CITY OF QUINCY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

To the 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 year ended June 30, 2004 (except for the Quincy Contributory Retirement System which is as of and for the year ended December 31, 2003), 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Quincy, as of June 30, 2004 (except the Quincy Contributory Retirement System which is as of December 31, 2003), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing in the back of this report, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. 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 a report dated October 12, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
October 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Quincy, we offer readers this narrative overview and analysis of the financial activities of the City of Quincy for the fiscal year ended June 30, 2004.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a 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, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include Quincy College activities.

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 financial statements focus on near-term inflows and outflows 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 funds with similar 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for Quincy College operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health and workers compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Quincy College operations, which considered to be a major fund.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board.*

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $ 83,197,074 (i.e., net assets), an increase of $ 21,645,816 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $ 37,192,512, an increase of $ 17,782,398 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $ 8,444,626, an increase of $ 8,160,077 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was $ 67,039,511, an increase of $ 4,934,115 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 71,285	$ 57,586	$ 14,501	$ 12,475	$ 85,686	$ 70,061
Capital assets	133,005	118,762	472	658	133,477	119,420
Total assets	204,290	176,348	14,973	13,133	219,163	189,481
Long-term liabilities outstanding	104,858	107,690	2,567	260	107,425	107,950
Other liabilities	28,247	17,942	293	2,038	28,540	19,980
Total liabilities	133,105	125,632	2,860	2,298	135,965	127,930
Net assets:						
Invested in capital assets, net	70,880	58,758	307	437	71,187	59,195
Restricted	8,884	7,070	-	-	8,884	7,070
Unrestricted	(8,679)	(15,112)	11,806	10,398	3,127	(4,714)
Total net assets	$ 71,085	$ 50,716	$ 12,113	$ 10,835	$ 83,198	$ 61,551

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	$ 33,018	$ 31,399	$ 16,049	$ 14,888	$ 49,067	$ 46,287
Operating grants and Contributions	51,699	46,148	-	-	51,699	46,148
Capital grants and contributions	2,309	1,393	-	-	2,309	1,393
General revenues:						
Property taxes	130,381	118,954	-	-	130,381	118,954
Excises	8,182	7,976	-	-	8,182	7,976
Grants and contributions not restricted to specific programs	22,101	24,976	-	-	22,101	24,976
Other	4,312	1,785	128	31	4,440	1,816
Total revenues	252,002	232,631	16,177	14,919	268,179	247,550
Expenses:						
General government	6,378	6,393	-	-	6,378	6,393
Public safety	36,406	34,459	-	-	36,406	34,459
Education	90,272	84,104	-	-	90,272	84,104
Public works	35,410	36,120	-	-	35,410	36,120
Human services	5,532	5,082	-	-	5,532	5,082
Culture and recreation	6,099	5,546	-	-	6,099	5,546
Employee benefits	45,639	41,664	-	-	45,639	41,664
Interest on long-term debt	2,824	2,505	-	-	2,824	2,505
Intergovernmental	3,116	3,504	-	-	3,116	3,504
Quincy College	-	-	14,899	12,439	14,899	12,439
Total expenses	231,676	219,377	14,899	12,439	246,575	231,816
Change in net asset before transfers and contributions	20,326	13,254	1,278	2,480	21,604	15,734
Transfers	-	(17)	-	-	-	(17)
Permanent fund contributions	43	260	-	-	43	260
Increase in net assets	20,369	13,497	1,278	2,480	21,647	15,977
Net assets - beginning of year	50,716	37,219	10,835	8,355	61,551	45,574
Net assets - end of year	$ 71,085	$ 50,716	$ 12,113	$ 10,835	$ 83,198	$ 61,551

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were $ 83,197,074, an increase of $ 21,645,816 from the prior year.

The largest portion of net assets $ 71,186,828 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available

for future spending. Although the investment in capital assets is reported net of 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 portion of net assets $ 8,884,213 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets would normally be available to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of $ 20,368,895. Key elements of this increase are as follows:

	Government Wide Governmental Activities
Excess revenues over budget	$ 963,865
Budgetary appropriations unspent by departments	4,090,285
Excess tax collections over budget	3,245,153
Other timing issues	(104,833)
Special revenue fund revenues exceeding expenditures	1,527,801
Trust fund sources exceeding expenditures	23,247
Internal service fund expenditures exceeding contributions	(2,074,560)
Excess current year debt service principal payments over depreciation expense	8,586,006
Capital projects net of capital expenditures and bond issue	4,111,931
Total	$ 20,368,895

Business-type activities. Quincy College business-type activities for the year resulted in an increase in net assets of $ 1,276,921 as a result of a continued operating profit.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular,

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $ 37,192,512, an increase of $ 17,782,398 in comparison with the prior year. Key elements of this increase are as follows:

	Fund Balance Governmental Funds
Excess revenues over budget	$ 963,865
Budgetary appropriations unspent by departments	4,090,285
Excess tax collections over budget	3,245,153
Excess of current year encumbered appropriations to be spent in subsequent year over prior year encumbrances	705,369
Special revenue fund revenues exceeding expenditures	1,527,801
Capital projects sources exceeding expenditures	7,365,904
Trust fund sources exceeding expenditures	23,247
Other timing issues	(139,226)
Total	$ 17,782,398

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was $ 8,444,626, while total fund balance was $ 12,681,924 As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.8 percent of total general fund expenditures, while total fund balance represents 5.7 percent of that same amount.

