

CITY OF QUINCY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

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JUNE 30, 2011

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	13
Statement of Net Assets	15
Statement of Activities	16
Governmental funds – balance sheet	18
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets	19
Governmental funds – statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	21
Proprietary funds – statement of net assets	22
Proprietary funds – statement of revenues, expenses and changes in fund net assets	23
Proprietary funds – statement of cash flows	24
Fiduciary funds – statement of fiduciary net assets.....	25
Fiduciary funds – statement of changes in fiduciary net assets	26
Notes to basic financial statements	27
Required Supplementary Information.....	61
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	62
Other postemployment benefits plan schedule of funding progress and employer contributions	63
Other postemployment benefits plan actuarial methods and assumptions	64
Notes to required supplementary information.....	65



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, Massachusetts, as of and for the fiscal year ended June 30, 2011 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2010), 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, 2011, 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 January XX, 2012 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, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

January 15, 2012

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, 2011. 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 2011 by \$234.9 million.
- Unrestricted net assets of \$24.9 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 \$62.9 million since implementing GASB Statement #45 in fiscal year 2008. This has created a negative balance of \$55.5 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 \$12.8 million and the business-type activities recognizing an additional \$1.1 million in expenses.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$9.5 million, a decrease of \$2.8 million in comparison with the prior year. Total fund balance represents 3.75% of total general fund expenditures.
- The City's total debt (short-term, long-term and capital leases combined) increased by \$18.1 million during the current fiscal year. This was due to the net effect of \$16.1 million in debt and capital lease principal payments, \$6 million of long-term debt issuances and a net increase of \$28.2 million in outstanding bond anticipation notes.
- In fiscal year 2011 the City adopted provisions of Massachusetts General Law which allows for a municipality to impose a restaurants meals tax of .75% for all meals served within the municipality. The adoption of this law allowed the City to collect an additional \$1 million in revenue as compared to the prior year.

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) the government-wide financial statements, 2) the fund financial statements, and 3) the 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 one type 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.

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 \$234.9 million at the close of fiscal year 2011.

Net assets of \$245.4 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 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 \$30.6 million is not available to meet the government's ongoing obligations to citizens and creditors because the related non-capital liabilities exceed non-capital assets. The *unrestricted net asset* deficit balance, which represents amounts that will need to be raised over the course of time, is mostly the result of recognizing total OPEB liabilities of \$62.9 million.

The discussion and comparison of governmental and business-type activities of the City are presented on the pages that follow.

The governmental activities expenses totaled \$302.8 million of which \$86.5 million, or 28.5% of total governmental activities expenses, was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$192.6 million, primarily coming from property taxes, motor vehicle excise and non-restricted grants and contributions.

Capital grant revenue decreased (\$19.6) million and this decrease is related to the fact that the maximum amount of grant funding, for the new Quincy High School construction project, was reached during the fiscal year 2010. Capital grant revenue for fiscal year 2011 was derived from public works, public safety and community preservation grants.

Real estate revenues decreased (\$7.2) million and this was caused by lower real estate commitments as well significant tax abatement activity.

	FY 2011 Governmental Activities	FY 2010 Governmental Activities
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 8,315,465	\$ 7,412,388
Operating grants and contributions.....	76,358,083	75,574,974
Capital grants and contributions.....	1,875,637	21,520,570
General Revenues:		
Real estate and personal property taxes.....	160,075,879	167,263,634
Motor vehicle and other excise taxes.....	7,886,751	7,996,005
Penalties and interest on taxes.....	705,998	1,133,442
Meals tax.....	1,044,124	-
Community preservation surtax.....	1,198,191	1,238,505
Payments in lieu of taxes.....	841,345	823,029
Grants and contributions not restricted to specific programs.....	16,871,406	17,520,854
Unrestricted investment income.....	202,604	346,596
Other revenues.....	3,750,821	3,658,942
Total revenues.....	<u>279,126,304</u>	<u>304,488,939</u>
Expenses:		
General government.....	21,261,706	18,796,490
Public safety.....	74,753,067	72,271,878
Education.....	157,029,768	149,584,591
Public works.....	23,263,787	20,932,659
Human services.....	13,300,188	14,499,224
Community preservation.....	366,717	335,253
Culture and recreation.....	9,050,841	10,197,973
Claims and judgments.....	198,690	435,183
Interest.....	3,598,665	4,057,604
Total expenses.....	<u>302,823,429</u>	<u>291,110,855</u>
Increase in net assets before transfers.....	(23,697,125)	13,378,084
Transfers.....	<u>6,715,767</u>	<u>6,054,525</u>
Change in net assets.....	\$ <u>(16,981,358)</u>	\$ <u>19,432,609</u>

Business-type Activities

The City's business-type activities assets exceeded liabilities by \$61 million at the close of fiscal 2011.

	FY 2011 Business-type Activities	FY 2010 Business-type Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 38,178,749	\$ 35,646,162
Noncurrent assets (excluding capital).....	1,612,201	1,819,344
Capital assets.....	<u>55,094,193</u>	<u>50,764,813</u>
Total assets.....	<u>94,885,143</u>	<u>88,230,319</u>
Liabilities:		
Current liabilities (excluding debt).....	4,189,436	3,856,926
Noncurrent liabilities (excluding debt).....	4,465,899	3,502,014
Current debt.....	3,718,913	3,384,282
Noncurrent debt.....	<u>21,469,619</u>	<u>22,828,807</u>
Total liabilities.....	<u>33,843,867</u>	<u>33,572,029</u>
Net Assets:		
Capital assets net of related debt.....	35,021,922	29,959,898
Restricted for capital purposes.....	1,133,000	1,133,000
Unrestricted.....	<u>24,886,354</u>	<u>23,565,392</u>
Total net assets.....	<u>\$ 61,041,276</u>	<u>\$ 54,658,290</u>
Program revenues:		
Charges for services.....	\$ 62,123,976	\$ 59,762,774
Operating grants and contributions.....	371,000	470,162
Capital grants and contributions.....	1,418,461	-
General Revenues:		
Unrestricted investment income.....	34,594	189,727
Penalties and interest.....	<u>378,396</u>	<u>433,210</u>
Total revenues.....	<u>64,326,427</u>	<u>60,855,873</u>
Expenses:		
Sewer.....	19,720,649	19,344,270
Water.....	13,390,886	13,009,579
Quincy College.....	<u>18,116,139</u>	<u>16,922,125</u>
Total expenses.....	<u>51,227,674</u>	<u>49,275,974</u>
Transfers.....	<u>(6,715,767)</u>	<u>(6,054,525)</u>
Change in net assets.....	<u>\$ 6,382,986</u>	<u>\$ 5,525,374</u>

Business-type net assets of \$35 million or 57.4% of total business-type activity net assets represent the investment in capital assets, \$1.1 million or 1.8% is restricted for capital purposes and \$24.9 million or 40.8% of total business-type activity net assets are unrestricted. The City's business-type activities net assets increased \$6.4 million in the current fiscal year.

The sewer enterprise fund balance experienced an increase of \$2.7 million which is primarily due to an increase in user charge revenue of \$1.2 million offset by a \$393,000 increase in cost of services and administration.

Principal payments on debt and capitalized infrastructure costs exceeding depreciation expense also factored into the increase.

The water enterprise fund balance experienced an increase of \$3.5 million which is primarily due to an increase of \$1.4 million in intergovernmental capital grants from the MWPAT and intergovernmental aid in the form of debt subsidies from the MWPAT. Principal payments on debt and capitalized infrastructure costs exceeding depreciation expense also factored into the increase.

Ending fund balance of the Quincy College enterprise fund was essentially unchanged. Although the College experienced a \$512,000 increase in tuition and other fee revenue; the total cost of service increased \$1.2 million.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fiscal year 2011 was the City's initial year of implementation of GASB #54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the City's stabilization fund is reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported combined net ending fund balance deficits of (\$27.2) million, the main cause of the deficit is due to the Quincy Center Concourse fund and the High School Project fund which report deficits of (\$23.3) million and (\$20.9) million respectively. Offsetting these deficits are surpluses in the general fund and nonmajor funds in the amounts of \$9.5 million and \$7.5 million respectively

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7.4 million and total fund balance was \$9.5 million. Assignments of fund balance for encumbrances and continuing appropriations totaled \$2.2 million. Unassigned fund balance represents 2.9% of total general fund expenditures, while total fund balance represents 3.7% of that same amount. The general fund experienced a decrease of \$2.8 million that is due to a budgeted free cash use of \$4.7 million which was offset by actual expenditures and amounts carried forward being \$2 million less than budget.

