



**Office of the Washington State Auditor**  
**Pat McCarthy**

# **Financial Statements Audit Report**

## **City of Quincy**

**For the period January 1, 2019 through December 31, 2019**

**Published January 28, 2021**

**Report No. 1027639**





**Office of the Washington State Auditor  
Pat McCarthy**

January 28, 2021

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,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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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  
January 1, 2019 through December 31, 2019**

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 6, 2021.

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 by state law 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.

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 11.

**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 opinions 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

January 6, 2021

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Quincy January 1, 2019 through December 31, 2019

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, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

#### 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 state law 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 opinions 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 to meet the financial reporting requirements of state law using accounting practices prescribed by 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 cash and investments of the City of Quincy, and its changes in cash and investments, for the year ended December 31, 2019, 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, 2019, or the changes in financial position or cash flows thereof 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.

## **Emphasis of Matters**

As discussed in Note 11 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management’s plans in response to this matter are also described in Note 11. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The 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 January 6, 2021 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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy  
State Auditor  
Olympia, WA

January 6, 2021

## **FINANCIAL SECTION**

### **City of Quincy January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to the Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019

**City of Quincy**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense Fund</b>	<b>101 Library Fund</b>	<b>102 Street Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	5,540,258	129,733	3,244	2,540,342
30880	Unreserved	14,039,030	3,563,716	-	3,794,292
388 / 588	Net Adjustments	16,050	-	-	-
<b>Revenues</b>					
310	Taxes	10,732,509	8,043,993	-	2,203,249
320	Licenses and Permits	1,084,383	878,399	-	-
330	Intergovernmental Revenues	965,436	486,428	-	254,008
340	Charges for Goods and Services	13,639,424	510,161	1,522	2,119
350	Fines and Penalties	3,125	3,125	-	-
360	Miscellaneous Revenues	875,171	163,782	31,926	395,851
Total Revenues:		27,300,048	10,085,888	33,448	2,855,227
<b>Expenditures</b>					
510	General Government	1,955,906	848,706	-	-
520	Public Safety	4,548,238	4,548,238	-	-
530	Utilities	7,425,605	-	-	-
540	Transportation	1,102,373	-	-	829,649
550	Natural and Economic Environment	392,203	375,203	-	-
560	Social Services	89,929	89,929	-	-
570	Culture and Recreation	988,015	914,524	50,690	-
Total Expenditures:		16,502,269	6,776,600	50,690	829,649
Excess (Deficiency) Revenues over Expenditures:		10,797,779	3,309,288	(17,242)	2,025,578
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	11,068,058	-	-	-
397	Transfers-In	1,840,646	51,746	18,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	13,758,141	7,871,606	-	-
Total Other Increases in Fund Resources:		26,666,845	7,923,352	18,000	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	14,882,567	1,022,076	-	2,732,410
591-593, 599	Debt Service	2,071,608	111	-	112
597	Transfers-Out	1,840,646	1,788,900	-	4,514
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	13,757,641	5,176,617	-	-
Total Other Decreases in Fund Resources:		32,552,462	7,987,704	-	2,737,036
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,912,162</b>	<b>3,244,936</b>	<b>758</b>	<b>(711,458)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	5,337,835	-	4,000	1,958,080
5088000	Unreserved	19,169,670	6,938,389	-	3,665,094
<b>Total Ending Cash and Investments</b>		<b>24,507,505</b>	<b>6,938,389</b>	<b>4,000</b>	<b>5,623,174</b>

The accompanying notes are an integral part of this statement.

**City of Quincy**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>110 Tourist/visitor Fund</b>	<b>304 Public Safety Facility Project</b>	<b>305 Recreation Center Project</b>	<b>307 City Hall Project</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	74,972	-	-	-
30880	Unreserved	-	10,001	10,000	10,000
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	59,701	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,635	121	189	133
Total Revenues:		61,336	121	189	133
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	17,000	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	22,801	-	-	-
Total Expenditures:		39,801	-	-	-
Excess (Deficiency) Revenues over Expenditures:		21,535	121	189	133
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	485,900	-	1,285,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	485,900	-	1,285,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	490,596	910	1,290,990
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	490,596	910	1,290,990
<b>Increase (Decrease) in Cash and Investments:</b>		<b>21,535</b>	<b>(4,575)</b>	<b>(721)</b>	<b>(5,857)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	96,507	-	-	-
5088000	Unreserved	-	5,425	9,280	4,143
<b>Total Ending Cash and Investments</b>		<b>96,507</b>	<b>5,425</b>	<b>9,280</b>	<b>4,143</b>

The accompanying notes are an integral part of this statement.