The fund balance of the general fund increased by $ 8,865,446 during the current fiscal year. Key factors in this change are as follows:

	Fund Balance General Fund
Excess tax collections over budget	$ 3,245,153
Excess state and local revenues over budget	963,865
Budgetary appropriations unspent by departments	4,090,285
Excess of current year encumbered appropriations to be spent in subsequent year over prior year encumbrances	705,369
Other timing issues	(139,226)
Total	$ 8,865,446

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to $ 11,805,590, an increase of $ 1,407,851 in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of $ 1,675,995. These supplemental appropriations were funded by transfers from special revenue reserves.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to $ 133,476,399 net of accumulated depreciation), an increase of $ 14,056,849 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following (in thousands):

- Increase in construction in progress for Quarry Hills of $ 5,623.
- Increase in infrastructure of $ 4,922.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was $ 67,039,511, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

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:

City Auditor's Office

City of Quincy

1305 Hancock Street

Quincy, Massachusetts 02169

CITY OF QUINCY, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	$ 41,388,907	$ 12,368,605	$ 53,757,512
Investments	4,257,927	2,091,347	6,349,274
Receivables, net of allowance for uncollectibles:			
Property taxes	2,922,840	-	2,922,840
Excises	1,233,918	-	1,233,918
User fees	3,511,365	166,299	3,677,664
Departmental and other	815,832	-	815,832
Intergovernmental	1,670,057	-	1,670,057
Due from (to) other funds	139,986	(139,986)	-
Other assets	34,583	14,573	49,156
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	2,763,992	-	2,763,992
Other assets	345,834	-	345,834
Loans	12,100,000	-	12,100,000
Capital assets, net of accumulated depreciation	133,004,621	471,778	133,476,399
TOTAL ASSETS	204,189,862	14,972,616	219,162,478
LIABILITIES			
Current:			
Accounts payable	-	485,083	485,083
Accrued liabilities	15,114,084	340,672	15,454,756
Deferred revenues	-	1,135,124	1,135,124
Tax refunds payable	1,032,718	-	1,032,718
Notes payable	6,000,000	-	6,000,000
Other current liabilities	538,611	525,722	1,064,333
Current portion of long-term liabilities:			
Bonds payable	6,186,609	55,000	6,241,609
Compensated absence	437,557	16,118	453,675
Other liabilities	6,546,674	9,207	6,555,881
Noncurrent:			
Bonds payable, net of current portion	60,687,902	110,000	60,797,902
Compensated absence	8,313,586	174,932	8,488,518
Other liabilities, net of current portion	28,247,415	8,390	28,255,805
TOTAL LIABILITIES	133,105,156	2,860,248	135,965,404
NET ASSETS			
Invested in capital assets, net of related debt	70,880,050	306,778	71,186,828
Restricted for:			
Grants and other statutory restrictions	5,736,509	-	5,736,509
Permanent funds:			
Expendable	746,391	-	746,391
Nonexpendable	2,401,313	-	2,401,313
Unrestricted	(8,679,557)	11,805,590	3,126,033
TOTAL NET ASSETS	$ 71,084,706	$ 12,112,368	$ 83,197,074

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	$ 6,378,439	$ 1,509,030	$ 947,516	$ -	$ (3,921,893)	$ -	$ (3,921,893)
Public safety	36,405,732	3,343,112	1,669,092	-	(31,393,528)	-	(31,393,528)
Education	90,272,285	2,617,819	36,559,482	1,253,751	(49,841,233)	-	(49,841,233)
Public works	35,410,282	25,402,507	7,932,358	1,038,988	(1,036,429)	-	(1,036,429)
Health and human services	5,531,681	108,856	4,131,945	-	(1,290,880)	-	(1,290,880)
Culture and recreation	6,098,889	36,878	458,147	16,477	(5,587,387)	-	(5,587,387)
Employee benefits	45,639,230	-	-	-	(45,639,230)	-	(45,639,230)
Interest	2,823,999	-	-	-	(2,823,999)	-	(2,823,999)
Intergovernmental	3,115,543	-	-	-	(3,115,543)	-	(3,115,543)
Total Governmental Activities	231,676,080	33,018,202	51,698,540	2,309,216	(144,650,122)	-	(144,650,122)
Business-Type Activities:							
Quincy College	14,899,772	16,048,785	-	-	-	1,149,013	1,149,013
Total	$ 246,575,852	$ 49,066,987	$ 51,698,540	$ 2,309,216	(144,650,122)	1,149,013	(143,501,109)
		General Revenues:					
		Property taxes			130,380,684	-	130,380,684
		Excise taxes			8,182,457	-	8,182,457
		Penalties, interest and other taxes			1,711,338	-	1,711,338
		Grants and contributions not restricted to specific programs			22,100,872	-	22,100,872
		Investment income			561,161	127,908	689,069
		Miscellaneous			2,039,666	-	2,039,666
		Permanent fund contributions			42,839	-	42,839
		Total general revenues and contributions			165,019,017	127,908	165,146,925
		Change in Net Assets			20,368,895	1,276,921	21,645,816
		Net Assets:					
		Beginning of year			50,715,811	10,835,447	61,551,258
		End of year			$ 71,084,706	$ 12,112,368	$ 83,197,074

