

***CITY OF QUINCY, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2010***

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

JUNE 30, 2010

**TABLE OF CONTENTS**

Independent Auditors' Report.....	2
Management's Discussion and Analysis .....	4
Basic Financial Statements .....	14
Statement of Net Assets .....	16
Statement of Activities .....	17
Governmental funds – balance sheet .....	19
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets .....	20
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	21
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	22
Proprietary funds – statement of net assets .....	23
Proprietary funds – statement of revenues, expenses and changes in fund net assets .....	24
Proprietary funds – statement of cash flows .....	25
Fiduciary funds – statement of fiduciary net assets.....	26
Fiduciary funds – statement of changes in fiduciary net assets .....	27
Notes to basic financial statements .....	28
Required Supplementary Information.....	62
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....	63
Other postemployment benefits plan schedule of funding progress and employer contributions .....	64
Other postemployment benefits plan actuarial methods and assumptions .....	65
Notes to required supplementary information.....	66



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## 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, 2010 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2009), 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, 2010, 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 postemployment benefit plan schedule of funding progress and employer contributions, and the other postemployment benefit 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 25, 2011 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.

A handwritten signature in black ink that reads "Bowers + Sullivan". The signature is written in a cursive, flowing style.

February 25, 2011

# ***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, 2010. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

### **Financial Highlights**

- The assets of the City of Quincy exceeded its liabilities at the close of fiscal year 2010 by \$245.5 million.
- Unrestricted net assets of \$23.6 million may be used to meet the business-type on-going obligations to users and creditors.
- The accumulated governmental liability for postemployment benefits has risen to \$45.8 million since implementing GASB Statement #45 in fiscal year 2008. This has created a negative balance of \$43.6 million for governmental activities unrestricted net assets.
- The recognition of current year expenses associated with required accounting transactions under GASB Statement #45 resulted in governmental activities recognizing an additional expense of \$12.4 million and the business-type activities recognizing an additional \$1.1 million in expenses. The expense is approximately \$7.0 million lower than fiscal year 2009 due to a combination of factors including the change in health plans offered.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$8.9 million, an increase of \$5 million in comparison with the prior year. Total fund balance represents 3.6% of total general fund expenditures.
- In fiscal year 2010, the City changed its health insurance from being self-insured to premium based as a new member of the Commonwealth of Massachusetts Group Insurance Commission program. The employee benefits saved by switching plans amounted to approximately 20% or \$7.8 million.
- The City's total debt (short-term, long-term and capital leases combined) increased by \$15.7 million during the current fiscal year. This was due to the net effect of \$10.2 million in debt and capital lease principal payments, \$34.3 million of long-term debt issuances and the pay-down of \$8.4 million of 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, community preservation 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 schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains two types of proprietary funds.

*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. The City joined, in fiscal year 2010, the Commonwealth of Massachusetts' group insurance plan which is a premium based health insurance plan. In fiscal year 2010 the internal service fund only paid existing claims and collected stop loss reimbursements on claims existing as of the end of fiscal year 2009.

**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 proprietary funds.

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

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Quincy's assets exceeded liabilities by \$245.5 million at the close of fiscal year 2010.

Net assets of \$245.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$20.4 million of the net assets represents resources that are subject to external restrictions on how they may be used. The remaining *unrestricted net asset* deficit balance of \$20 million, are not available to meet the government's ongoing obligations to citizens and creditors.

The governmental and business-type activities of the City are presented below.

#### **Governmental Activities**

The City of Quincy's assets exceeded liabilities for governmental activities by \$190.9 million at the close of Fiscal 2010.

The governmental net assets increased \$19.4 million during the current fiscal year. The increase was due to a combination of factors. The main factor behind the increase was \$21.5 million of capital grants for the new high school and community preservation fund which were used to acquire capital assets. Additional expenses of \$12.4 million were recognized during fiscal year 2010 under accounting standards promulgated by GASB Statement #45. Additionally, the General Fund increased net assets by \$5 million due to the results of current year operations.



	FY 2010 Governmental Activities	FY 2009 Governmental Activities
<b>Program revenues:</b>		
Charges for services.....	\$ 7,412,388	\$ 6,602,561
Operating grants and contributions.....	75,574,974	68,545,795
Capital grants and contributions.....	21,520,570	28,774,230
<b>General Revenues:</b>		
Real estate and personal property taxes.....	167,263,634	162,665,124
Motor vehicle and other excise taxes.....	7,996,005	7,943,604
Penalties and interest on taxes.....	1,133,442	1,040,071
Payments in lieu of taxes.....	823,029	837,713
Grants and contributions not restricted to specific programs.....	18,219,714	22,640,351
Unrestricted investment income.....	346,596	717,633
Other revenues.....	4,198,587	3,836,301
<b>Total revenues.....</b>	<b>304,488,939</b>	<b>303,603,383</b>
<b>Expenses:</b>		
General government.....	18,794,740	18,043,677
Public safety.....	72,313,365	75,262,370
Education.....	149,581,633	157,648,665
Public works.....	21,827,335	22,287,676
Human services.....	14,496,684	12,091,567
Community preservation.....	335,253	290,973
Culture and recreation.....	9,269,058	10,246,642
Claims and judgments.....	435,183	298,692
Interest.....	4,057,604	4,716,729
<b>Total expenses.....</b>	<b>291,110,855</b>	<b>300,886,991</b>
<b>Increase in net assets before transfers.....</b>	<b>13,378,084</b>	<b>2,716,392</b>
<b>Transfers.....</b>	<b>6,054,525</b>	<b>1,703,331</b>
<b>Change in net assets.....</b>	<b>\$ 19,432,609</b>	<b>\$ 4,419,723</b>



\$812,000 increase in cost of services and administration services an increase of \$382,000 in transfers out to the General Fund.

The water enterprise fund balance experienced an increase of \$1.9 million which is primarily due to an increase in user charge revenue of \$1.2 million and the recognition of \$348,000 in intergovernmental aid in the form of debt subsidies from the MWPAT.

The Quincy College enterprise fund experienced a \$1.2 million increase in net assets which is primarily the management of the College realizing an increase in tuitions of \$1.6 million while total cost of service was decreased (\$156,000) from the prior year. In addition, investment income declined (\$107,000).

### ***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 \$2.8 million, of which \$8.9 million is for the general fund, \$3.4 million is for the stabilization fund, a \$1.1 million balance remains in the Honeywell lease project fund, \$486,000 remains in the State Fiscal Stabilization Fund, and \$15.3 million relates to the non-major governmental funds. Offsetting the surpluses are deficit capital project fund balances in the for the Quincy Center Concourse fund of (\$17.7) million and in the High School Project fund (\$8.8) million. Cumulatively there was an increase of \$33,000 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 \$6.9 million and total fund balance was \$8.9 million. Reservations of fund balance for encumbrances and continuing appropriations totaled \$2 million. Unreserved fund balance represents 3.1% of total general fund budgetary expenditures, while total fund balance represents 3.9% of that same amount. The general fund experienced an increase of \$5 million that is due to a budgeted surplus of \$2.9 million and actual expenditures being \$2.4 million less than budget. Offsetting this increase were revenues and transfers in that were \$254,000 less than anticipated.

The Stabilization Fund decreased by \$2.0 million. The decrease is the result of the City Council voting to transfer \$2.0 million to cover a snow and ice deficit from the previous year. The use of the stabilization funds eliminated the need to rely on the tax rate to fund the deficit.

Fund balance of the Quincy Center Concourse Fund decreased by \$6.2 million. The decrease was the result of current year expenditures exceeding revenues. Fund expenditures are currently being funded by \$30.0 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 fiscal year 2010, the City issued \$28.5 million in long-term debt. Additionally, capital grant revenues were \$21.2 million and capital expenditures were \$48.4 million. The cumulative deficit of \$8.7 million is the local share and is temporarily funded by a \$7.9 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 \$32.0 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 2010 (ARRA). The revenue and expenditures represents funds that typically would have been recorded in the General Fund. Please refer to Note 1 for further information concerning this fund. The activity is presented as a major special revenue fund due to the significance of the grant.

### ***General Fund Budgetary Highlights***

In total, original and final budgets do not show a significant change due to two equally offsetting events.

The City Council voted to provide net supplemental appropriations totaling \$1.4 million. This increase affected the general government, public safety, education, public works and culture and recreation functions. The net appropriation increase was approved so that the City could maintain a consistent level of service in light of existing economic conditions that negatively affected the amount of non-property tax revenue collected.

The City Council was able to approve the supplemental appropriation discussed above after authorizing the transfer of excess fund balance that existed in the Internal Service Fund upon the termination of the self-insured health program. The result of the termination of the program resulted in \$1.1 million of excess funds being transferred to the general fund.

### ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming 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, 2010, amounts to \$377 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 \$50 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 capital asset balance of the Quincy College enterprise fund experienced a decrease of \$31,408 due to depreciation expense exceeding current year capital expenditures.

**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, 2010, totaled approximately \$72.3 million, of which approximately \$45.7

million is related to school projects, \$10.1 million is related to land acquisitions, \$5.6 million is related to building remodeling and renovation projects, \$4.3 million is related to paving and traffic projects, \$3.2 million is related to library construction and renovation projects, \$2.4 million is related to the purchase of computer hardware, \$561 thousand is related to general governmental use, \$101 thousand is related to public park projects, and \$240 thousand is related to the purchase of departmental equipment.