**City of Quincy**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>312 Capital Improvements Fund</b>	<b>316 Sidewalk Improvement Fund</b>	<b>401 Water Fund</b>	<b>406 Industrial Sewer Operating</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	397,781	1,510,991	-	750,511
30880	Unreserved	-	-	3,160,391	308,688
388 / 588	Net Adjustments	-	-	16,050	-
<b>Revenues</b>					
310	Taxes	212,783	212,783	-	-
320	Licenses and Permits	-	-	-	205,984
330	Intergovernmental Revenues	-	-	150,000	75,000
340	Charges for Goods and Services	-	-	1,991,838	5,782,686
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	9,550	31,542	67,842	88,573
Total Revenues:		222,333	244,325	2,209,680	6,152,243
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	1,293,070	3,553,664
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,293,070	3,553,664
Excess (Deficiency) Revenues over Expenditures:		222,333	244,325	916,610	2,598,579
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	11,068,058
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	218,317	5,176,617
Total Other Increases in Fund Resources:		-	-	218,317	16,244,675
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	4,718	468,148	8,613,732
591-593, 599	Debt Service	-	-	56	1,697,557
597	Transfers-Out	-	-	3,193	1,872
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	17,650	8,563,374
Total Other Decreases in Fund Resources:		-	4,718	489,047	18,876,535
<b>Increase (Decrease) in Cash and Investments:</b>		<b>222,333</b>	<b>239,607</b>	<b>645,880</b>	<b>(33,281)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	620,114	1,750,599	16,550	740,514
5088000	Unreserved	-	-	3,805,770	285,403
<b>Total Ending Cash and Investments</b>		<b>620,114</b>	<b>1,750,599</b>	<b>3,822,320</b>	<b>1,025,917</b>

The accompanying notes are an integral part of this statement.

**City of Quincy**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>410 Domestic Sewer Fund</b>	<b>420 Refuse Division</b>	<b>501 Fleet Maintenance</b>	<b>502 Insurance Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	132,684	-	-	-
30880	Unreserved	2,847,299	272,624	36,456	13,024
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	2,286,552	1,651,074	275,330	544,882
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	75,467	7,907	276	65
Total Revenues:		2,362,019	1,658,981	275,606	544,947
<b>Expenditures</b>					
510	General Government	-	-	-	548,853
520	Public Safety	-	-	-	-
530	Utilities	965,009	1,613,862	-	-
540	Transportation	-	-	272,724	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		965,009	1,613,862	272,724	548,853
Excess (Deficiency) Revenues over Expenditures:		1,397,010	45,119	2,882	(3,906)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	491,601	-	-	-
Total Other Increases in Fund Resources:		491,601	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	211,553	-	6,678	-
591-593, 599	Debt Service	373,772	-	-	-
597	Transfers-Out	2,532	38,975	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		587,857	38,975	6,678	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,300,754</b>	<b>6,144</b>	<b>(3,796)</b>	<b>(3,906)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	151,471	-	-	-
5088000	Unreserved	4,129,268	278,767	32,662	9,119
<b>Total Ending Cash and Investments</b>		<b>4,280,739</b>	<b>278,767</b>	<b>32,662</b>	<b>9,119</b>

The accompanying notes are an integral part of this statement.

**City of Quincy**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		503 Central Services
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	12,539
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	593,260
350	Fines and Penalties	-
360	Miscellaneous Revenues	312
Total Revenues:		593,572
<b>Expenditures</b>		
510	General Government	558,347
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		558,347
Excess (Deficiency) Revenues over Expenditures:		35,225
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	40,756
591-593, 599	Debt Service	-
597	Transfers-Out	660
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		41,416
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(6,191)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	6,350
<b>Total Ending Cash and Investments</b>		<b>6,350</b>

The accompanying notes are an integral part of this statement.



**City of Quincy**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	34,963	14,550	20,413
388 & 588	Net Adjustments	(16,050)	(14,550)	(1,500)
310-390	Additions	11,852	-	11,852
510-590	Deductions	13,658	-	13,658
	Net Increase (Decrease) in Cash and Investments:	(1,806)	-	(1,806)
508	Ending Cash and Investments	17,108	-	17,108

*The accompanying notes are an integral part of this statement.*

**City of Quincy**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The City of Quincy was incorporated on March 27, 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 local 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, sewer, reuse and solid waste utilities..

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented a "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. 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 government.

### 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 government on a cost reimbursement basis.

#### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government 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.

### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

#### B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

#### C. Cash and Investments

See Note 6, *Deposits and Investments*.

#### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

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

Sick leave may be accumulated 720 hours for Teamsters, Excluded and Exempt classifications. Upon separation or retirement employees do not receive payment for unused sick leave.