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	$ 20,308,060	$ 21,080,847	$ 41,388,907
Investments	1,402,221	2,855,706	4,257,927
Receivables:			
Property taxes	8,089,155	-	8,089,155
Excises	3,913,554	-	3,913,554
User fees	4,139,373	-	4,139,373
Departmental and other	-	815,832	815,832
Intergovernmental	-	1,670,057	1,670,057
Due from other funds	233,000	-	233,000
Loans	12,100,000	-	12,100,000
TOTAL ASSETS	$ 50,185,363	$ 26,422,442	$ 76,607,805
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	$ 8,130,955	$ -	$ 8,130,955
Deferred revenues	27,804,163	815,832	28,619,995
Tax refunds payable	1,032,718	-	1,032,718
Due to other funds	-	93,014	93,014
Notes payable	-	1,000,000	1,000,000
Other liabilities	535,603	3,008	538,611
TOTAL LIABILITIES	37,503,439	1,911,854	39,415,293
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	4,237,298	-	4,237,298
Perpetual (nonexpendable) permanent funds	-	2,401,313	2,401,313
Unreserved:			
Undesignated, reported in:			
General fund	8,444,626	-	8,444,626
Special revenue funds	-	11,008,018	11,008,018
Capital project funds	-	10,354,866	10,354,866
Permanent funds	-	746,391	746,391
TOTAL FUND BALANCES	12,681,924	24,510,588	37,192,512
TOTAL LIABILITIES AND FUND BALANCES	$ 50,185,363	$ 26,422,442	$ 76,607,805

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	$ 131,613,163	$ -	$ 131,613,163
Excises	8,471,804	-	8,471,804
Penalties, interest and other taxes	1,711,338	-	1,711,338
Charges for services	26,634,972	2,594,643	29,229,615
Intergovernmental	49,912,914	19,662,937	69,575,851
Licenses and permits	1,508,487	-	1,508,487
Investment income	487,231	68,165	555,396
Miscellaneous	3,263,928	7,647,818	10,911,746
Total Revenues	223,603,837	29,973,563	253,577,400
Expenditures:			
Current:			
General government	7,373,810	319,627	7,693,437
Public safety	35,529,279	659,315	36,188,594
Education	76,793,065	13,069,523	89,862,588
Public works	34,116,973	13,363,013	47,479,986
Health and human services	1,473,357	4,332,144	5,805,501
Culture and recreation	4,707,147	3,588,414	8,295,561
Employee benefits	44,352,623	-	44,352,623
Debt service	8,996,794	-	8,996,794
Intergovernmental	3,115,543	-	3,115,543
Miscellaneous - QMC	4,588,667	-	4,588,667
Total Expenditures	221,047,258	35,332,036	256,379,294
Excess (deficiency) of revenues over expenditures	2,556,579	(5,358,473)	(2,801,894)
Other Financing Sources (Uses):			
Proceeds of bonds	-	15,995,625	15,995,625
Proceeds of notes (QMC)	4,588,667	-	4,588,667
Operating transfers in	1,720,200	-	1,720,200
Operating transfers out	-	(1,720,200)	(1,720,200)
Total Other Financing Sources (Uses)	6,308,867	14,275,425	20,584,292
Excess (deficiency) of revenues and other sources over expenditures and other uses	8,865,446	8,916,952	17,782,398
Fund Equity, at Beginning of Year	3,816,478	15,593,636	19,410,114
Fund Equity, at End of Year	$ 12,681,924	$ 24,510,588	$ 37,192,512

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Total governmental fund balances	$ 37,192,512
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	133,004,621
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	22,910,029
• Internal services funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	(6,607,234)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(375,895)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(115,039,327)
Net assets of governmental activities	$ 71,084,706

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 17,782,398
• 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 purchases	17,330,319
Depreciation	(3,087,540)
• 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.	(1,532,424)
• 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:	
Repayment of debt	6,006,510
Issue new debt	(10,995,625)
Repayment of long-term other liabilities	5,701,620
Issue of new long-term other liabilities	(4,588,667)
Current year amortization of bond premium	(34,584)
Issue of new notes payable	(5,000,000)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	200,868
• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	660,580
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.	(2,074,560)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 20,368,895

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues and Other Sources:				
Taxes	$ 128,368,010	$ 128,368,010	$ 128,368,010	$ -
Excise	8,422,000	8,422,000	8,471,804	49,804
Penalties, interest and other taxes	972,200	972,200	1,711,338	739,138
Charges for services	26,272,075	26,272,075	26,634,972	362,897
Intergovernmental	37,268,120	37,268,120	36,914,554	(353,566)
Licenses and permits	1,459,000	1,459,000	1,508,487	49,487
Investment income	408,000	408,000	487,231	79,231
Miscellaneous	3,312,963	3,312,963	3,349,837	36,874
Transfers in	74,205	1,750,200	1,750,200	-
Total Revenues and Other Sources	206,556,573	208,232,568	209,196,433	963,865
Expenditures and Other Uses:				
Current:				
General government	7,015,330	7,120,405	7,013,640	106,765
Public safety	35,623,346	36,032,122	35,665,467	366,655
Education	63,582,227	64,041,519	63,901,539	139,980
Public works	34,801,968	35,284,466	34,684,185	600,281
Health and human services	1,514,701	1,514,701	1,493,230	21,471
Culture and recreation	4,443,567	4,690,626	4,689,959	667
Debt service	9,124,605	9,124,605	8,935,469	189,136
Intergovernmental	3,141,835	3,141,835	3,115,543	26,292
Employee benefits	47,253,654	47,226,949	44,587,911	2,639,038
Other uses (prior year expenses)	55,340	55,340	55,340	-
Total Expenditures and Other Uses	206,556,573	208,232,568	204,142,283	4,090,285
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ -	$ -	$ 5,054,150	$ 5,054,150

