

CITY OF QUINCY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

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JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	14
Statement of net position	15
Statement of activities	16
Governmental funds – balance sheet	18
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	19
Governmental funds – statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	21
Proprietary funds – statement of net position	22
Proprietary funds – statement of revenues, expenses and changes in net position	23
Proprietary funds – statement of cash flows	24
Fiduciary funds – statement of fiduciary net position.....	25
Fiduciary funds – statement of changes in fiduciary net position	26
Notes to basic financial statements	27
Required Supplementary Information.....	62
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	63
Other postemployment benefits plan schedule of funding progress and employer contributions	64
Other postemployment benefits plan actuarial methods and assumptions	65
Notes to required supplementary information.....	66



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
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 year ended June 30, 2014 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2013), 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, 2013 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, 2014 (except for the Quincy Contributory Retirement System which is as of December 31, 2013), 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 February March 25, 2015 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 25, 2015

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 year ended June 30, 2014. 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 2014 by \$232.6 million.
- Unrestricted net position of \$21.9 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 \$115.2 million. This has created a negative balance of (\$96.2) 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 \$18.8 million and the business-type activities recognizing an additional \$1.8 million in expenses.
- At the close of the current year, the City's general fund reported an ending fund balance of \$16.9 million, a decrease of \$1.3 million in comparison with the prior year. Total fund balance represents 5.8% of total general fund expenditures.
- The City's total debt (short-term, long-term and capital leases combined) increased by \$48.1 million during the current year. This was due to the net effect of \$12.6 million in long term debt and capital lease principal payments, \$9 million of long-term debt issuances and a net decrease of \$44.5 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 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 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 \$233.3 million at the close of 2014.

Net position of \$291 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 \$16.6 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 \$74.3 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 \$124.5 million.

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

Governmental Activities

The City of Quincy's assets exceeded liabilities for governmental activities by \$165.4 million at the close of 2014.

	2014 Governmental Activities	2013 Governmental Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 90,243,066	\$ 113,502,481
Noncurrent assets (excluding capital).....	6,237,253	6,975,088
Capital assets.....	<u>426,226,608</u>	<u>395,123,170</u>
Total assets.....	<u>522,706,927</u>	<u>515,600,739</u>
Liabilities:		
Current liabilities (excluding debt).....	32,230,739	30,840,344
Noncurrent liabilities (excluding debt).....	122,837,000	103,278,000
Current debt.....	43,661,538	87,266,418
Noncurrent debt.....	<u>158,627,429</u>	<u>119,023,412</u>
Total liabilities.....	<u>357,356,706</u>	<u>340,408,174</u>
Net Position:		
Capital assets net of related debt.....	246,086,913	235,293,867
Restricted.....	15,458,528	19,993,789
Unrestricted.....	<u>(96,195,220)</u>	<u>(80,095,091)</u>
Total net position.....	<u>\$ 165,350,221</u>	<u>\$ 175,192,565</u>

The governmental net position decreased \$9.8 million during the current year. The items factoring into the current year decrease in net position are:

- the OPEB liability which increased \$18.8 million. All of this liability increase is unbudgeted and is above and beyond the \$1 million that the City deposited into the OPEB Trust Fund;
- an overall increase in functional expenses which is further discussed below;

The governmental activities expenses totaled \$340.6 million of which \$101.3 million, or 29.8% of total governmental activities expenses, was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. The expenses increased \$19.7 million over the prior year and this was largely the result of:

- snow and ice removal costs exceeding budget by \$1.1 million;
- depreciation expense, which is allocated across all functions, being higher by \$1.3 million;
- \$3.6 million increase in pension costs and non-OPEB employee benefits that have been allocated across all functions;

General revenues totaled \$220.3 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions. General revenues increased \$2.8 million over the prior year and the increase is mainly attributable to real estate revenues being \$4.5 million higher than the prior year. A one-time legal settlement of \$3.8 million did not recur in the current year. The loss of the legal settlement funds were partially

offset by increases in tax lien, motor vehicle excise taxes and grants and contributions not restricted to specific programs. The increased real estate revenue was 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 decreased \$13.5 million and this is due to expected declining grants receipts from the MSBA relative to the construction wind-down of the new Central Middle School. Additionally the City realized a decline in capital grant revenue relative to the downtown redevelopment project.

Operating grant revenues increased \$3.6 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 years, is presented below.

	2014 Governmental Activities	2013 Governmental Activities
Program revenues:		
Charges for services.....	\$ 8,690,225	\$ 8,429,899
Operating grants and contributions.....	78,594,188	74,974,959
Capital grants and contributions.....	14,064,367	26,559,086
General Revenues:		
Real estate and personal property taxes.....	185,019,032	180,536,892
Motor vehicle and other excise taxes.....	9,312,667	8,599,099
Penalties and interest on taxes.....	954,995	1,017,355
Meals tax.....	1,509,949	1,474,227
Community preservation surtax.....	1,389,263	1,367,714
Legal settlement.....	-	3,800,000
Payments in lieu of taxes.....	1,060,227	1,226,028
Grants and contributions not restricted to specific programs.....	17,475,114	16,830,718
Unrestricted investment income.....	235,731	152,985
Other revenues.....	3,370,141	2,532,170
Total revenues.....	<u>321,675,899</u>	<u>327,501,132</u>
Expenses:		
General government.....	26,325,712	24,760,112
Public safety.....	86,214,340	80,927,847
Education.....	176,015,853	164,865,425
Public works.....	24,254,159	23,295,402
Human services.....	11,438,168	11,529,227
Community preservation.....	786,657	531,497
Culture and recreation.....	10,244,898	9,337,065
Claims and judgments.....	161,952	234,447
Interest.....	5,200,873	5,257,532
Total expenses.....	<u>340,642,612</u>	<u>320,738,554</u>
Increase in net position before transfers.....	(18,966,713)	6,762,578
Transfers.....	<u>9,124,369</u>	<u>7,773,062</u>
Change in net position.....	(9,842,344)	14,535,640
Net position -- beginning.....	<u>175,192,565</u>	<u>160,656,925</u>
Net position -- ending.....	\$ <u>165,350,221</u>	\$ <u>175,192,565</u>

Business-type Activities

The City's business-type activities assets exceeded liabilities by \$67.9 million at the close of 2014.

	2014 Business-type Activities	2013 Business-type Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 40,912,317	\$ 41,573,611
Noncurrent assets (excluding capital).....	1,249,818	1,276,707
Capital assets.....	<u>63,724,216</u>	<u>62,597,855</u>
Total assets.....	<u>105,886,351</u>	<u>105,448,173</u>
Liabilities:		
Current liabilities (excluding debt).....	4,553,923	4,101,715
Noncurrent liabilities (excluding debt).....	9,558,932	7,782,082
Current debt.....	2,899,463	3,428,513
Noncurrent debt.....	<u>20,876,570</u>	<u>22,725,533</u>
Total liabilities.....	<u>37,888,888</u>	<u>38,037,843</u>
Net Position:		
Capital assets net of related debt.....	44,957,869	43,063,375
Restricted for capital purposes.....	1,133,000	1,133,000
Unrestricted.....	<u>21,906,594</u>	<u>23,213,955</u>
Total net position.....	<u>\$ 67,997,463</u>	<u>\$ 67,410,330</u>
Program revenues:		
Charges for services.....	\$ 68,135,053	\$ 66,811,961
Operating grants and contributions.....	2,245,273	207,000
Capital grants and contributions.....	37,150	35,500
General Revenues:		
Unrestricted investment income.....	29,205	35,039
Penalties and interest.....	<u>407,895</u>	<u>222,836</u>
Total revenues.....	<u>70,854,576</u>	<u>67,312,336</u>
Expenses:		
Sewer.....	21,994,261	21,018,944
Water.....	15,092,779	13,948,161
Quincy College.....	<u>24,153,576</u>	<u>21,119,305</u>
Total expenses.....	<u>61,240,616</u>	<u>56,086,410</u>
Transfers.....	<u>(9,124,370)</u>	<u>(7,773,062)</u>
Change in net position.....	489,590	3,452,864
Net position -- beginning.....	<u>67,410,330</u>	<u>63,957,466</u>
Net position -- ending.....	<u>\$ 67,899,920</u>	<u>\$ 67,410,330</u>

Business-type net position of \$45 million or 66.1% of total business-type activity net position represent the investment in capital assets, \$1.1 million or 1.7% is restricted for capital purposes and \$21.9 million or 32.2% of

total business-type activity net position are unrestricted. The City's business-type activities net position increased \$490,000 in the current year.