The water enterprise fund has \$12.9 million in long-term debt. The sewer enterprise fund has \$11.6 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, 2010, the City has recorded a receivable from the MSBA of \$3.6 million.

At June 30, 2010 the City carried \$69.2 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***

This page intentionally left blank.

**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 51,961,564	\$ 20,344,611	\$ 72,306,175
Investments.....	2,674,459	2,421,317	5,095,776
Deposits held by escrow agent.....	1,862,046	-	1,862,046
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	7,839,254	-	7,839,254
Tax liens.....	4,444,319	-	4,444,319
Motor vehicle and other excise taxes.....	713,751	-	713,751
User fees.....	-	9,659,669	9,659,669
Student accounts and other.....	-	945,007	945,007
Other.....	130,088	-	130,088
Intergovernmental.....	7,668,546	2,275,558	9,944,104
Loans.....	1,514,504	-	1,514,504
Other assets.....	-	1,133,000	1,133,000
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	1,145,533	-	1,145,533
Intergovernmental.....	10,790,695	686,344	11,477,039
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	194,197,087	687,676	194,884,763
Capital assets, net of accumulated depreciation.....	135,540,574	50,077,137	185,617,711
<b>TOTAL ASSETS.....</b>	<b>421,477,478</b>	<b>88,230,319</b>	<b>509,707,797</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	6,678,182	1,199,119	7,877,301
Accrued payroll.....	10,450,389	594,977	11,045,366
Tax refunds payable.....	1,516,885	-	1,516,885
Accrued interest.....	530,564	190,155	720,719
Abandoned property.....	971,713	-	971,713
Other liabilities.....	424,293	230,795	655,088
Deferred revenue.....	-	1,344,525	1,344,525
Capital lease obligations.....	1,668,415	86,872	1,755,287
Compensated absences.....	6,128,000	297,355	6,425,355
Workers' compensation.....	1,033,000	-	1,033,000
Bonds and notes payable.....	52,521,656	3,297,410	55,819,066
<b>NONCURRENT:</b>			
Capital lease obligations.....	27,209,308	1,610,802	28,820,110
Other postemployment benefit obligation.....	45,820,000	3,220,000	49,040,000
Compensated absences.....	2,600,000	282,014	2,882,014
Workers' compensation.....	1,957,000	-	1,957,000
Bonds and notes payable.....	71,144,278	21,218,005	92,362,283
<b>TOTAL LIABILITIES.....</b>	<b>230,653,683</b>	<b>33,572,029</b>	<b>264,225,712</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	215,153,102	29,959,898	245,113,000
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,514,504	-	1,514,504
Permanent funds:			
Expendable.....	308,953	-	308,953
Nonexpendable.....	2,559,028	-	2,559,028
Grants and gifts.....	14,872,838	-	14,872,838
Unrestricted.....	(43,584,630)	23,565,392	(20,019,238)
<b>TOTAL NET ASSETS.....</b>	<b>\$ 190,823,795</b>	<b>\$ 54,658,290</b>	<b>\$ 245,482,085</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 18,794,740	\$ 1,359,451	\$ 4,580,009	\$ -	\$ (12,855,280)
Public safety.....	72,313,365	2,509,693	1,660,272	-	(68,143,400)
Education.....	149,581,633	2,138,841	52,957,232	21,183,734	(73,301,826)
Public works.....	21,827,335	906,789	2,823,573	-	(18,096,973)
Human services.....	14,496,684	145,646	12,961,320	-	(1,389,718)
Community preservation.....	335,253	-	-	336,836	1,583
Culture and recreation.....	9,269,058	351,968	500,944	-	(8,416,146)
Claims and judgments.....	435,183	-	-	-	(435,183)
Interest.....	4,057,604	-	91,624	-	(3,965,980)
<b>Total Governmental Activities....</b>	<b>291,110,855</b>	<b>7,412,388</b>	<b>75,574,974</b>	<b>21,520,570</b>	<b>(186,602,923)</b>
<i>Business-Type Activities:</i>					
Sewer.....	19,344,270	23,795,533	92,000	-	4,543,263
Water.....	13,009,579	16,025,627	348,000	-	3,364,048
Quincy College.....	16,922,125	19,941,614	30,162	-	3,049,651
<b>Total Business-Type Activities...</b>	<b>49,275,974</b>	<b>59,762,774</b>	<b>470,162</b>	<b>-</b>	<b>10,956,962</b>
<b>Total Primary Government.....</b>	<b>\$ 340,386,829</b>	<b>\$ 67,175,162</b>	<b>\$ 76,045,136</b>	<b>\$ 21,520,570</b>	<b>\$ (175,645,961)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(186,602,923)</b>	\$ <b>10,956,962</b>	\$ <b>(175,645,961)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	167,263,634	-	167,263,634
Tax liens.....	1,487,638	-	1,487,638
Motor vehicle and other excise taxes.....	7,996,005	-	7,996,005
Urban redevelopment corporations tax.....	884,389	-	884,389
Hotel/motel tax.....	588,055	-	588,055
Community preservation surtax.....	1,238,505	-	1,238,505
Penalties and interest.....	1,133,442	433,210	1,566,652
Payments in lieu of taxes.....	823,029	-	823,029
Grants and contributions not restricted to specific programs.....	18,219,714	-	18,219,714
Unrestricted investment income.....	346,596	189,727	536,323
<i>Transfers, net</i> .....	6,054,525	(6,054,525)	-
Total general revenues.....	<u>206,035,532</u>	<u>(5,431,588)</u>	<u>200,603,944</u>
Change in net assets.....	19,432,609	5,525,374	24,957,983
<i>Net Assets:</i>			
Beginning of year.....	<u>171,391,186</u>	<u>49,132,916</u>	<u>220,524,102</u>
End of year.....	\$ <u><u>190,823,795</u></u>	\$ <u><u>54,658,290</u></u>	\$ <u><u>245,482,085</u></u>

(Concluded)

**GOVERNMENTAL FUNDS**  
BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Stabilization Fund	Quincy Center Concourse Fund	High School Project	Honeywell Lease Projects	State Fiscal Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
Cash and equivalents.....	\$ 20,186,957	\$ 3,437,487	\$ 13,388,365	\$ -	\$ -	\$ 486,105	\$ 14,462,650	\$ 51,961,564
Investments.....	-	-	-	-	-	-	2,674,459	2,674,459
Deposits held by escrow agent.....	723,240	-	-	-	1,138,806	-	-	1,862,046
Receivables, net of uncollectibles:								
Real estate and personal property taxes.....	7,839,254	-	-	-	-	-	-	7,839,254
Real estate tax deferrals.....	1,145,533	-	-	-	-	-	-	1,145,533
Tax liens.....	4,422,162	-	-	-	-	-	22,157	4,444,319
Motor vehicle and other excise taxes.....	713,751	-	-	-	-	-	-	713,751
Departmental.....	100,881	-	-	-	-	-	-	100,881
Community preservation fund surtax.....	-	-	-	-	-	-	29,207	29,207
Intergovernmental.....	8,976,633	-	-	3,610,287	-	-	5,872,321	18,459,241
Loans.....	-	-	-	-	-	-	1,514,504	1,514,504
Tax foreclosures.....	995,058	-	-	-	-	-	-	995,058
Due from other funds.....	2,070,129	-	-	-	-	-	-	2,070,129
<b>TOTAL ASSETS.....</b>	<b>\$ 47,173,598</b>	<b>\$ 3,437,487</b>	<b>\$ 13,388,365</b>	<b>\$ 3,610,287</b>	<b>\$ 1,138,806</b>	<b>\$ 486,105</b>	<b>\$ 24,575,298</b>	<b>\$ 93,809,946</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES:</b>								
Warrants payable.....	\$ 1,503,926	\$ -	\$ 1,060,224	\$ 2,459,384	\$ -	\$ -	\$ 1,654,648	\$ 6,678,182
Accrued payroll.....	10,450,389	-	-	-	-	-	-	10,450,389
Tax refunds payable.....	1,516,885	-	-	-	-	-	-	1,516,885
Abandoned property.....	968,705	-	-	-	-	-	3,008	971,713
Other liabilities.....	424,293	-	-	-	-	-	-	424,293
Deferred revenues.....	23,423,271	-	-	-	-	-	7,438,188	30,861,459
Due to other funds.....	-	-	-	2,070,129	-	-	-	2,070,129
Notes payable.....	-	-	30,000,000	7,869,000	-	-	193,000	38,062,000
<b>TOTAL LIABILITIES.....</b>	<b>38,287,469</b>	<b>-</b>	<b>31,060,224</b>	<b>12,398,513</b>	<b>-</b>	<b>-</b>	<b>9,288,844</b>	<b>91,035,050</b>
<b>FUND BALANCES:</b>								
Reserved for:								
Encumbrances and continuing appropriations....	2,015,983	-	-	-	-	-	-	2,015,983
Loans.....	-	-	-	-	-	-	1,514,504	1,514,504
Perpetual permanent funds.....	-	-	-	-	-	-	2,559,028	2,559,028
Unreserved:								
Undesignated, reported in:								
General fund.....	6,870,146	-	-	-	-	-	-	6,870,146
Special revenue funds.....	-	3,437,487	-	-	-	486,105	9,360,781	13,284,373
Capital projects funds.....	-	-	(17,671,859)	(8,788,226)	1,138,806	-	1,543,188	(23,778,091)
Permanent funds.....	-	-	-	-	-	-	308,953	308,953
<b>TOTAL FUND BALANCES.....</b>	<b>8,886,129</b>	<b>3,437,487</b>	<b>(17,671,859)</b>	<b>(8,788,226)</b>	<b>1,138,806</b>	<b>486,105</b>	<b>15,286,454</b>	<b>2,774,896</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 47,173,598</b>	<b>\$ 3,437,487</b>	<b>13,388,365</b>	<b>\$ 3,610,287</b>	<b>\$ 1,138,806</b>	<b>\$ 486,105</b>	<b>\$ 24,575,298</b>	<b>\$ 93,809,946</b>

