

***CITY OF QUINCY, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***FISCAL YEAR ENDED JUNE 30, 2013***

CITY OF QUINCY, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

**TABLE OF CONTENTS**

Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements .....	15
Statement of Net position.....	16
Statement of Activities .....	17
Governmental funds – balance sheet .....	19
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....	20
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	21
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	22
Proprietary funds – statement of net position .....	23
Proprietary funds – statement of revenues, expenses and changes in fund net position .....	24
Proprietary funds – statement of cash flows .....	25
Fiduciary funds – statement of fiduciary net position.....	26
Fiduciary funds – statement of changes in fiduciary net position .....	27
Notes to basic financial statements .....	28
Required Supplementary Information.....	64
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....	65
Other postemployment benefits plan schedule of funding progress and employer contributions .....	66
Other postemployment benefits plan actuarial methods and assumptions .....	67
Notes to required supplementary information.....	68



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## **Independent Auditors' Report**

To the Honorable Mayor and City Council  
City of Quincy, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Massachusetts, as of and for the fiscal year ended June 30, 2013 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Quincy Contributory Retirement System as of December 31, 2012 and is presented as a major fiduciary fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Quincy Contributory Retirement System is based solely on the report of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Massachusetts, as of June 30, 2013 (except for the Quincy Contributory Retirement System which is as of December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 on our consideration of the City of Quincy, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Quincy, Massachusetts' internal control over financial reporting and compliance.



March 10, 2014

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the City of Quincy, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The assets of the City of Quincy exceeded its liabilities at the close of fiscal year 2013 by \$242.6 million.
- Unrestricted net position of \$23.2 million may be used to meet the business-type on-going obligations to users and creditors.
- The accumulated governmental liability for postemployment benefits has risen to \$103.9 million since implementing GASB Statement #45 in fiscal year 2008. This has created a negative balance of (\$80.1) million for governmental activities unrestricted net position.
- The recognition of current year expenses associated with required accounting transactions under GASB Statement #45 resulted in governmental activities recognizing an additional expense of \$19.2 million and the business-type activities recognizing an additional \$1.6 million in expenses.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$18.3 million, an increase of \$5.8 million in comparison with the prior year. Total fund balance represents 6.6% of total general fund expenditures.
- The City's total debt (short-term, long-term and capital leases combined) increased by \$2.8 million during the current fiscal year. This was due to the net effect of \$17.1 million in long term debt and capital lease principal payments, \$11.7 million of long-term debt issuances and a net increase of \$8.2 million in outstanding bond anticipation notes.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Quincy's basic financial statements. These basic financial statements comprise three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, community preservation, culture and recreation, claims and judgments and interest. The business-type activities include the activities of the sewer, water and Quincy College operations.

The government-wide financial statements include not only the City of Quincy itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Quincy is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Quincy adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and Quincy College activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Quincy's assets exceeded liabilities by \$242.6 million at the close of fiscal year 2013.

Net position of \$278.4 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$21.1 million of the net position represents resources that are subject to external restrictions on how they may be used. The remaining *unrestricted net position* deficit balance of \$56.9 million is not available to meet the government's ongoing obligations to citizens and creditors because the related non-capital liabilities exceed non-capital assets. The *unrestricted net position* deficit balance, which represents amounts that will need to be raised over the course of time, is mostly the result of recognizing total OPEB liabilities of \$103.9 million.

The discussion and comparison of governmental and business-type activities of the City are presented on the pages that follow.





General revenues totaled \$225.3 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions. This category increased \$14.5 million over the prior year and the increase is attributable to a one time legal settlement of \$3.8 million and real estate revenues being \$8.8 million higher than the prior year. The increased real estate revenue is was primarily the result of an increased tax levy over the prior year, the City's ability to levy taxes on property converted from non-profit status to for-profit status, and better than expected collections on past due accounts..

Capital grant revenue increased \$21.7 million and this is due to the receipt of MSBA reimbursements relating to the construction of the new Central Middle School as well other state grants relative to the ongoing downtown redevelopment project.

Operating grant revenues increased \$6.7 million. This is due to the renewal of and expirations of various public safety, public works and education related state and federal grants.

Comparative information, between the current and prior fiscal years, is presented on the next page.

	FY 2013 Governmental Activities	FY 2012 Governmental Activities
	<u>                    </u>	<u>                    </u>
<b>Program revenues:</b>		
Charges for services.....	\$ 8,429,899	\$ 7,486,200
Operating grants and contributions.....	74,974,959	77,353,118
Capital grants and contributions.....	26,559,086	4,849,121
<b>General Revenues:</b>		
Real estate and personal property taxes.....	180,536,892	171,709,428
Motor vehicle and other excise taxes.....	8,599,099	8,183,469
Penalties and interest on taxes.....	1,017,355	1,329,954
Meals tax.....	1,474,227	1,378,812
Community preservation surtax.....	1,367,714	1,275,874
Legal settlement.....	3,800,000	-
Payments in lieu of taxes.....	1,226,028	861,940
Grants and contributions not restricted to specific programs.....	16,830,718	16,913,913
Unrestricted investment income.....	152,985	143,276
Other revenues.....	2,532,170	1,965,160
<b>Total revenues.....</b>	<b><u>327,501,132</u></b>	<b><u>293,450,265</u></b>
<b>Expenses:</b>		
General government.....	24,760,112	22,706,523
Public safety.....	80,927,847	78,886,288
Education.....	164,865,425	167,024,366
Public works.....	23,295,402	20,833,415
Human services.....	11,529,227	11,483,155
Community preservation.....	531,497	437,343
Culture and recreation.....	9,337,065	8,821,341
Claims and judgments.....	234,447	165,213
Interest.....	5,257,532	3,375,905
<b>Total expenses.....</b>	<b><u>320,738,554</u></b>	<b><u>313,733,549</u></b>
<b>Increase in net position before transfers.....</b>	<b>6,762,578</b>	<b>(20,283,284)</b>
<b>Transfers.....</b>	<b><u>7,773,062</u></b>	<b><u>7,097,772</u></b>
<b>Change in net position.....</b>	<b>14,535,640</b>	<b>(13,185,512)</b>
<b>Net position -- beginning.....</b>	<b><u>160,656,925</u></b>	<b><u>173,842,437</u></b>
<b>Net position -- ending.....</b>	<b>\$ <u>175,192,565</u></b>	<b>\$ <u>160,656,925</u></b>



total business-type activity net position are unrestricted. The City's business-type activities net position increased \$3.5 million in the current fiscal year.

The sewer enterprise fund balance increased \$2.6 million which is primarily the result of charges for service exceeding the total cost of operations and other financing uses. Principal payments on debt and capitalized infrastructure costs exceeding depreciation expense also factored into the increase.

The water enterprise fund balance increased \$2.2 million which is primarily the result of charges for service exceeding the total cost of operations and other financing uses. Principal payments on debt and capitalized infrastructure costs exceeding depreciation expense also factored into the increase.

Ending fund balance of the Quincy College enterprise fund decreased \$1.5 million. Contributing to the change in fund net position was an OPEB expense of \$1.2 million and an increase of \$500,000 in pension benefits and non-OPEB employee benefits. The increased expenses were offset by tuition and other fee income being greater than the prior year.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined net ending fund balance deficits of \$4.4 million and the main cause of the deficit is due to the Quincy Center Concourse fund and the Central Middle School Project fund which report deficits of \$28 million and \$92,000 respectively. Offsetting these deficits are surpluses in the General Fund and the nonmajor funds in the amounts of \$18.3 million and \$5.5 million respectively

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11.2 million and total fund balance was \$18.3 million. Assignments of fund balance for encumbrances and continuing appropriations totaled \$7.1 million. Unassigned fund balance represents 4.1% of total general fund expenditures, while total fund balance represents 6.7% of that same amount.

The general fund experienced an increase of \$5.8 million. Contributing to this increase are:

- \$941,000 of unbudgeted tax lien revenue;
- one time receipt of a \$3.8 million legal settlement. Of this amount, the City appropriated \$1 million to the Stabilization Fund and \$2.8 million for public asset maintenance, repair and acquisition accounts. The \$2.8 million was encumbered at year end.

Fund balance of the Quincy Center Concourse Fund increased by \$1.0 million. The increase was the result of current year revenues exceeding expenditures. Fund expenditures are currently being funded by \$33 million in bond anticipation notes in addition to various state and federal grant reimbursements. The current fund deficit balance will be eliminated through the issuance of long-term debt.

The Central Middle School Project fund reports activity associated with the construction of a new central middle school that is being funded by a combination of capital grants from the Massachusetts School Building Authority (MSBA) and amounts raised by the City through issuance of long term debt (local share). In fiscal year 2013, the City incurred \$23.9 million in capital expenditures. The City also recognized \$16.6 million in grant reimbursements from the MSBA and an additional \$8.3 of bond proceeds. At June 30, 2013, the fund had a deficit of \$92,000 which will be covered by future grant reimbursements and bond proceeds.

### ***General Fund Budgetary Highlights***

The final budget increased from the original budget by approximately \$7.7 million.

The increase is reflective of City Council votes resulting in a collective \$6.1 million appropriation increase to the general government, public safety, education, and the culture and recreation functions. Also affecting the overall appropriation increase is the City Council votes to fund transfers out in the amount of \$1.9 million. The transfer out was funded through free cash and partly resulted in the City's first contribution to the OPEB Trust Fund.

### ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$457.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, vehicles and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current year was \$36.2 million.

The major reason for the increase in governmental capital asset activity includes the capitalization of final construction costs associated with the new Quincy High School building, construction costs for the new Central Middle School, infrastructure costs associated with the downtown redevelopment project, equipment and vehicle acquisition for the police and fire departments, as well as various roadway infrastructure upgrades and improvements.

The major reason for the increase in water and sewer fund capital assets is infrastructure upgrades and improvements related to the sewer system as well as the installation of a new water meter system that will allow for more efficient usage calculations. The capital asset balance of the Quincy College enterprise fund increased due to leasehold improvements incurred as a result of leasing additional administrative and instructional space in an effort to increase its presence within the downtown redevelopment area of Quincy.

**Debt Administration.** The City of Quincy maintains an Aa3 Bond Rating with Moody's Investors Service. The City continues to maintain strong market access for both note and bond sales. Outstanding long-term debt of the general government, as of June 30, 2013, totaled approximately \$98.8 million, of which approximately \$78.5 million is related to school projects, \$6.3 million is related to land acquisitions, \$6.2 million is related to building remodeling and renovation projects, \$3.1 million is related to paving and traffic projects, \$2.1 million is related to library construction and renovation projects, \$1.8 million is related to the purchase of computer hardware, \$133 thousand is related to general governmental use, and \$749 thousand is related to the purchase of departmental equipment.

