy**--The City's funding policy is to provide for periodic employee rates that are designed to accumulate sufficient assets to pay benefits when due. The employees contribute a percentage of their covered payroll to the plan. The State of Florida also contributes to the Plan. The City is required to contribute the remaining amounts necessary to fund the PFSP using the actuarial basis of the plan.

(c) **Annual Pension Cost**--The City's contribution requirement for the year ended September 30, 1998, was zero.

(d) **Eligibility**--All full-time Police Officers and Firefighters.

(e) **Basic Compensation**--Total cash compensation paid to the participant for services rendered.

(f) **Final Monthly Compensation**--The highest average total basic compensation during five successive calendar years out of the ten calendar years next preceding the earlier of date of termination or normal retirement.

(g) **Credited Service**--Total number of years and completed months of service from date of employment to the earlier date of termination or normal retirement.

(h) **Normal Retirement Date**--The first of the month coincident with or next following the earlier of (1) the date of attainment of age 60 and 10 years credited service or (2) the completion of 30 years of credited service.

(i) **Normal Retirement Benefit**--1.7% of final monthly compensation multiplied by number of years of credited service.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

C. Police and Firemen's Supplemental Pension Plan (PFSP) (Continued)

(j) **Normal Benefit Form**--A Single Life Annuity.

(k) **Early Retirement**--After the earlier of (1) attainment of age 55 and 15 years of credited service or (2) the completion of 25 years of credited service. Benefit calculated as for normal retirement but based upon service and compensation as of date of early retirement and actuarially reduced using Social Security Early Retirement factors. The maximum of early retirement for any and each year is 6%.

(l) **Postponed Retirement**--1.7% of final monthly compensation multiplied by the number of years for credited service.

(m) **Disability Retirement**--Participants having 10 or more continuous years of credited service and 10 years of contributions shall receive a disability benefit if they become totally and permanently disabled. Benefit is life annuity with the ten years certain -

(i) **Line of Duty Disability** - Benefit is greater of:

- Accrued Pension
- 42% of average monthly salary

(ii) **Non-Line-of-Duty Disability** - Benefit is the greater of:

- Accrued Pension
- 25% of average monthly salary

(n) **Termination of Service**--Vested percentage of accrued deferred monthly retirement income at date of termination of employment. Vested percentage is 25% after five years, increasing 5% per year to 50% after ten years and then increasing by 10% per year to 100% after 15 years. There is no vesting prior to five years of credited service. The monthly retirement income will commence at normal retirement date. Employees eligible for early retirement will be 100% vested. If a terminated participant dies prior to retirement, the death benefit is a life income with ten years certain, which can be provided by single-sum value at date of death of the deferred vested retirement income.

(o) **Pre-Retirement Death Benefit**--A monthly income which can be provided by greater of:

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

(ii) The smaller of:

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

(p) **Post Retirement Death Benefit**--If participant has been receiving a retirement income, payments cease next preceding date of death unless an optional form of retirement was selected. If the participant has postponed retirement, the benefit is a monthly income which can be provided by the accumulation of interest to the date of death of the single-sum value of the normal retirement benefit using the actuarial assumptions for the postponed retirement benefit.

(q) **Contributions**--Those received under Chapters 175 and 185, five and one-half percent contribution by employees until April 1, 1994 and six and one-half percent thereafter.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

E. Subsequent Events (See Note III. F.1.)

The loan agreement for the note payable of the enterprise fund was amended in 1999. The amendment to the agreement has increased the estimated principle amount of the loan to \$3,465,000. The new agreement provides for semi-annual payments due on or before March 15, 2001. In addition, the City must establish a loan repayment reserve account and deposit \$96,334 into the account no later than September 15, 2000.

**CITY OF QUINCY, FLORIDA
OFFICIALS
SEPTEMBER 30, 1998**

CITY COMMISSIONERS

Keith Dowdell - Mayor

E.W. Hinson

Don Chesser

Glendell Russ

Carolyn G. Ford

CITY MANAGER

Anthony Powell

CITY OF QUINCY, FLORIDA
ADDITIONAL INFORMATION
SEPTEMBER 30, 1998

**CITY OF QUINCY, FLORIDA
 COMBINING BALANCE SHEET
 PROPRIETARY FUNDS
 SEPTEMBER 30, 1998**

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,395,493	\$ 177,411	\$ -	\$ 818,644	\$ 113,763	\$ -	\$ 2,505,311
Investments	353,356	393,820	65,852	-	-	-	813,028
Receivables:							
Accounts, net	922,578	111,453	59,770	44,774	48,218	113,684	1,300,477
Accrued interest	-	-	-	-	-	-	-
Due from other funds	334,702	-	-	-	-	-	334,702
Inventories	71,356	11,242	12,120	5,619	-	-	100,337
Restricted assets:							
Cash and cash equivalents	-	-	-	57,391	-	-	57,391
Investments	460,966	-	183,237	-	-	800,264	1,444,467
Fixed assets, net	3,283,131	543,408	2,795,927	3,724,173	10,700	647,705	11,005,044
Other assets	24,571	152	10,757	152	-	-	35,632
TOTAL ASSETS	<u>\$ 6,846,153</u>	<u>\$ 1,237,486</u>	<u>\$ 3,127,663</u>	<u>\$ 4,650,753</u>	<u>\$ 172,681</u>	<u>\$ 1,561,653</u>	<u>\$ 17,596,389</u>

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 1998
(Continued)**

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
LIABILITIES AND EQUITY							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 809,665	\$ 4,558	\$ 64,718	\$ 70,688	\$ 5,281	\$ 84,125	\$ 1,039,035
Payable from restricted assets:							
Revenue bonds, current portion	-	-	10,000	-	-	-	10,000
Accrued interest payable	-	-	4,615	-	-	-	4,615
Customer deposits	460,966	-	-	-	-	-	460,966
Deferred revenues	-	-	-	48,000	-	74,927	122,927
Due to other funds	-	-	25,074	-	-	19,398	44,472
Revenue bonds, long-term portion	-	-	876,000	-	-	-	876,000
Estimated landfill closure costs	-	-	-	-	-	1,005,500	1,005,500
Contingent liabilities	-	-	-	-	-	200,000	200,000
Notes payable	-	-	-	331,200	-	-	331,200
Total liabilities	<u>1,270,631</u>	<u>4,558</u>	<u>980,407</u>	<u>449,888</u>	<u>5,281</u>	<u>1,383,950</u>	<u>4,094,715</u>
EQUITY							
Contributions:							
From other governments	44,386	11,456	706,004	1,777,063	594,762	-	3,133,671
From developers	171,749	15,422	53,655	10,843	-	-	251,669
Retained earnings:							
Reserved for capital improvements	-	-	-	57,391	-	-	57,391
Reserved for contingency and landfill	-	-	50,000	-	-	800,264	850,264
Reserved for debt service	-	-	118,622	-	-	-	118,622
Unreserved	5,359,387	1,206,050	1,218,975	2,355,568	(427,362)	(622,561)	9,090,057
Total equity	<u>5,575,522</u>	<u>1,232,928</u>	<u>2,147,256</u>	<u>4,200,865</u>	<u>167,400</u>	<u>177,703</u>	<u>13,501,674</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,846,153</u>	<u>\$ 1,237,486</u>	<u>\$ 3,127,663</u>	<u>\$ 4,650,753</u>	<u>\$ 172,681</u>	<u>\$ 1,561,653</u>	<u>\$ 17,596,389</u>

**CITY OF QUINCY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUNDS
SEPTEMBER 30, 1998**

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
Operating revenues							
Charges for services	\$ 11,933,092	\$ 1,570,694	\$ 776,638	\$ 622,254	\$ 661,854	\$ 1,378,055	\$ 16,942,587
Operating expenses							
Costs of sales and services	7,694,678	869,637	157,298	96,460	637,324	1,502,657	10,958,054
General and administrative	424,561	99,736	132,921	123,088	45,520	32,626	858,452
Depreciation and amortization	233,680	38,023	101,420	141,909	13,376	24,363	552,771
Taxes	212,071	4,368	-	-	-	-	216,439
Treatment	-	-	439,838	429,509	-	-	869,347
Total operating expenses	<u>8,564,990</u>	<u>1,011,764</u>	<u>831,477</u>	<u>790,966</u>	<u>696,220</u>	<u>1,559,646</u>	<u>13,455,063</u>
Operating income (loss)	<u>3,368,102</u>	<u>558,930</u>	<u>(54,839)</u>	<u>(168,712)</u>	<u>(34,366)</u>	<u>(181,591)</u>	<u>3,487,524</u>
Nonoperating revenues (expenses)							
Interest income	35,922	47,729	34,364	20,527	12,546	85,689	236,777
Interest expense	-	-	(55,901)	-	-	-	(55,901)
Total nonoperating revenues (expenses)	<u>35,922</u>	<u>47,729</u>	<u>(21,537)</u>	<u>20,527</u>	<u>12,546</u>	<u>85,689</u>	<u>180,876</u>
Income before operating transfers	<u>3,404,024</u>	<u>606,659</u>	<u>(76,376)</u>	<u>(148,185)</u>	<u>(21,820)</u>	<u>(95,902)</u>	<u>3,668,400</u>
Operating transfers							
Operating transfers in	-	-	-	5,407	-	-	5,407
Operating transfers out	(3,200,000)	(400,000)	-	-	-	-	(3,600,000)
Total operating transfers	<u>(3,200,000)</u>	<u>(400,000)</u>	<u>-</u>	<u>5,407</u>	<u>-</u>	<u>-</u>	<u>(3,594,593)</u>
Net income (loss)	<u>204,024</u>	<u>206,659</u>	<u>(76,376)</u>	<u>(142,778)</u>	<u>(21,820)</u>	<u>(95,902)</u>	<u>73,807</u>
Retained earnings (deficit), beginning of year	5,155,363	999,391	1,463,973	2,555,737	(405,542)	273,605	10,042,527
Retained earnings (deficit), end of year	<u>\$ 5,359,387</u>	<u>\$ 1,206,050</u>	<u>\$ 1,387,597</u>	<u>\$ 2,412,959</u>	<u>\$ (427,362)</u>	<u>\$ 177,703</u>	<u>\$ 10,116,334</u>

**CITY OF QUINCY, FLORIDA
 SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 1998**

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Program Amount</u>	<u>Expenditures</u>
<u>FEDERAL FINANCIAL ASSISTANCE</u>				
U.S. Department of Justice				
Passed through Florida Department of Juvenile Justice				
African American Female "Rites of Passage"	16.540	Q7027	70,000	22,650
Community Organizing Program	16.548	Q7014	119,496	60,378
Local Law Enforcement Block Grant	16.592	96LBVX0791	32,376	6,573
U.S. Department of Health and Human Services				
Passed through Florida Department of Children and Families				
Family Preservation and Support Services	93.556	--	5,000	3,615
Total Federal Awards			<u>226,872</u>	<u>93,216</u>

**CITY OF QUINCY, FLORIDA
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998
(Continued)**

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Program Amount</u>	<u>Expenditures</u>
<u>STATE FINANCIAL ASSISTANCE</u>				
State of Florida, Department of Environmental Protection				
Corry Field Recreation Improvements Florida Recreation Development Assistance Program*	--	F9634	\$ 73,875	\$ 6,439
State of Florida, Department of Juvenile Justice				
Minority Over-Representation*	--	BG911	55,357	10,994
Minority Over-Representation*	--	BG811	31,043	28,123
Minority Over-Representation*	--	BG711	<u>55,357</u>	<u>4,400</u>
			<u>141,757</u>	<u>43,517</u>
Community Juvenile Justice Partnership Grant*	--	PG420	31,500	7,615
Community Juvenile Justice Partnership Grant*	--	PG213	<u>35,000</u>	<u>25,231</u>
			<u>66,500</u>	<u>32,846</u>
State of Florida, Department of Community Affairs Evaluation and Appraisal Report Assistance	--	98-DR-1G-02 -03-02-030	14,068	10,551
Total State Awards			<u>296,200</u>	<u>93,353</u>
Total Financial Awards			<u>\$ 523,072</u>	<u>\$ 186,569</u>

I. Basis of Presentation

The accompanying schedule of expenditures of financial awards includes the Federal award activity of the City of Quincy, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

*Indicates a State of Florida Grants and Aids Appropriation.

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of the City of Quincy, Florida, as of and for the year ended September 30, 1998, and have issued our report thereon dated September 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Quincy, Florida's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below:

A. Grant Reporting

We noted during our audit, that City of Quincy, Florida's quarterly financial status reports, that are required to be filed with the various grantors, did not agree with the City's financial records. We recommend that these reports be reconciled to the financial data. Once this has been completed, we recommend that the City Manager be provided the grant reports, supporting documentation and City financial reports to verify that the financial status reports agree to the financial records.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Quincy, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Quincy, Florida's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described below:

A. Prompt Bank Reconciliations

General ledger and bank balances should be reconciled promptly to furnish current proof that all transactions in the bank accounts have been recorded. Bank statements are not being reconciled timely, nor are they currently being reconciled to the general ledger balance. We have reconciled the September 30, 1998 bank reconciliation with September 30, 1998 general ledger. We recommend the accounting department promptly reconcile all months since October 1, 1998, to the current year general ledger. Once this is completed we recommend the accounting department provide a reconciliation report to the City Manager as part of the monthly reporting process. This report should be reviewed by the City Finance Director and signed as verification that the bank reconciliation and general ledger are in agreement.

B. General Fixed Assets

The City periodically takes a physical inventory of property and equipment used in both its enterprise operations and in general government. This physical inventory serves to account for the physical existence of assets and allows for updating of the related fixed assets records.

We noted during our audit for the current year, the fixed asset inventory was not reconciled to the property records. We recommend the City implement the following suggestions related to fixed assets:

1. Take a physical inventory of all property and equipment including listing the ID#, serial #, condition and location of the item. This inventory then should be compared to the City property records and differences should be communicated to the City Manager or City Finance Director for proper disposition.
2. After the property records are updated and reconciled, a report should be made annually to the City Commissioners noting any discrepancies between the physical inventory and the detail property records.

We believe implementation of the foregoing recommendations will increase the control over safeguarding of property and equipment maintained by the City.

C. Recordkeeping

The City of Quincy, Florida is required to maintain proper accounting systems and procedures as stated in Florida Statutes 11.46(3). This system should provide any user, upon request, up-to-date balances in all accounts under the City's charge, such as cash balances, receivables, and due from/to accounts. During the course of the audit, we noted corrections needed to various City financial records. These items required us to make numerous corrections to the City's records.

We recommend the City Manager be provided with detail trial balances, bank reconciliations and financial statements for review by the 15th date following the end of the month.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable conditions A., B., and C. described above are material weaknesses.

This report is intended solely for the information and use of the City Commission, the Auditor General of the State of Florida and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified users.

James Meau & Co.

Tallahassee, Florida
September 3, 1999

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF MANAGEMENT'S
ASSERTION ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS

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

We have examined management's assertion about City of Quincy, Florida's compliance with the allowable cost requirements established in the grant agreements applicable to the state grants and aids appropriations identified on schedule of expenditures of financial awards for the year ended September 30, 1998, included in the accompanying Management Assertion Report. Management is responsible for City of Quincy, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City of Quincy, Florida's compliance based on our examination.

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

In our opinion, management's assertion that City of Quincy, Florida complied with the aforementioned requirements during the fiscal year ended September 30, 1998, is fairly stated, in all material respects.

James Moore & Co.

Tallahassee, Florida
September 3, 1999



THE CITY OF QUINCY

404 W. Jefferson Street Quincy, Florida 32351-2328 Phone: (850) 627-7681 Fax: (850) 875-3733

MANAGEMENT'S ASSERTION REPORT

I, Anthony A. Powell, hereby assert that the City of Quincy, Florida complied with allowable cost requirements of the grants and aids appropriations identified on the attached Schedule of Expenditures of Financial Awards during the fiscal year ended September 30, 1998.