Fund balance of the Quincy Center Concourse Fund decreased by (\$5.6) million. The decrease was the result of current year expenditures exceeding revenues. Fund expenditures are currently being funded by \$30 million in bond anticipation notes. The current fund deficit balance will be eliminated through the issuance of long-term debt.

The High School Project fund reports activity associated with the construction of a new high school that is funded by a combination of capital grants from the Massachusetts School Building Authority and amounts raised by the City through issuance of long term debt (local share). The maximum amount of capital grants allowed under the grant agreement with the MSBA was reached prior to fiscal year 2011. In fiscal year 2011, the City incurred \$12.1 million in capital expenditures. At June 30, 2011, the construction phase was substantially complete. The cumulative deficit of (\$20.9) million is the City's share of project costs that is temporarily funded by a \$26 million BAN.

The State Fiscal Stabilization Fund presents activity relating to the City's share of federal grants authorized under the American Reinvestment and Recovery Act of 2009 (ARRA). The revenue and expenditures represents funds that typically would have been recorded in the General Fund. 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

The final budget includes an overall decrease from the original budget by approximately \$781,000.

The net decrease is reflective of City Council votes resulting in a collective \$3.3 million appropriation decreases to debt service principal payments, employee benefits, public works, and education functions that was offset by \$2.5 million appropriation increases to pension assessments, transfers out to other funds, general government, public safety, and the culture and recreation functions.

The overall appropriation decrease 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 property tax revenue collected.

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, 2011, amounts to \$404 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 \$23.4 million.

The major reason for the increase in governmental capital asset activity includes the capitalization of final construction costs associated with the new Quincy High School building and land acquisition and site clearing for the new Central Middle School, 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 related to the sewer system as well as the installation of a new water meter system that will allow for more efficient usage calculations. The capital asset balance of the Quincy College enterprise fund increased due to leasehold improvements at the Plymouth campus as well as final costs associated with the implementation of upgrades to the financial accounting and reporting ledger system.

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, 2011, totaled approximately \$67.1 million, of which approximately \$41.3 million is related to school projects, \$8.5 million is related to land acquisitions, \$7 million is related to building remodeling and renovation projects, \$3.8 million is related to paving and traffic projects, \$3 million is related to library construction and renovation projects, \$2.2 million is related to the purchase of computer hardware, \$367 thousand is related to general governmental use, \$50 thousand is related to public park projects, and \$855 thousand is related to the purchase of departmental equipment.

The water enterprise fund has \$13.5 million in long-term debt. The sewer enterprise fund has \$10.0 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.

At June 30, 2011 the City carried \$66.3 million of bond anticipation notes relating to the Downtown redevelopment project and for land acquisition and other capital costs relating to the new Central Middle School and new High School projects.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	56,819,095	\$ 22,172,832	\$ 78,991,927
Investments.....	2,507,653	2,422,875	4,930,528
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	5,571,497	-	5,571,497
Tax liens.....	5,614,477	-	5,614,477
Motor vehicle and other excise taxes.....	870,911	-	870,911
User fees.....	-	10,452,404	10,452,404
Student accounts and other.....	-	1,557,211	1,557,211
Departmental.....	123,343	-	123,343
Community preservation fund surtax.....	26,705	-	26,705
Intergovernmental.....	6,869,005	1,573,427	8,442,432
Loans.....	1,294,797	-	1,294,797
Deposit on purchase of property.....	-	1,133,000	1,133,000
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	1,494,518	-	1,494,518
Intergovernmental.....	6,142,280	479,201	6,621,481
Tax foreclosures.....	995,058	-	995,058
Capital assets, non depreciable.....	98,024,465	362,004	98,386,469
Capital assets, net of accumulated depreciation.....	250,833,521	54,732,189	305,565,710
TOTAL ASSETS.....	437,187,325	94,885,143	532,072,468
LIABILITIES			
CURRENT:			
Warrants payable.....	7,352,448	1,300,592	8,653,040
Accrued payroll.....	10,822,911	580,048	11,402,959
Tax refunds payable.....	1,384,010	-	1,384,010
Accrued interest.....	702,557	144,455	847,012
Abandoned property.....	791,854	-	791,854
Other liabilities.....	660,336	206,293	866,629
Deferred revenue.....	-	1,666,987	1,666,987
Capital lease obligations.....	1,649,681	85,220	1,734,901
Compensated absences.....	6,599,000	291,061	6,890,061
Workers' compensation.....	676,000	-	676,000
Notes payable.....	66,294,261	-	66,294,261
Bonds payable.....	13,068,246	3,633,693	16,701,939
NONCURRENT:			
Capital lease obligations.....	25,559,627	1,525,582	27,085,209
Other postemployment benefit obligation.....	58,592,000	4,336,000	62,928,000
Compensated absences.....	2,541,000	129,899	2,670,899
Workers' compensation.....	1,582,000	-	1,582,000
Bonds payable.....	65,068,957	19,944,037	85,012,994
TOTAL LIABILITIES.....	263,344,888	33,843,867	297,188,755
NET ASSETS			
Invested in capital assets, net of related debt.....	210,412,650	35,021,922	245,434,572
Restricted for:			
Capital purposes.....	-	1,133,000	1,133,000
Loans.....	1,294,797	-	1,294,797
Permanent funds:			
Expendable.....	303,285	-	303,285
Nonexpendable.....	2,559,378	-	2,559,378
Grants and gifts.....	14,708,929	-	14,708,929
Unrestricted.....	(55,436,602)	24,886,354	(30,550,248)
TOTAL NET ASSETS..... \$	173,842,437	\$ 61,041,276	\$ 234,883,713

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 21,261,706	\$ 1,679,237	\$ 4,433,604	\$ -	\$ (15,148,865)
Public safety.....	74,753,067	2,403,744	2,462,563	369,295	(69,517,465)
Education.....	157,029,768	2,318,443	55,498,619	-	(99,212,706)
Public works.....	23,263,787	1,251,985	4,195,534	1,182,931	(16,633,337)
Human services.....	13,300,188	234,810	9,234,646	-	(3,830,732)
Community preservation.....	366,717	-	-	323,411	(43,306)
Culture and recreation.....	9,050,841	427,246	398,308	-	(8,225,287)
Claims and judgments.....	198,690	-	-	-	(198,690)
Interest.....	3,598,665	-	134,809	-	(3,463,856)
Total Governmental Activities....	<u>302,823,429</u>	<u>8,315,465</u>	<u>76,358,083</u>	<u>1,875,637</u>	<u>(216,274,244)</u>
<i>Business-Type Activities:</i>					
Sewer.....	19,720,649	25,029,517	73,000	-	5,381,868
Water.....	13,390,886	16,696,122	298,000	1,418,461	5,021,697
Quincy College.....	18,116,139	20,398,337	-	-	2,282,198
Total Business-Type Activities...	<u>51,227,674</u>	<u>62,123,976</u>	<u>371,000</u>	<u>1,418,461</u>	<u>12,685,763</u>
Total Primary Government.....	<u>\$ 354,051,103</u>	<u>\$ 70,439,441</u>	<u>\$ 76,729,083</u>	<u>\$ 3,294,098</u>	<u>\$ (203,588,481)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (216,274,244)	\$ 12,685,763	\$ (203,588,481)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	160,075,879	-	160,075,879
Tax liens.....	2,136,120	-	2,136,120
Motor vehicle and other excise taxes.....	7,886,751	-	7,886,751
Urban redevelopment corporations tax.....	524,380	-	524,380
Hotel/motel tax.....	1,090,321	-	1,090,321
Meals tax.....	1,044,124	-	1,044,124
Community preservation surtax.....	1,198,191	-	1,198,191
Penalties and interest.....	705,998	378,396	1,084,394
Payments in lieu of taxes.....	841,345	-	841,345
Grants and contributions not restricted to specific programs.....	16,871,406	-	16,871,406
Unrestricted investment income.....	202,604	34,594	237,198
<i>Transfers, net</i>	6,715,767	(6,715,767)	-
Total general revenues.....	<u>199,292,886</u>	<u>(6,302,777)</u>	<u>192,990,109</u>
Change in net assets.....	(16,981,358)	6,382,986	(10,598,372)
<i>Net Assets:</i>			
Beginning of year.....	<u>190,823,795</u>	<u>54,658,290</u>	<u>245,482,085</u>
End of year.....	\$ <u><u>173,842,437</u></u>	\$ <u><u>61,041,276</u></u>	\$ <u><u>234,883,713</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	Quincy Center Concourse Fund	High School Project	State Fiscal Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
Cash and equivalents.....	\$ 23,929,704	\$ 10,104,470	\$ 5,323,991	\$ 14,967	\$ 17,445,963	\$ 56,819,095
Investments.....	-	-	-	-	2,507,653	2,507,653
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	5,571,497	-	-	-	-	5,571,497
Real estate tax deferrals.....	1,494,518	-	-	-	-	1,494,518
Tax liens.....	5,585,547	-	-	-	28,930	5,614,477
Motor vehicle and other excise taxes.....	870,911	-	-	-	-	870,911
Departmental.....	123,343	-	-	-	-	123,343
Community preservation fund surtax.....	-	-	-	-	26,705	26,705
Intergovernmental.....	7,932,578	-	-	-	5,078,707	13,011,285
Loans.....	-	-	-	-	1,294,797	1,294,797
Tax foreclosures.....	995,058	-	-	-	-	995,058
TOTAL ASSETS.....	\$ 46,503,156	\$ 10,104,470	\$ 5,323,991	\$ 14,967	\$ 26,382,755	\$ 88,329,339
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 1,554,316	\$ 3,374,116	\$ 194,593	\$ -	\$ 2,229,423	\$ 7,352,448
Accrued payroll.....	10,822,911	-	-	-	-	10,822,911
Tax refunds payable.....	1,384,010	-	-	-	-	1,384,010
Abandoned property.....	788,848	-	-	-	3,006	791,854
Other liabilities.....	660,336	-	-	-	-	660,336
Deferred revenues.....	21,765,450	-	-	-	6,429,139	28,194,589
Notes payable.....	-	30,000,000	26,053,869	-	10,240,392	66,294,261
TOTAL LIABILITIES.....	36,975,871	33,374,116	26,248,462	-	18,901,960	115,500,409
FUND BALANCES:						
Nonspendable.....	-	-	-	-	2,559,378	2,559,378
Restricted.....	-	-	-	14,967	13,892,188	13,907,155
Assigned.....	2,164,692	-	-	-	-	2,164,692
Unassigned.....	7,362,593	(23,269,646)	(20,924,471)	-	(8,970,771)	(45,802,295)
TOTAL FUND BALANCES.....	9,527,285	(23,269,646)	(20,924,471)	14,967	7,480,795	(27,171,070)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 46,503,156	10,104,470	\$ 5,323,991	\$ 14,967	\$ 26,382,755	\$ 88,329,339