The water enterprise fund has \$14.0 million in long-term debt. The sewer enterprise fund has \$10.7 million in long-term debt. All of the debt carried by the water and sewer enterprise funds is supported by the user rates with no subsidy from the general fund.

At June 30, 2013 the City carried \$77.5 million of bond anticipation notes relating to the Downtown redevelopment project, City Hall and Coddington School renovations, and various other capital projects.

Please refer to notes 4, 6, 7, and 8 in the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of Quincy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Municipal Finance, City Hall, 1305 Hancock St., Quincy, Massachusetts 02169.

This page intentionally left blank.



# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents..... \$	88,578,537	\$ 24,173,327	\$ 112,751,864
Investments.....	1,529,064	2,423,991	3,953,055
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	7,473,091	-	7,473,091
Tax liens.....	4,333,634	-	4,333,634
Motor vehicle and other excise taxes.....	1,110,955	-	1,110,955
User fees.....	-	11,892,495	11,892,495
Student accounts and other.....	-	2,197,572	2,197,572
Departmental.....	189,538	-	189,538
Community preservation fund surtax.....	43,246	-	43,246
Intergovernmental.....	9,030,929	599,142	9,630,071
Loans.....	1,213,487	-	1,213,487
Prepaid expenses.....	-	287,084	287,084
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	1,742,858	-	1,742,858
Intergovernmental.....	4,237,172	143,707	4,380,879
Deposit on purchase of property.....	-	1,133,000	1,133,000
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	75,106,421	-	75,106,421
Capital assets, net of accumulated depreciation.....	320,016,749	62,597,855	382,614,604
<b>TOTAL ASSETS.....</b>	<b>515,600,739</b>	<b>105,448,173</b>	<b>621,048,912</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	5,558,040	697,540	6,255,580
Accrued payroll.....	11,959,921	628,923	12,588,844
Tax refunds payable.....	3,289,449	-	3,289,449
Accrued interest.....	839,124	177,521	1,016,645
Abandoned property.....	680,657	-	680,657
Other liabilities.....	575,153	572,748	1,147,901
Deferred revenue.....	-	1,754,774	1,754,774
Capital lease obligations.....	1,443,018	86,960	1,529,978
Compensated absences.....	7,423,000	270,209	7,693,209
Workers' compensation.....	515,000	-	515,000
Notes payable.....	77,485,000	-	77,485,000
Bonds payable.....	8,338,400	3,341,553	11,679,953
<b>NONCURRENT:</b>			
Capital lease obligations.....	22,488,400	1,355,238	23,843,638
Other postemployment benefit obligation.....	96,446,000	7,458,728	103,904,728
Compensated absences.....	2,637,000	323,354	2,960,354
Workers' compensation.....	4,195,000	-	4,195,000
Bonds payable.....	96,535,012	21,370,295	117,905,307
<b>TOTAL LIABILITIES.....</b>	<b>340,408,174</b>	<b>38,037,843</b>	<b>378,446,017</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	235,293,867	43,063,375	278,357,242
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,213,487	-	1,213,487
Permanent funds:			
Expendable.....	428,279	-	428,279
Nonexpendable.....	2,597,412	-	2,597,412
Grants and gifts.....	15,754,611	-	15,754,611
Unrestricted.....	(80,095,091)	23,213,955	(56,881,136)
<b>TOTAL NET POSITION..... \$</b>	<b>175,192,565</b>	<b>\$ 67,410,330</b>	<b>\$ 242,602,895</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 24,760,112	\$ 2,961,437	\$ 3,794,591	\$ -	\$ (18,004,084)
Public safety.....	80,927,847	2,323,854	1,707,088	-	(76,896,905)
Education.....	164,865,425	1,969,109	58,360,374	16,583,329	(87,952,613)
Public works.....	23,295,402	598,381	1,160,059	9,259,469	(12,277,493)
Human services.....	11,529,227	154,349	9,341,328	-	(2,033,550)
Community preservation.....	531,497	-	-	716,288	184,791
Culture and recreation.....	9,337,065	422,769	395,256	-	(8,519,040)
Claims and judgments.....	234,447	-	-	-	(234,447)
Interest.....	5,257,532	-	216,263	-	(5,041,269)
<b>Total Governmental Activities....</b>	<b>320,738,554</b>	<b>8,429,899</b>	<b>74,974,959</b>	<b>26,559,086</b>	<b>(210,774,610)</b>
<i>Business-Type Activities:</i>					
Sewer.....	21,018,944	26,355,304	34,000	-	5,370,360
Water.....	13,948,161	17,968,700	173,000	-	4,193,539
Quincy College.....	21,119,305	22,487,957	-	35,500	1,404,152
<b>Total Business-Type Activities...</b>	<b>56,086,410</b>	<b>66,811,961</b>	<b>207,000</b>	<b>35,500</b>	<b>10,968,051</b>
<b>Total Primary Government.....</b>	<b>\$ 376,824,964</b>	<b>\$ 75,241,860</b>	<b>\$ 75,181,959</b>	<b>\$ 26,594,586</b>	<b>\$ (199,806,559)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(210,774,610)</b>	\$ <b>10,968,051</b>	\$ <b>(199,806,559)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	180,536,892	-	180,536,892
Tax liens.....	1,009,221	-	1,009,221
Motor vehicle and other excise taxes.....	8,599,099	-	8,599,099
Urban redevelopment corporations tax.....	389,713	-	389,713
Hotel/motel tax.....	1,133,236	-	1,133,236
Meals tax.....	1,474,227	-	1,474,227
Community preservation surtax.....	1,367,714	-	1,367,714
Penalties and interest on taxes.....	1,017,355	222,836	1,240,191
Legal settlements.....	3,800,000	-	3,800,000
Payments in lieu of taxes.....	1,226,028	-	1,226,028
Grants and contributions not restricted to specific programs.....	16,830,718	-	16,830,718
Unrestricted investment income.....	152,985	35,039	188,024
<i>Transfers, net</i> .....	<u>7,773,062</u>	<u>(7,773,062)</u>	<u>-</u>
Total general revenues.....	<u>225,310,250</u>	<u>(7,515,187)</u>	<u>217,795,063</u>
Change in net position.....	14,535,640	3,452,864	17,988,504
<i>Net Position:</i>			
Beginning of year.....	<u>160,656,925</u>	<u>63,957,466</u>	<u>224,614,391</u>
End of year.....	\$ <u><u>175,192,565</u></u>	\$ <u><u>67,410,330</u></u>	\$ <u><u>242,602,895</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2013

<b>ASSETS</b>	General	Quincy Center Concourse Fund	Central Middle School Project	Nonmajor Governmental Funds	Total Governmental Funds
Cash and equivalents.....	\$ 34,828,957	\$ 5,485,873	\$ -	\$ 48,263,707	\$ 88,578,537
Investments.....	-	-	-	1,529,064	1,529,064
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	7,473,091	-	-	-	7,473,091
Real estate tax deferrals.....	1,742,858	-	-	-	1,742,858
Tax liens.....	4,312,702	-	-	20,932	4,333,634
Motor vehicle and other excise taxes.....	1,110,955	-	-	-	1,110,955
Departmental.....	189,538	-	-	-	189,538
Community preservation fund surtax.....	-	-	-	43,246	43,246
Intergovernmental.....	6,119,146	-	2,538,335	4,610,620	13,268,101
Loans.....	-	-	-	1,213,487	1,213,487
Tax foreclosures.....	995,058	-	-	-	995,058
Due from other funds.....	975,358	-	-	-	975,358
<b>TOTAL ASSETS.....</b>	<b>\$ 57,747,663</b>	<b>\$ 5,485,873</b>	<b>\$ 2,538,335</b>	<b>\$ 55,681,056</b>	<b>\$ 121,452,927</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 2,099,855	\$ 533,696	\$ 1,655,474	\$ 1,269,015	\$ 5,558,040
Accrued payroll.....	11,766,405	-	-	193,516	11,959,921
Tax refunds payable.....	3,289,449	-	-	-	3,289,449
Abandoned property.....	675,542	-	-	5,115	680,657
Other liabilities.....	575,153	-	-	-	575,153
Deferred revenues.....	21,080,348	-	-	4,221,818	25,302,166
Due to other funds.....	-	-	975,358	-	975,358
Notes payable.....	-	33,000,000	-	44,485,000	77,485,000
<b>TOTAL LIABILITIES.....</b>	<b>39,486,752</b>	<b>33,533,696</b>	<b>2,630,832</b>	<b>50,174,464</b>	<b>125,825,744</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	2,597,412	2,597,412
Restricted.....	-	-	-	20,449,760	20,449,760
Assigned.....	7,094,387	-	-	-	7,094,387
Unassigned.....	11,166,524	(28,047,823)	(92,497)	(17,540,580)	(34,514,376)
<b>TOTAL FUND BALANCES (DEFICITS).....</b>	<b>18,260,911</b>	<b>(28,047,823)</b>	<b>(92,497)</b>	<b>5,506,592</b>	<b>(4,372,817)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 57,747,663</b>	<b>\$ 5,485,873</b>	<b>\$ 2,538,335</b>	<b>\$ 55,681,056</b>	<b>\$ 121,452,927</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

FISCAL YEAR ENDED JUNE 30, 2013

Total governmental fund balances.....	\$	(4,372,817)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		395,123,170
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		25,302,166
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(839,124)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(104,873,412)	
Capital lease obligations.....	(23,931,418)	
Other postemployment benefit obligations.....	(96,446,000)	
Workers compensation.....	(4,710,000)	
Compensated absences.....	<u>(10,060,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(240,020,830)</u>
Net position of governmental activities.....	\$	<u><u>175,192,565</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2013