The sewer enterprise fund balance increased \$921,000 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 \$1.7 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 \$2.1 million. Contributing to the change in fund net position was an OPEB expense of \$1.3 million, an increase of \$240,000 in pension benefits and non-OPEB employee benefits, and an increase in general payroll costs. The increased expenses were partially 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 year.

As of the end of the current year, governmental funds reported combined net ending fund balance surpluses of \$16.7 million. The ending net fund balance surplus is due to deficits in the Quincy Center Concourse fund and the Central Middle School Project fund of \$28.7 million and \$2.3 million respectively. Offsetting these deficits are surpluses in the General Fund and the nonmajor funds in the amounts of \$16.9 million and \$30.8 million respectively

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$11.1 million and total fund balance was \$16.9 million. Assignments of fund balance for encumbrances and continuing appropriations totaled \$5.9 million. Unassigned fund balance represents 3.8% of total general fund expenditures, while total fund balance represents 5.8% of that same amount.

The general fund experienced a decrease of \$1.3 million which mainly due to City utilizing \$1.2 million of free cash to fund a prior year snow and ice account deficit. Additional highlights include stronger than expected motor vehicles excise tax collections, a \$2.3 million increase in operating aid from the Commonwealth, and premiums from the issuance of debt exceeding budget by \$2.4 million. Offsetting the revenue highlights are expenditures in the public building department, parks department, and health insurance categories being greater than budget.

Fund balance of the Quincy Center Concourse Fund decreased by \$655,000. The decrease was the result of current year expenditures exceeding revenues. 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 2014, the City

incurred \$11.1 million in capital expenditures. The fund recognized \$8.8 million in grant reimbursements from the MSBA as well as an additional \$1.3 million of anticipated future grant reimbursements from the MSBA. At June 30, 2014, the fund had a deficit of \$2.3 million 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 \$6.7 million.

The increase is reflective of City Council votes resulting in a collective \$5.7 million appropriation increase to the general government, public safety, public works, 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 \$1.8 million. The transfer out was funded through free cash and partly resulted in the City's second 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 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, 2014, amounts to \$489.9 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 \$44.8 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, 2014, totaled approximately \$140.5 million, of which approximately \$78.2 million is related to school projects, \$5.5 million is related to land acquisitions, \$23.7 million is related to building remodeling and renovation projects, \$6.2 million is related to paving and traffic projects, \$1.7 million is related to library construction and renovation projects, \$1.6 million is related to the purchase of computer hardware, \$20.3 thousand is related to general governmental use, and \$3.3 thousand is related to the purchase of departmental equipment.

The water enterprise fund has \$12.9 million in long-term debt. The sewer enterprise fund has \$9.5 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, 2014 the City carried \$33 million of bond anticipation notes relating to the Downtown redevelopment project.

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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 67,917,859	\$ 23,830,228	\$ 91,748,087
Investments.....	2,130,185	2,424,976	4,555,161
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	7,039,825	-	7,039,825
Tax liens.....	5,424,636	-	5,424,636
Motor vehicle and other excise taxes.....	851,229	-	851,229
User fees.....	-	12,151,766	12,151,766
Student accounts and other.....	-	2,478,458	2,478,458
Departmental.....	192,626	-	192,626
Community preservation fund surtax.....	35,554	-	35,554
Intergovernmental.....	5,578,136	26,889	5,605,025
Loans.....	1,073,016	-	1,073,016
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	1,877,051	-	1,877,051
Intergovernmental.....	3,365,144	116,818	3,481,962
Deposit on purchase of property.....	-	1,133,000	1,133,000
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	76,350,739	-	76,350,739
Capital assets, net of accumulated depreciation.....	349,875,869	63,724,216	413,600,085
TOTAL ASSETS.....	522,706,927	105,886,351	628,593,278
LIABILITIES			
CURRENT:			
Warrants payable.....	7,562,468	816,258	8,378,726
Accrued payroll.....	12,387,934	945,061	13,332,995
Tax refunds payable.....	1,433,956	-	1,433,956
Accrued interest.....	1,195,814	161,000	1,356,814
Abandoned property.....	550,476	-	550,476
Other liabilities.....	462,091	497,526	959,617
Unearned revenue.....	-	1,847,078	1,847,078
Capital lease obligations.....	1,504,901	90,690	1,595,591
Compensated absences.....	7,949,000	287,000	8,236,000
Workers' compensation.....	689,000	-	689,000
Notes payable.....	33,000,000	-	33,000,000
Bonds payable.....	9,156,637	2,808,773	11,965,410
NONCURRENT:			
Capital lease obligations.....	20,983,499	1,264,548	22,248,047
Other postemployment benefit obligation.....	115,240,000	9,228,098	124,468,098
Compensated absences.....	2,599,000	330,834	2,929,834
Workers' compensation.....	4,998,000	-	4,998,000
Bonds payable.....	137,643,930	19,612,022	157,255,952
TOTAL LIABILITIES.....	357,356,706	37,888,888	395,245,594
NET POSITION			
Net Investment in Capital Assets.....	246,086,913	44,957,869	291,044,782
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,073,016	-	1,073,016
Permanent funds:			
Expendable.....	589,565	-	589,565
Nonexpendable.....	2,622,977	-	2,622,977
Grants and gifts.....	11,172,970	-	11,172,970
Unrestricted.....	(96,195,220)	21,906,594	(74,288,626)
TOTAL NET POSITION.....	\$ 165,350,221	\$ 67,997,463	\$ 233,347,684

