

CITY OF QUINCY, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2015

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

JUNE 30, 2015

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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, 2015 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2014), 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, 2014 which 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, 2015 (except for the Quincy Contributory Retirement System which is as of December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016 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 28, 2016

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, 2015. 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 liabilities of the City of Quincy exceeded its assets and deferred outflows of resources at the close of 2015 by \$124.2 million due to the unfunded long-term actuarial determined pension liability of \$328.4 million and the other postemployment liability (OPEB) of \$154.8.
- The accumulated business-type liability for postemployment benefits has risen to \$46.1 million. This has created a negative balance of (\$8.7) million for business-type activities unrestricted net position. Excluding these unfunded liabilities, unrestricted net position of \$37.4 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 \$437.1 million. This has created a negative balance of (\$421.3) million for governmental activities unrestricted net position. Excluding these unfunded liabilities, unrestricted net position of \$15.8 million may be used to meet the business-type on-going obligations to users and creditors.
- The recognition of current year expenses associated with required accounting transactions under GASB Statement #45 resulted in governmental activities recognizing an additional expense of \$29.6 million and the business-type activities recognizing an additional \$760,000 in expenses.
- The City implemented GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The financial statements also recognized a restatement of the beginning net position of \$279.7 million for governmental activities and \$34.2 for business type activities to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- At the close of the current year, the City's general fund reported an ending fund balance of \$10.9 million, a decrease of \$6.0 million in comparison with the prior year. The decrease is the direct result of an unprecedented snow fall in 2015 which resulted in a snow and ice budgetary deficit of \$11.8 million along with \$1.7 of claims and judgments budgetary deficit. These deficits were offset by a revenue surplus of 3.0 million and unused appropriations.

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 statements 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 liabilities exceeded assets and deferred outflows of resources by \$124.2 million at the close of 2015.

Net position of \$282.8 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 \$23.1 million of the net position represents resources that are subject to external restrictions on how they may be used. The remaining *unrestricted net position* deficit balance of \$430.0 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 \$154.8 million and net pension liabilities of \$328.4 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 liabilities exceeded assets and deferred outflows of resources liabilities for governmental activities by \$156.9 million at the close of 2015.

	2015 Governmental Activities	(As Revised) 2014 Governmental Activities
Assets:		
Current assets.....	\$ 99,349,268	\$ 90,243,066
Noncurrent assets (excluding capital).....	5,537,604	6,237,253
Capital assets.....	441,117,868	426,226,608
Total assets.....	546,004,740	522,706,927
Deferred Outflows of Resources.....	7,245,825	-
Liabilities:		
Current liabilities (excluding debt).....	34,298,983	32,230,739
Noncurrent liabilities (excluding debt).....	155,718,111	122,837,000
Current debt.....	68,210,380	43,661,538
Noncurrent debt.....	451,921,540	438,352,165
Total liabilities.....	710,149,014	637,081,442
Net Position:		
Capital assets net of related debt.....	242,430,909	246,086,913
Restricted.....	21,927,249	19,150,616
Unrestricted.....	(421,256,607)	(375,919,956)
Total net position.....	\$ (156,898,449)	\$ (110,682,427)

The governmental net position decreased \$42.5 million during the current year. The items factoring into the current year decrease in net position are:

- the OPEB liability which increased \$29.6 million. All of this liability increase is unbudgeted;
- an overall increase in functional expenses which is further discussed below;

The governmental activities expenses totaled \$363.3 million of which \$84.1 million, or 23% 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 \$25.8 million over the prior year and this was largely the result of:

- snow and ice removal costs exceeding budget by \$11.9 million;
- depreciation expense, which is allocated across all functions, being higher by \$1 million;
- \$5.3 million increase in pension costs and non-OPEB employee benefits that have been allocated across all functions;
- Recognition of a court judgment liability of \$3.6 million plus another \$1.7 million paid in claims.

General revenues totaled \$230.7 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions. General revenues increased \$10.4 million over the prior year and the increase is mainly attributable to real estate revenues being \$10.1 million higher than the prior year. A one-time increase in 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 \$7.3 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 decreased \$11 million. This is mainly due to the manner in which the City recognizes offsetting grant revenues and education expense for on-behalf contributions made by the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System (MTRS) for teacher employed by the City. This amount recognized by the City is determined by the MTRS. In 2014, the amount recognized by the City was \$24,540,000. As a result of the implementation of GASB Statement #68 and #71, the MTRS change the methodology used to determine the on-behalf amount recognized by the City. As a result, the amount recognized by the City decreased \$12,971,000 in 2015 to \$11,676,000. Offsetting this decrease are increases in education related grant revenues that are funded by the DESE. These grants are cyclical in nature.

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

	2015	(As Revised) 2014
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Program revenues:		
Charges for services.....	\$ 9,684,320	\$ 8,690,225
Operating grants and contributions.....	67,685,534	78,594,188
Capital grants and contributions.....	6,774,288	14,064,367
General revenues:		
Real estate and personal property taxes.....	194,958,637	185,019,032
Motor vehicle and other excise taxes.....	9,858,794	9,312,667
Penalties and interest on taxes.....	2,383,760	954,995
Meals tax.....	1,584,261	1,509,949
Community preservation surtax.....	1,505,060	1,389,263
Payments in lieu of taxes.....	1,024,106	1,060,227
Grants and contributions not restricted to specific programs.....	17,653,241	17,475,114
Unrestricted investment income.....	138,014	235,731
Other revenues.....	1,578,361	3,370,141
Total revenues.....	<u>314,828,376</u>	<u>321,675,899</u>
Expenses:		
General government.....	29,821,809	25,519,443
Public safety.....	97,482,060	84,658,071
Education.....	159,801,373	176,015,853
Public works.....	38,665,222	23,504,159
Human services.....	12,825,426	11,438,168
Community preservation.....	488,175	786,657
Culture and recreation.....	12,066,807	10,244,898
Claims and judgments.....	5,844,445	161,952
Interest.....	6,341,962	5,200,873
Total expenses.....	<u>363,337,279</u>	<u>337,530,074</u>
Increase in net position before transfers.....	(48,508,903)	(15,854,175)
Transfers.....	<u>5,984,969</u>	<u>6,011,832</u>
Change in net position.....	(42,523,934)	(9,842,343)
Net position -- beginning (as revised).....	<u>(114,374,514)</u>	<u>(104,532,171)</u>
Net position -- ending.....	\$ <u>(156,898,448)</u>	\$ <u>(114,374,514)</u>

The beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statements #68 and #71. The cumulative effect of this revision was to reduce the prior year total net position by \$279,724,736. Previously reported net position of \$165,350,221 has been revised to (\$114,374,515).

Business-type Activities

The City's business-type activities assets and deferred outflows of resources exceeded liabilities by \$32.7 million at the close of 2015.

	2015	(As Revised) 2014
	Business-type Activities	Business-type Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 39,763,547	\$ 40,912,317
Noncurrent assets (excluding capital).....	1,221,966	1,249,818
Capital assets.....	<u>65,835,927</u>	<u>63,724,216</u>
Total assets.....	<u>106,821,440</u>	<u>105,886,351</u>
Deferred Outflows of Resources.....	<u>918,999</u>	<u>-</u>
Current liabilities (excluding debt).....	2,957,864	4,553,923
Noncurrent liabilities (excluding debt).....	46,563,038	43,755,714
Current debt.....	6,414,860	2,899,463
Noncurrent debt.....	<u>19,057,150</u>	<u>20,876,570</u>
Total liabilities.....	<u>74,992,912</u>	<u>72,085,670</u>
Net Position:		
Capital assets net of related debt.....	40,363,917	44,957,869
Restricted for capital purposes.....	1,133,000	1,133,000
Unrestricted.....	<u>(8,749,390)</u>	<u>(12,307,121)</u>
Total net position.....	<u>\$ 32,747,527</u>	<u>\$ 33,783,748</u>
Program revenues:		
Charges for services.....	\$ 74,561,206	\$ 68,135,053
Operating grants and contributions.....	461,936	2,245,273
Capital grants and contributions.....	40,750	37,150
General revenues:		
Unrestricted investment income.....	23,823	29,205
Penalties and interest.....	<u>893,089</u>	<u>407,895</u>
Total revenues.....	<u>75,980,804</u>	<u>70,854,576</u>
Expenses:		
Sewer.....	22,229,163	21,994,261
Water.....	19,367,055	15,092,779
Quincy College.....	<u>29,435,838</u>	<u>24,153,576</u>
Total expenses.....	<u>71,032,056</u>	<u>61,240,616</u>
Transfers.....	<u>(5,984,969)</u>	<u>(9,124,370)</u>
Change in net position.....	<u>(1,036,221)</u>	<u>489,590</u>
Net position -- beginning (as revised).....	<u>33,783,748</u>	<u>33,294,158</u>
Net position -- ending.....	<u>\$ 32,747,527</u>	<u>\$ 33,783,748</u>

Business-type net position of \$40.4 million represents the net investment in capital assets, \$1.1 million is restricted for capital purposes and the remaining unrestricted net position is in a deficit of \$8.7 million. The City's business-type activities net position decreased \$1 million in the current year.

The sewer enterprise net position increased \$644,000 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 net position decreased \$428,000 which is primarily the result of the total cost of operations and other financing uses exceeding charges for service. Principal payments on debt and capitalized infrastructure costs exceeding depreciation expense also factored into the decrease.

Ending net position of the Quincy College enterprise fund decreased \$1.3 million. Contributing to the change in fund net position was an OPEB expense of \$1.2 million, an increase of \$959,000 in pension benefits and non-OPEB employee benefits, and an increase in general payroll costs. Part of the OPEB expense was a \$1.0 million contribution to the College's OPEB trust fund which is the initial contribution to begin funding this undefended liability. The increased expenses were partially offset by tuition and other fee income being greater than the prior year.

The beginning net position of the business-type activities has been revised to reflect the implementation of GASB Statements #68 and #71. The cumulative effect of this revision was to reduce the prior year total net position by \$34,213,715. Previously reported net position of \$67,997,463 has been revised to \$33,783,748.