	General	Quincy Center Concourse Fund	Central Middle School Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 179,821,345	\$ -	\$ -	\$ -	\$ 179,821,345
Tax liens.....	940,940	-	-	-	940,940
Motor vehicle and other excise taxes.....	8,254,718	-	-	-	8,254,718
Hotel/motel tax.....	-	-	-	1,133,236	1,133,236
Charges for services.....	-	-	-	2,185,511	2,185,511
Urban redevelopment corporations tax.....	389,713	-	-	-	389,713
Penalties and interest on taxes.....	1,363,205	-	-	-	1,363,205
Fees and rentals.....	1,744,230	-	-	-	1,744,230
Payments in lieu of taxes.....	1,226,028	-	-	-	1,226,028
Licenses and permits.....	2,169,690	-	-	-	2,169,690
Fines and forfeitures.....	269,940	-	-	-	269,940
Intergovernmental.....	67,827,979	9,055,295	16,583,329	24,407,567	117,874,170
Departmental and other.....	1,428,409	-	-	2,292,194	3,720,603
Meals tax.....	1,474,227	-	-	-	1,474,227
Community preservation surtax.....	-	-	-	1,362,675	1,362,675
Contributions.....	-	-	-	315,708	315,708
Investment income.....	85,373	3,443	-	64,169	152,985
<b>TOTAL REVENUES.....</b>	<b>266,995,797</b>	<b>9,058,738</b>	<b>16,583,329</b>	<b>31,761,060</b>	<b>324,398,924</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	13,259,501	-	-	6,325,079	19,584,580
Public safety.....	45,104,556	-	-	2,733,030	47,837,586
Education.....	87,003,571	-	23,896,089	12,712,118	123,611,778
Public works.....	16,464,488	8,031,831	-	5,462,387	29,958,706
Human services.....	2,918,161	-	-	7,603,141	10,521,302
Community preservation.....	-	-	-	703,725	703,725
Culture and recreation.....	5,492,124	-	-	1,229,040	6,721,164
Pension benefits.....	45,276,572	-	-	-	45,276,572
Employee benefits.....	43,669,817	-	-	-	43,669,817
Claims and judgments.....	234,447	-	-	-	234,447
State and county charges.....	3,126,376	-	-	-	3,126,376
Debt service:					
Principal.....	4,668,545	-	-	520,000	5,188,545
Interest.....	5,016,637	-	-	139,585	5,156,222
Capital lease expenditures.....	2,435,208	-	-	-	2,435,208
<b>TOTAL EXPENDITURES.....</b>	<b>274,670,003</b>	<b>8,031,831</b>	<b>23,896,089</b>	<b>37,428,105</b>	<b>344,026,028</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(7,674,206)</b>	<b>1,026,907</b>	<b>(7,312,760)</b>	<b>(5,667,045)</b>	<b>(19,627,104)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Legal settlements - Recovery of expenses incurred in prior years.....	3,800,000	-	-	-	3,800,000
Premiums from issuance of long-term debt.....	1,021,225	-	-	-	1,021,225
Proceeds from issuance of bonds.....	-	-	8,250,000	-	8,250,000
Proceeds from refunding bonds.....	8,720,000	-	-	-	8,720,000
Premium from issuance of refunding bonds.....	187,192	-	-	-	187,192
Payments of current refunded debt.....	(5,030,000)	-	-	-	(5,030,000)
Payment to refunding bonds escrow agent.....	(5,887,192)	-	-	-	(5,887,192)
Transfers in.....	10,616,013	-	-	-	10,616,013
Transfers out.....	-	-	-	(2,842,951)	(2,842,951)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>13,427,238</b>	<b>-</b>	<b>8,250,000</b>	<b>(2,842,951)</b>	<b>18,834,287</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>5,753,032</b>	<b>1,026,907</b>	<b>937,240</b>	<b>(8,509,996)</b>	<b>(792,817)</b>
<b>FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....</b>	<b>12,507,879</b>	<b>(29,074,730)</b>	<b>(1,029,737)</b>	<b>14,016,588</b>	<b>(3,580,000)</b>
<b>FUND BALANCES (DEFICITS) AT END OF YEAR.....</b>	<b>\$ 18,260,911</b>	<b>\$ (28,047,823)</b>	<b>\$ (92,497)</b>	<b>\$ 5,506,592</b>	<b>\$ (4,372,817)</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds..... \$ (792,817)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	45,491,679
Depreciation expense.....	<u>(10,858,179)</u>

Net effect of reporting capital assets..... 34,633,500

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (697,792)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from the issuance of bonds.....	(8,250,000)
Proceeds from the issuance of refunding bonds.....	(8,720,000)
Payments of current refunded debt.....	5,030,000
Payment to refunding bonds escrow agent.....	5,887,192
Principal payments on capital lease obligations.....	1,628,209
Premium from issuance of refunding bonds.....	(187,192)
Debt service principal payments.....	5,188,545
Other changes in long term debt.....	<u>(205,000)</u>

Net effect of reporting long-term debt..... 371,754

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(495,000)
Net change in accrued interest on long-term debt.....	(71,005)
Net change in workers compensation accrual.....	769,000
Net change in other postemployment benefit obligations.....	<u>(19,182,000)</u>

Net effect of recording long-term liabilities..... (18,979,005)

Change in net position of governmental activities..... \$ 14,535,640

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and short-term investments..... \$	7,101,655	\$ 6,403,881	\$ 10,667,791	\$ 24,173,327
Investments.....	-	-	2,423,991	2,423,991
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	4,969,630	-	4,969,630
Sewer fees.....	6,922,865	-	-	6,922,865
Student accounts and other.....	-	-	2,197,572	2,197,572
Intergovernmental.....	356,941	242,201	-	599,142
Other assets.....	-	-	287,084	287,084
<b>Total current assets.....</b>	<b>14,381,461</b>	<b>11,615,712</b>	<b>15,576,438</b>	<b>41,573,611</b>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	143,707	-	-	143,707
Deposit on purchase of property.....	-	-	1,133,000	1,133,000
Capital assets, net of accumulated depreciation....	23,686,363	36,196,755	2,714,737	62,597,855
<b>Total noncurrent assets.....</b>	<b>23,830,070</b>	<b>36,196,755</b>	<b>3,847,737</b>	<b>63,874,562</b>
<b>TOTAL ASSETS.....</b>	<b>38,211,531</b>	<b>47,812,467</b>	<b>19,424,175</b>	<b>105,448,173</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	5,177	200,759	491,604	697,540
Accrued payroll.....	41,542	31,980	555,401	628,923
Accrued interest.....	125,133	52,388	-	177,521
Abandoned property.....	-	-	267,592	267,592
Deferred revenue.....	-	-	1,754,774	1,754,774
Capital lease obligations.....	43,480	43,480	-	86,960
Other liability.....	-	-	305,156	305,156
Compensated absences.....	71,000	167,000	32,209	270,209
Bonds payable.....	1,192,918	2,148,635	-	3,341,553
<b>Total current liabilities.....</b>	<b>1,479,250</b>	<b>2,644,242</b>	<b>3,406,736</b>	<b>7,530,228</b>
<b>NONCURRENT:</b>				
Capital lease obligations.....	677,619	677,619	-	1,355,238
Other postemployment benefit obligation.....	1,052,000	1,052,000	5,354,728	7,458,728
Compensated absences.....	9,000	20,000	294,354	323,354
Bonds payable.....	9,483,538	11,886,757	-	21,370,295
<b>Total noncurrent liabilities.....</b>	<b>11,222,157</b>	<b>13,636,376</b>	<b>5,649,082</b>	<b>30,507,615</b>
<b>TOTAL LIABILITIES.....</b>	<b>12,701,407</b>	<b>16,280,618</b>	<b>9,055,818</b>	<b>38,037,843</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets.....	16,511,219	23,837,419	2,714,737	43,063,375
Restricted for:				
Capital purposes.....	-	-	1,133,000	1,133,000
Unrestricted.....	8,998,905	7,694,430	6,520,620	23,213,955
<b>TOTAL NET POSITION..... \$</b>	<b>25,510,124</b>	<b>\$ 31,531,849</b>	<b>\$ 10,368,357</b>	<b>\$ 67,410,330</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
<b>OPERATING REVENUES:</b>				
Charges for services .....	\$ 26,355,304	\$ 17,968,700	\$ 22,407,084	\$ 66,731,088
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	19,849,340	12,538,281	20,380,266	52,767,887
Depreciation.....	845,109	1,049,418	599,861	2,494,388
<b>TOTAL OPERATING EXPENSES .....</b>	<b>20,694,449</b>	<b>13,587,699</b>	<b>20,980,127</b>	<b>55,262,275</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>5,660,855</b>	<b>4,381,001</b>	<b>1,426,957</b>	<b>11,468,813</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	2,753	15,121	17,165	35,039
Penalties and interest.....	126,742	96,094	-	222,836
Interest expense.....	(324,495)	(360,462)	-	(684,957)
Intergovernmental.....	34,000	173,000	-	207,000
Vending commission and other revenue.....	-	-	80,873	80,873
Credit card fees.....	-	-	(139,178)	(139,178)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(161,000)</b>	<b>(76,247)</b>	<b>(41,140)</b>	<b>(278,387)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>5,499,855</b>	<b>4,304,754</b>	<b>1,385,817</b>	<b>11,190,426</b>
<b>OPERATING TRANSFERS:</b>				
Transfers out.....	(2,875,179)	(2,006,279)	(2,891,604)	(7,773,062)
<b>CAPITAL CONTRIBUTIONS:</b>				
Capital contributions from Quincy College Trust, Inc.....	-	-	35,500	35,500
<b>CHANGE IN NET POSITION.....</b>	<b>2,624,676</b>	<b>2,298,475</b>	<b>(1,470,287)</b>	<b>3,452,864</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>22,885,448</b>	<b>29,233,374</b>	<b>11,838,644</b>	<b>63,957,466</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 25,510,124</b>	<b>\$ 31,531,849</b>	<b>\$ 10,368,357</b>	<b>\$ 67,410,330</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 25,960,028	\$ 17,499,824	\$ 22,021,255	\$ 65,481,107
Payments to vendors.....	(18,610,995)	(10,922,911)	(5,467,254)	(35,001,160)
Payments to employees.....	(1,087,574)	(1,418,482)	(10,578,424)	(13,084,480)
Payments for interfund services used.....	-	-	(2,771,746)	(2,771,746)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>6,261,459</b>	<b>5,158,431</b>	<b>3,203,831</b>	<b>14,623,721</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers out.....	(2,875,179)	(2,006,279)	(2,891,604)	(7,773,062)
Vending commission and other revenues.....	-	-	80,873	80,873
Credit card fees.....	-	-	(139,178)	(139,178)
Penalties and interest.....	126,742	96,094	-	222,836
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(2,748,437)</b>	<b>(1,910,185)</b>	<b>(2,949,909)</b>	<b>(7,608,531)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Proceeds from the issuance of bonds and notes.....	962,633	1,719,448	-	2,682,081
Capital contributions.....	-	-	35,500	35,500
Acquisition and construction of capital assets.....	(1,211,410)	(2,366,843)	(1,018,094)	(4,596,347)
Principal payments on bonds and notes.....	(1,103,922)	(1,951,270)	-	(3,055,192)
Principal payments on capital lease obligations.....	(41,692)	(41,692)	-	(83,384)
Interest payments on capital lease obligations.....	(11,122)	6,483	-	(4,639)
Interest expense.....	(294,723)	(174,722)	-	(469,445)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,700,236)</b>	<b>(2,808,596)</b>	<b>(982,594)</b>	<b>(5,491,426)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Proceeds/disbursements from sales and maturities of investments.....	-	-	(808)	(808)
Investment income.....	2,753	15,121	17,165	35,039
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>2,753</b>	<b>15,121</b>	<b>16,357</b>	<b>34,231</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>1,815,539</b>	<b>454,771</b>	<b>(712,315)</b>	<b>1,557,995</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>5,286,116</b>	<b>5,949,110</b>	<b>11,380,106</b>	<b>22,615,332</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 7,101,655</b>	<b>\$ 6,403,881</b>	<b>\$ 10,667,791</b>	<b>\$ 24,173,327</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 5,660,855	\$ 4,381,001	\$ 1,426,957	\$ 11,468,813
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	845,109	1,049,418	599,861	2,494,388
Changes in assets and liabilities:				
Accounts receivable.....	(395,276)	(468,876)	(548,648)	(1,412,800)
Other assets.....	-	-	(287,084)	(287,084)
Warrants payable.....	(70,788)	(13,063)	165,819	81,968
Accrued payroll.....	15,559	9,951	221,920	247,430
Deferred revenue.....	-	-	162,819	162,819
Compensated absences.....	(6,000)	(12,000)	72,373	54,373
Other postemployment benefits.....	212,000	212,000	1,166,728	1,590,728
Other liabilities.....	-	-	223,086	223,086
<b>Total adjustments.....</b>	<b>600,604</b>	<b>777,430</b>	<b>1,776,874</b>	<b>3,154,908</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 6,261,459</b>	<b>\$ 5,158,431</b>	<b>\$ 3,203,831</b>	<b>\$ 14,623,721</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>				
Debt service intergovernmental subsidy.....	\$ 34,000	\$ 173,000	\$ -	\$ 207,000