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, 2010

Total governmental fund balances.....	\$	2,774,896
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		329,737,661
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		30,861,459
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(530,564)
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.....	(85,603,934)	
Capital lease obligations.....	(28,877,723)	
Other postemployment benefit obligations.....	(45,820,000)	
Workers compensation.....	(2,990,000)	
Compensated absences.....	<u>(8,728,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(172,019,657)</u>
Net assets of governmental activities.....	\$	<u><u>190,823,795</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization Fund	Quincy Center Concourse Fund	High School Project	Honeywell Lease Projects	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>								
Real estate and personal property taxes, net of tax refunds.....	\$ 165,090,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,090,296
Tax liens.....	1,058,964	-	-	-	-	-	-	1,058,964
Motor vehicle and other excise taxes.....	7,719,634	-	-	-	-	-	-	7,719,634
Hotel/motel tax.....	-	-	-	-	-	-	588,055	588,055
Charges for services.....	-	-	-	-	-	-	1,999,101	1,999,101
Urban redevelopment corporations tax.....	884,389	-	-	-	-	-	-	884,389
Penalties and interest on taxes.....	1,133,442	-	-	-	-	-	-	1,133,442
Fees and rentals.....	2,100,318	-	-	-	-	-	-	2,100,318
Payments in lieu of taxes.....	823,029	-	-	-	-	-	-	823,029
Licenses and permits.....	654,052	-	-	-	-	-	-	654,052
Fines and forfeitures.....	294,657	-	-	-	-	-	-	294,657
Intergovernmental.....	59,424,897	-	-	21,183,734	-	3,998,064	28,223,510	112,830,205
Departmental and other.....	3,652,810	-	-	-	-	-	1,528,721	5,181,531
Community preservation surtax.....	-	-	-	-	-	-	1,233,996	1,233,996
Contributions.....	-	-	-	-	-	-	786,287	786,287
Investment income.....	114,750	15,560	16,303	-	-	-	199,983	346,596
<b>TOTAL REVENUES.....</b>	<b>242,951,238</b>	<b>15,560</b>	<b>16,303</b>	<b>21,183,734</b>	<b>-</b>	<b>3,998,064</b>	<b>34,559,653</b>	<b>302,724,552</b>
<b>EXPENDITURES:</b>								
Current:								
General government.....	9,982,222	-	-	-	-	-	2,766,674	12,748,896
Public safety.....	42,988,583	-	-	-	-	-	992,809	43,981,392
Education.....	80,562,441	-	-	48,392,703	-	3,511,959	11,751,093	144,218,196
Public works.....	14,867,758	-	6,228,621	-	-	-	4,644,642	25,741,021
Human services.....	2,396,546	-	-	-	-	-	11,214,104	13,610,650
Community preservation.....	-	-	-	-	-	-	335,253	335,253
Culture and recreation.....	5,241,165	-	-	-	-	-	398,321	5,639,486
Pension benefits.....	42,050,637	-	-	-	-	-	-	42,050,637
Employee benefits.....	36,420,668	-	-	-	-	-	-	36,420,668
Claims and judgments.....	435,183	-	-	-	-	-	-	435,183
State and county charges.....	3,203,514	-	-	-	-	-	-	3,203,514
Debt service:								
Principal.....	4,432,814	-	-	-	-	-	805,000	5,237,814
Interest.....	2,675,173	-	-	-	-	-	221,940	2,897,113
Capital lease expenditures.....	2,609,706	-	-	-	-	-	-	2,609,706
<b>TOTAL EXPENDITURES.....</b>	<b>247,866,410</b>	<b>-</b>	<b>6,228,621</b>	<b>48,392,703</b>	<b>-</b>	<b>3,511,959</b>	<b>33,129,836</b>	<b>339,129,529</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(4,915,172)</b>	<b>15,560</b>	<b>(6,212,318)</b>	<b>(27,208,969)</b>	<b>-</b>	<b>486,105</b>	<b>1,429,817</b>	<b>(36,404,977)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Proceeds from bonds and notes.....	-	-	-	28,500,000	-	-	2,588,000	31,088,000
Proceeds from refunding bonds.....	8,845,000	-	-	-	-	-	-	8,845,000
Payments of current refunded debt.....	(10,650,000)	-	-	-	-	-	-	(10,650,000)
Transfers in.....	11,897,469	-	-	-	-	-	330,557	12,228,026
Transfers out.....	(219,000)	(2,036,868)	-	-	-	-	(2,817,633)	(5,073,501)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>9,873,469</b>	<b>(2,036,868)</b>	<b>-</b>	<b>28,500,000</b>	<b>-</b>	<b>-</b>	<b>100,924</b>	<b>36,437,525</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>4,958,297</b>	<b>(2,021,308)</b>	<b>(6,212,318)</b>	<b>1,291,031</b>	<b>-</b>	<b>486,105</b>	<b>1,530,741</b>	<b>32,548</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,927,832</b>	<b>5,458,795</b>	<b>(11,459,541)</b>	<b>(10,079,257)</b>	<b>1,138,806</b>	<b>-</b>	<b>13,755,713</b>	<b>2,742,348</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 8,886,129</b>	<b>\$ 3,437,487</b>	<b>\$ (17,671,859)</b>	<b>\$ (8,788,226)</b>	<b>\$ 1,138,806</b>	<b>\$ 486,105</b>	<b>\$ 15,286,454</b>	<b>\$ 2,774,896</b>

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, 2010

Net change in fund balances - total governmental funds..... \$ 32,548

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.....	58,920,027
Depreciation expense.....	<u>(6,973,279)</u>

Net effect of reporting capital assets..... 51,946,748

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..... 2,014,575

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 bonds and notes.....	(31,088,000)
Proceeds from refunding bonds.....	(8,845,000)
Payments of current refunded debt.....	10,650,000
Principal payments on capital lease obligations.....	1,600,854
Debt service principal payments.....	<u>5,237,814</u>

Net effect of reporting long-term debt..... (22,444,332)

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.....	1,000
Net change in accrued interest on long-term debt.....	67,070
Net change in workers compensation accrual.....	214,000
Net change in other postemployment benefit obligations.....	<u>(12,399,000)</u>

Net effect of recording long-term liabilities..... (12,116,930)

Change in net assets of governmental activities..... \$ 19,432,609

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	Business-type Activities - Enterprise Funds				
	Sewer Enterprise	Water Enterprise	Quincy College	Total	Internal Service Funds
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and short-term investments..... \$	4,690,636	\$ 4,318,422	\$ 11,335,553	\$ 20,344,611	\$ -
Investments.....	-	-	2,421,317	2,421,317	-
Receivables, net of allowance for uncollectibles:					
Water fees.....	-	3,922,802	-	3,922,802	-
Sewer fees.....	5,736,867	-	-	5,736,867	-
Student accounts and other.....	-	-	945,007	945,007	-
Intergovernmental.....	194,019	2,081,539	-	2,275,558	-
Total current assets.....	<u>10,621,522</u>	<u>10,322,763</u>	<u>14,701,877</u>	<u>35,646,162</u>	<u>-</u>
<b>NONCURRENT:</b>					
Receivables, net of allowance for uncollectibles:					
Intergovernmental.....	686,344	-	-	686,344	-
Deposit on purchase of property.....	-	-	1,133,000	1,133,000	-
Capital assets, non depreciable.....	282,530	79,474	325,672	687,676	-
Capital assets, net of accumulated depreciation....	<u>26,476,356</u>	<u>22,235,187</u>	<u>1,365,594</u>	<u>50,077,137</u>	<u>-</u>
Total noncurrent assets.....	<u>27,445,230</u>	<u>22,314,661</u>	<u>2,824,266</u>	<u>52,584,157</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u><b>38,066,752</b></u>	<u><b>32,637,424</b></u>	<u><b>17,526,143</b></u>	<u><b>88,230,319</b></u>	<u><b>-</b></u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	240,887	400,567	557,665	1,199,119	-
Accrued payroll.....	12,740	16,947	565,290	594,977	-
Accrued interest.....	152,440	37,715	-	190,155	-
Abandoned property.....	-	-	206,293	206,293	-
Deferred revenue.....	-	-	1,344,525	1,344,525	-
Capital lease obligations.....	43,436	43,436	-	86,872	-
Other liability.....	-	-	24,502	24,502	-
Compensated absences.....	77,000	181,000	39,355	297,355	-
Bonds and notes payable.....	<u>1,548,567</u>	<u>1,748,843</u>	<u>-</u>	<u>3,297,410</u>	<u>-</u>
Total current liabilities.....	<u>2,075,070</u>	<u>2,428,508</u>	<u>2,737,630</u>	<u>7,241,208</u>	<u>-</u>
<b>NONCURRENT:</b>					
Capital lease obligations.....	805,401	805,401	-	1,610,802	-
Other postemployment benefit obligation.....	473,000	472,000	2,275,000	3,220,000	-
Compensated absences.....	18,000	41,000	223,014	282,014	-
Bonds and notes payable.....	<u>10,037,130</u>	<u>11,180,875</u>	<u>-</u>	<u>21,218,005</u>	<u>-</u>
Total noncurrent liabilities.....	<u>11,333,531</u>	<u>12,499,276</u>	<u>2,498,014</u>	<u>26,330,821</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>13,408,601</b></u>	<u><b>14,927,784</b></u>	<u><b>5,235,644</b></u>	<u><b>33,572,029</b></u>	<u><b>-</b></u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	16,007,214	12,261,418	1,691,266	29,959,898	-
Restricted for:					
Capital purposes.....	-	-	1,133,000	1,133,000	-
Unrestricted.....	<u>8,650,937</u>	<u>5,448,222</u>	<u>9,466,233</u>	<u>23,565,392</u>	<u>-</u>
<b>TOTAL NET ASSETS..... \$</b>	<u><u><b>24,658,151</b></u></u>	<u><u><b>17,709,640</b></u></u>	<u><u><b>12,290,499</b></u></u>	<u><u><b>54,658,290</b></u></u>	<u><u><b>-</b></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, 2010