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 deficits of \$10.1 million. The ending net fund balance deficit is due to deficits in the Quincy Center Concourse fund and the North Quincy High School Project fund of \$32.5 million and \$5.4 million respectively. Offsetting these deficits are surpluses in the General Fund and the nonmajor funds in the amounts of \$10.9 million and \$16.9 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 \$8 million and total fund balance was \$10.9 million. Assignments of fund balance for encumbrances and continuing appropriations totaled \$2.7 million. Unassigned fund balance represents 2.73% of total general fund expenditures, while total fund balance represents 3.71% of that same amount.

The general fund experienced a decrease of \$6 million which was due to the over-expenditure of the snow and ice removal appropriation by \$11.9 million and higher than anticipated legal judgements and settlements of \$1.7 million. These items were partially offset by \$2.5 million of bonding premiums of which only \$300,000 was budgeted and positive budgetary results in all other areas.

Fund balance of the Quincy Center Concourse Fund decreased by \$3.8 million. The increase was the result of current year expenditures exceeding revenues. Fund expenditures are currently being funded by \$37.4 million in bond anticipation notes in addition to various state and federal grant reimbursements. The current fund deficit balance of (\$32.5) million will be eliminated through the issuance of long-term debt.

The North Quincy High School Project fund reports activity associated with the construction of a new high school that will serve the North Quincy area. The project 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 2015, the City incurred \$6.2 million of capital expenditures mainly for land acquisition costs. These expenditures were offset by \$803,000 in grant reimbursements from the MSBA as well as an additional \$672,000 of anticipated future grant reimbursements from the MSBA. At June 30, 2015, the fund had a deficit of \$5.4 million which will be covered by future grant reimbursements and bond proceeds.

General Fund Budgetary Highlights

The final budget, when compared to the original budget, increased by approximately \$7.3 million.

The increase is reflective of City Council votes resulting in a collective \$3 million appropriation increase to the general government, public safety, public works, and the culture and recreation functions. This appropriation increase was offset by appropriation decreases totaling \$649,000 in the education, human services, employee benefits and claims and judgements. Also affecting the overall appropriation increase is the City Council votes to fund transfers out in the amount of \$5 million. The transfers out was funded through free cash of which \$2.2 million was transferred to the Inclement Weather fund and \$2.2 million was transferred to the general Stabilization 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, 2015, amounts to \$507 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 \$17.0 million.

The major reason for the increase in governmental capital asset activity includes the capitalization of final construction costs associated with the new North Quincy High School project, window replacement at various elementary schools, park improvements and related projects funded through the Community Preservation Fund, infrastructure costs associated with the downtown redevelopment project, as well as various roadway infrastructure upgrades and improvements.

The major reason for the increase in water and sewer fund capital assets is due to the City's ongoing investment in the infrastructure that supports the distribution and collection systems of both funds.

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, 2015, totaled approximately \$154.8 million, of which approximately \$75.1 million is related to school projects, \$21.3 million is related to energy efficiency projects, \$28.4 million is related to general building repair and renovation projects, \$14.4 million is related to seawall and drainage improvements,

\$1.3 million is related to library construction and renovation projects, \$1.3 million is related to the purchase of computer hardware, \$5.5 million is related to paving projects, \$2.9 million is related to departmental equipment acquisition, and \$4.6 million is related to land acquisition.

The water enterprise fund has \$11.9 million in long-term debt. The sewer enterprise fund has \$10.4 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, 2015 the City carried \$69.5 million of bond anticipation notes of which \$37.4 relates to the Downtown redevelopment project; \$13.9 relates to North Quincy High; \$15.0 relates to nonmajor capital projects; \$3.0 relates to sewer projects; and \$233,000 relates to water projects.

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

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 73,557,968	\$ 26,277,640	\$ 99,835,608
Investments.....	2,575,114	1,425,940	4,001,054
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	7,708,826	-	7,708,826
Tax liens.....	2,514,295	-	2,514,295
Motor vehicle and other excise taxes.....	1,024,159	-	1,024,159
User fees.....	-	9,812,890	9,812,890
Student accounts and other.....	-	2,052,046	2,052,046
Departmental.....	226,938	-	226,938
Community preservation fund surtax.....	44,151	-	44,151
Intergovernmental.....	10,554,707	195,031	10,749,738
Loans.....	1,143,110	-	1,143,110
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	2,015,890	-	2,015,890
Intergovernmental.....	2,526,656	88,966	2,615,622
Deposit on purchase of property.....	-	1,133,000	1,133,000
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	92,145,136	-	92,145,136
Capital assets, net of accumulated depreciation.....	<u>348,972,732</u>	<u>65,835,927</u>	<u>414,808,659</u>
TOTAL ASSETS.....	<u>546,004,740</u>	<u>106,821,440</u>	<u>652,826,180</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	<u>7,245,825</u>	<u>918,999</u>	<u>8,164,824</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	7,649,618	626,633	8,276,251
Accrued payroll.....	13,186,884	592,651	13,779,535
Tax refunds payable.....	1,475,000	-	1,475,000
Accrued interest.....	1,498,585	147,166	1,645,751
Abandoned property.....	606,609	-	606,609
Other liabilities.....	542,933	491,128	1,034,061
Unearned revenue.....	-	781,078	781,078
Compensated absences.....	8,369,000	319,208	8,688,208
Workers' compensation.....	664,000	-	664,000
Court judgments.....	306,354	-	306,354
Notes payable.....	66,295,324	3,190,667	69,485,991
Bonds payable.....	1,915,056	3,224,193	5,139,249
NONCURRENT:			
Other postemployment benefit obligation.....	144,861,097	9,985,930	154,847,027
Compensated absences.....	2,694,000	399,472	3,093,472
Workers' compensation.....	4,574,000	-	4,574,000
Court judgments.....	3,589,014	-	3,589,014
Bonds payable.....	159,705,749	19,057,150	178,762,899
Net pension liability.....	<u>292,215,791</u>	<u>36,177,636</u>	<u>328,393,427</u>
TOTAL LIABILITIES.....	<u>710,149,014</u>	<u>74,992,912</u>	<u>785,141,926</u>
NET POSITION			
Net Investment in Capital Assets.....	242,430,909	40,363,917	282,794,826
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,143,110	-	1,143,110
Permanent funds:			
Expendable.....	674,681	-	674,681
Nonexpendable.....	2,656,214	-	2,656,214
Grants and gifts.....	17,453,244	-	17,453,244
Unrestricted.....	<u>(421,256,607)</u>	<u>(8,749,390)</u>	<u>(430,005,997)</u>
TOTAL NET POSITION.....	<u>\$ (156,898,449)</u>	<u>\$ 32,747,527</u>	<u>\$ (124,150,922)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

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.....	\$ 29,821,809	\$ 3,008,512	\$ 3,738,437	\$ -	\$ (23,074,860)
Public safety.....	97,482,060	3,787,283	775,442	65,000	(92,854,335)
Education.....	159,801,373	1,870,441	50,286,980	1,162,819	(106,481,133)
Public works.....	38,665,222	475,167	1,044,600	4,899,594	(32,245,861)
Human services.....	12,825,426	147,723	11,348,884	-	(1,328,819)
Community preservation.....	488,175	-	-	446,875	(41,300)
Culture and recreation.....	12,066,807	395,194	215,690	200,000	(11,255,923)
Claims and judgments.....	5,844,445	-	-	-	(5,844,445)
Interest.....	6,341,962	-	275,501	-	(6,066,461)
Total Governmental Activities....	<u>363,337,279</u>	<u>9,684,320</u>	<u>67,685,534</u>	<u>6,774,288</u>	(279,193,137)
<i>Business-Type Activities:</i>					
Sewer.....	22,229,163	28,451,743	21,000	-	6,243,580
Water.....	19,367,055	18,288,873	131,000	-	(947,182)
Quincy College.....	29,435,838	27,820,590	309,936	40,750	(1,264,562)
Total Business-Type Activities...	<u>71,032,056</u>	<u>74,561,206</u>	<u>461,936</u>	<u>40,750</u>	4,031,836
Total Primary Government.....	<u>\$ 434,369,335</u>	<u>\$ 84,245,526</u>	<u>\$ 68,147,470</u>	<u>\$ 6,815,038</u>	\$ (275,161,301)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (279,193,137)	\$ 4,031,836	\$ (275,161,301)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	194,958,637	-	194,958,637
Motor vehicle and other excise taxes.....	9,858,794	-	9,858,794
Urban redevelopment corporations tax.....	406,047	-	406,047
Hotel/motel tax.....	1,172,314	-	1,172,314
Meals tax.....	1,584,261	-	1,584,261
Community preservation surtax.....	1,505,060	-	1,505,060
Penalties and interest on taxes.....	2,383,760	893,089	3,276,849
Payments in lieu of taxes.....	1,024,106	-	1,024,106
Grants and contributions not restricted to specific programs.....	17,653,241	-	17,653,241
Unrestricted investment income.....	138,014	23,823	161,837
<i>Transfers, net</i>	5,984,969	(5,984,969)	-
Total general revenues.....	<u>236,669,203</u>	<u>(5,068,057)</u>	<u>231,601,146</u>
Change in net position.....	(42,523,934)	(1,036,221)	(43,560,155)
<i>Net Position:</i>			
Beginning of year (as revised).....	<u>(114,374,515)</u>	<u>33,783,748</u>	<u>(80,590,767)</u>
End of year.....	\$ <u><u>(156,898,449)</u></u>	\$ <u><u>32,747,527</u></u>	\$ <u><u>(124,150,922)</u></u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2015