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, 2011

Total governmental fund balances.....	\$	(27,171,070)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		348,857,986
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		28,194,589
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(702,557)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(78,137,203)	
Capital lease obligations.....	(27,209,308)	
Other postemployment benefit obligations.....	(58,592,000)	
Workers compensation.....	(2,258,000)	
Compensated absences.....	<u>(9,140,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(175,336,511)</u>
Net assets of governmental activities.....	\$	<u><u>173,842,437</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	General	Quincy Center Concourse Fund	High School Project	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 162,030,050	\$ -	\$ -	\$ -	\$ -	\$ 162,030,050
Tax liens.....	964,182	-	-	-	-	964,182
Motor vehicle and other excise taxes.....	7,488,783	-	-	-	-	7,488,783
Hotel/motel tax.....	-	-	-	-	1,090,321	1,090,321
Charges for services.....	-	-	-	-	2,080,326	2,080,326
Urban redevelopment corporations tax.....	524,380	-	-	-	-	524,380
Penalties and interest on taxes.....	892,984	-	-	-	-	892,984
Fees and rentals.....	1,920,116	-	-	-	-	1,920,116
Payments in lieu of taxes.....	841,345	-	-	-	-	841,345
Licenses and permits.....	2,200,996	-	-	-	-	2,200,996
Fines and forfeitures.....	324,878	-	-	-	-	324,878
Intergovernmental.....	62,859,668	-	-	341,590	30,774,266	93,975,524
Departmental and other.....	2,461,780	-	-	-	2,290,746	4,752,526
Meals tax.....	-	-	-	-	1,044,124	1,044,124
Community preservation surtax.....	-	-	-	-	1,193,920	1,193,920
Contributions.....	-	-	-	-	266,115	266,115
Investment income.....	121,996	13,431	-	-	67,177	202,604
TOTAL REVENUES.....	242,631,158	13,431	-	341,590	38,806,995	281,793,174
EXPENDITURES:						
Current:						
General government.....	11,075,789	-	-	-	3,107,277	14,183,066
Public safety.....	41,489,505	-	-	-	2,287,847	43,777,352
Education.....	79,503,213	-	12,136,245	812,728	22,128,468	114,580,654
Public works.....	16,052,249	5,611,218	-	-	4,246,218	25,909,685
Human services.....	2,458,328	-	-	-	9,910,888	12,369,216
Community preservation.....	-	-	-	-	366,717	366,717
Culture and recreation.....	4,767,209	-	-	-	836,252	5,603,461
Pension benefits.....	42,874,779	-	-	-	-	42,874,779
Employee benefits.....	43,048,053	-	-	-	-	43,048,053
Claims and judgments.....	198,690	-	-	-	-	198,690
State and county charges.....	3,208,414	-	-	-	-	3,208,414
Debt service:						
Principal.....	4,294,656	-	-	-	1,320,000	5,614,656
Interest.....	2,603,180	-	-	-	234,303	2,837,483
Capital lease expenditures.....	2,621,124	-	-	-	-	2,621,124
TOTAL EXPENDITURES.....	254,195,189	5,611,218	12,136,245	812,728	44,437,970	317,193,350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(11,564,031)	(5,597,787)	(12,136,245)	(471,138)	(5,630,975)	(35,400,176)
OTHER FINANCING SOURCES (USES):						
Premiums from issuance of long-term debt.....	613,443	-	-	-	-	613,443
Proceeds from refunding bonds.....	8,927,925	-	-	-	-	8,927,925
Premium from issuance of refunding bonds.....	85,487	-	-	-	-	85,487
Payments of current refunded debt.....	(8,845,000)	-	-	-	-	(8,845,000)
Payment to refunding bonds escrow agent.....	(2,043,412)	-	-	-	-	(2,043,412)
Transfers in.....	10,222,257	-	-	-	201,000	10,423,257
Transfers out.....	(193,000)	-	-	-	(3,514,490)	(3,707,490)
TOTAL OTHER FINANCING SOURCES (USES)....	8,767,700	-	-	-	(3,313,490)	5,454,210
NET CHANGE IN FUND BALANCES.....	(2,796,331)	(5,597,787)	(12,136,245)	(471,138)	(8,944,465)	(29,945,966)
FUND BALANCES AT BEGINNING OF YEAR, (as revised)	12,323,616	(17,671,859)	(8,788,226)	486,105	16,425,260	2,774,896
FUND BALANCES AT END OF YEAR.....	\$ 9,527,285	\$ (23,269,646)	\$ (20,924,471)	\$ 14,967	\$ 7,480,795	\$ (27,171,070)

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, 2011

Net change in fund balances - total governmental funds..... \$ (29,945,966)

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.....	27,685,798
Depreciation expense.....	<u>(8,565,473)</u>

Net effect of reporting capital assets..... 19,120,325

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..... (2,689,795)

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

Proceeds from refunding bonds.....	(8,927,925)
Payments of current refunded debt.....	8,845,000
Payment to refunding bonds escrow agent.....	2,043,412
Principal payments on capital lease obligations.....	1,668,415
Premium from issuance of bonds.....	(85,487)
Debt service principal payments.....	<u>5,614,656</u>

Net effect of reporting long-term debt..... 9,158,071

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.....	(412,000)
Net change in accrued interest on long-term debt.....	(171,993)
Net change in workers compensation accrual.....	732,000
Net change in other postemployment benefit obligations.....	<u>(12,772,000)</u>

Net effect of recording long-term liabilities..... (12,623,993)

