QUINCY CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Financial Statements

December 31, 2021

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Trustees of
Quincy Contributory Retirement System
Quincy, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of fiduciary net position of the Quincy Contributory Retirement System (the "System") as of December 31, 2021, which comprise the statement of fiduciary net position, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the fiduciary net position of the System as of December 31, 2022, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's

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ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

December 15, 2022

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Management's Discussion and Analysis (Unaudited)

December 31, 2021

This Management Discussion and Analysis ("MD&A") is prepared by the staff of the Quincy Contributory Retirement System ("QCRS", the "System") for the purpose of providing an introduction to and overview of the System's financial statements and the financial activities represented by them. The MD&A is an annotated table of contents for the financial statements, describing generally the functional and operational context in which the System's financial activities take place and providing a narrative discussion, at an informative level, of those financial activities.

The Quincy Contributory Retirement System is a contributory retirement system within the Commonwealth of Massachusetts. Our primary function is to administer the retirement plan according to the provisions of Massachusetts General Law Chapter 32.

- The benefits are defined for all retirement systems pursuant to Chapter 32 and include: Superannuation, Section 5; Ordinary Disability, Section 6; Accidental Disability, Section 7; Accidental Death, Section 9; and Termination, Section 10.

- Chapter 32 also provides for survivor benefits in the case of an actively employed member and a retired member. As a defined benefit plan, the member's benefits are, for the most part, determined using an age factor for the member's age, years of creditable service, and the last three years' average salary.

Unlike a defined contribution plan, where a member's benefit is determined solely by the members' contributions and the investment return on those contributions, much of the benefit paid by contributory retirement systems in Massachusetts is paid by state and local governments. In general, state or local governments must appropriate sufficient funds each year to cover that year's pension costs, minus any amounts appropriated by the retirement board from its pension reserve fund.

The pension reserve fund is an account maintained by the retirement board to pay future pension liabilities. It is funded primarily through investment income earned on the retirement system's assets. To that amount is added any amount required to be appropriated to pay down future unfunded liabilities.

Every retirement system has three sources of funds:

- Direct appropriation from the governmental unit corresponding to the retirement system
- Payroll deductions from members' salaries
- Income on investments

FINANCIAL REPORTING STRUCTURE AND HIGHLIGHTED OVERVIEW OF THE FINANCIAL STATEMENTS

The System's financial statements, briefly described, comprise the following:

Financial Statements

A statement of fiduciary net position of the Quincy Contributory Retirement System as of December 31, 2021 and the related statement of changes in fiduciary net position for the year then ended.

Notes to Financial Statements

Notes that provide additional information that is essential to a full understanding of the data provided in the financial statements themselves.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board.

Financial Highlights

The following is a summary of financial statement data for the current and prior fiscal year:

Statement of Fiduciary Net Position

	December 31, 2021	December 31, 2020
Assets		
Cash and equivalents	**$ 16,985,617**	$ 9,668,362
Pension appropriation receivable	**1,320,798**	2,927,550
Investments, at fair value	**900,795,843**	404,908,396
Total Assets	**919,102,258**	417,504,308
Liabilities:		
Accounts payable	**258,933**	353,638
Net Position Restricted For Pension Benefits	**$ 918,843,325**	$ 417,150,670

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Management's Discussion and Analysis (Unaudited) - Continued

December 31, 2021

The System's total assets as of December 31, 2021 were $919,102,258. This is primarily made up of investments, at fair value. Total assets increased by $501,597,950, or 120.14% from the prior year primarily due to a $475 million bond received from the city and favorable market conditions.