	General	Quincy Center Concourse Fund	North Quincy High School Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and equivalents.....	\$ 27,871,891	\$ 5,229,433	\$ 9,005,976	\$ 31,450,668	\$ 73,557,968
Investments.....	-	-	-	2,575,114	2,575,114
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	7,708,826	-	-	-	7,708,826
Real estate tax deferrals.....	2,015,890	-	-	-	2,015,890
Tax liens.....	2,499,977	-	-	14,318	2,514,295
Motor vehicle and other excise taxes.....	1,024,159	-	-	-	1,024,159
Departmental.....	226,938	-	-	-	226,938
Community preservation fund surtax.....	-	-	-	44,151	44,151
Intergovernmental.....	4,286,496	-	672,786	8,122,081	13,081,363
Loans.....	-	-	-	1,143,110	1,143,110
Tax foreclosures.....	995,058	-	-	-	995,058
Due from other funds.....	321,028	-	-	-	321,028
TOTAL ASSETS.....	\$ 46,950,263	\$ 5,229,433	\$ 9,678,762	\$ 43,349,442	\$ 105,207,900
LIABILITIES:					
Warrants payable.....	\$ 2,502,579	\$ 284,697	\$ 1,152,967	\$ 3,709,375	\$ 7,649,618
Accrued payroll.....	13,172,030	-	-	14,854	13,186,884
Tax refunds payable.....	1,475,000	-	-	-	1,475,000
Abandoned property.....	601,493	-	-	5,116	606,609
Other liabilities.....	542,933	-	-	-	542,933
Due to other funds.....	-	-	-	321,028	321,028
Court judgments.....	306,354	-	-	-	306,354
Notes payable.....	-	37,413,808	13,906,747	14,974,769	66,295,324
TOTAL LIABILITIES.....	18,600,389	37,698,505	15,059,714	19,025,142	90,383,750
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues.....	17,482,345	-	-	7,397,287	24,879,632
FUND BALANCES:					
Nonspendable.....	-	-	-	2,656,214	2,656,214
Restricted.....	-	-	-	19,291,838	19,291,838
Assigned.....	2,869,537	-	-	-	2,869,537
Unassigned.....	7,997,992	(32,469,072)	(5,380,952)	(5,021,039)	(34,873,071)
TOTAL FUND BALANCES.....	10,867,529	(32,469,072)	(5,380,952)	16,927,013	(10,055,482)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 46,950,263	\$ 5,229,433	\$ 9,678,762	\$ 43,349,442	\$ 105,207,900

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, 2015

Total governmental fund balances.....	\$	(10,055,482)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		441,117,868
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		24,879,632
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		7,245,825
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(1,498,585)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(161,620,805)	
Court judgments.....	(3,589,014)	
Other postemployment benefit obligations.....	(144,861,097)	
Workers compensation.....	(5,238,000)	
Compensated absences.....	(11,063,000)	
Net pension liability.....	<u>(292,215,791)</u>	
Net effect of reporting long-term liabilities.....		<u>(618,587,707)</u>
Net position of governmental activities.....	\$	<u><u>(156,898,449)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	General	Quincy Center Concourse Fund	North Quincy High School Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 194,853,792	\$ -	\$ -	\$ -	\$ 194,853,792
Tax liens.....	2,758,430	-	-	-	2,758,430
Motor vehicle and other excise taxes.....	9,540,584	-	-	-	9,540,584
Hotel/motel tax.....	-	-	-	1,172,314	1,172,314
Charges for services.....	-	-	-	2,214,002	2,214,002
Urban redevelopment corporations tax.....	406,047	-	-	-	406,047
Penalties and interest on taxes.....	2,682,566	-	-	-	2,682,566
Fees and rentals.....	1,316,595	-	-	-	1,316,595
Payments in lieu of taxes.....	1,024,106	-	-	-	1,024,106
Licenses and permits.....	3,727,139	-	-	-	3,727,139
Fines and forfeitures.....	513,680	-	-	-	513,680
Intergovernmental.....	58,235,744	-	802,606	26,974,708	86,013,058
Departmental and other.....	1,807,803	-	-	2,661,643	4,469,446
Meals tax.....	1,584,261	-	-	-	1,584,261
Community preservation surtax.....	-	-	-	1,509,737	1,509,737
Contributions.....	-	-	-	383,862	383,862
Investment income.....	46,092	2,416	-	89,506	138,014
TOTAL REVENUES.....	278,496,839	2,416	802,606	35,005,772	314,307,633
EXPENDITURES:					
Current:					
General government.....	15,708,210	-	-	10,371,418	26,079,628
Public safety.....	48,977,126	-	-	1,021,089	49,998,215
Education.....	92,693,369	-	6,183,558	18,379,102	117,256,029
Public works.....	28,962,999	3,768,658	-	4,253,156	36,984,813
Human services.....	2,971,447	-	-	8,367,307	11,338,754
Community preservation.....	-	-	-	1,626,587	1,626,587
Culture and recreation.....	7,176,878	-	-	505,501	7,682,379
Pension benefits.....	33,154,397	-	-	-	33,154,397
Employee benefits.....	43,411,052	-	-	-	43,411,052
Claims and judgments.....	2,255,431	-	-	-	2,255,431
State and county charges.....	3,432,330	-	-	-	3,432,330
Debt service:					
Principal.....	6,768,731	-	-	575,000	7,343,731
Interest.....	5,132,372	-	-	95,751	5,228,123
Payments of current refunded debt.....	7,899,295	-	-	-	7,899,295
Payment to refunding bonds escrow agent - capital leases.....	21,331,427	-	-	-	21,331,427
Capital lease expenditures.....	2,435,208	-	-	-	2,435,208
TOTAL EXPENDITURES.....	322,310,272	3,768,658	6,183,558	45,194,911	377,457,399
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(43,813,433)	(3,766,242)	(5,380,952)	(10,189,139)	(63,149,766)
OTHER FINANCING SOURCES (USES):					
Issuance of current refunding bonds.....	28,110,363	-	-	-	28,110,363
Issuance of advance refunding bonds.....	4,169,197	-	-	-	4,169,197
Premium from issuance of refunding bonds.....	2,508,841	-	-	-	2,508,841
Payment to refunding bonds escrow agent - bonds.....	(4,403,591)	-	-	-	(4,403,591)
Transfers in.....	7,391,766	-	-	998,666	8,390,432
Transfers out.....	(9,470)	-	-	(2,395,993)	(2,405,463)
TOTAL OTHER FINANCING SOURCES (USES).....	37,767,106	-	-	(1,397,327)	36,369,779
NET CHANGE IN FUND BALANCES.....	(6,046,327)	(3,766,242)	(5,380,952)	(11,586,466)	(26,779,987)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....	16,913,856	(28,702,830)	-	28,513,479	16,724,505
FUND BALANCES (DEFICITS) AT END OF YEAR.....	\$ 10,867,529	\$ (32,469,072)	\$ (5,380,952)	\$ 16,927,013	\$ (10,055,482)

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, 2015

Net change in fund balances - total governmental funds..... \$ (26,779,987)

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.....	28,063,923
Depreciation expense.....	<u>(13,172,663)</u>

Net effect of reporting capital assets..... 14,891,260

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..... 520,743

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 refunding bonds.....	(32,279,560)
Payments of current refunded debt.....	7,899,295
Payment to refunding bonds escrow agent.....	25,735,018
Principal payments on capital lease obligations.....	1,499,856
Premium from issuance of long-term debt.....	(2,508,841)
Debt service principal payments.....	7,343,731
Other changes in long-term debt.....	<u>(145,621)</u>

Net effect of reporting long-term debt..... 7,543,878

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 court judgement liability.....	(3,589,014)
Net change in compensated absences accrual.....	(515,000)
Amortization of bond premiums.....	124,284
Net change in accrued interest on long-term debt.....	(302,771)
Net change in workers compensation accrual.....	449,000
Net change in other postemployment benefit obligations.....	(29,621,097)
Net change in deferred outflow/(inflow) of resources related to pensions.....	7,245,825
Net change in net pension liability.....	<u>(12,491,055)</u>

Net effect of recording long-term liabilities..... (38,699,828)

Change in net position of governmental activities..... \$ (42,523,934)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
ASSETS				
CURRENT:				
Cash and short-term investments.....	\$ 9,492,713	\$ 6,768,876	\$ 10,016,051	\$ 26,277,640
Investments.....	-	-	1,425,940	1,425,940
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	3,869,588	-	3,869,588
Sewer fees.....	5,943,302	-	-	5,943,302
Student accounts and other.....	-	-	2,052,046	2,052,046
Intergovernmental.....	195,031	-	-	195,031
Total current assets.....	<u>15,631,046</u>	<u>10,638,464</u>	<u>13,494,037</u>	<u>39,763,547</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	88,966	-	-	88,966
Deposit on purchase of property.....	-	-	1,133,000	1,133,000
Capital assets, net of accumulated depreciation.....	26,611,352	36,655,617	2,568,958	65,835,927
Total noncurrent assets.....	<u>26,700,318</u>	<u>36,655,617</u>	<u>3,701,958</u>	<u>67,057,893</u>
TOTAL ASSETS.....	<u>42,331,364</u>	<u>47,294,081</u>	<u>17,195,995</u>	<u>106,821,440</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	146,029	222,013	550,957	918,999
LIABILITIES				
CURRENT:				
Warrants payable.....	-	260,087	366,546	626,633
Accrued payroll.....	57,839	80,200	454,612	592,651
Accrued interest.....	103,507	43,659	-	147,166
Abandoned property.....	-	-	313,619	313,619
Unearned revenue.....	-	-	781,078	781,078
Other liabilities.....	-	-	177,509	177,509
Compensated absences.....	85,999	201,000	32,209	319,208
Notes payable.....	2,957,392	233,275	-	3,190,667
Bonds payable.....	1,198,180	2,026,013	-	3,224,193
Total current liabilities.....	<u>4,402,917</u>	<u>2,844,234</u>	<u>2,125,573</u>	<u>9,372,724</u>
NONCURRENT:				
Other postemployment benefit obligation.....	1,495,000	1,614,000	6,876,930	9,985,930
Compensated absences.....	10,000	23,000	366,472	399,472
Net pension liability.....	5,878,360	8,937,104	21,362,172	36,177,636
Bonds payable.....	9,227,734	9,829,416	-	19,057,150
Total noncurrent liabilities.....	<u>16,611,094</u>	<u>20,403,520</u>	<u>28,605,574</u>	<u>65,620,188</u>
TOTAL LIABILITIES.....	<u>21,014,011</u>	<u>23,247,754</u>	<u>30,731,147</u>	<u>74,992,912</u>
NET POSITION				
Net investment in capital assets.....	13,228,046	24,566,913	2,568,958	40,363,917
Restricted for:				
Capital purposes.....	-	-	1,133,000	1,133,000
Unrestricted.....	8,235,336	(298,573)	(16,686,153)	(8,749,390)
TOTAL NET POSITION.....	<u>\$ 21,463,382</u>	<u>\$ 24,268,340</u>	<u>\$ (12,984,195)</u>	<u>\$ 32,747,527</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
OPERATING REVENUES:				
Charges for services	\$ 28,451,743	\$ 18,288,873	\$ 28,076,325	\$ 74,816,941
OPERATING EXPENSES:				
Cost of services and administration	23,496,991	15,558,403	28,359,723	67,415,117
Depreciation.....	916,828	1,104,373	914,160	2,935,361
TOTAL OPERATING EXPENSES	24,413,819	16,662,776	29,273,883	70,350,478
OPERATING INCOME (LOSS).....	4,037,924	1,626,097	(1,197,558)	4,466,463
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	1,396	10,087	12,340	23,823
Penalties and interest.....	487,610	405,479	-	893,089
Interest expense.....	(254,017)	(265,606)	-	(519,623)
Intergovernmental.....	21,000	131,000	-	152,000
Vending commission and other revenue.....	-	-	59,201	59,201
Credit card fees.....	-	-	(161,955)	(161,955)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	255,989	280,960	(90,414)	446,535
INCOME (LOSS) BEFORE OPERATING TRANSFERS & CONTRIBUTIONS....	4,293,913	1,907,057	(1,287,972)	4,912,998
OPERATING TRANSFERS:				
Transfers out.....	(3,649,928)	(2,335,041)	-	(5,984,969)
CAPITAL CONTRIBUTIONS:				
Capital contributions from Quincy College Trust, Inc.....	-	-	35,750	35,750
CHANGE IN NET POSITION.....	643,985	(427,984)	(1,252,222)	(1,036,221)
NET POSITION AT BEGINNING OF YEAR (as revised)....	20,819,397	24,696,324	(11,731,973)	33,783,748
NET POSITION AT END OF YEAR.....	\$ 21,463,382	\$ 24,268,340	\$ (12,984,195)	\$ 32,747,527