Sick leave may accumulate up to 960 hours for Police Guild classification. Upon separation or retirement Quincy Police Officers Association employees do receive payment for unused sick leave per the bargaining agreement at 10% after 10 years of employment and at 10% and 25% upon retirement. No “cash out” for just cause disciplinary termination. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Ordinance. When expenditures that meet restrictions are incurred, the City of Quincy intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- **Consumer Deposits Fund 401 (Fund 430 Rolled into 401)**, \$16,550 - **QMC 3.50.430 Consumer Deposits Fund**. Established to hold all deposits of customers for the City’s various utilities.
- **Bond Reserve Fund 406 (Fund 404 Rolled into 406)**, \$740,510 - funds committed by Ordinance 05-153.
- **USDA Bond Reserve Fund 410 (Fund 417 Rolled into 410)**, \$151,471 - 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.
- **Reuse Construction Fund 406 (Fund 460 Rolled into 406)**, \$4 – **QMC 3.50.460 Reuse Construction Fund**. The Reuse Construction Fund is established as BARS Fund 460 to receive and dispense all revenues and expenditures needed for the engineering and construction of the City’s reuse project.
- The Special Revenue Funds:
  - **Library Fund 101**, \$2,337 – Funds received from NCRL specific to Library. **QMC 3.50.101 Library Fund**. The Library Fund is established as BARS Fund 101 to accumulate funds from year to year, for operating and maintaining the City’s library over and above the cost paid by the North Central Regional Library District, or as determined by the City Council from time to time.
  - **Street Fund 102**, \$35,928.35 - State distributed taxes on motor vehicle fuels, to be used for cities purposes. Distribution is based on population. RCW 46.68.110(4), RCW 47.24.040, Chapter 35.76 RCW. **QMC 3.50.102 Street Fund**. The Street Fund is established pursuant to RCW [35.76](#) as BARS Fund 102 for the purpose of operating and maintaining the City’s

- streets, rights-of-way and alleys.
- **Street Construction Fund 102** (*Fund 103 Rolled into 102*), \$1,922,152 – Funds from TIB Grant and other Specific Projects. This balance includes \$797,809 from two development agreements for future road improvements. **QMC 3.50.103 Street Reserve Fund.** The Street Construction Reserve Fund is established pursuant to RCW [35.21.070](#) as BARS Fund 103 to accumulate moneys from year to year to be expended for the construction of City streets, rights-of-way, alleys and related improvements.
  - **Library Reserve Fund 101** (*Fund 108 Rolled into 101*), \$1,664 – Funds in the Reserve are transferred from the Library 101 Fund and are Library specific through monies received from North Central Regional Library (NCRL). **QMC 3.50.108 Library Reserve Fund.** The Library Reserve Fund is established as BARS Fund 108 to accumulate funds from year to year for purchasing books, equipment and related items for library use, and improvements to the City’s library, as determined by the City Council from time to time, which may be based on recommendations regarding the accumulation and expenditures in the Library Reserve Fund, by the Library Advisory Board. Any money or property given to or for the use or benefit of the City’s library shall be held in the Library Reserve Fund and used according to the terms of the gift, or this section, in the event the terms of the gift are not specific.
  - **Tourist/Visitor Fund 110**, \$96,507 – Funds received from local hotel/motel tax (RCW 67.28.180) and special local hotel/motel tax (Chapters 67.28, 67.40, 35.101 and 36.100 RCW). Lodging Tax Advisory Board determines how the money will be utilized. **QMC 3.50.110 Tourism/Visitor Fund.** The Tourism Fund is established as BARS Fund 110 to receive and accumulate the proceeds from the special excise tax levied by the authority of Chapter [3.24](#), with said moneys to be used solely for the purpose of paying all or any part of the costs of tourist promotion, acquisition of tourism related facilities, or operation of tourism related facilities or to pay for any other uses as authorized in RCW [67.28](#), and any amendments thereto.
  - **Capital Improvement Fund 312**, \$620,115 - An excise tax imposed on the sale of real property and dedicated to local capital projects identified in RCW 82.46.010 and RCW 82.45.180. Proceeds should be placed in the capital projects fund (RCW 82.46.030). **QMC 3.50.112 Capital Improvements Fund.** The Capital Improvements Fund is established as BARS Fund 112 to receive and accumulate the proceeds from the real estate excise tax authorized by section [3.26.010](#) to finance capital projects specified in the capital facilities plan element of the City’s comprehensive plan, as authorized by RCW [82.46.010](#)(A), and any amendments thereto. This fund number will change to 312 for the 2019 Annual Report.
  - **Sidewalk Improvement Fund 316** - \$1,750,599. An excise tax imposed on the sale of real property and dedicated to local capital projects identified in RCW 82.46.010 and RCW 82.45.180. Proceeds should be placed in the capital projects fund (RCW 82.46.030). **QMC 3.50.116 Sidewalk Improvements Fund.** The Sidewalk Improvements Fund is established as BARS Fund 116 to receive and accumulate the proceeds from the additional real estate excise tax authorized by section [3.26.010](#)(B), for the financing capital projects related to the City’s sidewalks, as specified in the capital facilities plan element of the City’s comprehensive plan, as authorized by RCW [82.46.035](#), as presently adopted and subject to any amendments thereto. This fund number will change to 316 for the 2019 Annual Report.