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 26,325,712	\$ 2,836,011	\$ 3,365,523	\$ -	\$ (20,124,178)
Public safety.....	86,214,340	2,639,505	1,383,294	1,305,800	(80,885,741)
Education.....	176,015,853	2,135,129	61,181,057	8,821,402	(103,878,265)
Public works.....	24,254,159	467,124	3,122,534	3,495,165	(17,169,336)
Human services.....	11,438,168	160,326	9,013,894	-	(2,263,948)
Community preservation.....	786,657	-	-	442,000	(344,657)
Culture and recreation.....	10,244,898	452,130	287,266	-	(9,505,502)
Claims and judgments.....	161,952	-	-	-	(161,952)
Interest.....	5,200,873	-	240,620	-	(4,960,253)
Total Governmental Activities....	340,642,612	8,690,225	78,594,188	14,064,367	(239,293,832)
<i>Business-Type Activities:</i>					
Sewer.....	21,994,261	26,972,883	28,000	-	5,006,622
Water.....	15,092,779	18,106,858	160,000	-	3,174,079
Quincy College.....	24,153,576	23,055,312	2,057,273	37,150	996,159
Total Business-Type Activities...	61,240,616	68,135,053	2,245,273	37,150	9,176,860
Total Primary Government.....	\$ 401,883,228	\$ 76,825,278	\$ 80,839,461	\$ 14,101,517	\$ (230,116,972)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (239,293,832)	\$ 9,176,860	\$ (230,116,972)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	185,019,032	-	185,019,032
Tax liens.....	1,843,528	-	1,843,528
Motor vehicle and other excise taxes.....	9,312,667	-	9,312,667
Urban redevelopment corporations tax.....	399,967	-	399,967
Hotel/motel tax.....	1,126,646	-	1,126,646
Meals tax.....	1,509,949	-	1,509,949
Community preservation surtax.....	1,389,263	-	1,389,263
Penalties and interest on taxes.....	954,995	407,895	1,362,890
Payments in lieu of taxes.....	1,060,227	-	1,060,227
Grants and contributions not restricted to specific programs.....	17,475,114	-	17,475,114
Unrestricted investment income.....	235,731	29,205	264,936
<i>Transfers, net</i>	9,124,369	(9,124,370)	(1)
Total general revenues.....	<u>229,451,488</u>	<u>(8,687,270)</u>	<u>220,764,218</u>
Change in net position.....	(9,842,344)	489,590	(9,352,754)
<i>Net Position:</i>			
Beginning of year.....	<u>175,192,565</u>	<u>67,507,873</u>	<u>242,700,438</u>
End of year.....	\$ <u><u>165,350,221</u></u>	\$ <u><u>67,997,463</u></u>	\$ <u><u>233,347,684</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Quincy Center Concourse Fund	Central Middle School Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents.....	\$ 30,917,671	\$ 4,472,276	\$ -	\$ 32,527,912	\$ 67,917,859
Investments.....	-	-	-	2,130,185	2,130,185
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	7,039,825	-	-	-	7,039,825
Real estate tax deferrals.....	1,877,051	-	-	-	1,877,051
Tax liens.....	5,397,042	-	-	27,594	5,424,636
Motor vehicle and other excise taxes.....	851,229	-	-	-	851,229
Departmental.....	192,626	-	-	-	192,626
Community preservation fund surtax.....	-	-	-	35,554	35,554
Intergovernmental.....	5,218,083	-	1,311,643	2,413,554	8,943,280
Loans.....	-	-	-	1,073,016	1,073,016
Tax foreclosures.....	995,058	-	-	-	995,058
Due from other funds.....	3,209,643	-	-	-	3,209,643
TOTAL ASSETS.....	\$ 55,698,228	\$ 4,472,276	\$ 1,311,643	\$ 38,207,815	\$ 99,689,962
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Warrants payable.....	\$ 3,072,921	\$ 175,106	\$ 449,775	\$ 3,864,666	\$ 7,562,468
Accrued payroll.....	12,385,491	-	-	2,443	12,387,934
Tax refunds payable.....	1,433,956	-	-	-	1,433,956
Abandoned property.....	545,360	-	-	5,116	550,476
Other liabilities.....	462,091	-	-	-	462,091
Due to other funds.....	-	-	3,209,643	-	3,209,643
Notes payable.....	-	33,000,000	-	-	33,000,000
TOTAL LIABILITIES.....	17,899,819	33,175,106	3,659,418	3,872,225	58,606,568
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	20,884,553	-	-	3,474,336	24,358,889
FUND BALANCES:					
Nonspendable.....	-	-	-	2,622,977	2,622,977
Restricted.....	-	-	-	28,291,843	28,291,843
Committed.....	-	-	-	-	-
Assigned.....	5,862,869	-	-	-	5,862,869
Unassigned.....	11,050,987	(28,702,830)	(2,347,775)	(53,566)	(20,053,184)
TOTAL FUND BALANCES.....	16,913,856	(28,702,830)	(2,347,775)	30,861,254	16,724,505
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 55,698,228	\$ 4,472,276	\$ 1,311,643	\$ 38,207,815	\$ 99,689,962

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Total governmental fund balances.....	\$	16,724,505
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		426,226,608
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		24,358,889
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,195,814)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(146,800,567)	
Capital lease obligations.....	(22,488,400)	
Other postemployment benefit obligations.....	(115,240,000)	
Workers compensation.....	(5,687,000)	
Compensated absences.....	<u>(10,548,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(300,763,967)</u>
Net position of governmental activities.....	\$	<u><u>165,350,221</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Quincy Center Concourse Fund	Central Middle School Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 185,137,086	\$ -	\$ -	\$ -	\$ 185,137,086
Tax liens.....	756,148	-	-	-	756,148
Motor vehicle and other excise taxes.....	9,384,928	-	-	-	9,384,928
Hotel/motel tax.....	-	-	-	1,126,646	1,126,646
Charges for services.....	-	-	-	2,084,272	2,084,272
Urban redevelopment corporations tax.....	399,967	-	-	-	399,967
Penalties and interest on taxes.....	1,231,493	-	-	-	1,231,493
Fees and rentals.....	1,614,525	-	-	-	1,614,525
Payments in lieu of taxes.....	1,060,227	-	-	-	1,060,227
Licenses and permits.....	2,577,546	-	-	-	2,577,546
Fines and forfeitures.....	242,272	-	-	-	242,272
Intergovernmental.....	70,095,201	3,047,998	8,821,402	27,851,468	109,816,069
Departmental and other.....	1,418,215	-	-	2,059,912	3,478,127
Meals tax.....	1,509,949	-	-	-	1,509,949
Community preservation surtax.....	-	-	-	1,390,294	1,390,294
Contributions.....	-	-	-	573,896	573,896
Investment income.....	78,235	2,818	-	154,678	235,731
TOTAL REVENUES.....	275,505,792	3,050,816	8,821,402	35,241,166	322,619,176
EXPENDITURES:					
Current:					
General government.....	15,109,930	-	-	6,661,095	21,771,025
Public safety.....	48,472,640	-	-	3,582,716	52,055,356
Education.....	91,724,819	-	11,076,680	24,104,673	126,906,172
Public works.....	18,509,362	3,705,823	-	9,081,661	31,296,846
Human services.....	3,015,670	-	-	7,446,849	10,462,519
Community preservation.....	-	-	-	760,803	760,803
Culture and recreation.....	6,675,858	-	-	299,587	6,975,445
Pension benefits.....	46,383,332	-	-	-	46,383,332
Employee benefits.....	46,208,369	-	-	-	46,208,369
Claims and judgments.....	161,952	-	-	-	161,952
State and county charges.....	3,304,358	-	-	-	3,304,358
Debt service:					
Principal.....	4,768,400	-	-	550,000	5,318,400
Interest.....	4,307,918	-	-	118,653	4,426,571
Capital lease expenditures.....	2,435,207	-	-	-	2,435,207
TOTAL EXPENDITURES.....	291,077,815	3,705,823	11,076,680	52,606,037	358,466,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,572,023)	(655,007)	(2,255,278)	(17,364,871)	(35,847,179)
OTHER FINANCING SOURCES (USES):					
Premiums from issuance of long-term debt.....	2,845,132	-	-	-	2,845,132
Proceeds from issuance of bonds.....	-	-	-	46,385,000	46,385,000
Proceeds from refunding bonds.....	1,610,000	-	-	-	1,610,000
Payments of current refunded debt.....	(3,020,000)	-	-	-	(3,020,000)
Transfers in.....	12,824,746	-	-	34,910	12,859,656
Transfers out.....	(34,910)	-	-	(3,700,377)	(3,735,287)
TOTAL OTHER FINANCING SOURCES (USES).....	14,224,968	-	-	42,719,533	56,944,501
NET CHANGE IN FUND BALANCES.....	(1,347,055)	(655,007)	(2,255,278)	25,354,662	21,097,322
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....	18,260,911	(28,047,823)	(92,497)	5,506,592	(4,372,817)
FUND BALANCES (DEFICITS) AT END OF YEAR.....	\$ 16,913,856	\$ (28,702,830)	\$ (2,347,775)	\$ 30,861,254	\$ 16,724,505

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**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds..... \$ 21,097,322

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.....	43,343,179
Depreciation expense.....	<u>(12,239,741)</u>

Net effect of reporting capital assets..... 31,103,438

Revenues in the Statement of Activities that do not provide current financial resources are unavailable 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 unavailable revenue.....

