



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Quincy

Grant County

For the period January 1, 2013 through December 31, 2013

Published November 17, 2014

Report No. 1012973





Washington State Auditor
Troy Kelley

November 17, 2014

Mayor and City Council
City of Quincy
Quincy, Washington

Report on Financial Statements

Please find attached our report on the City of Quincy's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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Grant County
January 1, 2013 through December 31, 2013**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Quincy
Grant County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Quincy
Quincy, Washington

We have audited, 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, the financial statements of the City of Quincy, Grant County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 15, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

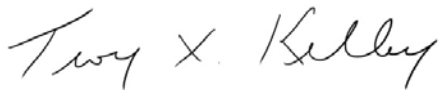
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 15, 2014

Independent Auditor's Report on Financial Statements

City of Quincy Grant County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Quincy
Quincy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Quincy, Grant County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Quincy has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Quincy, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Quincy, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

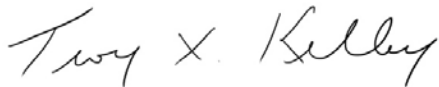
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 15, 2014

Financial Section

**City of Quincy
Grant County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

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Schedule of Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense Fund	101 Library Fund	102 Street Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	772,796	0	0	0
30880	Beg Fund Bal-Unreserved	18,187,865	5,614,082	20,318	5,385,712
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	8,979,125	6,883,296	0	1,992,629
320	Licenses & Permits	395,453	350,181	0	0
330	Intergovernmental Revenues	997,389	688,955	0	186,331
340	Charges for Goods and Services	7,164,303	191,720	1,300	5,375
350	Fines & Penalties	2,838	2,838	0	0
360	Miscellaneous Revenues	182,232	49,522	27,283	25,485
Total Operating Revenues:		17,721,340	8,166,513	28,583	2,209,819
Operating Expenditures					
510	General Government	876,977	267,480	0	0
520	Public Safety	3,039,940	3,030,759	0	0
530	Utilities	4,668,116	0	0	0
540	Transportation	864,577	0	0	677,198
550	Natural and Economic Environment	221,369	204,369	0	0
560	Social Services	60,167	60,167	0	0
570	Culture And Recreation	708,827	663,675	29,911	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		10,439,973	4,226,450	29,911	677,198
Net Operating Increase (Decrease):		7,281,367	3,940,063	-1,328	1,532,621
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	2,941	0	0	0
391-393	Debt Proceeds	300,000	0	0	0
397	Transfers-In	1,684,993	262,711	0	0
Total Nonoperating Revenues:		1,987,934	262,711		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	1,211,607	0	0	25,273
594-595	Capital Expenditures	3,506,011	570,164	2,407	936,688
597	Transfers-Out	1,684,993	830,728	0	230,305
Total Nonoperating Expenditures:		6,402,611	1,400,893	2,407	1,192,267
Increase (Decrease) in Cash and Investments		2,866,690	2,801,882	-3,735	340,354
Ending Cash and Investments					
50810	End Fund Bal-Reserved	788,969	0	0	0
50880	End Fund Balance-Unreserved	21,038,383	8,415,962	16,584	5,726,067

The accompanying notes are an integral part of this Statement.

BARS Code		107 Contingency Fund	109 Police Dept Reserve Fund	110 Tourist/visitor Fund	111 Mechanic Shop Reserve Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	135,003	144,265	55,957	12,591
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	41,243	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	864	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	191	204	81	18
Total Operating Revenues:		191	1,069	41,324	18
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	17,000	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	15,241	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:				32,241	
Net Operating Increase (Decrease):		191	1,068	9,083	18
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	2,982	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:			2,982		
Increase (Decrease) in Cash and Investments		191	-1,914	9,083	18
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	135,193	142,351	65,040	12,609

The accompanying notes are an integral part of this Statement.

BARS Code		112 Capital Improvements Fund	113 Drug Education/prevent ion	116 Sidewalk Improvement Fund	117 Leoff I
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	108,799	32,601	329,948	272,087
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	30,978	0	30,978	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	172	3,796	477	380
Total Operating Revenues:		31,150	3,796	31,455	380
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	2,290	0	6,891
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			2,290		6,891
Net Operating Increase (Decrease):		31,150	1,506	31,455	-6,511
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	6,676	0	25,114	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		6,676		25,114	
Increase (Decrease) in Cash and Investments		24,474	1,506	6,341	-6,511
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	133,273	34,107	336,288	265,576

The accompanying notes are an integral part of this Statement.