Anthony A. Powell
Signature

City Manager
Title

9-3-99
Date

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable City Commission,
City of Quincy, Florida:

We have audited the general purpose financial statements of City of Quincy, Florida, as of and for the fiscal year ended September 30, 1998, and have issued our report thereon dated September 3, 1999.

We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated September 3, 1999. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(e)1.) require that we comment as to whether or not irregularities reported in the preceding annual financial audit report have been corrected. There were no irregularities disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554(1)(3)2.) require that we comment as to whether or not the recommendations made in the preceding annual financial audit report have been followed. All the recommendations made in the preceding annual financial audit report have been corrected as reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

As required by the Rules of the Auditor General (Section 10.554(1)(e)3.) the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "*Determination of Financial Emergency*." In connection with our audit, we determined that the City of Quincy, Florida, is not in a state of financial emergency as described by Section 218.503(1), Florida Statutes:

As required by the Rules of the Auditor General (Section 10.554(1)(f)4.) we determined that the annual financial report for the City of Quincy, Florida, for the fiscal year ended September 30, 1998, was filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 1998.

The Rules of the Auditor General (Sections 10.554(1)(f)6.,7.,8.,9.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on the internal control and compliance: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g. the omission of required disclosures for the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Our audit disclosed matters required to be disclosed by Rules of Auditor General (Sections 10.554(1)(f)6.,7.,8.,9.) as follows:

A. Unrecorded Liabilities

The City is not following careful practice in recording all purchases and other liabilities in the proper accounting period. Liabilities should be recorded in the accounting period in which the goods or services are received rather than the following period when the invoice or statement is received. The current practice results in some distortion of monthly financial statements and necessitates an undue amount of work in the course of the year-end audit to locate and enter adjustments for important unrecorded liabilities. We suggest that the City revise its approach in vouchering purchases by recording them in the period in which the liability is incurred.

B. Record Storage and Retrieval

During our audit we noticed that accounting records frequently could not be located when needed. The causes of the problem appeared to be a) lack of a clearly specified system for filing records, b) failure of those who removed records from the files to indicate who took the record, c) failure to return the record to the files or misfiling it when it was returned, and d) lack of specified policies for removing prior year records from the files to a designated storage space. The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when documents are needed in support of other reports subject to audit by us or other governmental agencies. We recommend that the following steps be taken:

- Decide on a systematic manner of filing documents, e.g., numbered invoices, receiving reports, etc., consecutively by number, vendor bills alphabetically by vendor name, journal entries by month, and so on. Describe the system in the accounting manual or post a description on the filing cabinets or storage room so that employees will know how to find and refile documents.
- Institute use of "sign-out" cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently and which records should be kept only for a given period before being destroyed and how long that period should be. Also, decide on when records should be removed from more accessible files to other storage areas. For example, some cities keep the current and prior year records in the accounting department or in storage rooms on the city's premises and store older records in off-premises warehouses. Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

C. Accounting Manual

We noted that the City does not have an up to date accounting procedures manual. There may be an assumption that because the City's accounting system is relatively simple and accounting personnel have direct and easy access to the finance director when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. Should management desire, we would be pleased to develop an accounting manual as a separate engagement.

D. Journal Entry Approval and Support

Our review of the general journal entries revealed that there is a lack of proper approval by responsible employees. In many instances, entries were prepared and approved by the same individual. We suggest that adoption of a policy whereby journal entries will be approved by the Finance Director. We also noticed that the explanations accompanying the entries were inadequate in many instances. All journal entries should be accompanied by full explanation and by adequate supporting data. This will not only save time in adjusting the accounts to prepare interim financial statements, but will also save accounting fees.

E. City Employee Pension Plan

Monthly or quarterly statements obtained from the investment trustee should be reconciled to employer contributions per the general ledger. This will furnish proof that the investment trustee has appropriately recorded contributions made by the City. No attempt at reconciling the City's contributions to that recorded by the trustee is currently being made. We suggest the employer contributions per the general ledger be reconciled to the trustee statements either on a monthly or quarterly basis. This procedure will quickly identify any mistakes on the City's and investment trustee's accounting records.

F. Management Reports

One of the accounting department's prime responsibilities is the preparation of accurate, timely financial statements and accounting reports. The need for such reports was not so apparent when the City was smaller. However, with rapid growth and public awareness of the City, accurate reports which evaluate the City's financial position and results of operations on a current basis are imperative so that management decisions can be timely and more effective.

Other cities have found that reporting systems have proved to be effective as management tools when the following requirements are met:

1. Reports are prepared quickly after the end of the accounting period.
2. Actual results are compared with predetermined budgets and prior year results.
3. Reports present departmental revenues and expenditures and/or expenses.
4. Reports present cash flow information to show by fund, the amount of cash at the beginning of the period, additions to cash for the period, reductions in cash for the period and ending cash balance.

G. Computer System Documentation and Training

There is a general lack of computer system user and operator documentation. Without proper documentation, management is not assured that its policies and procedures are being carried out. Since the City has now hired a new finance director, we recommend the City contract with the City's accounting software provider for additional training and consulting. We believe the efficiency and knowledge that would be acquired exceeds the initial cost commitment needed for training.

H. The Year 2000 Issue

The Year 2000 Issue results from the inability of a computer program to process year-date data accurately beyond the year 1999. Except in recently introduced Year 2000 compliant programs, computer programs consistently have included abbreviated dates (that is, dates that excluded the first two digits of the year) with the assumption that those two digits would always be 19. Unless corrected, that shortcut may create widespread problems on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and either process data incorrectly or stop processing it altogether. The Year 2000 Issue may affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the Year 2000. Furthermore, some computer programs use several dates in the year 1999 (such as 01/01/00, 09/09/99 and 12/31/99) to mean something other than the date. As systems process data using those dates, they may produce erratic results or stop functioning. The Year 2000 Issue presents yet another challenge: the algorithm used in some computer programs for calculating leap years may be unable to detect that the Year 2000 is a leap year. Therefore, systems that are not Year 2000 compliant may produce incorrect results.

We recommend that the City begin to take immediate steps to identify, modify, and test all systems that may be impacted by the Year 2000 Issue. In addition, the City should monitor its progress to ensure compliance before systems begin to fail, which may be evident before January 1, 2000. If the City fails to take timely and appropriate action, it may experience costly and significant computer program failures, which could prevent it from performing its routine processing activities. Depending on the extent of system failures, noncompliance could be catastrophic for the City.

In addition, the City should implement verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information to ensure that those organizations also are Year 2000 compliant. The City should satisfy itself that its operations or cash flows will not be affected by problems in those organizations relating to the Year 2000 Issue.

The Rules of the Auditor General (Sections 10.554 (1) (e) 10.) also require 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 City of Quincy, Florida included no component units that are required under generally accepted accounting principles.

This management letter is intended solely for the information and use of the City Commission and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified users.

James Moore & Co.

Tallahassee, Florida
September 3, 1999

APPENDIX A

CITY OF QUINCY
CORRECTIVE ACTION PLAN
1997-1998 FINANCIAL STATEMENT AUDIT
SEPTEMBER 1999

UNRECORDED LIABILITIES

The City is in the initial stages of implementing purchase order entry by our Purchasing Department. Upon completion all purchase orders will be entered into the purchase order module of the City's financial information system. When the purchase orders are entered a liability will be recorded in the general ledger. As a result of this change liabilities will be recorded when they are incurred.

RECORD STORAGE AND RETRIEVAL

The City will develop a filing system that will designate the proper place and order to file all financial records. The system will be documented in the accounting manual that will be distributed to all applicable employees. The filing system will also be posted in record storage areas. The staff in each designated filing area will be responsible for ensuring that records are returned promptly and are re-filed in the proper place. "Sign-out" cards will be used when possible. Additionally, a policy regarding the length of time records will be stored in the designated areas prior to being moved to offsite storage will be developed.

ACCOUNTING MANUAL

The City will develop, or contract to develop an accounting manual.

JOURNAL ENTRY APPROVAL AND SUPPORT

All journal entries will be reviewed and approved by the Finance Director. The Director will ensure that the narrative description and supporting documentation are sufficient.

CITY EMPLOYEE PENSION PLAN

The quarterly statements received from the investment trustee will be reconciled to the general ledger.

MANAGEMENT REPORTS

Departmental expenditure/expense reports are currently distributed to the department managers on a biweekly schedule. After the bank reconciliations have been brought up to date, the audit adjustments have been entered and the automated general ledger has been properly setup, monthly financial reports will be prepared on a timely basis.

COMPUTER SYSTEM DOCUMENTATION AND TRAINING

The City has scheduled 3 days of training during a visit by the software provider in 1999.

GRANT REPORTING

During the next fiscal year the newly created General Services Department will reconcile the quarterly financial status reports to the City's financial records. The reconciled financial reports and the supporting documentation will be provided to the City Manager on a quarterly basis.

CITY OF QUINCY
CORRECTIVE ACTION PLAN
1997-1998 FINANCIAL STATEMENT AUDIT
SEPTEMBER 1999

PROMT BANK RECONCILIATIONS

The City is currently in the process of completing bank reconciliations. Once the bank reconciliations are complete, the City Manager will be provided with the bank reconciliation no later than the fifteenth day of the following month.

GENERAL FIXED ASSETS

The Utilities Department is currently preparing to conduct a physical count of the warehouse inventory. General Services will be conducting the physical inventory for all other items. When the two counts are complete the appropriate adjustments will be made in the accounting records and a report will be given to the City Commission.

RECORDKEEPING

As the accounts and related reports are brought current and timely reporting becomes attainable, the City Manager will be provided with a detailed trial balance, bank reconciliation and financial statement by the fifteenth day following month end.

YEAR 2000

The City has currently converted its' financial, fire control, and building, planning and engineering systems to 2000 ready programs with the exception of Fixed Assets and Warehouse Inventory. These two modules are scheduled for conversion in late November or early December 1999. The City's law enforcement software is scheduled for conversion to 2000 ready software in October 1999.

CITY OF QUINCY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

**CITY OF QUINCY, FLORIDA
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SEPTEMBER 30, 1999**

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JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Quincy, Florida, as of and for the year ended September 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Quincy, Florida's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Quincy, Florida, as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2000, on our consideration of City of Quincy, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of financial awards and the accompanying additional information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Quincy, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The required supplementary information on pages 30-31 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Tallahassee, Florida
August 3, 2000

James Moore & Co.

**CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999**

	Governmental		Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	Fund Types	Special Revenue	Fund Type	Trust Funds	General Fixed Assets	General Long-term Debt	
Assets							
Cash and cash equivalents	\$ 830,220	\$ 100,751	\$ 297,873	\$ 306,713	-	-	\$ 1,535,557
Investments	1,001,478	-	779,811	9,699,675	-	-	11,480,964
Receivables:							
Accounts, net of allowance for uncollectible accounts	19,148	-	1,397,311	-	-	-	1,416,459
Accrued interest	-	-	-	31,906	-	-	31,906
Due from other funds	2,589,474	2,181	7,217,596	762	-	-	9,810,013
Due from other governments	184,931	-	-	-	-	-	184,931
Assessments receivable	166,718	-	-	-	-	-	166,718
Assessment interest receivable	138,327	-	-	-	-	-	138,327
Inventories	41,894	-	126,832	-	-	-	168,726
Restricted assets:							
Cash and cash equivalents	-	-	140,526	-	-	-	140,526
Investments	-	-	1,400,562	-	-	-	1,400,562
Fixed assets, net, where applicable, of accumulated depreciation	-	-	12,928,514	-	14,328,167	-	27,256,681
Other assets	478	-	104,321	-	-	-	104,799
Other debits							
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	511,306
Total Assets and Other Debits	\$ 4,972,668	\$ 102,932	\$ 24,393,346	\$ 10,039,056	\$ 14,328,167	\$ 511,306	\$ 54,347,475

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999
(Continued)

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Trust Funds	General Fixed Assets	General Long-term Debt	
LIABILITIES, EQUITY AND OTHER CREDITS							
Liabilities							
Accounts payable and accrued expenses	\$ 292,160	\$ 59,740	\$ 1,187,498	\$ 1,213	\$ -	\$ -	\$ 1,540,611
Compensated absences payable	-	-	20,944	-	-	139,288	160,232
Payable from restricted assets:							
Current portion of revenue bonds payable	-	-	11,000	-	-	-	11,000
Accrued interest on matured bonds payable	-	-	4,563	-	-	-	4,563
Customer deposits	-	-	426,227	-	-	-	426,227
Deferred revenues	305,045	49,194	122,927	-	-	-	477,166
Due to other funds	4,553,190	-	5,256,823	-	-	-	9,810,013
Revenue bonds payable, long-term portion	-	-	865,000	-	-	-	865,000
Estimated landfill closure costs	-	-	1,005,500	-	-	-	1,005,500
Contingent liabilities	-	-	200,000	-	-	-	200,000
Capital lease payable	-	-	-	-	-	30,209	30,209
Notes payable	-	-	1,983,951	-	-	341,809	2,325,760
Total liabilities	5,150,395	108,934	11,084,433	1,213	-	511,306	16,856,281
Equity and other credits							
Investment in general fixed assets	-	-	-	-	14,328,167	-	14,328,167
Contributions:							
Contributed capital - capital grants	-	-	3,133,671	-	-	-	3,133,671
Contributed capital - other	-	-	251,669	-	-	-	251,669
Retained earnings:							
Reserved for capital improvements	-	-	140,526	-	-	-	140,526
Reserved for contingency and landfill	-	-	841,098	-	-	-	841,098
Reserved for debt service	-	-	117,674	-	-	-	117,674
Unreserved	-	-	8,824,275	-	-	-	8,824,275
Fund balances:							
Reserved for employee retirement	-	-	-	10,037,843	-	-	10,037,843
Unreserved	(177,727)	(6,002)	-	-	-	-	(183,729)
Total equity and other credits	(177,727)	(6,002)	13,308,913	10,037,843	14,328,167	-	37,491,194
Total Liabilities, Equity and Other Credits	\$ 4,972,668	\$ 102,932	\$ 24,393,346	\$ 10,039,056	\$ 14,328,167	\$ 511,306	\$ 54,347,475

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT) -- ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues			
Taxes, licenses and permits	\$ 1,041,942	\$ -	\$ 1,041,942
Intergovernmental	778,822	85,604	864,426
Other	879,668	27,274	906,942
Total revenues	<u>2,700,432</u>	<u>112,878</u>	<u>2,813,310</u>
Expenditures			
General government	1,541,692	-	1,541,692
Public safety	3,249,395	97,457	3,346,852
Transportation	1,079,712	-	1,079,712
Human services	38,887	-	38,887
Culture and recreation	722,763	24,045	746,808
Physical environment	381,033	-	381,033
Economic environment	78,875	35,057	113,932
Total expenditures	<u>7,092,357</u>	<u>156,559</u>	<u>7,248,916</u>
Deficiency of revenues over expenditures	<u>(4,391,925)</u>	<u>(43,681)</u>	<u>(4,435,606)</u>
Other financing sources			
Sale of general fixed assets	34,138	-	34,138
Operating transfers in	3,560,814	39,186	3,600,000
Total other financing sources	<u>3,594,952</u>	<u>39,186</u>	<u>3,634,138</u>
Deficiency of revenues and other financing sources over expenditures	<u>(796,973)</u>	<u>(4,495)</u>	<u>(801,468)</u>
Fund balances (deficit), beginning of year, as previously reported	370,673	(1,507)	369,166
Prior period adjustment	248,573	-	248,573
Fund balances (deficit), beginning of year, as restated	<u>619,246</u>	<u>(1,507)</u>	<u>617,739</u>
Fund balances, (deficit) end of year	<u>\$ (177,727)</u>	<u>\$ (6,002)</u>	<u>\$ (183,729)</u>

