

CITY OF QUINCY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2009

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JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditors' Report.....	2
Management's Discussion and Analysis	3
Basic Financial Statements	12
Statement of Net Assets	14
Statement of Activities	15
Governmental funds – balance sheet	17
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets	18
Governmental funds – statement of revenues, expenditures and changes in fund balances	19
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	20
Proprietary funds – statement of net assets	21
Proprietary funds – statement of revenues, expenses and changes in fund net assets	22
Proprietary funds – statement of cash flows	23
Fiduciary funds – statement of fiduciary net assets.....	24
Fiduciary funds – statement of changes in fiduciary net assets	25
Notes to basic financial statements	26
Required Supplementary Information.....	57
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	58
OPEB schedule of funding progress.....	59
OPEB actuarial methods and assumptions	60
Notes to required supplementary information.....	61



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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Quincy, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Massachusetts, as of and for the fiscal year ended June 30, 2009 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2008), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Quincy, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Quincy Contributory Retirement System. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Quincy Contributory Retirement System is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the Quincy Contributory Retirement System, and the aggregate remaining fund information of the City of Quincy, Massachusetts, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, the other post-employment benefit (OPEB) plan schedule of funding progress, the OPEB plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the City of Quincy, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wakefield, Massachusetts
February 26, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Quincy, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the City of Quincy exceeded it's liabilities at the close of the most recent fiscal year by \$222.5 million (net assets).
- Unrestricted net assets of \$21.1 million may be used to meet the business-type on-going obligations to users and creditors.
- The accumulated liability for post-employment benefits has risen to \$33.4 million since implementing GASB Statement #45 in fiscal year 2008. This has created a negative balance of (\$19.7) million for governmental activities unrestricted net assets.
- The recognition of expenses associated with GASB Statement #45 resulted in current year expenses of \$20.6 million for the governmental activities and business-type activities.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$3.9 million, a decrease of \$2.7 million in comparison with the prior year. Total fund balance represents 1.5% of total general fund expenditures.
- The City's total debt (short-term, long-term and capital leases combined) increased by \$6.3 million during the current fiscal year. This was due to the net effect of \$12.2 million in debt and capital lease principal payments, \$1.5 million of new long-term debt proceeds and the issuance of \$17 million of additional bond anticipation notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Quincy's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental

activities include general government, public safety, education, public works, community development, human services, culture and recreation, and interest. The business-type activities include the activities of the sewer, water and Quincy College operations.

The government-wide financial statements include not only the City of Quincy itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Quincy is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Quincy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of proprietary funds that are used to account for activities of the water department, sewer department, Quincy College and the internal service fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and Quincy College activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The City's internal service fund is used to account for the financing of medical claims of all covered City employees, retirees and their covered dependents.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Quincy's assets exceeded liabilities by \$220.5 million at the close of FY2009.

Net assets of \$216.9 million, or 98.3%, of total net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still

	FY 2009 Governmental Activities	FY 2008 Governmental Activities
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 6,602,561	\$ 6,735,201
Operating grants and contributions.....	68,545,795	68,320,610
Capital grants and contributions.....	28,774,230	23,445,282
General Revenues:		
Real estate and personal property taxes.....	162,665,124	142,999,677
Motor vehicle and other excise taxes.....	7,943,604	8,502,063
Penalties and interest on taxes.....	1,040,071	929,980
Payments in lieu of taxes.....	837,713	360,545
Grants and contributions not restricted to specific programs.....	22,640,351	24,700,624
Unrestricted investment income.....	717,633	2,019,520
Other revenues.....	3,836,301	6,360,885
Total revenues.....	<u>303,603,383</u>	<u>284,374,387</u>
Expenses:		
General government.....	18,043,677	19,175,812
Public safety.....	75,262,370	66,905,780
Education.....	157,648,665	149,931,254
Public works.....	22,287,676	20,332,468
Human services.....	12,091,567	11,307,945
Community preservation.....	290,973	77,385
Culture and recreation.....	10,246,642	9,507,359
Claims and judgements.....	298,692	270,642
Interest.....	4,716,729	3,039,526
Total expenses.....	<u>300,886,991</u>	<u>280,548,171</u>
Increase in net assets before transfers.....	2,716,392	3,826,216
Transfers.....	<u>1,703,331</u>	<u>9,331,373</u>
Change in net assets.....	<u>\$ 4,419,723</u>	<u>\$ 13,157,589</u>

Business-type Activities

The City voted to establish enterprise funds for the water and sewer activities starting in FY2009. For the City's business-type activities, assets exceeded liabilities by \$49.1 million at the close of Fiscal 2009.

	<u>FY 2009</u> <u>Business-type</u> <u>Activities</u>	<u>FY 2008</u> <u>Business-type</u> <u>Activities</u>
Assets:		
Current assets.....	\$ 31,608,594	\$ 28,543,739
Noncurrent assets (excluding capital).....	880,362	1,063,335
Capital assets.....	<u>49,349,858</u>	<u>47,522,801</u>
Total assets.....	<u>81,838,814</u>	<u>77,129,875</u>
Liabilities:		
Current liabilities (excluding debt).....	3,932,123	3,693,292
Noncurrent liabilities (excluding debt).....	2,400,040	1,111,547
Current debt.....	3,240,981	3,076,427
Noncurrent debt.....	<u>23,132,754</u>	<u>24,923,735</u>
Total liabilities.....	<u>32,705,898</u>	<u>32,805,001</u>
Net Assets:		
Capital assets net of related debt.....	26,881,610	24,791,588
Restricted for capital purposes.....	1,133,000	1,133,000
Unrestricted.....	<u>21,118,306</u>	<u>18,400,286</u>
Total net assets.....	<u>\$ 49,132,916</u>	<u>\$ 44,324,874</u>
Program revenues:		
Charges for services.....	\$ 54,128,032	\$ 54,416,632
Operating grants and contributions.....	51,500	79,218
General Revenues:		
Unrestricted investment income.....	327,889	511,010
Penalties and interest.....	<u>408,214</u>	<u>91,682</u>
Total revenues.....	<u>54,915,635</u>	<u>55,098,542</u>
Expenses:		
Sewer.....	18,415,247	17,513,378
Water.....	12,272,796	11,384,633
Quincy College.....	<u>17,716,219</u>	<u>15,388,416</u>
Total expenses.....	<u>48,404,262</u>	<u>44,286,427</u>
Transfers.....	<u>(1,703,331)</u>	<u>(9,331,372)</u>
Change in net assets.....	<u>\$ 4,808,042</u>	<u>\$ 1,480,743</u>

Business-type net assets of \$26.8 million or 55% of total business-type activity net assets represent the investment in capital assets, \$1.1 million or 2% is restricted for capital purposes and \$21.8 million or 43% of total business-type activity net assets is unrestricted. The City's business-type activities net assets increased by \$4.8 million in the current fiscal year.

The sewer enterprise fund balance experienced an increase of \$3.5 million which is primarily due to a decrease in transfers out to the General Fund. The decrease is a result of the City changing its methodology for charging the fund for indirect costs, pension, and other employee benefits paid by the General Fund. Also contributing to the increase in fund net assets is a one time transfer of \$2.7 million from the stabilization fund.

The water enterprise fund balance experienced an increase of \$1.7 million which is primarily due to a decrease in transfer out to the General Fund. The decrease is a result of the City changing its methodology for charging the fund for indirect costs, pension, and other employee benefits paid by the General Fund. Also contributing to the increase in fund net assets is: 1) a one time transfer of \$282,000 from the stabilization fund; and 2) an increase in investment income recorded in the fund

The Quincy College enterprise fund experienced a decrease in net assets of (\$504,000) which is primarily the result of the added costs associated with a rise in enrollments as well as current year expenses associated with GASB 45.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2.7 million, of which \$3.9 million is for the general fund, \$5.5 million is for the stabilization fund, \$1.1 million balance remains in the Honeywell lease project fund and \$13.7 million is for the non-major governmental funds. Offsetting the surplus in these 4 governmental funds are deficit capital project fund balances in the for the Quincy Center Concourse fund (\$11.5) million and in the high school project fund (\$10.1) million. Cumulatively there was a decrease of (\$18.8) million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.5 million and total fund balance was \$3.9 million. Reservations of fund balance for encumbrances and continuing appropriations totaled \$1.4 million. Unreserved fund balance represents less than 1% of total general fund expenditures, while total fund balance represents 1.5% of that same amount. The general fund experienced a decrease of (\$2.6) million that is primarily due to net snow and ice removal costs and trash collection costs exceeding budget.

The Stabilization Fund decreased by (\$2.5) million. The decrease is the result of the City Council voting to transfer \$2.7 million and \$282,000 to the sewer and water enterprise funds, respectively, to fund prior year operating deficits. These transfers out were offset by a budgeted transfer in of \$500,000 and investment income of \$59,000.

The Quincy Center Concourse Fund decreased by (\$5.4) million. The decrease was the result of current year expenditures exceeding revenues. Fund expenditures are currently being funded by \$30 million in bond anticipation notes. The current fund deficit balance will be eliminated through the issuance of long term debt.

The High School Project fund reports activity associated with the construction of a new high school that is funded by a combination of capital grants from the Massachusetts School Building Authority and amounts raised by the City through issuance of long term debt (local share). In FY2009, capital grants were \$28.3 million and capital expenditures were (\$34.2) million. The cumulative deficit of (\$10.1) million is the local share and is temporarily funded by a \$13.5 million BAN.

The Honeywell Lease Projects fund represents activity associated with a lease agreement between the City and Honeywell International. The agreement called for a \$32 million capital lease / energy performance project to upgrade various buildings, equipment and systems. The basis for this contract is the expectation that over time 100% of the cost of these improvements will be offset by energy savings over the life of the lease. The proceeds for the lease was deposited in an escrow account which has been drawn down in accordance with the contract and as work progressed. The City has \$1.1 million in escrow funds still available for future capital expenditures.