Changes in Fiduciary Net Position

	December 31, 2021	December 31, 2020
Additions		
Contributions	$ **495,816,448**	$ 48,420,554
Investment income, net	**59,400,783**	47,275,328
Total Additions	**555,217,231**	95,695,882
Deductions		
Benefits	**49,917,961**	47,996,105
Refunds	**600,221**	506,502
Administrative costs	**671,670**	572,652
Reimbursement to other systems	**2,334,724**	3,553,925
Total Deductions	**53,524,576**	52,629,184
Net increase in fiduciary net position	**501,692,655**	43,066,698
Fiduciary net position at beginning of year	**417,150,670**	374,083,972
Fiduciary net position at end of year	**$ 918,843,325**	**$ 417,150,670**

The amount needed to finance benefits is accumulated through collection of employer and employee's contributions and through earnings on the investments. Employer contributions increased by $447,395,894, or 923.98% in fiscal year 2021. The increase is mainly due to the city contributing $475 million in bonds to the System during the year. The System had net investment income of 59,400,783 and $47,275,328 in 2021 and 2020, respectively. Income is similar to prior year but due to favorable market conditions the net investment income increased.

Primary deductions of the System include payments of pension benefits to plan members and beneficiaries, refunds of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, and the cost of administering the System. The total deductions increased by $895,392, or 1.70% in fiscal year 2021.

REQUESTS FOR INFORMATION

Questions concerning this Management Discussion and Analysis, other parts of the System's financial statements or the System's financial activities should be directed to the Quincy Contributory Retirement System, 1212 Hancock St, Suite 210A, Quincy, Massachusetts 02169 or (617) 376-1075.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Statement of Fiduciary Net Position

December 31, 2021

Assets:	
Cash and equivalents	**$ 16,985,617**
Pension appropriation receivable	**1,320,798**
Investments, at fair value	**900,795,843**
Total Assets	**919,102,258**
Liability:	
Accounts payable	**258,933**
Fiduciary Net Position - Restricted for Pension Benefits	**$ 918,843,325**

The accompanying notes are an integral part of the financial statements.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2021

Additions:	
Contributions:	
Employer	**$ 483,002,343**
Plan members	**10,661,874**
Commonwealth of Massachusetts (COLA)	**217,766**
Workers' compensation settlements	**21,000**
Reimbursements from other systems	**1,910,655**
Total Contributions	**495,813,638**
Investment Income, net:	
Appreciation in fair value of investments	**69,674,681**
Investment expense	**(6,771,088)**
Investment Income, net	**62,903,593**
Total Additions	**558,717,231**
Deductions:	
Benefits	**49,917,961**
Loss on Cybersecuity Breach	**3,500,000**
Refunds	**600,221**
Administrative costs	**671,670**
Reimbursements to other systems	**2,334,724**
Total Deductions	**57,024,576**
Increase in Fiduciary Net Position	**501,692,655**
Fiduciary Net Position, Beginning of Year	**417,150,670**
Fiduciary Net Position, End of Year	**$ 918,843,325**

The accompanying notes are an integral part of the financial statements.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Financial Statements

December 31, 2021

Note 1 - **Summary of Plan Information and Provisions**

Plan Description

The Quincy Contributory Retirement System (the “System”) is a multi-employer, cost-sharing, defined benefit pension plan established for the employees of the Quincy Housing Authority ("QHA") and the City of Quincy (the "City"), except for school department employees who serve in a teaching capacity. The System provides for retirement, disability and death benefits to plan members and their beneficiaries.

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis created volatility in the financial markets and uncertainty in the overall economy. Management cannot reasonably estimate the duration or effect on operations.

The Quincy Contributory Retirement System is an integral part of the general-purpose financial statements of the City of Quincy. The System serves as an investment and administrative agent for the City with respect to the pension plan.

Management of the System is vested in the Quincy Contributory Retirement System's Board of Trustees (the “Board”), which consists of five members - two elected by System members, two appointed by the Board, and one ex-officio member. Cost-of-living adjustments (“COLA”) are provided at the discretion of the Board.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Law ("MGL"). The Public Employee Retirement Administration Commission ("PERAC") is the state agency responsible for oversight of the Commonwealth of Massachusetts' (the "Commonwealth") public retirement systems.

Massachusetts Contributory Retirement System benefits are uniform from system to system, with certain exceptions such as cost-of-living adjustments which can be adopted by the Board from time to time. The System provides for retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years, whether or not consecutive, preceding retirement. Benefit payments are based upon a member’s age, length of creditable service, level of compensation, veteran status, cost-of-living adjustments and group classification. There are three classes of membership in the System:

Group 1 – General employees including clerical, administrative, technical and all other employees not otherwise classified.
Group 2 – Certain specified hazardous duty positions.
Group 4 – Police, firefighters, and other specified hazardous positions.