**Note 2 – Budget Compliance**

The City of Quincy 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:

<b>Fund</b>	<b>Final Appropriated Amount</b>	<b>Actual Expenditures</b>	<b>Variance</b>
001 Current Expense Fund	\$19,698,235.40	\$15,029,433.58	\$4,668,801.82
101 Library Fund	\$52,447.20	\$50,691.49	\$1,755.71
102 Street Fund	\$3,259,188.66	\$1,389,778.69	\$1,869,409.97
103 Street Construction Reserve	\$5,207,526.83	\$2,176,906.72	\$3,030,620.11
104 Equipment Reserve Fund	\$302,268.38	\$33,211.11	\$269,057.27
105 Park Reserve Fund	\$43,313.90	\$0.00	\$43,313.90
106 Fire Dept. Reserve Fund	\$484,999.93	\$57,738.44	\$427,261.49
107 Contingency Fund	\$141,666.80	\$0.00	\$141,666.80
108 Library Reserve	\$1,641.25	\$0.00	\$1,641.25
109 Police Dept. Reserve Fund	\$130,132.86	\$0.00	\$130,132.86
110 Tourist/visitor Fund	\$105,172.04	\$39,801.42	\$65,370.62
111 Mechanic Shop Reserve Fund	\$13,121.32	\$0.00	\$13,121.32
113 Drug Education/prevention	\$34,043.94	\$8,675.24	\$25,368.70
117 LEOFF I	\$220,564.04	\$6,585.00	\$213,979.04
304 Public Safety Facility Project	\$690,900.99	\$490,596.34	\$200,304.65
305 Recreation Center Project	\$260,000.33	\$909.65	\$259,090.68
307 City Hall Project	\$1,465,000.06	\$1,290,990.14	\$174,009.92
312 Capital Improvements Fund	\$423,781.21	\$0.00	\$423,781.21
316 Sidewalk Improvement Fund	\$1,540,991.44	\$4,717.55	\$1,536,273.89
401 Water Fund	\$4,606,229.03	\$1,764,467.86	\$2,841,761.17
402 W/S Bond Redemption	\$1,669,480.00	\$1,669,479.72	\$0.28
403 Water Repair & Replacement	\$454,786.86	\$0.00	\$454,786.86
404 W/S Bond Reserve	\$740,510.35	\$0.00	\$740,510.35
405 Water Reclamation & Industrial Reuse Utility Fund	\$2,184,279.81	\$2,147,049.45	\$37,230.36
406 Industrial Sewer Operating	\$3,076,019.05	\$2,866,039.73	\$209,979.32
407 Domestic Sewer R&R Fund	\$460,627.03	\$0.00	\$460,627.03
409 Pre-Treatment Fund	\$364,710.28	\$276,716.80	\$87,993.48
410 Domestic Sewer Fund	\$4,348,474.06	\$1,589,989.57	\$2,758,484.49
415 USDA Equipment Reserve	\$194,101.91	\$0.00	\$194,101.91
416 USDA Bond Fund	\$161,238.00	\$161,238.00	\$0.00
417 USDA Bond Reserve Fund	\$149,108.10	\$0.00	\$149,108.10

420 Refuse Division	\$1,592,042.01	\$1,652,837.75	(\$60,795.74)
430 Consumer Deposit Fund	\$0.00	\$17,650.00	(\$17,650.00)
460 Reuse Construction Fund	\$25,890,756.56	\$17,140,393.55	\$8,750,363.01
501 Fleet Maintenance	\$333,471.41	\$279,400.11	\$54,071.30
502 Insurance Fund	\$572,077.97	\$548,853.47	\$23,224.50
503 Central Services	\$674,199.10	\$599,760.52	\$74,438.58

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 of Quincy’s legislative body. Actual expenditures by fund do not represent the total actual expenditures by the City due to several managerial funds that have been established that are rolled to meet the BARS requirements as prescribed by the WA State Auditor’s Office under RCW 43.09. See Note 9, *Other Disclosures*.

In 2019, the utility tax was directly collected in the Fund 001 General Fund. With the requirement of utility taxes needing to be collected in the appropriate Fund and then payment made to the General Fund, the adjustment and correction was done after the close of the fiscal year. The Funds involved had a correction made on the revenue side and then the payment (expenditure) was done for the exact same amount. This correction put the Fund 420 Refuse Fund with a negative variance for 2019. The training received that identified this issue was held in April of 2020.

Fund 430 Consumer Deposit Fund is a sub-fund of the “water” utility and holds customer deposits as required by city ordinance. These funds are non-revenues and were previously recorded as ‘fiduciary’ funds held in a custodial capacity which do not require a budget appropriation. The negative variance for fund #430 above does not reflect a compliance issue but only the new reporting requirement of BARS.

**Note 3 - Component Unit(s), Joint Ventures and Related Parties**

- A. 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) - 1995. 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 32<sup>nd</sup> Ave NE, Suite 911, Moses Lake, WA 98837.
- B. The City has an Interlocal agreement with the Port of Quincy to lease land for the purpose of constructing, operating and maintaining public utility infrastructure, including, without limitation, buildings, pumps, lift stations and piping.
- C. There are several Councilmembers and Executive staff who serve on various community organizations and boards:
  - Councilmember Kling serves as a Board Member on the Grant Transit Authority Board (GTA).

GTA provides public transportation to all of Grant County. The City works with GTA to provide safe locations for bus stops.