The State Fiscal Stabilization Fund presents activity relating to the City's share of federal grants authorized under the American Reinvestment and Recovery Act of 2009 (ARRA). The revenue and expenditures represents funds that typically would have been recorded in the General Fund if ARRA had not been enacted. Please refer to Note 1 and the paragraph below for further information concerning this fund. The activity is presented as a major special revenue fund due to reporting requirements associated with the grant.

General Fund Budgetary Highlights

The \$869 thousand increase between the original budget and the final amended budget was primarily due to increases in the public safety and interest appropriations and a decrease in public works appropriation. The Town received \$1.7 million of grant funds from the State Fiscal Stabilization Fund which is a component of the Federal American Reinvestment and Recovery Act (ARRA). This grant is presented as a special revenue fund which had the effect of reducing general fund intergovernmental revenues and education expenditures by the same amount. Therefore the budget to actual results presents a revenue deficit and an equal and offsetting appropriation surplus of \$1.7million.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$327 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, vehicles and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current year was \$44 million.

The major reason for the increase in governmental capital asset activity includes the capitalization of construction costs associated with the new Quincy High School building, Quincy Concourse construction, as well as various roadway infrastructure upgrades and improvements.

The major reason for the increase in water and sewer fund capital assets is infrastructure upgrades and improvements. The Quincy College enterprise fund experienced an increase in its capital assets due to leasehold improvements and renovations to its main administration building.

Debt Administration. The City of Quincy maintains an A1 Bond Rating with Moody's Investors Service. The City continues to maintain strong market access for both note and bond sales. Outstanding long-term debt of the general government, as of June 30, 2009, totaled approximately \$46.4 million, of which approximately \$16.1 million is related to school projects, \$11.7 million is related to land acquisitions, \$5.9 million is related to building remodeling and renovation projects, \$4.6 million is related to paving and traffic projects, \$3.8 million is related to library construction and renovation projects, \$2.6 million is related to the purchase of computer hardware, \$609 thousand is related to general governmental use, \$258 thousand is related to public park projects, and \$285 thousand is related to the purchase of departmental equipment.

The water enterprise fund has \$9.8 million in long-term debt. The sewer enterprise fund has \$14.7 million in long-term debt. All of the debt carried by the water and sewer enterprise funds is supported by the user rates with no subsidy from the general fund.

The Commonwealth of Massachusetts is obligated to provide school construction assistance for approved school projects through a grant program administered by the Massachusetts School Building Authority (MSBA). The assistance is paid to support construction costs and reduce the total debt service of the City. At June 30, 2009, the City has recorded a receivable from the MSBA of \$9.3 million.

At June 30, 2009 the City carried \$46.5 million of bond anticipation notes to fund the District Improvement Financing project, school department and other departmental capital projects.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 61,804,074	\$ 17,310,975	\$ 79,115,049
Investments.....	4,697,828	2,420,885	7,118,713
Deposits held by escrow agent.....	1,862,046	-	1,862,046
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	5,578,273	-	5,578,273
Tax liens.....	4,008,133	-	4,008,133
Motor vehicle and other excise taxes.....	703,303	-	703,303
User fees.....	-	10,401,526	10,401,526
Community preservation fund surtax.....	32,210	-	32,210
Intergovernmental.....	13,805,940	342,208	14,148,148
Loans.....	1,533,960	-	1,533,960
Other assets.....	308,067	1,133,000	1,441,067
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	1,136,873	-	1,136,873
Intergovernmental.....	8,260,060	880,362	9,140,422
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	139,480,763	362,004	139,842,767
Capital assets, net of accumulated depreciation.....	138,310,150	48,987,854	187,298,004
TOTAL ASSETS.....	382,516,738	81,838,814	464,355,552
LIABILITIES			
CURRENT:			
Warrants payable.....	8,911,428	1,025,025	9,936,453
Accrued payroll.....	10,524,390	711,544	11,235,934
Health claims payable.....	4,800,000	-	4,800,000
Tax refunds payable.....	1,057,505	-	1,057,505
Accrued interest.....	597,634	211,634	809,268
Abandoned property.....	896,897	-	896,897
Other liabilities.....	417,050	242,472	659,522
Deferred revenue.....	29,323	1,429,500	1,458,823
Capital lease obligations.....	1,600,854	83,298	1,684,152
Compensated absences.....	6,268,000	311,948	6,579,948
Workers' compensation.....	964,000	-	964,000
Bonds and notes payable.....	53,542,814	3,157,683	56,700,497
NONCURRENT:			
Capital lease obligations.....	28,877,723	1,697,674	30,575,397
Other post-employment benefit obligation.....	33,421,000	2,143,000	35,564,000
Compensated absences.....	2,461,000	257,040	2,718,040
Workers' compensation.....	2,240,000	-	2,240,000
Bonds and notes payable.....	54,515,934	21,435,080	75,951,014
TOTAL LIABILITIES.....	211,125,552	32,705,898	243,831,450
NET ASSETS			
Invested in capital assets, net of related debt.....	189,996,519	26,881,610	216,878,129
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,533,960	-	1,533,960
Permanent funds:			
Expendable.....	209,575	-	209,575
Nonexpendable.....	2,536,228	-	2,536,228
Grants and gifts.....	11,949,148	-	11,949,148
Unrestricted.....	(34,834,244)	21,118,306	(13,715,938)
TOTAL NET ASSETS.....	\$ 171,391,186	\$ 49,132,916	\$ 220,524,102

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 18,043,677	\$ 1,704,035	\$ 3,704,806	\$ -	\$ (12,634,836)
Public safety.....	75,262,370	1,478,537	1,922,479	-	(71,861,354)
Education.....	157,648,665	2,155,005	50,233,731	28,339,788	(76,920,141)
Public works.....	22,287,676	926,301	2,419,442	-	(18,941,933)
Human services.....	12,091,567	159,890	9,675,824	-	(2,255,853)
Community preservation.....	290,973	-	-	434,442	143,469
Culture and recreation.....	10,246,642	178,793	542,803	-	(9,525,046)
Claims and judgments.....	298,692	-	-	-	(298,692)
Interest.....	4,716,729	-	46,710	-	(4,670,019)
Total Governmental Activities....	300,886,991	6,602,561	68,545,795	28,774,230	(196,964,405)
<i>Business-Type Activities:</i>					
Sewer.....	18,415,247	21,134,419	-	-	2,719,172
Water.....	12,272,796	14,845,110	-	-	2,572,314
Quincy College.....	17,716,219	18,148,503	51,500	-	483,784
Total Business-Type Activities...	48,404,262	54,128,032	51,500	-	5,775,270
Total Primary Government.....	\$ 349,291,253	\$ 60,730,593	\$ 68,597,295	\$ 28,774,230	\$ (191,189,135)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (196,964,405)	\$ 5,775,270	\$ (191,189,135)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	162,665,124	-	162,665,124
Tax liens.....	999,958	-	999,958
Motor vehicle and other excise taxes.....	7,943,604	-	7,943,604
Urban redevelopment corporations tax.....	851,642	-	851,642
Hotel/motel tax.....	740,737	-	740,737
Community preservation surtax.....	1,243,964	-	1,243,964
Penalties and interest.....	1,040,071	408,214	1,448,285
Payments in lieu of taxes.....	837,713	-	837,713
Grants and contributions not restricted to specific programs.....	22,640,351	-	22,640,351
Unrestricted investment income.....	717,633	327,889	1,045,522
<i>Transfers, net</i>	1,703,331	(1,703,331)	-
Total general revenues.....	<u>201,384,128</u>	<u>(967,228)</u>	<u>200,416,900</u>
Change in net assets.....	4,419,723	4,808,042	9,227,765
<i>Net Assets:</i>			
Beginning of year.....	<u>166,971,463</u>	<u>44,324,874</u>	<u>211,296,337</u>
End of year.....	\$ <u><u>171,391,186</u></u>	\$ <u><u>49,132,916</u></u>	\$ <u><u>220,524,102</u></u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2009

ASSETS	General	Stabilization Fund	Quincy Center Concourse Fund	High School Project	Honeywell Lease Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and equivalents.....	\$ 15,278,356	\$ 5,458,795	\$ 18,833,596	\$ 2,441,432	\$ -	\$ 15,086,796	\$ 57,098,975
Investments.....	1,642,359	-	-	-	-	3,055,469	4,697,828
Deposits held by escrow agent.....	723,240	-	-	-	1,138,806	-	1,862,046
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	5,578,273	-	-	-	-	-	5,578,273
Real estate tax deferrals.....	1,136,873	-	-	-	-	-	1,136,873
Tax liens.....	3,993,488	-	-	-	-	14,645	4,008,133
Motor vehicle and other excise taxes.....	703,303	-	-	-	-	-	703,303
Community preservation fund surtax.....	-	-	-	-	-	32,210	32,210
Intergovernmental.....	9,636,774	-	-	6,187,886	-	6,241,340	22,066,000
Loans.....	-	-	-	-	-	1,533,960	1,533,960
Tax foreclosures.....	995,058	-	-	-	-	-	995,058
TOTAL ASSETS.....	\$ 39,687,724	\$ 5,458,795	\$ 18,833,596	\$ 8,629,318	\$ 1,138,806	\$ 25,964,420	\$ 99,712,659
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Warrants payable.....	\$ 1,709,335	\$ -	\$ 293,137	\$ 5,208,575	\$ -	\$ 1,700,262	\$ 8,911,309
Accrued payroll.....	10,524,390	-	-	-	-	-	10,524,390
Tax refunds payable.....	1,057,505	-	-	-	-	-	1,057,505
Abandoned property.....	893,890	-	-	-	-	3,007	896,897
Other liabilities.....	204,003	-	-	-	-	-	204,003
Deferred revenues.....	21,370,769	-	-	-	-	7,505,438	28,876,207
Notes payable.....	-	-	30,000,000	13,500,000	-	3,000,000	46,500,000
TOTAL LIABILITIES.....	35,759,892	-	30,293,137	18,708,575	-	12,208,707	96,970,311
FUND BALANCES:							
Reserved for:							
Encumbrances and continuing appropriations..	1,388,856	-	-	-	-	-	1,388,856
Perpetual permanent funds.....	-	-	-	-	-	2,536,228	2,536,228
Unreserved:							
Undesignated, reported in:							
General fund.....	2,538,976	-	-	-	-	-	2,538,976
Special revenue funds.....	-	5,458,795	-	-	-	10,899,882	16,358,677
Capital projects funds.....	-	-	(11,459,541)	(10,079,257)	1,138,806	110,028	(20,289,964)
Permanent funds.....	-	-	-	-	-	209,575	209,575
TOTAL FUND BALANCES.....	3,927,832	5,458,795	(11,459,541)	(10,079,257)	1,138,806	13,755,713	2,742,348
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 39,687,724	\$ 5,458,795	18,833,596	\$ 8,629,318	\$ 1,138,806	\$ 25,964,420	\$ 99,712,659