Members normally become vested after ten years of creditable service. However, if hired prior to 1978, a superannuation retirement allowance may be received at age 55 with no vesting requirement. If hired after January 1, 1978, and before April 2, 2012, a superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching age 55 with ten years of service. A person who became a member after April 2, 2012, is eligible for a superannuation retirement allowance upon reaching age 60 with ten years of service if in Group 1, 55 years of age with ten years of service if in Group 2, or age 55 in Group 4.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. MGL Chapter 32 requires that systems be on an actuarially determined funding schedule to be fully funded by 2040. Under the current funding schedule, the System will be fully funded by 2037.

Members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work-related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Membership
Membership in the System is mandatory immediately upon the commencement of employment for all non-teaching, permanent, full-time employees. Part-time, provisional, temporary, seasonal, or intermittent employees who are regularly employed for an average of at least 20 hours per week, minimum of 520 hours, and have completed six months of service must also become members of the System.

The following is a summary of the System's membership data at December 31, 2021:

Retirees and beneficiaries currently receiving benefits	1,482
Terminated employees entitled to benefits but not yet receiving them	256
Fully vested, partially vested and nonvested active employees covered by the System	1,636
Total Members	3,374

Basis of Accounting
The System maintains accounting records and operates under the regulations set forth by the General Laws of the Commonwealth of Massachusetts, Chapter 32. The accompanying financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

The System is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of receivables and determining actuarial valuations and discounts rates used to determine the total pension liability.

Methods Used to Value Investments

Investments are reported at fair value. Fair value is determined by the quoted market price at the close of business on December 31, 2021. Purchases and sales of mutual funds are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded when declared.

Cash and Equivalents

Cash and equivalents are reported at principal balance. Interest income from these investments is recorded as earned. Investments with maturities of three months or less are considered cash equivalents.

Receivables

Receivables consist mainly of member deductions, pension fund appropriations and interest accrued on investments. As of December 31, 2021, management has determined that an allowance for doubtful accounts was not required.

Investment Policy

The System's policy regarding to the allocation of invested assets is established and may be amended by the Quincy Contributory Retirement Board by a majority vote of its members. It is the policy of the Quincy Contributory Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Fair Value Hierarchy
The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

Partnerships/Joint Ventures: Based upon the valuation of the funds in which the partnership has invested. The total assets of the funds and the return on the funds are calculated using the official net asset value ("NAV") of the fund, which is used as a practical expedient. The partnerships have various objectives with some investing in private debt, equity and real assets and most have no redemption frequency, notification period or unfunded commitments.

Equity Securities and Mutual Funds: Value based on quoted prices in active markets of similar instruments.

Real Estate Investment Trusts ("REITs"): Value based on quoted prices in active markets of similar instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Related Party Investments
The Quincy Contributory Retirement System, as of December 31, 2021, held no securities issued by the City or other related parties.

Administrative Costs
Administrative costs are paid by the System through investment income.

New Governmental Accounting Pronouncements
GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. Implementation of this Statement will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

Management has not completed its review of the requirements of these standards and its applicability.

Note 2 - **Cash Deposits with Financial Institutions**

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the System would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) and other third-party insurance. The System’s policy is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. Deposits with financial institutions are included as cash and equivalents in the Statement of Fiduciary Net Position. At December 31, 2021, cash at the financial institution was insured by FDIC up to $250,000. Management monitors the financial condition of the banking institution, along with its cash balances to keep this potential risk to a minimum.

Note 2 - **Cash Deposits with Financial Institutions - continued**

Deposits are carried at cost and reflect the following at December 31, 2021:

	Statement of Fiduciary Net Position Carrying Amount	Bank Balance
Cash Reports:		
Insured	$ 500,000	$ 500,000
Uninsured	16,485,617	18,221,942
	$ 16,985,617	$ 18,721,942

Note 3 - **Pension Appropriation Receivable**

The pension appropriation receivable at December 31, 2021 consists mainly of appropriation amounts owed by the Quincy Housing Authority of $1,280,985 and $39,813 owed by Quincy College. Both of these balances were received in their entirety during 2022.