(943,278)

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.....	(46,385,000)
Proceeds from the issuance of refunding bonds.....	(1,610,000)
Payments of current refunded debt.....	3,020,000
Principal payments on capital lease obligations.....	1,443,018
Premium from issuance of long-term debt.....	(2,270,555)
Debt service principal payments.....	<u>5,318,400</u>

Net effect of reporting long-term debt..... (40,484,137)

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.....	(488,000)
Net change in accrued interest on long-term debt.....	(356,689)
Net change in workers compensation accrual.....	(977,000)
Net change in other postemployment benefit obligations.....	<u>(18,794,000)</u>

Net effect of recording long-term liabilities..... (20,615,689)

Change in net position of governmental activities..... \$ (9,842,344)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
ASSETS				
CURRENT:				
Cash and short-term investments.....	\$ 6,872,956	\$ 6,970,183	\$ 9,987,089	\$ 23,830,228
Investments.....	-	-	2,424,976	2,424,976
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	5,079,176	-	5,079,176
Sewer fees.....	7,072,590	-	-	7,072,590
Student accounts and other.....	-	-	2,478,458	2,478,458
Intergovernmental.....	26,889	-	-	26,889
Other assets.....	-	-	-	-
Total current assets.....	<u>13,972,435</u>	<u>12,049,359</u>	<u>14,890,523</u>	<u>40,912,317</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	116,818	-	-	116,818
Deposit on purchase of property.....	-	-	1,133,000	1,133,000
Capital assets, net of accumulated depreciation....	24,522,031	36,412,851	2,789,334	63,724,216
Total noncurrent assets.....	<u>24,638,849</u>	<u>36,412,851</u>	<u>3,922,334</u>	<u>64,974,034</u>
TOTAL ASSETS.....	<u>38,611,284</u>	<u>48,462,210</u>	<u>18,812,857</u>	<u>105,886,351</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	522,316	66,243	227,699	816,258
Accrued payroll.....	35,621	42,687	866,753	945,061
Accrued interest.....	112,902	48,098	-	161,000
Abandoned property.....	-	-	267,892	267,892
Unearned revenue.....	-	-	1,847,078	1,847,078
Capital lease obligations.....	45,345	45,345	-	90,690
Other liability.....	-	-	229,634	229,634
Compensated absences.....	76,000	178,000	33,000	287,000
Bonds payable.....	903,056	1,905,717	-	2,808,773
Total current liabilities.....	<u>1,695,240</u>	<u>2,286,090</u>	<u>3,472,056</u>	<u>7,453,386</u>
NONCURRENT:				
Capital lease obligations.....	632,274	632,274	-	1,264,548
Other postemployment benefit obligation.....	1,263,000	1,263,000	6,702,098	9,228,098
Compensated absences.....	9,000	21,000	300,834	330,834
Bonds payable.....	8,580,482	11,031,540	-	19,612,022
Total noncurrent liabilities.....	<u>10,484,756</u>	<u>12,947,814</u>	<u>7,002,932</u>	<u>30,435,502</u>
TOTAL LIABILITIES.....	<u>12,179,996</u>	<u>15,233,904</u>	<u>10,474,988</u>	<u>37,888,888</u>
NET POSITION				
Net Investment in Capital Assets.....	17,360,298	24,808,237	2,789,334	44,957,869
Restricted for:				
Capital purposes.....	-	-	1,133,000	1,133,000
Unrestricted.....	9,070,990	8,420,069	4,415,535	21,906,594
TOTAL NET POSITION.....	<u>\$ 26,431,288</u>	<u>\$ 33,228,306</u>	<u>\$ 8,337,869</u>	<u>\$ 67,997,463</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
OPERATING REVENUES:				
Charges for services	\$ 26,972,883	\$ 18,106,858	\$ 25,040,920	\$ 70,120,661
OPERATING EXPENSES:				
Cost of services and administration	21,180,731	13,308,015	23,229,356	57,718,102
Depreciation.....	867,252	1,098,235	779,175	2,744,662
TOTAL OPERATING EXPENSES	22,047,983	14,406,250	24,008,531	60,462,764
OPERATING INCOME (LOSS).....	4,924,900	3,700,608	1,032,389	9,657,897
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	3,231	14,084	11,890	29,205
Penalties and interest.....	236,889	171,006	-	407,895
Interest expense.....	(298,818)	(333,989)	-	(632,807)
Intergovernmental.....	28,000	160,000	-	188,000
Vending commission and other revenue.....	-	-	71,665	71,665
Credit card fees.....	-	-	(145,045)	(145,045)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(30,698)	11,101	(61,490)	(81,087)
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	4,894,202	3,711,709	970,899	9,576,810
OPERATING TRANSFERS:				
Transfers out.....	(3,973,038)	(2,015,252)	(3,136,080)	(9,124,370)
CAPITAL CONTRIBUTIONS:				
Capital contributions from Quincy College Trust, Inc.....	-	-	37,150	37,150
CHANGE IN NET POSITION.....	921,164	1,696,457	(2,128,031)	489,590
NET POSITION AT BEGINNING OF YEAR.....	25,510,124	31,531,849	10,465,900	67,507,873
NET POSITION AT END OF YEAR.....	\$ 26,431,288	\$ 33,228,306	\$ 8,337,869	\$ 67,997,463

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 26,823,158	\$ 17,997,312	\$ 24,954,823	\$ 69,775,293
Payments to vendors.....	(19,595,594)	(11,302,478)	(7,293,989)	(38,192,061)
Payments to employees.....	(1,140,459)	(1,717,997)	(11,313,279)	(14,171,735)
Payments for interfund services used.....	-	-	(3,013,080)	(3,013,080)
NET CASH FROM OPERATING ACTIVITIES.....	6,087,105	4,976,837	3,334,475	14,398,417
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	(3,973,038)	(2,015,252)	(3,136,080)	(9,124,370)
Vending commission and other revenues.....	-	-	71,665	71,665
Credit card fees.....	-	-	(145,045)	(145,045)
Penalties and interest.....	236,889	171,006	-	407,895
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(3,736,149)	(1,844,246)	(3,209,460)	(8,789,855)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	229,138	1,292,701	-	1,521,839
Capital contributions.....	-	-	37,150	37,150
Acquisition and construction of capital assets.....	(1,420,380)	(1,502,680)	(853,774)	(3,776,834)
Principal payments on bonds and notes.....	(1,065,115)	(2,148,635)	-	(3,213,750)
Principal payments on capital lease obligations.....	(43,480)	(43,480)	-	(86,960)
Interest payments on capital lease obligations.....	(49,783)	(18,695)	-	(68,478)
Interest expense.....	(233,266)	(159,584)	-	(392,850)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,582,886)	(2,580,373)	(816,624)	(5,979,883)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Proceeds/disbursements from sales and maturities of investments.....	-	-	(983)	(983)
Investment income.....	3,231	14,084	11,890	29,205
NET CASH FROM INVESTING ACTIVITIES.....	3,231	14,084	10,907	28,222
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(228,699)	566,302	(680,702)	(343,099)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	7,101,655	6,403,881	10,667,791	24,173,327
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,872,956	\$ 6,970,183	\$ 9,987,089	\$ 23,830,228
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 4,924,900	\$ 3,700,608	\$ 1,032,389	\$ 9,657,897
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	867,252	1,098,235	779,175	2,744,662
Changes in assets and liabilities:				
Accounts receivable.....	(149,725)	(109,546)	(178,401)	(437,672)
Other assets.....	-	-	287,084	287,084
Warrants payable.....	234,599	53,833	(263,905)	24,527
Accrued payroll.....	(5,921)	10,707	311,352	316,138
Unearned revenue.....	-	-	92,304	92,304
Compensated absences.....	5,000	12,000	7,271	24,271
Other postemployment benefits.....	211,000	211,000	1,347,370	1,769,370
Other liabilities.....	-	-	(80,164)	(80,164)
Total adjustments.....	1,162,205	1,276,229	2,302,086	4,740,520
NET CASH FROM OPERATING ACTIVITIES.....	\$ 6,087,105	\$ 4,976,837	\$ 3,334,475	\$ 14,398,417
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Debt service intergovernmental subsidy.....	\$ 28,000	\$ 160,000	\$ -	\$ 188,000