	Business-type Activities - Enterprise Funds				
	Sewer Enterprise	Water Enterprise	Quincy College	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employer contributions .....	\$ -	\$ -	\$ -	\$ -	\$ 1,100,000
Charges for services .....	23,795,533	16,025,627	19,843,462	59,664,622	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>23,795,533</b>	<b>16,025,627</b>	<b>19,843,462</b>	<b>59,664,622</b>	<b>1,100,000</b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	18,117,023	11,801,547	16,367,386	46,285,956	-
Depreciation.....	824,732	663,494	396,211	1,884,437	-
<b>TOTAL OPERATING EXPENSES .....</b>	<b>18,941,755</b>	<b>12,465,041</b>	<b>16,763,597</b>	<b>48,170,393</b>	<b>-</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>4,853,778</b>	<b>3,560,586</b>	<b>3,079,865</b>	<b>11,494,229</b>	<b>1,100,000</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	144,946	9,437	35,344	189,727	-
Penalties and interest.....	223,092	210,118	-	433,210	-
Interest expense.....	(402,515)	(544,538)	-	(947,053)	-
Intergovernmental.....	92,000	348,000	-	440,000	-
Vending commission and other revenue.....	-	-	98,152	98,152	-
Contributions.....	-	-	30,162	30,162	-
Credit card fees.....	-	-	(158,528)	(158,528)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>57,523</b>	<b>23,017</b>	<b>5,130</b>	<b>85,670</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>4,911,301</b>	<b>3,583,603</b>	<b>3,084,995</b>	<b>11,579,899</b>	<b>1,100,000</b>
<b>OPERATING TRANSFERS:</b>					
Transfers out.....	(2,480,035)	(1,729,956)	(1,844,534)	(6,054,525)	(1,100,000)
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(2,480,035)</b>	<b>(1,729,956)</b>	<b>(1,844,534)</b>	<b>(6,054,525)</b>	<b>(1,100,000)</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>2,431,266</b>	<b>1,853,647</b>	<b>1,240,461</b>	<b>5,525,374</b>	<b>-</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>22,226,885</b>	<b>15,855,993</b>	<b>11,050,038</b>	<b>49,132,916</b>	<b>-</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 24,658,151</b>	<b>\$ 17,709,640</b>	<b>\$ 12,290,499</b>	<b>\$ 54,658,290</b>	<b>\$ -</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Sewer Enterprise	Water Enterprise	Quincy College	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 23,636,862	\$ 16,066,548	\$ 19,673,087	\$ 59,376,497	\$ -
Receipts from interfund services provided.....	-	-	-	-	1,100,000
Payments to vendors.....	(16,724,528)	(10,055,329)	(4,712,482)	(31,492,339)	-
Payments to employees.....	(1,031,609)	(1,560,884)	(9,174,361)	(11,766,854)	-
Payments for interfund services used.....	-	-	(1,893,532)	(1,893,532)	(4,705,099)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>5,880,725</b>	<b>4,450,335</b>	<b>3,892,712</b>	<b>14,223,772</b>	<b>(3,605,099)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out.....	(2,480,035)	(1,729,956)	(1,844,534)	(6,054,525)	(1,100,000)
Contributions.....	-	-	30,162	30,162	-
Vending commission and other revenues.....	-	-	98,152	98,152	-
Credit card fees.....	-	-	(158,528)	(158,528)	-
Penalties and interest.....	223,092	210,118	-	433,210	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(2,256,943)</b>	<b>(1,519,838)</b>	<b>(1,874,748)</b>	<b>(5,651,529)</b>	<b>(1,100,000)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of bonds and notes.....	-	1,158,031	-	1,158,031	-
Acquisition and construction of capital assets.....	(1,131,786)	(1,802,773)	(364,833)	(3,299,392)	-
Principal payments on bonds and notes.....	(1,338,007)	(1,636,704)	-	(2,974,711)	-
Principal payments on capital lease obligations.....	(41,649)	(41,649)	-	(83,298)	-
Interest payments on capital lease obligations.....	(60,350)	(26,351)	-	(86,701)	-
Interest expense.....	(267,759)	(174,072)	-	(441,831)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,839,551)</b>	<b>(2,523,518)</b>	<b>(364,833)</b>	<b>(5,727,902)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds/disbursements from sales and maturities of investments.....	-	-	(432)	(432)	-
Investment income.....	144,946	9,437	35,344	189,727	-
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>144,946</b>	<b>9,437</b>	<b>34,912</b>	<b>189,295</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>929,177</b>	<b>416,416</b>	<b>1,688,043</b>	<b>3,033,636</b>	<b>(4,705,099)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,761,459	3,902,006	9,647,510	17,310,975	4,705,099
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 4,690,636</b>	<b>\$ 4,318,422</b>	<b>\$ 11,335,553</b>	<b>\$ 20,344,611</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 4,853,778	\$ 3,560,586	\$ 3,079,865	\$ 11,494,229	\$ 1,100,000
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	824,732	663,494	396,211	1,884,437	-
Changes in assets and liabilities:					
Accounts receivable.....	(158,671)	40,921	(85,400)	(203,150)	-
Other assets.....	-	-	-	-	308,067
Payroll withholdings.....	-	-	-	-	(213,047)
Warrants payable.....	208,046	39,334	(26,382)	220,998	(119)
Accrued payroll.....	1,840	3,000	(121,407)	(116,567)	-
Health claims payable.....	-	-	-	-	(4,800,000)
Deferred revenue.....	-	-	(84,975)	(84,975)	-
Compensated absences.....	(6,000)	(13,000)	29,381	10,381	-
Other postemployment benefits.....	157,000	156,000	764,000	1,077,000	-
Contingent liability.....	-	-	(35,000)	(35,000)	-
Other liabilities.....	-	-	(23,581)	(23,581)	-
Total adjustments.....	1,026,947	889,749	812,847	2,729,543	(4,705,099)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 5,880,725</b>	<b>\$ 4,450,335</b>	<b>\$ 3,892,712</b>	<b>\$ 14,223,772</b>	<b>\$ (3,605,099)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>					
Debt service intergovernmental subsidy.....	\$ 274,972	\$ 348,000	\$ -	\$ 622,972	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 1,729,968	\$ 1,052,859	\$ 129,059
Investments.....	251,135,380	-	-
Interest and dividends.....	792	-	-
Receivables.....	3,858,546	-	-
Departmental and other.....	-	-	343,111
<b>TOTAL ASSETS.....</b>	<b>256,724,686</b>	<b>1,052,859</b>	<b>472,170</b>
<b>LIABILITIES</b>			
Warrants payable.....	99,574	141	72,433
Liabilities due depositors.....	-	-	56,626
Deferred revenue.....	-	-	343,111
<b>TOTAL LIABILITIES.....</b>	<b>99,574</b>	<b>141</b>	<b>472,170</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ <u>256,625,112</u>	\$ <u>1,052,718</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 20,611,577	\$ -
Employee.....	7,174,223	-
Private donations.....	-	1,243
Total contributions.....	<u>27,785,800</u>	<u>1,243</u>
Net investment income (loss):		
Net change in fair value of investments.....	37,940,630	-
Interest.....	<u>1,381,267</u>	<u>16,452</u>
Total investment income (loss).....	39,321,897	16,452
Less: investment expense.....	<u>(856,432)</u>	<u>-</u>
Net investment income (loss).....	<u>38,465,465</u>	<u>16,452</u>
Intergovernmental.....	<u>467,259</u>	<u>-</u>
Workers compensation settlement.....	<u>6,000</u>	<u>-</u>
Transfers from other systems.....	<u>1,210,067</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>67,934,591</u>	<u>17,695</u>
<b>DEDUCTIONS:</b>		
Administration.....	432,661	-
Transfers to other systems.....	854,452	-
Retirement benefits and refunds.....	38,431,161	-
Other purposes.....	<u>-</u>	<u>10,140</u>
TOTAL DEDUCTIONS.....	<u>39,718,274</u>	<u>10,140</u>
CHANGE IN NET ASSETS.....	28,216,317	7,555
NET ASSETS AT BEGINNING OF YEAR.....	<u>228,408,795</u>	<u>1,045,163</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 256,625,112</u>	<u>\$ 1,052,718</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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, 2010, 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 fiscal year 2010, the Commonwealth of Massachusetts' group insurance plan which is a premium based health insurance plan. In fiscal year 2010 the internal service fund only paid existing claims and collected stop loss reimbursements on claims existing as of the end of fiscal year 2009.