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 1,615,537	\$ 210,428	\$ 738,478	\$ 1,510,444
Investments.....	277,863,522	-	-	-
Receivables.....	3,970,399	-	-	-
Departmental and other.....	-	-	-	453,026
<b>TOTAL ASSETS.....</b>	<b>283,449,458</b>	<b>210,428</b>	<b>738,478</b>	<b>1,963,470</b>
<b>LIABILITIES</b>				
Warrants payable.....	127,234	-	-	50,353
Accrued liabilities.....	-	-	-	78,797
Liabilities due depositors.....	-	-	-	1,381,294
Deferred revenue.....	-	-	-	453,026
<b>TOTAL LIABILITIES.....</b>	<b>127,234</b>	<b>-</b>	<b>-</b>	<b>1,963,470</b>
<b>NET POSITION</b>				
Held in trust for pension benefits, OPEB benefits, and other purposes.....	\$ 283,322,224	\$ 210,428	\$ 738,478	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	OPEB Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 21,917,920	\$ 210,428	\$ -
Employee.....	7,119,792	-	-
Private donations.....	-	-	78
Total contributions.....	<u>29,037,712</u>	<u>210,428</u>	<u>78</u>
Net investment income (loss):			
Net change in fair value of investments.....	30,075,051	-	-
Interest.....	1,237,922	-	11,765
Total investment income (loss).....	31,312,973	-	11,765
Less: investment expense.....	(864,300)	-	-
Net investment income (loss).....	<u>30,448,673</u>	<u>-</u>	<u>11,765</u>
Intergovernmental.....	346,641	-	-
Workers compensation settlement.....	6,000	-	-
Transfers from other systems.....	1,283,660	-	-
TOTAL ADDITIONS.....	<u>61,122,686</u>	<u>210,428</u>	<u>11,843</u>
<b>DEDUCTIONS:</b>			
Administration.....	498,042	-	-
Transfers to other systems.....	972,964	-	-
Retirement benefits and refunds.....	41,048,743	-	-
Educational scholarships.....	-	-	8,798
TOTAL DEDUCTIONS.....	<u>42,519,749</u>	<u>-</u>	<u>8,798</u>
CHANGE IN NET POSITION.....	18,602,937	210,428	3,045
NET POSITION AT BEGINNING OF YEAR.....	<u>264,719,287</u>	<u>-</u>	<u>735,433</u>
NET POSITION AT END OF YEAR.....	<u>\$ 283,322,224</u>	<u>\$ 210,428</u>	<u>\$ 738,478</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the City of Quincy, Massachusetts (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The City is a municipal corporation that is governed by an elected Mayor and City Council. For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of the relationship between the City and the component unit.

The Quincy Contributory Retirement (the System) was established to provide retirement benefits to City employees, the Quincy Housing Authority employees and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the City Council and one member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System issued a separate audited financial statement along with a publicly available un-audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Commission (PERAC). That report may be obtained by contacting the System located at 1250 Hancock St., Suite 506, Quincy, Massachusetts 02169.

Quincy College is not a separate legal entity and therefore the condensed financial statements are presented as an Enterprise Fund. The College's financial statements present only the financial activity and position of the of enterprise fund department and do not include the financial activity or position of the Quincy College Trust, Inc. which a separate legal entity but considered a component unit. The activity and ending balances of the Quincy College Trust, Inc are not material to the City and are not presented in these financial statements. Trust funds held by the City for the benefit of students attending Quincy College are presented as part of the private purpose trust funds. The College prepares stand-alone audited financial statements for the fiscal year ended June 30, 2013, and they can be obtained directly from their Chief Fiscal Officer, 24 Saville Avenue, Quincy, Massachusetts 02169.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the water, sewer and Quincy College enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using 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., 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. 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, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received 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 is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *General Fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Quincy Center Concourse Fund* is a capital project used to accumulate costs and funding related to a major ongoing capital project to improve the downtown area.

The *Central Middle School Project* fund is a capital project fund that is used to accumulate costs and funding for the construction of the Central Middle School.

The nonmajor governmental funds consist of other special revenue, debt service, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than permanent funds or capital projects.



The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using 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 when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *Quincy College enterprise fund* is used to account for the Quincy College activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the Quincy Contributory Retirement System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The City's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for police and fire details, planning board and other surety bonds, and other assets held in a purely custodial capacity.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities in the over-the-counter market.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

##### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

##### ***Student Accounts and other***

The recognition of revenue related to accounts receivable are reported under the accrual basis of accounting. Deferred revenues relate to amounts collected for course offerings that will not occur until the next fiscal year.

##### ***Water and Sewer User Fees and Liens***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed on delinquent accounts and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

### **Community Preservation Fund Surcharge**

The City has adopted the Community Preservation Act and the provisions of the Act allow the City to assess property owners, and additional 1% - 3% of the total real estate commitment. The City has opted to a surcharge of 1% added to each real estate tax bill. Revenues from this surcharge are credited to the Community Preservation Fund, a component of the nonmajor governmental funds to fund open space acquisitions, affordable housing initiatives, historic preservation and recreational uses.

Since the surcharges are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

### ***Real Estate Tax Deferrals***

Real estate tax deferrals are receivables from owners of real property that have entered into a tax deferral and recovery agreement with the Board of Assessors (M.G.L. Ch 59, §5).

Real estate tax deferrals are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

## **F. Inventories**

### ***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

## **G. Capital Assets**

### ***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings and building improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except

for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Leasehold improvements.....	5
Buildings and building improvements.....	7-40
Machinery and equipment.....	3-20
Vehicles.....	5
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City did not have any items that qualify for reporting in this category.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

*Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Permanent funds – expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Capital purposes” represents funds paid on deposit for the acquisition of land and building.

“Loans” represents various community development loans to individuals and businesses in the City.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Massachusetts General Law authorizes the Director of Municipal Finance, at his or her discretion, to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City will, from time to time, fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the City’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

### M. Capital Lease Obligations

The City leases various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net position.

### N. Long-term debt

#### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

#### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

### O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

#### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

#### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

### Q. Use of Estimates

#### *Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## R. Total Column

### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## S. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2013, within the special revenue and agency funds. These deficits will be funded through grant proceeds and other available funds in fiscal 2014.

## **NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. Credit ratings associated with the City's investment in MMDT ranged from AAA to unrated. The fair value of the position in the Pool is the same as the value of the Pool shares.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted average duration rate ranging from .08 to 10.37 years.

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$101,892,818 and the bank balance totaled \$110,702,854. Of the bank balance, \$3,890,433 was



covered by Federal Depository Insurance, \$15,745,129 was covered by the Depositors Insurance Fund, and \$91,067,292 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2012, carrying amount (book value) of deposits for the Retirement System’s deposits totaled \$1,615,537. The bank balance of \$1,983,962 was covered by Federal Depository Insurance.

Investments

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			Rating
		Less Than 1	1 to 5	6 to 10	
<u>Debt Securities:</u>					
United States Treasuries.....	\$ 216,733	\$ -	\$ 216,733	\$ -	AAA
Corporate Bonds.....	246,171	-	246,171	-	AA+
Corporate Bonds.....	150,923	-	150,923	-	A-
**Black Rock Inflation Protection Portfolio Bond Fund.....	47,709	-	-	47,709	AAA
**Federated GNMA Trust Institutional Share.....	218,083	-	-	218,083	AAA
**Federated Government Ultrashort Duration Institutional.....	108,000	108,000	-	-	AAA
**Western Asset Inflation Index Plus Bond Fund.....	110,000	-	-	110,000	AAA
Government Sponsored Enterprises.....	227,893	-	227,893	-	AAA
Total Debt Securities.....	1,325,512	\$ 108,000	\$ 841,720	\$ 375,792	
<u>Other Investments</u>					
Equity Securities.....	203,552				
Equity Mutual Funds.....	2,423,991				
Money Market Mutual Funds.....	2,821,595				
MMDT.....	10,496,801				
Total Investments.....	\$ 17,271,451				

\*\* = The Black Rock Inflation Protection Portfolio Bond Fund, Federated GNMA Institutional, Federated Government Ultrashort Duration Institutional and the Western Asset Inflation Index Plus Bond Fund mainly invest in inflation protected bonds that are issued by the United States Treasury. The average rating of the underlying securities is AAA. The funds have an average duration of 8.03, 5.4, 0.61 and 7.53 years and an average maturity of 9.65, 8.5, less than 1 year and 8.44 years, respectively.

As of December 31, 2012, the System had the following investments:

	Fair Value
Pooled alternative investments (private equity).....	\$ 22,215,456
Pooled domestic equity.....	71,618,643
Pooled international equity.....	63,889,547
Pooled real estate.....	27,063,704
Pooled domestic fixed income.....	67,334,025
Pooled global fixed income.....	11,116,454
PRIT core fund.....	12,746,207
Other investments.....	1,879,486
Total.....	\$ 277,863,522

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the total investments the City has custodial credit risk exposure equal to its investments \$227,893 in government sponsored enterprises, \$483,792 in fixed income mutual funds, \$397,094 in corporate bonds and \$203,552 in equity securities because the related securities are uninsured, unregistered and held by the counterparty. The City does not have a formal investment policy for custodial credit risk.