Change in net assets of governmental activities..... \$ (16,981,358)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
ASSETS				
CURRENT:				
Cash and short-term investments.....	\$ 5,195,677	\$ 5,873,303	\$ 11,103,852	\$ 22,172,832
Investments.....	-	-	2,422,875	2,422,875
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	4,264,703	-	4,264,703
Sewer fees.....	6,187,701	-	-	6,187,701
Student accounts and other.....	-	-	1,557,211	1,557,211
Intergovernmental.....	207,142	1,366,285	-	1,573,427
Total current assets.....	<u>11,590,520</u>	<u>11,504,291</u>	<u>15,083,938</u>	<u>38,178,749</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	479,201	-	-	479,201
Deposit on purchase of property.....	-	-	1,133,000	1,133,000
Capital assets, non depreciable.....	282,530	79,474	-	362,004
Capital assets, net of accumulated depreciation....	<u>26,822,949</u>	<u>26,034,329</u>	<u>1,874,911</u>	<u>54,732,189</u>
Total noncurrent assets.....	<u>27,584,680</u>	<u>26,113,803</u>	<u>3,007,911</u>	<u>56,706,394</u>
TOTAL ASSETS.....	<u>39,175,200</u>	<u>37,618,094</u>	<u>18,091,849</u>	<u>94,885,143</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	51,387	1,156,053	93,152	1,300,592
Accrued payroll.....	13,814	20,305	545,929	580,048
Accrued interest.....	122,093	22,362	-	144,455
Abandoned property.....	-	-	206,293	206,293
Deferred revenue.....	-	-	1,666,987	1,666,987
Capital lease obligations.....	42,610	42,610	-	85,220
Other liability.....	-	-	-	-
Compensated absences.....	80,000	187,000	24,061	291,061
Bonds payable.....	<u>1,570,323</u>	<u>2,063,370</u>	<u>-</u>	<u>3,633,693</u>
Total current liabilities.....	<u>1,880,227</u>	<u>3,491,700</u>	<u>2,536,422</u>	<u>7,908,349</u>
NONCURRENT:				
Capital lease obligations.....	762,791	762,791	-	1,525,582
Other postemployment benefit obligation.....	633,000	633,000	3,070,000	4,336,000
Compensated absences.....	16,000	36,000	77,899	129,899
Bonds payable.....	<u>8,477,582</u>	<u>11,466,455</u>	<u>-</u>	<u>19,944,037</u>
Total noncurrent liabilities.....	<u>9,889,373</u>	<u>12,898,246</u>	<u>3,147,899</u>	<u>25,935,518</u>
TOTAL LIABILITIES.....	<u>11,769,600</u>	<u>16,389,946</u>	<u>5,684,321</u>	<u>33,843,867</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	18,067,064	15,079,947	1,874,911	35,021,922
Restricted for:				
Capital purposes.....	-	-	1,133,000	1,133,000
Unrestricted.....	<u>9,338,536</u>	<u>6,148,201</u>	<u>9,399,617</u>	<u>24,886,354</u>
TOTAL NET ASSETS.....	<u>\$ 27,405,600</u>	<u>\$ 21,228,148</u>	<u>\$ 12,407,528</u>	<u>\$ 61,041,276</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
OPERATING REVENUES:				
Charges for services	\$ 25,029,517	\$ 16,696,122	\$ 20,355,177	\$ 62,080,816
OPERATING EXPENSES:				
Cost of services and administration	18,509,983	12,184,334	17,527,536	48,221,853
Depreciation.....	839,997	744,081	452,978	2,037,056
TOTAL OPERATING EXPENSES	19,349,980	12,928,415	17,980,514	50,258,909
OPERATING INCOME (LOSS).....	5,679,537	3,767,707	2,374,663	11,821,907
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	1,569	10,225	22,800	34,594
Penalties and interest.....	217,777	160,619	-	378,396
Interest expense.....	(370,669)	(462,471)	-	(833,140)
Intergovernmental.....	73,000	1,716,461	-	1,789,461
Vending commission and other revenue.....	-	-	43,160	43,160
Credit card fees.....	-	-	(135,625)	(135,625)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(78,323)	1,424,834	(69,665)	1,276,846
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	5,601,214	5,192,541	2,304,998	13,098,753
OPERATING TRANSFERS:				
Transfers in.....	-	117,995	-	117,995
Transfers out.....	(2,853,765)	(1,792,028)	(2,187,969)	(6,833,762)
TOTAL OPERATING TRANSFERS.....	(2,853,765)	(1,674,033)	(2,187,969)	(6,715,767)
CHANGE IN NET ASSETS.....	2,747,449	3,518,508	117,029	6,382,986
NET ASSETS AT BEGINNING OF YEAR.....	24,658,151	17,709,640	12,290,499	54,658,290
NET ASSETS AT END OF YEAR.....	\$ 27,405,600	\$ 21,228,148	\$ 12,407,528	\$ 61,041,276

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Sewer Enterprise	Water Enterprise	Quincy College	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 24,578,683	\$ 16,354,221	\$ 20,065,435	\$ 60,998,339
Payments to vendors.....	(17,467,602)	(10,164,147)	(5,686,305)	(33,318,054)
Payments to employees.....	(1,069,807)	(1,609,833)	(9,364,894)	(12,044,534)
Payments for interfund services used.....	-	-	(2,350,122)	(2,350,122)
NET CASH FROM OPERATING ACTIVITIES.....	6,041,274	4,580,241	2,664,114	13,285,629
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	117,995	-	117,995
Transfers out.....	(2,853,765)	(1,792,028)	(2,187,969)	(6,833,762)
Vending commission and other revenues.....	-	-	43,160	43,160
Credit card fees.....	-	-	(135,625)	(135,625)
Penalties and interest.....	217,777	160,619	-	378,396
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(2,635,988)	(1,513,414)	(2,280,434)	(6,429,836)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	-	4,476,365	-	4,476,365
Proceeds from the issuance of refunding bonds and notes.....	810,775	856,300	-	1,667,075
Acquisition and construction of capital assets.....	(1,186,590)	(4,032,733)	(636,623)	(5,855,946)
Principal payments on bonds and notes.....	(1,354,547)	(1,748,843)	-	(3,103,390)
Principal payments on refunded bonds and notes.....	(800,000)	(850,000)	-	(1,650,000)
Principal payments on capital lease obligations.....	(43,436)	(43,436)	-	(86,872)
Interest payments on capital lease obligations.....	(51,714)	(19,996)	-	(71,710)
Interest expense.....	(276,302)	(159,828)	-	(436,130)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,901,814)	(1,522,171)	(636,623)	(5,060,608)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds/disbursements from sales and maturities of investments.....	-	-	(1,558)	(1,558)
Investment income.....	1,569	10,225	22,800	34,594
NET CASH FROM INVESTING ACTIVITIES.....	1,569	10,225	21,242	33,036
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	505,041	1,554,881	(231,701)	1,828,221
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,690,636	4,318,422	11,335,553	20,344,611
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,195,677	\$ 5,873,303	\$ 11,103,852	\$ 22,172,832
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 5,679,537	\$ 3,767,707	\$ 2,374,663	\$ 11,821,907
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	839,997	744,081	452,978	2,037,056
Changes in assets and liabilities:				
Accounts receivable.....	(450,834)	(341,901)	(612,204)	(1,404,939)
Warrants payable.....	(189,500)	244,996	(449,264)	(393,768)
Accrued payroll.....	1,074	3,358	(19,361)	(14,929)
Deferred revenue.....	-	-	322,462	322,462
Compensated absences.....	1,000	1,000	(160,409)	(158,409)
Other postemployment benefits.....	160,000	161,000	795,000	1,116,000
Other liabilities.....	-	-	(39,751)	(39,751)
Total adjustments.....	361,737	812,534	289,451	1,463,722
NET CASH FROM OPERATING ACTIVITIES.....	\$ 6,041,274	\$ 4,580,241	\$ 2,664,114	\$ 13,285,629
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Debt service intergovernmental subsidy.....	\$ 267,020	\$ 298,000	\$ -	\$ 565,020

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 2,316,538	\$ 730,844	\$ 141,927
Investments.....	268,951,196	-	-
Interest and dividends.....	533	-	-
Receivables.....	3,579,296	-	-
Departmental and other.....	-	-	497,895
TOTAL ASSETS.....	<u>274,847,563</u>	<u>730,844</u>	<u>639,822</u>
LIABILITIES			
Warrants payable.....	80,051	-	37,701
Liabilities due depositors.....	-	-	104,226
Deferred revenue.....	-	-	497,895
TOTAL LIABILITIES.....	<u>80,051</u>	<u>-</u>	<u>639,822</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>274,767,512</u>	\$ <u>730,844</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 20,870,294	\$ -
Employee.....	6,990,728	-
Private donations.....	-	6,160
Total contributions.....	27,861,022	6,160
Net investment income (loss):		
Net change in fair value of investments.....	29,498,855	-
Interest.....	891,640	10,918
Total investment income (loss).....	30,390,495	10,918
Less: investment expense.....	(825,654)	-
Net investment income (loss).....	29,564,841	10,918
Intergovernmental.....	486,768	-
Workers compensation settlement.....	-	-
Transfers from other systems.....	1,136,576	-
TOTAL ADDITIONS.....	59,049,207	17,078
DEDUCTIONS:		
Administration.....	444,742	-
Transfers to other systems.....	1,160,174	-
Retirement benefits and refunds.....	39,301,891	-
Transfer of beneficial interest.....	-	332,356
Educational scholarships.....	-	6,596
TOTAL DEDUCTIONS.....	40,906,807	338,952
CHANGE IN NET ASSETS.....	18,142,400	(321,874)
NET ASSETS AT BEGINNING OF YEAR.....	256,625,112	1,052,718
NET ASSETS AT END OF YEAR.....	\$ 274,767,512	\$ 730,844

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, 2011, 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 *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 *state fiscal stabilization fund* is used to account for the City'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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report 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.