Note 4 - **Investments**

Fair Market Value of Investments
The investments of the System are valued at fair value on a recurring basis. Investments as of December 31, 2021 are summarized in the fair value hierarchy as follows:

	Fair Value	**Level 1**	**Level 2**	**Level 3**
Equity	$792,762,773	$17,089,581		$ 775,673,192
Limited Partnerships	73,423,582	-	-	73,423,582
REITs	34,609,487	-	-	34,609,487
Total Investments at Fair Value	$ 900,795,843	$ 17,089,581	$ -	$ 883,706,262

Investment Risk
The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statement of Fiduciary Net Position.

Investments classified as level 3 vary in redemption frequency up to 15 days and notice period up to 30 days based on the arrangements with the respective investment funds. At December 31, 2021, there were no unfunded commitments.

The following table sets forth a summary of changes in the fair value of the Level 3 investments for the year ended December 30, 2021:

Balance, beginning of year	**$ 392,126,471**
Purchase of investments	**517,660,173**
Realized gain on investments	**23,182,995**
Unrealized gain on investments	**34,980,221**
Settlement of liquidated funds	**(84,243,598)**
Balance, end of year	**$ 883,706,262**

Rate of Return
For the year ended December 31, 2021, the annual money-weighted rate of return on the System's investments, net of investment expense, was 11.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposit Risk
At December 31, 2021, the System's investment balances are protected up to a total of $500,000 by Securities Investor Protection Corporation, ("SIPC"). The System's investments are held by State Street Bank and Trust Company, an investment custodian, in the System's name.

Concentrations
As of December 31, 2021, the System did not hold investments in any one organization that represents 5% or more of the System's fiduciary net position.

Note 5 - **Net Pension Liability**

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2020:

Inflation rate	3.00%
Cost-of-living adjustment	3.00% of $15,000
Salary increases	3.75% ultimate rate
Investment rate of return	7.25%
Actuarial cost method	Entry Age Normal Cost Method

Mortality rates were based on the RP-2014 mortality table adjusted to 2006, projected generationally using MP-2019.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period of January 1, 2019 to December 31, 2019.

Net Pension Liability (Asset)
The components of the net pension liability at December 31, 2021 are as follows:

Total pension liability	$ 839,744,951
Fiduciary net position	(918,843,325)
Net pension liability (Asset)	$ (79,098,374)
Fiduciary net position as a percentage of the total pension liability	109.4%

Rate of Return

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.0%	0.05
Private Equity	12.0%	0.08
Emerging Market Equity	11.0%	0.06
Developed Market Equity (non-US)	10.0%	0.05
Investment Grade Bonds	9.0%	0.00
Core Infrastructure	7.0%	0.05
Core Private Real Estate	7.0%	0.04
TIPS	6.0%	0.00
High Yield Bonds	5.0%	0.02
Emerging Market Bonds (local)	2.5%	0.02
Emerging Market Bonds (major)	2.5%	0.02
Value-Added Real Estate	1.0%	0.06
Long Gov Bonds	0.0%	0.01
Total Return	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on System's plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of December 31, 2021, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (Asset)	$ 7,393,919	$ (79,098,374)	$ (152,688,359)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At December 3, 2021 and 2020, the System reported a liability (Asset) of $(79,098,374) and $398,778,938, respectively, for its proportionate share of the net pension liability. The net pension liability as of December 31, 2021, the reporting date, was measured as of January 1, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2019 and rolled forward to December 31, 2019. The net pension liability as of December 31, 2020, the reporting date, was measured as of January 1, 2020, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2019 and rolled forward to December 31, 2019.