**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*

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 Surcharge**

The City has adopted the Community Preservation Act and the provisions of the Act allow the City to assess property owners, and additional 1% - 3% of the total real estate commitment. The City has opted to a surcharge of 1% added to each real estate tax bill. Revenues from this surcharge are credited to the Community Preservation Fund, a component of the nonmajor governmental funds to fund open space acquisitions, affordable housing initiatives, historic preservation and recreational uses.

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

**Intergovernmental**

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

These receivables are considered 100% collectible and therefore do not report an allowance for 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 \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the 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, 2010, 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 \$60,101,751 and the bank balance totaled \$64,944,558. Of the bank balance, \$2,589,680 was covered by Federal Depository Insurance, \$3,678,761 was covered by the Depositors Insurance Fund, \$857,130 was collateralized and \$57,818,987 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009, carrying amount (book value) of deposits for the Retirement System's deposits totaled \$1,729,968. The bank balance of \$1,904,968 was covered by Federal Depository Insurance.

Investments

As of June 30, 2010, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)				Rating
	Fair Value	Less Than 1	1 to 5	6 to 10	
<u>Debt Securities:</u>					
United State Treasuries.....	\$ 401,424	\$ 101,330	\$ 300,094	\$ -	AAA
Corporate Bonds.....	168,136	49,648	118,488	-	AA
Corporate Bonds.....	152,994	-	152,994	-	A
**Domestic Fixed Income Mutual Fund.....	100,314	-	-	100,314	AAA
Government Sponsored Enterprises.....	1,606,620	-	797,958	808,662	AAA
Total Debt Securities.....	2,429,488	\$ 150,978	\$ 1,369,534	\$ 908,976	
<u>Other Investments</u>					
Equity Securities.....	244,971				
Money Market Mutual Funds.....	5,533,291				
MMDT.....	10,274,368				
Total Investments.....	\$ 18,482,118				

\*\* = The Domestic Fixed Income Mutual Fund mainly invests in inflation protected bonds that are issued by the United States Treasury. The average rating of the underlying securities is AAA. The fund has an average duration of 6.78 years and an average maturity of 8.18 years.

As of December 31, 2009, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Securities.....	\$ 548,268
Pooled Equity Mutual Funds.....	126,766,929
Pooled Real Estate Funds.....	26,138,275
Pooled Alternative Investments.....	12,022,226
Pooled Domestic Fixed Income Mutual Funds.....	51,598,632
Pooled International Fixed Income Mutual Funds.....	8,407,586
PRIT.....	<u>25,653,464</u>
 Total Investments.....	 <u>\$ 251,135,380</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 \$1,606,620 in government sponsored enterprises, \$321,130 in corporate bonds and \$244,971 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, 2010, 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.....	\$ 7,839,254	\$ -	\$ 7,839,254
Motor vehicle excise taxes.....	3,723,827	(3,010,076)	713,751
Community preservation fund surtax.....	29,207	-	29,207
Tax liens.....	4,444,319	-	4,444,319
Real estate tax deferrals.....	1,145,533	-	1,145,533
Intergovernmental.....	18,459,241	-	18,459,241
Departmental.....	100,881	-	100,881
Loans.....	1,514,504	-	1,514,504
Total.....	\$ <u>37,256,766</u>	\$ <u>(3,010,076)</u>	\$ <u>34,246,690</u>

At June 30, 2010, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 945,007	\$ -	\$ 945,007
Intergovernmental.....	2,961,902	-	2,961,902
Water fees.....	3,922,802	-	3,922,802
Sewer fees.....	5,736,867	-	5,736,867
Total.....	\$ <u>13,566,578</u>	\$ <u>-</u>	\$ <u>13,566,578</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.....	\$ 7,785,826	\$ -	\$ 7,785,826
Motor vehicle and vessel excise taxes.....	713,751	-	713,751
Community preservation fund surtax.....	-	29,207	29,207
Tax liens.....	4,422,162	22,157	4,444,319
Real estate tax deferrals.....	1,145,533	-	1,145,533
Intergovernmental.....	8,260,060	5,872,320	14,132,380
Loans.....	-	1,514,504	1,514,504
Departmental and other.....	100,881	-	100,881
Tax foreclosures.....	995,058	-	995,058
 Total.....	 <u>\$ 23,423,271</u>	 <u>\$ 7,438,188</u>	 <u>\$ 30,861,459</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

**Governmental Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 61,434,463	\$ 95,000	\$ -	\$ 61,529,463
Construction in progress.....	78,046,300	54,621,324	-	132,667,624
 Total capital assets not being depreciated.....	 <u>139,480,763</u>	 <u>54,716,324</u>	 <u>-</u>	 <u>194,197,087</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	10,649,764	120,985	-	10,770,749
Buildings and building improvements.....	92,117,894	829,024	-	92,946,918
Machinery, vehicles and equipment.....	27,421,217	705,498	-	28,126,715
Infrastructure.....	48,847,075	2,548,196	-	51,395,271
 Total capital assets being depreciated.....	 <u>179,035,950</u>	 <u>4,203,703</u>	 <u>-</u>	 <u>183,239,653</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(466,144)	(242,048)	-	(708,192)
Buildings and building improvements.....	(21,500,111)	(3,219,620)	-	(24,719,731)
Machinery, vehicles and equipment.....	(10,860,336)	(2,291,842)	-	(13,152,178)
Infrastructure.....	(7,899,209)	(1,219,769)	-	(9,118,978)
 Total accumulated depreciation.....	 <u>(40,725,800)</u>	 <u>(6,973,279)</u>	 <u>-</u>	 <u>(47,699,079)</u>
 Total capital assets being depreciated, net.....	 <u>138,310,150</u>	 <u>(2,769,576)</u>	 <u>-</u>	 <u>135,540,574</u>
 Total governmental activities capital assets, net.....	 <u>\$ 277,790,913</u>	 <u>\$ 51,946,748</u>	 <u>\$ -</u>	 <u>\$ 329,737,661</u>

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<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.....	1,236,983	367,995	-	1,604,978
Infrastructure.....	26,758,655	1,434,778	-	28,193,433
Total capital assets being depreciated.....	<u>28,021,102</u>	<u>1,802,773</u>	<u>-</u>	<u>29,823,875</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(955)	(1,273)	-	(2,228)
Machinery, vehicles and equipment.....	(160,980)	(110,349)	-	(271,329)
Infrastructure.....	(6,763,259)	(551,872)	-	(7,315,131)
Total accumulated depreciation.....	<u>(6,925,194)</u>	<u>(663,494)</u>	<u>-</u>	<u>(7,588,688)</u>
Total capital assets being depreciated, net.....	<u>21,095,908</u>	<u>1,139,279</u>	<u>-</u>	<u>22,235,187</u>
Total water activities capital assets, net.....	<u>\$ 21,175,382</u>	<u>\$ 1,139,279</u>	<u>\$ -</u>	<u>\$ 22,314,661</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Activities:</b>				
<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.....	1,412,436	-	-	1,412,436
Infrastructure.....	34,346,581	1,131,786	-	35,478,367
Total capital assets being depreciated.....	<u>35,772,952</u>	<u>1,131,786</u>	<u>-</u>	<u>36,904,738</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(13,122)	(348)	-	(13,470)
Machinery, vehicles and equipment.....	(273,757)	(118,040)	-	(391,797)
Infrastructure.....	(9,316,771)	(706,344)	-	(10,023,115)
Total accumulated depreciation.....	<u>(9,603,650)</u>	<u>(824,732)</u>	<u>-</u>	<u>(10,428,382)</u>
Total capital assets being depreciated, net.....	<u>26,169,302</u>	<u>307,054</u>	<u>-</u>	<u>26,476,356</u>
Total sewer activities capital assets, net.....	<u>\$ 26,451,832</u>	<u>\$ 307,054</u>	<u>\$ -</u>	<u>\$ 26,758,886</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Quincy College Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 325,672	\$ -	\$ 325,672
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	4,122,303	39,131	-	4,161,434
Machinery and equipment.....	<u>1,637,227</u>	<u>-</u>	<u>-</u>	<u>1,637,227</u>
Total capital assets being depreciated.....	<u>5,759,530</u>	<u>39,131</u>	<u>-</u>	<u>5,798,661</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(2,399,659)	(396,211)	-	(2,795,870)
Machinery and equipment.....	<u>(1,637,227)</u>	<u>-</u>	<u>-</u>	<u>(1,637,227)</u>
Total accumulated depreciation.....	<u>(4,036,886)</u>	<u>(396,211)</u>	<u>-</u>	<u>(4,433,097)</u>
Total capital assets being depreciated, net.....	<u>1,722,644</u>	<u>(357,080)</u>	<u>-</u>	<u>1,365,564</u>
Total college activities capital assets, net.....	<u>\$ 1,722,644</u>	<u>\$ (31,408)</u>	<u>\$ -</u>	<u>\$ 1,691,236</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 703,187
Public safety.....	1,009,913
Education.....	2,311,996
Public works.....	1,779,916
Human services.....	46,501
Culture and recreation.....	<u>1,121,766</u>
Total depreciation expense - governmental activities.....	<u>\$ 6,973,279</u>
<b>Business-Type Activities:</b>	
Sewer.....	\$ 663,494
Water.....	824,732
Quincy College.....	<u>396,211</u>
Total depreciation expense - business-type activities.....	<u>\$ 1,884,437</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 219,000	\$ 219,000 (1)
Stabilization Fund.....	2,036,868	-	2,036,868 (2)
Nonmajor Governmental Funds.....	2,706,076	111,557	2,817,633 (3)
Sewer Enterprise Fund.....	2,480,035	-	2,480,035 (4)
Water Enterprise Fund.....	1,729,956	-	1,729,956 (4)
Internal Service Fund.....	1,100,000	-	1,100,000 (5)
Quincy College Enterprise Fund.....	1,844,534	-	1,844,534 (6)
Total.....	\$ <u>11,897,469</u>	\$ <u>330,557</u>	\$ <u>12,228,026</u>