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. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts 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 uncollectible accounts 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 uncollectible accounts.

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 uncollectible accounts.

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 uncollectible accounts 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)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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, 2011, within the special revenue and agency funds. These deficits will be funded through grant proceeds and other available funds in fiscal 2012.

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 \$66,520,964 and the bank balance totaled \$69,536,313. Of the bank balance, \$1,836,010 was covered by Federal Depository Insurance, \$10,442,455 was covered by the Depositors Insurance Fund, \$1,020,614 was collateralized and \$56,237,234 exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010, carrying amount (book value) of deposits for the Retirement System's deposits totaled \$2,316,538. The bank balance of \$1,644,074 was covered by Federal Depository Insurance.

Investments

As of June 30, 2011, the City had the following investments and maturities:

Investment Type	Investment Maturities (in years)				Rating
	Fair Value	1 to 5	6 to 10	More Than 10	
<u>Debt Securities:</u>					
United State Treasuries.....	\$ 223,699	\$ 223,699	\$ -	\$ -	AAA
Corporate Bonds.....	118,488	118,488	-	-	AA+
Corporate Bonds.....	152,334	152,334	-	-	A-
**Black Rock Inflation Protection Portfolio Bond Fund.....	93,488	-	-	93,488	AAA
**Western Asset Inflation Index Plus Bond Fund.....	100,000	-	100,000	-	AAA
Government Sponsored Enterprises.....	1,574,503	649,963	924,540	-	AAA
Total Debt Securities.....	2,262,512	\$ 1,144,484	\$ 1,024,540	\$ 93,488	
<u>Other Investments</u>					
Equity Securities.....	245,141				
Money Market Mutual Funds.....	2,740,310				
MMDT.....	10,603,424				
Total Investments.....	\$ 15,851,387				

** = The Black Rock Inflation Protection Portfolio Bond Fund and the Western Asset Inflation Index Plus Bond Fund mainly invest in inflation protected bonds that are issued by the United States Treasury. The average rating of the underlying securities is AAA. The funds have an average duration of 7.43 and 7.67 years and an average maturity of 11.11 and 8.97 years, respectively.

As of December 31, 2010, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Securities.....	\$ 430,395
Pooled Equity Mutual Funds.....	141,952,342
Pooled Real Estate Funds.....	21,952,991
Pooled Alternative Investments.....	16,941,931
Pooled Domestic Fixed Income Mutual Funds.....	65,979,636
Pooled International Fixed Income Mutual Funds.....	9,596,044
PRIT.....	<u>12,097,857</u>
 Total Investments.....	 <u>\$ 268,951,196</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 \$1,574,503 in government sponsored enterprises, \$270,822 in corporate bonds and \$245,141 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, 2011, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 5,571,497	\$ -	\$ 5,571,497
Motor vehicle excise taxes.....	4,035,009	(3,164,098)	870,911
Community preservation fund surtax.....	26,705	-	26,705
Tax liens.....	5,614,477	-	5,614,477
Real estate tax deferrals.....	1,494,518	-	1,494,518
Intergovernmental.....	13,011,285	-	13,011,285
Departmental.....	123,343	-	123,343
Loans.....	1,294,797	-	1,294,797
Total.....	<u>\$ 31,171,631</u>	<u>\$ (3,164,098)</u>	<u>\$ 28,007,533</u>

At June 30, 2011, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Student accounts and other.....	\$ 1,557,211	\$ -	\$ 1,557,211
Intergovernmental.....	2,052,628	-	2,052,628
Water fees.....	4,264,703	-	4,264,703
Sewer fees.....	6,187,701	-	6,187,701
Total.....	<u>\$ 14,062,243</u>	<u>\$ -</u>	<u>\$ 14,062,243</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 4,763,495	\$ -	\$ 4,763,495
Motor vehicle and vessel excise taxes.....	870,911	-	870,911
Community preservation fund surtax.....	-	26,705	26,705
Tax liens.....	5,585,547	28,930	5,614,477
Real estate tax deferrals.....	1,494,518	-	1,494,518
Intergovernmental.....	7,932,578	5,078,707	13,011,285
Loans.....	-	1,294,797	1,294,797
Departmental and other.....	123,343	-	123,343
Tax foreclosures.....	995,058	-	995,058
Total.....	\$ 21,765,450	\$ 6,429,139	\$ 28,194,589

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 61,529,463	\$ 7,616,899	\$ -	\$ 69,146,362
Construction in progress.....	132,452,513	5,986,190	(109,410,600)	29,028,103
Total capital assets not being depreciated.....	193,981,976	13,603,089	(109,410,600)	98,174,465
<u>Capital assets being depreciated:</u>				
Land improvements.....	10,985,860	81,975	-	11,067,835
Buildings and building improvements.....	92,946,918	119,849,180	-	212,796,098
Machinery, vehicles and equipment.....	28,126,715	707,037	-	28,833,752
Infrastructure.....	51,395,271	2,855,117	-	54,250,388
Total capital assets being depreciated.....	183,454,764	123,493,309	-	306,948,073
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(708,192)	(248,976)	-	(957,168)
Buildings and building improvements.....	(24,719,731)	(5,034,227)	-	(29,753,958)
Machinery, vehicles and equipment.....	(13,152,178)	(2,014,302)	-	(15,166,480)
Infrastructure.....	(9,118,978)	(1,267,968)	-	(10,386,946)
Total accumulated depreciation.....	(47,699,079)	(8,565,473)	-	(56,264,552)
Total capital assets being depreciated, net.....	135,755,685	114,927,836	-	250,683,521
Total governmental activities capital assets, net.....	\$ 329,737,661	\$ 128,530,925	\$ (109,410,600)	\$ 348,857,986

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 79,474	\$ -	\$ -	\$ 79,474
<u>Capital assets being depreciated:</u>				
Land improvements.....	25,464	-	-	25,464
Machinery, vehicles and equipment.....	1,604,978	286,673	-	1,891,651
Infrastructure.....	28,193,433	4,256,550	-	32,449,983
Total capital assets being depreciated.....	29,823,875	4,543,223	-	34,367,098
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,228)	(1,273)	-	(3,501)
Machinery, vehicles and equipment.....	(271,329)	(132,797)	-	(404,126)
Infrastructure.....	(7,315,131)	(610,011)	-	(7,925,142)
Total accumulated depreciation.....	(7,588,688)	(744,081)	-	(8,332,769)
Total capital assets being depreciated, net.....	22,235,187	3,799,142	-	26,034,329
Total water activities capital assets, net.....	\$ 22,314,661	\$ 3,799,142	\$ -	\$ 26,113,803

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 282,530	\$ -	\$ -	\$ 282,530
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	13,935	-	-	13,935
Machinery, vehicles and equipment.....	1,412,436	48,805	-	1,461,241
Infrastructure.....	35,478,367	1,137,785	-	36,616,152
Total capital assets being depreciated.....	36,904,738	1,186,590	-	38,091,328
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(13,470)	(348)	-	(13,818)
Machinery, vehicles and equipment.....	(391,797)	(111,795)	-	(503,592)
Infrastructure.....	(10,023,115)	(727,854)	-	(10,750,969)
Total accumulated depreciation.....	(10,428,382)	(839,997)	-	(11,268,379)
Total capital assets being depreciated, net.....	26,476,356	346,593	-	26,822,949
Total sewer activities capital assets, net.....	\$ 26,758,886	\$ 346,593	\$ -	\$ 27,105,479

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Quincy College Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 325,672	\$ -	\$ (325,672)	\$ -
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	4,161,464	303,403	-	4,464,867
Machinery and equipment.....	1,637,227	658,892	-	2,296,119
Total capital assets being depreciated.....	<u>5,798,691</u>	<u>962,295</u>	<u>-</u>	<u>6,760,986</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(2,795,870)	(404,913)	-	(3,200,783)
Machinery and equipment.....	(1,637,227)	(48,065)	-	(1,685,292)
Total accumulated depreciation.....	<u>(4,433,097)</u>	<u>(452,978)</u>	<u>-</u>	<u>(4,886,075)</u>
Total capital assets being depreciated, net.....	<u>1,365,594</u>	<u>509,317</u>	<u>-</u>	<u>1,874,911</u>
Total college activities capital assets, net.....	<u>\$ 1,691,266</u>	<u>\$ 509,317</u>	<u>\$ (325,672)</u>	<u>\$ 1,874,911</u>