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Total governmental fund balances.....	\$	2,742,348
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		277,790,913
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		28,846,884
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(597,634)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(61,558,748)	
Capital lease obligations.....	(30,478,577)	
Other post-employment benefit obligations.....	(33,421,000)	
Workers compensation.....	(3,204,000)	
Compensated absences.....	<u>(8,729,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(137,391,325)</u>
Net assets of governmental activities.....	\$	<u><u>171,391,186</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization Fund	Quincy Center Concourse Fund	High School Project	Honeywell Lease Projects	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ 163,655,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,655,837
Tax liens.....	1,150,229	-	-	-	-	-	-	1,150,229
Motor vehicle and other excise taxes.....	7,950,448	-	-	-	-	-	-	7,950,448
Hotel/motel tax.....	-	-	-	-	-	-	740,737	740,737
Charges for services.....	-	-	-	-	-	-	2,052,746	2,052,746
Urban redevelopment corporations tax.....	851,642	-	-	-	-	-	-	851,642
Penalties and interest on taxes.....	1,040,071	-	-	-	-	-	-	1,040,071
Fees and rentals.....	1,462,518	-	-	-	-	-	-	1,462,518
Payments in lieu of taxes.....	837,713	-	-	-	-	-	-	837,713
Licenses and permits.....	643,503	-	-	-	-	-	-	643,503
Fines and forfeitures.....	341,154	-	-	-	-	-	-	341,154
Intergovernmental.....	64,184,016	-	-	28,339,788	-	1,695,949	26,061,378	120,281,131
Departmental and other.....	3,566,434	-	-	-	-	-	1,594,963	5,161,397
Community preservation surtax.....	-	-	-	-	-	-	1,226,085	1,226,085
Contributions.....	-	-	-	-	-	-	311,631	311,631
Investment income.....	391,372	59,620	81,429	-	-	-	185,212	717,633
TOTAL REVENUES.....	246,074,937	59,620	81,429	28,339,788	-	1,695,949	32,172,752	308,424,475
EXPENDITURES:								
Current:								
General government.....	9,870,896	-	-	-	67,244	-	713,763	10,651,903
Public safety.....	42,346,379	-	-	-	-	-	810,299	43,156,678
Education.....	79,404,834	-	-	34,238,637	-	1,695,949	12,856,864	128,196,284
Public works.....	16,765,730	-	5,490,462	-	-	-	6,730,261	28,986,453
Human services.....	2,295,311	-	-	-	-	-	9,083,213	11,378,524
Community preservation.....	-	-	-	-	-	-	290,973	290,973
Culture and recreation.....	5,844,221	-	-	-	-	-	488,532	6,332,753
Pension benefits.....	39,935,326	-	-	-	-	-	-	39,935,326
Employee benefits.....	43,776,811	-	-	-	-	-	-	43,776,811
Claims and judgments.....	298,692	-	-	-	-	-	-	298,692
State and county charges.....	2,969,757	-	-	-	-	-	-	2,969,757
Debt service:								
Principal.....	4,531,220	-	-	-	-	-	770,000	5,301,220
Interest.....	3,127,070	-	-	-	-	-	250,501	3,377,571
Capital lease expenditures.....	2,609,706	-	-	-	-	-	-	2,609,706
TOTAL EXPENDITURES.....	253,775,953	-	5,490,462	34,238,637	67,244	1,695,949	31,994,406	327,262,651
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(7,701,016)	59,620	(5,409,033)	(5,898,849)	(67,244)	-	178,346	(18,838,176)
OTHER FINANCING SOURCES (USES):								
Proceeds from refunding bonds.....	10,650,000	-	-	-	-	-	-	10,650,000
Payments of current refunded debt.....	(12,392,666)	-	-	-	-	-	-	(12,392,666)
Transfers in.....	6,784,116	500,000	-	-	-	-	603,580	7,887,696
Transfers out.....	-	(3,031,672)	-	-	-	-	(3,152,693)	(6,184,365)
TOTAL OTHER FINANCING SOURCES (USES).....	5,041,450	(2,531,672)	-	-	-	-	(2,549,113)	(39,335)
NET CHANGE IN FUND BALANCES.....	(2,659,566)	(2,472,052)	(5,409,033)	(5,898,849)	(67,244)	-	(2,370,767)	(18,877,511)
FUND BALANCES AT BEGINNING OF YEAR.....	6,587,398	7,930,847	(6,050,508)	(4,180,408)	1,206,050	-	16,126,480	21,619,859
FUND BALANCES AT END OF YEAR.....	\$ 3,927,832	\$ 5,458,795	\$ (11,459,541)	\$ (10,079,257)	\$ 1,138,806	\$ -	\$ 13,755,713	\$ 2,742,348

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds..... \$ (18,877,511)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	49,030,310	
Depreciation expense.....	<u>(6,761,114)</u>	
Net effect of reporting capital assets.....		42,269,196

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (3,875,235)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from refunding bonds.....	(10,650,000)	
Payments of current refunded debt.....	12,392,666	
Principal payments on capital lease obligations.....	1,536,030	
Debt service principal payments.....	<u>5,751,220</u>	
Net effect of reporting long-term debt.....		9,029,916

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(3,773,000)	
Net change in accrued interest on long-term debt.....	35,366	
Net change in workers compensation accrual.....	291,000	
Net change in other post-employment benefit obligations.....	<u>(19,431,000)</u>	
Net effect of recording long-term liabilities.....		(22,877,634)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		<u>(1,249,009)</u>
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Change in net assets of governmental activities.....		<u>\$ 4,419,723</u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-type Activities - Enterprise Funds				
	Sewer Enterprise	Water Enterprise	Quincy College	Total	Internal Service Funds
ASSETS					
CURRENT:					
Cash and short-term investments.....	\$ 3,761,459	\$ 3,902,006	\$ 9,647,510	\$ 17,310,975	\$ 4,705,099
Investments.....	-	-	2,420,885	2,420,885	-
Receivables, net of allowance for uncollectibles:					
Water fees.....	-	3,963,723	-	3,963,723	-
Sewer fees.....	5,578,196	-	-	5,578,196	-
Student accounts and other.....	-	-	859,607	859,607	-
Intergovernmental.....	342,208	-	-	342,208	-
Other assets.....	-	-	-	-	308,067
Total current assets.....	<u>9,681,863</u>	<u>7,865,729</u>	<u>12,928,002</u>	<u>30,475,594</u>	<u>5,013,166</u>
NONCURRENT:					
Receivables, net of allowance for uncollectibles:					
Intergovernmental.....	880,362	-	-	880,362	-
Deposit on purchase of property.....	-	-	1,133,000	1,133,000	-
Capital assets, non depreciable.....	282,530	79,474	-	362,004	-
Capital assets, net of accumulated depreciation....	<u>26,169,302</u>	<u>21,095,908</u>	<u>1,722,644</u>	<u>48,987,854</u>	<u>-</u>
Total noncurrent assets.....	<u>27,332,194</u>	<u>21,175,382</u>	<u>2,855,644</u>	<u>51,363,220</u>	<u>-</u>
TOTAL ASSETS.....	<u>37,014,057</u>	<u>29,041,111</u>	<u>15,783,646</u>	<u>81,838,814</u>	<u>5,013,166</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	32,841	361,233	630,951	1,025,025	119
Accrued payroll.....	10,900	13,947	686,697	711,544	-
Health claims payable.....	-	-	-	-	4,800,000
Accrued interest.....	170,034	41,600	-	211,634	-
Payroll withholdings.....	-	-	-	-	213,047
Abandoned property.....	-	-	207,472	207,472	-
Deferred revenue.....	-	-	1,429,500	1,429,500	-
Capital lease obligations.....	41,649	41,649	-	83,298	-
Other liability.....	-	-	35,000	35,000	-
Compensated absences.....	83,000	194,000	34,948	311,948	-
Bonds and notes payable.....	<u>1,520,979</u>	<u>1,636,704</u>	<u>-</u>	<u>3,157,683</u>	<u>-</u>
Total current liabilities.....	<u>1,859,403</u>	<u>2,289,133</u>	<u>3,024,568</u>	<u>7,173,104</u>	<u>5,013,166</u>
NONCURRENT:					
Capital lease obligations.....	848,837	848,837	-	1,697,674	-
Other post-employment benefit obligation.....	316,000	316,000	1,511,000	2,143,000	-
Compensated absences.....	18,000	41,000	198,040	257,040	-
Bonds and notes payable.....	<u>11,744,932</u>	<u>9,690,148</u>	<u>-</u>	<u>21,435,080</u>	<u>-</u>
Total noncurrent liabilities.....	<u>12,927,769</u>	<u>10,895,985</u>	<u>1,709,040</u>	<u>25,532,794</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>14,787,172</u>	<u>13,185,118</u>	<u>4,733,608</u>	<u>32,705,898</u>	<u>5,013,166</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	14,058,572	11,100,394	1,722,644	26,881,610	-
Restricted for:					
Capital purposes.....	-	-	1,133,000	1,133,000	-
Unrestricted.....	<u>8,168,313</u>	<u>4,755,599</u>	<u>8,194,394</u>	<u>21,118,306</u>	<u>-</u>
TOTAL NET ASSETS.....	<u>\$ 22,226,885</u>	<u>\$ 15,855,993</u>	<u>\$ 11,050,038</u>	<u>\$ 49,132,916</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				
	Sewer Enterprise	Water Enterprise	Quincy College	Total	Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 9,005,314
Employer contributions	-	-	-	-	39,589,655
Charges for services	21,134,419	14,845,110	18,094,416	54,073,945	-
TOTAL OPERATING REVENUES	21,134,419	14,845,110	18,094,416	54,073,945	48,594,969
OPERATING EXPENSES:					
Cost of services and administration	17,305,287	11,448,420	17,014,261	45,767,968	-
Depreciation.....	780,753	586,395	524,463	1,891,611	-
Employee benefits	-	-	-	-	49,843,978
TOTAL OPERATING EXPENSES	18,086,040	12,034,815	17,538,724	47,659,579	49,843,978
OPERATING INCOME (LOSS).....	3,048,379	2,810,295	555,692	6,414,366	(1,249,009)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	185,920	141,969	327,889	-
Penalties and interest.....	207,515	200,699	-	408,214	-
Interest expense.....	(329,207)	(237,981)	-	(567,188)	-
Vending commission and other revenue.....	-	-	54,087	54,087	-
Contributions.....	-	-	51,500	51,500	-
Credit card fees.....	-	-	(177,495)	(177,495)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(121,692)	148,638	70,061	97,007	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	2,926,687	2,958,933	625,753	6,511,373	(1,249,009)
OPERATING TRANSFERS:					
Transfers in.....	2,749,359	282,313	-	3,031,672	-
Transfers out.....	(2,098,372)	(1,506,793)	(1,129,838)	(4,735,003)	-
TOTAL OPERATING TRANSFERS.....	650,987	(1,224,480)	(1,129,838)	(1,703,331)	-
CHANGE IN NET ASSETS.....	3,577,674	1,734,453	(504,085)	4,808,042	(1,249,009)
NET ASSETS AT BEGINNING OF YEAR.....	18,649,211	14,121,540	11,554,123	44,324,874	1,249,009
NET ASSETS AT END OF YEAR.....	\$ 22,226,885	\$ 15,855,993	\$ 11,050,038	\$ 49,132,916	\$ -