- Councilmember Harris serves on the Grant County Health District Board. They oversee the public health needs of Grant County. The City contributes \$4 per citizen to the Health District in support of their efforts to combat communicable and other diseases in Grant County. In 2019, the City contributed \$30,040 to Grant County Health District.
- Councilmembers Garrison, Padron and former Councilmember Durfee serve with Grant County Fire District #3 as volunteer firefighters. Grant County Fire District #3 provides contract fire and life safety protection services for the City plus additional fees for fire plan review. Councilmember Garrison also serves as the City’s representative at the Grant County Fire District #3 Commissioner meetings.
- Councilmember Ferguson is employed by Ferguson Concrete and Excavation, Inc. The City contracts with Ferguson Concrete and Excavation, Inc. for small works projects following all bidding laws. In 2019, the City paid Ferguson Concrete and Excavation, Inc. \$89,862.17 for the 2019 Sidewalk Improvements project. Councilmember Ferguson excused himself from the meetings when this item was discussed.

**Note 4 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Quincy and summarizes the City’s debt transactions for year ended December 31, 2019.

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$1,531,265	\$511,954	\$2,043,219
2021	\$902,553	\$464,037	\$1,366,590
2022	\$866,178	\$438,900	\$1,305,078
2023	\$891,835	\$413,244	\$1,305,079
2024	\$705,113	\$387,464	\$1,092,577
2025-2029	\$3,903,463	\$1,559,426	\$5,462,889
2030-2034	\$4,618,003	\$844,886	\$5,462,889
2035-2039	\$1,300,108	\$282,195	\$1,582,303
2040-2044	\$622,028	\$184,162	\$806,190
2045-2049	\$721,881	\$84,309	\$806,190
2050-2054	\$156,190	\$5,048	\$161,238
<b>TOTALS</b>	<b>\$16,218,627</b>	<b>\$5,175,615</b>	<b>\$21,394,242</b>

In addition to the existing debt listed above, the City has two Public Works Trust Fund (PWTF) Loans and an anticipated bond loan for the construction of the Reuse Central Facility, which are included on the Schedule of Liabilities and will be updated once construction is complete and amortization schedules have been received from the appropriate lender. .



**Note 5 - Interfund Loans**

The following table displays interfund loan activity during 2019:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2019</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2019</b>
460	410	\$491,192	0	\$491,192	0
460	001	\$7,654,743	5,176,617	7,818,998	\$5,012,362
460	401	\$200,000	0	\$200,000	0
405	001	\$1,303,174	0	0	\$1,303,174
	<b>TOTALS</b>	<b>\$9,649,109</b>	<b>\$5,176,617</b>	<b>\$8,510,190</b>	<b>\$6,315,536</b>

The City setup the Fund 460 Reuse Construction fund to manage the funds for the construction of the Reuse Facility. In 2016, the City transferred the interfund loans from the Fund 405 to the Fund 460 for the City’s Reuse Facility. Resolution 15-362 sets annual interest payment at 1% until the completion of the project and a principal and interest payment schedule is established. Interfund loans were budgeted to be paid off in 2018 upon receipt of Public Works Trust Fund (PWTF) Loan, however, money from the PWTF did not arrive until 2019. The 460 Fund paid back the 401 and 410 Fund, the 001 Fund (Current Expense) was repaid with additional interfund loans made to help cover the cost of the project until money is received from PWTF and anticipated Bond with Washington Trust Bank. Microsoft has committed to ensuring the bond is paid through the rates established for the Reuse Utility. The Reuse Central Facility project is expected to be complete in late fall. In the 2018 Notes to Financial Statements, the December 31, 2018 balance for the interfund loan from Fund 001, Current Expense, was erroneously reported at \$7,639,801. It should have been reported at \$7,654,743. In addition, the 2018 ending balance for the interfund loan from Fund 410, Domestic Sewer, was erroneously reported at \$910,606. It should have been reported at \$491,192.21. In 2018, Council adopted Ordinance 18-509, reallocating the interfund loan from Current Expense (001), Water Fund (401) and Sewer Fund (410). This ordinance identified the beneficial interest of the Domestic Sewer Fund 410 and monies received through the Data Surcharge thus reducing the outstanding loan from the Sewer Fund 410 to \$491,192.21. This report reflects the correct beginning balance numbers.

**Note 6 – Deposits and Investments**

Investments are reported at cost. Deposits and Investments by type at December 31, 2019 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
Bank Deposits	\$1,556,978.63		\$1,556,978.63
L.G.I.P.	\$15,339,806.04		\$15,339,806.04
Grant County Local Investment Pool (GCLIP)	\$3,211,119.27		\$3,211,119.57
GCLIP Hospital Warrants Investment	\$900,000.00		\$900,000.00
U.S. Government Securities	\$3,499,603.55		\$3,499,603.55
Other		17,107.57	17,107.57
<b>Total</b>	<b>24,507,507.79</b>	<b>17,107.57</b>	<b>24,524,615.36</b>

It is the City of Quincy’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds or to the appropriate fund the investment was made from.

Investments in the State Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

Investments in Grant County Investment Pool

The City is a voluntary participant in the Grant County Local Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The City reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The GCLIP imposes an early withdrawal penalty for redemption less than 90 days’ notice.