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

Governmental Activities:	
General government.....	\$ 713,270
Public safety.....	938,037
Education.....	4,041,008
Public works.....	1,757,290
Human services.....	28,065
Culture and recreation.....	<u>1,087,803</u>
Total depreciation expense - governmental activities.....	<u>\$ 8,565,473</u>
Business-Type Activities:	
Sewer.....	\$ 744,081
Water.....	839,997
Quincy College.....	<u>452,978</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,037,056</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund.....	\$ -	\$ 193,000	\$ -	\$ 193,000 (1)
Nonmajor Governmental Funds.....	3,506,490	8,000	-	3,514,490 (2)
Sewer Enterprise Fund.....	2,735,770	-	117,995	2,853,765 (3)
Water Enterprise Fund.....	1,792,028	-	-	1,792,028 (3)
Quincy College Enterprise Fund.....	2,187,969	-	-	2,187,969 (4)
Total.....	<u>\$ 10,222,257</u>	<u>\$ 201,000</u>	<u>\$ 117,995</u>	<u>\$ 10,541,252</u>

- 1) Represents voted budgetary transfers to support Capital Project Fund expenditures.
- 2) Represents voted transfers from various Special Revenue funds to support costs incurred by the General Fund and to support the Pump-out Boat program.
- 3) Represents transfers from the Water and Sewer Enterprise Funds based on the voted budget. These costs represent a transfer to the General Fund for shared services, fringe benefits and indirect costs incurred by the General Fund on behalf of the Water and Sewer Enterprise funds. Also included are transfers from old Sewer and Water funds to the 2011 Water Main Improvement Project
- 4) Represents a transfer from the Quincy College Fund for legislatively mandated indirect costs incurred by the General Fund on behalf of the Quincy College Enterprise Funds. Also included is a transfer for health insurance costs relating to employees of Quincy College.

NOTE 6 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively. Details related to the short-term debt activity for the fiscal year ended June 30, 2011 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
<u>Governmental</u>							
BAN	School Construction.....	1.50%	1/28/2011	\$ 3,369,000	\$ -	\$ 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	193,000	-	193,000	-
BAN	School Construction.....	1.25%	1/28/2011	4,500,000	-	4,500,000	-
BAN	Central Middle School.....	1.25%	7/29/2011	-	1,240,392	-	1,240,392
BAN	New Quincy High School.....	1.25%	7/29/2011	-	18,184,869	-	18,184,869
BAN	Middle School Land Acquisition...	1.00%	9/15/2011	-	9,000,000	-	9,000,000
BAN	District Improvement Financing...	1.60%	1/27/2012	-	30,000,000	-	30,000,000
BAN	School Construction.....	1.60%	1/27/2012	-	3,369,000	-	3,369,000
BAN	School Construction.....	1.60%	1/27/2012	-	4,500,000	-	4,500,000
Total Notes Payable.....				\$ 38,062,000	\$ 66,294,261	\$ 38,062,000	\$ 66,294,261

On July 29, 2011 the City issued BANS totaling \$23,214,869 that will mature on July 27, 2012 with an interest rate of 1.5%. Of the total issued, \$18,184,869 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 July 29, 2011 the City issued BANS totaling \$1,240,392 that will mature on September 15, 2011 with an interest rate of 1.75%. The note was issued in anticipation of the issuance of long-term debt relative to the design and construction of a new central middle school.

On September 15, 2011, BANS of \$1,240,392 relating to the new central middle school and BANS of \$9,000,000 relating to the middle school land acquisition were rolled into a new BAN totaling \$17,250,000. The new BAN will mature on September 14, 2012 with an interest rate of 1.25%.

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.....	29,764,673	1,860,846
Less: accumulated depreciation.....	<u>(5,536,600)</u>	<u>(333,402)</u>
Total.....	<u>\$ 25,364,635</u>	<u>\$ 1,527,444</u>

The following is a schedule of the future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments, as of June 30, 2011:

Fiscal Year	Governmental Activities	Business-Type Activities
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.....	2,443,398	147,248
2017 through 2021.....	11,876,485	715,720
2022 through 2026.....	11,181,768	673,858
2027.....	<u>1,110,878</u>	<u>66,946</u>
Total minimum lease payments.....	36,982,872	2,198,140
Less: amounts representing interest.....	<u>(9,773,564)</u>	<u>(587,338)</u>
Present value of minimum lease payments.....	<u>\$ 27,209,308</u>	<u>\$ 1,610,802</u>

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
School Remodeling (I).....	3.5 - 4.9	\$ 1,935,000	\$ -	\$ 1,765,000	\$ 170,000
Dept. Equipment (I).....	3.5 - 4.5	240,000	-	200,000	40,000
Washington St. (I).....	3.5 - 4.2	55,000	-	55,000	-
Library Construction (I)	3.5 - 4.9	220,000	-	200,000	20,000
1993 School 1 & 2 (I).....	2.5 - 5.0	418,888	-	140,972	277,916
1994 General (I).....	2.5 - 5.0	357,750	-	92,250	265,500
1995 School 1 & 2 (I).....	2.5 - 5.0	1,246,175	-	262,982	983,193
1995 Public Building (I).....	2.5 - 5.0	123,434	-	26,757	96,677
School (I).....	2.125 - 4.25	2,620,000	-	240,000	2,380,000
Land Acquisition & Rec Facilities (I).....	2.25 - 5.0	6,680,000	-	570,000	6,110,000
Other (I).....	2.0 - 3.0	80,000	-	75,000	5,000
Remodeling (I).....	2.0 - 5.0	1,214,655	-	132,080	1,082,575
Library (I).....	2.0 - 5.0	258,652	-	27,920	230,732
School (I).....	2.0 - 5.0	359,865	-	39,385	320,480
Land Acquisition (I).....	2.0 - 5.0	1,700,810	-	203,010	1,497,800
Park (I).....	3.25 - 4.0	100,400	-	50,200	50,200
Library (I).....	3.25 - 5.0	2,927,400	-	379,100	2,548,300
School (O).....	3.25 - 5.0	7,967,905	-	915,000	7,052,905
Computer Hardware (ISQ).....	4.0 - 6.0	2,442,000	-	201,000	2,241,000
Remodeling - City Building (ISQ).....	3.0 - 6.0	4,308,000	-	294,000	4,014,000
Reconstruction - City Streets (ISQ).....	4.0 - 6.0	4,070,000	-	335,000	3,735,000
Land Acquisition (CPA) (I).....	3.0 - 6.0	1,725,000	-	845,000	880,000
Traffic Signal Public Installation (I).....	3.0 - 6.0	120,000	-	25,000	95,000
High School Construction - MSBA Loan.....	2.0	15,000,000	-	-	15,000,000
High School Construction - General Obligation.....	3.0 - 5.25	13,500,000	-	-	13,500,000
Remodeling (ISQ).....	3.0 - 5.0	1,940,168	-	-	1,940,168
Equipment (ISQ).....	3.0 - 5.0	647,832	-	-	647,832
Municipal Purpose GOB of 2001 - Refunding Debt.....	2.0 - 5.0	-	1,957,925	-	1,957,925
Total.....		\$ 72,258,934	\$ 1,957,925	\$ 7,074,656	\$ 67,142,203