The accompanying notes to financial statements
 are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT)--
 BUDGET AND ACTUAL -- ALL BUDGETED GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes, licenses and permits	\$ 961,416	\$ 1,041,942	\$ 80,526
Intergovernmental	895,500	778,822	(116,678)
Other	931,104	879,668	(51,436)
Total revenues	<u>2,788,020</u>	<u>2,700,432</u>	<u>(87,588)</u>
Expenditures			
General government	1,729,498	1,541,692	187,806
Public safety	3,637,391	3,249,395	387,996
Transportation	1,193,796	1,079,712	114,084
Human services	41,398	38,887	2,511
Culture and recreation	758,705	722,763	35,942
Physical environment	542,494	381,033	161,461
Economic environment	81,819	78,875	2,944
Total expenditures	<u>7,985,101</u>	<u>7,092,357</u>	<u>892,744</u>
Excess (deficiency) of revenues over expenditures	<u>(5,197,081)</u>	<u>(4,391,925)</u>	<u>805,156</u>
Other financing sources (uses)			
Sale of general fixed assets	30,120	34,138	4,018
Operating transfers in	4,599,996	3,560,814	(1,039,182)
Total other financing sources (uses)	<u>4,630,116</u>	<u>3,594,952</u>	<u>(1,035,164)</u>
Deficiency of revenues and other financing sources over expenditures	<u>(566,965)</u>	<u>(796,973)</u>	<u>(230,008)</u>
Fund balances, beginning of year, as previously reported	370,673	370,673	-
Prior period adjustment	-	248,573	248,573
Fund balances, beginning of year, as restated	<u>370,673</u>	<u>619,246</u>	<u>248,573</u>
Fund balances (deficit), end of year	<u>\$ (196,292)</u>	<u>\$ (177,727)</u>	<u>\$ 18,565</u>

The accompanying notes to financial statements
 are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
 EARNINGS – ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1999**

Operating revenues	
Charges for services	<u>\$ 15,841,868</u>
Operating expenses	
Cost of sales and services	9,962,335
General and administrative	978,076
Depreciation and amortization	581,429
Taxes	196,708
Treatment	659,898
Total operating expenses	<u>12,378,446</u>
Operating income	<u>3,463,422</u>
Nonoperating revenues (expenses)	(56,183)
Income before operating transfers	<u>3,407,239</u>
Operating transfers	
Operating transfers out	<u>(3,600,000)</u>
Net operating transfers	<u>(3,600,000)</u>
Net loss	<u>(192,761)</u>
Retained earnings, beginning of year	10,116,334
Retained earnings, end of year	<u><u>\$ 9,923,573</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS --
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

	<u>Retirement Savings Plan</u>	<u>Police and Firemen's Supplemental Pension Plan</u>	<u>Total</u>
<u>ADDITIONS</u>			
Contributions:			
State of Florida	\$ -	\$ 90,203	\$ 90,203
Plan members	-	118,196	118,196
Employer	392,708	-	392,708
Total contributions	<u>392,708</u>	<u>208,399</u>	<u>601,107</u>
Investment income:			
Earnings	913,375	341,453	1,254,828
Total Additions	<u>1,306,083</u>	<u>549,852</u>	<u>1,855,935</u>
<u>DEDUCTIONS</u>			
Benefit payments	664,579	100,552	765,131
Administrative expense	-	32,916	32,916
Total Deductions	<u>664,579</u>	<u>133,468</u>	<u>798,047</u>
Net increase	<u>641,504</u>	<u>416,384</u>	<u>1,057,888</u>
Net assets held in trust for pension benefits			
Beginning of year	5,108,376	3,871,382	8,979,758
End of year	<u>\$ 5,749,880</u>	<u>\$ 4,287,766</u>	<u>\$ 10,037,646</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF QUINCY, FLORIDA
 COMBINED STATEMENT OF CASH FLOWS--
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1999
 Increase (Decrease) in Cash and Cash Equivalents**

Cash flows from operating activities	
Cash received from customers	\$ 15,710,295
Cash paid to suppliers	(11,043,165)
Cash paid to employees	(610,940)
Net cash provided by operating activities	<u>4,056,190</u>
Cash flows from noncapital financing activities	
Loans to other funds	(1,670,543)
Operating transfers out	(3,600,000)
Net cash used in noncapital financing activities	<u>(5,270,543)</u>
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(10,000)
Proceeds from long-term debt	1,652,751
Acquisition and construction of capital assets	(2,573,588)
Interest paid	(55,375)
Net cash used in capital and related financing activities	<u>(986,212)</u>
Cash flows from investing activities	
Sale of investments	76,262
Net cash provided by investing activities	<u>76,262</u>
Net decrease in cash and cash equivalents	<u>(2,124,303)</u>
Cash and cash equivalents, beginning of year	2,562,702
Cash and cash equivalents, end of year	<u><u>\$ 438,399</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 3,463,422</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	581,429
Changes in assets and liabilities:	
Increase in accounts receivable	(96,834)
Increase in inventories	(26,495)
Increase in accounts payable and accrued expenses	169,407
Decrease in utility deposits	(34,739)
Total adjustments	<u>592,768</u>
Net cash provided by operating activities	<u><u>\$ 4,056,190</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Quincy, Florida, is a municipality which operates under a commission-manager form of government. The City was incorporated in 1823 pursuant to a Special Act of the State of Florida Legislature. Services provided by the City include public safety (police and fire), utility services (electric, water, sewer, gas, refuse collection and landfill), urban and economic development, highways and streets including public improvements and other general government activities.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental funds are used to account for the City's general governmental activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental funds include the following fund types:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund type:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

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 of Quincy, Florida's, Retirement Savings Plan and for the Police and Firemen's Supplemental Pension Plan. Employee and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and State Treasurer's Investment Pool.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

C. Assets, Liabilities and Equity (Continued)

Investments are stated at fair value.

The City is authorized by Chapter 166.261 Florida Statutes to invest in certain government secured or guaranteed instruments and the City Charter further restricts such investments to interest-bearing United States, state and local government bonds, City of Quincy revenue certificate bonds and paving and tax liens. All investments are insured and held in the name of the City by its agent.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade receivables are shown net of an allowance for uncollectibles.

Ad valorem property tax revenue is recognized in the fiscal year for which taxes are levied and available. Uncollected taxes are not accrued because such amounts are not measurable and available as of the balance sheet date. Taxes are billed and collected for the City by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

3. Inventories/Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

4. Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

C. Assets, Liabilities and Equity (Continued)

5. Fixed Assets

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight line method over the following estimated useful lives ranging from 3 to 40 years.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

C. Assets, Liabilities and Equity (Continued)

7. Long-term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

9. Other Assets

Other assets include \$9,875 of unamortized loan costs which relate to the issuance of Revenue Bonds. The original bond issue costs of \$14,567 are being amortized using the straight-line method over the term of the bond issue (41 years).

10. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Charter Section 5.09 through 5.12 specifies the budget procedures. A brief description is as follows:

1. The City Manager is responsible for preparation and submission of a proposed budget to the Commission prior to September 30. The budget includes proposed expenditures and the means to finance them.
2. Public hearings are held to obtain taxpayer comments.
3. On or before the last day of the fiscal year, the budget is adopted by ordinance.
4. The City Manager is authorized to transfer part of all of any unencumbered appropriation balance among programs within a department, office or agency. Upon written request by the City Manager, the Commission, by ordinance, may transfer part or all of any unencumbered appropriation balance from one department, office or agency to another.
5. Budgets are prepared in accordance with generally accepted accounting principles.

B. Deficit Retained Earnings

The Refuse Fund's deficit balance in retained earnings of \$579,478 is the result of revenues inadequate to cover expenses in current and prior fiscal years. This deficit retained earnings is offset by contributed capital.

C. Deficit Fund Balance

The general fund's deficit fund balance of \$177,727 and the special revenue's deficit fund balance of \$6,002 are the result of revenues inadequate to cover expenditures in the current year. This deficit fund balance will be offset by available retained earnings in other funds.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year end, the City's carrying amount of deposits was \$1,676,083 and the bank balance was \$1,694,741. Of the bank balance, the City's deposits are entirely covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

B. Receivables

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

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:			
Accounts	\$ 19,148	\$ 2,045,643	\$ 2,064,791
Less: Allowance for uncollectibles	-	648,332	648,332
Net total receivables	<u>\$ 19,148</u>	<u>\$ 1,397,311</u>	<u>\$ 1,416,459</u>

C. Fixed Assets

Activity in the general fixed assets account group for the City for the year ended September 30, 1999, was as follows:

	<u>Balance October 1, 1998</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 1999</u>
Land	\$ 1,487,029	\$ -	\$ -	\$ 1,487,029
Buildings	1,024,226	63,611	-	1,087,837
Improvements other than buildings	7,813,451	465,702	-	8,279,153
Vehicles, furniture and equipment	3,077,540	433,190	36,582	3,474,148
Total general fixed assets	<u>\$13,402,246</u>	<u>\$ 962,503</u>	<u>\$ 36,582</u>	<u>\$14,328,167</u>

The following is a summary of proprietary fund type fixed assets for the City at September 30, 1999:

	<u>Enterprise Funds</u>
Land	\$ 209,913
Improvements	6,935,650
Equipment and other	1,414,002
Buildings	11,010,531
Construction in process	2,507,866
	<u>22,077,962</u>
Less: Accumulated depreciation	9,149,448
Total fixed assets	<u>\$ 12,928,514</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

D. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 1999, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental Funds:		
General Fund	\$ 2,589,474	\$ 4,553,190
Special Revenue	2,181	-
Proprietary Funds:		
Water	576,928	644,920
Electric	4,573,689	2,946,155
Sewer	493,412	213,543
Gas	1,067,146	840,650
Refuse	506,421	547,071
Landfill	-	64,484
Fiduciary Funds	762	-
	<u>\$ 9,810,013</u>	<u>\$ 9,810,013</u>

E. General Long-term Debt

General Long-term Liabilities

The following is a summary of the changes in amounts payable in the general long-term debt account group for the City for the year ended September 30, 1999:

	<u>Balance October 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 1999</u>
Capital leases payable	\$ 10,200	\$ 46,548	\$ 26,539	\$ 30,209
Notes payable	518,962	-	177,153	341,809
Compensated absences	152,355	-	13,067	139,288
	<u>\$ 681,517</u>	<u>\$ 46,548</u>	<u>\$ 216,759</u>	<u>\$ 511,306</u>

CITY OF QUINCY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1999

E. General Long-term Debt (Continued)

1. Notes Payable

Notes payable at September 30, 1999, is comprised of the following:

8.00% note payable to individual in quarterly installments of \$20,095 through November 2004, collateralized by land	<u>\$ 341,809</u>
--	-------------------

Maturities of notes payable for the next five years are as follows:

	<u>Amount</u>
2000	\$ 54,623
2001	59,161
2002	64,021
2003	69,298
2004	75,007
Thereafter	19,699

2. Capital Leases

Capital leases payable at September 30, 1999, are comprised of the following:

5.30% capital lease payable to Corporation in annual installments of \$16,339 including interest through January 2001, collateralized by vehicles	<u>\$ 30,209</u>
---	------------------

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 1999, is as follows:

	<u>Amount</u>
2000	\$ 16,339
2001	16,339
2002	-
2003	-
2004	-
Total minimum lease payments	32,678
Less current amount representing interest	2,469
Present value of minimum lease payments	<u>\$ 30,209</u>

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

F. Enterprise Funds Long-term Debt

1. Notes Payable

Notes payable at September 30, 1999, is comprised of the following:

2.56% state revolving loan in an amount up to \$3,465,000, for waste water treatment plant upgrade, payable to government agency, semi-annual payments of \$111,227 including interest beginning March 15, 2001, collateralized by revenues from the operation of the water and sewer systems	\$ 1,917,551
6.27% note payable to corporation, annual installments of \$19,280 including interest through July 2003, collateralized by equipment	66,400
	\$ 1,983,951

Maturities of notes payable are as follows:

	<u>Amount</u>
2000	\$ 15,118
2001	63,014
2002	152,889
2003	157,458
2004	142,904
Thereafter	1,452,568

2. Water Revenue Bonds

Long-term liabilities at September 30, 1999, is comprised of the following:

\$950,000 Water Revenue Bonds payable in annual installments ranging from \$7,000 to \$63,000 through September 2028, plus interest at 6.25% collateralized by operating income before depreciation of the water, sewer, electric and gas system	\$ 876,000
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Interest expense for the enterprise fund for the year ended September 30, 1999 was \$56,183.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

Future debt service requirements, including principal and interest, on bonded debt are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 65,750
2001	66,063
2002	65,312
2003	65,563
2004	65,750
2005	65,875
2006	65,938
2007	65,938
2008	65,875
2009	65,750
2010	65,563
2011	66,313
2012	65,938
2013	66,500
2014	65,938
2015	66,313
2016	66,563
2017	66,688
2018	66,688
2019	66,563
2020	66,313
2021	66,938
2022	67,375
2023	67,625
2024	67,688
2025	67,563
2026	68,250
2027	67,688
2028	66,938
Total	<u>\$ 1,927,259</u>

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

IV. OTHER INFORMATION

A. Contingent Liabilities

Grant Programs--Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects amounts, if any, to be immaterial.

Litigation--The City is involved in pending lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, potential claims from litigation against the City not covered by insurance, would not materially affect the financial position of the City.

Contamination Assessment--During the fiscal year ended 1991, contamination was noted in several of the City's closed landfill cells. The City contracted with local engineers to provide contamination assessment and assist in the clean-up. The engineers have indicated that clean-up costs could approximate \$200,000.

The sewer system is currently operating under a provisional permit from the State of Florida Department of Environmental Protection (DEP). The permit establishes a schedule that will allow the City to fully comply with Chapter 403, Florida Statutes and rules of DEP relating to waste water treatment plant upgrades by December 1, 1999. Management is upgrading the system through construction of new waste water treatment facilities for approximate \$3 million. Funding is from low interest governmental loans. (See Note III F.1.)

B. Retirement Savings Plan

The Retirement Savings Plan (RSP) of the City of Quincy, Florida is a defined contribution pension plan established to provide benefits at retirement for the employees. The City is required to contribute an amount equal to 12% of the base pay of each eligible participant. Plan provisions and contribution requirements are established and may be amended by the City of Quincy, Florida Commission.

C. Police and Firemen's Supplemental Pension Plan (PFSP)

(a) **Plan Membership**--All of the City's full-time police officers and firefighters hired under the age of 50 are eligible to participate in the Police and Firemen's Supplementary Pension Plan (PFSP), a single-employer, defined benefit pension plan. PFSP provides retirement, disability and death benefits to plan members. The following brief description is provided for general information purposes only. Participants should refer to Ordinance 72-541 of the City of Quincy, Florida and the Summary Plan Description for more complete information.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

C. Police and Firemen's Supplemental Pension Plan (PFSP) (Continued)

At October 1, 1997 the date of the latest available actuarial valuation, the City of Quincy, Florida Police and Firemen's Supplemental Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	<u>31</u>
Employees of the City by status were as follows:	
Vested	36
Nonvested	<u>17</u>
Total current employees	<u>53</u>

(b) **Funding Policy**--The City's funding policy is to provide for periodic employee rates that are designed to accumulate sufficient assets to pay benefits when due. The employees contribute a percentage of their covered payroll to the plan. The State of Florida also contributes to the Plan. The City is required to contribute the remaining amounts necessary to fund the PFSP using the actuarial basis of the plan.

(c) **Annual Pension Cost**--The City's contribution requirement for the year ended September 30, 1999, was zero.

(d) **Eligibility**--All full-time Police Officers and Firefighters.

(e) **Basic Compensation**--Total cash compensation paid to the participant for services rendered.

(f) **Final Monthly Compensation**--The highest average total basic compensation during five successive calendar years out of the ten calendar years next preceding the earlier of date of termination or normal retirement.

(g) **Credited Service**--Total number of years and completed months of service from date of employment to the earlier date of termination or normal retirement.

(h) **Normal Retirement Date**--The first of the month coincident with or next following the earlier of (1) the date of attainment of age 60 and 10 years credited service or (2) the completion of 30 years of credited service.