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 29,581,031	\$ 19,498,461	\$ 26,833,996	\$ 75,913,488
Payments to vendors.....	(22,048,706)	(13,032,190)	(6,070,773)	(41,151,669)
Payments to employees.....	(1,302,404)	(1,976,362)	(16,582,485)	(19,861,251)
Payments for interfund services used.....	-	-	(4,402,364)	(4,402,364)
NET CASH FROM OPERATING ACTIVITIES.....	6,229,921	4,489,909	(221,626)	10,498,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out.....	(3,649,928)	(2,335,041)	-	(5,984,969)
Vending commission and other revenues.....	-	-	59,201	59,201
Credit card fees.....	-	-	(161,955)	(161,955)
Penalties and interest.....	487,610	405,479	-	893,089
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(3,162,318)	(1,929,562)	(102,754)	(5,194,634)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	4,664,363	1,137,010	-	5,801,373
Proceeds from the issuance of refunding bonds and notes.....	848,800	979,940	-	1,828,740
Capital contributions.....	-	-	35,750	35,750
Acquisition and construction of capital assets.....	(3,288,691)	(1,106,525)	(693,784)	(5,089,000)
Principal payments on bonds and notes.....	(872,909)	(1,903,452)	-	(2,776,361)
Principal payments on refunded bonds and notes.....	(805,125)	(1,009,480)	-	(1,814,605)
Principal payments on capital lease obligations.....	(677,619)	(677,619)	-	(1,355,238)
Interest payments on capital lease obligations.....	(47,917)	(16,832)	-	(64,749)
Interest expense.....	(270,144)	(174,783)	-	(444,927)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(449,242)	(2,771,741)	(658,034)	(3,879,017)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds/disbursements from sales and maturities of investments.....	-	-	999,036	999,036
Investment income.....	1,396	10,087	12,340	23,823
NET CASH FROM INVESTING ACTIVITIES.....	1,396	10,087	1,011,376	1,022,859
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,619,757	(201,307)	28,962	2,447,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,872,956	6,970,183	9,987,089	23,830,228
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,492,713	\$ 6,768,876	\$ 10,016,051	\$ 26,277,640
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 4,037,924	\$ 1,626,097	\$ (1,197,558)	\$ 4,466,463
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	916,828	1,104,373	914,160	2,935,361
Deferred (outflows)/inflows related to pensions.....	(146,029)	(222,013)	(550,957)	(918,999)
Changes in assets and liabilities:				
Accounts receivable.....	1,129,288	1,209,588	426,412	2,765,288
Warrants payable.....	(239,776)	(46,771)	138,847	(147,700)
Accrued payroll.....	22,218	37,513	(412,141)	(352,410)
Unearned revenue.....	-	-	(1,066,000)	(1,066,000)
Compensated absences.....	10,999	25,000	64,847	100,846
Other postemployment benefits.....	232,000	351,000	174,832	757,832
Other liabilities.....	-	-	(6,398)	(6,398)
Net pension liability.....	266,469	405,122	1,292,330	1,963,921
Total adjustments.....	2,191,997	2,863,812	975,932	6,031,741
NET CASH FROM OPERATING ACTIVITIES.....	\$ 6,229,921	\$ 4,489,909	\$ (221,626)	\$ 10,498,204
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Debt service intergovernmental subsidy.....	\$ 21,000	\$ 131,000	\$ -	\$ 152,000

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	City of Quincy OPEB Trust Fund	Quincy College OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 3,861,955	\$ 1,232,612	\$ 1,000,003	\$ 791,721	\$ 992,317
Investments.....	292,604,592	-	-	-	-
Receivables.....					
Departmental and other.....	9,499,030	-	-	-	758,565
TOTAL ASSETS.....	305,965,577	1,232,612	1,000,003	791,721	1,750,882
LIABILITIES					
Warrants payable.....	141,815	-	-	-	-
Accrued liabilities.....	-	-	-	-	71,135
Liabilities due depositors.....	-	-	-	-	921,182
Deferred revenue.....	-	-	-	-	758,565
TOTAL LIABILITIES.....	141,815	-	-	-	1,750,882
NET POSITION					
Held in trust for pension benefits, OPEB benefits, and other purposes.....	\$ 305,823,762	\$ 1,232,612	\$ 1,000,003	\$ 791,721	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	City of Quincy OPEB Trust Fund	Quincy College OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS:				
Contributions:				
Employer.....	\$ 23,626,173	\$ -	\$ 1,000,000	\$ -
Employee.....	7,990,424	-	-	-
Private donations.....	-	-	-	15,539
Other additions:				
Intergovernmental.....	563,377	-	-	-
Transfers from other systems.....	1,243,381	-	-	-
Workers compensation settlement.....	5,500	-	-	-
Total contributions.....	<u>33,428,855</u>	<u>-</u>	<u>1,000,000</u>	<u>15,539</u>
Net investment income (loss):				
Net change in fair value of investments.....	14,863,874	-	-	-
Interest.....	-	1,236	3	21,418
Total investment income (loss).....	14,863,874	1,236	3	21,418
Less: investment expense.....	<u>(1,858,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>13,004,956</u>	<u>1,236</u>	<u>3</u>	<u>21,418</u>
TOTAL ADDITIONS.....	<u>46,433,811</u>	<u>1,236</u>	<u>1,000,003</u>	<u>36,957</u>
DEDUCTIONS:				
Administration.....	434,890	-	-	-
Transfers to other systems.....	1,019,881	-	-	-
Retirement benefits and refunds.....	43,134,357	-	-	-
Educational scholarships.....	-	-	-	6,826
TOTAL DEDUCTIONS.....	<u>44,589,128</u>	<u>-</u>	<u>-</u>	<u>6,826</u>
CHANGE IN NET POSITION.....	1,844,683	1,236	1,000,003	30,131
NET POSITION AT BEGINNING OF YEAR.....	<u>303,979,079</u>	<u>1,231,376</u>	<u>-</u>	<u>761,590</u>
NET POSITION AT END OF YEAR.....	<u>\$ 305,823,762</u>	<u>\$ 1,232,612</u>	<u>\$ 1,000,003</u>	<u>\$ 791,721</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 System (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 unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration 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 stand-alone financial statements present only the financial activity and net position of the enterprise fund department and do not include the financial activity or position of the Quincy College Trust, Inc. which is 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, 2015, 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 *North Quincy High School Projects* fund is a capital project fund that is used to accumulate costs and funding for the design and construction of the new North Quincy High 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 *City of Quincy other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities. This fund relates to non-Quincy College retirees and employees.

The *Quincy College other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities. This fund relates to Quincy College retirees and employees and is funded through operations of the College.

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 an 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 has reported deferred outflows of resources related to pensions 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 buildings.

“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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Quincy Contributory Retirement System (QCRS) and the Massachusetts Teachers Retirement System (MTRS) and additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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. No capital leases exist at year end.

O. 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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2015, within the special revenue, capital projects and agency funds. These deficits will be funded through grant proceeds, long-term debt issues and other available funds.

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 1.33 to 21.81 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 \$89,817,961 and the bank balance totaled \$94,229,299. Of the bank balance, \$3,152,935 was covered by Federal Depository Insurance, \$4,362,076 was covered by the Depositors Insurance Fund, and \$86,714,288 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2014, carrying amount (book value) of deposits for the Retirement System's deposits totaled \$3,861,955. The bank balance of \$4,478,382 was covered by Federal Depository Insurance.