The System does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has not adopted a formal policy related to credit risk.

The System has not adopted a formal policy related to credit risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Of the total investment balance, the City did not maintain any investments that were more than 5% in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. The System does not currently have any investments that are subject to concentration of credit risk.

**NOTE 3 – RECEIVABLES**

At June 30, 2013, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 9,189,483	\$ (1,716,392)	\$ 7,473,091
Motor vehicle and vessel excise taxes.....	5,418,342	(4,307,387)	1,110,955
Community preservation fund surtax.....	43,246	-	43,246
Tax liens.....	4,333,634	-	4,333,634
Real estate tax deferrals.....	1,742,858	-	1,742,858
Intergovernmental.....	13,268,101	-	13,268,101
Departmental.....	189,538	-	189,538
Loans.....	1,213,487	-	1,213,487
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total.....	\$ <u>35,398,689</u>	\$ <u>(6,023,779)</u>	\$ <u>29,374,910</u>

At June 30, 2013, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 2,566,953	\$ (369,381)	\$ 2,197,572
Intergovernmental.....	742,849	-	742,849
Water fees.....	4,969,630	-	4,969,630
Sewer fees.....	6,922,865	-	6,922,865
Total.....	<u>\$ 15,202,297</u>	<u>\$ (369,381)</u>	<u>\$ 14,832,916</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 6,610,091	\$ -	\$ 6,610,091
Motor vehicle and vessel excise taxes.....	1,110,955	-	1,110,955
Community preservation fund surtax.....	-	43,246	43,246
Tax liens.....	4,312,702	20,932	4,333,634
Real estate tax deferrals.....	1,742,858	-	1,742,858
Intergovernmental.....	6,119,146	2,944,153	9,063,299
Loans.....	-	1,213,487	1,213,487
Departmental and other.....	189,538	-	189,538
Tax foreclosures.....	995,058	-	995,058
Total.....	<u>\$ 21,080,348</u>	<u>\$ 4,221,818</u>	<u>\$ 25,302,166</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

**Governmental Activities:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 70,534,455	\$ -	\$ -	\$ 70,534,455
Construction in progress.....	4,571,966	26,136,163	-	30,708,129
Total capital assets not being depreciated.....	<u>75,106,421</u>	<u>26,136,163</u>	<u>-</u>	<u>101,242,584</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	11,237,557	3,404,107	-	14,641,664
Buildings and building improvements.....	214,998,585	1,633,606	-	216,632,191
Machinery, vehicles and equipment.....	30,376,487	2,222,547	-	32,599,034
Infrastructure.....	94,204,757	12,095,256	-	106,300,013
Total capital assets being depreciated.....	<u>350,817,386</u>	<u>19,355,516</u>	<u>-</u>	<u>370,172,902</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,211,413)	(343,123)	-	(1,554,536)
Buildings and building improvements.....	(36,105,783)	(6,404,633)	-	(42,510,416)
Machinery, vehicles and equipment.....	(16,300,719)	(1,881,649)	-	(18,182,368)
Infrastructure.....	(11,816,222)	(2,228,774)	-	(14,044,996)
Total accumulated depreciation.....	<u>(65,434,137)</u>	<u>(10,858,179)</u>	<u>-</u>	<u>(76,292,316)</u>
Total capital assets being depreciated, net.....	<u>285,383,249</u>	<u>8,497,337</u>	<u>-</u>	<u>293,880,586</u>
Total governmental activities capital assets, net.....	<u>\$ 360,489,670</u>	<u>\$ 34,633,500</u>	<u>\$ -</u>	<u>\$ 395,123,170</u>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 79,474	\$ -	\$ -	\$ 79,474
<u>Capital assets being depreciated:</u>				
Land improvements.....	25,464	-	-	25,464
Machinery, vehicles and equipment.....	1,907,276	261,383	-	2,168,659
Infrastructure.....	42,739,585	2,012,266	-	44,751,851
Total capital assets being depreciated.....	44,672,325	2,273,649	-	46,945,974
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,775)	(1,273)	-	(6,048)
Machinery, vehicles and equipment.....	(558,235)	(185,194)	-	(743,429)
Infrastructure.....	(9,216,265)	(862,951)	-	(10,079,216)
Total accumulated depreciation.....	(9,779,275)	(1,049,418)	-	(10,828,693)
Total capital assets being depreciated, net.....	34,893,050	1,224,231	-	36,117,281
Total water activities capital assets, net.....	\$ 34,972,524	\$ 1,224,231	\$ -	\$ 36,196,755
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 282,530	\$ -	\$ -	\$ 282,530
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	13,935	-	-	13,935
Machinery, vehicles and equipment.....	1,702,489	187,838	-	1,890,327
Infrastructure.....	33,339,745	554,021	-	33,893,766
Total capital assets being depreciated.....	35,056,169	741,859	-	35,798,028
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(13,935)	-	-	(13,935)
Machinery, vehicles and equipment.....	(621,373)	(155,316)	-	(776,689)
Infrastructure.....	(10,913,778)	(689,793)	-	(11,603,571)
Total accumulated depreciation.....	(11,549,086)	(845,109)	-	(12,394,195)
Total capital assets being depreciated, net.....	23,507,083	(103,250)	-	23,403,833
Total sewer activities capital assets, net.....	\$ 23,789,613	\$ (103,250)	\$ -	\$ 23,686,363

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Quincy College Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 756,646	\$ -	\$ (756,646)	\$ -
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	4,531,161	1,358,377	-	5,889,538
Machinery and equipment.....	2,317,064	596,622	-	2,913,686
Total capital assets being depreciated.....	6,848,225	1,954,999	-	8,803,224
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(3,669,461)	(404,231)	-	(4,073,692)
Machinery and equipment.....	(1,819,166)	(195,630)	-	(2,014,796)
Total accumulated depreciation.....	(5,488,627)	(599,861)	-	(6,088,488)
Total capital assets being depreciated, net.....	1,359,598	1,355,138	-	2,714,736
Total college activities capital assets, net.....	\$ 2,116,244	\$ 1,355,138	\$ (756,646)	\$ 2,714,736

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 697,028
Public safety.....	1,203,414
Education.....	5,400,113
Public works.....	2,658,663
Human services.....	9,790
Culture and recreation.....	871,211
Community preservation.....	17,960

Total depreciation expense - governmental activities..... \$ 10,858,179

**Business-Type Activities:**

Sewer.....	\$ 1,049,418
Water.....	845,109
Quincy College.....	599,861

Total depreciation expense - business-type activities..... \$ 2,494,388

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2013, the City had a \$975,358 Interfund receivable and payable between the General Fund and the Quincy Central Middle School Project fund, respectively.

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds.....	\$ 2,842,951	\$ -	\$ 2,842,951 (1)
Sewer Enterprise Fund.....	2,875,179	-	2,875,179 (2)
Water Enterprise Fund.....	2,006,279	-	2,006,279 (2)
Quincy College Enterprise Fund.....	2,891,604	-	2,891,604 (3)
<b>Total.....</b>	<b>\$ 10,616,013</b>	<b>\$ -</b>	<b>\$ 10,616,013</b>

- 1) Represents voted transfers from various Special Revenue funds to support costs incurred by the General Fund and to support the Pump-out Boat program.
- 2) Represents transfers from the Water and Sewer Enterprise Funds based on the voted budget. These costs represent a transfer to the General Fund for shared services, fringe benefits and indirect costs incurred by the General Fund on behalf of the Water and Sewer Enterprise funds. Also included are transfers from old Sewer and Water funds to the 2013 Water Main Improvement Project
- 3) Represents a transfer from the Quincy College Fund for legislatively mandated indirect costs incurred by the General Fund on behalf of the Quincy College Enterprise Funds. Also included is a transfer for health insurance and pension costs relating to employees of Quincy College.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively. Details related to the short-term debt activity for the fiscal year ended June 30, 2013 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
<u>Governmental</u>							
BAN	Municipal Purpose.....	1.25%	9/14/2012	\$ 9,785,000	\$ -	\$ 9,785,000	\$ -
BAN	Municipal Purpose.....	2.00%	1/25/2012	30,000,000	-	30,000,000	-
BAN	Municipal Purpose.....	2.50%	6/21/2012	29,485,000	-	29,485,000	-
BAN	Municipal Purpose.....	1.25%	9/13/2013	-	8,250,000	8,250,000	-
BAN	Municipal Purpose.....	1.25%	9/13/2013	-	18,000,000	-	18,000,000
BAN	Municipal Purpose.....	1.25%	1/24/2014	-	30,000,000	-	30,000,000
BAN	Municipal Purpose.....	1.00%	6/20/2014	-	29,485,000	-	29,485,000
Total Notes Payable.....				\$ 69,270,000	\$ 85,735,000	\$ 77,520,000	\$ 77,485,000

On September 13, 2013 the City paid down BANS totaling \$8,250,000 with the proceeds of \$8,250,000 of long-debt for the design and construction of the new Central Middle School. The financial statements have reported this BAN as long-term debt as of June 30, 2013. On the same date, the City re-issued \$18,000,000 of BANs in anticipation of the issuance of long-term debt relating to City Hall and Coddington School renovations that will mature on September 12, 2014 with an interest rate 1.25%.

On January 24, 2014 the City reissued the \$30,000,000 BAN at an interest rate of 1% that will mature on January 23, 2015.

On July 26, 2013 the City paid down BANS totaling \$3,020,000 and issued a new BAN of \$1,610,000 which will mature on July 25, 2014 with an interest rate of 1.00%. The BANS relate to notes issued for the Quincy Medical Center which is further discussed in Note 8.