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				
	Sewer Enterprise	Water Enterprise	Quincy College	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 22,301,190	\$ 15,995,320	\$ 18,363,652	\$ 56,660,162	\$ -
Receipts from interfund services provided.....	-	-	-	-	48,594,969
Payments to vendors.....	(16,362,482)	(9,452,175)	(5,086,962)	(30,901,619)	-
Payments to employees.....	(863,343)	(1,448,798)	(10,199,698)	(12,511,839)	-
Payments for interfund services used.....	-	-	(1,101,542)	(1,101,542)	(49,144,694)
NET CASH FROM OPERATING ACTIVITIES.....	5,075,365	5,094,347	1,975,450	12,145,162	(549,725)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	2,749,359	282,313	-	3,031,672	-
Transfers out.....	(2,098,372)	(1,506,793)	(1,129,838)	(4,735,003)	-
Contributions.....	-	-	51,500	51,500	-
Vending commission and other revenues.....	-	-	54,087	54,087	-
Credit card fees.....	-	-	(177,495)	(177,495)	-
Penalties and interest.....	128,215	149,416	-	277,631	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	779,202	(1,075,064)	(1,201,746)	(1,497,608)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	106,949	1,450,000	-	1,556,949	-
Acquisition and construction of capital assets.....	(1,651,318)	(1,932,800)	(814,026)	(4,398,144)	-
Principal payments on bonds and notes.....	(1,332,599)	(1,492,579)	-	(2,825,178)	-
Principal payments on capital lease obligations.....	(39,937)	(39,937)	-	(79,874)	-
Interest payments on capital lease obligations.....	(45,063)	(45,063)	-	(90,126)	-
Interest expense.....	(41,141)	(195,453)	-	(236,594)	-
Deposits held by escrow agent.....	56,409	56,409	-	112,818	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,946,700)	(2,199,423)	(814,026)	(5,960,149)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds/disbursements from sales and maturities of investments.....	-	-	(27,356)	(27,356)	-
Investment income.....	-	185,920	141,969	327,889	-
NET CASH FROM INVESTING ACTIVITIES.....	-	185,920	114,613	300,533	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,907,867	2,005,780	74,291	4,987,938	(549,725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	853,592	1,896,226	9,573,219	12,323,037	5,254,824
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,761,459	\$ 3,902,006	\$ 9,647,510	\$ 17,310,975	\$ 4,705,099
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 3,048,379	\$ 2,810,295	\$ 555,692	\$ 6,414,366	\$ (1,249,009)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	780,753	586,395	524,463	1,891,611	-
Changes in assets and liabilities:					
Accounts receivable.....	1,166,771	1,150,210	(574,711)	1,742,270	-
Other assets.....	-	-	-	-	519,351
Warrants payable.....	(93,120)	166,384	(193,047)	(119,783)	(67)
Accrued payroll.....	8,582	10,063	146,251	164,896	-
Health claims payable.....	-	-	-	-	180,000
Deferred revenue.....	-	-	752,056	752,056	-
Compensated absences.....	(19,000)	188,000	45,286	214,286	-
Other post-employment benefits.....	183,000	183,000	885,000	1,251,000	-
Contingent liability.....	-	-	35,000	35,000	-
Other liabilities.....	-	-	(200,540)	(200,540)	-
Total adjustments.....	2,026,986	2,284,052	1,419,758	5,730,796	699,284
NET CASH FROM OPERATING ACTIVITIES.....	\$ 5,075,365	\$ 5,094,347	\$ 1,975,450	\$ 12,145,162	\$ (549,725)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Debt service intergovernmental subsidy.....	\$ 422,283	\$ -	\$ -	\$ 422,283	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 3,846,001	\$ 632,154	\$ 66,709
Investments.....	221,492,877	413,009	-
Interest and dividends.....	7,441	-	-
Receivables.....	3,148,384	-	-
TOTAL ASSETS.....	228,494,703	1,045,163	66,709
LIABILITIES			
Warrants payable.....	85,908	-	27,073
Liabilities due depositors.....	-	-	39,636
TOTAL LIABILITIES.....	85,908	-	66,709
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 228,408,795	\$ 1,045,163	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 20,360,754	\$ -
Employee.....	6,788,255	-
Private donations.....	-	1,404
Total contributions.....	27,149,009	1,404
Net investment income (loss):		
Net change in fair value of investments.....	(77,331,465)	-
Interest.....	1,940,156	31,456
Total investment income (loss).....	(75,391,309)	31,456
Less: investment expense.....	(913,172)	-
Net investment income (loss).....	(76,304,481)	31,456
Intergovernmental.....	966,568	-
Transfers from other systems.....	1,228,017	-
TOTAL ADDITIONS.....	(46,960,887)	32,860
DEDUCTIONS:		
Administration.....	456,106	-
Transfers to other systems.....	1,591,678	-
Retirement benefits and refunds.....	37,682,791	-
Other purposes.....	-	31,702
TOTAL DEDUCTIONS.....	39,730,575	31,702
CHANGE IN NET ASSETS.....	(86,691,462)	1,158
NET ASSETS AT BEGINNING OF YEAR.....	315,100,257	1,044,005
NET ASSETS AT END OF YEAR.....	\$ 228,408,795	\$ 1,045,163

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Quincy, Massachusetts (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council. For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Quincy College is not a separate legal entity and therefore the condensed financial statements are presented as an Enterprise Fund. The College's financial statements present only the financial activity and position of the of enterprise fund department and do not include the financial activity or position of the Quincy College Trust, Inc. which a separate legal entity but considered a component unit. The activity and ending balances of the Quincy College Trust, Inc are not material to the City and are not presented in these financial statements. Trust funds held by the City for the benefit of students attending Quincy College are presented as part of the private purposes trust funds. The College prepares stand-alone audited financial statements for the fiscal year ended June 30, 2009, and can be obtained directly from their Chief Fiscal Officer, 24 Saville Avenue, Quincy, Massachusetts 02169.

Blended Component Units – Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City. The Quincy Contributory Retirement System (System) is blended within the primary government in the fiduciary funds.

The System was established to provide retirement benefits to City employees, the Quincy Housing Authority employees and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the City Council and one member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issued a separate audited financial statement along with a publicly available un-audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Commission (PERAC). That report may be obtained by contacting the System located at 1250 Hancock St., Suite 506, Quincy, Massachusetts 02169.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the water, sewer and Quincy College enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Quincy center concourse fund* is a capital project used to accumulate costs and funding related to a major ongoing capital project to improve the downtown area.

The *stabilization fund* is a special revenue fund that is used to accumulate resources to provide general and/or capital reserves. Funds are transferred to or from this fund upon a favorable vote of the City Council.

