

CITY OF LYNN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 112
Andover, MA 01810-1096
(978) 749-0005 • Fax (978) 749-0006
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Lynn, 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 Lynn, Massachusetts, as of and for the year ended June 30, 2009, (except for the Lynn Contributory Retirement System which is as of and for the year ended December 31, 2008) which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lynn'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 Lynn, as of June 30, 2009, (except the Lynn Contributory Retirement System which is as of December 31, 2008), 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 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 a report dated March 2, 2010 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
March 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lynn we offer readers this narrative overview and analysis of the financial activities of the City of Lynn for the fiscal year ended June 30, 2009.

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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 the marina 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 the marina operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health 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 marina operations, which is 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 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.

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 accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 111,904,810 (i.e., net assets), a change of \$ (4,381,568) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 30,129,203, a change of \$ (1,098,767) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 10,375,077, a change of \$ 3,574,900 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 91,526,476, a change of \$ 848,272 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 73,031	\$ 65,094	\$ 172	\$ 176	\$ 73,203	\$ 65,270
Noncurrent assets	26,967	31,900	-	-	26,967	31,900
Capital assets	<u>170,588</u>	<u>163,777</u>	<u>1,697</u>	<u>1,773</u>	<u>172,285</u>	<u>165,550</u>
Total assets	<u>270,586</u>	<u>260,771</u>	<u>1,869</u>	<u>1,949</u>	<u>272,455</u>	<u>262,720</u>
Long-term liabilities outstanding	135,519	116,115	1,253	1,325	136,772	117,440
Other liabilities	<u>23,595</u>	<u>28,814</u>	<u>183</u>	<u>180</u>	<u>23,778</u>	<u>28,994</u>
Total liabilities	<u>159,114</u>	<u>144,929</u>	<u>1,436</u>	<u>1,505</u>	<u>160,550</u>	<u>146,434</u>
Net assets:						
Invested in capital assets, net	107,845	100,898	677	693	108,522	101,591
Restricted	16,859	20,654	-	-	16,859	20,654
Unrestricted	<u>(13,232)</u>	<u>(5,710)</u>	<u>(244)</u>	<u>(249)</u>	<u>(13,476)</u>	<u>(5,959)</u>
Total net assets	<u>\$ 111,472</u>	<u>\$ 115,842</u>	<u>\$ 433</u>	<u>\$ 444</u>	<u>\$ 111,905</u>	<u>\$ 116,286</u>

(continued)

(continued)

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,544	\$ 9,559	\$ 720	\$ 663	\$ 8,264	\$ 10,222
Operating grants and contributions	174,218	165,313	-	-	174,218	165,313
Capital grants and contributions	1,033	912	-	-	1,033	912
General revenues:						
Property taxes	88,970	85,327	-	-	88,970	85,327
Excises	5,311	5,569	-	-	5,311	5,569
Penalties and interest on taxes	1,158	1,031	-	-	1,158	1,031
Grants and contributions not restricted to specific programs	27,432	29,979	-	-	27,432	29,979
Investment income	(49)	1,301	1	1	(48)	1,302
Other	2,071	429	4	-	2,075	429
Total revenues	<u>307,688</u>	<u>299,420</u>	<u>725</u>	<u>664</u>	<u>308,413</u>	<u>300,084</u>
Expenses:						
General government	20,643	22,086	-	-	20,643	22,086
Public safety	36,216	37,674	-	-	36,216	37,674
Education	159,515	161,134	-	-	159,515	161,134
Public works	15,680	13,684	-	-	15,680	13,684
Human services	3,954	3,886	-	-	3,954	3,886
Culture and recreation	981	2,151	-	-	981	2,151
Employee benefits	71,756	70,757	-	-	71,756	70,757
Interest on long-term debt	1,662	1,743	-	-	1,662	1,743
Intergovernmental	1,651	2,099	-	-	1,651	2,099
Capital asset impairment	-	-	-	-	-	-
Marina	-	-	736	805	736	805
Total expenses	<u>312,058</u>	<u>315,214</u>	<u>736</u>	<u>805</u>	<u>312,794</u>	<u>316,019</u>
Change in net assets before transfers	(4,370)	(15,794)	(11)	(141)	(4,381)	(15,935)
Transfers in (out)	-	(100)	-	-	-	(100)
Increase (decrease) in net assets	(4,370)	(15,894)	(11)	(141)	(4,381)	(16,035)
Net assets - beginning of year (as restated)	115,842	131,736	444	585	116,286	132,321
Net assets - end of year	<u>\$ 111,472</u>	<u>\$ 115,842</u>	<u>\$ 433</u>	<u>\$ 444</u>	<u>\$ 111,905</u>	<u>\$ 116,286</u>

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 \$ 111,904,810, a change of \$ (4,381,568) from the prior year.