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Business-Type Activities Enterprise Fund Quincy College Fund	Governmental Activities Internal Service Funds
ASSETS		
Current:		
Cash and short-term investments	$ 12,368,605	$ -
Investments	2,091,347	-
User fees, net of allowance for uncollectibles	166,299	-
Other assets	14,573	-
Total current assets	14,640,824	-
Noncurrent:		
Capital assets, net of accumulated depreciation	471,778	-
Total noncurrent assets	471,778	-
TOTAL ASSETS	15,112,602	-
LIABILITIES		
Current:		
Accounts payable	485,083	-
Accrued liabilities	340,672	6,607,234
Deferred revenues	1,135,124	-
Due to other funds	139,986	-
Other current liabilities	525,722	-
Current portion of long-term liabilities:		
Bonds payable	55,000	-
Compensated absence	16,118	-
Other liabilities	9,207	-
Total current liabilities	2,706,912	6,607,234
Noncurrent:		
Bonds payable, net of current portion	110,000	-
Compensated absence	174,932	-
Other liabilities, net of current portion	8,390	-
Total noncurrent liabilities	293,322	-
TOTAL LIABILITIES	3,000,234	6,607,234
NET ASSETS		
Invested in capital assets, net of related debt	306,778	-
Unrestricted	11,805,590	(6,607,234)
TOTAL NET ASSETS	$ 12,112,368	$ (6,607,234)

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities Enterprise Fund Quincy College Fund	Governmental Activities Internal Service Fund
Operating Revenues:		
Charges for services	$ 16,048,785	$ 29,830,956
Total Operating Revenues	16,048,785	29,830,956
Operating Expenses:		
Operating expenses	14,701,013	31,905,516
Depreciation	185,930	-
Total Operating Expenses	14,886,943	31,905,516
Operating Income (Loss)	1,161,842	(2,074,560)
Nonoperating Revenues (Expenses):		
Investment income	127,908	-
Interest expense	(12,829)	-
Total Nonoperating Revenues (Expenses), Net	115,079	-
Change in Net Assets	1,276,921	(2,074,560)
Net Assets at Beginning of Year	10,835,447	(4,532,674)
Net Assets at End of Year	$ 12,112,368	$ (6,607,234)

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities Enterprise Fund Quincy College Fund	Governmental Activities Internal Service Fund
Cash Flows From Operating Activities:		
Receipts from customers and users	$ 16,371,208	$ -
Payments to vendors and employees	(14,005,970)	(29,830,956)
Receipts from employees and employer	-	29,830,956
Net Cash Provided By (Used For) Operating Activities	2,365,238	-
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital leases obligation	(15,270)	-
Principal payments on bonds and notes	(55,000)	-
Interest expense	(12,829)	-
Net Cash (Used For) Capital and Related Financing Activities	(83,099)	-
Cash Flows From Investing Activities:		
Investment income	127,908	-
Investment sales	(12,203)	-
Net Cash (Used For) Investing Activities	115,705	-
Net Change in Cash and Short-Term Investments	2,397,844	-
Cash and Short-Term Investments, Beginning of Year	9,970,761	-
Cash and Short-Term Investments, End of Year	$ 12,368,605	$ -
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Operating income (loss)	$ 1,161,842	$ (2,074,560)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	185,930	-
Changes in assets and liabilities:		
Accounts receivable	254,275	-
Other assets	(9,573)	-
Warrants and accounts payable	53,510	-
Accrued liabilities	413,106	-
Accrued expenditures	12,186	2,074,560
Due to other funds	233,000	-
Other liabilities	(7,186)	-
Deferred revenues	68,148	-
Net Cash Provided By (Used For) Operating Activities	$ 2,365,238	$ -

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

	Private Purpose Trust Fund	Agency Fund	Pension Trust Fund (As of December 31, 2003)
ASSETS			
Cash and short-term investments	$ 596,423	$ 1,525,260	$ 3,466,037
Investments	380,943	-	260,127,242
Accounts receivable	-	-	398,786
Total Assets	977,366	1,525,260	263,992,065
LIABILITIES AND NET ASSETS			
Accounts payable	-	-	193,022
Other liabilities	-	1,525,260	1,072,747
Deferred revenue	-	-	7,555,858
Total Liabilities	-	1,525,260	8,821,627
NET ASSETS			
Total net assets held in trust for pension benefits	$ 977,366	$ -	$ 255,170,438

See notes to financial statements.