The *high school project fund* is a capital project fund that is used to accumulate costs and funding for the construction of the new high school.

The *Honeywell lease projects* is a capital project fund that is used to accumulate costs and funding relating to energy conservation services and products that were acquired to reduce energy related utility costs in buildings.

The *state fiscal stabilization fund* is used to account for the Town's use of the federally funded state fiscal stabilization program which was awarded to Governors to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services.

The nonmajor governmental funds consist of other special revenue, debt service, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *Quincy College enterprise fund* is used to account for the Quincy College activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's internal service fund is used to account for the financing of medical claims of all covered City employees, retirees and their covered dependents. The City joined, in FY2010, the Commonwealth of Massachusetts' group insurance plan which is a premium based health insurance plan. Therefore the internal service fund will only pay existing claims or collect existing revenues during fiscal 2010.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The City's educational scholarship trusts are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer User Fees and Liens

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed on delinquent accounts and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Community Preservation Fund Surtax

Community Preservation Fund Surtaxes consist of an additional tax of up to 3% of the value in excess of \$100,000 of real property which is levied by the City upon acceptance of the Community Preservation Act of the Massachusetts General Law.

Since the special assessments are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Real Estate Tax Deferrals

Real estate tax deferrals are receivables from owners of real property that have entered into a tax deferral and recovery agreement with the Board of Assessors (M.G.L. Ch 59, §5).

Real estate tax deferrals are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings and building improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of the state recommended capitalization thresholds are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Leasehold improvements.....	5
Buildings and building improvements.....	7-40
Machinery and equipment.....	3-20
Vehicles.....	5
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Capital purposes” represents funds paid on deposit for the acquisition of land and building.

“Loans” represents various community development loans to individuals and businesses in the City.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Capital Lease Obligations

The City leases various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

R. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2009, within the special revenue and agency funds. These deficits will be funded through grant proceeds and other available funds in fiscal 2010.

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$64,007,331 and the bank balance totaled \$71,505,161. Of the bank balance, \$2,470,000 was covered by Federal Depository Insurance, \$15,193,041 was insured under the FDIC's Temporary Account Guarantee Program, \$487,074 was covered by the Depositors Insurance Fund, and \$50,062,401 was collateralized and \$3,292,645 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2008, carrying amount (book value) of deposits for the Retirement System's deposits totaled \$3,846,001. The bank balance of \$4,584,866 was covered by Federal Depository Insurance.

Investments

As of June 30, 2009, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)		
	Fair Value	Less Than 1	1 to 5
Debt Securities:			
United State Treasuries.....	\$ 104,564	\$ 1,157	\$ 103,407
Corporate Bonds.....	384,474	4,252	380,222
Government Sponsored Enterprises.....	1,414,592	15,647	1,398,945
Total Debt Securities.....	1,903,630	\$ 21,056	\$ 1,882,574
Other Investments			
Equity Securities.....	228,594		
Equity Mutual Funds.....	100,000		
Money Market Mutual Funds.....	5,299,498		
MMDT.....	15,806,581		
Total Investments.....	\$ 23,338,303		

As of December 31, 2008, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Securities.....	6,823,713
Pooled Equity Mutual Funds.....	97,683,078
Pooled Real Estate Funds.....	33,076,293
Pooled Alternative Investments.....	27,205,306
Pooled Fixed Income Mutual Funds.....	55,990,847
PRIT.....	<u>713,640</u>
 Total Investments.....	 <u>\$ 221,492,877</u>

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the total investments the City has custodial credit risk exposure equal to its investments of \$1,414,592 in government sponsored enterprises, \$384,474 in corporate bonds and \$228,594 in equity securities because the related securities are uninsured, unregistered and held by the counterparty. The City does not have a formal investment policy for custodial credit risk.

The System does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has not adopted a formal policy related to credit risk.

The System has not adopted a formal policy related to credit risk.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Of the total investment balance, the City did not maintain any investments that were more than 5% in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. The System does not currently have any investments that are subject to concentration of credit risk.

NOTE 3 – RECEIVABLES

At June 30, 2009, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 5,578,273	\$ -	\$ 5,578,273
Motor vehicle excise taxes.....	3,646,243	(2,942,940)	703,303
Community preservation fund surtax.....	32,210	-	32,210
Tax liens.....	4,008,133	-	4,008,133
Real estate tax deferrals.....	1,136,873	-	1,136,873
Intergovernmental.....	22,066,000	-	22,066,000
Loans.....	1,533,960	-	1,533,960
Total.....	<u>\$ 38,001,692</u>	<u>\$ (2,942,940)</u>	<u>\$ 35,058,752</u>

At June 30, 2009, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 1,880,142	\$ (1,020,535)	\$ 859,607
Intergovernmental.....	1,222,570	-	1,222,570
Water fees.....	3,963,723	-	3,963,723
Sewer fees.....	5,578,196	-	5,578,196
Total.....	<u>\$ 12,644,631</u>	<u>\$ (1,020,535)</u>	<u>\$ 11,624,096</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 4,905,273	\$ -	\$ 4,905,273
Motor vehicle and vessel excise taxes.....	703,303	-	703,303
Community preservation fund surtax.....	-	32,210	32,210
Tax liens.....	3,993,488	14,645	4,008,133
Real estate tax deferrals.....	1,136,873	-	1,136,873
Intergovernmental.....	9,636,774	5,924,623	15,561,397
Loans.....	-	1,533,960	1,533,960
Tax foreclosures.....	995,058	-	995,058
Total.....	<u>\$ 21,370,769</u>	<u>\$ 7,505,438</u>	<u>\$ 28,876,207</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 60,134,463	\$ 1,300,000	\$ -	\$ 61,434,463
Construction in progress.....	37,393,227	40,653,073	-	78,046,300
Total capital assets not being depreciated.....	<u>97,527,690</u>	<u>41,953,073</u>	<u>-</u>	<u>139,480,763</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	10,345,679	304,085	-	10,649,764
Buildings and building improvements.....	93,518,134	1,846,630	(3,246,870)	92,117,894
Machinery, vehicles and equipment.....	35,569,863	993,613	(9,142,259)	27,421,217
Infrastructure.....	44,914,166	3,932,909	-	48,847,075
Total capital assets being depreciated.....	<u>184,347,842</u>	<u>7,077,237</u>	<u>(12,389,129)</u>	<u>179,035,950</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(231,655)	(234,489)	-	(466,144)
Buildings and building improvements.....	(21,606,755)	(3,140,226)	3,246,870	(21,500,111)
Machinery, vehicles and equipment.....	(17,729,625)	(2,272,970)	9,142,259	(10,860,336)
Infrastructure.....	(6,785,780)	(1,113,429)	-	(7,899,209)
Total accumulated depreciation.....	<u>(46,353,815)</u>	<u>(6,761,114)</u>	<u>12,389,129</u>	<u>(40,725,800)</u>
Total capital assets being depreciated, net.....	<u>137,994,027</u>	<u>316,123</u>	<u>-</u>	<u>138,310,150</u>
Total governmental activities capital assets, net.....	<u>\$ 235,521,717</u>	<u>\$ 42,269,196</u>	<u>\$ -</u>	<u>\$ 277,790,913</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 282,530	\$ -	\$ -	\$ 282,530
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	13,935	-	-	13,935
Machinery, vehicles and equipment.....	1,919,509	167,927	(675,000)	1,412,436
Infrastructure.....	33,340,949	1,005,632	-	34,346,581
Total capital assets being depreciated.....	<u>35,274,393</u>	<u>1,173,559</u>	<u>(675,000)</u>	<u>35,772,952</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(12,774)	(348)	-	(13,122)
Machinery, vehicles and equipment.....	(852,514)	(96,243)	675,000	(273,757)
Infrastructure.....	(8,632,609)	(684,162)	-	(9,316,771)
Total accumulated depreciation.....	<u>(9,497,897)</u>	<u>(780,753)</u>	<u>675,000</u>	<u>(9,603,650)</u>
Total capital assets being depreciated, net.....	<u>25,776,496</u>	<u>392,806</u>	<u>-</u>	<u>26,169,302</u>
Total sewer activities capital assets, net.....	<u>\$ 26,059,026</u>	<u>\$ 392,806</u>	<u>\$ -</u>	<u>\$ 26,451,832</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 79,474	\$ -	\$ -	\$ 79,474
<u>Capital assets being depreciated:</u>				
Land improvements.....	-	25,464	-	25,464
Machinery, vehicles and equipment.....	1,056,027	200,599	(19,643)	1,236,983
Infrastructure.....	25,073,635	1,685,020	-	26,758,655
Total capital assets being depreciated.....	<u>26,129,662</u>	<u>1,911,083</u>	<u>(19,643)</u>	<u>28,021,102</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	-	(955)	-	(955)
Machinery, vehicles and equipment.....	(110,272)	(70,351)	19,643	(160,980)
Infrastructure.....	(6,248,170)	(515,089)	-	(6,763,259)
Total accumulated depreciation.....	<u>(6,358,442)</u>	<u>(586,395)</u>	<u>19,643</u>	<u>(6,925,194)</u>
Total capital assets being depreciated, net.....	<u>19,771,220</u>	<u>1,324,688</u>	<u>-</u>	<u>21,095,908</u>
Total water activities capital assets, net.....	<u>\$ 19,850,694</u>	<u>\$ 1,324,688</u>	<u>\$ -</u>	<u>\$ 21,175,382</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Quincy College Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 789,413	\$ -	\$ (789,413)	\$ -
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	2,698,864	1,423,439	-	4,122,303
Machinery and equipment.....	1,637,227	-	-	1,637,227
Total capital assets being depreciated.....	4,336,091	1,423,439	-	5,759,530
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(1,933,099)	(466,560)	-	(2,399,659)
Machinery and equipment.....	(1,579,324)	(57,903)	-	(1,637,227)
Total accumulated depreciation.....	(3,512,423)	(524,463)	-	(4,036,886)
Total capital assets being depreciated, net.....	823,668	898,976	-	1,722,644
Total college activities capital assets, net.....	\$ 1,613,081	\$ 898,976	\$ (789,413)	\$ 1,722,644