The largest portion of net assets \$ 108,521,996 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, \$ 16,859,490, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ (13,476,676), results in a deficit.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (4,370,209). Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 6,510
Non-major funds revenue in excess of expenditures	1,553
High school judgment received	1,700
Internal service fund revenues in excess of expenditures	2,913
Capital assets obtained from current year revenues	4,087
Massachusetts School Building Authority principal payment received in current year, however recognized in prior years	(5,622)
Principal debt service in excess of depreciation expense	3,280
Increase in OPEB liability	(17,988)
Other	<u>(803)</u>
Total	<u>\$ (4,370)</u>

Business-type activities. Business-type activities for the year resulted in a decrease in net assets of \$ (11,359). The decrease is primarily attributable to an approximately 8% increase in revenues in fiscal year 2009, which was less than anticipated.

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 \$ 30,129,203, a decrease of \$ (1,098,767) in comparison with the prior year. Key elements of this increase are as follows (in thousands):

General fund revenues and transfers in excess of expenditures and transfers out	\$ 3,250
High school capital project expenditures in excess of revenues and other financing sources	(6,757)
Non-major capital project fund revenues and transfers in over expenditures and transfers out	134
Special revenue fund revenues and transfers in over expenditures and transfers out	2,710
Trust fund loss on investments	<u>(436)</u>
Total	<u>\$ (1,099)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 10,375,077, while total fund balance was \$ 13,726,390. 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 4.0 percent of total general fund expenditures, while total fund balance represents 5.3 percent of that same amount.

The fund balance of the general fund increased by \$ 3,250,383 during the current fiscal year. Key factors in this increase are as follows (in thousands):

Use of free cash and overlay surplus	\$ (911)
Prior year deficits raised in current year	1,078
Revenues received less than budget	(12,448)
Expenditures less than budget	13,958
Other	<u>1,573</u>
Total	<u>\$ 3,250</u>

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 a deficit balance of \$ (244,194) an increase of \$ 4,452 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 change in appropriations of \$ (2,527,867). Major reasons for these amendments include:

- \$ (2,715,000) 9c cuts
- \$ 69,000 Additional parking expenditures
- \$ 119,000 Additional inspectional services expenditures

The decrease in appropriations was due to state mandated (9c) cuts to local funding, which affected all departments of the City. The two increases were funded from transfers from other funds.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education and employee benefits expenditures. The turn backs result from the City transferring cost to the ARRA major fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 172,285,346 (net of accumulated depreciation), an increase of \$ 6,735,599 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):

Repair of Lynn Classical High School	\$ 8,534
Construction of Manning field	1,414
Infrastructure improvements	833
School building repairs	390
New public safety vehicles	369
New public safety equipment	179
Cemetery expansion	246
New school equipment	334
Other	33
Depreciation	<u>(5,597)</u>
Total	\$ <u>6,735</u>

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 91,526,476, all of which was backed by the full faith and credit of the government.

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Overview

Program year 2009 continued our on going progress in the area of economic development as the City is in the midst of implementing the findings and goals of the City's Economic Development Strategy. While we have completed and adopted our Waterfront Master Plan; the City is still awaiting the completion of a master harbor plan, a process necessary to reach our overarching economic development goals. The completion and adoption of these two strategic plans will enable the City of Lynn to chart a positive economic course over the next twenty to thirty years.

In the past twelve months we continue to work with both the private and public sector on the relocation of the National Grid Power Lines which are the major impediment for any future development of the City of Lynn's Water Front. We are confident this relocation project will commence during the next six months.

With regard to the economic State of the City this past calendars' year most pressing concerns revolves around employment as does most of the Commonwealth and our Nation. The City has taken a step backward rather than forward when comparing unemployment in calendar year 2008 of 7.6% to 10.3% for the last quarter of 2009. Furthermore, the unemployment rate never fell below 9.2% and hit a high an 11% during the quarter. On a more positive note, investment by the federal government in the aircraft engine division of General Electric produced positive economic news for this division of the company. Additionally, the City has recently become involved with the Commonwealth to work together with General Electric to begin the process of improving infrastructure at the Lynn Plant and stabilize and hopefully grow new manufacturing jobs at the Lynn Facility.