<i>Days before withdrawal:</i>	<i>Percentage of Monies Withdrawn:</i>
0-30 days	2.0% of monies withdrawn
31-60 days	1.0% of monies withdrawn
61-80 days	0.5% of monies withdrawn
81-89 days	0.2% of monies withdrawn

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Quincy or its agent in the government’s name.

Other Disclosures

The City of Quincy and Grant County entered into an interlocal investment service agreement for the City to invest \$1,000,000 with the County for a share of Grant County Hospital District #2 Warrants. In December 2019, the warrant limit was lowered for the Hospital District, lowering the investment to \$900,000 and reimbursing the City \$100,000, which was deposited into the GCLIP. The annual rate of interest on the Hospital Warrant is 3.5%.

**Note 7 – Other Post-Employment Benefits (OPEB)**

During the year ended December 31, 2019, the City of Quincy adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26. The plan pays for 100% of eligible retirees’ healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had one (1) member, all retirees. As of December 31, 2019, the City’s total OPEB liability was \$593,853, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City paid \$6,585.00 in benefits.

**Note 8 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all City of Quincy’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS I, PERS II, PERS III and LEOFF II).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City of Quincy also participates in the Volunteer Fire Fighters’ and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov). In 2019, the City of Quincy had no active members with one member starting January 1, 2020.

At June 30, 2019 (the measurement date of the plans), the City of Quincy’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$102,605	0.014310%	\$550,270
PERS 2/3	\$143,866	0.017617%	\$171,121
LEOFF 1		0.003229%	\$(63,825)

LEOFF 2	\$81,322	0.044108%	\$(1,021,847)
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LEOFF Plan 1

The City of Quincy also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City of Quincy also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

**Note 9 - Property Tax**

The county treasurer acts as an agent to collect property tax 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 City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Quincy’s regular levy for the year 2019 was \$1.43472 per \$1,000 on an assessed valuation of \$3,061,648,035 for a total regular levy of \$4,392,595.00.

**Note 10 - 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 program 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 December 1, 2019, there are 191 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile and Wrongful Acts, which are included to fit members various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program

also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,910,871.

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.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

Equipment breakdown insurance is subject to a per occurrence deductible of \$2,500, which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 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/brokers with Clear Risk Solutions, who have been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2019, were \$2,687,104.78.

Unemployment Compensation - Reimbursable. The City of Quincy has been approved by the Employment Security Department to be in Reimbursable status. The City of Quincy only pays when an unemployment claim has been filed. In 2019, there were four (4) claims paid for a total of \$4,752.46.

#### **Note 11 - 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, 106, 107, 109, 111, 113 and 117.
- 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, 403 and 430.
- Sewer Utility Fund includes the funds of 410, 407, 415, 416 and 417.
- Industrial Sewer Fund includes the funds of 406, 402, 404, 405, 409, 450 and 460.

B. The City of Quincy has eight (8) active construction projects as of December 31, 2019, and five (5) projects with retainage to be paid in 2020. The projects include the projects listed below.

At year-end the City's commitment with the contractors was as follows:

<b>Project Name</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Neutralized Brine Waste Conveyance System	\$890,390.86	\$301,426.16
Reuse Wastewater Central Facility	\$1,449,608.04	\$2,207,990.18
Aquifer Characterization Well	\$1,219,781.75	\$59,270.24
SR 28/13th Ave SW Intersection Traffic Mitigation	\$1,547,355.31	\$ 255,235.07
2019 Sidewalk Improvements	\$89,862.17	\$ 67,708.79
Quincy 1 Water WSB Upgrades Design Package 13	0	\$ 423,507.50
Senior Center Roofing Repair	0	\$ 35,959.71
Lauzier Park Pickle Ball Court	0	\$ 11,622.99
<b><i>Completed in 2019 – Retainage to be Paid in 2020</i></b>		
Public Safety Facility	\$4,003,267.94	\$ 194,522.22
Quincy City Hall	\$3,490,202.33	\$ 169,591.95
Q Street SE Water Main	\$647,742.93	\$ 31,474.38
Q1W Brine Evaporation Pond Cell #5 Design Package 7.1	\$1,252,184.49	\$ 60,844.73
Emergency Water Valve Replacement	\$35,178.41	\$ 3,593.30

- E. Liabilities: The City has long-term agreements with Woodard and Curran for process operations and upgrades to the Reuse, Domestic and Industrial Sewer Treatment Facilities, including the operation and maintenance of the Water Wells and Booster pump system, with fees associated for early termination.
- F. Litigation: The City was sued by a former employee for damages under different claims in state and federal court under a variety of legal theories, all arising from the same set of occurrences. The City denies the claims and has asserted that no damages were incurred. Through legal counsel retained by the City's insurance pool the City contested these claims. The trial courts (federal and state) have all ruled in the City's favor, entering summary judgments, holding there were no questions of material fact to show harassment. The federal Court of Appeals (9<sup>th</sup> Circuit) affirmed the federal trial court's ruling on June 22, 2018. In September 2018, the state trial court ruled the former employee did not prove the City failed to take reasonable steps to enable her to perform the essential functions of her employment. The former employee appealed the state trial court ruling to the Washington State Court of Appeals (Div. III). On December 31, 2019, the case was still pending in the state Court of Appeals. However, on March 20, 2020, the state Court of Appeals issued an unpublished opinion that affirmed the state trial court's ruling in favor of the City.