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

Governmental Activities:

General government.....	\$ 677,820
Public safety.....	1,010,336
Education.....	2,255,242
Public works.....	1,659,130
Human services.....	46,501
Culture and recreation.....	1,112,085
Total depreciation expense - governmental activities.....	\$ 6,761,114

Business-Type Activities:

Sewer.....	\$ 586,395
Water.....	780,753
Quincy College.....	524,463
Total depreciation expense - business-type activities.....	\$ 1,891,611

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers In:

Transfers Out:	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Fund	Total
Stabilization Fund.....	\$ -	\$ -	\$ -	\$ 2,749,359	\$ 282,313	\$ 3,031,672 (1)
Nonmajor Governmental Funds.....	2,049,113	500,000	603,580	-	-	3,152,693 (2)
Sewer Enterprise Fund.....	2,098,372	-	-	-	-	2,098,372 (3)
Water Enterprise Fund.....	1,506,793	-	-	-	-	1,506,793 (3)
Quincy College Enterprise Fund.....	1,129,838	-	-	-	-	1,129,838 (4)
Total.....	<u>\$ 6,784,116</u>	<u>\$ 500,000</u>	<u>\$ 603,580</u>	<u>\$ 2,749,359</u>	<u>\$ 282,313</u>	<u>\$ 10,919,368</u>

- 1) Represents voted budgetary transfers to fund prior year operating deficits in the water and sewer enterprise funds.
- 2) Represents voted budgetary transfers to support General Fund operations; replenish the Stabilization Fund; and support Capital Fund expenditures.
- 3) Represents transfers from the Water and Sewer Enterprise Funds based on the voted budget. These costs represent a transfer to the General Fund for shared services, fringe benefits and indirect costs incurred by the General Fund on behalf of the Water and Sewer Enterprise funds.
- 4) Represents a transfer from the Quincy College Fund for legislatively mandated indirect costs incurred by the General Fund on behalf of the Quincy College Enterprise Funds. Also included is a transfer for health insurance costs relating to employees of Quincy College.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively. Details related to the short-term debt activity for the fiscal year ended June 30, 2009 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
<u>Governmental</u>							
BAN	District Improvement Financing...	2.25%	1/30/2009	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
BAN	Capital improvements.....	2.75%	1/30/2009	3,000,000	-	3,000,000	-
BAN	School Construction.....	2.75%	1/30/2009	6,500,000	-	6,500,000	-
BAN	Land Acquisition and Planning.....	2.75%	1/30/2009	10,000,000	-	10,000,000	-
BAN	School Construction.....	1.50%	1/29/2010	-	13,500,000	-	13,500,000
BAN	District Improvement Financing...	1.50%	1/29/2010	-	30,000,000	-	30,000,000
BAN	Capital Improvements.....	1.50%	1/29/2010	-	3,000,000	-	3,000,000
Total Notes Payable.....				\$ 29,500,000	\$ 46,500,000	\$ 29,500,000	\$ 46,500,000

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The City has entered into several non-cancelable long-term leases for certain energy conservation improvements and vehicle purchases utilized by departments and operating divisions of the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Asset:</u>		
Fire trucks.....	\$ 1,136,562	\$ -
Energy conservation improvements.....	29,510,414	1,860,846
Less: accumulated depreciation.....	<u>(2,425,946)</u>	<u>(147,318)</u>
 Total.....	 \$ <u>28,221,030</u>	 \$ <u>1,713,528</u>

The following is a schedule of the future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2009:

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2010.....	\$ 2,875,504	\$ 158,000
2011.....	2,875,504	158,000
2012.....	2,786,350	152,624
2013.....	2,697,197	147,248
2014.....	2,443,398	147,248
2015 through 2019.....	12,027,821	724,840
2020 through 2024.....	11,473,716	691,450
2025 through 2027.....	<u>5,554,391</u>	<u>334,730</u>
 Total minimum lease payments.....	 <u>42,733,881</u>	 <u>2,514,140</u>
 Less: amounts representing interest.....	 <u>(12,255,304)</u>	 <u>(733,168)</u>
 Present value of minimum lease payments.....	 \$ <u>30,478,577</u>	 \$ <u>1,780,972</u>

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
School (O).....	4.1 - 6.5	\$ 500,000	\$ -	\$ 500,000	\$ -
School Remodel (I).....	4.1 - 6.5	350,000	-	350,000	-
Remodeling (I).....	5.25 - 5.75	250,000	-	125,000	125,000
Library (I).....	5.25 - 5.75	50,000	-	25,000	25,000
School (I).....	5.25 - 5.75	70,000	-	35,000	35,000
Land Acquisition (I).....	5.25 - 5.75	370,000	-	185,000	185,000
School Remodeling (I).....	3.5 - 4.9	1,365,000	-	105,000	1,260,000
School Remodeling II (I).....	3.5 - 4.9	700,000	-	50,000	650,000
Dept. Equipment (I).....	3.5 - 4.5	330,000	-	45,000	285,000
Washington St. (I).....	3.5 - 4.2	165,000	-	55,000	110,000
Library Construction (I).....	3.5 - 4.9	260,000	-	20,000	240,000
Marshall School Remodeling (I).....	3.5 - 4.9	210,000	-	15,000	195,000
1993 School I (I).....	2.5 - 5.0	488,888	-	100,000	388,888
1993 School 2 (I).....	2.5 - 5.0	220,000	-	45,000	175,000
1994 General (I).....	2.5 - 5.0	549,000	-	96,750	452,250
1995 School (I).....	2.5 - 5.0	1,726,266	-	266,563	1,459,703
1995 School II (I).....	2.5 - 5.0	93,308	-	21,388	71,920
1995 Park (I).....	2.5 - 4.0	215,576	-	108,658	106,918
1995 Public Building (I).....	2.5 - 5.0	183,603	-	32,901	150,702
School (I).....	2.125 - 4.25	3,100,000	-	240,000	2,860,000
Land Acquisition & Rec Facilities (I).....	2.25 - 5.0	7,930,000	-	680,000	7,250,000
Other (I).....	2.0 - 3.0	235,500	-	78,500	157,000
Remodeling (I).....	2.0 - 5.0	1,239,260	-	12,380	1,226,880
Library (I).....	2.0 - 5.0	264,047	-	2,620	261,427
School (I).....	2.0 - 5.0	368,240	-	4,125	364,115
Land Acquisition (I).....	2.0 - 5.0	1,742,180	-	20,720	1,721,460
Park (I).....	3.25 - 4.0	203,300	-	51,700	151,600
Library (I).....	3.25 - 5.0	3,697,500	-	387,200	3,310,300
School (O).....	3.25 - 5.0	5,267,000	-	40,000	5,227,000
School Remodeling (I).....	3.25 - 5.0	3,691,300	-	27,715	3,663,585
Computer Hardware (ISQ).....	4.0 - 6.0	2,821,500	-	186,000	2,635,500
Remodeling - City Building (ISQ).....	4.0 - 6.0	1,881,000	-	124,000	1,757,000
Reconstruction - City Streets (ISQ).....	4.0 - 6.0	4,702,500	-	310,000	4,392,500
Land Acquisition (CPA) (I).....	3.0 - 6.0	3,300,000	-	770,000	2,530,000
Remodeling (I).....	3.0 - 6.0	3,000,000	-	160,000	2,840,000
Traffic Signal Public Installation (I).....	3.0 - 6.0	170,000	-	25,000	145,000
Total.....		<u>\$ 51,709,968</u>	<u>\$ -</u>	<u>\$ 5,301,220</u>	<u>\$ 46,408,748</u>

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

Governmental Funds			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 5,237,814	\$ 1,814,547	\$ 7,052,361
2011.....	5,139,656	1,592,689	6,732,345
2012.....	5,058,005	1,396,283	6,454,288
2013.....	4,109,679	1,225,095	5,334,774
2014.....	3,997,634	1,050,726	5,048,360
2015.....	3,875,565	900,738	4,776,303
2016.....	3,625,295	752,058	4,377,353
2017.....	3,591,385	608,422	4,199,807
2018.....	3,597,040	464,049	4,061,089
2019.....	3,275,660	315,339	3,590,999
2020.....	2,116,015	181,524	2,297,539
2021.....	845,000	114,639	959,639
2022.....	485,000	78,561	563,561
2023.....	420,000	58,081	478,081
2024.....	420,000	40,065	460,065
2025.....	305,000	24,207	329,207
2026.....	155,000	14,144	169,144
2027.....	155,000	7,169	162,169
Totals.....	\$ <u>46,408,748</u>	\$ <u>10,638,336</u>	\$ <u>57,047,084</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Sewer (I).....	5.25 - 5.75	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
Sewer I (I).....	3.5 - 4.9	585,000	-	45,000	540,000
Sewer II (I).....	3.5 - 4.9	510,000	-	40,000	470,000
Sewer III (I).....	3.5 - 4.9	70,000	-	5,000	65,000
1993 Sewer (O).....	2.5 - 5.0	171,111	-	35,000	136,111
1994 Sewer (1).....	2.5 - 5.0	518,500	-	91,375	427,125
Sewer (I).....	0	12,430	-	12,430	-
Sewer (I).....	2.0 - 5.0	289,050	-	37,500	251,550
Sewer (I).....	2.0 - 5.0	263,385	-	2,265	261,120
Sewer (I).....	3.25 - 5.00	154,200	-	16,100	138,100
Drainage & Sewer (I).....	3.0 - 6.0	1,115,000	-	45,000	1,070,000
MWPAT 96-29 (I).....	4.75 - 6.00	474,373	-	46,907	427,466
MWPAT 91-09 (O).....	5.0 - 5.6	1,739,507	-	278,335	1,461,172
MWPAT 91-67 (O).....	3.5 - 4.9	350,993	-	56,162	294,831
MWPAT 98-01 (I).....	2.5 - 5.25	437,454	-	36,229	401,225
MWPAT CW-02-12 (I).....	2.00	2,667,756	-	126,928	2,540,828
MWPAT CW-02-12 A (I).....	2.00	2,638,319	-	104,609	2,533,710
MWRA (O).....	0	742,087	-	82,454	659,633
MWRA (I).....	0	1,490,720	-	372,680	1,118,040
MWRA (I).....	0	500,000	-	50,000	450,000
Total.....		<u>\$ 14,769,885</u>	<u>\$ -</u>	<u>\$ 1,503,974</u>	<u>\$ 13,265,911</u>