The System's proportionate share was based on actual employer contributions to the plan for fiscal years 2021 and 2020, respectively, relative to total contributions of all participating employers for the fiscal years. For the years ended December 31, 2021 and 2020, the System recognized pension expense of $24,635,064 and $40,860,991, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

The System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of December 31,:

	2021	2020
Deferred Outflows of Resources		
Changes in proportion and differences between employer contributions and share of contributions	**$ 21,461,085**	$ 18,347,362
Change in plan actuarial assumptions	**8,808,713**	2,968,293
Total	**$ 30,269,798**	$ 21,315,655
Deferred Inflows of Resources		
Changes in proportion and differences between employer contributions and share of contributions	**$ 21,461,086**	$ 2,968,292
Net difference between projected and actual earnings on pension plan investments	**39,757,708**	26,092,108
Difference between expected and actual experience	**4,751,130**	8,445,346
Total	**$ 65,969,924**	$ 37,505,746

Note 6 - **Lease Commitments**

The System occupies its office facilities under a lease agreement that expires in June 2022. The lease requires monthly payments ranging from $3,150 to $4,830 plus other related expenses. Rent expense for the year ended December 31, 2021 was $42,840.

Future minimum lease payments subsequent to December 31, 2021, are as follows:

Years Ending December 31,	
2022	58,540

Note 7 - **Contingencies**

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System's financial position.

During year end December 31, 2021, a cyber security breach occurred. The breach resulted in a loss of $3,500,000 to the System that was not recovered.

REQUIRED SUPPLEMENTARY INFORMATION

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability
and Related Ratios (Unaudited)

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability:										
Service cost	16,039,097	$ 14,786,426	$ 14,217,717	$ 13,670,881	$ 12,661,777	$ 12,174,786	$ 10,038,512	$ 10,424,753		
Interest	58,479,730	57,982,177	56,302,371	53,008,861	53,165,588	51,660,742	51,092,338	49,770,644		
Changes of benefit terms	-	7,251,751	-	-	-	-	3,078,458	-	(Historical information prior to implementation of GASB 67 is not r	
Differences between expected and actual experience	-	(6,534,048)	-	(10,089,925)	-	-	1,858,637	-		
Changes of assumptions	-	9,088,622	-	33,835,300	-	-	3,665,324	-		
Benefit payments, including refunds of member contributions	(50,703,485)	(49,909,179)	(47,473,576)	(46,643,416)	(45,475,055)	(44,335,235)	(43,531,889)	(43,044,059)		
Net Change in Total Pension Liability	32,665,749	32,665,749	23,046,512	43,781,701	20,352,310	19,500,293	26,201,380	17,151,338		
Total Pension Liability, Beginning of Year	815,929,608	783,263,859	760,217,347	716,435,646	696,083,336	676,583,043	650,381,663	633,230,325		
Total Pension Liability, End of Year	839,744,951	815,929,608	783,263,859	760,217,347	716,435,646	696,083,336	676,583,043	650,381,663		
Fiduciary Net Position:										
Contributions - employer	483,002,343	35,642,220	32,789,500	30,850,704	28,410,468	26,077,326	24,784,041	23,673,089		
Contributions - member	10,661,874	10,630,981	10,229,640	9,543,107	9,439,683	8,729,596	8,503,208	8,661,380		
Net investment income	59,403,593	47,275,328	54,059,788	(10,604,727)	57,894,014	9,118,144	156,718	13,166,200		
Benefit payments, including refunds of member contributions	(50,703,485)	(49,909,179)	(47,473,576)	(46,643,416)	(45,475,055)	(44,335,235)	(43,531,889)	(43,044,059)		
Administrative expense	(671,670)	(572,652)	(507,604)	(498,132)	(463,169)	(466,625)	(461,545)	(611,927)		
Other changes	-	-	-	(1,864,754)	-	-	-	-		
Net Change in Fiduciary Net Position	501,692,655	43,066,698	49,097,748	(19,217,218)	49,805,941	(876,794)	(10,549,467)	1,844,683		
Fiduciary Net Position, Beginning of Year	417,150,670	374,083,972	324,986,224	344,203,442	294,397,501	295,274,295	305,823,762	303,979,079		
Fiduciary Net Position, End of Year	918,843,325	417,150,670	374,083,972	324,986,224	344,203,442	294,397,501	295,274,295	305,823,762		
Net Pension (Asset) Liability, End of Year	$ (79,098,374)	$ 398,778,938	$ 409,179,887	$ 435,231,123	$ 372,232,204	$ 401,685,835	$ 381,308,748	$ 344,557,901		
Fiduciary net position as a percentage of the total pension liability	109.4%	51.1%	47.8%	42.7%	48.0%	42.3%	43.6%	47.0%		
Covered payroll	$ 110,956,375	$ 106,483,560	$ 103,475,444	$ 98,970,327	$ 96,535,798	$ 92,374,654	$ 87,269,494	$ 83,775,407		
Net pension liability as a percentage of covered payroll	-71.3%	374.5%	395.4%	439.8%	385.6%	434.8%	436.9%	411.3%		