(i) **Normal Retirement Benefit**--1.7% of final monthly compensation multiplied by number of years of credited service.

CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

C. Police and Firemen's Supplemental Pension Plan (PFSP) (Continued)

(j) **Normal Benefit Form**--A Single Life Annuity.

(k) **Early Retirement**--After the earlier of (1) attainment of age 55 and 15 years of credited service or (2) the completion of 25 years of credited service. Benefit calculated as for normal retirement but based upon service and compensation as of date of early retirement and actuarially reduced using Social Security Early Retirement factors. The maximum of early retirement for any and each year is 6%.

(l) **Postponed Retirement**--1.7% of final monthly compensation multiplied by the number of years for credited service.

(m) **Disability Retirement**--Participants having 10 or more continuous years of credited service and 10 years of contributions shall receive a disability benefit if they become totally and permanently disabled. Benefit is life annuity with the ten years certain -

(i) **Line of Duty Disability** - Benefit is greater of:

- Accrued Pension
- 42% of average monthly salary

(ii) **Non-Line-of-Duty Disability** - Benefit is the greater of:

- Accrued Pension
- 25% of average monthly salary

(n) **Termination of Service**--Vested percentage of accrued deferred monthly retirement income at date of termination of employment. Vested percentage is 25% after five years, increasing 5% per year to 50% after ten years and then increasing by 10% per year to 100% after 15 years. There is no vesting prior to five years of credited service. The monthly retirement income will commence at normal retirement date. Employees eligible for early retirement will be 100% vested. If a terminated participant dies prior to retirement, the death benefit is a life income with ten years certain, which can be provided by single-sum value at date of death of the deferred vested retirement income.

(o) **Pre-Retirement Death Benefit**--A monthly income which can be provided by greater of:

- (i) Single-sum value of accrued deferred monthly retirement income at date of death, or
- (ii) The smaller of:
 - 12 times final monthly compensation at date of death, and
 - 100 times anticipated monthly retirement income at normal retirement.

(p) **Post Retirement Death Benefit**--If participant has been receiving a retirement income, payments cease next preceding date of death unless an optional form of retirement was selected. If the participant has postponed retirement, the benefit is a monthly income which can be provided by the accumulation of interest to the date of death of the single-sum value of the normal retirement benefit using the actuarial assumptions for the postponed retirement benefit.

(q) **Contributions**--Those received under Chapters 175 and 185, five and one-half percent contribution by employees until April 1, 1994, six and one-half percent until November 1998 and seven and one-half percent thereafter.

**CITY OF QUINCY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

E. Prior Period Adjustment

The beginning fund balance of the general fund has been restated for the correction of an error in accounts payable. Accounts payable was overstated in the prior year in the amount of \$248,573. If the overstatement had not occurred, expenditures in the general fund for September 30, 1998 would have been reported as \$5,788,735.

**CITY OF QUINCY, FLORIDA
OFFICIALS
SEPTEMBER 30, 1999**

CITY COMMISSIONERS

Don Chesser - Mayor

Larry Edwards

Keith Dowdell

Derrick Elias

Carolyn Ford

CITY MANAGER

Anthony Powell

CITY OF QUINCY, FLORIDA
ADDITIONAL INFORMATION
SEPTEMBER 30, 1999

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 1999**

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 334	\$ 2,356	\$ 347	\$ 15	\$ 56,438	\$ 238,383	\$ 297,873
Investments	350,120	375,404	54,287	-	-	-	779,811
Receivables:							
Accounts, net	1,022,310	73,485	133,990	51,594	56,258	59,674	1,397,311
Accrued interest	-	-	-	-	-	-	-
Due from other funds	4,573,689	1,067,146	576,928	493,412	506,421	-	7,217,596
Inventories	91,512	8,085	25,107	2,128	-	-	126,832
Restricted assets:							
Cash and cash equivalents	-	-	-	140,526	-	-	140,526
Investments	426,227	-	183,237	-	-	791,098	1,400,562
Fixed assets, net	3,062,299	534,053	2,707,969	5,954,088	-	670,105	12,928,514
Other assets	25,400	-	42,163	32,892	-	3,866	104,321
TOTAL ASSETS	<u>\$ 9,551,891</u>	<u>\$ 2,060,529</u>	<u>\$ 3,724,028</u>	<u>\$ 6,674,655</u>	<u>\$ 619,117</u>	<u>\$ 1,763,126</u>	<u>\$ 24,393,346</u>

**CITY OF QUINCY, FLORIDA
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 1999
(Continued)**

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
LIABILITIES AND EQUITY							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 796,770	\$ 25,954	\$ 19,170	\$ 283,773	\$ 56,762	\$ 26,013	\$ 1,208,442
Payable from restricted assets:							
Revenue bonds, current portion	-	-	11,000	-	-	-	11,000
Accrued interest payable	-	-	4,563	-	-	-	4,563
Customer deposits	426,227	-	-	-	-	-	426,227
Deferred revenues	-	-	-	48,000	-	74,927	122,927
Due to other funds	2,946,155	840,650	644,920	213,543	547,071	64,484	5,256,823
Revenue bonds, long-term portion	-	-	865,000	-	-	-	865,000
Estimated landfill closure costs	-	-	-	-	-	1,005,500	1,005,500
Contingent liabilities	-	-	-	-	-	200,000	200,000
Notes payable	-	-	-	1,917,551	-	66,400	1,983,951
Total liabilities	<u>4,169,152</u>	<u>866,604</u>	<u>1,544,653</u>	<u>2,462,867</u>	<u>603,833</u>	<u>1,437,324</u>	<u>11,084,433</u>
EQUITY							
Contributions:							
From other governments	44,386	11,456	706,004	1,777,063	594,762	-	3,133,671
From developers	171,749	15,422	53,655	10,843	-	-	251,669
Retained earnings:							
Reserved for capital improvements	-	-	-	140,526	-	-	140,526
Reserved for contingency and landfill	-	-	50,000	-	-	791,098	841,098
Reserved for debt service	-	-	117,674	-	-	-	117,674
Unreserved	5,166,604	1,167,047	1,252,042	2,283,356	(579,478)	(465,296)	8,824,275
Total equity	<u>5,382,739</u>	<u>1,193,925</u>	<u>2,179,375</u>	<u>4,211,788</u>	<u>15,284</u>	<u>325,802</u>	<u>13,308,913</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 9,551,891</u>	<u>\$ 2,060,529</u>	<u>\$ 3,724,028</u>	<u>\$ 6,674,655</u>	<u>\$ 619,117</u>	<u>\$ 1,763,126</u>	<u>\$ 24,393,346</u>

**CITY OF QUINCY, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 1999**

	Electric	Gas	Water	Sewer	Refuse	Landfill	Total
Operating revenues							
Charges for services	\$ 11,144,281	\$ 1,228,765	\$ 822,091	\$ 616,142	\$ 633,907	\$ 1,396,682	\$ 15,841,868
Operating expenses							
Costs of sales and services	7,132,286	710,661	144,896	75,111	735,494	1,163,887	9,962,335
General and administrative	557,996	102,394	117,117	115,754	48,258	36,557	978,076
Depreciation and amortization	236,500	41,500	107,230	141,500	10,699	44,000	581,429
Taxes	190,870	5,838	-	-	-	-	196,708
Treatment	-	-	367,255	292,643	-	-	659,898
Total operating expenses	8,117,652	860,393	736,498	625,008	794,451	1,244,444	12,378,446
Operating income (loss)	3,026,629	368,372	85,593	(8,866)	(160,544)	152,238	3,463,422
Nonoperating revenues (expenses)	(19,412)	(7,375)	(53,474)	19,789	8,428	(4,139)	(56,183)
Income before operating transfers	3,007,217	360,997	32,119	10,923	(152,116)	148,099	3,407,239
Operating transfers							
Operating transfers in	(3,200,000)	(400,000)	-	-	-	-	(3,600,000)
Operating transfers out							
Total operating transfers							
Net income (loss)	(192,783)	(39,003)	32,119	10,923	(152,116)	148,099	(192,761)
Retained earnings (deficit), beginning of year	5,359,387	1,206,050	1,387,597	2,412,959	(427,362)	177,703	10,116,334
Retained earnings (deficit), end of year	\$ 5,166,604	\$ 1,167,047	\$ 1,419,716	\$ 2,423,882	\$ (579,478)	\$ 325,802	\$ 9,923,573

CITY OF QUINCY, FLORIDA
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 1999

CITY OF QUINCY, FLORIDA
 POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SEPTEMBER 30, 1999
 (UNAUDITED)

Schedule I

SCHEDULE OF FUNDING PROGRESS
 (THREE YEARS INFORMATION AVAILABLE)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
10/1/97	\$ 3,635,460	\$ 2,601,487	\$ (1,033,973)	140%	\$ 1,668,020	(62%)
10/1/96	2,975,644	2,391,290	(584,354)	124%	1,625,496	(36%)
10/1/95	2,529,885	2,306,163	(223,722)	109%	1,533,602	(15%)

Schedule II

Schedule of Contributions by Employer and Other Contributing Entities
 (Three Years Information Available)

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Employee Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
1998	\$ 139,945	\$ 103,752	\$ -	\$ 85,453	\$ 189,205	135%
1997	178,390	104,928	-	81,305	186,233	104%
1996	158,648	100,790	-	82,815	183,605	116%

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

Valuation Date	10/1/97
Actuarial cost method	Aggregate cost method
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value minus surplus contribution
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	6.0%
*Includes inflation at:	4.0%
Cost-of-living adjustments	Not applicable

**CITY OF QUINCY, FLORIDA
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Program Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>FEDERAL FINANCIAL ASSISTANCE</u>					
U.S. Department of Justice					
Passed through Florida Department of Juvenile Justice					
African American Female "Rites of Passage"	16 540	Q7027	\$ 140,000	\$ 72,782	\$ 72,782
Community Organizing Program	16 548	Q7014	119,496	38,453	38,453
Local Law Enforcement Block Grant	16 592	98LBVX3105	29,518	29,518	29,518
Local Law Enforcement Block Grant	16 592	97LBVX03105	36,972	36,972	36,972
			<u>66,490</u>	<u>66,490</u>	<u>66,490</u>
Community Oriented Policing Services (COPS)	16 710	97UMWX1391	145,933	45,720	45,720
U.S. Department of Health and Human Services					
Passed through Big Bend Jobs and Education Council, Inc					
Temporary Assistance for Needy Families	93 558	-	85,000	21,250	21,250
Total Federal Awards			<u>556,919</u>	<u>244,695</u>	<u>244,695</u>

CITY OF QUINCY, FLORIDA
SCHEDULE OF EXPENDITURES OF FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(Continued)

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Program Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>STATE FINANCIAL ASSISTANCE</u>					
State of Florida, Department of Environmental Protection					
Corry Field Recreation Improvements Florida Recreation Development Assistance Program*	--	F9634	\$ 73,875	\$ 18,034	\$ 18,034
State of Florida, Department of Juvenile Justice					
Minority Over-Representation*	--	BG911	55,357	35,569	35,569
Minority Over-Representation*	--	BG811	55,357	9,874	9,874
			<u>110,714</u>	<u>45,443</u>	<u>45,443</u>
Community Juvenile Justice Partnership Grant*	--	PG420	31,500	19,488	19,488
Total State Awards			<u>216,089</u>	<u>82,965</u>	<u>82,965</u>
Total Financial Awards			<u>\$ 773,008</u>	<u>\$ 327,660</u>	<u>327,660</u>

I. Basis of Presentation

The accompanying schedule of expenditures of financial awards includes the Federal award activity of the City of Quincy, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

*Indicates a State of Florida Grants and Aids Appropriation.

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of the City of Quincy, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated August 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Quincy, Florida's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below:

A. Grant Reporting

As noted in the prior year audit, the City of Quincy, Florida's quarterly financial status reports, that are required to be filed with the various grantors, continue to not agree with the City's financial records. We recommend that these reports be reconciled to the City's financial data. Once this has been completed and all corrections to the financial status reports are completed, we recommend that the City Manager be provided the grant reports, supporting documentation and City financial reports to verify that the financial status reports agree to the City's financial records.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Quincy, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Quincy, Florida's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described below:

A. Prompt Bank Reconciliations

As noted in the prior year, general ledger and bank balances should be reconciled promptly to furnish current proof that all transactions in the bank accounts have been recorded. Bank statements are not being reconciled timely, nor are they currently being reconciled to the general ledger balance. We recommend the accounting department promptly reconcile all months since October 1, 1999, to the current year general ledger. Once this is completed we recommend the accounting department provide a reconciliation report to the City Manager as part of the monthly reporting process. This report should be reviewed by the City Finance Director and signed as verification that the bank reconciliation and general ledger are in agreement.

B. General Fixed Assets

As noted in the prior year, the City periodically takes a physical inventory of property and equipment used in both its enterprise operations and in general government. This physical inventory serves to account for the physical existence of assets and allows for updating of the related fixed assets records.

We noted during our audit for the current year, the fixed asset inventory was not reconciled to the property records. We recommend the City implement the following suggestions related to fixed assets:

1. Take a physical inventory of all property and equipment including listing the ID #, serial #, condition and location of the item. This inventory then should be compared to the City property records and differences should be communicated to the City Manager or City Finance Director for proper disposition.
2. After the property records are updated and reconciled, a report should be made annually to the City Commissioners noting any discrepancies between the physical inventory and the detail property records.

We believe implementation of the foregoing recommendations will increase the control over safeguarding of property and equipment maintained by the City.

C. Recordkeeping

As noted in the prior year, the City of Quincy, Florida is required to maintain proper accounting systems and procedures as stated in Florida Statutes 11.46(3). This system should provide any user, upon request, up-to-date balances in all accounts under the City's charge, such as cash balances, receivables, and due from/to accounts. During the course of the audit, we noted significant errors in the various City financial records. These errors required numerous corrections to the City's general purpose financial statements.

We recommend the City Manager be provided with detail trial balances, bank reconciliations and financial statements for review by the 15th date following the end of the month.

D. Grant Management

The City has numerous grants from various Federal and State agencies. Presently all administration of these grants take place in the City department that the grant applies. Under this system, there is no central knowledge base of grant requirements, programmatic responsibilities, program outcomes and financial reporting.

We recommend the City establish a grants management department with full responsibilities and authority for all grant administration. This department could insure that all grant provisions are met, that required program outcomes are accomplished, that all aspects of grant financial management are adhered to, and that reporting and close out is timely completed.

E. Cash Receipts

The City presently receives cash receipts in the utility billing department. The employees in this department code the cash receipts and then enter them into the cash receipts system, which interfaces with the general ledger. We recommend that the internal control over posting of cash receipts be improved by delivering cash receipt batches to the finance department for verification of account coding and final posting to the general ledger.

F. Accounts Payable

As reported in our prior year audit, the City is not following careful practice in recording all purchases and other liabilities in the proper accounting period. Liabilities should be recorded in the accounting period in which the goods or services are received rather than the following period when the invoice or statement is received. The current practice results in some distortion of monthly financial statements and necessitates an undue amount of work in the course of the year-end audit to locate and enter adjustments for important unrecorded liabilities. We suggest that the City revise its approach in vouchering purchases by recording them in the period in which the liability is incurred and reconciling the detail listing of accounts payable to the general ledger.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable conditions A., B., C., D., E. and F. described above are material weaknesses.

This report is intended solely for the information and use of the City Commission, the Auditor General of the State of Florida and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified users.

James Moore & Co.

Tallahassee, Florida
August 3, 2000

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF MANAGEMENT'S
ASSERTION ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS

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

We have examined management's assertion about City of Quincy, Florida's compliance with the allowable cost requirements established in the grant agreements applicable to the state grants and aids appropriations identified on schedule of expenditures of financial awards for the year ended September 30, 1999, included in the accompanying Management Assertion Report. Management is responsible for City of Quincy, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City of Quincy, Florida's compliance based on our examination.