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

Sewer Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 1,520,979	\$ 438,319	\$ 1,959,298
2011.....	1,555,990	393,456	1,949,446
2012.....	1,577,896	345,044	1,922,940
2013.....	1,201,536	317,765	1,519,301
2014.....	998,359	248,760	1,247,119
2015.....	707,166	219,626	926,792
2016.....	735,699	195,183	930,882
2017.....	714,704	169,477	884,181
2018.....	585,393	142,670	728,063
2019.....	533,237	120,522	653,759
2020.....	497,760	100,898	598,658
2021.....	483,927	80,858	564,785
2022.....	495,235	61,821	557,056
2023.....	422,339	41,790	464,129
2024.....	424,500	25,408	449,908
2025.....	214,457	19,604	234,061
2026.....	217,477	13,741	231,218
2027.....	220,557	7,736	228,293
2028.....	158,700	1,587	160,287
Total.....	<u>\$ 13,265,911</u>	<u>\$ 2,944,265</u>	<u>\$ 16,210,176</u>

Bonds and Notes Payable Schedule – Water Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Water (O).....	4.1 - 6.5	\$ 100,000	\$ -	\$ 100,000	\$ -
Water (O).....	5.25 - 5.75	340,000	-	170,000	170,000
Water (O).....	3.5 - 4.9	1,230,000	-	95,000	1,135,000
Water (O).....	2.5 - 5.0	152,500	-	26,875	125,625
Water (O).....	2.5 - 5.0	31,246	-	5,491	25,755
Water (O).....	2.0 - 5.0	235,450	-	44,000	191,450
Water (O).....	2.0 - 5.0	1,792,890	-	17,890	1,775,000
Water (O).....	3.25 - 5.0	786,700	-	7,285	779,415
MWRA (O).....	0	1,266,848	-	316,712	950,136
MWRA (O).....	0	1,900,272	-	316,712	1,583,560
MWRA (O).....	0	3,533,525	-	392,614	3,140,911
MWRA (O).....	0	-	1,450,000	-	1,450,000
Total.....		\$ 11,369,431	\$ 1,450,000	\$ 1,492,579	\$ 11,326,852

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

Water Enterprise Fund

Fiscal Year	Principal	Interest	Total
2010.....	\$ 1,636,704	\$ 174,073	\$ 1,810,777
2011.....	1,633,040	153,528	1,786,568
2012.....	1,627,805	137,363	1,765,168
2013.....	1,286,586	122,013	1,408,599
2014.....	1,276,971	105,181	1,382,152
2015.....	926,039	90,586	1,016,625
2016.....	921,679	75,186	996,865
2017.....	851,428	57,832	909,260
2018.....	408,360	43,146	451,506
2019.....	409,340	30,264	439,604
2020.....	258,900	17,237	276,137
2021.....	90,000	4,410	94,410
Total.....	\$ 11,326,852	\$ 1,010,819	\$ 12,337,671

Massachusetts Water Pollution Abatement Trust funded debt

The City has entered into various long term debt agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT), an agency of the Commonwealth of Massachusetts that requires the City to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$1,063,335 and interest costs for \$1,425,639. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$9,299,336. The principal subsidies are guaranteed and therefore a \$1,063,335 intergovernmental receivable has been reported in the sewer enterprise fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2009 principal and interest subsidies totaled \$171,375 and \$250,909 respectively.

Massachusetts School Building Authority funded debt

The Commonwealth of Massachusetts has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources to fund school construction under two grant programs. The first program is to provide grants for construction and interest expenditures on City debt that is paid over the life of the future debt service. During fiscal year 2009, approximately \$1,214,000 of such assistance was received and approximately \$12,105,000 will be received in future fiscal years. Of this amount, approximately \$2,722,000 represents reimbursement of long-term interest costs, and approximately \$9,383,000 represents reimbursement of approved construction costs. Accordingly, a \$9,383,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The second MSBA grant program is for all new construction where the City submits grant reimbursement requests as the construction occurs. During FY2009 the City received \$25,812,000 in construction grants and has requested an additional \$6,188,000 for construction costs incurred through June 30, 2009 for the new High School. The maximum grant for the High School is approximately \$72,200,000.

Community Development Block Grant – Section 108

In 1996, a loan guarantee of \$55,000,000 was made by the United States Maritime Administration to Massachusetts Heavy Industries (MHI) to revitalize the Fore River Shipyard which is located in the City. In connection with the loan guarantee, the City provided a \$7,800,000 loan to MHI under the United States Department of Housing and Urban Development's (HUD) Section 108 Loan Guarantee Program. The purpose of the Section 108 loan program is to enable local governments to provide financing to urban renewal projects operated by either the government or third party developers. Debt issued under this program is secured by future entitlement allocations to the City under HUD's Community Development Block Grant (CDBG) Program.

During fiscal year 2000, MHI failed to make its required debt service payments on the primary loan to the Maritime Administration. As a result of the default the lender exercised its guarantee rights by demanding payments from the guarantor. In fiscal year 2000, acting as guarantor, the Maritime Administrator paid off the remaining loan balance and accrued interest on the \$55,000,000 loan.

In conjunction with the default on the primary loan, MHI also defaulted on its repayments to the City for fiscal year 2001 through fiscal year 2004. Since the City's loan with HUD is guaranteed by future funds received under the CDBG program, the City was able to meet its obligation to repay the Section 108 loan. The Section 108 loan issued to the City will mature on August 1, 2017 and its payable according to the schedule below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ -	\$ 181,490	\$ 181,490
2011.....	475,000	174,104	649,104
2012.....	500,000	158,117	658,117
2013.....	520,000	139,585	659,585
2014.....	550,000	118,653	668,653
2015.....	575,000	95,750	670,750
2016.....	600,000	70,858	670,858
2017.....	625,000	43,868	668,868
2018.....	655,000	14,934	669,934
Total.....	\$ <u>4,500,000</u>	\$ <u>997,359</u>	\$ <u>5,497,359</u>

Quincy Medical Center

In August 2002 the City Council accepted special State Legislation to allow the City to borrow up to \$15,000,000 of long term notes to finance remaining amounts due to Quincy Medical Center. Under the terms of the special legislation, each borrowing is treated as a separate note issuance that must be repaid within 10 years. Through June 30, 2009, the City has paid down \$4,350,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2009 will be either permanently bonded or will be paid down through the roll-over of existing notes. Any bonding or note pay-downs will be structured so that the note issuances will be paid down within 10 years of their respective issuance. All scheduled payments have been made to Quincy Medical Center. This transaction has been recorded as a current refunding and did not have an economic gain or loss.

Details relating to the outstanding indebtedness associated with Quincy Medical Center are as follows:

<u>Project</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2008</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2009</u>
Municipal Purpose Loan...	2.50%	7/30/2009	\$ <u>12,392,666</u>	\$ <u>10,650,000</u>	\$ <u>12,392,666</u>	\$ <u>10,650,000</u>

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
High School.....	\$ 117,770,000
Health Care Funding.....	10,650,000
Water & Sewer.....	7,098,126
District Improvement Financing.....	30,000,000
Other Capital Purposes.....	<u>14,000,000</u>
Total.....	\$ <u>179,518,126</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease obligations.....	\$ 32,014,607	\$ -	\$ (1,536,030)	\$ 30,478,577	\$ 1,600,854
Compensated absences.....	4,956,000	7,882,000	(4,109,000)	8,729,000	6,268,000
Bonds and notes payable.....	64,102,634	-	(7,043,886)	57,058,748	7,042,814
Other postemployment benefit obligations.....	13,990,000	29,734,000	(10,303,000)	33,421,000	-
Workers' compensation.....	3,495,000	470,000	(761,000)	3,204,000	964,000
Due to HUD.....	4,950,000	-	(450,000)	4,500,000	-
Total governmental activities.....	<u>123,508,241</u>	<u>38,086,000</u>	<u>(24,202,916)</u>	<u>137,391,325</u>	<u>15,875,668</u>
Business-Type Activities:					
Capital lease obligations.....	1,860,846	-	(79,874)	1,780,972	83,298
Compensated absences.....	354,702	349,441	(135,155)	568,988	311,948
Other postemployment benefit obligations.....	892,000	1,915,000	(664,000)	2,143,000	-
Bonds and notes payable.....	<u>26,139,316</u>	<u>1,450,000</u>	<u>(2,996,553)</u>	<u>24,592,763</u>	<u>3,157,683</u>
Total business-type activities.....	<u>29,246,864</u>	<u>3,714,441</u>	<u>(3,875,582)</u>	<u>29,085,723</u>	<u>3,469,631</u>
Total.....	<u>\$ 152,755,105</u>	<u>\$ 41,800,441</u>	<u>\$ (28,078,498)</u>	<u>\$ 166,477,048</u>	<u>\$ 19,345,299</u>