CITY OF QUINCY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	Private Purpose Trust Fund	Pension Trust Fund (For the Year Ended December 31, 2003)
Additions:		
Contributions:		
Employers	$ -	$ 15,779,927
Other systems and Commonwealth of Massachusetts	23,109	1,983,447
Plan members	-	4,836,860
Other	-	504,844
Total contributions	23,109	23,105,078
Investment Income (Loss):		
Increase (decrease) in fair value of investments	(8,759)	45,902,698
Less: management fees	-	(900,511)
Net investment income (loss)	(8,759)	45,002,187
Total additions	14,350	68,107,265
Deductions:		
Benefit payments to plan members and beneficiaries	-	32,003,401
Refunds to plan members	-	911,334
Administrative expenses	-	492,574
Other expenses	40,810	-
Total deductions	40,810	33,407,309
Net increase (decrease)	(26,460)	34,699,956
Net assets:		
Beginning of year, as restated	1,003,826	220,470,482
End of year	$ 977,366	$ 255,170,438

See notes to financial statements.

1. Summary of Significant Accounting Policies

The accounting policies of the City of Quincy (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. *Reporting Entity*

The government is a municipal corporation governed by an elected Mayor and City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component units are blended within the primary government:

In the Proprietary Funds: The Quincy College Fund. The College is presented using the accrual basis of accounting and is reported as an enterprise fund in the proprietary fund financial statements. Additional financial information of the College can be obtained by contacting the College located at 34 Coddington Street, Quincy, Massachusetts 02169.

In the Fiduciary Funds: The Quincy Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 1250 Hancock Street, Suite 506S, Quincy, Massachusetts 02169.

B. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these

statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements
Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis*

of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 with or contradict guidance of the Governmental 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 government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary fund:

- Quincy College Enterprise Fund

The self-insured employee health and workers compensation programs are reported as an internal service fund in the accompanying financial statements.

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. *Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. *Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System and Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. *Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy

limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2004 tax levy reflected an excess capacity of $ 80,582.

G. *Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

H. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $ 15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen"

includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. *Budgetary Basis*

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP basis)	$ 223,603,837	$ 221,047,258
Other financing sources/uses (GAAP basis)	6,308,867	-
Subtotal (GAAP Basis)	229,912,704	221,047,258

(continued)

(continued)

General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Adjust tax revenue to accrual basis	(3,245,153)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,531,929)
Add end of year appropriation carryforwards to expenditures	-	4,237,298
Prior year deficit raised	-	55,340
To reverse the effect of non-budgeted State contributions for teachers retirement	(12,998,360)	(12,998,360)
To record timing difference	115,909	(78,657)
Reverse Quincy Medical Center loan payment and related financing loan	(4,588,667)	(4,588,667)
Budgetary basis	$ 209,196,433	$ 204,142,283

D. *Deficit Fund Equity*

The City's internal service fund reflects a deficit retained earnings balance of $(6,607,234) at June 30, 2004. This was caused by recording the IBNR (incurred, but not recorded) liability for health and workers compensation claims as of June 30, 2004.

Also, the City reflects several special revenue and capital project fund deficits primarily caused by grant expenses occurring in advance of grant reimbursements.

The deficits in these funds will be eliminated through future departmental revenues and transfers from other funds.

3. Cash and Short-Term Investments

The carrying amount of the City's and Retirement System's deposits with financial institutions at June 30, 2004 and December 31, 2003 was $ 55,879,195 and $ 3,466,037, respectively. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

	City Deposits June 30, 2004	Retirement System Deposits December 31, 2003
Amount insured by the FDIC and DIF, or collateralized with securities held by the City in its name	$ 800,000	$ 3,359,605
Amount collateralized with securities held by the pledging financial institution's trust department in the City's name	9,994,246	-
Uncollateralized	42,092,431	1,198,021
State investment pool	4,929,697	-
Total Bank Balance	$ 57,816,374	$ 4,557,626

4. Investments

Investments are categorized into the following three categories of credit risk:

(1) Insured or registered, or securities held by the City or its agent in the City's name.

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			
	1	2	3	Total
U.S. Government securities	$ 1,758	$ -	$ -	$ 1,758
Corporate equity	704	-	-	704
Subtotal	$ 2,462	$ -	$ -	2,462
Investments not subject to categorization:				
Mutual funds				4,268
Total Investments				$ 6,730

At December 31, 2003, the Quincy Retirement System's investment balances were as follows (in thousands):

	Category 1	Category 2	Category 3	Total
U.S. Government securities	$ 83,609	$ -	$ -	$ 83,609
Corporate equity	29,543	-	-	29,543
Subtotal	$ 113,152	$ -	$ -	113,152
Investments not subject to categorization:				
Mutual funds				146,975
Total Investments				$ 260,127

5. Taxes Receivable

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 a quarterly basis 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 they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2004 consist of the following (in thousands):

Real Estate		
2004	$ 1,452	
2003	46	
2002	29	
2001	5	
Prior	49	
		1,581
Personal Property		
2004	933	
2003	92	
2002	201	
2001	388	
Prior	1,241	
		2,855
Tax Liens		3,071
Deferred Taxes		582
Total		$ 8,089

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	Governmental
Property taxes	$ 2,402,323
Excises	2,679,636
Utilities	628,007

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2004.