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

In our opinion, management's assertion that City of Quincy, Florida complied with the aforementioned requirements during the fiscal year ended September 30, 1999, is fairly stated, in all material respects.

James Moore & Co.

Tallahassee, Florida
August 3, 2000



THE CITY OF QUINCY

404 W. Jefferson Street Quincy, Florida 32351-2328 Phone: (850) 627-7681 Fax: (850) 875-3733

MANAGEMENT'S ASSERTION REPORT

I, Earl Banks, hereby assert that the City of Quincy, Florida complied with allowable cost requirements of the grants and aids appropriations identified on the attached Schedule of Expenditures of Financial Awards during the fiscal year ended September 30, 1999.

Willie Earl Banks
Signature

City Manager
Title

August 3, 2000
Date

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL

To The Honorable City Commission,
City of Quincy, Florida:

We have audited the general purpose financial statements of City of Quincy, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated August 3, 2000.

We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated August 3, 2000. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(e)1.) require that we comment as to whether or not irregularities reported in the preceding annual financial audit report have been corrected. There were no irregularities disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554(1)(3)2.) require that we comment as to whether or not the recommendations made in the preceding annual financial audit report have been followed. None of the recommendations made in the preceding annual financial audit report have been corrected as reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

As required by the Rules of the Auditor General (Section 10.554(1)(e)3.) the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "*Determination of Financial Emergency*." In connection with our audit, we determined that the City of Quincy, Florida, is not in a state of financial emergency as described by Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(f)4.) we determined that the annual financial report for the City of Quincy, Florida, for the fiscal year ended September 30, 1999, was filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 1999.

The Rules of the Auditor General (Sections 10.554(1)(f)6.,7.,8.,9.) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on the internal control and compliance: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g. the omission of required disclosures for the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Our audit disclosed matters required to be disclosed by Rules of Auditor General (Sections 10.554(1)(f)6.,7.,8.,9.) as follows:

A. Record Storage and Retrieval

As reported in our prior year audit, during our audit we noticed that accounting records frequently could not be located when needed. The causes of the problem appeared to be a) lack of a clearly specified system for filing records, b) failure of those who removed records from the files to indicate who took the record, c) failure to return the record to the files or misfiling it when it was returned, and d) lack of specified policies for removing prior year records from the files to a designated storage space. The result was that employees spent nonproductive time searching for needed documents. This condition could also present problems when documents are needed in support of other reports subject to audit by us or other governmental agencies. We recommend that the following steps be taken:

- Decide on a systematic manner of filing documents, e.g., numbered invoices, receiving reports, etc., consecutively by number, vendor bills alphabetically by vendor name, journal entries by month, and so on. Describe the system in the accounting manual or post a description on the filing cabinets or storage room so that employees will know how to find and refile documents.
- Institute use of "sign-out" cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently and which records should be kept only for a given period before being destroyed and how long that period should be. Also, decide on when records should be removed from more accessible files to other storage areas. For example, some cities keep the current and prior year records in the accounting department or in storage rooms on the city's premises and store older records in off-premises warehouses. Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

B. Accounting Manual

As reported in our prior year audit, we noted that the City does not have an up to date accounting procedures manual. There may be an assumption that because the City's accounting system is relatively simple and accounting personnel have direct and easy access to the finance director when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. Should management desire, we would be pleased to develop an accounting manual as a separate engagement.

C. City Employee Pension Plan

As reported in our prior year audit, monthly or quarterly statements obtained from the investment trustee should be reconciled to employer contributions per the general ledger. This will furnish proof that the investment trustee has appropriately recorded contributions made by the City. No attempt at reconciling the City's contributions to that recorded by the trustee is currently being made. We suggest the employer contributions per the general ledger be reconciled to the trustee statements either on a monthly or quarterly basis. This procedure will quickly identify any mistakes on the City's and investment trustee's accounting records.

D. Management Reports

As reported in our prior year audit, one of the accounting department's prime responsibilities is the preparation of accurate, timely financial statements and accounting reports. The need for such reports was not so apparent when the City was smaller. However, with rapid growth and public awareness of the City, accurate reports which evaluate the City's financial position and results of operations on a current basis are imperative so that management decisions can be timely and more effective.

Other cities have found that reporting systems have proved to be effective as management tools when the following requirements are met:

1. Reports are prepared quickly after the end of the accounting period.
2. Actual results are compared with predetermined budgets and prior year results.
3. Reports present departmental revenues and expenditures and/or expenses.
4. Reports present cash flow information to show by fund, the amount of cash at the beginning of the period, additions to cash for the period, reductions in cash for the period and ending cash balance.

The Rules of the Auditor General (Sections 10.554 (1) (e) 10.) also require 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 City of Quincy, Florida included no component units that are required under generally accepted accounting principles.

This management letter is intended solely for the information and use of the City Commission and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified users.

James Moore & Co.

Tallahassee, Florida
August 3, 2000

CITY OF QUINCY, FLORIDA

GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT THEREON
(With Supplemental Information),
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL BASED ON AN AUDIT PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND RULES OF THE STATE OF FLORIDA, AUDITOR GENERAL
FOR THE YEAR ENDED SEPTEMBER 30, 2000

WATSON RICE LLP
Certified Public Accountants
and
Consultants

**CITY OF QUINCY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

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CITY OF QUINCY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

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CITY COMMISSIONERS
(As of September 30, 2000)

Carolyn Ford – Mayor

Larry Edwards – Mayor Pro-Tem

Don Chesser

Keith Dowdell

Derrick Elias

CITY ATTORNEY

Jack McLean, Jr.

CITY MANAGER

Willie Earl Banks

CITY CLERK

Sylvia Hicks

CITY FINANCE DIRECTOR

Kimberly Ferrell

CITY COMMISSIONERS

(June 29, 2001)

Larry Edwards – Mayor

Derrick Elias – Mayor Pro-Tem

Don Chesser

Keith Dowdell

Carolyn Ford

CITY ATTORNEY

Jack McLean, Jr.

CITY MANAGER

Willie Earl Banks

CITY CLERK

Sylvia Hicks

CITY FINANCE DIRECTOR

Neva Reed



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Tallahassee FL 32301

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Quincy, Florida. (the "City") as of and for the year ended September 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Quincy, Florida, as of September 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles of the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2001, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The data contained in the combining financial statements are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Quincy, Florida. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The supplementary information on pages 31-32 is not a required part of the general purpose financial statements but is supplementary information required by the General Accounting Standards Board. However, we did not audit the supplementary information, and accordingly, express no opinion thereon.

Tallahassee, Florida
June 29, 2001
(except for Note 15, as to which
the date is August 6, 2001)

A handwritten signature in cursive script that reads 'Watson Rice LLP'.

CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2000

	Governmental		Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	Fund Types		Fund Type	Fund Type	General	General	
	General	Special Revenue	Enterprise	Trust Funds	Fixed Assets	Long-term Debt	
ASSETS AND OTHER DEBITS							
Assets							
Cash and cash equivalents	\$ 238,114	\$ 50,654	\$ 1,251,136	\$ 183,932	\$ -	\$ -	1,723,836
Investments	1,068,620	-	830,880	10,704,494	-	-	12,603,994
Receivables							
Accounts, net of allowance for uncollectible accounts	28,075	-	701,531	-	-	-	729,606
Accrued interest	-	-	-	30,940	-	-	30,940
Due from other funds	9,724,090	171,951	8,734,391	174,383	-	-	18,804,815
Due from other governments	121,213	93,633	-	95,030	-	-	309,876
Assessment receivable	165,523	-	-	-	-	-	165,523
Assessment interest receivable	138,327	-	-	-	-	-	138,327
Inventories	69,616	-	321,642	-	-	-	391,258
Restricted assets:							
Cash and cash equivalents	-	-	172,304	-	-	-	172,304
Investments	-	-	1,467,386	-	-	-	1,467,386
Fixed assets, net, where applicable, of accumulated depreciation	-	-	13,179,753	-	14,646,044	-	27,825,797
Other assets	74,809	-	129,679	-	-	-	204,488
Other debits							
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	800,370	800,370
Total Assets and Other Debits	\$ 11,628,387	\$ 316,238	\$ 26,788,702	\$ 11,188,779	\$ 14,646,044	\$ 800,370	\$ 65,368,520

The accompanying notes to financial statements are an integral part of this statement

CITY OF QUINCY, FLORIDA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 2000

(Continued)

	Governmental		Proprietary		Fiduciary		Account Groups			Totals
	Fund Types		Fund Type		Fund Type		General			
	General	Special	Enterprise	Trust	Funds	Fixed	Long-term	Debt	(Memorandum	
	Revenue	Revenue	Revenue	Revenue	Revenue	Assets	Debt	Debt	Only)	
LIABILITIES, EQUITY AND OTHER CREDITS										
Liabilities										
Accounts payable and accrued expenses	\$ 99,083	\$ -	\$ 905,117	\$ 201,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,205,412
Compensated absences payable	-	-	99,003	-	-	-	-	497,683	-	596,686
Payable from restricted assets:										
Current portion of notes payable	-	-	134,754	-	-	-	-	-	-	134,754
Customer deposits	-	-	468,284	-	-	-	-	-	-	468,284
Current portion of revenue bonds payable	-	-	12,000	-	-	-	-	-	-	12,000
Accrued interest on matured bonds payable	-	-	5,257	-	-	-	-	-	-	5,257
Due to other funds	11,376,346	418,174	7,006,074	4,221	-	-	-	-	-	18,801,815
Revenue bonds payable, long-term portion	-	-	853,000	-	-	-	-	-	-	853,000
Estimated landfill closure and post closure care costs	-	-	1,005,500	-	-	-	-	-	-	1,005,500
Contingent liabilities	-	-	200,000	-	-	-	-	-	-	200,000
Capital lease payable	-	-	-	-	-	-	-	15,502	-	15,502
Notes payable, long-term portion	-	-	3,229,843	-	-	-	-	287,185	-	3,517,028
Total liabilities	11,475,429	418,174	13,918,832	205,433	-	-	800,370	-	-	26,818,238
Equity and other credits										
Investment in general fixed assets	-	-	-	-	-	14,646,044	-	-	-	14,646,044
Contributions:										
Contributed capital - capital grants	-	-	3,133,671	-	-	-	-	-	-	3,133,671
Contributed capital other	-	-	251,669	-	-	-	-	-	-	251,669
Retained earnings:										
Reserved for capital improvements	-	-	57,391	-	-	-	-	-	-	57,391
Reserved for contingency and landfill	-	-	865,864	-	-	-	-	-	-	865,864
Reserved for debt service	-	-	133,237	-	-	-	-	-	-	133,237
Unreserved	-	-	8,428,038	-	-	-	-	-	-	8,428,038
Fund balances (deficit):										
Reserved for inventories	69,616	-	-	-	-	-	-	-	-	69,616
Reserved for employee retirement	-	-	-	10,983,346	-	-	-	-	-	10,983,346
Unreserved	83,342	(101,936)	-	-	-	-	-	-	-	(18,594)
Total equity and other credits	152,958	(101,936)	12,869,870	10,983,346	-	14,646,044	-	-	-	38,550,282
Total Liabilities, Equity and Other Credits	\$ 11,628,387	\$ 316,238	\$ 26,788,702	\$ 11,188,779	\$ -	\$ 14,646,044	\$ 800,370	\$ -	\$ -	\$ 65,168,530

The accompanying notes to financial statements are an integral part of this statement

City of Quincy, Florida
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT) -- ALL GOVERNMENTAL FUND TYPES**
 For the Year Ended September 30, 2000

	General	Special Revenue	Totals (Memorandum Only)
Revenues			
Taxes	\$ 993,678	\$ -	\$ 993,678
Licenses and permits	81,619	-	81,619
Intergovernmental	841,655	381,276	1,222,931
Other	837,979	-	837,979
	<u>2,754,931</u>	<u>381,276</u>	<u>3,136,207</u>
Expenditures			
Current:			
General government	1,540,715	52,453	1,593,168
Public safety	3,009,776	272,282	3,282,058
Transportation	1,265,184	-	1,265,184
Culture and recreation	684,269	-	684,269
Physical environment	43,967	-	43,967
Human services	27,781	-	27,781
Economic environment	-	152,475	152,475
Debt Service:			
Principal	54,623	-	54,623
Interest and other charges	25,757	-	25,757
	<u>6,652,072</u>	<u>477,210</u>	<u>7,129,282</u>
Deficiency of revenues over expenditures	(3,897,141)	(95,934)	(3,993,075)
Other financing sources			
Sale of general fixed assets	45,288	-	45,288
Operating transfers in	4,182,116	-	4,182,116
	<u>4,227,404</u>	<u>-</u>	<u>4,227,404</u>
Excess (deficiency) of revenues and other financing sources over expenditures	330,263	(95,934)	234,329
Fund balance (deficit)			
At beginning of year	(177,305)	(6,002)	(183,307)
At end of year	<u>\$ 152,958</u>	<u>\$ (101,936)</u>	<u>\$ 51,022</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF QUINCY, FLORIDA

ALL GOVERNMENTAL FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
 For the Year Ended September 30, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 993,678	\$ 993,678	\$ -
Licenses and permits	81,619	81,619	-
Intergovernmental	1,210,148	1,222,931	12,783
Other	817,423	837,979	20,556
	<u>3,102,868</u>	<u>3,136,207</u>	<u>33,339</u>
Expenditures			
Current:			
General government	1,793,910	1,593,168	200,742
Public safety	3,311,098	3,282,058	29,040
Transportation	1,428,998	1,265,184	163,814
Culture and recreation	706,354	684,269	22,085
Physical environment	44,026	43,967	59
Human services	27,930	27,781	149
Economic environment	152,475	152,475	-
Debt Service			
Principal	54,623	54,623	-
Interest and other charges	25,757	25,757	-
	<u>7,545,171</u>	<u>7,129,282</u>	<u>415,889</u>
Deficiency of revenues over expenditures	(4,442,303)	(3,993,075)	449,228
Other financing sources			
Sales of general fixed assets	178,738	45,288	(133,450)
Operating transfers in	4,220,000	4,182,116	(37,884)
	<u>4,398,738</u>	<u>4,227,404</u>	<u>(171,334)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(43,565)	234,329	277,894
Fund balance (deficit)			
At beginning of year	<u>(183,307)</u>	<u>(183,307)</u>	<u>-</u>
At end of year	<u>\$ (226,872)</u>	<u>\$ 51,022</u>	<u>\$ 277,894</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF QUINCY, FLORIDA
ENTERPRISE FUND
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2000

Operating revenues	
Charges for services	\$ <u>16,047,339</u>
Operating expenses	
Cost of sales and services	9,798,056
General and administrative	897,055
Depreciation and amortization	577,441
Taxes	286,342
Treatment	<u>820,750</u>
Total operating expenses	12,379,644
Operating income	3,667,695
Nonoperating revenues (expenses)	
Interest income	<u>75,376</u>
Income before operating transfers	3,743,071
Operating transfers out	<u>(4,182,116)</u>
Net loss	(439,045)
Retained earnings, beginning of year	<u>9,923,575</u>
Retained earnings, end of year	<u>\$ 9,484,530</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF QUINCY, FLORIDA

TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS -
FOR THE YEAR ENDED SEPTEMBER 30, 2000

	Retirement Savings Plan	Police and Firemen's Supplemental Pension Plan	Total
<u>ADDITIONS</u>			
Contributions:			
State of Florida	\$ -	\$ 95,030	\$ 95,030
Plan members	-	122,011	122,011
Employer	456,086	-	456,086
Total contributions	456,086	217,041	673,127
Investment income			
Earnings	984,937	536,585	1,521,522
Total Additions	<u>1,441,023</u>	<u>753,626</u>	<u>2,194,649</u>
<u>DEDUCTIONS</u>			
Benefits payments	1,125,677	116,412	1,242,089
Administrative expenses	-	7,058	7,058
Total Deductions	<u>1,125,677</u>	<u>123,470</u>	<u>1,249,147</u>
Net increase	315,346	630,156	945,502
Net assets held in trust for pension benefits			
Beginning of year	5,749,881	4,287,766	10,037,647
End of year	<u>\$ 6,065,227</u>	<u>\$ 4,917,922</u>	<u>\$ 10,983,149</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF QUINCY, FLORIDA

ENTERPRISE FUNDS
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2000

Cash Flows from Operating Activities	
Operating loss	\$ <u>(439,045)</u>
Adjustments to reconcile operating loss to	
Net cash provided by (used in) operating activities:	
Depreciation and amortization	577,441
Unrealized loss on market adjustments	36,576
(Increase) decrease in:	
Accounts receivable	695,780
Due from other funds	2,665,321
Inventories	(194,810)
Increase (decrease) in:	
Accounts payable	(282,381)
Compensated absences payable	78,059
Accrued expenses	696
Customer deposits	42,057
Deferred revenue	(122,927)
Due to other funds	<u>1,749,251</u>
Total adjustments	<u>5,245,063</u>
 Net Cash Provided by Operating Activities	 <u>4,806,018</u>
 Cash Flows From Non-capital Financing Activity:	
Transfer out	<u>(4,182,116)</u>
 Cash Flows From Capital and Related Financing Activities:	
Acquisition of fixed assets	(828,680)
Repayment of long term debt	(11,000)
Proceeds from loan	<u>1,380,646</u>
Net cash provided by capital and related financing activities	<u>540,966</u>
 Cash Flows From Investing Activities:	
(Increase) in investments	(154,469)
(Increase) in other assets	<u>(25,358)</u>
Net cash flows used in investing activities	<u>(179,827)</u>
 Net Increase in Cash and Cash Equivalents	 985,041
 Cash and Cash Equivalents, beginning of year	 <u>438,399</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 1,423,440</u>

The accompanying notes to financial statements
are an integral part of this statement.