NOTE 9 – OPERATING LEASES

Quincy College leases certain premises and equipment under operating leases with various expiration dates that extend through 2012. The leases generally provide that the College pay certain maintenance costs and include various renewal provisions. Rent expense in 2009 amounted to \$1,802,419. The College’s minimum future obligations under non-cancelable leases are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Business-Type Activities</u>
2010.....	\$ 1,465,968
2011.....	1,465,968
2012.....	1,223,764
2013.....	<u>214,318</u>
Total.....	<u>\$ 4,370,018</u>

NOTE 10 – RISK FINANCING

The City is self-insured for its workers compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund and the workers compensation activities are accounted for in the government entity-wide financial statements where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors. The amount of claims settlements has not exceeded insurance coverage in any of the previous three years.

a) *Health Insurance*

The City estimates its IBNR claims based on a two month claims paid average. At June 30, 2009 the liability for health insurance claims totaled \$4,800,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2007 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2008.....	3,700,000	46,073,013	(45,153,013)	4,620,000
Fiscal Year 2009.....	4,620,000	49,324,694	(49,144,694)	4,800,000

b) *Workers' Compensation*

Workers compensation claims are administered by a contracted consultant and are funded on a pay-as-you-go basis from annual appropriations. The City recorded a liability of \$3,204,000 at June 30, 2009, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2008 are as follows:

	Balance at Beginning of Fiscal Year	Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2008..... \$	3,147,000	\$ 887,495	\$ (539,495)	\$ 3,495,000
Fiscal Year 2009.....	3,495,000	476,345	(767,345)	3,204,000

NOTE 11 - PENSION PLAN

Plan Description - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Quincy Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$21,468,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Quincy Contributory Retirement Board and are borne by the System. Cost of living adjustments are based on 3% of the first \$12,000 of the members' retirement allowance. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 1305 Hancock St., Quincy, Massachusetts 02169.

At December 31, 2008, the System's membership consists of the following:

Active members.....	1,492
Inactive members.....	278
Retirees and beneficiaries currently receiving benefits.....	<u>1,791</u>
 Total.....	 <u><u>3,561</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute 98% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

Annual Pension Cost - The City contributions to the System for the fiscal years ended June 30, 2009, 2008 and 2007 were \$18,390,129, \$18,131,491, and \$17,924,180, respectively, which equaled its required contribution for each fiscal year. At June 30, 2009, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases at 4.25% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2007, was 15 years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/07	\$ 307,082,000	\$ 472,269,000	\$ 165,187,000	65%	\$ 66,710,000	248%
1/1/05	276,793,988	474,568,932	197,774,944	58%	59,492,900	332%
1/1/03	231,277,798	436,352,345	205,074,547	53%	58,949,749	348%
1/1/01	264,401,826	369,363,953	104,962,127	72%	56,824,746	185%
1/1/99	241,890,839	354,342,249	112,451,410	68%	83,911,350	134%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The City is responsible for approximately 98% of the unfunded liability.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy - The contribution requirements of plan members and the City are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The City contributes 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 percent of their premium costs.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation are summarized in the following table:

Normal Cost.....	\$	18,017,000
Amortization of unfunded actuarial accrued liability.....		13,416,000
Adjustments to annual required contribution.....		<u>216,000</u>
Annual OPEB cost (expense).....		31,649,000
Contributions made.....		<u>(10,967,000)</u>
Increase/(decrease) in net OPEB obligation.....		20,682,000
Net OPEB obligation - beginning of year.....		<u>14,882,000</u>
Net OPEB obligation - end of year.....	\$	<u><u>35,564,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 31,649,000	35%	\$ 20,682,000
6/30/2008	\$ 29,997,000	50%	\$ 14,882,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date, the funded status is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 435,548,000	\$ 435,548,000	-	\$ 138,044,000	315.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, actuarial liabilities were determined using the projected unit cost method. The actuarial methods and assumptions included a 3.5% investment rate of return and an annual health care cost rate trend of 8.5% initially, graded to 5% after six years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at June 30, 2009, was twenty eight years.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The City is committed to fund a variety of construction and design contracts relating to the construction of a new high school, ongoing improvements to the downtown business district, infrastructure improvements. The City is also to various funding agreements relating to the disposition of the former Quincy Hospital.

The City participates in a number of federal financial assistance programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2009.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

- The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which was implemented in fiscal year 2009. The basic financial statements were not impacted by this pronouncement.
- The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which was implemented in fiscal year 2009. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The basic financial statements were not impacted by this pronouncement.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 166,177,449	\$ 166,177,449	\$ 163,161,329	\$ -	\$ (3,016,120)
Tax liens and foreclosures.....	-	-	1,150,229	-	1,150,229
Motor vehicle and other excise taxes.....	8,375,960	8,375,960	7,950,448	-	(425,512)
Urban redevelopment corporations tax.....	850,222	850,222	851,642	-	1,420
Penalties and interest on taxes.....	1,031,344	929,981	1,040,071	-	110,090
Fees and rentals.....	2,271,751	2,253,222	1,462,518	-	(790,704)
Payments in lieu of taxes.....	423,032	360,544	837,713	-	477,169
Licenses and permits.....	532,125	577,193	643,503	-	66,310
Fines and forfeitures.....	352,508	370,472	341,154	-	(29,318)
Intergovernmental.....	45,913,479	45,913,479	42,716,016	-	(3,197,463)
Departmental and other.....	3,169,128	3,286,156	3,566,434	-	280,278
Investment income.....	564,692	564,692	362,785	-	(201,907)
TOTAL REVENUES.....	229,661,690	229,659,370	224,083,842	-	(5,575,528)
EXPENDITURES:					
Current:					
General government.....	10,153,306	10,432,769	9,870,896	490,362	71,511
Public safety.....	41,670,036	42,621,081	42,345,400	85,887	189,794
Education.....	81,603,646	81,451,422	79,404,834	-	2,046,588
Public works.....	16,474,812	15,463,609	16,807,372	773,022	(2,116,785)
Human services.....	2,185,918	2,318,767	2,295,311	3,539	19,917
Culture and recreation.....	5,636,623	5,902,711	5,844,221	36,046	22,444
Pension benefits.....	18,554,868	18,494,868	18,467,326	-	27,542
Employee benefits.....	45,209,257	44,923,260	43,776,811	-	1,146,449
Claims and judgments.....	175,000	325,997	298,692	-	27,305
State and county charges.....	2,796,267	2,796,266	2,969,757	-	(173,491)
Debt service:					
Principal.....	6,273,886	6,273,886	6,273,886	-	-
Interest.....	2,634,117	3,227,070	3,127,070	-	100,000
Capital lease expenditures.....	2,609,706	2,609,706	2,609,706	-	-
TOTAL EXPENDITURES.....	235,977,442	236,841,412	234,091,282	1,388,856	1,361,274
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(6,315,752)	(7,182,042)	(10,007,440)	(1,388,856)	(4,214,254)
OTHER FINANCING SOURCES (USES):					
Transfers in.....	5,785,852	6,710,398	6,784,116	-	73,718
TOTAL OTHER FINANCING SOURCES (USES)...	5,785,852	6,710,398	6,784,116	-	73,718
NET CHANGE IN FUND BALANCE.....	(529,900)	(471,644)	(3,223,324)	(1,388,856)	(4,140,536)
BUDGETARY FUND BALANCE, Beginning of year.....	7,043,324	7,043,324	7,043,324	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 6,513,424	\$ 6,571,680	\$ 3,820,000	\$ (1,388,856)	\$ (4,140,536)

See notes to required supplementary information.

**Other Post-Employment Benefit Plan
Schedule of Funding Progress**

JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 435,548,000	\$ 435,548,000	0.0%	\$ 138,044,000	315.5%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008.
Information for prior years is not available.

See notes to required supplementary information.

**Other Post-Employment Benefit Plan
Actuarial Methods and Assumptions**

Actuarial Methods:

Valuation date.....	July 1, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.5%, closed
Remaining amortization period.....	30 years as of July 1, 2007
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go scenario
Medical care cost trend rate.....	8.5% graded to 5.0% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	1,928
Current active members.....	<u>2,307</u>
Total.....	<u><u>4,235</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by a majority vote at the Annual City Meeting. The Mayor presents an annual operating and capital budget at the City Council which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The City Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require majority approval via the City Council.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of a City Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget authorized approximately \$236 million in appropriations inclusive of \$2.3 million of encumbrances carried forward from fiscal year 2007. During fiscal year 2009, the Council also approved supplemental appropriations totaling approximately \$864,000.

The City Auditor’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below.

Net change in fund balance - budgetary basis.....	\$ (3,223,324)
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	246,000
Net change in recording accrued expenditures.....	97,837
Net change in ATB liability.....	248,508
Adjustment for lease transaction.....	(28,587)
Recognition of revenues for on-behalf payments.....	21,468,000
Recognition of expenditures for on-behalf payments.....	<u>(21,468,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ (2,659,566)</u>

3. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2009, actual expenditures exceeded appropriations for public works and state and county charges.

Public works appropriation exceeded appropriations due to higher than anticipated snow and ice removal costs. This was offset by lower than anticipated street lighting and trash collection costs.

State and county charges exceeded appropriations due to costs associated with Registry of Motor Vehicles Non-Renewal Surcharge Program being higher than anticipated.

These over-expenditures will be raised during fiscal 2010.

NOTE B – OTHER POST-EMPLOYMENT

The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers.

The City currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since FY2008 was the City’s initial year of implementation of GASB Statement 45, information for prior years is not available.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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