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2004 balances in interfund receivable and payable accounts:

Fund	Due From Other Funds	Due To Other Funds
General Fund:		
Quincy College rent	$ 233,000	$ -
Capital Project Funds:		
Quincy College Projects	-	93,014
Enterprise Funds:		
Quincy College	93,014	233,000
Total	$ 326,014	$ 326,014

9. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 61,282	$ 1,133	$ -	$ 62,415
Machinery, equipment, and furnishings	19,163	199	-	19,362
Infrastructure	-	4,922	-	4,922
Total capital assets, being depreciated	80,445	6,254	-	86,699
Less accumulated depreciation for:				
Buildings and improvements	(14,069)	(1,506)	-	(15,575)
Machinery, equipment, and furnishings	(10,223)	(1,582)	-	(11,805)
Total accumulated depreciation	(24,292)	(3,088)	-	(27,380)
Total capital assets, being depreciated, net	56,153	3,166	-	59,319
Capital assets, not being depreciated:				
Land	49,387	2,214	-	51,601
Construction in progress	13,222	8,863	-	22,085
Total capital assets, not being depreciated	62,609	11,077	-	73,686
Governmental activities capital assets, net	$ 118,762	$ 14,243	$ -	$ 133,005

Note: The City has not yet fully capitalized infrastructure assets for governmental activities acquired before fiscal year 2002.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 1,835	$ -	$ -	$ 1,835
Machinery, equipment, and furnishings	1,637	-	-	1,637
Total capital assets, being depreciated	3,472	-	-	3,472
Less accumulated depreciation for:				
Buildings and improvements	(1,413)	(102)	-	(1,515)
Machinery, equipment, and furnishings	(1,401)	(84)	-	(1,485)
Total accumulated depreciation	(2,814)	(186)	-	(3,000)
Business-type activities capital assets, net	$ 658	$(186)	$ -	$ 472

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	$ 289
Public safety	645
Education	912
Public works	402
Health and human services	827
Culture and recreation	13
Total depreciation expense - governmental activities	$ 3,088
Business-Type Activities:	
Quincy College	$ 186

10. Accounts Payable

Accounts payable represent additional 2004 expenditures paid after July 15, 2004.

11. Deferred Revenue

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.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2004 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. Many of these cases are currently pending with the state Appellate Tax Board.

13. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2004:

	Interest Rate	Date of Issue	Date of Maturity	Balance at June 30, 2004
Bond anticipation	1.41%	05/21/04	11/12/04	$ 1,000,000
Note payable	3.63%	11/14/03	09/01/04	5,000,000
Total				$ 6,000,000

The following summarizes activity in notes payable during fiscal year 2004:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	$ 4,300,000	$ 16,000,000	$ (19,300,000)	$ 1,000,000
Note payable	-	5,000,000	-	5,000,000
Total	$ 4,300,000	$ 21,000,000	$ (19,300,000)	$ 6,000,000

14. Long-Term Debt

A. *General Obligation Bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds

have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

Governmental Activities:	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2004
School construction	05/01/15	5.07	$ 260,000
Park construction	05/01/10	5.52	105,000
Building renovation	05/01/15	5.07	30,000
Seawalls	05/01/05	5.30	45,000
School remodeling	05/01/16	4.94	1,025,000
School	05/01/16	4.90	1,310,000
Seawalls	03/01/05	4.60	10,000
Repair remodel	03/01/08	4.51	500,000
Park construction	03/01/12	4.64	400,000
Library construction	03/01/18	4.84	5,040,000
School Point Webster	06/01/19	4.91	5,250,000
Repair remodeling	06/01/20	5.41	1,925,000
Library	06/01/20	5.42	400,000
School remodeling	06/01/20	5.42	560,000
Land purchase	06/30/19	5.41	2,760,000
School remodeling	03/01/21	4.46	2,955,000
Streets and sidewalk	03/01/11	3.81	940,000
Department equipment	03/01/06	4.18	820,000
Library	03/01/21	4.45	350,000
Refunding 2003	06/30/15	3.39	7,425,000
School bonds - Quincy H.S.	03/01/21	3.55	4,060,000
School Marshall	06/01/19	4.90	7,500,000
Sewer	05/01/16	5.33	420,000
Sewer 1999	06/01/20	5.42	370,000
Sewer	03/01/18	4.84	210,000
Sewer	03/01/21	4.86	1,525,000
Sewer	08/01/03	-	3,262,845
Sewer	02/01/17	-	648,540
Sewer	08/01/18	-	573,525
Sewer	11/15/07	-	720,280
Sewer	08/01/23	1.45	3,706,355
Sewer	11/15/08	1.63	62,150
Water mains	05/01/14	5.58	5,000
Water mains	05/01/16	5.52	415,000
Water equipment	05/01/05	5.33	5,000
Water mains	06/17/17	4.91	1,250,000
Water	06/01/20	5.42	2,720,000
Water	03/01/21	4.46	1,610,000
Water	11/15/11	-	2,533,696
Water	08/15/13	-	3,167,120
Total Governmental Activities			$ 66,874,511

Business-Type Activities:	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2004
Quincy College	05/01/16	4.90	$ 165,000
Total Business-Type Activities			$ 165,000

B. *Future Debt Service*

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2004 are as follows:

Governmental	Principal	Interest	Total
2005	$ 6,186,609	$ 2,763,225	$ 8,949,834
2006	6,188,696	2,531,946	8,720,642
2007	5,789,562	2,313,273	8,102,835
2008	5,141,622	2,105,780	7,247,402
2009	4,842,462	1,922,386	6,764,848
2010 - 2014	22,244,048	6,759,288	29,003,336
2015 - 2019	13,591,512	2,612,519	16,204,031
2020 - 2024	2,890,000	275,009	3,165,009
Total	$ 66,874,511	$ 21,283,426	$ 88,157,937

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2004.