BARS Code		301 PD/Admin Facility Project	302 Amphitheater Project	303 Animal Shelter Project	401 Water Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	0	0	0	2,530,561
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	1,356,278
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1	1	25,523	24,405
Total Operating Revenues:		1	1	25,523	1,380,682
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	685,609
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					685,609
Net Operating Increase (Decrease):		1	1	25,523	695,074
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	78,381	38,995	36,867	0
Total Nonoperating Revenues:		78,381	38,995	36,867	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	41,915
594-595	Capital Expenditures	75,675	38,994	36,867	190,435
597	Transfers-Out	0	0	0	15,201
Total Nonoperating Expenditures:		75,675	38,994	36,867	247,551
Increase (Decrease) in Cash and Investments		2,707	2	25,523	447,523
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	2,707	2	25,523	2,978,083

The accompanying notes are an integral part of this Statement.

BARS Code		405 Water Reclamation & Ind'l Reuse Utility Fund	406 Industrial Sewer Operating	410 Domestic Sewer Fund	420 Refuse Division
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	740,510	32,287	0
30880	Beg Fund Bal-Unreserved	65,383	1,171,912	1,919,350	337,105
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	45,272	0	0	0
330	Intergovernmental Revenues	70,163	36,824	0	0
340	Charges for Goods and Services	248,498	2,087,562	1,420,318	1,057,366
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	8,192	6,518	8,803	1,151
Total Operating Revenues:		372,124	2,130,904	1,429,121	1,058,517
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	525,424	1,965,871	489,546	1,001,666
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		525,424	1,965,871	489,546	1,001,666
Net Operating Increase (Decrease):		-153,299	165,033	939,575	56,851
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	300,000	0	0	0
397	Transfers-In	1,266,539	0	1,500	0
Total Nonoperating Revenues:		1,566,539		1,500	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	26,000	738,547	379,872	0
594-595	Capital Expenditures	1,415,931	93,505	89,585	250
597	Transfers-Out	7,202	385,019	192,423	24,114
Total Nonoperating Expenditures:		1,449,133	1,217,071	661,880	24,364
Increase (Decrease) in Cash and Investments		-35,892	-1,052,038	279,195	32,487
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	740,510	48,459	0
50880	End Fund Balance-Unreserved	29,489	119,874	2,182,372	369,591

The accompanying notes are an integral part of this Statement.

BARS Code		501 Fleet Maintenance	502 Insurance Fund	503 Central Services
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	35,019	17,173	0
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	14,252
340	Charges for Goods and Services	193,832	279,118	322,938
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	24	4	3
Total Operating Revenues:		193,856	279,122	337,192
Operating Expenditures				
510	General Government	0	279,116	330,381
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	187,379	0	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		187,379	279,116	330,381
Net Operating Increase (Decrease):		6,477	6	6,812
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	0	2,941	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:			2,941	
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	6,239	8,693	5,807
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		6,239	8,693	5,807
Increase (Decrease) in Cash and Investments		239	-5,746	1,005
Ending Cash and Investments				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	35,257	11,427	1,005

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	621 Private-Purpose Trust Funds	631 Clerk's Agency Fund
308	Beginning Cash and Investments	27,218	10,200	17,018
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	0	0	0
380-390	Other Increases and Financing Sources	16,142	3,850	12,292
510-570	Expenditures	0	0	0
580-590	Other Decreases and Financing Uses	15,658	3,250	12,408
Increase (Decrease) in Cash and Investments		484	600	-116
508	Ending Cash and Investments	27,701	10,800	16,901

The accompanying notes are an integral part of this Statement.