In 2015, the City was involved in a lawsuit where a suspect in a criminal matter sued the City in state court for an unlawful arrest. The suspect ultimately dismissed the lawsuit. However, in September 2019, the suspect requested that the trial court vacate the dismissal order. Later in September 2019, the trial court denied the suspect's request to vacate the dismissal order.

- G. Prior to 2019, the City has the custodial Fund 621 that was set up to handle Utility Deposits. Due to the reporting requirements, the City needed to move the funds into the enterprise fund they are affiliated with. In addition, the City also handles Hydrant Meter Deposits which were previously going into the Fund 631. These transactions were recorded as prior year corrections in the BARS account 3885000 or 5885000.

- H. Police Reserve Fund 109 – \$0. Prior to 2018, funds primarily were received through a Federal Direct Grant from the Department of Justice for Bulletproof Vests. The grant funds were matching funds of which revenues were expended prior to receipt. **QMC 3.50.109 Police Department Reserves Fund.** The Police Department Reserve Fund is established as BARS Fund 109 to accumulate funds from year to year for purchasing radios, vehicles and equipment for the City’s Police Department. After review of this account, reserved revenues were expended prior to receipt and no longer receives Bulletproof Vests grant from the Department of Justice so it no longer meets the requirements of a Special Revenue Fund. This fund is now rolled into Current Expense Fund 001.
- I. In 2015, the City and Microsoft Data Center entered into discussions regarding the City need to get the industrial wastewater discharge out of the ditch as required by the US Bureau of Reclamation (USBR). The plan would allow Microsoft, and other data centers, to use wastewater from the Industrial Treatment Facility for their cooling systems. This utility would serve two purposes: Resolve the requirement by the USBR to no longer discharge into the lateral canal; and, Decrease the amount of potable water used by the data centers. This project is still under construction, funded through loans and bonds guaranteed by Microsoft to be paid through the rates. With the magnitude of this project, Microsoft has taken on part of the scopes. Microsoft has completed the Lime Softening System, Ultrafiltration Buildout, Blend Tank & Industrial Reuse Water Pump State and the Permeate Tank and Pump Station. The City has completed Brine Pond 5, Neutralized Brine Waste Piping, two of the six Underground Piping modifications and Aquifer Storage & Recovery (ASR) Well Phase 1. Ongoing projects for the City are modifications to the High Efficiency Softening, modifications to the Reuse Water Central Facility (RWCF) to complete the Ultrafiltration Installation and completion of the remaining Underground Piping modifications. Planned completion in 2020 include the following City of Quincy scopes: Piping Tie-Ins, CLA extension piping, pump stations, ultrafiltration waste and feed systems with the commissioning and Quincy Water Reuse Utility Integration occurring between April and September 2020. Future scopes include extending the IRW & RWW Piping, RO System Modifications, Lime Softening Building Rehab and ASR Phase 2-5.
- J. The City was deeded one of the original homesteads from Simmons Family with the provision it be made into a museum. The City, with its own resources, and with the resources of other, including the Quincy Valley Historical Society (QVHS), improved the property and relocated a historical building on the property. The City has an agreement with the QVHS to provide services at the Museum for a monthly fees with the City providing necessary maintenance. In 2016, the QVHS, with permission and contributions from the City, constructed a Community Barn on the property that, upon termination of the agreement or dissolution of the QVHS, would immediately vest with the City. In 2019, the City paid QVHS \$41,350.19 which includes the monthly fee of \$1,800 and \$19,750.19 in reimbursement for repairs and improvements.
- K. The City has an agreement with Protection One, LLC (Protection-1), to provide Advanced Life Support (ALS) ambulance service for the residents within the City limits for a set amount with annual increase based on CPI. In addition to the annual fee, the City completed construction on a Public Safety Facility on the north side of the railroad tracks in 2019 that has sleeping quarters for two Emergency Medical Services (EMS) personnel along with four fire personnel. The City entered into a Memorandum of Understanding with both Protection-1 and Grant County Fire District #3 (District) for use of the facility. Per the MOU, the City maintains the building, grounds and provides cleaning supplies while the personnel from Protection-1 and District clean all interior areas of the facility. In 2019, the City paid Protection-1 \$123,807.01.
- L. The City has a contract with Grant County Fire District #3 (District) to provide fire and life safety protection services within the City limits for a set amount with annual increase based on CPI, plus additional fees for fire plan review. In addition to the annual fee, the City completed construction on

a Public Safety Facility on the north side of the railroad tracks in 2019 that has sleeping quarters for three residents and one per diem firefighter from the District along with the two EMS personnel. The City entered into a Memorandum of Understanding with both the District and Protection-1 for use of the facility. Per the MOU, the City maintains the building, grounds and provides cleaning supplies while the personnel from the District and Protection-1 clean all interior areas of the facility. In 2019, the City paid \$639,144 to Grant County Fire District #3 for all services provided.