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

NOTE 1 - REPORTING ENTITY

The City of Quincy, Florida, (the "City") is a municipality, which operates under a Commission-City Manager form of government established in 1823 pursuant to a Special Act of the State of Florida Legislature. The City provides municipal services to its residents, including general government, economic environment, public safety, public works, and housing and recreation. The City also provides electric, water, sewer, gas, refuse collection and landfill services.

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

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

In 1999, the City passed an ordinance establishing the Community Redevelopment Agency (CRA). The CRA, which is considered to be a component unit of the City, has not been included in the financial statements in as much as there has been no financial activity and the component unit has no assets, liabilities, or fund balance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into three fund types and two account groups as follows.

Governmental Fund Types

Governmental funds are those, which are used to account for most general governmental functions of the City. The measurement focus of these funds is based upon determination of changes in financial position or the financial flow measurement focus, rather than upon net income.

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

The following are the City's governmental fund types:

General Fund – used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specific purposes.

Proprietary Fund

The focus of Proprietary Fund measurement is upon determination of net income, financial position, and cash flows. The generally accepted accounting principles utilized for these funds are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the City.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type

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.

Account Groups

Account Groups are used to establish control and accountability over the City's general fixed assets and general long-term debt. *General Fixed Assets* is used to account for the general fixed assets of the City other than those of the Enterprise Funds. *General Long-Term Debt* is used to account for the long-term debt obligations of the City, with the exception of the revenue bonds payable from specified revenues of various Enterprise Funds.

Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to pay liabilities of the current period. Ad valorem taxes are considered measurable and available when due before, and collected within 60 days subsequent to, September 30. Utility service taxes and franchise fees, licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues are generally recorded as revenue when due. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue. Interest income is recorded as earned since it is measurable and available. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, unmatured interest on general long-term debt, are recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Entitlements and shared revenues are recorded at the time of receipt or earlier date if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Budgets and Budgetary Accounting

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

1. Prior to August 15, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. 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 generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended in accordance with City ordinances. The accompanying financial statements incorporate the original budget ordinances and all amendments thereto.
6. All annual appropriations lapse at fiscal year end.

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the general and special revenue funds. Encumbrances outstanding at the balance sheet date are cancelled.

Compensated Absences

The City's policy is to permit employees to accumulate earned and unused vacation and sick pay benefits. Accumulated unpaid vacation and sick pay benefits are accrued in the Enterprise Fund when incurred using the accrual basis of accounting. All such amounts for the Governmental Fund Types are recorded in the General Long-Term Debt Account Group, because both the long-term and the short-term portions will be liquidated with future resources.

Bond Issuance Costs

Bond issuance costs for Proprietary Fund Types are deferred and amortized over the term of the bonds using the bonds-outstanding-method, which approximates the effective interest method. Bond issuance costs are recorded as deferred charges.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with maturity dates, within three months from the dates acquired by the City.

Investments

Investments, consisting of U.S. Governmental securities and repurchase agreements are stated at fair value.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Inventories

Inventories consist of materials and supplies held for use or consumption, are recorded at cost using the first-in, first-out method (FIFO). Inventories reported for the Governmental Fund Types are recorded under the purchase method of inventory accounting, and are therefore equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources for appropriation.

Allowance for Uncollectibles

The City calculates its allowance for uncollectibles using historical collection data, specific account analysis, and management's judgment. As of September 30, 2000, the allowance for uncollectibles was \$ 449,053 for the enterprise fund.

Fixed Assets

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated and interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, and lighting system, are not capitalized since they are immovable and of value only to the City.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives of the assets are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Property plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. During 2000, no interest was capitalized.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight line method over the following estimated useful lives ranging from 3 to 40 years.

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

Other Assets

Other assets include \$9,519 of unamortized loan costs which relate to the issuance of Revenue Bonds. The original bond issue costs of \$14,567 are amortized using the straight-line method over the 41-year term of the bond.

Property Taxes

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

No accruals for the property tax levy becoming due in November 2000 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 2000, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 2001.

Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "Memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

**NOTE 3 - RESTRICTED ASSETS, PAYABLES FROM RESTRICTED ASSETS AND
RESERVED RETAINED EARNINGS**

Restricted assets of the Enterprise Funds consist of cash and cash equivalents and investments related to the proceeds of the City's water revenue bonds and certain resources set aside for their repayments which are required to be restricted under the terms of the bond covenants.

For certain assets restricted under bond agreement, a reserve is established by charging retained earnings in an amount equal to the restricted assets. When the restricted assets are expended, the reserve is restored to retained earnings.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2000, the City's cash and cash equivalents and investments included the following:

Cash and cash equivalents	\$ 1,896,140
Investments (including cash equivalents)	14,071,380
Total cash and cash equivalents and investments	\$15,967,520

All deposits with financial institutions are fully insured or collateralized as required by the City Commission. The deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act (the "Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Investments

Investments are made in accordance with the provisions of Chapter 125.31 (1) Florida Statutes.

The City is authorized to make direct investments in U.S. government, federal agency, and instrumentality obligations at a price not to exceed the market price at the time of purchase. In addition, the City may invest in certificates of financial institutions insured by the United States government or agencies thereof and repurchase agreements.

The City's investments are categorized to provide an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the city's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City' name.

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

The tabular presentation which follows presents the City's investments (including cash equivalents) in terms of risk assumed at September 30, 2000:

	<u>Category</u>			Fair Value
	1	2	3	
U.S. Government and Agency Securities	\$ 1,782,574	\$ -	\$ -	\$ 1,782,574
Commercial Paper	-	245,814	-	245,814
Mortgage backed securities	-	3,121,072	-	3,121,072
Equity securities	2,708,231	-	-	2,708,231
	<u>\$ 4,490,805</u>	<u>\$ 3,366,886</u>	<u>\$ -</u>	7,857,691
Mutual Funds				<u>6,213,689</u>
Total				<u>\$14,071,380</u>

NOTE 5 - RECEIVABLES

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

	General	Enterprise	Total
Accounts	\$ 28,075	\$ 811,329	\$ 839,404
Less: Allowance for uncollectibles	-	109,798	109,798
Net total receivables	<u>\$ 28,075</u>	<u>\$ 701,531</u>	<u>\$ 729,606</u>

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 6 - FIXED ASSETS

Changes in fixed assets of the City for the year ended September 30, 2000 are as follows:

Description	Balance October 1, 1999	Additions	Retirements	Balance September 30, 2000
<i>General Fixed Assets:</i>				
Land	\$ 1,487,029	\$ -	\$ -	\$ 1,487,029
Buildings	1,087,837	-	-	1,087,837
Improvements other than buildings	8,279,153	317,877	-	8,597,030
Vehicles, furniture and equipment	3,474,148	-	-	3,474,148
Total general fixed assets	\$14,328,167	\$317,877	\$ -	\$14,646,044
 <i>Enterprise Funds:</i>				
Land	\$ 209,913	\$ -	\$ -	\$ 209,913
Improvements	6,935,650	3,336,546	22,255	10,249,941
Equipment and other	1,414,002	-	-	1,414,002
Buildings	11,010,531	-	-	11,010,531
Construction in progress	2,507,866	828,680	3,336,546	-
	22,077,962	4,165,226	3,358,801	22,884,387
Less: Accumulated depreciation	9,149,448	577,441	22,255	9,704,634
Net fixed assets	\$12,928,514	\$ 3,587,785	\$ 3,336,546	\$ 13,179,753

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 2000, is as follows:

	Due from other funds	Due to other funds
Governmental Funds		
General fund	\$ 9,724,090	\$ 11,376,346
Special Revenue	171,951	418,174
Proprietary Funds		
Water	519,725	779,372
Electric	5,853,597	4,224,807
Sewer	828,729	149,985
Gas	1,031,995	956,900
Refuse	472,298	549,244
Landfill	28,047	345,766
Fiduciary Funds	174,383	4,221
	\$18,804,815	\$ 18,804,815

NOTE 8 - LONG-TERM DEBT

The City had the following changes in the general long-term debt account group for the year ended September 30, 2000:

	Balance October 1, 1999	Additions	Reductions	Balance September 30, 2000
Capital lease payable	\$ 30,209	\$ -	\$14,707	\$ 15,502
Note payable	341,809	-	54,624	287,185
Compensated absences	139,288	362,020	3,625	497,683
	\$ 511,306	\$ 362,020	\$72,956	\$800,370

Capital lease payable at September 30, 2000 bears an annual interest of 5.30% and is due in January 2001.

Notes payable at September 30, 2000, bears an annual interest of 8.00% payable in quarterly installments of \$20,095 through November 2004 and collateralized by land.

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Maturities of note payable for the next five years are as follows:

	Amount
2001	\$ 59,160
2002	64,021
2003	69,298
2004	75,007
2005	19,699
Total	<u>\$287,185</u>

Enterprise Funds

Long-term debt of the Enterprise Funds at September 30, 2000, consists of the following:

State Revolving Loan in an amount up to \$3,465,000, for waste water treatment plant upgrade bearing annual interest at 2.56% payable to a government agency in semi-annual payments of \$111,280 including interest starting March 15, 2001, collateralized by revenues from the operation of the water and sewer systems	\$ 3,317,477
Note payable to a corporation bearing annual interest at 6.27% and payable in annual installments of \$19,280 including interest through July 2003, and is collateralized by equipment	47,120
\$950,000 Water Revenue Bonds bearing interest at 6.25% payable in annual installments ranging from \$7,000 to \$63,000 through September 2028, collateralized by operating income before depreciation of the water, sewer, electric and gas system	<u>865,000</u>
Total	<u>\$4,229,597</u>

Future debt service requirements on State Revolving Loan and Note Payable are as follows:

Year	Principal	Interest	Total
2001	\$ 150,819	\$ 91,021	\$241,840
2002	155,211	86,629	241,840
2003	159,843	81,997	241,840
2004	145,350	77,210	222,560
2005	149,094	73,466	222,560
Thereafter	2,604,280	574,120	3,178,400

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Future debt service requirements on Water Revenue Bonds are as follows:

Year	Principal	Interest	Total
2001	\$ 12,000	\$ 54,063	\$ 66,063
2002	12,000	53,313	65,313
2003	13,000	52,563	65,563
2004	14,000	51,750	65,750
2005	15,000	50,875	65,875
2006	16,000	49,938	65,938
2007	17,000	48,938	65,938
2008	18,000	47,875	65,875
2009	19,000	46,750	65,750
2010	20,000	45,563	65,563
2011	22,000	44,313	66,313
2012	23,000	42,938	65,938
2013	25,000	41,500	66,500
2014	26,000	39,938	65,938
2015	28,000	38,313	66,313
2016	30,000	36,563	66,563
2017	32,000	34,688	66,688
2018	34,000	32,688	66,688
2019	36,000	30,563	66,563
2020	38,000	28,313	66,313
2021	41,000	25,938	66,938
2022	44,000	23,375	67,375
2023	47,000	20,625	67,625
2024	50,000	17,680	67,680
2025	53,000	14,561	67,561
2026	57,000	11,250	68,250
2027	60,000	7,688	67,688
2028	63,000	3,938	66,938
Total	\$ 865,000	\$ 996,500	\$1,861,500

NOTE 9 - CONTINGENCIES AND COMMITMENTS

Grant Programs

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

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

Litigation

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

Closure and Postclosure Care Costs

Current laws and regulations require the City to place final covers on landfill cells as they are closed, and perform certain maintenance and monitoring functions at the landfill cell sites for thirty years after closure. These laws and regulations also require the City, on an annual basis, to disclose the extent of its financial responsibility for the cost involved, which are referred to as "closure and postclosure care" costs.

At September 30, 2000, the City's total liability for landfill closure and postclosure care costs was approximately \$1,005,500. For 2000, \$427,000 relates to active landfill and \$578,500 relates to inactive landfills.

Active landfill consists of the Byrd Landfill Cell 9. The liability balance of \$427,000 as of September 30, 2000 is based on the use of approximately 70% of the existing landfill capacity. Unrecognized costs of approximately \$183,000 will be amortized on a current basis as the existing capacity of 30% is used. This estimated capacity is expected to last until 2004 based on current waste flows.

Contamination Assessment

In 1991, contamination was noted in several of the City's closed landfill cells. The City entered into a contract with local engineers to provide contamination assessment and assist the City in the clean up of the contaminated landfill cells. The engineers estimated that clean up costs could amount to \$200,000.

The Sewer system is currently operating under a provisional permit from the State of Florida - Department of Environment Protection (DEP). The permit establishes a schedule that allows the City to fully comply with Chapter 403 of Florida Statutes and rules of DEP relating to waste water treatment plant upgrades by December 1, 1999. Management is upgrading the sewer system through the construction of new waste water treatment plant (WWTP) facilities with approximate cost of \$3 million. The construction of the new waste water treatment is financed from the proceeds of State Revolving Loan (See Note 8). At September 30, 2000, the construction of WWTP is completed.

NOTE 10 - DEFICIT RETAINED EARNINGS/FUND BALANCES

The Refuse Fund's deficit balance of \$573,456 is the result of inadequate revenues to cover expenses in current and prior fiscal years. This deficit is offset by contributed capital.

The Special Revenue's deficit balance of \$114,719 is the results of inadequate revenues to cover expenditures in the current year and prior fiscal year. This deficit fund balance is offset by available earnings in other funds.

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

NOTE 11 - 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.

NOTE 12 - POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN (PFSP)

(a) Plan membership

All of the City's full-time police officers and firefighters hired under the age of 50 are eligible to participate in the Police and Firemen's Supplemental Pension Plan (PFSP), a single-employer, defined benefit pension plan. PFSP provides retirement, disability and death benefits to plan members. The following brief description of the plan is provided for general information purposes only. Participants should refer to Ordinance 72-541 of the City of Quincy, Florida and the Summary Plan Description for more complete information.

At October 1, 1997 the date of the latest available actuarial valuation, the City of Quincy, Florida Police and Firemen's Supplemental Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>31</u>
Employees of the City by status were as follows:	
Vested	36
Nonvested	<u>17</u>
Total current employees	<u>53</u>

(b) Funding Policy

The City's funding policy is to provide for periodic employee rates that are designed to accumulate sufficient assets to pay benefits when due. The employees contribute a percentage of their covered payroll to the plan. The State of Florida also contributes to the Plan. The City is required to contribute the remaining amounts necessary to fund the PFSP using the actuarial basis of the plan.