The Central Sq. area of the City continued to see a renaissance and a resurgence as the number of retail/commercial businesses continued to grow in support of the growing residential sector in the downtown. The Mount Vernon reconstruction and street scape project is near completion providing new lighting as well as aesthetic enhancements in our downtown. As reported in the past, the City continues to support the downtown revival with over 250 new residents, who call downtown home. This marks the half way point in the City's goal to create

400 new units in the center city to reach the critical mass to sustain a vibrant downtown.

Another positive trend in the City's downtown was the growth of the health care industry of the community. Lynn Community Health Center and Greater Lynn Senior Services began initial discussions with City Officials regarding increasing their investment in new space for possible expansion and employment growth. This expansion has the potential to create in excess of 100 jobs and will cost approximately \$6 million dollars. Also there was a strong commitment by North Shore Medical Center, the major community hospital and employer, to maintain a full service hospital in the City into the foreseeable future.

Both locally and nationally the real estate crisis has increased uneasiness and is of concern for the upcoming fiscal year. In 2008, over 250 homes were in or completed foreclosure, the highest foreclosure rate in the history of the Commonwealth. The impact has transcended the state and morphed into a national problem. The City is exploring ways to help impact homeowners, but looks forward to additional Federal assistance in the coming year. On a more positive note, as affordable housing opportunities continued to decline in and around the Boston Metropolitan area Lynn's role as an alternative investment choice continued to gain momentum.

The City, using CDBG funding, continued to make investments in the downtown through its antique street re-lighting along the downtown linear spine of Union, Exchange and Broad Streets. Additional re-lighting projects located on Monroe Street and a revitalization project planned for lease MBTA space will be completed this year. These efforts at beautification and revitalization have been well accepted by both the existing downtown community and investors alike. This trend will continue as 2009 will bring about an additional \$1,000,000 via CDBG and EDIC funds.

Although statistically one may challenge the changes in the demographics in the downtown there is the emergence of a new breed of urban professional who is calling downtown Lynn, home. Many of these new homeowners attended the public hearings on the City's new economic initiatives. In 2009 the City completed with the help of the new residents a vision plan for Market Street, one of the central corridors surrounding our downtown.

These investments by the City coupled with the Smart Growth initiatives by the state have continued the momentum for further investment in the Central Business District. The new police station in the downtown within the Government Center District was completed and occupied. This 19 million dollar investment exhibits further evidence of the City's financial commitment to the downtown and its new residents.

The City remains committed to providing a reasonable financial alternative for families to find safe and fun activities to participate in, the continued play of the North Shore Navigators' at the New Frasier Field will hopefully continue to grow and prosper.

2008 completed the re-birth of Manning Field. For the past 60 years Manning Bowl has served as a lynchpin to many sporting events. The stadium was rebuilt and a new sports complex is now in place next to the refurbished Frasier Field. 2009 saw our City and Community take full advantage of the sporting complex. We hope 2010 and beyond will provide additional opportunities to leverage this state of the art facility for the City and the Greater North Shore.

In terms of future development activities long term in nature, the City continues to pursue its Brownfield agenda with representatives of both National Grid and the General Electric Co., owners of roughly 40 acres of mothballed sites in the community. Progress has been extremely slow, however discussions and dialogue between the parties continue. At the West Lynn GE site, where there is roughly 20 acres of vacant property, dialogue continues with the hopes that reuse plans will be developed in calendar year 2010.

In 2009 EDIC has submitted and will hopefully be awarded a Federal \$200,000 grant to update the City's entire Brownfield's inventory. As additional funding opportunities present themselves the City will look for new sites for continued Brownfield redevelopment.

Lynn Assessed Values				
FY	Commercial	% Chg	Total All Classes	% Chg
2000	224,464,562	1.6%	2,807,439,890	9.7%
2001	257,805,301	14.9%	3,151,034,450	12.2%
2002	293,909,090	14.0%	3,854,700,111	22.3%
2003	330,581,516	12.5%	4,656,277,295	20.8%
2004	352,109,922	6.5%	5,508,583,433	18.3%
2005	440,961,667	25.2%	6,249,264,921	13.4%
2006	460,329,322	4.4%	6,774,769,631	8.4%
2007	489,356,651	6.3%	7,030,173,447	3.8%
2008	529,546,785	8.2%	7,042,423,768	0.2%
2009	507,754,589	-4.1%	6,208,089,401	-11.8%
2010	464,501,219	-12.0%	5,246,831,500	-6.5%

Commercial and Residential real estate valuation have continued to decline from their historic highs from calendar years 2000-2005. The City of Lynn continues to place a reliance on the residential sector bearing an increasing burden with regard to the overall tax levy but is shifting that burden more equitably with our commercial.