- 1) Represents voted budgetary transfers to support Capital Project Fund expenditures.
- 2) Represents voted budgetary transfers the Stabilization Fund to reduce the fiscal year 2010 tax rate.
- 3) Represents voted transfers from various Special Revenue funds to support costs incurred by the General Fund.
- 4) 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.
- 5) Represents final close out of internal service fund.
- 6) 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, 2010 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
<u>Governmental</u>							
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	-
BAN	School Construction.....	1.50%	1/29/2010	13,500,000	-	13,500,000	-
BAN	School Construction.....	1.50%	1/28/2011	-	31,869,000	28,500,000	3,369,000
BAN	District Improvement Financing...	1.25%	1/28/2011	-	30,000,000	-	30,000,000
BAN	Capital Improvements.....	1.50%	1/28/2011	-	2,781,000	2,588,000	193,000
BAN	School Construction.....	1.25%	1/28/2011	-	4,500,000	-	4,500,000
Total Notes Payable.....				\$ 46,500,000	\$ 69,150,000	\$ 77,588,000	\$ 38,062,000

On July 30, 2010 the City issued BANS totaling \$8,210,392 that will mature on July 29, 2011 with an interest rate of 1.25%. Of the total issued, \$1,240,392 is in anticipation of the issuance of long-term debt relative to the design and construction of a new high school. The remainder of the BAN relates to a note issued for the Quincy Medical Center which is further discussed in Note 8.

On August 28, 2010 the City issued BANS totaling \$18,184,869 that will mature on July 29, 2011 with an interest rate of 2.0%. The note was issued in anticipation of the issuance of long-term debt relative to the design and construction of a new high school.

On January 28, 2011 a total of \$69,150,000 of BANS matured. On that date, the City took the following actions:

- \$28,500,000 relating to school construction and \$2,588,000 relating to capital improvement projects was permanently bonded. The City has recognized bond proceeds and the corresponding debt as long-term in the fiscal year 2010 financial statements. The remaining balance of \$193,000 relating to capital improvement projects will be paid down with available funds in fiscal year 2011.
- \$30,000,000 of District Improvement Financing notes and \$7,869,000 of School Construction notes were retired and reissued. The new notes will mature on January 27, 2012 and carry an interest rate of 1.6%.

**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:

	Governmental Activities	Business-Type Activities
<u>Asset:</u>		
Fire trucks.....	\$ 1,136,562	\$ -
Energy conservation improvements.....	28,595,390	1,860,846
Less: accumulated depreciation.....	(3,835,550)	(240,360)
 Total.....	 \$ 25,896,402	 \$ 1,620,486

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, 2010:

Fiscal Year	Governmental Activities	Business-Type Activities
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.....	2,443,398	147,248
2016 through 2020.....	11,952,153	720,280
2021 through 2025.....	11,327,742	682,654
2026 through 2027.....	3,332,634	200,838
 Total minimum lease payments.....	 39,858,376	 2,356,140
 Less: amounts representing interest.....	 (10,980,653)	 (658,466)
 Present value of minimum lease payments.....	 \$ 28,877,723	 \$ 1,697,674

**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, 2010, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Remodeling (I).....	5.25 - 5.75	\$ 125,000	\$ -	\$ 125,000	\$ -
Library (I).....	5.25 - 5.75	25,000	-	25,000	-
School (I).....	5.25 - 5.75	35,000	-	35,000	-
Land Acquisition (I).....	5.25 - 5.75	185,000	-	185,000	-
School Remodeling (I).....	3.5 - 4.9	2,105,000	-	170,000	1,935,000
Dept. Equipment (I).....	3.5 - 4.5	285,000	-	45,000	240,000
Washington St. (I).....	3.5 - 4.2	110,000	-	55,000	55,000
Library Construction (I).....	3.5 - 4.9	240,000	-	20,000	220,000
1993 School 1 & 2 (I).....	2.5 - 5.0	563,888	-	145,000	418,888
1994 General (I).....	2.5 - 5.0	452,250	-	94,500	357,750
1995 School 1 & 2 (I).....	2.5 - 5.0	1,531,623	-	285,448	1,246,175
1995 Park (I).....	2.5 - 4.0	106,918	-	106,918	-
1995 Public Building (I).....	2.5 - 5.0	150,702	-	27,268	123,434
School (I).....	2.125 - 4.25	2,860,000	-	240,000	2,620,000
Land Acquisition & Rec Facilities (I).....	2.25 - 5.0	7,250,000	-	570,000	6,680,000
Other (I).....	2.0 - 3.0	157,000	-	77,000	80,000
Remodeling (I).....	2.0 - 5.0	1,226,880	-	12,225	1,214,655
Library (I).....	2.0 - 5.0	261,427	-	2,775	258,652
School (I).....	2.0 - 5.0	364,115	-	4,250	359,865
Land Acquisition (I).....	2.0 - 5.0	1,721,460	-	20,650	1,700,810
Park (I).....	3.25 - 4.0	151,600	-	51,200	100,400
Library (I).....	3.25 - 5.0	3,310,300	-	382,900	2,927,400
School (O).....	3.25 - 5.0	8,890,585	-	922,680	7,967,905
Computer Hardware (ISQ).....	4.0 - 6.0	2,635,500	-	193,500	2,442,000
Remodeling - City Building (ISQ).....	3.0 - 6.0	4,597,000	-	289,000	4,308,000
Reconstruction - City Streets (ISQ).....	4.0 - 6.0	4,392,500	-	322,500	4,070,000
Land Acquisition (CPA) (I).....	3.0 - 6.0	2,530,000	-	805,000	1,725,000
Traffic Signal Public Installation (I).....	3.0 - 6.0	145,000	-	25,000	120,000
High School Construction - MSBA Loan.....	2.0	-	15,000,000	-	15,000,000
High School Construction - General Obligation.....	3.0 - 5.25	-	16,088,000	-	16,088,000
<b>Total.....</b>		<b>\$ 46,408,748</b>	<b>\$ 31,088,000</b>	<b>\$ 5,237,814</b>	<b>\$ 72,258,934</b>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 5,139,656	\$ 1,592,689	\$ 6,732,345
2012.....	5,604,246	2,692,303	8,296,549
2013.....	4,646,920	2,288,232	6,935,152
2014.....	4,534,875	2,102,918	6,637,793
2015.....	4,637,806	1,937,386	6,575,192
2016.....	4,757,536	1,761,161	6,518,697
2017.....	4,748,626	1,582,080	6,330,706
2018.....	4,599,281	1,404,862	6,004,143
2019.....	4,300,901	1,223,482	5,524,383
2020.....	3,158,256	1,053,572	4,211,828
2021.....	1,917,241	949,343	2,866,584
2022.....	1,582,241	874,545	2,456,786
2023.....	1,532,241	817,320	2,349,561
2024.....	1,557,241	764,271	2,321,512
2025.....	1,467,241	711,574	2,178,815
2026.....	1,347,241	662,272	2,009,513
2027.....	1,377,241	613,462	1,990,703
2028.....	1,052,241	566,939	1,619,180
2029.....	1,077,241	577,480	1,654,721
2030.....	1,107,241	490,424	1,597,665
2031.....	1,137,241	439,073	1,576,314
2032.....	1,172,241	396,056	1,568,297
2033.....	1,207,241	361,246	1,568,487
2034.....	1,242,241	287,642	1,529,883
2035.....	1,282,241	265,638	1,547,879
2036.....	1,322,241	214,081	1,536,322
2037.....	1,358,241	160,292	1,518,533
2038.....	1,412,241	103,940	1,516,181
2039.....	1,462,241	45,296	1,507,537
2040.....	517,252	10,345	527,597
Totals.....	\$ <u>72,258,934</u>	\$ <u>26,949,924</u>	\$ <u>99,208,858</u>

**Bonds and Notes Payable Schedule – Sewer Enterprise Fund**

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Sewer (I).....	5.25 - 5.75	\$ 20,000	\$ -	\$ 20,000	\$ -
Sewer I, II, & III (I).....	3.5 - 4.9	1,075,000	-	90,000	985,000
1993 Sewer (O).....	2.5 - 5.0	136,111	-	35,000	101,111
1994 Sewer (1).....	2.5 - 5.0	427,125	-	89,250	337,875
Sewer (I).....	2.0 - 5.0	512,670	-	41,370	471,300
Sewer (I).....	3.25 - 5.00	138,100	-	15,900	122,200
Drainage & Sewer (I).....	3.0 - 6.0	1,070,000	-	45,000	1,025,000
MWPAT 96-29 (I).....	4.75 - 6.00	427,466	-	48,195	379,271
MWPAT 91-09 (O).....	5.0 - 5.6	1,461,172	-	294,070	1,167,102
MWPAT 91-67 (O).....	3.5 - 4.9	294,831	-	59,337	235,494
MWPAT 98-01 (I).....	2.5 - 5.25	401,225	-	37,161	364,064
MWPAT CW-02-12 (I).....	2.00	2,540,828	-	129,842	2,410,986
MWPAT CW-02-12 A (I).....	2.00	2,533,710	-	269,955	2,263,755
MWRA (O).....	0	659,633	-	82,454	577,179
MWRA (I).....	0	1,568,040	-	422,680	1,145,360
Total.....		\$ 13,265,911	\$ -	\$ 1,680,214	\$ 11,585,697