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>
2012.....	\$ 5,598,246	\$ 2,692,303	\$ 8,290,549
2013.....	4,664,545	2,288,232	6,952,777
2014.....	4,549,400	2,102,918	6,652,318
2015.....	4,648,731	1,937,386	6,586,117
2016.....	4,768,461	1,761,161	6,529,622
2017.....	4,749,551	1,582,080	6,331,631
2018.....	4,596,281	1,404,862	6,001,143
2019.....	4,291,901	1,223,482	5,515,383
2020.....	3,152,256	1,053,572	4,205,828
2021.....	1,907,241	949,343	2,856,584
2022.....	1,575,241	874,545	2,449,786
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.....	1,367,241	160,292	1,527,533
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>67,142,203</u>	\$ <u>25,357,235</u>	\$ <u>92,499,438</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Sewer I, II, & III (I).....	3.5 - 4.9	\$ 985,000	\$ -	\$ 895,000	\$ 90,000
1993 Sewer (O).....	2.5 - 5.0	101,111	-	34,028	67,083
1994 Sewer (1).....	2.5 - 5.0	337,875	-	87,125	250,750
Sewer (I).....	2.0 - 5.0	471,300	-	66,490	404,810
Sewer (I).....	3.25 - 5.00	122,200	-	15,700	106,500
Drainage & Sewer (I).....	3.0 - 6.0	1,025,000	-	45,000	980,000
MWPAT 96-29 (I).....	4.75 - 6.00	379,271	-	49,568	329,703
MWPAT 91-09 (O).....	5.0 - 5.6	1,167,102	-	310,769	856,333
MWPAT 91-67 (O).....	3.5 - 4.9	235,494	-	62,706	172,788
MWPAT 98-01 (I).....	2.5 - 5.25	364,064	-	38,264	325,800
MWPAT CW-02-12 (I).....	2.00	2,410,986	-	133,250	2,277,736
MWPAT CW-02-12 A (I).....	2.00	2,263,755	-	105,533	2,158,222
MWRA (O).....	0	577,179	-	82,454	494,725
MWRA (I).....	0	1,145,360	-	422,680	722,680
Municipal Purpose GOB of 2001 - Refunding Debt.....	2.0 - 5.0	-	810,775	-	810,775
Total.....		\$ 11,585,697	\$ 810,775	\$ 2,348,567	\$ 10,047,905

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

Fiscal Year	Principal	Interest	Total
2012.....	\$ 1,570,323	\$ 342,084	\$ 1,912,407
2013.....	1,199,885	314,958	1,514,843
2014.....	995,952	246,109	1,242,061
2015.....	703,199	217,134	920,333
2016.....	731,570	192,853	924,423
2017.....	708,409	167,313	875,722
2018.....	578,854	140,675	719,529
2019.....	524,526	118,700	643,226
2020.....	488,873	99,252	588,125
2021.....	474,860	79,390	554,250
2022.....	472,985	60,537	533,522
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.....	\$ 10,047,905	\$ 2,085,229	\$ 12,133,134

Bonds and Notes Payable Schedule – Water Enterprise Fund

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Water (O).....	3.5 - 4.9	\$ 1,040,000	\$ -	\$ 945,000	\$ 95,000
Water (O).....	2.5 - 5.0	119,764	-	30,887	88,877
Water (O).....	2.0 - 5.0	1,904,720	-	231,115	1,673,605
Water (O).....	3.25 - 5.0	672,095	-	105,000	567,095
MWRA (O).....	0	7,111,600	2,342,650	1,286,841	8,167,409
MWPAT Drinking Water Bond.....	2.0	2,081,539	-	-	2,081,539
Municipal Purpose GOB of 2001 - Refunding Debt.....	2.0 - 5.0	-	856,300	-	856,300
Total.....		<u>\$ 12,929,718</u>	<u>\$ 3,198,950</u>	<u>\$ 2,598,843</u>	<u>\$ 13,529,825</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
2012.....	\$ 2,063,370	\$ 178,138	\$ 2,241,508
2013.....	1,730,178	161,061	1,891,239
2014.....	1,721,026	142,467	1,863,493
2015.....	1,371,891	126,074	1,497,965
2016.....	1,369,365	108,840	1,478,205
2017.....	1,297,985	89,615	1,387,600
2018.....	850,826	73,020	923,846
2019.....	853,754	58,191	911,945
2020.....	705,300	43,178	748,478
2021.....	421,624	28,324	449,948
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>\$ 13,529,825</u>	<u>\$ 1,127,133</u>	<u>\$ 14,656,958</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 \$686,343 and interest costs for \$1,012,006. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$6,764,348. The principal subsidies are guaranteed and therefore a \$686,343 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 2011 principal and interest subsidies totaled \$194,019 and \$193,772 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 \$1,450,000 in the water fund and \$179,000 the sewer fund. Fiscal year 2011 imputed interest was \$298,000 and \$73,000 in the water and sewer funds, respectively. Accordingly, interest expense and corresponding intergovernmental revenue have been reported, equal to these amounts, in the respective 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 2011, approximately \$1,214,000 of such assistance was received and approximately \$9,676,000 will be received in future fiscal years. Of this amount, approximately \$7,180,000 represents reimbursement of long-term interest costs, and approximately \$2,496,000 represents reimbursement of approved construction costs. Accordingly, a \$7,180,000 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 has been approved for funding the new Central Middle School. Construction on the new middle school will begin during fiscal year 2012 when state grant funding payments from the MSBA will begin. The MSBA and the City agreed on a maximum grant award of \$33,000,000. 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.

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>
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.....	<u>655,000</u>	<u>14,934</u>	<u>669,934</u>
Total.....	\$ <u>4,025,000</u>	\$ <u>641,765</u>	\$ <u>4,666,765</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, 2011, the City has paid down \$8,030,000 of the \$15,000,000 issued. The amount outstanding at June 30, 2011 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:

Project	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
Municipal Purpose Loan...	1.25%	7/29/2011	\$ 8,845,000.00	\$ 6,970,000	\$ 8,845,000	\$ 6,970,000

On July 29, 2011, the City paid down \$1,940,000 of the outstanding note and the balance was rolled over into a new note carrying an interest rate of 1.5% and maturing on July 29, 2012.

Advance refunding subsequent to June 30, 2011

On August 4, 2011, a total of \$3,625,000 in governmental and business-type activity general obligation refunding bonds with an average interest rate of 2.4% were issued to refund \$3,585,000 of outstanding bonds with an average interest rate of 4.8%. The terms of transaction are the equivalent of an advance refunding and, accordingly, the proceeds which were deposited in an irrevocable trust, which invests in U.S. Government Securities, with an escrow agent that will ensure all future debt service payments are made on the refunded bonds.

Through this advance refunding, the City has taken advantage of lower interest rates to realize a decrease in its aggregate debt service payments by approximately \$263,000 over the next 11 years. The City also realized an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$245,000.

The effect of the refunding transactions has been included in the financial statements at June 30, 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, 2011, the City had the following authorized and unissued debt:

Purpose	Amount
High School.....	\$ 33,924,548
Health Care Funding.....	6,970,000
Water & Sewer.....	12,198,491
District Improvement Financing.....	30,000,000
Quincy Center Redevelopment.....	289,350,000
Other Capital Purposes.....	11,000,000
Land Acquisition Central Middle School.....	9,000,000
Total.....	\$ 392,443,039

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital lease obligations.....	\$ 28,877,723	\$ -	\$ (1,668,415)	\$ 27,209,308	\$ 1,649,681
Compensated absences.....	8,728,000	6,540,000	(6,128,000)	9,140,000	6,599,000
Bonds payable.....	81,103,934	1,957,925	(8,949,656)	74,112,203	12,568,246
Other postemployment benefit obligations.....	45,820,000	27,729,000	(14,957,000)	58,592,000	-
Workers' compensation.....	2,990,000	301,000	(1,033,000)	2,258,000	676,000
Due to HUD.....	4,500,000	-	(475,000)	4,025,000	500,000
Total governmental activities.....	<u>172,019,657</u>	<u>36,527,925</u>	<u>(33,211,071)</u>	<u>175,336,511</u>	<u>21,992,927</u>
Business-Type Activities:					
Capital lease obligations.....	1,697,674	-	(86,872)	1,610,802	85,220
Compensated absences.....	579,369	260,000	(418,409)	420,960	291,061
Other postemployment benefit obligations.....	3,220,000	1,449,000	(333,000)	4,336,000	-
Bonds payable.....	<u>24,515,415</u>	<u>4,009,725</u>	<u>(4,947,410)</u>	<u>23,577,730</u>	<u>3,633,693</u>
Total business-type activities.....	<u>30,012,458</u>	<u>5,718,725</u>	<u>(5,785,691)</u>	<u>29,945,492</u>	<u>4,009,974</u>
Total.....	<u>\$ 202,032,115</u>	<u>\$ 42,246,650</u>	<u>\$ (38,996,762)</u>	<u>\$ 205,282,003</u>	<u>\$ 26,002,901</u>

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund, and accordingly, the general fund and City's stabilization funds beginning balances have been revised from \$8,886,129 to \$12,323,616 and from \$3,437,487 to \$0, respectively.