- M. The City has an interlocal agreement with Grant County (County) for the provision of “Youth Services” through Quincy Partnership for Youth (QPY). The County will use the City funds to defray the cost of staffing, management, and delivery of youth services. Keeping the youth healthy and safe through educating the dangers of alcohol, drugs and tobacco products along with unhealthy behaviors is the main objective. In 2019, the City paid the County \$40,000.
- N. The City and Quincy School District #144 (QSD) have three agreements:
- There is an interlocal agreement for the use, maintenance and care for the grounds at South Park, located adjacent to Pioneer Elementary School. No monetary exchange.
  - A Joint Use Interlocal agreement to enable the City and QSD to make the most efficient use of their property by making facilities for use by the other party. No monetary exchange.
  - School Resource Officer (SRO) agreement is a reimbursable agreement per the school year. In addition to the SRO agreement, QSD agreed to reimburse the City for security at designated QSD events. In 2109, the City received \$22,353.24 for SRO services and \$2,544.64 for security.

O. SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The Mayor issued a declaration of emergency for the City of Quincy on March 16, 2020. The city has closed all City offices, cancelled all recreation activities and refunded back where appropriate, waived late fees and disconnection fees for the residents and businesses and allowed garbage pickup holds for businesses that are not essential in response to the Governor’s proclamation. The Mayor issued a second Proclamation on March 23, 2020, extending the original declaration through May 4, 2020. On March 23, 2020 the Governor issued proclamation 20-25 “Stay Home, Stay Healthy” (extended by 20-25.1, 20-25.2 and 20-25.3 until May 31st) which required all non-essential services to stay home. The Mayor issued a third Proclamation on May 5, 2020 extending the state of emergency through June 2, 2020.

In addition and in direct response to the needs of our citizens and small businesses within the city, we have implemented the following measures including but not limited to suspension of all recreation classes and programs, modify delinquency procedures to waive late fees and water shut-offs to assure sanitation resources in homes, suspension of all non-essential public meetings, allow for suspension of garbage service to qualifying businesses and keep public lobbies closed with bill pay allowed by phone or online through the City’s website. The Council conducted their regular meetings by phone or Zoom meeting to address City business and pay vouchers. The City took measures, prior to the Governor’s proclamation 20-23.2 prohibiting the disconnection of residential services for utility services, imposing late fees or refusing to reconnect services due to non-payment, to assist the needs of the citizens. The City Council approved a resolution to develop an Emergency Response Grant Program to assist eligible small businesses to address the economic impacts of the COVID-19



emergency on May 19, 2020.

On May 25, 2020, the Governor approved for Grant County to move into phase two of the four phase Safe Start plan.

The City of Quincy has remained closed to the public in accordance with the Governor's proclamation. Additionally, due to the financial impact to the community, the City will continue to waive the delinquency and shutoff fees until the health emergency is over to allow citizens the ability to resume work and focus their finances on housing and family needs. In addition, the City received CARES Act funding and set up small business grants to assist local businesses that have sustain financial hardships due to the COVID-19 Pandemic.

The City's financial impact to the general fund to date has been less than originally anticipated due to continued construction on large projects within the corporate limits. The major impact to the general fund, due to the shutdown, has been to the City Recreation Department. Cancellation of all upcoming programs in March required numerous fees to be refunded back to the participants and no additional programs have been added. The Aquatic Center was not allowed to open, which is an asset to the City and the surrounding community providing a place for children, adults and family's to enjoy. The potential financial impact to the City will be primarily in the enterprise funds due to inability of residents to make timely payments and the continued enforcement of the Governor's proclamations. The full impact of COVID-19 Pandemic may never be fully determined but the financial and emotional hardship it has placed on the community will leave a lasting impression.

**City of Quincy  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Water & Sewer Revenue Bond - Oxford	10/16/2035	11,915,837	-	533,255	11,382,582
252.11	IWWTP 05 Capital Modification Project	1/1/2021	1,452,284	-	676,998	775,286
263.62	2019 WA Trust Anticipated Bond Loan - Reuse	7/1/2020	-	1,945,056	-	1,945,056
263.82	Sewer System Improvements	11/12/2050	3,301,496	-	62,670	3,238,826
263.84	Municipal Wastewater Facility	11/25/2023	1,019,829	-	197,897	821,932
263.88	Wastewater Reuse Brine Flow Reduction	6/1/2038	-	379,464	-	379,464
263.88	Wastewater Reuse Project SRF-INE	6/1/2038	-	8,743,538	-	8,743,538
259.12	Compensated Absences		218,206	263,038	243,249	237,995
264.30	Net Pension Liability		1,093,352	-	371,961	721,391
264.40	OPEB - LEOFF I		-	593,853	-	593,853
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>19,001,004</b>	<b>11,924,949</b>	<b>2,086,030</b>	<b>28,839,923</b>
	<b>Total Liabilities:</b>		<b>19,001,004</b>	<b>11,924,949</b>	<b>2,086,030</b>	<b>28,839,923</b>

## 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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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