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 3,402,466	\$ 1,231,376	\$ 761,590	\$ 1,436,429
Investments.....	296,340,807	-	-	-
Receivables.....				
Departmental and other.....	4,360,807	-	-	615,951
TOTAL ASSETS.....	304,104,080	1,231,376	761,590	2,052,380
LIABILITIES				
Warrants payable.....	125,001	-	-	57,608
Accrued liabilities.....	-	-	-	52,412
Liabilities due depositors.....	-	-	-	1,326,409
Deferred revenue.....	-	-	-	615,951
TOTAL LIABILITIES.....	125,001	-	-	2,052,380
NET POSITION				
Held in trust for pension benefits, OPEB benefits, and other purposes.....	\$ 303,979,079	\$ 1,231,376	\$ 761,590	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 22,732,710	\$ 1,019,498	\$ -
Employee.....	7,571,867	-	-
Private donations.....	-	-	94
Total contributions.....	<u>30,304,577</u>	<u>1,019,498</u>	<u>94</u>
Net investment income (loss):			
Net change in fair value of investments.....	31,331,050	-	-
Interest.....	1,817,818	1,450	30,365
Total investment income (loss).....	33,148,868	1,450	30,365
Less: investment expense.....	(885,499)	-	-
Net investment income (loss).....	<u>32,263,369</u>	<u>1,450</u>	<u>30,365</u>
Intergovernmental.....	331,406	-	-
Workers compensation settlement.....	30,000	-	-
Transfers from other systems.....	1,728,921	-	-
TOTAL ADDITIONS.....	<u>64,658,273</u>	<u>1,020,948</u>	<u>30,459</u>
DEDUCTIONS:			
Administration.....	449,797	-	-
Transfers to other systems.....	1,091,442	-	-
Retirement benefits and refunds.....	42,460,179	-	-
Educational scholarships.....	-	-	7,347
TOTAL DEDUCTIONS.....	<u>44,001,418</u>	<u>-</u>	<u>7,347</u>
CHANGE IN NET POSITION.....	20,656,855	1,020,948	23,112
NET POSITION AT BEGINNING OF YEAR.....	<u>283,322,224</u>	<u>210,428</u>	<u>738,478</u>
NET POSITION AT END OF YEAR.....	<u>\$ 303,979,079</u>	<u>\$ 1,231,376</u>	<u>\$ 761,590</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 year ended June 30, 2014, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 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 1st 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 1st, November 1st, February 1st and May 1st 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 year of the levy.

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the 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 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. Unavailable revenues relate to amounts collected for course offerings that will not occur until the next 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 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 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.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

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. Unavailable revenue

Unavailable 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. Unavailable 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 by way of approval of a City Council Order. 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).

Proprietary funds retain their investment income.

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 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, 2014, within the special revenue and agency funds. These deficits will be funded through grant proceeds and other available funds in 2015.

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 A1/P1 to A2/P2. Approximately 91% of the total was rated A1/P1 and approximately 9% was rated A2/P2. 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 .25 to 10.78 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 year-end, the carrying amount of deposits totaled \$82,241,045 and the bank balance totaled \$85,386,572. Of the bank balance, \$3,558,671 was covered by Federal Depository Insurance, \$20,478,834 was covered by the Depositors Insurance Fund, and \$61,349,067 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2013, carrying amount (book value) of deposits for the Retirement System's deposits totaled \$3,402,466. The bank balance of \$4,035,513 was covered by Federal Depository Insurance.

Investments

As of June 30, 2014, 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	More Than 10	
<u>Debt Securities:</u>						
United States Treasuries.....	\$ 434,911	\$ -	\$ 434,911	\$ -	\$ -	AAA
Corporate Bonds.....	244,579	244,579	-	-	-	AA+
Corporate Bonds.....	150,159	150,159	-	-	-	A-
**Black Rock Inflation Protection Portfolio Bond Fund.....	49,086	-	-	-	49,086	AAA
**Federated GNMA Trust Institutional Share.....	223,587	-	-	223,587	-	AAA
**Western Asset Inflation Index Plus Bond Fund.....	110,905	-	-	110,905	-	AAA
Government Sponsored Enterprises.....	550,000	-	550,000	-	-	AAA
Total Debt Securities.....	1,763,227	\$ 394,738	\$ 984,911	\$ 334,492	\$ 49,086	
<u>Other Investments</u>						
Equity Securities.....	366,958					
Equity Mutual Funds.....	2,424,976					
Money Market Mutual Funds.....	2,805,093					
MMDT.....	10,131,344					
Total Investments.....	\$ 17,491,598					

** = The Black Rock Inflation Protection Portfolio Bond Fund, Federated GNMA 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 7.15, 4.5 and 6.74 years and an average maturity of 10.53, 7.9 and 7.66 years, respectively.

As of December 31, 2013, the System had the following investments:

	<u>Fair Value</u>
Pooled alternative investments (private equity).....	\$ 22,702,036
Pooled domestic equity.....	85,047,094
Pooled international equity.....	72,366,771
Pooled real estate.....	26,698,021
Pooled international fixed income.....	6,432,849
Pooled domestic fixed income.....	62,698,914
Pooled global fixed income.....	11,951,627
PRIT core fund.....	5,765,018
Other investments.....	<u>2,678,477</u>
 Total.....	 <u>\$ 296,340,807</u>

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 \$550,000 in government sponsored enterprises, \$383,578 in fixed income mutual funds, \$394,738 in corporate bonds and \$366,958 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, 2014, 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>Receivables:</u>			
Real estate and personal property taxes.....	\$ 8,970,649	\$ (1,930,824)	\$ 7,039,825
Motor vehicle and vessel excise taxes.....	5,121,657	(4,270,428)	851,229
Community preservation fund surtax.....	35,554	-	35,554
Tax liens.....	5,424,636	-	5,424,636
Real estate tax deferrals.....	1,877,051	-	1,877,051
Intergovernmental.....	8,943,280	-	8,943,280
Departmental.....	192,626	-	192,626
Loans.....	1,073,016	-	1,073,016
 Total.....	 <u>\$ 31,638,469</u>	 <u>\$ (6,201,252)</u>	 <u>\$ 25,437,217</u>

At June 30, 2014, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 2,478,458	\$ -	\$ 2,478,458
Intergovernmental.....	143,707	-	143,707
Water fees.....	5,079,176	-	5,079,176
Sewer fees.....	7,072,590	-	7,072,590
 Total.....	 <u>\$ 14,773,931</u>	 <u>\$ -</u>	 <u>\$ 14,773,931</u>

Governmental funds report *unavailable 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 year, the various components of *unavailable 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.....	\$ 6,353,464	\$ -	\$ 6,353,464
Motor vehicle and vessel excise taxes.....	851,229	-	851,229
Community preservation fund surtax.....	-	35,553	35,553
Tax liens.....	5,397,042	27,594	5,424,636
Real estate tax deferrals.....	1,877,051	-	1,877,051
Intergovernmental.....	5,218,083	2,338,173	7,556,256
Loans.....	-	1,073,016	1,073,016
Departmental and other.....	192,626	-	192,626
Tax foreclosures.....	995,058	-	995,058
 Total.....	 <u>\$ 20,884,553</u>	 <u>\$ 3,474,336</u>	 <u>\$ 24,358,889</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 70,534,455	\$ -	\$ -	\$ 70,534,455
Construction in progress.....	30,708,129	3,576,210	(28,468,055)	5,816,284
Total capital assets not being depreciated.....	<u>101,242,584</u>	<u>3,576,210</u>	<u>(28,468,055)</u>	<u>76,350,739</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	14,641,664	361,244	-	15,002,908
Buildings and building improvements.....	216,632,191	50,995,816	-	267,628,007
Machinery, vehicles and equipment.....	32,599,034	3,677,911	(370,518)	35,906,427
Infrastructure.....	106,300,013	13,200,053	-	119,500,066
Total capital assets being depreciated.....	<u>370,172,902</u>	<u>68,235,024</u>	<u>(370,518)</u>	<u>438,037,408</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,554,536)	(419,652)	-	(1,974,188)
Buildings and building improvements.....	(42,510,416)	(7,085,502)	-	(49,595,918)
Machinery, vehicles and equipment.....	(18,182,368)	(2,242,013)	370,518	(20,053,863)
Infrastructure.....	(14,044,996)	(2,492,574)	-	(16,537,570)
Total accumulated depreciation.....	<u>(76,292,316)</u>	<u>(12,239,741)</u>	<u>370,518</u>	<u>(88,161,539)</u>
Total capital assets being depreciated, net.....	<u>293,880,586</u>	<u>55,995,283</u>	<u>-</u>	<u>349,875,869</u>
Total governmental activities capital assets, net.....	<u>\$ 395,123,170</u>	<u>\$ 59,571,493</u>	<u>\$ (28,468,055)</u>	<u>\$ 426,226,608</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<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.....	2,168,659	345,645	(223,423)	2,290,881
Infrastructure.....	44,751,851	1,139,977	-	45,891,828
Total capital assets being depreciated.....	46,945,974	1,485,622	(223,423)	48,208,173
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(6,048)	(1,273)	-	(7,321)
Machinery, vehicles and equipment.....	(743,429)	(192,630)	52,132	(883,927)
Infrastructure.....	(10,079,216)	(904,332)	-	(10,983,548)
Total accumulated depreciation.....	(10,828,693)	(1,098,235)	52,132	(11,874,796)
Total capital assets being depreciated, net.....	36,117,281	387,387	(171,291)	36,333,377
Total water activities capital assets, net.....	\$ 36,196,755	\$ 387,387	\$ (171,291)	\$ 36,412,851
	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<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.....	1,890,327	302,200	-	2,192,527
Infrastructure.....	33,893,766	1,400,720	-	35,294,486
Total capital assets being depreciated.....	35,798,028	1,702,920	-	37,500,948
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(13,935)	-	-	(13,935)
Machinery, vehicles and equipment.....	(776,689)	(180,089)	-	(956,778)
Infrastructure.....	(11,603,571)	(687,163)	-	(12,290,734)
Total accumulated depreciation.....	(12,394,195)	(867,252)	-	(13,261,447)
Total capital assets being depreciated, net.....	23,403,833	835,668	-	24,239,501
Total sewer activities capital assets, net.....	\$ 23,686,363	\$ 835,668	\$ -	\$ 24,522,031