At June 30, 2011, \$4,490,474 has been set aside in a stabilization fund that has been classified as part of the general fund in the governmental fund financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the City are dependent upon authorization and approval of the City Council. During fiscal year 2011, the funds received aggregate interest and investment earnings of \$8,864. The actual use of this fund is contingent upon City Council approval. Additions to the fund can only be made upon City Council approval.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2011, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS					Total Governmental Funds
	General	Quincy Center Concourse Fund	High School Project	State Fiscal Stabilization Funds	Nonmajor Governmental Funds	
FUND BALANCES						
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	2,559,378	\$ 2,559,378
Restricted for:						
Energy efficiency capital upgrades.....	-	-	-	-	1,055,564	1,055,564
State fiscal stabilization funds.....	-	-	-	14,967	-	14,967
School federal and state grant funds.....	-	-	-	-	271,801	271,801
City federal and state grant funds.....	-	-	-	-	850,495	850,495
CDBG grant funds.....	-	-	-	-	126,298	126,298
JTPA funds.....	-	-	-	-	130,023	130,023
School revolving funds.....	-	-	-	-	2,806,398	2,806,398
Receipts reserved for appropriations.....	-	-	-	-	2,159,161	2,159,161
Quarry hills.....	-	-	-	-	32,548	32,548
Other special revenue.....	-	-	-	-	246,387	246,387
Community preservation fund.....	-	-	-	-	2,288,867	2,288,867
Expendable trust funds.....	-	-	-	-	412,200	412,200
City trust funds.....	-	-	-	-	2,628,209	2,628,209
Mitigation trust funds.....	-	-	-	-	532,213	532,213
Capital project funds (not bonded).....	-	-	-	-	192,731	192,731
Library trust funds.....	-	-	-	-	159,293	159,293
Assigned to:						
General government.....	479,510	-	-	-	-	479,510
Public safety.....	135,864	-	-	-	-	135,864
Education.....	688,359	-	-	-	-	688,359
Public works.....	773,752	-	-	-	-	773,752
Human services.....	2,888	-	-	-	-	2,888
Culture and recreation.....	12,857	-	-	-	-	12,857
Employee benefits.....	71,462	-	-	-	-	71,462
Unassigned.....	7,362,593	(23,269,646)	(20,924,471)	-	(8,970,771)	(45,802,295)
TOTAL FUND BALANCES (DEFICIT).....	\$ 9,527,285	\$ (23,269,646)	\$ (20,924,471)	\$ 14,967	\$ 7,480,795	\$ (27,171,070)

NOTE 10 – 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 2011 amounted to \$1,915,723. The College's minimum future obligations under non-cancelable leases are as follows:

Fiscal Years Ending June 30	Business-Type Activities
2012.....	\$ 1,492,313
2013.....	308,962
2014.....	94,644
2015.....	89,772
2016.....	87,336
2017 - 2018.....	131,004
 Total.....	 \$ <u>2,204,031</u>

NOTE 11 – RISK FINANCING

The City is self-insured for its workers compensation which 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) *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 \$2,258,000 at June 30, 2011, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2009 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 2010.....	\$ 3,204,000	\$ 610,712	\$ (824,712)	\$ 2,990,000
Fiscal Year 2011.....	2,990,000	365,317	(1,097,317)	2,258,000

NOTE 12 - 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 \$22,958,000 for the fiscal year ended June 30, 2011, 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, 2010, the System’s membership consists of the following:

Active members.....	1,352
Inactive members.....	339
Retirees and beneficiaries currently receiving benefits.....	<u>1,691</u>
 Total.....	 <u><u>3,382</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, 2011, 2010 and 2009 were \$19,892,044, \$19,758,637, and \$18,390,129, respectively, which equaled its required contribution for each fiscal year. At June 30, 2011, the City had a \$619,792 net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.125% investment rate of return and projected salary increases at 4% 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, 2010, was 29 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)
1/1/10	\$ 257,135,000	\$ 539,914,000	\$ 282,779,000	48%	\$ 76,888,000	368%
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 13 – 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:

Annual required contribution.....	\$ 28,261,000
Interest on net OPEB obligation.....	1,716,000
Adjustments to annual required contribution.....	<u>(799,000)</u>
Annual OPEB cost (expense).....	29,178,000
Contributions made.....	<u>(15,290,000)</u>
Increase/(decrease) in net OPEB obligation.....	13,888,000
Net OPEB obligation - beginning of year.....	<u>49,040,000</u>
Net OPEB obligation - end of year.....	<u>\$ 62,928,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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>
6/30/2011	\$ 29,178,000	52%	\$ 62,928,000
6/30/2010	27,989,000	52%	49,040,000
6/30/2009	31,649,000	35%	35,564,000

Funded Status and Funding Progress - As of June 30, 2011, 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 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, 2011 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, 2011, was twenty-nine years.

NOTE 14 – 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, 2011, 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, 2011 cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2011.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. This pronouncement required additional disclosure and impacted the basic financial statements.
- GASB Statement #59, *Financial Statement Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement did not impact the basic financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 166,004,416	\$ 166,004,416	\$ 161,859,175	\$ -	\$ (4,145,241)
Tax liens and foreclosures.....	-	-	964,182	-	964,182
Motor vehicle and other excise taxes.....	7,440,488	7,440,488	7,488,783	-	48,295
Urban redevelopment corporations tax.....	889,509	889,508	524,380	-	(365,128)
Penalties and interest on taxes.....	1,306,785	1,306,785	892,984	-	(413,801)
Fees and rentals.....	1,815,076	1,826,102	1,920,116	-	94,014
Payments in lieu of taxes.....	837,713	837,713	841,345	-	3,632
Licenses and permits.....	1,883,229	1,883,228	2,200,996	-	317,768
Fines and forfeitures.....	302,081	302,081	324,878	-	22,797
Intergovernmental.....	39,580,888	39,654,024	39,901,671	-	247,647
Departmental and other.....	2,396,493	2,504,540	3,185,020	-	680,480
Investment income.....	114,750	114,749	113,132	-	(1,617)
TOTAL REVENUES.....	222,571,428	222,763,634	220,216,662	-	(2,546,972)
EXPENDITURES:					
Current:					
General government.....	10,428,121	11,743,827	11,075,789	479,510	188,528
Public safety.....	41,235,565	41,880,890	41,489,505	135,864	255,521
Education.....	83,139,082	82,598,007	79,503,213	688,359	2,406,435
Public works.....	16,247,722	15,884,180	16,052,249	773,752	(941,821)
Human services.....	2,674,848	2,663,812	2,458,328	2,888	202,596
Culture and recreation.....	4,576,400	4,820,020	4,767,209	12,857	39,954
Pension benefits.....	19,853,656	19,963,123	19,916,779	-	46,344
Employee benefits.....	44,852,575	42,854,862	43,048,053	71,462	(264,653)
Claims and judgments.....	200,000	200,000	198,690	-	1,310
State and county charges.....	3,232,403	3,232,403	3,208,414	-	23,989
Debt service:					
Principal.....	6,617,441	6,169,656	6,169,656	-	-
Interest.....	2,522,615	2,603,682	2,603,180	-	502
Capital lease expenditures.....	2,629,298	2,621,124	2,621,124	-	-
TOTAL EXPENDITURES.....	238,209,726	237,235,586	233,112,189	2,164,692	1,958,705
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(15,638,298)	(14,471,952)	(12,895,527)	(2,164,692)	(588,267)
OTHER FINANCING SOURCES (USES):					
Premiums from issuance of long-term debt.....	613,057	613,057	613,443	-	386
Transfers in.....	9,409,616	9,397,584	9,178,133	-	(219,451)
Transfers out.....	-	(193,000)	(193,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	10,022,673	9,817,641	9,598,576	-	(219,065)
NET CHANGE IN FUND BALANCE.....	(5,615,625)	(4,654,311)	(3,296,951)	(2,164,692)	(807,332)
BUDGETARY FUND BALANCE, Beginning of year.....	12,347,258	8,909,771	8,909,771	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 6,731,633	\$ 4,255,460	\$ 5,612,820	\$ (2,164,692)	\$ (807,332)

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

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
2011	\$ 28,261,000	\$ 15,290,000	54%
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, 2011

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 2011 approved budget authorized approximately \$234.5 million in appropriations inclusive of \$2 million of encumbrances carried forward from fiscal year 2010. During fiscal year 2011, the Council also approved supplemental appropriations totaling approximately \$2.5 million.

The Municipal Finance 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, 2011, is presented below:

Net change in fund balance - budgetary basis.....	\$ (3,296,951)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,052,988
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	38,000
Net change in recording accrued expenditures.....	132,872
Return of capital lease escrow interest.....	(723,240)
Recognition of revenues for on-behalf payments.....	22,958,000
Recognition of expenditures for on-behalf payments.....	<u>(22,958,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ (2,796,331)</u>

3. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2011, actual expenditures exceeded appropriations for public works and employee benefits.

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 efficient energy system maintenance costs.

Employee benefit expenditures exceeded appropriations due to higher than anticipated health insurance costs.

These over-expenditures will be raised during fiscal 2012 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.

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.