CITY OF QUINCY
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Quincy reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Quincy was incorporated on March 1907 and operates under the laws of the State of Washington applicable to a non-charter code city. The City of Quincy is a general purpose government and provides public safety, fire prevention, street improvement, parks, recreation, health and social services, and general administrative services. In addition, the city owns and operates water and sewer systems; and collects refuse. The City of Quincy uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Quincy's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the city:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Quincy. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Quincy.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the city on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account assets that city holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The city adopts annual appropriated budgets for all funds. These budgets are appropriated *at the fund level*. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense Fund	\$12,674,231	\$5,433,730	\$7,240,501
101 Library Fund	\$45,881	\$29,911	\$15,970
102 Street Fund	\$4,971,653	\$1,714,645	\$3,257,008
103 Street Construction Reserve	\$3,987,096	\$429,819	\$3,557,277
104 Equipment Reserve Fund	\$330,810	\$208,909	\$121,901
105 Park Reserve Fund	\$276,300	\$0	\$276,300
106 Fire Dept. Reserve Fund	\$470,106	\$5,904	\$464,202
107 Contingency Fund	\$135,250	\$0	\$135,250
108 Library Reserve	\$4,010	\$2,407	\$1,603
109 Police Dept. Reserve Fund	\$151,200	\$2,982	\$148,218
110 Tourist/visitor Fund	\$88,050	\$32,241	\$55,809
111 Mechanic Shop Reserve Fund	\$12,615	\$0	\$12,615
112 Capital Improvements Fund	\$124,600	\$6,676	\$117,924
113 Drug Education/prevention	\$35,550	\$2,290	\$33,260
116 Sidewalk Improvement Fund	\$335,400	\$25,114	\$310,286
117 LEOFF I	\$270,350	\$6,891	\$263,459
301 PD/Admin Facility Project	\$202,860	\$75,675	\$127,185
302 Lauzier Park Project	\$292,100	\$38,994	\$253,106
303 Animal Shelter Project	\$42,000	\$36,867	\$5,133
401 Water Fund	\$3,215,650	\$891,378	\$2,324,272
402 W/S Bond Redemption	\$754,140	\$738,547	\$15,593
403 Water Repair & Replacement	\$522,465	\$41,782	\$480,683
404 W/S Bond Reserve	\$740,510	\$0	\$740,510
405 Water Recycle	\$1,985,040	\$1,974,557	\$10,483
406 Industrial Sewer Operating	\$3,301,628	\$3,182,773	\$118,855
407 Domestic Sewer R&R Fund	\$449,450	\$6,000	\$443,450
410 Domestic Sewer Fund	\$2,828,293	\$1,187,051	\$1,641,242
415 USDA Equipment Reserve Fund	\$63,075	\$0	\$63,075
416 USDA Bond Fund	\$161,238	\$161,238	\$0
417 USDA Bond Reserve Fund	\$48,470	\$0	\$48,470
420 Refuse Division	\$1,236,750	\$1,026,031	\$210,719
501 Intragovernmental Services	\$226,195	\$193,618	\$32,577
502 Insurance Fund	\$298,475	\$287,809	\$10,666
503 Central Services Fund	\$430,922	\$336,188	\$94,734

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

D. Cash

It is the City of Quincy's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The City of Quincy deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 5 years. The capital assets of the city are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 29 days (232 hours) for union employees and up to 35 days (280 hours) for non-union employees, depending upon years of service, and is payable upon separation or retirement.

Sick leave may accumulate up to 720 hours for all classifications. Upon separation or retirement employees do not receive payment for unused sick leave unless specified in bargaining unit. Labor Agreement between City of Quincy and the Quincy Police Officers Association allows for "cash out" of unused sick leave after 10 years of employment at 10% and upon retirement at 25%. No "cash out" for just cause disciplinary termination.

I. Long-Term Debt See Note 5, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The City of Quincy's "Other Financing Sources or Uses" consists of debt services. The City received a Public Works Trust Fund Loan for \$300,000 at 1% interest for five years. See Note 5, *Debt Service Requirements*.

K. Risk Management

The City of Quincy is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint

purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provision of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As September 1, 2013, there are 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000, to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. (\$10,000 FOR Pumps & Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013, were \$1,423,059.12.

L. Reserved Fund Balance

The City of Quincy had two reserved funds for the 2013 fiscal year. The Bond Reserve Fund 404, \$740,510 - funds committed by Ordinance 05-153. The USDA Bond Reserve Fund 417 is required to deposit 10% of the semi- annual payment for the next 10 years to a total 161,238 - funds committed by Ordinance 10-280.

NOTE 2 - INVESTMENTS

The city's investments are either insured, registered or held by the city or its agent in the city's name.

Investments are presented at cost for the L.G.I.P and market value for the US Government Securities.

Investments by type at December 31, 2013 are as follows:

Type of Investment	City's Own investments	Investments held by city as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$17,953,335	\$	\$17,953,335
U.S. Government Securities	\$3,240,443		\$3,240,443
Other			
Total Governmental Investment	21,193,778		21,193,778

NOTE 3 - PROPERTY TAX

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City of Quincy's regular levy for the year 2013 was \$2.441292 per \$1,000 on an assessed valuation of \$1,337,315,270 for a total regular levy of \$3,264,003.

NOTE 4 - INTERFUND LOANS

The City had no new interfund loans in 2013. The following table displays outstanding interfund loans:

<u>Borrowing</u> <u>Fund</u>	<u>Lending</u> <u>Fund</u>	<u>Balance</u> <u>1/1/2013</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2013</u>
405	410	\$910,606			\$910,606
405	001	\$100,000			\$100,000
405	401	200,000			200,000
	TOTALS	\$1,210,606		0	\$1,210,606

The City setup the Fund 405 for the City's Reuse Facility. At this time, the Fund 405 is not generating sufficient revenues because the facility is not completed and up and running yet.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and future payments requirements, including both principle and interest, are as follows:

Year	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2014	\$24,768	\$1,176,233		\$1,201,001
2015	\$24,530	\$1,230,872		\$1,255,402
2016	\$24,292	\$1,229,728		\$1,254,020
2017	\$24,054	\$1,228,584		\$1,252,638
2018		\$1,227,440		\$1,227,440
2019-2023		\$3,406,484		\$3,406,484
2024-2028		\$806,190		\$806,190
2029-2033		\$806,190		\$806,190
2034-2038		\$806,190		\$806,190
2039-2043		\$806,190		\$806,190
2044-2048		\$806,190		\$806,190
2049-2050		\$322,476		\$322,476
TOTALS	97,644	\$13,852,767		\$13,950,411

The City received a new PWTF loan in 2013 for \$300,000 pre-construction and payments for five years beginning 2014 through June 1, 2018 are included above.