(c) Annual Pension Cost

The City's contribution requirement for the year ended September 30, 2000 was zero.

(d) Eligibility

All full-time Police Officers and Firefighters.

COMBINING STATEMENTS

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

(m) Disability Retirement

Participants having 10 or more continuous years of credited service and 10 years of contributions shall receive a disability benefit if they become totally and permanently disabled. Benefit if life annuity with the ten years certain :

- (i) Line of Duty Disability - Benefit is greater of:
 - Accrued Pension
 - 42% of average monthly salary

- (ii) Non-Line-of-Duty Disability – Benefit is the greater of:
 - Accrued Pension
 - 25% of average monthly salary

(n) Termination of Service

Vested percentage of accrued deferred monthly retirement income at date of termination of employment. Vested percentage is 25% after five years, increasing 5% per year to 50% after ten years and then increasing by 10% per year to 100% after 15 years. There is no vesting prior to five years of credited service. The monthly retirement income will commence at normal retirement date. Employees eligible for early retirement will be 100% vested. If a terminated participant dies prior to retirement, the death benefit is a life income with ten years certain, which can be provided by single-sum value at date of death of the deferred vested retirement income.

(o) Pre-Retirement Death Benefit - A monthly income which can be provided by greater of:

- (i) Single-sum value of accrued deferred monthly retirement income at date of death or
- (ii) The smaller of:
 - 12 times final monthly compensation at date of death, and
 - 100 times anticipated monthly retirement income at normal retirement.

(p) Post Retirement Death Benefit

If participant has been receiving a retirement income, payments cease next preceding date of death unless an option form of retirement was selected. If the participant has postponed retirement, the benefit is a monthly income which can be provided by the accumulation of interest to the date of death of the single-sum value of the normal retirement benefit using the actuarial assumptions for the postponed retirement benefit.

(q) Contributions

Those received under Chapters 175 and 185, five and one half percent contribution by employee until April 1, 1994, six and one-half percent until November 1998 and seven and one-half percent thereafter.

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 13 - 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.

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains six (6) enterprise funds which provide electric, gas, water, sewer, refuse and landfill services. Segment information for the year ended September 30, 2000 is as follows:

	Electric	Gas	Water	Sewer	Refuse	Landfill	Total Enterprise Funds
Operating Revenue	\$11,108,096	\$1,269,256	\$813,833	\$880,371	\$649,180	\$1,326,603	\$16,047,339
Depreciation and amortization	204,000	29,000	110,441	119,000	-	115,000	577,441
Operating income (loss)	3,263,580	307,124	(53,254)	109,732	1,457	41,056	3,667,695
Intergovernmental revenue	-	-	-	-	-	-	-
Income (loss) before operating transfers	3,301,811	337,275	(87,893)	116,031	6,022	69,825	3,743,071
Operating transfers in	-	-	-	-	-	-	-
(Out)	(3,782,116)	(400,000)	-	-	-	-	(4,182,116)
Net income (loss)	(480,305)	(62,725)	(87,893)	116,031	6,022	69,825	(439,045)
Restricted assets	468,284	-	183,237	172,304	-	815,865	1,639,690
Property, Plant and Equipment Additions	-	-	-	828,680	-	-	828,680
Retirements	22,255	-	-	-	-	-	22,255
Net working capital	396,479	551,053	374,841	72,055	98,252	591,132	2,083,812
Total Assets	10,318,423	2,219,141	3,794,423	7,829,675	619,735	2,007,305	26,788,702
Bonds and other long-term liabilities Payable from operating revenues	-	-	865,000	3,317,477	-	47,120	4,229,597
Total Fund Equity (Deficit)	4,902,435	1,131,200	2,091,483	4,327,818	21,306	395,628	12,869,870

**CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000**

NOTE 15 - SUBSEQUENT EVENT

The City's permit to operate its Landfill Cell No. 9 at Byrd Landfill expired on January 1, 2001. The permit renewal application, together with the application to construct Cells No. 10 & 11, was submitted to the Department of Environmental Protection (DEP) on December 2, 2000. On July 25, 2001 the City received the Notice of Intent for Permit Denial from DEP. The City was ordered to immediately cease operation of the landfill site by not accepting any solid waste and perform complete proper closure of the facility.

Management believed that the additional information requested by DEP does not affect the operation of Cell No. 9 and only relates to proposed Cells No. 10 & 11. On August 6, 2001, the City submitted a petition against the DEP's Notice of Intent for Permit Denial and re-submitted the application to construct two (2) additional cells. The City also requested temporary permit to continue to operate Cell No. 9.

The ultimate outcome of these matters is presently undeterminable. However, management is of the opinion the ultimate outcome will not have a material adverse effect on the City's financial position or results of operations.

CITY OF QUINCY, FLORIDA

GOVERNMENTAL FUND TYPES
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
 For the Year Ended September 30, 2000

	General Fund		Special Revenue Funds		Totals	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenues						
Taxes						
Licenses and permits	993,678	\$ 993,678	\$ -	\$ -	993,678	\$ 993,678
Intergovernmental	81,619	81,619	-	-	81,619	81,619
Other	841,655	841,655	368,493	381,276	1,210,148	1,222,931
	817,423	837,979	-	-	817,423	837,979
Expenditures						
Current	2,734,375	2,754,931	368,493	381,276	3,102,868	3,136,207
General government	1,741,090	1,540,715	52,820	52,453	1,793,910	1,593,168
Public safety	3,037,245	3,009,776	273,853	272,282	3,311,098	3,282,058
Transportation	1,428,998	1,265,184	-	-	1,428,998	1,265,184
Culture and recreation	706,054	684,269	300	300	706,354	684,269
Physical environment	44,026	43,967	-	-	44,026	43,967
Human services	27,930	27,781	-	-	27,930	27,781
Economic environment	-	-	152,475	152,475	152,475	152,475
Debt Service	54,623	54,623	-	-	54,623	54,623
Principal	25,757	25,757	-	-	25,757	25,757
Interest and other charges	7,065,723	6,652,072	479,448	477,210	7,545,171	7,129,282
Excess (deficiency) of revenues over expenditures	(4,331,348)	(3,897,141)	(110,955)	(95,934)	(4,442,303)	(3,993,075)
Other financing sources						
Sales of general fixed assets	178,738	45,288	-	-	178,738	45,288
Operating transfers in	4,220,000	4,182,116	-	-	4,220,000	4,182,116
Excess (deficiency) of revenues and other financing sources over expenditures	4,398,738	4,227,404	-	-	4,398,738	4,227,404
Fund balance (deficit)	67,390	330,263	(110,955)	(95,934)	(43,565)	234,329
At beginning of year	(177,305)	(177,305)	(6,002)	(6,002)	(183,307)	(183,307)
At end of year	(109,915)	152,958	\$ 262,873	\$ (101,936)	\$ 15,021	\$ 51,022
						\$ 277,894

CITY OF QUINCY, FLORIDA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2000

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Landfill</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 253,919	\$ 172,854	\$ 228,555	\$ 29,725	\$ 76,993	\$ 489,090	1,251,136
Investments	360,114	400,565	70,201	-	-	-	830,880
Accounts receivable - net	219,024	100,589	121,545	74,596	70,444	115,333	701,531
Due from other funds	5,853,597	1,031,995	519,725	828,729	472,298	28,047	8,734,391
Inventories	286,319	8,086	25,108	2,129	-	-	321,642
Restricted assets:							
Cash and cash equivalents	-	-	-	172,304	-	-	172,304
Investments	468,284	-	183,237	-	-	815,865	1,467,386
Fixed assets - net	2,851,661	505,052	2,604,245	6,663,689	-	555,106	13,179,753
Other assets	25,505	-	41,807	58,503	-	3,864	129,679
TOTAL ASSETS	\$ 10,318,423	\$ 2,219,141	\$ 3,794,423	\$ 7,829,675	\$ 619,735	\$ 2,007,305	\$ 26,788,702

CITY OF QUINCY, FLORIDA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET

	Electric	Gas	Water	Sewer	Refuse	Landfill	Total
LIABILITIES, EQUITY AND OTHER DEBITS							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 706,013	\$ 76,015	\$ 32,374	\$ 34,087	\$ 49,185	\$ 7,443	\$ 905,117
Compensated absences payable	16,884	55,026	21,631	308	-	5,154	99,003
Revenue bonds - current portion	-	-	12,000	-	-	-	12,000
Notes payable - current portion	-	-	-	134,754	-	-	134,754
Accrued interest payable	-	-	4,563	-	-	694	5,257
Customer deposits	468,284	-	-	-	-	-	468,284
Due to other funds	4,224,807	956,900	779,372	149,985	549,244	345,766	7,006,074
Revenue bonds - long-term portion	-	-	-	-	-	-	853,000
Estimated landfill closure and post closure care costs	-	-	853,000	-	-	1,005,500	1,005,500
Contingent liabilities	-	-	-	-	-	200,000	200,000
Notes payable - long-term portion	-	-	-	-	-	-	-
Total liabilities	5,415,988	1,087,941	1,702,940	3,182,723	598,429	1,611,677	13,918,832
EQUITY AND OTHER CREDITS							
Contributions:							
From other governments	44,386	11,456	706,004	1,777,063	594,762	-	3,133,671
From developers	171,749	15,422	53,655	10,843	-	-	251,669
Retained earnings:							
Reserved for capital improvements	-	-	-	57,391	-	-	57,391
Reserved for contingency and landfill	-	-	50,000	-	-	815,865	865,865
Reserved for debt service	-	-	133,237	-	-	-	133,237
Unreserved	4,686,300	1,104,322	1,148,587	2,482,521	(573,456)	(420,237)	8,428,037
Total equity and other credits	4,902,435	1,131,200	2,091,483	4,327,818	21,306	395,628	12,869,870
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 10,318,423	\$ 2,219,141	\$ 3,794,423	\$ 7,829,675	\$ 619,735	\$ 2,007,305	\$ 26,788,702

CITY OF QUINCY, FLORIDA

ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS (DEFICIT)
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000

	Electric	Gas	Water	Sewer	Refuse	Landfill	Total
Operating revenues							
Charges for services	\$ 11,108,096	\$ 1,269,256	\$ 813,833	\$ 880,371	\$ 649,180	\$ 1,326,603	\$ 16,047,339
Operating expenses							
Cost of sales and services	7,038,285	785,744	107,111	74,122	638,981	1,153,813	9,798,056
Administration	315,889	147,388	273,971	134,331	8,742	16,734	897,055
Depreciation and amortization	204,000	29,000	110,441	119,000	-	115,000	577,441
Taxes	286,342	-	-	-	-	-	286,342
Treatment	-	-	377,564	443,186	-	-	820,750
Total operating expenses	7,844,516	962,132	869,087	770,639	647,723	1,285,547	12,379,644
Operating income (loss)	3,263,580	307,124	(55,254)	109,732	1,457	-41,056	3,667,695
Non-operating revenues (expenses)							
Interest income (expenses) - net	38,231	30,151	(32,639)	6,299	4,565	28,769	75,376
Income (loss) before operating transfers	3,301,811	337,275	(87,893)	116,031	6,022	69,825	3,743,071
Operating transfers	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	(3,782,116)	(400,000)	-	-	-	-	(4,182,116)
Total operating transfers	(3,782,116)	(400,000)	-	-	-	-	(4,182,116)
Net income (loss)	(480,305)	(62,725)	(87,893)	116,031	6,022	69,825	(439,045)
Retained earnings (deficit)							
At beginning of year	5,166,605	1,167,047	1,419,717	2,423,881	(579,478)	325,803	9,923,575
At end of year	\$ 4,686,300	\$ 1,104,322	\$ 1,331,824	\$ 2,539,912	\$ (573,456)	\$ 395,628	\$ 9,484,530

CITY OF QUINCY, FLORIDA
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2000

CITY OF QUINCY, FLORIDA
POLICE AND FIREMEN'S SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2000
(UNAUDITED)

Schedule I

SCHEDULE OF FUNDING PROGRESS
(THREE YEARS INFORMATION AVAILABLE)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/1/97	\$ 3,635,460	\$ 2,601,487	\$ (1,033,973)	140%	\$ 1,668,020	(62%)
10/1/96	2,975,644	2,391,290	(584,354)	124%	1,625,496	(36%)
10/1/95	2,529,885	2,306,163	(223,722)	109%	1,535,602	(15%)

Schedule II

Schedule of Contributions by Employer and Other Contributing Entities
(Three Years Information Available)

Year Ended September 30	Annual Required Contribution	Employee Contribution	City Contribution	State Contribution	Total Contribution	Percentage Contributed
1998	\$139,945	\$ 103,752	\$ -	\$ 85,453	\$ 189,205	135%
1997	178,390	104,928	-	82,305	186,233	104%
1996	158,648	100,790	-	82,815	183,605	116%

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

Valuation Date	10/1/97
Actuarial cost method	Aggregate cost method
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value minus surplus contribution
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	6.0%
*Includes inflation at:	4.0%
Cost-of-living-adjustments	Not applicable



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

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

We have audited the general purpose financial statements of the City of Quincy, Florida, (the "City") as of and for the year ended September 30, 2000, and have issued our report thereon dated June 29, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item C-99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items IC-00-1 to IC-00-5 and IC-99-2 to IC-99-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that reportable conditions IC-00-1 to IC-00-5 and IC-99-2 to IC-99-7 are material weaknesses. We also noted others matters involving the internal control over financial reporting, which we have reported to the management in a separate letter dated June 29, 2001.

Schedule of Expenditures of Federal and State Awards

We have audited the general purpose financial statements of the City as of and for the year ended September 30, 2000, and have issued our report thereon dated June 29, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, the Auditor General of the State of Florida and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Tallahassee, Florida
June 29, 2001
(except for Note 15, as to which
the date is August 6, 2001)

Walter Rice LRP

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CITY OF QUINCY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2000

<u>Federal Grantor/Pass Through Grantor/ State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Program Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>FEDERAL FINANCIAL ASSISTANCE</u>					
U.S. Department of Justice					
Passed through Florida Department of Juvenile Justice					
African American Female "Rites of Passage"	16.540	Q7027	\$140,000	\$67,218	\$67,218
Community Organizing Program	16.548	Q9009	109,278	74,272	74,272
Local Law Enforcement Block Grant	16.592	99LBVX8203	28,727	28,727	28,727
Community Oriented Policing Services (COPS)	16.710	97UMWX1391	145,933	41,417	41,417
U.S. Department of Health and Human Services					
Passed through Big Bend Jobs and Education Council, Inc.					
Temporary Assistance for Needy Families	93.558	99-10	<u>85,000</u>	<u>25,000</u>	<u>25,000</u>
<i>Total Federal Awards</i>			<u>508,938</u>	<u>236,634</u>	<u>236,634</u>
<u>STATE FINANCIAL ASSISTANCE</u>					
State of Florida, Department of Juvenile Justice					
Minority Over-Representation		BG006	<u>55,357</u>	<u>37,628</u>	<u>37,628</u>
<i>Total State Awards</i>			<u>55,357</u>	<u>37,628</u>	<u>37,628</u>
Total Financial Awards			<u><u>\$564,295</u></u>	<u><u>\$274,262</u></u>	<u><u>\$274,262</u></u>

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state award activity of the City of Quincy, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

IC-00-1 CONDITION

The payroll clerk has access to the ADG Payroll System employee master files and, therefore, able to add/delete an employee, change pay rates, deductions, etc.

CRITERIA

Sound internal control requires master file maintenance and payroll processing be assigned to two independent employees. This is to prevent unauthorized changes to the payroll master files.

EFFECT OF CONDITION

Because of a lack of proper segregation of duties, employees may be added or pay rates may be changed without the knowledge or approval of management.