**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

The City has entered into several non-cancelable long-term leases for certain energy conservation improvements and vehicle purchases utilized by departments and operating divisions of the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
<u>Asset:</u>		
Energy conservation improvements.....	\$ 30,878,046	\$ 1,860,846
Less: accumulated depreciation.....	(6,422,593)	(511,733)
Total.....	\$ 24,455,453	\$ 1,349,113

The following is a schedule of the future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2013:

Fiscal Year	Activities	Activities
2014.....	\$ 2,443,398	\$ 147,248
2015.....	2,443,398	147,248
2016.....	2,443,398	147,248
2017.....	2,405,564	144,968
2018.....	2,367,730	142,688
2019 through 2023.....	11,619,690	700,246
2024 through 2027.....	7,776,147	468,622
Total minimum lease payments.....	31,499,325	1,898,268
Less: amounts representing interest.....	(7,567,907)	(456,070)
Present value of minimum lease payments.....	\$ 23,931,418	\$ 1,442,198

**NOTE 8 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as listed on the following page.

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Municipal Purpose 2003.....	2015	\$ 5,992,778	2.5 - 5.0	\$ 1,107,481	\$ -	\$ 499,709	\$ 607,772
Municipal Purpose 2004.....	2021	4,060,000	2.125 - 4.25	2,140,000	-	1,900,000	240,000
Municipal Purpose 2005.....	2025	14,020,700	2.0 - 5.0	8,278,687	-	4,794,860	3,483,827
Municipal Purpose 2006.....	2019	13,050,305	3.25 - 5.0	8,312,105	-	1,265,110	7,046,995
Municipal Purpose 2007.....	2020	10,000,000	4.0 - 6.0	6,770,000	-	730,000	6,040,000
Municipal Purpose 2008.....	2027	6,470,000	3.0 - 6.0	2,430,000	-	185,000	2,245,000
Municipal Purpose 2011 - Refunding.....	2022	167,700	2.0 - 5.0	1,957,925	-	247,625	1,710,300
Municipal Purpose 2011.....	2040	31,088,000	2.0 - 5.25	30,547,759	-	537,241	30,010,518
Municipal Purpose 2012.....	2040	33,518,000	2.5 - 4.0	33,518,000	-	4,000	33,514,000
Municipal Purpose 2013 - Refunding.....	2025	5,700,000	2.0 - 3.0	-	5,700,000	-	5,700,000
Municipal Purpose 2013.....	2039	8,250,000	4.0 - 5.0	-	8,250,000	-	8,250,000
Total governmental bonds payable.....				\$ 95,061,957	\$ 13,950,000	\$ 10,163,545	\$ 98,848,412

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 4,768,400	\$ 3,604,824	\$ 8,373,224
2015.....	5,523,731	3,607,605	9,131,336
2016.....	5,873,461	3,380,524	9,253,985
2017.....	5,884,551	3,144,948	9,029,499
2018.....	5,756,281	2,901,723	8,658,004
2019.....	5,486,901	2,646,934	8,133,835
2020.....	4,382,256	2,394,323	6,776,579
2021.....	3,167,241	2,213,154	5,380,395
2022.....	2,890,241	2,066,225	4,956,466
2023.....	2,877,241	1,961,908	4,839,149
2024.....	2,937,241	1,863,112	4,800,353
2025.....	2,892,241	1,762,701	4,654,942
2026.....	2,827,241	1,662,446	4,489,687
2027.....	2,907,241	1,564,136	4,471,377
2028.....	2,632,241	1,468,038	4,100,279
2029.....	2,712,241	1,427,166	4,139,407
2030.....	2,802,241	1,285,409	4,087,650
2031.....	2,882,241	1,177,127	4,059,368
2032.....	2,977,241	1,073,616	4,050,857
2033.....	3,072,241	975,602	4,047,843
2034.....	3,177,241	836,126	4,013,367
2035.....	3,287,241	744,990	4,032,231
2036.....	3,402,241	619,786	4,022,027
2037.....	3,522,241	487,732	4,009,973
2038.....	3,642,241	349,788	3,992,029
2039.....	3,787,241	200,424	3,987,665
2040.....	2,377,252	82,897	2,460,149
2041.....	400,000	8,000	408,000
Totals.....	\$ 98,848,412	\$ 45,511,264	\$ 144,359,676

**Bonds and Notes Payable Schedule – Sewer Enterprise Fund**

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Proceeds	Payments	Outstanding at June 30, 2013
Sewer Bonds of 2002.....	2022	\$ 6,349,668	3.5 - 6.0	\$ 913,162	\$ -	\$ 469,575	\$ 443,587
Sewer Bonds of 2003.....	2014	1,345,200	2.5 - 5.0	198,805	-	115,930	82,875
Sewer Bonds of 2005.....	2020	1,146,428	2.0 - 5.25	625,610	-	82,630	542,980
Sewer Bonds of 2006.....	2018	156,200	3.25 - 5.0	90,800	-	15,500	75,300
Sewer Bonds of 2007.....	2024	4,657,129	0.0 - 2.0	2,140,602	-	142,881	1,997,721
Sewer Bonds of 2008.....	2028	3,753,319	0.0 - 6.0	2,985,557	-	154,840	2,830,717
Sewer Bonds of 2010.....	2031	2,065,000	2.0	1,177,665	-	51,462	1,126,203
Sewer Bonds of 2011 - Refunding.....	2022	810,775	2.0 - 5.0	810,775	-	86,075	724,700
Sewer Bonds of 2012.....	2017	3,686,801	0.0	3,045,093	-	192,720	2,852,373
Total sewer bonds payable.....				\$ 11,988,069	\$ -	\$ 1,311,613	\$ 10,676,456

Debt service requirements for principal and interest for sewer enterprise fund bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,192,918	\$ 299,016	\$ 1,491,934
2015.....	903,056	269,069	1,172,125
2016.....	934,379	243,805	1,178,184
2017.....	914,232	217,304	1,131,536
2018.....	677,489	189,349	866,838
2019.....	676,305	165,672	841,977
2020.....	643,861	142,995	786,856
2021.....	633,126	119,906	753,032
2022.....	634,598	97,769	732,367
2023.....	577,934	76,404	654,338
2024.....	583,394	56,877	640,271
2025.....	376,721	47,863	424,584
2026.....	383,182	38,719	421,901
2027.....	389,777	29,363	419,140
2028.....	331,509	19,795	351,304
2029.....	187,115	14,609	201,724
2030.....	191,073	10,828	201,901
2031.....	195,113	6,966	202,079
2032.....	123,989	3,774	127,763
2033.....	126,685	1,266	127,951
Total.....	\$ 10,676,456	\$ 2,051,349	\$ 12,727,805

**Bonds and Notes Payable Schedule – Water Enterprise Fund**

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Proceeds	Payments	Outstanding at June 30, 2013
MWRA Water Loans.....	2021	\$ 16,535,600	0.0	\$ 7,358,573	\$ 1,050,500	\$ 1,336,848	\$ 7,072,225
Water Bonds of 2003.....	2014	312,021	2.5 - 5.0	58,710	-	29,360	29,350
Water Bonds of 2005.....	2020	2,113,520	2.0 - 5.0	1,447,005	-	203,510	1,243,495
Water Bonds of 2006.....	2017	798,495	3.25 - 5.0	462,095	-	104,390	357,705
Water Bonds of 2010.....	2031	1,435,000	2.0	818,377	-	35,762	782,615
Water Bonds of 2011 - Refunding.....	2031	856,300	2.0 - 5.0	856,300	-	101,300	755,000
Water Bonds of 2012.....	2033	3,293,394	0.0 - 2.0	3,935,102	-	140,100	3,795,002
Total water bonds payable.....				\$ 14,936,162	\$ 1,050,500	\$ 1,951,270	\$ 14,035,392

Debt service requirements for principal and interest for water enterprise fund bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 2,148,635	\$ 159,580	\$ 2,308,215
2015.....	1,800,667	144,334	1,945,001
2016.....	1,799,335	128,244	1,927,579
2017.....	1,729,178	110,237	1,839,415
2018.....	1,200,814	94,502	1,295,316
2019.....	1,155,020	80,298	1,235,318
2020.....	1,007,876	64,158	1,072,034
2021.....	725,538	48,223	773,761
2022.....	409,712	40,716	450,428
2023.....	273,122	37,390	310,512
2024.....	171,658	33,993	205,651
2025.....	175,321	30,523	205,844
2026.....	179,061	26,979	206,040
2027.....	182,882	23,359	206,241
2028.....	186,784	19,663	206,447
2029.....	190,769	15,889	206,658
2030.....	194,840	12,033	206,873
2031.....	199,001	8,094	207,095
2032.....	150,950	4,594	155,544
2033.....	154,229	1,544	155,773
Total.....	\$ 14,035,392	\$ 1,084,353	\$ 15,119,745

Massachusetts Water Pollution Abatement Trust funded debt

The City has entered into various long term debt agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT), an agency of the Commonwealth of Massachusetts that requires the City to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$271,510 and interest costs for \$701,796. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$4,914,865. The principal subsidies are guaranteed and therefore a \$271,510 intergovernmental receivable has been reported in the sewer enterprise fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2013 principal and interest subsidies totaled \$207,691 and \$146,955 respectively.

Massachusetts Water Resources Authority funded debt

The City has entered into various long term debt transactions with the Massachusetts Water Resources Authority. The debt balances are associated with a zero percent interest rate. Future imputed interest payments total approximately \$649,000 in the water fund and \$73,000 in the sewer fund. Fiscal year 2013 imputed interest was \$173,000 and \$34,000 in the water and sewer funds, respectively. Accordingly, interest expense and corresponding intergovernmental revenue have been reported, equal to these amounts, in the respective proprietary funds financial statements.

Massachusetts School Building Authority funded debt

The Commonwealth of Massachusetts has approved school construction assistance in accordance with two funding programs offered by the Massachusetts School Building Authority which administers the programs.

The first program provides grants for construction and interest expenditures on City debt that is paid over the life of the future debt service. During fiscal year 2013, approximately \$1,214,000 of such assistance was received and approximately \$7,247,000 will be received in future fiscal years. Of this amount, approximately \$2,103,000 represents reimbursement of long-term interest costs, and approximately \$5,144,000 represents reimbursement of approved construction costs. Accordingly, a \$5,144,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The second program offers a construction grant program whereby the MSBA reimburses the City a share of actual construction expenditures on a "pay as you go" basis. The construction of the new Central Middle School project is being funded by this grant program. The City has been approved for a grant of up to 80% or \$33,000,000 of eligible construction costs towards the new Central School. During the fiscal year the City received \$14.4 million and recorded a \$2.5 million receivable in relation to this project. The MSBA's policy is to reimburse the City for costs incurred less a holdback of 5% pending a final project audit that will be conducted by the MSBA.

Community Development Block Grant – Section 108

In 1996, a loan guarantee of \$55,000,000 was made by the United States Maritime Administration to Massachusetts Heavy Industries (MHI) to revitalize the Fore River Shipyard which is located in the City. In connection with the loan guarantee, the City provided a \$7,800,000 loan to MHI under the United States Department of Housing and Urban Development’s (HUD) Section 108 Loan Guarantee Program. The purpose of the Section 108 loan program is to enable local governments to provide financing to urban renewal projects operated by either the government or third party developers. Debt issued under this program is secured by future entitlement allocations to the City under HUD’s Community Development Block Grant (CDBG) Program.

During fiscal year 2000, MHI failed to make its required debt service payments on the primary loan to the Maritime Administration. As a result of the default the lender exercised its guarantee rights by demanding payments from the guarantor. In fiscal year 2000, acting as guarantor, the Maritime Administrator paid off the remaining loan balance and accrued interest on the \$55,000,000 loan.