Investments

As of June 30, 2015, 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	
Debt Securities:						
United States Treasuries.....	\$ 559,696	\$ -	\$ 559,696	\$ -	\$ -	AAA
Corporate Bonds.....	202,978	-	202,978	-	-	AA+
Corporate Bonds.....	225,000	-	225,000	-	-	A+
Corporate Bonds.....	200,000	-	200,000	-	-	A
Corporate Bonds.....	75,000	-	75,000	-	-	BBB+
**Black Rock Inflation Protection Portfolio Bond Fund.....	112,732	-	-	-	112,732	AAA
**Federated GNMA Trust Institutional Share.....	242,716	-	-	242,716	-	AAA
**Western Asset Inflation Index Plus Bond Fund.....	112,146	-	-	112,146	-	AAA
Government Sponsored Enterprises.....	455,000	-	455,000	-	-	AAA
Total Debt Securities.....	2,185,268	\$ -	\$ 1,717,674	\$ 354,862	\$ 112,732	
Other Investments						
Equity Securities.....	389,846					
Equity Mutual Funds.....	1,425,940					
Money Market Mutual Funds.....	1,764,377					
MMDT.....	11,269,920					
Total Investments.....	\$ 17,035,351					

** = 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, 2014, the System had the following investments:

	Fair Value
Pooled alternative investments (private equity).....	\$ 17,294,184
Pooled domestic equity.....	38,638,607
Pooled international equity.....	65,476,686
Pooled real estate.....	32,639,772
Pooled international fixed income.....	11,006,208
Pooled domestic fixed income.....	53,989,595
PRIT absolute fund.....	3,916,062
PRIT core fund.....	4,984,035
Total.....	\$ 227,945,149

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 of \$455,000 in government sponsored enterprises, \$467,594 in fixed income mutual funds, \$702,978 in corporate bonds and \$389,846 in

equity securities because the related securities are uninsured, unregistered and held by the counterparty. The City and System do 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, 2015, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 9,750,742	\$ (2,041,916)	\$ 7,708,826
Motor vehicle and other excise taxes.....	5,454,985	(4,430,826)	1,024,159
Community preservation fund surtax.....	44,151	-	44,151
Tax liens.....	2,514,295	-	2,514,295
Real estate tax deferrals.....	2,015,890	-	2,015,890
Intergovernmental.....	13,081,363	-	13,081,363
Departmental.....	226,938	-	226,938
Loans.....	1,143,110	-	1,143,110
	<u>34,231,474</u>	<u>(6,472,742)</u>	<u>27,758,732</u>
Total.....	\$ <u>34,231,474</u>	\$ <u>(6,472,742)</u>	\$ <u>27,758,732</u>

At June 30, 2015, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 2,052,046	\$ -	\$ 2,052,046
Intergovernmental.....	283,997	-	283,997
Water fees.....	3,869,588	-	3,869,588
Sewer fees.....	5,943,302	-	5,943,302
Total.....	<u>\$ 12,148,933</u>	<u>\$ -</u>	<u>\$ 12,148,933</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.....	\$ 6,433,827	\$ -	\$ 6,433,827
Motor vehicle and other excise taxes.....	1,024,159	-	1,024,159
Community preservation fund surtax.....	-	44,151	44,151
Tax liens.....	2,499,977	14,318	2,514,295
Real estate tax deferrals.....	2,015,890	-	2,015,890
Intergovernmental.....	4,286,496	6,195,708	10,482,204
Loans.....	-	1,143,110	1,143,110
Departmental and other.....	226,938	-	226,938
Tax foreclosures.....	995,058	-	995,058
Total.....	<u>\$ 17,482,345</u>	<u>\$ 7,397,287</u>	<u>\$ 24,879,632</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 70,534,455	\$ 5,039,098	\$ -	\$ 75,573,553
Construction in progress.....	5,816,284	10,755,299	-	16,571,583
Total capital assets not being depreciated.....	<u>76,350,739</u>	<u>15,794,397</u>	<u>-</u>	<u>92,145,136</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	15,002,908	3,482,447	-	18,485,355
Buildings and building improvements.....	267,628,007	4,412,380	-	272,040,387
Machinery, vehicles and equipment.....	35,906,427	550,715	-	36,457,142
Infrastructure.....	119,500,066	3,823,984	-	123,324,050
Total capital assets being depreciated.....	<u>438,037,408</u>	<u>12,269,526</u>	<u>-</u>	<u>450,306,934</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,974,188)	(490,371)	-	(2,464,559)
Buildings and building improvements.....	(49,595,918)	(7,746,088)	-	(57,342,006)
Machinery, vehicles and equipment.....	(20,053,863)	(2,303,148)	-	(22,357,011)
Infrastructure.....	(16,537,570)	(2,633,056)	-	(19,170,626)
Total accumulated depreciation.....	<u>(88,161,539)</u>	<u>(13,172,663)</u>	<u>-</u>	<u>(101,334,202)</u>
Total capital assets being depreciated, net.....	<u>349,875,869</u>	<u>(903,137)</u>	<u>-</u>	<u>348,972,732</u>
Total governmental activities capital assets, net.....	<u>\$ 426,226,608</u>	<u>\$ 14,891,260</u>	<u>\$ -</u>	<u>\$ 441,117,868</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.....	2,290,881	139,799	-	2,430,680
Infrastructure.....	45,891,828	1,207,340	-	47,099,168
Total capital assets being depreciated.....	48,208,173	1,347,139	-	49,555,312
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,321)	(1,273)	-	(8,594)
Machinery, vehicles and equipment.....	(883,927)	(210,481)	-	(1,094,408)
Infrastructure.....	(10,983,548)	(892,619)	-	(11,876,167)
Total accumulated depreciation.....	(11,874,796)	(1,104,373)	-	(12,979,169)
Total capital assets being depreciated, net.....	36,333,377	242,766	-	36,576,143
Total water activities capital assets, net.....	\$ 36,412,851	\$ 242,766	\$ -	\$ 36,655,617
	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.....	2,192,527	146,910	-	2,339,437
Infrastructure.....	35,294,486	2,859,239	-	38,153,725
Total capital assets being depreciated.....	37,500,948	3,006,149	-	40,507,097
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(13,935)	-	-	(13,935)
Machinery, vehicles and equipment.....	(956,778)	(195,926)	-	(1,152,704)
Infrastructure.....	(12,290,734)	(720,902)	-	(13,011,636)
Total accumulated depreciation.....	(13,261,447)	(916,828)	-	(14,178,275)
Total capital assets being depreciated, net.....	24,239,501	2,089,321	-	26,328,822
Total sewer activities capital assets, net.....	\$ 24,522,031	\$ 2,089,321	\$ -	\$ 26,611,352

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Quincy College Activities:				
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	\$ 6,200,727	\$ 370,139	\$ -	\$ 6,570,866
Machinery and equipment.....	<u>3,456,271</u>	<u>323,643</u>	<u>-</u>	<u>3,779,914</u>
Total capital assets being depreciated.....	<u>9,656,998</u>	<u>693,782</u>	<u>-</u>	<u>10,350,780</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(4,523,695)	(499,498)	-	(5,023,193)
Machinery and equipment.....	<u>(2,343,968)</u>	<u>(414,661)</u>	<u>-</u>	<u>(2,758,629)</u>
Total accumulated depreciation.....	<u>(6,867,663)</u>	<u>(914,159)</u>	<u>-</u>	<u>(7,781,822)</u>
Total capital assets being depreciated, net.....	<u>2,789,335</u>	<u>(220,377)</u>	<u>-</u>	<u>2,568,958</u>
Total college activities capital assets, net.....	<u>\$ 2,789,335</u>	<u>\$ (220,377)</u>	<u>\$ -</u>	<u>\$ 2,568,958</u>

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

Governmental Activities:

General government.....	\$ 816,174
Public safety.....	1,446,894
Education.....	6,627,818
Public works.....	3,166,532
Human services.....	9,789
Culture and recreation.....	1,049,749
Community preservation.....	<u>55,707</u>

Total depreciation expense - governmental activities..... \$ 13,172,663

Business-Type Activities:

Sewer.....	\$ 916,828
Water.....	1,104,373
Quincy College.....	<u>914,160</u>

Total depreciation expense - business-type activities..... \$ 2,935,361

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2015, the City had a \$321,028 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, 2015, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 9,470	\$ 9,470 (1)
Nonmajor Governmental Funds.....	2,291,687	104,306	2,395,993 (1)
Sewer Enterprise Fund.....	3,003,947	645,981	3,649,928 (2)
Water Enterprise Fund.....	2,096,132	238,909	2,335,041 (2)
Total.....	\$ <u>7,391,766</u>	\$ <u>998,666</u>	\$ <u>8,390,432</u>

- 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.

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, 2015 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
<u>Governmental</u>							
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	-
BAN	Municipal Purpose.....	1.00%	7/24/2015	-	4,000,000	-	4,000,000
BAN	Municipal Purpose.....	1.25%	1/22/2016	-	30,000,000	-	30,000,000
BAN	Municipal Purpose.....	2.00%	6/17/2016	-	31,400,413	-	31,400,413
	Subtotal.....			33,000,000	65,400,413	33,000,000	65,400,413
	Premiums on Bond Anticipation Notes.....			-	894,911	-	894,911
	Governmental Notes Payable.....			33,000,000	66,295,324	33,000,000	66,295,324
<u>Sewer Enterprise</u>							
BAN	Massachusetts Clean Water Trust.....	0.09%	6/17/2016	-	2,957,392	-	2,957,392
<u>Water Enterprise</u>							
BAN	Massachusetts Clean Water Trust.....	0.10%	6/17/2016	-	233,275	-	233,275
	Total Notes Payable.....			\$ 33,000,000	\$ 69,485,991	\$ 33,000,000	\$ 69,485,991

On July 14, 2015, the City renewed the \$4,000,000 BAN at an interest rate of 1.95%. The new note will mature on July 15, 2016.

On January 22, 2016, the City renewed the \$30,000,000 BAN at an interest rate of 2%. The new note will mature on January 20, 2017.

NOTE 7 - 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, 2015, \$4,455,000 of the bonds refunded remain outstanding and are considered defeased.