In prior fiscal years, the City entered into an interim financing agreement which allowed the City to incur \$2,638,319 in debt financing. The interim amount was based on the best estimate of ongoing construction costs. At that time the City and recognized long term debt equal to the face amount of the interim financing agreement and also recognized a receivable for amounts to be drawn under the line of credit. In fiscal year 2010, the project was completed which total costs being less than the estimate and, as a result, the MWPAT revised the debt schedule for project CW-02-12A and finalized the loan agreement at the lower amount. This transaction resulted in the City recognized an additional \$159,235 reduction of debt in the current year.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 1,548,567	\$ 390,346	\$ 1,938,913
2012.....	1,570,323	342,084	1,912,407
2013.....	1,193,810	314,958	1,508,768
2014.....	990,477	246,109	1,236,586
2015.....	699,124	217,134	916,258
2016.....	727,495	192,853	920,348
2017.....	706,334	167,313	873,647
2018.....	576,854	140,675	717,529
2019.....	524,526	118,700	643,226
2020.....	488,873	99,252	588,125
2021.....	474,860	79,390	554,250
2022.....	485,985	60,537	546,522
2023.....	412,902	40,693	453,595
2024.....	414,872	24,502	439,374
2025.....	204,635	18,893	223,528
2026.....	207,456	13,228	220,684
2027.....	210,334	7,425	217,759
2028.....	148,270	1,483	149,753
Total.....	\$ <u>11,585,697</u>	\$ <u>2,475,575</u>	\$ <u>14,061,272</u>

**Bonds and Notes Payable Schedule – Water Enterprise Fund**

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Water (O).....	5.25 - 5.75	\$ 170,000	\$ -	\$ 170,000	\$ -
Water (O).....	3.5 - 4.9	1,135,000	-	95,000	1,040,000
Water (O).....	2.5 - 5.0	151,380	-	31,616	119,764
Water (O).....	2.0 - 5.0	1,966,450	-	61,730	1,904,720
Water (O).....	3.25 - 5.0	779,415	-	107,320	672,095
MWRA (O).....	0	7,124,607	1,158,031	1,171,038	7,111,600
MWPAT Drinking Water Bond.....	2.0	-	2,081,539	-	2,081,539
Total.....		<u>\$ 11,326,852</u>	<u>\$ 3,239,570</u>	<u>\$ 1,636,704</u>	<u>\$ 12,929,718</u>

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 1,748,843	\$ 175,153	\$ 1,923,996
2012.....	1,829,105	178,138	2,007,243
2013.....	1,489,613	161,061	1,650,674
2014.....	1,481,761	142,467	1,624,228
2015.....	1,132,626	126,074	1,258,700
2016.....	1,130,100	108,840	1,238,940
2017.....	1,061,720	89,615	1,151,335
2018.....	620,561	73,020	693,581
2019.....	623,489	58,191	681,680
2020.....	475,035	43,178	518,213
2021.....	192,359	28,324	220,683
2022.....	104,427	21,846	126,273
2023.....	106,537	19,736	126,273
2024.....	108,689	17,584	126,273
2025.....	110,885	15,389	126,274
2026.....	113,125	13,148	126,273
2027.....	115,410	10,862	126,272
2028.....	117,742	8,531	126,273
2029.....	120,120	6,153	126,273
2030.....	122,547	3,726	126,273
2031.....	125,024	1,250	126,274
Total.....	<u>\$ 12,929,718</u>	<u>\$ 1,302,286</u>	<u>\$ 14,232,004</u>

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 \$880,363 and interest costs for \$1,205,777. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$9,241,815. The principal subsidies are guaranteed and therefore an \$880,363 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 2010 principal and interest subsidies totaled \$182,973 and \$219,862 respectively.

Massachusetts Water Resources Authority funded debt

The City has entered into various long term debt transactions with the Massachusetts Water Resources Authority. The debt balances are associated with a zero percent interest rate. Future imputed interest payments total approximately \$1,206,000 in the water fund and \$205,000 the sewer fund. Fiscal year 2010 imputed interest was \$348,000 and \$92,000 in the water and sewer funds, respectively. Accordingly, interest expense and corresponding intergovernmental revenue have been reported in the proprietary funds financial statements.

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 2010, approximately \$1,214,000 of such assistance was received and approximately \$10,891,000 will be received in future fiscal years. Of this amount, approximately \$2,631,000 represents reimbursement of long-term interest costs, and approximately \$8,260,000 represents reimbursement of approved construction costs. Accordingly, an \$8,260,000 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. The City began receive reimbursements under this program in fiscal year 2008 when construction of the new high school commenced. The MSBA and the City agreed on a maximum grant award of \$72,000,000. The MSBA's policy is to reimburse the City for costs incurred less a holdback of 5% pending a final project audit that will be conducted by the MSBA. Through fiscal year 2010, the City has received approximately \$68,600,000 in grant reimbursements and expects to receive the final reimbursement of approximately \$3.6 million. The maximum grant for the High School is approximately \$72,000,000.

School construction costs that are not funded through the MSBA grant program are the responsibility of the City and will ultimately be funded through the issuance of long term debt. Subsequent to fiscal year 2010, the City began the fund its share of the construction costs through the issuance of general obligation bonds as well as a loan issued by and repayable to the MSBA. The MSBA issued loan has a stated interest rate of 2% which is below current market rates. Beginning in fiscal year 2012, and over the life of the loan, the City estimates that additional interest expense and intergovernmental revenue of approximately \$4.4 million will be recognized in the financial statements.

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, 2010, the City has paid down \$6,155,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2010 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, 2,009.00</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2010</u>
Municipal Purpose Loan...	1.50%	7/30/2010	\$ <u>10,650,000.00</u>	\$ <u>8,845,000</u>	\$ <u>10,650,000</u>	\$ <u>8,845,000</u>

On July 30, 2010 the City paid down \$1,805,000 of the outstanding note and the balance was rolled over into a new note carrying an interest rate of 1.25% and maturing on July 29, 2011.

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, 2010, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
High School.....	\$ 49,174,548
Health Care Funding.....	8,845,000
Water & Sewer.....	16,824,096
District Improvement Financing.....	30,000,000
Other Capital Purposes.....	<u>17,826,000</u>
Total.....	\$ <u>122,669,644</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease obligations.....	\$ 30,478,577	\$ -	\$ (1,600,854)	\$ 28,877,723	\$ 1,668,415
Compensated absences.....	8,729,000	6,267,000	(6,268,000)	8,728,000	6,128,000
Bonds and notes payable.....	57,058,748	31,088,000	(7,042,814)	81,103,934	6,944,656
Other postemployment benefit obligations.....	33,421,000	26,030,000	(13,631,000)	45,820,000	-
Workers' compensation.....	3,204,000	750,000	(964,000)	2,990,000	1,033,000
Due to HUD.....	4,500,000	-	-	4,500,000	-
Total governmental activities.....	<u>137,391,325</u>	<u>64,135,000</u>	<u>(29,506,668)</u>	<u>172,019,657</u>	<u>15,774,071</u>
<b>Business-Type Activities:</b>					
Capital lease obligations.....	1,780,972		(83,298)	1,697,674	86,872
Compensated absences.....	568,988	322,329	(311,948)	579,369	297,355
Other postemployment benefit obligations.....	2,143,000	1,959,000	(882,000)	3,220,000	-
Bonds and notes payable.....	<u>24,592,763</u>	<u>3,239,570</u>	<u>(3,316,918)</u>	<u>24,515,415</u>	<u>3,297,410</u>
Total business-type activities.....	<u>29,085,723</u>	<u>5,520,899</u>	<u>(4,594,164)</u>	<u>30,012,458</u>	<u>3,594,765</u>
Total.....	<u>\$ 166,477,048</u>	<u>\$ 69,655,899</u>	<u>\$ (34,100,832)</u>	<u>\$ 202,032,115</u>	<u>\$ 19,368,836</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 fiscal year 2010 amounted to \$1,797,972. The College's minimum future obligations under non-cancelable leases are as follows:

Fiscal Years Ending June 30	Business-Type Activities
2011.....	\$ 1,700,796
2012.....	1,443,773
2013.....	<u>214,318</u>
Total.....	<u>\$ 3,358,887</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, 2010 the liability for health insurance claims was zero. The City joined, in fiscal year 2010, the Commonwealth of Massachusetts' group insurance plan which is a premium based health insurance plan. In fiscal year 2010 the internal service fund only paid existing claims and collected stop loss reimbursements on claims existing as of the end of fiscal year 2009. Changes in the reported liability since July 1, 2008 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 2009.....	\$ 4,620,000	\$	49,324,694	\$	(49,144,694)	\$	4,800,000
Fiscal Year 2010.....	4,800,000		(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 \$2,990,000 at June 30, 2010, 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 2009.....	\$ 3,495,000	\$	476,345	\$	(767,345)	\$	3,204,000
Fiscal Year 2010.....	3,204,000		610,712		(824,712)		2,990,000