In conjunction with the default on the primary loan, MHI also defaulted on its repayments to the City for fiscal years 2001 through fiscal year 2004. Since the City’s loan with HUD is guaranteed by future funds received under the CDBG program, the City was able to meet its obligation to repay the Section 108 loan. The Section 108 loan issued to the City will mature on August 1, 2017 and its payable according to the schedule below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 550,000	\$ 118,653	\$ 668,653
2015.....	575,000	95,750	670,750
2016.....	600,000	70,858	670,858
2017.....	625,000	43,868	668,868
2018.....	<u>655,000</u>	<u>14,934</u>	<u>669,934</u>
Total.....	\$ <u>3,005,000</u>	\$ <u>344,063</u>	\$ <u>3,349,063</u>

Quincy Medical Center

In August 2002 the City Council accepted special State Legislation to allow the City to borrow up to \$15,000,000 of long term notes to finance remaining amounts due to Quincy Medical Center. Under the terms of the special legislation, each borrowing is treated as a separate note issuance that must be repaid within 10 years. Through June 30, 2013, the City has paid down \$11,980,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2013 will be either permanently bonded or will be paid down through the roll-over of existing notes. Any bonding or note pay-downs will be structured so that the note issuances will be paid down within 10 years of their respective issuance. All scheduled payments have been made to Quincy Medical Center. This transaction has been recorded as a current refunding and did not have an economic gain or loss.

Details relating to the outstanding indebtedness associated with Quincy Medical Center are as follows:

<u>Project</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2013</u>
Municipal Purpose Loan...	3.00%	7/26/2013	\$ <u>5,030,000</u>	\$ <u>3,020,000</u>	\$ <u>5,030,000</u>	\$ <u>3,020,000</u>

On July 26, 2013, the City paid down \$1,410,000 of the outstanding note and the balance was rolled over into a new note carrying an interest rate of 1.00% and maturing on July 25, 2014.

Advance Refunding

On February 7, 2013, in order to take advantage of favorable interest rates, the City issued \$5,700,000 of governmental general obligation refunding bonds with an average interest rate of 2.4% to refund \$5,495,000 of outstanding general obligation bonds that had an average interest rate of 4%. The refunded and refunding bonds have an average maturity period of 5.5 years. The refunded debt was defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments of the refunded bonds. This advance refunding was undertaken to reduce total debt service payments by approximately \$416,000 and resulted in an economic gain of approximately \$399,000.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
High School.....	\$ 3,020,000
Health Care Funding.....	3,020,000
Water & Sewer.....	20,179,210
District Improvement Financing.....	30,000,000
Quincy Center Redevelopment.....	289,350,000
Other Capital Purposes.....	36,485,000
Central Middle School.....	31,272,183
City Hall & Coddington Hall Renovations.....	<u>18,000,000</u>
Total.....	<u>\$ 431,326,393</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease obligations.....	\$ 25,559,627	\$ -	\$ (1,628,209)	\$ 23,931,418	\$ 1,443,018
Compensated absences.....	9,565,000	10,658,545	(10,163,545)	10,060,000	7,423,000
Bonds payable.....	100,091,957	13,950,000	(12,173,545)	101,868,412	7,788,400
Other postemployment benefit obligations.....	77,264,000	34,611,337	(15,429,337)	96,446,000	-
Workers' compensation.....	5,479,000	304,000	(1,073,000)	4,710,000	515,000
Due to HUD.....	3,525,000	-	(520,000)	3,005,000	550,000
Total governmental activities.....	<u>221,484,584</u>	<u>59,523,882</u>	<u>(40,987,636)</u>	<u>240,020,830</u>	<u>17,719,418</u>
<b>Business-Type Activities:</b>					
Capital lease obligations.....	1,525,582	-	(83,384)	1,442,198	86,960
Compensated absences.....	539,190	-	(270,061)	593,563	270,209
Other postemployment benefit obligations.....	5,868,000	1,998,663	(407,935)	7,458,728	-
Bonds payable.....	26,924,231	1,050,500	(3,262,883)	24,711,848	1,311,613
Total business-type activities.....	<u>34,857,003</u>	<u>3,049,163</u>	<u>(4,024,263)</u>	<u>34,206,337</u>	<u>1,668,782</u>
Total.....	<u>\$ 256,341,587</u>	<u>\$ 62,573,045</u>	<u>\$ (45,011,899)</u>	<u>\$ 274,227,167</u>	<u>\$ 19,388,200</u>



**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The City presents its governmental fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

At June 30, 2013, \$6,011,305 and \$327,283 has been set aside in the general and inclement weather stabilization funds, respectively. The funds have been classified as part of the general fund in the governmental fund financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the City are dependent upon authorization and approval of the City Council. During fiscal year 2013, the funds received aggregate interest and investment earnings of \$11,284. The actual use of the funds is contingent upon City Council approval. Additions to the fund can only be made upon City Council approval.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The highest level of decision making authority is the City Council.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2013, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Quincy Center Concourse Fund	Central Middle School Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal..... \$	- \$	- \$	- \$	2,597,412 \$	2,597,412
Restricted for:					
Energy efficiency capital upgrades.....	-	-	-	157,708	157,708
School federal and state grant funds.....	-	-	-	848,768	848,768
City federal and state grant funds.....	-	-	-	132,556	132,556
CDBG grant funds.....	-	-	-	941,754	941,754
JTPA funds.....	-	-	-	446,459	446,459
School revolving funds.....	-	-	-	6,138,639	6,138,639
Receipts reserved for appropriations....	-	-	-	2,859,965	2,859,965
Other special revenue.....	-	-	-	349,853	349,853
Community preservation fund.....	-	-	-	3,095,771	3,095,771
Expendable trust funds.....	-	-	-	532,940	532,940
City trust funds.....	-	-	-	1,974,603	1,974,603
Mitigation trust funds.....	-	-	-	435,733	435,733
Capital project funds (not bonded).....	-	-	-	144,962	144,962
Library trust funds.....	-	-	-	180,731	180,731
Assigned to:					
General government.....	3,366,217	-	-	-	3,366,217
Public safety.....	211,066	-	-	-	211,066
Education.....	1,454,926	-	-	-	1,454,926
Public works.....	1,432,458	-	-	-	1,432,458
Human services.....	56,094	-	-	-	56,094
Culture and recreation.....	432,480	-	-	-	432,480
Employee benefits.....	140,806	-	-	-	140,806
Claims and judgments.....	340	-	-	-	340
Unassigned.....	<u>11,166,524</u>	<u>(28,047,823)</u>	<u>(92,497)</u>	<u>(17,540,580)</u>	<u>(34,514,376)</u>
<b>TOTAL FUND BALANCES (DEFICIT)..... \$</b>	<u><b>18,260,911</b></u>	<u><b>(28,047,823)</b></u>	<u><b>(92,497)</b></u>	<u><b>5,506,592</b></u>	<u><b>(4,372,817)</b></u>

**NOTE 10 – OPERATING LEASES**

Quincy College leases certain premises and equipment under operating leases with various expiration dates that extend through 2021. The leases generally provide that the College pay certain maintenance costs and include various renewal provisions. Rent expense in fiscal year 2013 amounted to \$2,493,228. The College’s minimum future obligations under non-cancelable leases are as follows:

Fiscal Years Ending June 30	Business-Type Activities
2014.....	\$ 2,006,312
2015.....	2,006,312
2016.....	2,006,312
2017.....	2,006,312
2018 - 2021.....	<u>5,886,408</u>
Total.....	<u>\$ 13,911,656</u>

**NOTE 11 – RISK FINANCING**

The City is self-insured for its workers compensation claims which are accounted for in the government entity-wide financial statements where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors. The amount of claims settlements has not exceeded insurance coverage in any of the previous three years.

a) *Workers' Compensation*

Workers compensation claims are administered by a contracted consultant and are funded on a pay-as-you-go basis from annual appropriations. The City recorded a liability of \$4,710,000 at June 30, 2013, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2011 are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2012.....	\$ 2,258,000	\$	4,442,000	\$	(1,221,000)	\$	5,479,000
Fiscal Year 2013.....	5,479,000		304,000		(1,073,000)		4,710,000

**NOTE 12 - PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Quincy Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers, certain teachers of Quincy College and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments, for the fiscal year ended June 30, 2013, totaled \$24,193,800 for teachers of the public school system. These amounts are reported in the general fund as intergovernmental revenues and pension expenditures and in the Quincy College enterprise fund as pension operating expense and intergovernmental revenue.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Quincy Contributory Retirement Board and are borne by the System. Cost of living adjustments are based on 3% of the first \$12,000 of the members' retirement allowance. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 1305 Hancock St., Quincy, Massachusetts 02169.

At December 31, 2012, the System's membership consists of the following:

Active members.....	1,324
Inactive members.....	280
Retirees and beneficiaries currently receiving benefits.....	<u>1,561</u>
 Total.....	 <u><u>3,165</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute 98% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

*Annual Pension Cost* - The City contributions to the System for the fiscal years ended June 30, 2013, 2012 and 2011 were \$21,043,294, \$20,285,053, and \$19,892,044, respectively, which equaled its required contribution for each fiscal year. At June 30, 2013, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.125% investment rate of return and projected salary increases at 4% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2012, was 28 years.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/12	\$ 275,220,000	\$ 577,612,000	\$ 302,392,000	48%	\$ 75,630,000	400%
1/1/10	257,135,000	539,914,000	282,779,000	48%	76,888,000	368%
1/1/07	307,082,000	472,269,000	165,187,000	65%	66,710,000	248%
1/1/05	276,793,988	474,568,932	197,774,944	58%	59,492,900	332%
1/1/03	231,277,798	436,352,345	205,074,547	53%	58,949,749	348%
1/1/01	264,401,826	369,363,953	104,962,127	72%	56,824,746	185%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The City is responsible for approximately 98% of the unfunded liability.

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description* - The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* - The contribution requirements of plan members and the City are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The City contributes 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 percent of their premium costs.