In order to take advantage of favorable interest rates, the City issued \$11,955,000 of general obligation refunding bonds to advance refund \$4,810,000 and to current refund \$7,330,000 of general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The current refunding of \$7,330,000 was redeemed in May 2015. The advanced refunding of \$4,810,000 will redeem \$2,805,000 in August 2016 and \$2,805,000 in March 2018. These advance refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments by \$876,292 and resulted in an economic

gain of \$747,853. At June 30, 2015, \$4,810,000 of bonds outstanding from the advance refunding is considered defeased.

In order to take advantage of favorable interest rates, the City issued \$22,695,000 of general obligation refunding bonds to current refund \$22,248,047 of energy efficient capital leases by placing the proceeds of the refunding bonds in an irrevocable trust to pay off the balance of the capital lease in May 2015. This current refunding was undertaken to reduce total debt service payments by \$1,140,768 and resulted in an economic gain of \$1,001,608.

Details related to the outstanding indebtedness at June 30, 2015, 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, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Municipal Purpose 2003.....	2015	\$ 5,992,778	2.5 - 5.0	\$ 245,000	\$ -	\$ 245,000	\$ -
Municipal Purpose 2005.....	2025	14,020,700	2.0 - 5.0	2,534,075	-	2,534,075	-
Municipal Purpose 2006.....	2019	13,050,305	3.25 - 5.0	5,776,885	-	5,776,885	-
Municipal Purpose 2007.....	2020	10,000,000	4.0 - 6.0	5,280,000	-	3,595,000	1,685,000
Municipal Purpose 2008.....	2027	6,470,000	3.0 - 6.0	2,060,000	-	1,580,000	480,000
Municipal Purpose 2011 - Refunding.....	2022	1,118,500	2.0 - 5.0	1,465,775	-	240,925	1,224,850
Municipal Purpose 2011.....	2040	31,088,000	2.0 - 5.25	29,473,277	-	762,241	28,711,036
Municipal Purpose 2012.....	2040	33,518,000	2.5 - 4.0	33,335,000	-	625,000	32,710,000
Municipal Purpose 2013 - Refunding.....	2025	5,700,000	2.0 - 3.0	5,660,000	-	295,000	5,365,000
Municipal Purpose 2013.....	2039	8,250,000	4.0 - 5.0	8,250,000	-	195,000	8,055,000
Municipal Purpose 2014.....	2034	46,385,000	2.5 - 5.0	46,385,000	-	1,245,000	45,140,000
Energy Efficiency Refunding Bonds 2015.....	2027	21,333,300	3.0	-	21,333,300	-	21,333,300
Municipal Purpose 2015 - Refunding.....	2027	10,126,260	3.42	-	10,126,260	-	10,126,260
Subtotal.....				140,465,012	31,459,560	17,094,126	154,830,446
Unamortized Premiums on Bonds.....				2,270,555	1,944,088	124,284	4,090,359
Total.....				\$ 142,735,567	\$ 33,403,648	\$ 17,218,410	\$ 158,920,805

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>
2016..... \$	9,025,626	\$ 5,762,667	\$ 14,788,293
2017.....	9,230,766	5,339,070	14,569,836
2018.....	9,105,941	4,988,435	14,094,376
2019.....	8,935,641	4,655,793	13,591,434
2020.....	7,996,341	4,291,300	12,287,641
2021.....	6,960,741	3,983,220	10,943,961
2022.....	6,769,641	3,690,757	10,460,398
2023.....	6,712,541	3,434,878	10,147,419
2024.....	6,933,941	3,184,562	10,118,503
2025.....	7,060,341	2,925,779	9,986,120
2026.....	7,151,441	2,662,250	9,813,691
2027.....	6,258,341	2,431,859	8,690,200
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>154,830,446</u>	\$ <u>63,555,614</u>	\$ <u>218,386,060</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Proceeds	Payments	Outstanding at June 30, 2015
Sewer Bonds of 2002.....	2022	\$ 6,349,668	3.5 - 6.0	\$ 172,212	\$ -	\$ 55,676	\$ 116,536
Sewer Bonds of 2005.....	2020	1,146,428	2.0 - 5.25	440,635	-	258,635	182,000
Sewer Bonds of 2006.....	2018	156,200	3.25 - 5.0	59,800	-	59,800	-
Sewer Bonds of 2007.....	2024	4,657,129	0.0 - 2.0	1,848,853	-	153,361	1,695,492
Sewer Bonds of 2008.....	2028	3,753,319	0.0 - 6.0	2,673,657	-	764,323	1,909,334
Sewer Bonds of 2010.....	2031	2,065,000	2.0	1,073,701	-	53,563	1,020,138
Sewer Bonds of 2011 - Refunding.....	2022	810,775	2.0 - 5.0	639,225	-	84,075	555,150
Sewer Bonds of 2012.....	2017	3,686,801	0.0	2,499,804	-	275,490	2,224,314
Energy Efficiency Refunding Bonds 2015.....	2027	907,800	3.0	-	907,800	-	907,800
Municipal Purpose 2015 - Refunding.....	2027	848,800	3.42	-	848,800	-	848,800
MWRA Bonds of 2015.....	2020	966,350	0.0	-	966,350	-	966,350
Total sewer bonds payable.....				\$ 9,407,887	\$ 2,722,950	\$ 1,704,923	\$ 10,425,914

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

Year	Principal	Interest	Total
2016.....	\$ 1,198,180	\$ 260,031	\$ 1,458,211
2017.....	1,184,900	230,117	1,415,017
2018.....	943,884	200,195	1,144,079
2019.....	947,923	173,588	1,121,511
2020.....	914,018	148,669	1,062,687
2021.....	715,419	124,431	839,850
2022.....	716,211	100,660	816,871
2023.....	658,864	78,051	736,915
2024.....	666,640	57,879	724,519
2025.....	457,281	48,085	505,366
2026.....	466,255	38,330	504,585
2027.....	428,160	27,745	455,905
2028.....	327,200	19,795	346,995
2029.....	182,711	14,609	197,320
2030.....	186,574	10,828	197,402
2031.....	190,517	6,966	197,483
2032.....	119,293	3,774	123,067
2033.....	121,884	1,266	123,150
Total.....	\$ 10,425,914	\$ 1,545,019	\$ 11,970,933

Bonds and Notes Payable Schedule – Water Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Proceeds	Payments	Outstanding at June 30, 2015
MWRA Water Loans.....	2021	\$ 12,302,360	0.0	\$ 6,680,827	\$ -	\$ 1,230,236	\$ 5,450,591
Water Bonds of 2005.....	2020	1,828,720	2.0 - 5.0	1,049,590	-	1,049,590	-
Water Bonds of 2006.....	2017	2,113,520	3.25 - 5.0	253,315	-	253,315	-
Water Bonds of 2010.....	2031	798,495	2.0	746,130	-	37,221	708,909
Water Bonds of 2011 - Refunding.....	2031	1,435,000	2.0 - 5.0	655,000	-	100,000	555,000
Water Bonds of 2012.....	2033	1,401,000	0.0 - 2.0	3,499,824	-	242,570	3,257,254
Energy Efficiency Refunding Bonds 2015.....	2027	453,900	3.0	-	453,900	-	453,900
Municipal Purpose 2015 - Refunding.....	2027	979,940	3.42	-	979,940	-	979,940
MWRA Bonds of 2015.....	2020	449,835	0.0	-	449,835	-	449,835
Total water bonds payable.....				\$ 12,884,686	\$ 1,883,675	\$ 2,912,932	\$ 11,855,429

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

Year	Principal	Interest	Total
2016.....	\$ 2,026,013	\$ 128,338	\$ 2,154,351
2017.....	1,954,817	112,960	2,067,777
2018.....	1,422,155	98,713	1,520,868
2019.....	1,376,930	85,174	1,462,104
2020.....	1,230,771	69,806	1,300,577
2021.....	868,512	57,540	926,052
2022.....	552,329	48,576	600,905
2023.....	415,383	43,806	459,189
2024.....	315,060	38,961	354,021
2025.....	214,813	34,003	248,816
2026.....	219,792	28,923	248,715
2027.....	201,251	23,742	224,993
2028.....	183,789	19,663	203,452
2029.....	187,710	15,889	203,599
2030.....	191,714	12,033	203,747
2031.....	195,807	8,094	203,901
2032.....	147,686	4,594	152,280
2033.....	150,897	1,544	152,441
Total.....	\$ 11,855,429	\$ 832,359	\$ 12,687,788

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 \$116,818 and interest costs for \$500,726. Thus, net MCWT loan repayments, including interest, are scheduled to be \$3,952,591. The principal subsidies are guaranteed and therefore an \$116,818 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 2015 principal and interest subsidies totaled \$26,889 and \$94,975 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. 2015 imputed interest was \$131,000 and \$21,000 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 2015, approximately \$1,148,000 of such assistance was received and approximately \$4,952,000 will be received in future years. Of this amount, approximately \$3,365,000 represents reimbursement of long-term interest costs, and approximately \$1,587,000 represents reimbursement of approved construction costs. Accordingly, a \$3,365,000 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 or repair expenditures on a "pay-as-you-go" basis. Currently, the replacement of windows at various school buildings as well as preliminary design on a new North Quincy High School project is being funded by this grant program. Only a minor portion of the related window replacement was completed in 2015. Under the repair program, the City received \$803,000 and recorded a \$674,000 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:

Year	Principal	Interest	Total
2016.....	\$ 600,000	\$ 70,858	\$ 670,858
2017.....	625,000	43,868	668,868
2018.....	655,000	14,934	669,934
Total.....	\$ <u>1,880,000</u>	\$ <u>129,660</u>	\$ <u>2,009,660</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, 2015, the City has paid down \$14,180,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2015 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:

Project	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
Municipal Purpose Loan...	1.00%	7/29/2015	\$ <u>1,610,000</u>	\$ <u>820,000</u>	\$ <u>1,610,000</u>	\$ <u>820,000</u>

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, 2015, the City had the following authorized and unissued debt:

Purpose	Amount
Quincy High School.....	\$ 3,020,000
North Quincy High School.....	12,000,000
Water & Sewer.....	23,821,858
District Improvement Financing.....	30,000,000
Land Acquisition and Planning.....	10,450,000
Other Capital Purposes.....	1,715,000
Central Middle School.....	5,753,752
Old City Hall Renovations.....	3,500,000
Other School Projects.....	13,149,765
Honeywell.....	1,305,000
Total.....	\$ 104,715,375