Note: Information is provided by the System's actuary.

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Contributions (Unaudited)

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 483,002,343	$ 35,642,220	$ 32,789,500	$ 30,842,375	$ 28,360,805	$ 26,078,901	$ 24,742,790	$ 23,626,173		
Contributions in relation to the actuarially determined contribution	(483,002,343)	(35,642,220)	(32,789,500)	(30,842,375)	(28,360,805)	(26,078,901)	(24,742,790)	(23,626,173)		
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Covered payroll	$ 110,956,375	$ 106,483,560	$ 103,475,444	$ 98,970,327	$ 96,535,798	$ 92,374,654	$ 87,269,494	$ 85,522,289		
Contributions as a percentage of covered payroll	435.31%	33.47%	31.69%	31.16%	29.38%	28.23%	28.35%	27.63%		

(Historical information prior to implementation of GASB 67 is not required)

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date:	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Varying contribution increases
Remaining amortization period	18 years for the fresh start base
Asset valuation method	Fair market value
Salary increases	3.75% ultimate rate
Investment rate of return	7.25% per year
Cost-of-living adjustment	3% of $15,000

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Investment Return (Unaudited)

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Annual money-weighted rate of return, net of investment expense	11.57%	12.85%	16.11%	-3.09%	20.16%	3.15%	0.07%	4.18%	(Historical information prior to implementation of GASB 67 is not required)	

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Required Supplementary Information (Unaudited)

For the Year Ended December 31, 2021

Note 1 - **Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also presents the Plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll. Covered payroll consisted of $110,956,375 and $106,483,560 as of December 31, 2021 and 2020, respectively.

Note 2 - **Contributions**

Employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. As of December 31, 2021, appropriations from the City of Quincy (excluding Quincy College) and the Quincy Housing Authority totaled 30,776,415 & 1,511,054, respectively.

Note 3 - **Money-Weighted Rate of Return**

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

Note 4 - **Changes of Assumptions**

None

Note 5 - **Changes of Plan Provisions**

None.

SUPPLEMENTAL INFORMATION

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Quincy Retirement Board
Quincy Contributory Retirement System
Quincy, Massachusetts

Opinions

We have audited the accompanying schedule of employer allocations of the Quincy Contributory Retirement System (the System), as of and for the year ended December 31, 2021. We have also audited the total for all entities of the titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Quincy Contributory Retirement System as of and for the year ended December 31, 2021.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Quincy Contributory Retirement System as of and for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Quincy Contributory Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.

- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of Quincy Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2021 and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

December 15, 2022

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Employer Allocations

December 31, 2021

Employer	Fiscal Year 2021 Appropriations (Excluding ERI) *	Employer Allocation Percentage
City of Quincy (excluding Quincy College)	$ 30,776,415	95.32%
Quincy Housing Authority	1,511,054	4.68%
Total	$ 32,287,469	100.00%

* - This amount represents fiscal year 2021 appropriations that are not related to early retirement incentive ("ERI") payments.