	Beginning Balance	Increases	Decreases	Ending Balance
Quincy College Activities:				
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	\$ 5,889,539	\$ 311,188	\$ -	\$ 6,200,727
Machinery and equipment.....	2,913,686	542,586	-	3,456,272
Total capital assets being depreciated.....	8,803,225	853,774	-	9,656,999
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(4,073,692)	(450,003)	-	(4,523,695)
Machinery and equipment.....	(2,014,796)	(329,172)	-	(2,343,968)
Total accumulated depreciation.....	(6,088,488)	(779,175)	-	(6,867,663)
Total capital assets being depreciated, net.....	2,714,737	74,599	-	2,789,336
Total college activities capital assets, net.....	\$ 2,714,737	\$ 74,599	\$ -	\$ 2,789,336

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

Governmental Activities:	
General government.....	\$ 804,455
Public safety.....	1,396,432
Education.....	6,045,838
Public works.....	2,992,019
Human services.....	9,789
Culture and recreation.....	965,354
Community preservation.....	25,854
Total depreciation expense - governmental activities.....	\$ 12,239,741
Business-Type Activities:	
Sewer.....	\$ 867,252
Water.....	1,098,235
Quincy College.....	779,175
Total depreciation expense - business-type activities.....	\$ 2,744,662

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2014, the City had a \$3.2 million interfund receivable and payable between the General Fund and the Quincy Central Middle School Project fund, respectively.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 34,910	\$ 34,910 (1)
Nonmajor Governmental Funds.....	3,700,377	-	3,700,377 (1)
Sewer Enterprise Fund.....	3,973,038	-	3,973,038 (2)
Water Enterprise Fund.....	2,015,252	-	2,015,252 (2)
Quincy College Enterprise Fund.....	3,136,080	-	3,136,080 (3)
Total.....	\$ 12,824,747	\$ 34,910	\$ 12,859,657

- 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 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 year ended June 30, 2014 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
<u>Governmental</u>							
BAN	Municipal Purpose.....	1.25%	9/14/2012	\$ 18,000,000	\$ -	\$ 18,000,000	\$ -
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%	9/12/2014	-	18,000,000	18,000,000	-
BAN	Municipal Purpose.....	1.00%	1/25/2015	-	30,000,000	-	30,000,000
BAN	Municipal Purpose.....	1.00%	6/19/2015	-	3,000,000	-	3,000,000
Total Notes Payable.....				\$ 77,485,000	\$ 51,000,000	\$ 95,485,000	\$ 33,000,000

On September 11, 2014 the City paid down BANS totaling \$18,000,000 with the proceeds of \$18,000,000 of long-term debt for the City Hall & Coddington School Renovations. The financial statements have reported this BAN as long-term debt as of June 30, 2014. The long term issuance will mature in 2043 and carries an interest rate of between 2.5% and 5%.

On January 25, 2015, the City renewed the \$30,000,000 BAN at an interest rate of 1.25% that will mature on January 22, 2016.

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.....	(7,875,798)	(604,775)
 Total.....	 \$ 23,002,248	 \$ 1,256,071

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, 2014:

Year	Governmental Activities	Business-Type Activities
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.....	2,367,730	142,688
2020 through 2024.....	9,118,068	691,450
2025 through 2027.....	7,910,039	334,730
 Total minimum lease payments.....	 29,055,927	 1,751,020
 Less: amounts representing interest.....	 (6,567,527)	 (395,782)
 Present value of minimum lease payments.....	 \$ 22,488,400	 \$ 1,355,238

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".

In prior years, in order to take advantage of favorable interest rates, certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the financial statements. At June 30, 2014, \$5,495,000 of the bonds refunded remain outstanding and are considered defeased.

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as listed below.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose 2003.....	2015	\$ 5,992,778	2.5 - 5.0	\$ 607,772	\$ -	\$ 362,772	\$ 245,000
Municipal Purpose 2004.....	2021	4,060,000	2.125 - 4.25	240,000	-	240,000	-
Municipal Purpose 2005.....	2025	14,020,700	2.0 - 5.0	3,483,827	-	949,752	2,534,075
Municipal Purpose 2006.....	2019	13,050,305	3.25 - 5.0	7,046,995	-	1,270,110	5,776,885
Municipal Purpose 2007.....	2020	10,000,000	4.0 - 6.0	6,040,000	-	760,000	5,280,000
Municipal Purpose 2008.....	2027	6,470,000	3.0 - 6.0	2,245,000	-	185,000	2,060,000
Municipal Purpose 2011 - Refunding.....	2022	1,118,500	2.0 - 5.0	1,710,300	-	244,525	1,465,775
Municipal Purpose 2011.....	2040	31,088,000	2.0 - 5.25	30,010,518	-	537,241	29,473,277
Municipal Purpose 2012.....	2040	33,518,000	2.5 - 4.0	33,514,000	-	179,000	33,335,000
Municipal Purpose 2013 - Refunding.....	2025	5,700,000	2.0 - 3.0	5,700,000	-	40,000	5,660,000
Municipal Purpose 2013.....	2039	8,250,000	4.0 - 5.0	8,250,000	-	-	8,250,000
Municipal Purpose 2014.....	2034	46,385,000	2.5 - 5.0	-	46,385,000	-	46,385,000
Subtotal.....				98,848,412	46,385,000	4,768,400	140,465,012
Unamortized Premiums on Bonds.....				-	2,270,555	-	2,270,555
Total.....				\$ 98,848,412	\$ 48,655,555	\$ 4,768,400	\$ 142,735,567

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015..... \$	6,768,731	\$ 4,975,566	\$ 11,744,297
2016.....	7,478,461	5,108,045	12,586,506
2017.....	7,544,551	4,828,169	12,372,720
2018.....	7,436,281	4,526,330	11,962,611
2019.....	7,211,901	4,235,773	11,447,674
2020.....	6,177,256	3,905,062	10,082,318
2021.....	5,042,241	3,640,118	8,682,359
2022.....	4,865,241	3,403,589	8,268,830
2023.....	4,827,241	3,202,322	8,029,563
2024.....	4,992,241	3,005,401	7,997,642
2025.....	5,067,241	2,801,490	7,868,731
2026.....	5,102,241	2,594,760	7,697,001
2027.....	5,262,241	2,422,136	7,684,377
2028.....	4,592,241	2,252,923	6,845,164
2029.....	4,727,241	2,153,805	6,881,046
2030.....	4,882,241	1,949,546	6,831,787
2031.....	5,037,241	1,763,705	6,800,946
2032.....	5,217,241	1,578,991	6,796,232
2033.....	4,917,241	1,396,033	6,313,274
2034.....	5,092,241	1,187,155	6,279,396
2035.....	4,037,241	1,023,522	5,060,763
2036.....	4,177,241	872,099	5,049,340
2037.....	4,322,241	712,482	5,034,723
2038.....	4,472,241	546,013	5,018,254
2039.....	4,647,241	367,074	5,014,315
2040.....	3,267,252	216,697	3,483,949
2041.....	1,330,000	105,400	1,435,400
2042.....	965,000	59,500	1,024,500
2043.....	1,005,000	20,100	1,025,100
Totals..... \$	<u>140,465,012</u>	<u>\$ 64,853,806</u>	<u>\$ 205,318,818</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Sewer