RECOMMENDATION

Changes to employee master files should be assigned to employees other than the payroll clerks. The Human Resources Director or the Senior Accountant would be more appropriate to handle this function.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

IC-00-2 CONDITION

The billing clerk has access to customer master files and is, therefore, able to make unauthorized changes to utility rates, and/or bills.

CRITERIA

Sound internal accounting control requires customer file maintenance and utility billing processing be assigned to two independent personnel to provide check and balance. This is to prevent unauthorized changes in utility rates and/or bills.

EFFECT OF CONDITION

Because of a lack of proper segregation of duties, utility rates and/or bills may be changed without the knowledge of management.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

RECOMMENDATION

Changes to customer master files may be assigned to the Customer Service Director. This recommendation and the recommendation on item IC-00-1 may be implemented by also assigning security codes to ensure authorize access and responsibility.

MANAGEMENT RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

IC-00-3

CONDITION

Monthly reconciliation of Accounts Receivables - Utilities balances per general ledger (GL) and subsidiary ledgers (SL) is not done as part of the City's month-end closing procedures.

CRITERIA

Subsidiary ledgers of accounts serves as the detailed analysis of the balance in the general ledger. Thus, the balances of general and subsidiary ledger should be reconciled periodically, at least monthly.

EFFECT OF CONDITION

Because of the absence of monthly reconciliations, we noted a difference in the balance of Account Receivable - Utilities per general and subsidiary ledgers as follows:

Balance per GL	\$ 438,647
Balance per SL	822,299
Difference	\$ (383,652)

RECOMMENDATION

The City should adopt a policy of reconciling the balances per general and subsidiary ledgers monthly. The reconciliation should not be assigned to the employee who processes billings or receives collections. The reconciliation should be reviewed by the Finance Director and any reconciling items noted adjusted to the books promptly.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

IC-00-4 CONDITION

The following deficiencies were noted in the review of transactions related to employees' retirement savings (ERS) plan and police and firemen's supplemental pension (PFSP) plan:

- a) Transactions related to the investments of both plans such as interest income earned and market value adjustments were not monitored and recorded in the books;
- b) Contributions to and disbursements from the PFSP were not recorded in the books; and
- c) Retirement benefits payments from the ERS were not properly recorded.

CRITERIA

The City's retirement savings plan guidelines require monitoring of all transactions related to each plan to ensure effective management of its investment as well as its financial status.

EFFECT OF CONDITION

Due to the failure of the City to effectively monitor and record pension plan and investments transactions, account balances during the year were not fairly stated, and erroneous entries in the books were only corrected during the year-end audit.

RECOMMENDATION

The City should implement procedures to effectively monitor and record transactions of the ERS and PFSP.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

IC-00-5 **CONDITION**

The City accounts for its grants under the federal and state programs under the Special Revenue Funds. However, during the year we noted several grants transactions that were recorded under the General Fund.

CRITERIA

It is the City's policy to account for grant funds under the Special Revenue Funds.

EFFECT OF CONDITION

Financial statements as of the fiscal year-end 200 required numerous corrections to transfer grant transactions that were initially accounted for under the General Fund to the Special Revenue Fund.

RECOMMENDATION

Procedures should be in place to ensure that accounting for grant transactions are consistently applied and in accordance with the City's policy.

MANAGEMENT RESPONSE

We concur with the auditors and we will implement procedures to correct the problem. Grant funds will be accounted for as Special Revenue funds.

City of Quincy, Florida

SUMMARY OF PRIOR YEAR'S FINDINGS
For the Year Ended September 30, 2000

C-99 - 1 CONDITION

The City's quarterly financial status reports that are submitted to various grantors did not agree with the City's financial records.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

During the fiscal year 2001, quarterly financial status reports submitted to various grantors agree with the City's financial records.

IC-99 - 2 CONDITION

It was noted that the City does not prepare monthly bank reconciliation for all bank accounts.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

During the fiscal year 2001, bank reconciliation for all bank accounts are prepared on a monthly basis.

IC-99 - 3 CONDITION

It was noted that the City conducts periodic physical inventory of property and equipment both for the enterprise and general government operations. However, the result of the physical count was not reconciled to the listings maintained at the property section and to the book balance.

CURRENT STATUS

A similar finding was noted in the current year's audit. In addition, the City did not prepare fixed asset schedules to support the computation of the monthly depreciation expenses recorded in the books. We also noted that in the annual physical count of property and equipment, the City did not include its land, buildings and improvements.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

City of Quincy, Florida

SUMMARY OF PRIOR YEAR'S FINDINGS
For the Year Ended September 30, 2000

IC-99 - 4 CONDITION

We noted the following weaknesses in the City's accounting systems and procedures:

- a) Absence of monthly cut off financial statements; and
- b) Lack of preparation of monthly account schedules, analyses and reconciliation

The above weaknesses resulted in the following:

- 1) Accounts with abnormal balances;
- 2) Long outstanding unsupported account payables;
- 3) Misclassification of transactions;
- 4) Several accounts with general ledger balance not agreeing with the subsidiary ledger balances;
- 5) Interfund balances not reconciled; and
- 6) Cash balances not in agreement with the adjusted bank reconciliation balances.

To ensure that the financial statements are fairly stated, numerous audit adjustments were made to account balances.

CURRENT STATUS

Similar findings were noted in the current year's audit

MANAGEMENT'S RESPONSE

During the fiscal year 2001, management has implemented several accounting controls to minimize the weaknesses stated above.

IC-99 - 5 CONDITION

The City has several grants from various Federal and State agencies. Presently, the respective City departments that applied for the grants handle administration of these grants. Under this system, there is no centralized monitoring of compliance with grant requirements, progress of applicable projects, and financial management and reporting of grants.

CURRENT STATUS

A similar finding was noted in the current year's audit. In addition, the following deficiencies were noted, which resulted to the delay in our review of supporting documentation related to the City's grants.

- a. During the year the City transferred the grant administration of its two grants received from the State of Florida, Department of Juvenile Justice from the City's Grant

City of Quincy, Florida

SUMMARY OF PRIOR YEAR'S FINDINGS
For the Year Ended September 30, 2000

Manager to the City's Police Department. However, records related to the two grants were not updated to facilitate our review.

- b. The City did not have copies of all its grant agreements.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will adopt policies and procedures, to the extent reasonable, to ensure centralized monitoring of compliance with grant requirements, progress of applicable projects, and financial management and reporting of grants

IC-99 – 6 CONDITION

It was noted that the City does not have procedures in place to require a representative from the finance department to review the cash receipts edit list prepared by the cashiers prior to posting to the general ledger. This is to ensure correctness of account codes, accounting for each cash received, and completeness of recorded transactions.

CURRENT STATUS

A similar finding was noted in the current year's audit. Consequently, we noted several instances of double postings and mispostings of cash receipts.

MANAGEMENT'S RESPONSE

Review of cash receipts edit list is currently performed by the Accountant II in the Finance Department.

IC-99 – 7 CONDITION

It was noted that it is the policy of the City to recognize liabilities in the accounting records upon receipt of supplier's invoice rather than in the period in which goods and services are received. As a consequence, account balances for particular assets, liabilities and expenses were not fairly stated for the amount of goods and services received but are yet to be invoiced.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

Currently, we recognize encumbrances for served purchase requisitions and orders. We will continue to implement the policy until the purchasing process in the Department of General Services is established and operational.



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**INDEPENDENT AUDITORS' REPORT ON EXAMINATION OF MANAGEMENT'S
ASSERTION ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS**

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

We have examined management's assertion about the City of Quincy, Florida's (the "City") compliance with the allowable cost requirements established in the grant agreements applicable to the state grants and aids appropriations identified on the schedule of expenditures of federal and state awards for the year ended September 30, 2000, included in the accompanying Management's Assertion Report. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

Our examination was made 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, management's assertion that the City complied with the aforementioned requirements during the fiscal year ended September 30, 2000, is fairly stated, in all material respects.

This report is intended solely for the information and use of the City Commission, the Auditor General of the State of Florida and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Tallahassee, Florida
June 29, 2001
(except for Note 15, as to which
the date is August 6, 2001)

Watson Rice LLP



THE CITY OF QUINCY

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MANAGEMENT'S ASSERTION REPORT

I, William Earl Banks, City Manager of the City of Quincy, Florida (the "City") hereby assert that the City complied with allowable cost requirements of the grants and aids appropriations identified on the attached Schedule of Expenditure of Federal and State Awards during the fiscal year ended September 30, 2000.

William E. Banks
Signature

City Manager

June 29, 2001
Date



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the City of Quincy, Florida (the "City") for the year ended September 30, 2000, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Pages 48 to 53, of this letter, summarize our comments and suggestions regarding those matters. A separate report dated June 29, 2001, contains our report on reportable conditions in the City's internal control structure. This letter does not affect our report dated June 29, 2001, on the general purpose financial statements of the City.

We will review the status of these comments during the next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Tallahassee, Florida
June 29, 2001
(except for Note 15, as to which
the date is August 6, 2001)

Watson Rice LLP

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

ML-00-1 CONDITION

Several City employees are using their personal automobiles in conducting official business for the City. Currently, the City does not have procedures in place to ensure that those employees have adequate insurance coverage.

CRITERIA

Sound business practice requires that sufficient insurance coverage should be obtained to cover losses that may be incurred, including acts of employees during their official duties with the City.

EFFECT OF CONDITION

The City may incur losses not covered by its insurance coverage due to work related accidents without full insurance coverage by its employees.

RECOMMENDATION

Procedures should be implemented requiring periodic review of adequacy of insurance of employees using personal automobiles in conducting official business for the City.

MANAGEMENT RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

ML-00-2 CONDITION

During the year, the City opened a new bank account and transferred an investment fund to another investment manager. However, new accounts were not added to the general ledger chart of accounts to account for the transactions under the new accounts opened. Instead, transactions during the year were continuously accounted for using the old account codes.

CRITERIA

Use of distinct account titles for each bank account and investment account facilitates proper recording of transactions and reconciliation of account balances.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

EFFECT OF CONDITION

The reconciliation that was done at year-end for the two accounts required several adjusting entries to correct the balances per the general ledger.

RECOMMENDATION

New accounts codes should be added to accounts for transactions under the new bank account and investment account.

MANAGEMENT'S RESPONSE

New account codes were added to the current chart of accounts to account for the transactions under the new bank account and investment account.

ML-00-3

CONDITION

We noted that the City is not using the fixed assets and inventory modules of the ADG accounting system. Fixed assets listings are prepared using a spreadsheet application while the inventory listing is prepared using Microsoft Access.

CRITERIA

The ADG Accounting Software has various modules that are able to interface with the general ledger. This capability significantly reduces the time and cost involved in summarizing transactions and generating reports. All modules of the computerized accounting software should be utilized to maximize the return of investment the City made to acquire the system.

EFFECT OF CONDITION

Due to the failure of the City to utilize the fixed assets module, there were no complete fixed assets listings as of September 30, 2000. Further, there was no schedule available to support the computation of depreciation expense recorded in the books.

The inventory listing provided to us were prepared using the Microsoft Access software and was based on inventory records maintained at the warehouse. The balance of inventory per listing did not agree to the balance per the general ledger.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

RECOMMENDATION

The City should start using the fixed assets and inventory modules of ADG Accounting Software to save time and effort in summarizing transactions and generating report. The ADG system has several features which will enable the City to effectively record transactions.

MANAGEMENT'S RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

ML-00-4 CONDITION

We noted that a department head initiates contracts for goods and services and ultimately signs contracts on behalf of the City, without going-through the City's procurement process, and pre-approval by the City Manager (and where required the City Commission).

CRITERIA

The City's procurement process provides that all goods and services over \$400 are to be obtained through the City's procurement procedures. The City Charter authorizes only the City Manager to enter into contracts on behalf of the City.

EFFECT OF CONDITION

Goods and/or services could be obtained that are in violation of the City's procurement procedures and/or Charter.

RECOMMENDATION

We recommend that the City strictly adhere to its policies and Charter with respect to its procurement process for goods and services.

MANAGEMENT RESPONSE

We concur with the auditors and we will implement strict adherence to our policies and procedures and Charter with respect to procurement process for goods and services.

City of Quincy, Florida

SUMMARY OF CURRENT YEAR'S FINDINGS
For the Year Ended September 30, 2000

ML-00-5 GASB #34 IMPLEMENTATION

In June 1999, GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which establishes new financial reporting requirements for State and Local Governments. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- Management's discussion and analysis (MD & A)
- Basic financial statements which include:
 1. Government-wide financial statements
 2. Fund financial statements
 3. Notes to the financial statements
 4. Required supplementary information (RSI)

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with total annual revenues (excluding extraordinary items) of \$100 million or more (phase 1) should apply this statement for periods beginning after June 15, 2001.

Governments with at least \$10 million but less than \$100 million in revenues (phase 2) should apply this Statement in periods beginning after June 15, 2002. Governments with less than \$10 million in revenues (phase 3) should apply this Statement for periods beginning after June 15, 2003. Earlier application is encouraged.

Based on the above criteria, the City of Quincy, Florida should implement Statement No. 34 in the period beginning October 1, 2002 or earlier if so elected.

We recommend that management begin the process now of developing an implementation plan.

City of Quincy, Florida

SUMMARY OF PRIOR YEAR'S FINDINGS
For the Year Ended September 30, 2000

ML-99-1 CONDITION

Accounting records frequently could not be located when needed.

CURRENT STATUS

Although, filing/retrieval of documents (i.e., invoices) significantly improved, the City still has not come up with a written policy to address filing, retrieving, and storing of records and documents.

MANAGEMENT RESPONSE

We concur with the auditors and the recommendation will be considered in the accounting policies and procedures manual that we are developing.

ML-99-2 CONDITION

The monthly and quarterly statements obtained from the investment trustee are not reconciled to employer contributions per the general ledger. It was suggested that the employer contributions per the general ledger be reconciled to the trustee statements either on a monthly or quarterly basis.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT RESPONSE

We concur with the auditors and we will implement procedures to correct the problem.

ML-99-3 CONDITION

The finance department does not prepare monthly financial reports. It was suggested that monthly financial reports be prepared to assist management in making decisions timely and effectively.

CURRENT STATUS

A similar finding was noted in the current year's audit.

MANAGEMENT'S RESPONSE

During the fiscal year 2001, monthly financial reports are prepared and submitted to the City Manager every 15th of the following month.

COMPLIANCE WITH RULES OF THE AUDITOR GENERAL

a) *Irregularities reported in the preceding audit*

Certain reportable conditions in the internal control structure as well as compliance were identified in the prior year's audit report. However, all of the findings remain uncorrected as noted in the separate letter on the internal control structure and compliance, included herein.

b) *State of Financial Emergency*

The City is not in a state of financial emergency as defined in Section 218.503 (1) of the Florida State Statutes.

c) *Financial Report Filed with the Florida Department of Banking and Finance*

The financial report required to be filed with the Florida Department of Banking and Finance pursuant to Section 218.31(1)(b) of the Florida Statutes is in agreement with the audit report.

d) *Name and Legal Authority for the Oversight Unit*

The reporting entity/oversight unit subject to this report is the City of Quincy, Florida which was incorporated in 1823 pursuant to a Special Act of the State of Florida Legislature.

e) *Compliance with Rule 10.400, "Tangible Personal Property"*

The City's accounting records substantially conform with Rule 10.400 of the Rules of the Auditor General.

Exhibit C

1. The City has sufficient financial capability to provide the limited services which the City currently plans to provide. This capability is evidenced by the financial resources and other assets set forth in the City's audited financial statements for 1998, 1999 and 2000.

2. The City will maintain the limited services which it currently plans to provide through revenue generated by its own operations and sale of service to new customers. This capability is evidenced by the financial resources and other assets set forth in the City's audited financial statements for 1998, 1999 and 2000.

3. The City has sufficient financial capability to any limited lease and/or ownership obligations which it may assume in connection with its provision of service. This capability is evidenced by the financial resources and other assets set forth in the City's audited financial statements for 1998, 1999 and 2000.