**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 \$22,246,000 for the fiscal year ended June 30, 2010, 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, 2009, the System’s membership consists of the following:

Active members.....	1,433
Inactive members.....	309
Retirees and beneficiaries currently receiving benefits.....	<u>1,625</u>
 Total.....	 <u><u>3,367</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, 2010, 2009 and 2008 were \$19,758,637, \$18,390,129, and \$18,131,491, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, 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 POSTEMPLOYMENT 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 postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation are summarized in the following table:

Normal Cost.....	\$ 14,171,000
Amortization of unfunded actuarial accrued liability.....	13,601,000
Adjustments to annual required contribution.....	<u>217,000</u>
Annual OPEB cost (expense).....	27,989,000
Contributions made.....	<u>(14,513,000)</u>
Increase/(decrease) in net OPEB obligation.....	13,476,000
Net OPEB obligation - beginning of year.....	<u>35,564,000</u>
Net OPEB obligation - end of year.....	<u>\$ 49,040,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 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>
6/30/2010	\$ 27,989,000	52%	\$ 49,040,000
6/30/2009	31,649,000	35%	35,564,000
6/30/2008	29,997,000	50%	14,882,000

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the funded status is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/10	\$ -	\$ 478,217,000	\$ 478,217,000	-	\$ 150,501,000	317.8%
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 June 30, 2010 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 8.0% initially, graded to 5% after six years. Both rates included a 3.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

### **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

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

The 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, 2010, 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.

On February 18, 2011 the Norfolk Division of Commonwealth of Massachusetts' Probate and Family Court Department rendered a judgment whereby the City of Quincy, acting as trustee of the Adams Temple and School Fund and the Charles Francis Adam Fund, was negligent in carrying out its fiduciary duties under each of the trust agreements. Under the terms of the court judgment the City is liable of the sum of approximately \$3 million to the Trusts. The court found that the breach of fiduciary duty related to employing inappropriate investment strategies and ignoring competent professional investment advice from 1973 through 2008. The professional advice recommended that the Board of Supervisors and Board of Managers of the Trusts allocate its investment portfolio into a split of 60% equities, 35% fixed income and 5% savings. The actual investment portfolio split maintained from 1973 to 2008 ranged from 90% - 100% fixed income and 0% - 10% equities. The court found that the Trusts were harmed by not maximizing the potential investment earnings based on the professional advice received. The City has the right to appeal this ruling and intends to exercise such appeal. In doing so, the City intends to vigorously and thoroughly challenge the verdict. Citing a recent ruling by a higher court, management and legal counsel of City anticipate a positive outcome on appeal. The financial statements have not provided for any potential liability.

On April 28, 2010 the Massachusetts Appeals Court issued its decision related to a dispute with respect to allocation of the Quincy Contributory Retirement System ("the System) for the annual appropriation of the employer's annual contribution between the two component units of the System, the City of Quincy and the Quincy Housing Authority. The dispute centered around the allocation method used by the System after the City privatized its Hospital and the effect it had by raising the allocation of the Housing Authority since 2002. The court agreed with the Housing Authority that its share of the allocated annual employer contribution was too high. The court ordered that System change its allocation method that will make the City 100% responsible for any accrued pension benefit liability remaining for the privatized Hospital. The judgment did not specify any monetary damages. This judgment cannot be appealed. The City had paid in full its actual required contribution for each of the fiscal years from 2002 to present as billed by the System. The actual future financial effect on the City is currently not known except for the fact that the City expects that its annual appropriation will increase in the future along with its share of the unfunded liability of System. The System is currently working with the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission to determine a new allocation

methodology that will be in compliance with the court order for 2012 and beyond.

Various other legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2010.

#### **NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2010, the following GASB pronouncements were implemented:

- GASB Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- GASB Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Management elected to implement this standard early and this standard did not impact the basic financial statements.

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.
- The GASB issued Statement #59, *Financial Statement Omnibus*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure relative to investments held by the City.

# **Required Supplementary Information**

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

FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 167,253,631	\$ 167,253,631	\$ 165,221,773	\$ -	\$ (2,031,858)
Tax liens and foreclosures.....	-	-	1,058,964	-	1,058,964
Motor vehicle and other excise taxes.....	7,950,444	7,950,444	7,719,634	-	(230,810)
Urban redevelopment corporations tax.....	851,642	851,642	884,389	-	32,747
Penalties and interest on taxes.....	1,040,071	1,040,071	1,133,442	-	93,371
Fees and rentals.....	573,868	1,533,202	2,100,318	-	567,116
Payments in lieu of taxes.....	837,713	837,713	823,029	-	(14,684)
Licenses and permits.....	643,502	643,503	654,052	-	10,549
Fines and forfeitures.....	305,293	305,293	294,657	-	(10,636)
Intergovernmental.....	36,349,546	37,098,349	37,132,897	-	34,548
Departmental and other.....	3,890,070	3,063,422	3,652,810	-	589,388
Investment income.....	1,085,785	362,785	114,750	-	(248,035)
<b>TOTAL REVENUES.....</b>	<b>220,781,565</b>	<b>220,940,055</b>	<b>220,790,715</b>	<b>-</b>	<b>(149,340)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	9,888,152	10,492,507	9,982,222	388,378	121,907
Public safety.....	41,802,946	42,666,808	42,988,583	43,350	(365,125)
Education.....	81,083,562	81,288,367	80,562,441	725,926	-
Public works.....	15,721,162	15,165,599	14,867,758	786,019	(488,178)
Human services.....	2,471,623	2,477,339	2,396,546	3,148	77,645
Culture and recreation.....	5,029,282	5,400,454	5,241,165	19,255	140,034
Pension benefits.....	19,794,656	19,794,656	19,758,637	-	36,019
Employee benefits.....	39,630,665	37,157,000	36,420,668	49,907	686,425
Claims and judgments.....	175,000	175,000	435,183	-	(260,183)
State and county charges.....	3,063,829	3,063,829	3,203,514	-	(139,685)
Debt service:					
Principal.....	6,910,814	6,910,814	6,456,814	-	454,000
Interest.....	2,775,174	2,775,173	2,675,173	-	100,000
Capital lease expenditures.....	2,629,298	2,629,298	2,609,706	-	19,592
<b>TOTAL EXPENDITURES.....</b>	<b>230,976,163</b>	<b>229,996,844</b>	<b>227,598,410</b>	<b>2,015,983</b>	<b>382,451</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(10,194,598)</b>	<b>(9,056,789)</b>	<b>(6,807,695)</b>	<b>(2,015,983)</b>	<b>233,111</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	8,865,076	12,001,944	11,897,469	-	(104,475)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>8,865,076</b>	<b>12,001,944</b>	<b>11,897,469</b>	<b>-</b>	<b>(104,475)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(1,329,522)</b>	<b>2,945,155</b>	<b>5,089,774</b>	<b>(2,015,983)</b>	<b>128,636</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>3,820,000</b>	<b>3,820,000</b>	<b>3,820,000</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 2,490,478</b>	<b>\$ 6,765,155</b>	<b>\$ 8,909,774</b>	<b>\$ (2,015,983)</b>	<b>\$ 128,636</b>

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2010

**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)
06/30/10	\$ -	\$ 478,217,000	\$ 478,217,000	0.0%	\$ 150,501,000	317.8%
07/01/07	-	435,548,000	435,548,000	0.0%	138,044,000	315.5%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2010	\$ 27,772,000	\$ 14,513,000	52%
2009	31,433,000	10,967,000	35%
2008	29,997,000	15,115,000	50%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

JUNE 30, 2010

---

Actuarial Methods:

Valuation date.....	June 30, 2010
Actuarial cost method.....	Projected Unit Credit, open
Amortization method.....	Level dollar, open
Remaining amortization period.....	30 years as of June 30, 2010
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go scenario
Medical care cost trend rate.....	8.0% graded to 5.0% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	2,312
Current active members.....	<u>5,274</u>
Total.....	<u><u>7,586</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 2010 approved budget authorized approximately \$231 million in appropriations inclusive of \$1.4 million of encumbrances carried forward from fiscal year 2009. During fiscal year 2010, the Council also approved supplemental appropriations totaling approximately \$120,000

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, 2010, is presented below.

Net change in fund balance - budgetary basis.....	\$ 5,089,774
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	97,000
Net change in recording accrued expenditures.....	(228,477)
Recognition of revenues for on-behalf payments.....	22,292,000
Recognition of expenditures for on-behalf payments.....	<u>(22,292,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ 4,958,297</u>

### 3. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2010, actual expenditures exceeded appropriations for public safety, public works and state and county charges.

Public safety expenditures exceeded appropriations as a result of providing unexpected emergency management activity as a result of a natural flood disaster. This was offset by lower than expected fire department and traffic operation costs.

Public works expenditures exceeded appropriations due to higher than anticipated snow and ice removal costs. This was offset by lower than anticipated street lighting, public works administration, cemetery department, and Honeywell maintenance costs.

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

These over-expenditures will be raised during fiscal 2011 through the tax rate.

#### **NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

The Schedule of Employer Contributions present multi-year trend information which compares the actuarial required contribution to the actual amount contributed.

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

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