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Proceeds	Payments	Outstanding at June 30, 2014
Sewer Bonds of 2002.....	2022	\$ 6,349,668	3.5 - 6.0	\$ 443,587	\$ -	\$ 271,375	\$ 172,212
Sewer Bonds of 2003.....	2014	1,345,200	2.5 - 5.0	82,875	-	82,875	-
Sewer Bonds of 2005.....	2020	1,146,428	2.0 - 5.25	542,980	-	102,345	440,635
Sewer Bonds of 2006.....	2018	156,200	3.25 - 5.0	75,300	-	15,500	59,800
Sewer Bonds of 2007.....	2024	4,657,129	0.0 - 2.0	1,997,721	-	148,868	1,848,853
Sewer Bonds of 2008.....	2028	3,753,319	0.0 - 6.0	2,830,717	-	157,060	2,673,657
Sewer Bonds of 2010.....	2031	2,065,000	2.0	1,126,203	-	52,502	1,073,701
Sewer Bonds of 2011 - Refunding.....	2022	810,775	2.0 - 5.0	724,700	-	85,475	639,225
Sewer Bonds of 2012.....	2017	3,686,801	0.0	2,852,373	-	276,918	2,575,455
Total sewer bonds payable.....				\$ 10,676,456	\$ -	\$ 1,192,918	\$ 9,483,538

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

Sewer Enterprise Fund

Year	Principal	Interest	Total
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.....	\$ 9,483,538	\$ 1,752,333	\$ 11,235,871

Bonds and Notes Payable Schedule – Water Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Water

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Proceeds	Payments	Outstanding at June 30, 2014
MWRA Water Loans.....	2021	\$ 15,469,480	0.0	\$ 7,072,225	\$ 1,050,500	\$ 1,441,898	\$ 6,680,827
Water Bonds of 2003.....	2014	312,021	2.5 - 5.0	29,350	-	29,350	-
Water Bonds of 2005.....	2020	2,113,520	2.0 - 5.0	1,243,495	-	193,905	1,049,590
Water Bonds of 2006.....	2017	798,495	3.25 - 5.0	357,705	-	104,390	253,315
Water Bonds of 2010.....	2031	1,435,000	2.0	782,615	-	36,485	746,130
Water Bonds of 2011 - Refunding.....	2031	856,300	2.0 - 5.0	755,000	-	100,000	655,000
Water Bonds of 2012.....	2033	3,935,102	0.0 - 2.0	3,795,002	-	242,607	3,552,395
Total water bonds payable.....				\$ 14,035,392	\$ 1,050,500	\$ 2,148,635	\$ 12,937,257

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

Water Enterprise Fund

Year	Principal	Interest	Total
2015.....	\$ 1,905,717	\$ 144,334	\$ 2,050,051
2016.....	1,904,385	128,244	2,032,629
2017.....	1,834,228	110,237	1,944,465
2018.....	1,305,864	94,502	1,400,366
2019.....	1,260,070	80,298	1,340,368
2020.....	1,112,926	64,158	1,177,084
2021.....	830,588	48,223	878,811
2022.....	514,762	40,716	555,478
2023.....	378,172	37,390	415,562
2024.....	276,708	33,993	310,701
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.....	\$ 12,937,257	\$ 924,773	\$ 13,862,030

Massachusetts Water Pollution Abatement Trust funded debt

The City has entered into various long term debt agreements with the Massachusetts Clean Water Trust (MCWT), an agency of the Commonwealth of Massachusetts that requires the City to be subsidized by the MCWT on a periodic basis for principal in the amount of \$143,707 and interest costs for \$595,701. Thus, net MCWT loan repayments, including interest, are scheduled to be \$4,375,209. The principal subsidies are guaranteed and therefore a \$143,707 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 2014 principal and interest subsidies totaled \$127,803 and \$106,095 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 \$759,000 in the water fund and \$45,000 in the sewer fund. 2014 imputed interest was \$160,000 and \$28,000 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 2014, approximately \$1,148,000 of such assistance was received and approximately \$6,100,000 will be received in future years. Of this amount, approximately \$1,863,000 represents reimbursement of long-term interest costs, and approximately \$4,237,000 represents reimbursement of approved construction costs. Accordingly, a \$4,237,000 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable 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 2014 the City received \$10 million and recorded a \$1.3 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 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 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 from 2001 through 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>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>2,455,000</u>	\$ <u>225,410</u>	\$ <u>2,680,410</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, 2014, the City has paid down \$13,390,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2014 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, 2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2014</u>
Municipal Purpose Loan...	1.00%	7/29/2014	\$ <u>3,020,000</u>	\$ <u>1,610,000</u>	\$ <u>3,020,000</u>	\$ <u>1,610,000</u>

On July 25, 2014, the City paid down \$790,000 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 24, 2015.

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, 2014, the City had the following authorized and unissued debt:

High School.....	\$ 3,020,000
Health Care Funding.....	1,610,000
Water & Sewer.....	22,671,710
District Improvement Financing.....	30,000,000
Quincy Center Redevelopment.....	289,350,000
Other Capital Purposes.....	10,000,000
Central Middle School.....	31,272,183
Other School Projects.....	<u>6,838,930</u>
Total.....	<u>\$ 394,762,823</u>

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease obligations.....	\$ 23,931,418	\$ -	\$ (1,443,018)	\$ 22,488,400	\$ 1,504,901
Compensated absences.....	10,060,000	7,911,000	(7,423,000)	10,548,000	7,949,000
Bonds payable.....	101,868,412	50,265,555	(7,788,400)	144,345,567	8,378,731
Other postemployment benefit obligations.....	96,446,000	35,967,691	(17,173,691)	115,240,000	-
Workers' compensation.....	4,710,000	2,229,000	(1,252,000)	5,687,000	689,000
Due to HUD.....	<u>3,005,000</u>	<u>-</u>	<u>(550,000)</u>	<u>2,455,000</u>	<u>575,000</u>
Total governmental activities.....	<u>240,020,830</u>	<u>96,373,246</u>	<u>(35,630,109)</u>	<u>300,763,967</u>	<u>19,096,632</u>
Business-Type Activities:					
Capital lease obligations.....	1,442,198	-	(86,960)	1,355,238	90,690
Compensated absences.....	593,563	294,480	(270,209)	617,834	287,000
Other postemployment benefit obligations.....	7,458,728	2,216,679	(447,309)	9,228,098	-
Bonds payable.....	<u>24,711,848</u>	<u>1,050,500</u>	<u>(3,341,553)</u>	<u>22,420,795</u>	<u>2,808,773</u>
Total business-type activities.....	<u>34,206,337</u>	<u>3,561,659</u>	<u>(4,146,031)</u>	<u>33,621,965</u>	<u>3,186,463</u>
Total.....	<u>\$ 274,227,167</u>	<u>\$ 99,934,905</u>	<u>\$ (39,776,140)</u>	<u>\$ 334,385,932</u>	<u>\$ 22,283,095</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, 2014, \$7,293,487 has been set aside in the general stabilization fund. The fund has 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 2014, the fund received aggregate interest and investment earnings of \$12,683. 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, 2014, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Quincy Center Concourse Fund</u>	<u>Central Middle School Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Nonspendable:					
Permanent fund principal..... \$	-	-	-	2,622,977	\$ 2,622,977
Restricted for:					
Energy efficiency capital upgrades.....	-	-	-	148,408	148,408
School federal and state grant funds....	-	-	-	1,072,206	1,072,206
CDBG grant funds.....	-	-	-	1,233,847	1,233,847
JTPA funds.....	-	-	-	477,182	477,182
School revolving funds.....	-	-	-	5,527,762	5,527,762
Receipts reserved for appropriations....	-	-	-	3,320,997	3,320,997
Other special revenue.....	-	-	-	431,199	431,199
Community preservation fund.....	-	-	-	4,414,660	4,414,660
Expendable trust funds.....	-	-	-	686,509	686,509
City trust funds.....	-	-	-	1,796,077	1,796,077
Mitigation trust funds.....	-	-	-	431,195	431,195
Capital project funds (bonded).....	-	-	-	8,270,348	8,270,348
Capital project funds (not bonded).....	-	-	-	269,306	269,306
Library trust funds.....	-	-	-	212,147	212,147
Assigned to:					
General government.....	2,047,585	-	-	-	2,047,585
Public safety.....	171,701	-	-	-	171,701
Education.....	743,369	-	-	-	743,369
Public works.....	1,238,972	-	-	-	1,238,972
Human services.....	58,973	-	-	-	58,973
Culture and recreation.....	1,488,267	-	-	-	1,488,267
Employee benefits.....	85,954	-	-	-	85,954
Claims and judgments.....	28,048	-	-	-	28,048
Unassigned.....	<u>11,050,987</u>	<u>(28,702,830)</u>	<u>(2,347,775)</u>	<u>(53,566)</u>	<u>(20,053,184)</u>
TOTAL FUND BALANCES (DEFICIT).....	<u><u>16,913,856</u></u> \$	<u><u>(28,702,830)</u></u> \$	<u><u>(2,347,775)</u></u> \$	<u><u>30,861,254</u></u> \$	<u><u>16,724,505</u></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 2014 amounted to \$2,316,316. The College's minimum future obligations under non-cancelable leases are as follows:

Years Ending June 30	Business-Type Activities
2015.....	\$ 2,006,312
2016.....	2,006,312
2017.....	2,006,312
2018.....	1,918,766
2019.....	1,831,220
2020 - 2021.....	<u>2,136,423</u>
Total.....	\$ <u>11,905,345</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 \$5,687,000 at June 30, 2014, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2012 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2013.....	\$ 5,479,000	\$ 304,000	\$ (1,073,000)	\$ 4,710,000
2014.....	4,710,000	2,229,000	(1,252,000)	5,687,000

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 year ended June 30, 2014, totaled

\$24,540,000 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, 2013, the System's membership consists of the following:

Active members.....	1,368
Inactive members.....	220
Retirees and beneficiaries currently receiving benefits.....	<u>1,515</u>
 Total.....	 <u><u>3,103</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 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 years ended June 30, 2014, 2013 and 2011 were \$21,804,670, \$21,043,294, and \$20,285,053, respectively, which equaled its required contribution for each year. At June 30, 2014, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8% investment rate of return and projected salary increases of 3.75% 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 27 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

The City implemented the provisions of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during 2013 and established its “Other Postemployment Benefit Trust Fund”. The City voted to begin pre-funding its OPEB liabilities through the use of this irrevocable trust.

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.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the Postemployment Benefit Trust Fund and to enable the City to raise taxes necessary to begin pre-funding its OPEB liabilities. During 2014, the City pre-funded future OPEB liabilities in the amount of \$1,019,498.

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.....	\$ 36,457,000
Interest on net OPEB obligation.....	3,637,000
Adjustments to annual required contribution.....	<u>(1,911,000)</u>
Annual OPEB cost (expense).....	38,183,000
Contributions made.....	<u>(17,621,000)</u>
Increase/(decrease) in net OPEB obligation.....	20,562,000
Net OPEB obligation - beginning of year.....	<u>103,904,728</u>
Net OPEB obligation - end of year.....	<u>\$ 124,466,728</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 38,183,000	46%	\$ 124,466,728
6/30/2013	36,610,000	43%	103,904,728
6/30/2012	35,103,000	42%	83,132,000

Funded Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the funded status is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
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, 2014, was twenty-eight 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 award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, through June 30, 2014, 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. The financial statements have not provided for any potential liability.

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, 2014 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2014.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows of resources and deferred inflows of resources in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 187,847,022	\$ 187,638,253	\$ 183,458,233	\$ -	\$ (4,180,020)
Tax liens and foreclosures.....	-	-	756,148	-	756,148
Motor vehicle and other excise taxes.....	8,254,000	8,254,000	9,384,928	-	1,130,928
Meals tax.....	1,474,000	1,474,000	1,509,949	-	35,949
Urban redevelopment corporations tax.....	390,000	390,000	399,967	-	9,967
Penalties and interest on taxes.....	1,363,000	1,363,000	1,231,493	-	(131,507)
Fees and rentals.....	1,743,000	1,743,000	1,614,525	-	(128,475)
Payments in lieu of taxes.....	1,370,000	1,370,000	1,060,227	-	(309,773)
Licenses and permits.....	2,170,000	2,170,000	2,577,546	-	407,546
Fines and forfeitures.....	270,000	270,000	242,272	-	(27,728)
Intergovernmental.....	45,374,374	45,374,374	45,555,201	-	180,827
Departmental and other.....	1,761,000	1,761,000	1,418,215	-	(342,785)
Investment income.....	74,000	74,000	65,552	-	(8,448)
TOTAL REVENUES.....	252,090,396	251,881,627	249,274,256	-	(2,607,371)
EXPENDITURES:					
Current:					
General government.....	12,610,030	17,066,552	14,835,884	2,047,585	183,083
Public safety.....	46,871,316	48,765,870	48,472,641	171,701	121,528
Education.....	92,613,091	92,490,129	91,724,819	743,369	21,941
Public works.....	21,226,686	18,893,799	18,509,362	1,238,972	(854,535)
Human services.....	3,370,121	3,367,764	3,015,670	58,973	293,121
Culture and recreation.....	6,938,726	8,420,673	6,675,858	1,488,267	256,548
Pension benefits.....	21,848,358	21,848,358	21,843,332	-	5,026
Employee benefits.....	46,279,563	46,478,035	46,208,369	85,954	183,712
Claims and judgments.....	200,340	190,000	161,952	28,048	-
State and county charges.....	3,188,015	3,188,015	3,304,358	-	(116,343)
Debt service:					
Principal.....	9,496,460	6,178,400	6,178,400	-	-
Interest.....	1,241,750	4,559,811	4,307,918	-	251,893
Capital lease expenditures.....	2,435,207	2,435,207	2,435,207	-	-
TOTAL EXPENDITURES.....	268,319,663	273,882,613	267,673,770	5,862,869	345,974
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(16,229,267)	(22,000,986)	(18,399,514)	(5,862,869)	(2,261,397)
OTHER FINANCING SOURCES (USES):					
Premiums from issuance of long-term debt.....	188,000	188,000	2,571,086	-	2,383,086
Use of free cash, prior fund balance and other amounts.....	6,757,723	11,261,567	-	-	(11,261,567)
Transfers in.....	9,283,544	12,365,576	13,661,778	-	1,296,202
Transfers out.....	-	(1,814,157)	(1,814,157)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	16,229,267	22,000,986	14,418,707	-	(7,582,279)
NET CHANGE IN FUND BALANCE.....	-	-	(3,980,807)	(5,862,869)	(9,843,676)
BUDGETARY FUND BALANCE, Beginning of year.....	14,348,772	14,348,772	14,348,772	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 14,348,772	\$ 14,348,772	\$ 10,367,965	\$ (5,862,869)	\$ (9,843,676)

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 36,457,000	\$ 17,621,000	48%
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, 2014

Actuarial Methods:

Valuation date.....	June 30, 2012
Actuarial cost method.....	Projected Unit Credit, open
Amortization method.....	Level dollar, open
Remaining amortization period.....	28 years as of June 30, 2014
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 year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent 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 2014 approved budget authorized approximately \$268 million in appropriations inclusive of \$7.1 million of encumbrances carried forward from 2013. During 2014, the Council also approved supplemental appropriations totaling approximately \$6.7 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 year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$ (1,814,157)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	954,898
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(177,000)
Net change in recording accrued expenditures.....	1,855,854
Recognition of revenues for on-behalf payments.....	24,540,000
Recognition of expenditures for on-behalf payments.....	<u>(24,540,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ 819,595</u>

3. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, actual expenditures exceeded appropriations for the public works function and for state and county charges. The reason for the budget deficits is due actual snow and ice expenditures being higher than anticipated. State and county charges exceeded estimated amounts due to increased charter school and school choice tuition assessments.

This over-expenditure was funded during the 2015 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.