See notes to supplemental information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Pension Amounts by Employer

For the Year Ended December 31, 2021

	Employer			
	City of Quincy (excluding Quincy College)	Quincy College	Quincy Housing Authority	Total
Net Pension Liability (Asset)	$ (86,128,849)	$ (8,854,120)	$ 15,884,594	$ (79,098,375)
Covered Payroll	$ 100,541,922	$ 5,615,740	$ 4,798,713	$ 110,956,375
Deferred Outflows of Resources:				
Changes in assumptions	$ 9,591,654	$ 986,030	$ (1,768,972)	$ 8,808,712
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,562,503	-	620,452	7,182,955
Total Deferred Outflows of Resources	$ 16,154,157	$ 986,030	$ (1,148,520)	$ 15,991,667
Deferred Inflows of Resources:				
Differences between expected and actual experience	$ 5,173,423	$ 531,832	$ (954,125)	$ 4,751,130
Net difference between projected and actual investment earnings on pension plan investments	43,291,480	4,450,402	(7,984,173)	39,757,709
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,493,594	689,361	7,182,955
Total Deferred Inflows of Resources	$ 48,464,903	$ 11,475,828	$ (8,248,937)	$ 51,691,794
Pension Expense:				
Proportionate share of plan pension expense	$ 26,824,694	$ 2,757,602	$ (4,947,232)	$ 24,635,064
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	2,046,494	(1,898,912)	(147,582)	-
Total Employer Pension Expense	$ 28,871,188	$ 858,690	$ (5,094,814)	$ 24,635,064
Discount Rate Sensitivity of Net Pension Liability(Asset):				
1% decrease (6.25%)	$ (11,106,911)	$ (1,141,800)	$ 19,642,630	$ 7,393,919
Current discount rate (7.25%)	(86,128,849)	(8,854,120)	$ 15,884,594	(79,098,375)
1% increase (8.25%)	(149,959,544)	(15,415,971)	12,687,156	(152,688,359)
Schedule of Contributions:				
Statutorily required contribution	$ 460,038,358	$ 21,346,851	$ 1,617,134	$ 483,002,343
Contribution in relation to statutorily required contribution	(460,038,358)	(21,346,851)	(1,617,134)	(483,002,343)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Contribution as a percentage of covered payroll	457.6%	380.1%	33.7%	435.3%
Deferred (Inflows) Outflows of Resources Recognized in Future Pension Expense:				
December 30, 2022	$ (3,610,662)	$ (2,718,320)	$ 1,043,644	$ (5,285,338)
December 30, 2023	(14,601,684)	(3,656,625)	3,129,178	(15,129,131)
December 30, 2024	(8,541,624)	(2,718,873)	1,821,904	(9,438,593)
December 30, 2025	(5,556,775)	(1,395,980)	1,105,691	(5,847,064)
Total Deferred (Inflows) Outflows of Resources	$ (32,310,745)	$ (10,489,798)	$ 7,100,417	$ (35,700,126)

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Supplemental Information

For the Year Ended December 31, 2021

Note 1 - **Schedule of Employer Allocations**

Governmental Accounting Standards Board (“GASB”) Statement No. 68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan’s collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

GASB Statement No. 68 requires the allocation of the collective pension amounts to be consistent with the manner in which contributions to the plan are determined. As permissible under GASB Statement No. 68, the Schedule of Employer Allocations is used to demonstrate the allocation of Quincy Contributory Retirement System’s (the “System”) collective pension amounts. The allocation is based upon the same manner as the portion of the fiscal year 2021 appropriation that is not related to early retirement incentive (“ERI”) payments. The liability related to future ERI payments was removed from the collective net pension liability, with the remainder of the net pension liability allocated using the same employer percentages as the non-ERI portion of the fiscal year 2021 appropriation.

Note 2 - **Schedule of Pension Amounts by Employer**

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, pension expense, and contributions for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions.

Under GASB 68, the difference between projected and actual investment earnings gains and losses on investments are deferred and amortized over a 5-year straight-line method. Differences between expected and actual economic experience, changes in assumptions and proportionate share of changes use a straight-line amortization method over the average expected remaining services lives of active members compared to all active, inactive and retired members.

INDEPENDENT AUDITORS' 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*

Independent Auditors' 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*

To the Trustees of
Quincy Contributory Retirement System
Quincy, Massachusetts

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 Quincy Contributory Retirement System (the “System"), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise System’s basic financial statements, and have issued our report thereon dated December 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the System's internal control over financial reporting ("internal control") as a basis for designing 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System’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 entity'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 System '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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

December 15, 2022