*Annual OPEB Cost and Net OPEB Obligation* - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	35,137,000
Interest on net OPEB obligation.....		2,910,000
Adjustments to annual required contribution.....		<u>(1,437,000)</u>
Annual OPEB cost (expense).....		36,610,000
Contributions made.....		<u>(15,837,272)</u>
Increase/(decrease) in net OPEB obligation.....		20,772,728
Net OPEB obligation - beginning of year.....		<u>83,132,000</u>
Net OPEB obligation - end of year.....	\$	<u><u>103,904,728</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 36,610,000	43%	\$ 103,904,728
6/30/2012	35,103,000	42%	83,132,000
6/30/2011	29,178,000	52%	62,928,000

*Funded Status and Funding Progress* - As of June 30, 2013, the most recent actuarial valuation date, the funded status is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/12	\$ -	\$ 562,689,000	\$ 562,689,000	-	\$ 159,531,000	352.7%
06/30/10	-	478,217,000	478,217,000	-	150,501,000	317.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 3.5% investment rate of return and an annual health care cost rate trend of 8.5% initially, graded to 4.5% after eight years. Both rates included a 3.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was twenty-nine years.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The City is committed to fund a variety of construction and design contracts relating to the construction of a new middle school, ongoing improvements to the downtown business district and various governmental, water and sewer enterprise infrastructure improvements. The City is also subject to various funding agreements relating to the disposition of the former Quincy Hospital. The extent of the City's obligation to the former Quincy Hospital is explained further in Note 8.

Federal Grant Participation

The City participates in a number of federal financial assistance programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Adams Temple Trust

On February 18, 2011 the Norfolk Division of Commonwealth of Massachusetts' Probate and Family Court Department rendered a judgment whereby the City of Quincy, acting as trustee of the Adams Temple and School Fund and the Charles Francis Adam Fund, was negligent in carrying out its fiduciary duties under each of the trust agreements. Under the terms of the court judgment, the City is liable for the sum of approximately \$3 million to the Trusts. The court found that the breach of fiduciary duty related to employing inappropriate investment strategies and ignoring competent professional investment advice from 1973 through 2008. The professional advice recommended that the Board of Supervisors and Board of Managers of the Trusts allocate its investment portfolio into a split of 60% equities, 35% fixed income and 5% savings. The actual investment portfolio split maintained from 1973 to 2008 ranged from 90% - 100% fixed income and 0% - 10% equities. The court found that the Trusts were harmed by not maximizing the potential investment earnings based on the professional advice received. The City has the right to appeal this ruling and intends to exercise such appeal. In doing so, the City intends to vigorously and thoroughly challenge the verdict. Citing a recent ruling by a higher court, management and legal counsel of City anticipate a positive outcome on appeal. The financial statements have not provided for any potential liability.

Quincy Contributory Retirement System

On April 28, 2010, the Massachusetts Appeals Court issued its decision related to a dispute with respect to allocation of the Quincy Contributory Retirement System ("the System) for the annual appropriation of the employer's annual contribution between the two component units of the System, the City of Quincy and the Quincy Housing Authority. The dispute centered on the allocation method used by the System after the City privatized its Hospital and the effect it had by raising the allocation of the Housing Authority since 2002. The court agreed with the Housing Authority that its share of the allocated annual employer contribution was too high. The court ordered that System change its allocation method that will make the City 100% responsible for any accrued pension benefit liability remaining for the privatized Hospital. The judgment did not specify any monetary damages. This judgment cannot be appealed. The City had paid in full its actual required contribution for each of the fiscal years from 2002 to present as billed by the System. The actual future financial effect on the City is currently not known except for the fact that the City expects that its annual appropriation will increase in the future along with its share of the unfunded liability of System. The System is currently working with the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission to determine a new allocation methodology that will be in compliance with the court order for 2013 and beyond.

### Downtown Redevelopment

The City has entered into a Land Disposition Agreement (LDA) with a third party redeveloper. This redevelopment project will greatly enhance the City's downtown shopping district. Under the terms of LDA, funding has been provided for project costs equal to \$269,000,000 in City and third party contributions. The \$269,000,000 will be used to complete the public infrastructure component. In addition to the LDA, the Commonwealth of Massachusetts had provided a \$10,000,000 grant and a \$40,000,000 loan that has been earmarked as additional funding for the public infrastructure component of the project. This public infrastructure component includes restoration of the Town Brook waterway, improvements to and replacement of the existing traffic network and the construction of new parking facilities.

The third party redeveloper has assumed all construction period risk for the public improvements and all occupancy risk for the non-public components. The City has authorized indebtedness of \$289,350,000 to fund the ultimate repurchase of all public infrastructure projects that are completed by the redeveloper. The City has the right to final acceptance sign-off before it is required to repurchase the infrastructure. The repayment of the outstanding debt has been guaranteed through the use of specific lease agreements signed between the redeveloper, retail / office space tenants and the City. The language in the lease agreements guarantees that the City will be made whole for the debt service that it will carry and this will be accomplished by way of net parking revenues from the new parking facilities plus additional language contained within Massachusetts General Law, Chapter 121A.

Currently, the City is carrying a \$33,000,000 BAN that funded a portion of the project that is complete. The BAN is presented in the Quincy Center Concourse Fund, which is presented as a major governmental fund. As part of the overall consideration for this project, the redeveloper has committed to providing funds to the City equal to the BAN amount that will be repaid by the City.

The \$40,000,000 loan from the Commonwealth of Massachusetts will be repaid from anticipated state sales tax revenues, remitted to the state by business within the newly redeveloped businesses district, that are anticipated to exceed amounts currently collected from existing businesses in the project area. If sales tax receipts in the new business district do not exceed current collections, the City is responsible for the difference between currently forecasted sales tax revenues and current sales tax revenues.

### Other

Various other legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2013.



**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

# Required Supplementary Information

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 181,816,390	\$ 181,816,390	\$ 182,217,020	\$ -	\$ 400,630
Tax liens and foreclosures.....	-	-	940,940	-	940,940
Motor vehicle and other excise taxes.....	7,700,000	7,750,000	8,254,718	-	504,718
Meals tax.....	1,400,000	1,350,000	1,474,227	-	124,227
Urban redevelopment corporations tax.....	380,000	380,000	389,713	-	9,713
Penalties and interest on taxes.....	1,700,000	1,700,000	1,363,205	-	(336,795)
Fees and rentals.....	1,120,000	1,650,000	1,744,230	-	94,230
Payments in lieu of taxes.....	800,000	800,000	1,226,028	-	426,028
Licenses and permits.....	1,700,000	1,700,000	2,169,685	-	469,685
Fines and forfeitures.....	270,000	270,000	269,940	-	(60)
Intergovernmental.....	43,754,233	43,754,233	43,634,179	-	(120,054)
Departmental and other.....	1,630,000	1,630,000	1,428,409	-	(201,591)
Investment income.....	50,000	50,000	74,089	-	24,089
<b>TOTAL REVENUES.....</b>	<b>242,320,623</b>	<b>242,850,623</b>	<b>245,186,383</b>	<b>-</b>	<b>2,335,760</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	13,486,160	16,744,499	12,985,496	3,366,217	392,786
Public safety.....	42,865,582	45,315,359	45,104,556	211,066	(263)
Education.....	89,159,168	88,458,497	87,003,571	1,454,926	-
Public works.....	16,709,991	16,564,530	16,464,488	1,432,458	(1,332,416)
Human services.....	2,934,478	3,025,816	2,918,161	56,094	51,561
Culture and recreation.....	5,023,817	6,091,053	5,492,124	432,480	166,449
Pension benefits.....	21,106,335	21,106,335	21,082,772	-	23,563
Employee benefits.....	44,574,668	44,315,176	43,669,817	140,806	504,553
Claims and judgments.....	234,787	234,787	234,447	340	-
State and county charges.....	3,202,782	3,202,782	3,126,376	-	76,406
Debt service:					
Principal.....	6,683,415	6,682,545	6,678,545	-	4,000
Interest.....	5,154,170	5,154,170	5,016,637	-	137,533
Capital lease expenditures.....	2,435,208	2,435,208	2,435,208	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>253,570,561</b>	<b>259,330,757</b>	<b>252,212,198</b>	<b>7,094,387</b>	<b>24,172</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(11,249,938)</b>	<b>(16,480,134)</b>	<b>(7,025,815)</b>	<b>(7,094,387)</b>	<b>2,359,932</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Legal settlements - recovery of expenses incurred in prior years....	-	-	3,800,000	-	3,800,000
Premiums from issuance of long-term debt.....	-	-	747,220	-	747,220
Use of free cash, prior fund balance and other amounts.....	2,750,680	8,920,444	-	-	(8,920,444)
Transfers in.....	8,499,258	9,687,562	10,709,322	-	1,021,760
Transfers out.....	-	(2,127,872)	(1,917,444)	-	210,428
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>11,249,938</b>	<b>16,480,134</b>	<b>13,339,098</b>	<b>-</b>	<b>(3,141,036)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>6,313,283</b>	<b>(7,094,387)</b>	<b>(781,104)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>8,035,489</b>	<b>8,035,489</b>	<b>8,035,489</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 8,035,489</b>	<b>\$ 8,035,489</b>	<b>\$ 14,348,772</b>	<b>\$ (7,094,387)</b>	<b>\$ (781,104)</b>

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2013

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/12	\$ -	\$ 562,689,000	\$ 562,689,000	0%	\$ 159,531,000	353%
06/30/10	-	478,217,000	478,217,000	0%	150,501,000	318%
07/01/07	-	435,548,000	435,548,000	0%	138,044,000	316%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2013	\$ 35,137,000	\$ 15,837,272	45%
2012	33,989,000	14,899,000	44%
2011	28,261,000	15,290,000	54%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

JUNE 30, 2013

---

Actuarial Methods:

Valuation date.....	June 30, 2012
Actuarial cost method.....	Projected Unit Credit, open
Amortization method.....	Level dollar, open
Remaining amortization period.....	29 years as of June 30, 2013
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go scenario
Medical care cost trend rate.....	8.5% graded to 4.5% over 8 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	2,146
Current active members.....	<u>2,565</u>
Total.....	<u><u>4,711</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by a majority vote at the Annual City Meeting. The Mayor presents an annual operating and capital budget at the City Council which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The City Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require majority approval via the City Council.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of a City Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget authorized approximately \$253.6 million in appropriations inclusive of \$3.4 million of encumbrances carried forward from fiscal year 2012. During fiscal year 2013, the Council also approved supplemental appropriations totaling approximately \$7.7 million.

The Municipal Finance Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Net change in fund balance - budgetary basis.....	\$ 6,313,283
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,835,424
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(369,000)
Net change in recording accrued expenditures.....	(2,026,675)
Recognition of revenues for on-behalf payments.....	24,193,800
Recognition of expenditures for on-behalf payments.....	<u>(24,193,800)</u>
Net change in fund balance - gaap basis.....	<u>\$ 5,753,032</u>

### 3. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2013, actual expenditures exceeded appropriations for the public works function. The reason for the budget deficit is due actual snow and ice expenditures being higher than anticipated.

This over-expenditure was funded during the fiscal year 2014 budget process by using available funds.

#### **NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers.

The City currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions present multi-year trend information which compares the actuarial required contribution to the actual amount contributed.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.