Changes in Long-term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital lease obligations.....	\$ 22,488,400	\$ -	\$ (22,488,400)	\$ -	\$ -
Compensated absences.....	10,548,000	8,464,000	(7,949,000)	11,063,000	8,369,000
Bonds payable.....	144,345,567	34,223,648	(18,828,410)	159,740,805	9,025,626
Other postemployment benefit obligations.....	115,240,000	43,494,267	(13,873,170)	144,861,097	-
Workers' compensation.....	5,687,000	695,808	(1,144,808)	5,238,000	664,000
Due to HUD.....	2,455,000	-	(575,000)	1,880,000	-
Court judgement.....	-	3,589,014	-	3,589,014	-
Net pension liability.....	279,724,736	32,997,640	(20,506,585)	292,215,791	-
Total governmental activities.....	580,488,703	123,464,377	(85,365,373)	618,587,707	18,058,626
Business-Type Activities:					
Capital lease obligations.....	1,355,238	-	(1,355,238)	-	-
Compensated absences.....	617,834	387,846	(287,000)	718,680	319,208
Other postemployment benefit obligations.....	9,228,098	2,259,044	(1,501,212)	9,985,930	-
Bonds payable.....	22,292,573	4,606,625	(4,617,852)	22,281,346	3,224,193
Net pension liability.....	14,143,873	1,676,070	(1,004,479)	14,815,464	-
Total business-type activities.....	47,637,616	8,929,585	(8,765,781)	47,801,420	3,543,401
Total.....	\$ 628,126,319	\$ 132,393,962	\$ (94,131,154)	\$ 666,389,127	\$ 21,602,027

NOTE 8 – 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, 2015, \$10,107,160 has been set aside in the general stabilization fund and \$2,173,002 has been set aside in the weather stabilization fund. These funds have been classified as part of the general fund in the governmental fund financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the City are dependent upon authorization and approval of the City Council. During 2015, the funds received aggregate interest and investment earnings of \$13,673. 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, 2015, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Quincy Center Concourse Fund</u>	<u>North Quincy High School Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,656,214	\$ 2,656,214
Restricted for:					
School federal and state grant funds....	-	-	-	713,010	713,010
CDBG grant funds.....	-	-	-	956,756	956,756
JTPA funds.....	-	-	-	619,902	619,902
School revolving funds.....	-	-	-	5,102,490	5,102,490
Receipts reserved for appropriations....	-	-	-	3,580,414	3,580,414
Other special revenue.....	-	-	-	695,676	695,676
Community preservation fund.....	-	-	-	4,461,687	4,461,687
Expendable trust funds.....	-	-	-	777,115	777,115
City trust funds.....	-	-	-	1,616,127	1,616,127
Mitigation trust funds.....	-	-	-	451,195	451,195
Capital project funds (not bonded).....	-	-	-	94,326	94,326
Library trust funds.....	-	-	-	223,140	223,140
Assigned to:					
General government.....	653,643	-	-	-	653,643
Public safety.....	7,955	-	-	-	7,955
Education.....	742,466	-	-	-	742,466
Public works.....	1,250,246	-	-	-	1,250,246
Human services.....	38,711	-	-	-	38,711
Culture and recreation.....	176,516	-	-	-	176,516
Unassigned.....	<u>7,997,992</u>	<u>(32,469,072)</u>	<u>(5,380,952)</u>	<u>(5,021,039)</u>	<u>(34,873,071)</u>
TOTAL FUND BALANCES (DEFICIT).....	<u>10,867,529</u>	<u>\$ (32,469,072)</u>	<u>\$ (5,380,952)</u>	<u>\$ 16,927,013</u>	<u>\$ (10,055,482)</u>

NOTE 9 – 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 2015 amounted to \$2,006,312. The College’s minimum future obligations under non-cancelable leases are as follows:

<u>Years Ending June 30</u>	<u>Business-Type Activities</u>
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>\$ 9,899,033</u>

The Quincy Contributory Retirement System leases certain premises under an operating lease that expires in July 2017. There is a provision to extend the lease for an additional 5 years. The lease requires monthly payments of \$3,941 plus other related expenses. Rent expense for the year ended December 31, 2014 was \$50,227. The System’s minimum future obligations under the terms of the lease agreement are as follows:

Years Ending December 31	Pension Trust Fund
2015.....	\$ 47,292
2016.....	47,292
2017.....	<u>27,587</u>
Total.....	<u>\$ 122,171</u>

NOTE 10 – 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 \$5,238,000 at June 30, 2015, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2013 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2015.....	\$ 5,687,000	\$ 695,808	\$ (1,144,808)	\$ 5,238,000
2014.....	4,710,000	2,229,000	(1,252,000)	5,687,000

NOTE 11 – PENSION PLAN

Plan Descriptions

The City is a member of the Quincy Contributory Retirement System (QCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements. The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$11,676,000 is reported in the general fund as intergovernmental revenue and pension expenditures in the current fiscal year. The College's portion of the collective pension expense is \$603,000 is reported as an intergovernmental revenue and pension expense. The portion of the Commonwealth's collective net pension liability associated with the City and College is \$176,737,913 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Board and are borne by the System. There have been no changes in benefit terms as of December 31, 2014.

At December 31, 2014, the QCRS membership consists of the following:

Active members.....	1,414
Inactive members.....	236
Retirees and beneficiaries currently receiving benefits.....	<u>1,488</u>
Total.....	<u><u>3,138</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the QCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2014 was an actuarially determined amount of \$23,626,173. This amount when combined with plan member contributions is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The total member units' contribution is equal to 27.9% of covered payroll. The City's proportionate share of the required contribution was \$22,674,720. The City's actual contributions exceeded required amounts by \$53,083.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2015 were as follows:

Total pension liability.....	\$	650,381,663
The pension plan's fiduciary net position.....		<u>(305,723,762)</u>
The net pension liability.....	\$	<u><u>344,657,901</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		47%

At June 30, 2015, the City reported a liability of \$328,393,427 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the City's proportion was 95.3%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the City recognized pension expense of \$27,060,000. At June 30, 2015, the City reported deferred outflows of resources related to pensions of \$8,165,000, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or a change of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:
 Year ended June 30:

Year ended June 30:	
2016.....	\$ 1,966,956
2017.....	1,966,956
2018.....	1,966,956
2019.....	<u>1,966,956</u>
Total.....	\$ <u><u>7,867,824</u></u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Fresh start 5.40% contribution increases
Remaining amortization period.....	21 years from January 1, 2014
Asset valuation method.....	Fair market value
Inflation rate.....	Not explicitly assumed
Projected salary increases.....	3-year select period with 3.75% ultimate rate
Cost of living adjustments.....	3.0% of the first \$12,000 of retirement income.
Investment rate of return/Discount rate.....	8% per year

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equities.....	24.00%	6.00%
Investment Grade Bonds.....	5.00%	1.00%
International Equities.....	13.00%	6.00%
Emerging International Equities.....	12.00%	9.00%
High-Yield Bonds.....	6.00%	4.00%
TIPS.....	4.00%	1.00%
Long Term Government Bonds.....	7.00%	1.00%
Private Equity.....	10.00%	8.00%
Emerging Market Debt.....	2.00%	4.00%
Real Estate.....	10.00%	5.70%
Hedge Funds.....	0.00%	4.00%
Natural Resources.....	5.00%	7.00%
Bank loans.....	2.00%	3.00%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount (8%)	1% Increase (9%)
The City's proportionate share of the net pension liability.....	\$ 392,296,302	\$ 328,393,427	\$ 276,495,153
The System's total net pension liability.....	\$ 411,549,069	\$ 344,557,901	\$ 290,151,492

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

The City implemented the provisions of GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during 2014 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. During 2015, Quincy College joined the Plymouth County OPEB Trust by transferring \$1 million to the 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 2015, the City pre-funded future OPEB liabilities in the amount of \$1,232,612 and the College has pre-funded future OPEB liabilities in the amount of \$1,000,003.

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.....	\$	45,202,662
Interest on net OPEB obligation.....		4,473,622
Adjustments to annual required contribution.....		<u>(3,922,973)</u>
Annual OPEB cost (expense).....		45,753,311
Contributions made.....		<u>(15,374,382)</u>
Increase/(decrease) in net OPEB obligation.....		30,378,929
Net OPEB obligation - beginning of year.....		<u>124,468,098</u>
Net OPEB obligation - end of year.....	\$	<u><u>154,847,027</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 45,753,311	34%	\$ 154,847,027
6/30/2014	38,183,000	46%	124,466,728
6/30/2013	36,610,000	43%	103,904,728

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the funded status is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/13	\$ 1,230,651	\$ 656,665,773	\$ 655,435,122	0.19%	\$ 164,316,930	399%

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 multi-year 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 December 31, 2013 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 3.5% discount rate for the City exclusive of the College and a blended discount rate of 5.25% for Quincy College and an annual health care cost rate trend of 8.5% initially, graded to 6% after eight years. Both rates included a 4% inflation assumption. The OPEB Trust asset return is projected to be 7.5. The UAAL is being amortized at a level that increases payments at 4% over 30 years on an open basis. The remaining amortization period at June 30, 2015, was 28.5 years.

NOTE 13 – 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, 2015, 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, 2015 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2015.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2016, which is the date the financial statements were available to be issued.