Business-Type	Principal	Interest	Total
2005	$ 55,000	$ 11,048	$ 66,048
2006	55,000	8,286	63,286
2007	55,000	2,762	57,762
Total	$ 165,000	$ 22,096	$ 187,096

C. *Changes in General Long-Term Liabilities*

During the year ended June 30, 2004, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/03	Additions	Reductions	Total Balance 6/30/04	Less Current Portion	Equals Long-Term Portion 6/30/04
Governmental Activities						
Bonds payable	$ 61,885	$ 10,996	$ (6,006)	$ 66,875	$ (6,187)	$ 60,688
Accrued employee benefits	9,412	-	(661)	8,751	(437)	8,314
Other:						
Due to Quincy Medical Ctr.	9,981	-	(4,588)	5,393	(5,393)	-
Notes payable (QMC)	4,589	4,588	-	9,177	-	9,177
Due to Commonwealth	12,100	-	-	12,100	-	12,100
Due to HUD	6,825	-	(325)	6,500	(350)	6,150
Note payable (HPHC)	2,412	-	(788)	1,624	(804)	820
Totals	$ 107,204	$ 15,584	$(12,368)	$ 110,420	$ (13,171)	$ 97,249

15. Other Long-Term Liabilities

Due to Quincy Medical Center

The liability due to Quincy Medical Center was established in fiscal year 2001 as part of the conversion to private status of Quincy Hospital. The following is a summary of future payments.

Fiscal Year	Amount
2005	$ 5,392,818
Total	$ 5,392,818

Note Payable (QMC)

In August, 2002 the City Council accepted special State legislation to allow the City to borrow up to $ 15,000,000 to finance remaining amounts due to Quincy Medical Center. Amounts borrowed are to be repaid within 10 years of issuance. In fiscal years 2003 and 2004, the City borrowed $ 4,588,667 ($ 9,177,334 in all) under the provisions of this special legislation.

Due to Commonwealth of Massachusetts

The liability due to the Commonwealth is also a result of the privatization of Quincy Hospital. As part of the conversion to private status, the Commonwealth passed special legislation to provide the City with a non-interest-bearing loan in the amount of $ 12.1 million. The City in turn then lent the money to the Medical Center under the same terms. This loan is to be repaid in four equal annual installments beginning on June 30, 2007 and ending on June 30, 2010.

Due to U.S. Department of Housing and Urban Development

In 1996, the U.S. Department of Transportation Maritime Administration provided Massachusetts Heavy Industries, Inc. ("MHI") with a $ 55 million loan guarantee to modernize and revitalize the Fore River Shipyard, which is located in the City. In connection with this modernization project, the City provided a $ 7.8 million loan to MHI. The City, in effect received a loan from the U.S. Department of Housing and Urban Development ("HUD"), administrator of the CDBG program, and passed the loan through to MHI under the same repayment terms.

During fiscal year 2000, MHI failed to make the scheduled debt service payments on its primary loan. As a result, the loan went into default and the lender exercised its guarantee rights by demanding payment from the guarantor. On February 25, 2000, the Maritime Administration, as guarantor, made a payment of $ 59.1 million to the lending institution, which included principal and accrued interest.

On March 13, 2000, MHI filed for bankruptcy protection and the Maritime Administration commenced foreclosure proceedings on the shipyard.

The City did not receive any payments on its loan to MHI during fiscal years 2001 - 2004. The City's loan with HUD is secured by the pledge of future CDBG funds, and as of June 30, 2004, the City has made all loan payments required under the terms of its loan arrangement with HUD. The loan, which bears interest at 6.5%, is payable in semiannual installments of interest and principal until August 1, 2016, the loan's maturity date.

At June 30, 2004, future principal payments due on the loan are as follows:

2005	$ 350,000
2006	375,000
2007	375,000
2008	425,000
2009	450,000
Thereafter	4,525,000
Total	$ 6,500,000

Note Payable (HPHC)

In September, 2002 the City Council accepted special State legislation to defer the funding of a delinquent accounts payable of $ 2.8 million, due to its health care provider, HPHC. Under the terms of the special legislation and agreement with HPHC, the City began making equal semiannual payments, with interest not to exceed 2%, in December 15, 2002 and ending July 15, 2006.

At June 30 2004, future principal payments due on the loan are as follows:

2005	$ 803,856
2006	820,081
Total	$ 1,623,937

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Reserves of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2004:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the "snow and ice" appropriation. All such overexpenditures, however, must be funded in the subsequent year's tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The Massachusetts State Legislation also allowed municipalities to defer funding for a portion of the 1992 and 1993 teachers summer pay to future years. This must be funded within a 15 year period, beginning in 1997.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	$ 8,444,626
Teacher pay deferral	600,000
Statutory (UMAS) Balance	$ 9,044,626

19. Subsequent Events

Debt

Subsequent to June 30, 2004, the City has incurred the following debt:

	Amount	Interest Rate	Issue Date	Maturity Date
General obligation bonds	$ 10,000,000	3.62%	09/01/04	09/01/24

The proceeds of the bonds were used to retire $ 5,000,000 of notes.

20. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Quincy College - Quincy College is currently under investigation for alleged deficiencies in the Surgical Technology program. In fiscal 2003, forty-five students in this program received Federal student financial aid. The results of the investigation may impact the federal student financial assistance eligibility of some or all students in this program. An unfavorable ruling could have a material adverse financial impact on the College.

21. Post-Retirement Health Care and Life Insurance Benefits

The City has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the City's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their

dependents, or their survivors for the year ended June 30, 2004 was not available.

22. Contributory Retirement System

A. *Plan Description and Contribution Information*

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Quincy Contributory Retirement System QCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the QCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the QCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The QCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,800
Terminated plan members entitled to but not yet receiving benefits	44
Inactive members	267
Active plan members	1,384
Total	3,495
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of $ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

B. *Summary of Significant Accounting Policies*

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported in accordance with PERAC requirements.

C. Teachers

As required by State statutes, teachers of the City are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The City is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to $ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of $ 30,000.

In fiscal year 2004, the Commonwealth of Massachusetts contributed $ 12,998,360 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

23. Self Insurance

The City self-insures against claims for property, liability, workers compensation, unemployment and most employee health coverage. The City has not provided for any reserves or stop loss insurance coverage to fund potential future liabilities that could result from unanticipated major disasters, such as fires or other destructions to City-owned properties. Annual estimated requirements for claims are provided in the City's annual operating budget.

Workers' Compensation

The City contracts with an insurance consultant for claims processing of the City's workers compensation policy, which has no excess liability coverage for any employees. The Workers' Compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable for claims up to $ 150,000 per individual.

The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2004 are as follows:

	Health Coverage
Claims liability, July 1, 2003	$ 4,532,674
Claims incurred/recognized in fiscal year 2004	31,905,516
Claims paid in fiscal year 2004	(29,830,956)
Claims liability, June 30, 2004	$ 6,607,234

24. Leases

Operating Leases - Quincy College leases certain premises and equipment under operating leases with various expiration dates that extend through 2037. The leases generally provide that the College pay certain maintenance costs and include various renewal provisions. Rent expense for 2004 amounted to $ 915,617. Included in this expense are water, sewer, insurance and other associated costs along with rental costs of approximately $ 48,000 relating to the lease of classroom facilities in Plymouth,

Massachusetts. The College's minimum future obligations under its non-cancelable leases are as follows:

2005	$ 815,842
2006	275,470
2007	280,895
2008	79,088
Total	$ 1,451,295

Capital Lease Obligations - The Quincy College is the lessee of certain equipment under capital leases expiring in various years through 2006. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2004:

2005	$ 17,050
2006	8,525
Total	25,575
Less amount representing interest	(1,068)
Present Value of Minimum Lease Payments	$ 24,507

25. Quincy College Foundation

The Quincy College Foundation, Inc. was established in 1997 as a separate not-for-profit organization, the purpose of which is to solicit and accept gifts, grants, from individuals and corporations for the purpose of establishing endowment funds and scholarship funds in order to sponsor funding of any and all activities which are permitted by law that enhance the educational efforts of the College. Member of the Board of Governors and management of the College comprise the Board of Directors of the Quincy College Foundation. During fiscal year 2004, the College received contributions in the form of scholarships from the Quincy College Foundation in the amount of $ 32,160. These gifts are recorded on the College's financial statements incorporated herein.

26. Beginning Net Assets Restatement

The January 1, 2003 net assets of the Pension Trust Fund was restated (reduced) by $ 3,401,991 primarily to reflect excess State COLA reimbursements that must be refunded to the State (via reductions to future funding).

CITY OF QUINCY, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with the Governmental Accounting Standards Board Statement 25.

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]
01/01/03	$ 231,277,798	$ 436,352,345	$ 205,074,547	53.0%	$ 58,949,749	347.9%
01/01/01	264,401,826	369,363,953	104,962,127	71.6%	56,824,746	184.7%
01/01/99	241,890,839	354,342,249	112,451,410	68.3%	83,911,305	134.0%
01/01/97	170,435,562	277,764,236	107,328,674	61.4%	78,452,786	136.8%
01/01/94	121,043,160	222,511,912	101,468,752	54.4%	60,909,772	166.6%
01/01/93	107,457,219	221,809,465	114,352,246	48.4%	58,728,113	194.7%

Schedule of Employer Contributions:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2003	$ 15,779,928	100%
2002	15,745,060	100%
2001	14,966,883	100%
2000	14,644,700	100%
1999	14,298,853	100%
1998	13,627,560	100%
1997	13,220,045	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2001
Actuarial cost method	Individual entry age normal cost method
Amortization method	Level amortization
Remaining amortization period	24 years
Asset valuation method	Valued at market value adjusted by payables and receivables
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increase	5.25%
Cost of living adjustments	3% of first $ 12,000 of a member's retirement allowance

See Independent Auditors' Report.