NOTE 6 - PENSION PLANS

Substantially all City of Quincy full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or Law Enforcement Officers' Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Quincy's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 7 - OTHER DISCLOSURES

a. The City has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Current Expense Fund includes the funds of 001, 104, 105 and 106.
- Library Fund includes the funds of 101 and 108.
- Street Fund includes the funds of 102 and 103.
- Water Utility Fund includes the funds of 401 and 403.
- Sewer Utility Fund includes the funds of 410, 407, 415, 416 and 417.
- Industrial Sewer Fund includes the funds of 406, 402 and 404.

Fund 104 was included in Current Expense Fund for 2013 but not in 2012 thus showing a discrepancy in beginning and ending fund balances.

- b. Other Post Employment Benefits: The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, dental and long term care. Two (2) retirees received benefits during the year and \$6,891 was paid out for those benefits during the year.
- c. Insurance Risk Pool –Special Assessment: The City of Quincy is a member of the Cities Insurance Association of Washington (CIAW) which is an insurance pool for the joint purchasing of insurance and/or risk management services (see Note 1 – K Risk Management). Due to adverse losses during the years of 2002-2006 CIAW adopted

resolution # 9-10-03 which provides for a five-year plan to impose a re-assessment to participating members of the plan at the time of the adverse losses. The City of Quincy was one of those member cities and while the assessment does not represent a material impact to the financial position of the city it wishes to disclose the amount of the re-assessment.

- \$1,145.02 annual Funding Plan re-assessment for five years (2010-2014)
- d. Interlocal Agreement for the Operations of the Multi Agency Communication Center (Grant County, Cities in Grant County, Port of Moses Lake, and Fire Districts in Grant County). The Interlocal Agreement established the Multi Agency Communications Center (MACC), an E911 communications center for Grant County. The City does not make a financial contribution to MACC other than through the 911 tax imposed upon its residents by State Law and contract payments for dispatch services. The Board of Directors established under the Interlocal has the authority to establish a fair and equitable contribution from each participating entity for MACC. The Interlocal provides enhanced 911 services. A member appointed by Grant County Cities & Towns represents the City on the Board of Directors. The property acquired by MACC is shared by the participants in the Agreement to the same extent as they have made financial contributions to MACC. Detailed financial statements for this entity can be obtained from MACC at 6500 32nd Ave NE, Suite 911, Moses Lake, WA 98837.

City of Quincy

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	263.81	Central Business District St. Renovation	7/1/2017	119,075	0	23,816	95,259
	259.11	001 - General Fund		128,357	169,416	163,253	134,520
		Total General Obligations:		247,432	169,416	187,069	229,779
Revenue Obligations							
	263.82	Water System Improvements	7/1/2018	236,503	0	39,417	197,086
	263.82	Municipal Wastewater Facility	11/28/2023	2,146,888	0	180,874	1,966,014
	263.82	IWWTP 05 Capital Modification Project	1/1/2021	4,837,182	0	491,754	4,345,428
	263.82	W Canal Water /Sewer Crossing	12/15/2013	6,000	0	6,000	0
	263.82	Industrial Cooling Water Project	7/1/2013	6,000	0	6,000	0
	263.82	Water Reclamation & Industrial Reuse	5/17/2014	60,000	0	20,000	40,000
	263.82	Sewer System Improvements	11/12/2050	3,640,796	0	52,385	3,588,411
	263.82	Water Reclamation & Reuse Phase 1	6/1/2018	0	300,000	0	300,000
	259.12	401 - Water Fund		10,587	19,060	18,605	11,042
	259.12	405 - Water Recycle Const. Fund		1,428	2,594	1,575	2,447
	259.12	406 - Industrial		3,331	4,624	3,491	4,464

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

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	259.12	410 - Sewer Fund		7,681	5,345	6,671	6,355
	259.12	420 - Refuse Fund		9,426	10,129	10,106	9,449
	259.12	501 - Fleet Maintenance		1,900	7,002	5,813	3,089
	259.12	503 - Central Services		0	4,674	2,837	1,837
Total Revenue Obligations:				10,967,722	353,428	845,528	10,475,622
Total Liabilities:				11,215,154	522,844	1,032,597	10,705,401

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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