NOTE 17 – FINANCIAL STATEMENT REVISIONS

Beginning net position of the governmental activities, business-type activities and the enterprise fund has been revised to reflect the implementation of GASB Statements #68 and #71. The revised balances are summarized in the following table:

Description	6/30/2014 Previously Reported Balances	Implementation of GASB's 68 and 71	6/30/2014 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ 165,350,221	\$ (279,724,736)	\$ (114,374,515)
Business-type activities.....	<u>67,997,463</u>	<u>(34,213,715)</u>	<u>33,783,748</u>
Total.....	<u>\$ 233,347,684</u>	<u>\$ (313,938,451)</u>	<u>\$ (80,590,767)</u>
Proprietary Fund Financial Statements			
Sewer Enterprise.....	\$ 26,431,288	\$ (5,611,891)	\$ 20,819,397
Water Enterprise.....	33,228,306	(8,531,982)	24,696,324
Quincy College.....	<u>8,337,869</u>	<u>(20,069,842)</u>	<u>(11,731,973)</u>
	<u>\$ 67,997,463</u>	<u>\$ (34,213,715)</u>	<u>\$ 33,783,748</u>

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, Financial Reporting for Pension Plans; GASB Statement #68, Accounting and Financial Reporting for Pensions; and GASB Statement #71 Pension Transition for Contributions Made Subsequent to the Measurement Date. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, Governmental Combinations and Disposals of Government Operations. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, Fair Value Measurement and Application, which is required to be implemented in 2016.
- The GASB issued Statement #73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in 2017.

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

Management is currently assessing the impact 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, 2015

	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.....	\$ 194,683,050	\$ 194,683,050	\$ 192,861,443	\$ -	\$ (1,821,607)
Tax liens and foreclosures.....	-	-	2,758,430	-	2,758,430
Motor vehicle and other excise taxes.....	9,385,000	9,385,000	9,540,584	-	155,584
Meals tax.....	1,510,000	1,510,000	1,584,261	-	74,261
Urban redevelopment corporations tax.....	400,000	400,000	406,047	-	6,047
Penalties and interest on taxes.....	1,575,000	1,575,000	2,682,566	-	1,107,566
Fees and rentals.....	1,206,000	1,206,000	1,316,495	-	110,495
Payments in lieu of taxes.....	1,061,000	1,061,000	1,024,106	-	(36,894)
Licenses and permits.....	2,578,000	2,578,000	3,727,139	-	1,149,139
Fines and forfeitures.....	650,000	650,000	513,680	-	(136,320)
Intergovernmental.....	46,235,263	46,420,795	46,559,744	-	138,949
Departmental and other.....	2,188,000	2,188,000	1,692,406	-	(495,594)
Investment income.....	66,000	66,000	32,419	-	(33,581)
TOTAL REVENUES.....	261,537,313	261,722,845	264,699,320	-	2,976,475
EXPENDITURES:					
Current:					
General government.....	16,805,640	17,141,501	15,202,702	653,643	1,285,156
Public safety.....	48,292,395	49,284,298	48,777,138	7,955	499,205
Education.....	94,850,092	94,550,108	92,352,790	742,466	1,454,852
Public works.....	18,738,015	20,003,945	28,883,165	1,250,246	(10,129,466)
Human services.....	3,536,835	3,492,364	2,971,447	38,711	482,206
Culture and recreation.....	7,534,187	7,691,129	7,176,878	176,516	337,735
Pension benefits.....	21,469,483	21,483,949	21,478,397	-	5,552
Employee benefits.....	44,679,711	44,442,410	43,411,052	-	1,031,358
Claims and judgments.....	228,048	214,750	1,949,077	-	(1,734,327)
State and county charges.....	3,216,107	3,216,107	3,432,330	-	(216,223)
Debt service:					
Principal.....	7,443,732	7,578,732	7,558,731	-	20,001
Interest.....	5,316,109	5,181,109	5,132,372	-	48,737
Capital lease expenditures.....	2,435,208	2,435,208	2,435,208	-	-
TOTAL EXPENDITURES.....	274,545,562	276,715,610	280,761,287	2,869,537	(6,915,214)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(13,008,249)	(14,992,765)	(16,061,967)	(2,869,537)	(3,938,739)
OTHER FINANCING SOURCES (USES):					
Prior year overlay deficits raised.....	-	1,375,201	-	-	(1,375,201)
Prior year snow and ice deficits raised.....	1,127,384	1,127,384	-	-	(1,127,384)
Other amounts raised.....	917,917	917,917	-	-	(917,917)
Premium from issuance of refunding bonds.....	-	300,000	1,658,977	-	1,358,977
Use of prior year fund balance to fund carryovers.....	5,862,869	5,862,869	-	-	(5,862,869)
Use of free cash.....	-	3,000,000	-	-	(3,000,000)
Transfers in.....	5,100,079	7,391,866	7,391,866	-	-
Transfers out.....	-	(4,982,472)	(4,982,472)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	13,008,249	14,992,765	4,068,371	-	(10,924,394)
NET CHANGE IN FUND BALANCE.....	-	-	(11,993,596)	(2,869,537)	(14,863,133)
BUDGETARY FUND BALANCE, Beginning of year.....	10,367,965	10,367,965	10,367,965	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 10,367,965	\$ 10,367,965	\$ (1,625,631)	\$ (2,869,537)	\$ (14,863,133)

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS**

	2014
Total pension liability:	
Service cost.....	\$ 10,424,753
Interest.....	49,770,644
Benefit payments, including refunds of employee contributions.....	(43,044,059)
Net change in total pension liability.....	17,151,338
Total pension liability, beginning.....	633,230,325
Total pension liability, ending (a)	\$ 650,381,663
Plan fiduciary net position:	
Member contributions.....	\$ 23,673,089
Employer contributions.....	8,661,380
Net investment income (loss).....	13,166,200
Retirement benefits and refunds.....	(43,044,059)
Administrative expenses.....	(611,927)
Net increase (decrease) in fiduciary net position.....	1,844,683
Fiduciary net position at beginning of year.....	303,979,079
Fiduciary net position at end of year (b)	\$ 305,823,762
Net pension liability - ending (a) - (b)	\$ 344,557,901
Plan fiduciary net position as a percentage of the total pension liability.....	47.02%
Covered-employee payroll.....	\$ 83,775,407
Net pension liability as a percentage of covered-employee payroll.....	411.29%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	<u>2014</u>
Actuarially determined contribution.....	\$ 23,626,173
Contributions in relation to the actuarially determined contribution.....	<u>23,360,807</u>
Contribution deficiency (excess).....	<u>\$ 265,366</u>
Covered-employee payroll (*).....	\$ 83,775,407
Contributions as a percentage of covered- employee payroll.....	27.89%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN

2014

Annual money-weighted rate of return, net of investment expense.....	4.18%
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Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

The annual money-weighted rate of return has been calculated by
the System's actuary.

See notes to required supplementary information.

Pension Plan Schedules – City

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
QUINCY CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
City's proportion of the net pension liability (asset).....	95.31%
City's proportionate share of the net pension liability (asset)..... \$	328,393,427
City's covered employee payroll..... \$	80,276,807
Net pension liability as a percentage of covered-employee payroll.....	409.08%
Plan fiduciary net position as a percentage of the total pension liability.....	47.02%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF CITY'S CONTRIBUTIONS
QUINCY CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014
Actuarially determined contribution.....	\$ 22,674,720
Contributions in relation to the actuarially determined contribution.....	<u>22,727,803</u>
Contribution deficiency (excess).....	<u>\$ (53,083)</u>
Covered-employee payroll.....	\$ 80,276,807
Contributions as a percentage of covered- employee payroll.....	28.31%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both a revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the City</u>	<u>City's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2015	\$ 176,737,913	\$ 12,278,831	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2015

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)
12/31/13	\$ 1,230,651	\$ 656,665,773	\$ 655,435,122	0.19%	\$ 164,316,930	399%
06/30/12	\$ -	\$ 562,689,000	\$ 562,689,000	0.00%	\$ 159,531,000	353%
06/30/10	-	478,217,000	478,217,000	0.00%	150,501,000	318%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2015	\$ 45,202,662	\$ 15,374,382	34%
2014	36,457,000	17,621,000	48%
2013	35,137,000	15,837,272	45%
2012	33,989,000	14,899,000	44%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

JUNE 30, 2015

Actuarial Methods:

Valuation date.....	December 31, 2013
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4%
Remaining amortization period.....	30 years as of December 31, 2013
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go for the City excluding Quincy College and 5.25% partially funded for Quincy College (blending based on a blended discount rate of 7.5% and a pay-as-you go discount rate of 3.5%
Medical care cost trend rate.....	6.5% year 1; 6% for 8 years then decreasing by 0.5% to an ultimate level of 5% per year
Part B premium/dental.....	5%
Inflation rate.....	4%
OPEB Trust Asset Return.....	7.5%

Plan Membership:

Current retirees, beneficiaries, and dependents...	2,080
Current active members.....	<u>2,245</u>
Total.....	<u><u>4,325</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 City Council. 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 2015 approved budget authorized approximately \$277.6 million in appropriations inclusive of \$5.9 million of encumbrances carried forward from 2014. During 2015, the Council also approved supplemental appropriations totaling approximately \$7.3 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, 2015, is presented below:

Net change in fund balance - budgetary basis.....	\$ (11,993,596)
<u>Perspective difference:</u>	
Activity of the Inclement Weather Stabilization Fund, the general Stabilization Fund and the Downtown Improvement Fund recorded in the general fund for GAAP.....	6,431,428
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	589,000
Net change in recording accrued expenditures.....	(725,401)
Net change in ATB liability.....	(41,404)
Net change in legal judgements.....	(306,354)
Recognition of revenues for on-behalf payments.....	11,569,000
Recognition of expenditures for on-behalf payments.....	<u>(11,569,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ (6,046,327)</u>

3. Excess of Expenditures Over Appropriations

For the year ended June 30, 2015, actual expenditures exceeded appropriations for the public works function, claims and judgments, and for state and county charges. The reason for the budget deficits is due to actual snow and ice expenditures being higher than anticipated. Claims and judgments exceeded the estimate due some large cases being settled. State and county charges exceeded estimated amounts due to increased charter school and school choice tuition assessments.

The over-expenditures were funded during the 2016 budget process by using available funds.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Since the retirement system performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms or for differences between expected and actual experience and changes in assumptions as of December 31, 2014.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Return

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

Pension Plan Schedules - City

A. Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Plan Assumptions

There were no changes in assumptions.

E. Changes in Plan Provisions:

There were no changes in provisions.

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.