The single family home median sale valuation continues in a negative trend from the historic highs just a few years ago. Median sales have reverted back to near 2001 sales as continued foreclosures and short sales burden the local real estate market.

FY	Ave Value	% Chng	Calendar Yr	Median Sale Price	% Chng
1997	98,418	N/A	1997	96,000	N/A
1998	98,712	0.3%	1998	115,700	20.5%
1999	111,459	12.9%	1999	134,500	16.2%
2000	124,571	11.8%	2000	160,000	19.0%
2001	139,174	11.7%	2001	190,000	18.8%
2002	168,817	21.3%	2002	245,000	28.9%
2003	198,415	17.5%	2003	267,673	9.3%
2004	229,600	15.7%	2004	280,000	4.6%
2005	256,992	11.9%	2005	299,000	6.8%
2006	276,031	7.4%	2006	290,000	-3.0%
2007	286,007	3.6%	2007	260,000	-10.3%
2008	286,002	0.0%	2008	200,000	-23.1%
2009	260,462	-11.2%	2009	196,000	-20.6%

Source: a) Mass. Dept. of Revenue
b) Town Stats, the Warren Group

Information is based on Single Family Homes

Infrastructure

In addition to the City's close proximity to both Boston and Logan Airport, coupled with an impressive three-mile ocean waterfront park, Lynn has a first class infrastructure conducive to economic development. Important infrastructure assets of the City include: a \$140 million secondary wastewater treatment facility and a \$47 million water treatment plant last owned and operated by the Lynn Water and Sewer Commission, a \$40 million Community College serving 2,500 full and part-time students.

With regard to transportation, with the completion of the Route 1A Connector to the Ted Williams Tunnel the industrial community received an unexpected but pleasant benefit from this link as travel time to the areas of South Boston, Interstate 93 and the Massachusetts Turnpike provided vastly improved access to the Commonwealth's Interstate System.

Lynn's proactive stance toward infrastructure improvements and land use regulations enables it to react immediately to development opportunities as they arise. The redevelopment of the Blossom Street public access pier is injecting \$2.2 million into our local economy and will provide a site for water shuttle service from Lynn to Boston in the future. In addition, the City's stable population

and wide range of community and economic development services create an ideal environment for business investment and development. Lynn possesses numerous assets and resources that have helped it to emerge once again as one of the North Shore's most attractive communities.

Employment

The local economy continued to slow in 2009, on a positive note the City welcomed its first "Green" company and the EDIC has provided work space for a green incubator by signing a three year lease in a building located close to the downtown. The City also celebrated the opening of a new restaurant in our downtown on Oxford Street, the new business is off to a great start and is a bright light in troubled times.

The following table sets forth the City's average labor force and unemployment rates for calendar years 1999 through 2009 and the unemployment rates for the state and nation as a whole for the same period.

Employment and Unemployment Rates

Year	Labor Force	Employed	Unemployment Rate	MA	U.S.
				Unemployment Rate	Unemployment Rate
2009	41,614	36,997	9.7	9.4	10.0
2008	41,617	38,835	6.7	5.5	5.6
2008	41,236	38,994	5.4	4.5	4.6
2006	41,544	39,043	6.0	4.8	4.6
2005	41,736	39,179	6.1	4.8	6.1
2004	42,273	39,537	6.5	5.1	5.5
2003	42,885	39,705	7.4	5.4	5.7
2002	42,798	40,121	6.3	5.3	5.8
2001	42,400	40,558	4.3	4.1	4.8
2000	41,876	40,525	3.2	2.6	4.9
1999	39,181	37,553	4.2	3.2	4.2

SOURCE: Massachusetts Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence not place of employment. All data is unadjusted.

Organizational Structures

The Office of Inspectional Services is in year four of operation and continues to receive positive feedback from both the residents and the development community. Permits were issued on a timely basis and turnaround time from design to completion was greatly reduced. Similar to the reorganization of the City's Development Agencies in 1999, this effort initiated by the Mayor with the full support of the business community sought to gain efficiencies through the elimination of duplicative tasks and information gathering as well as streamlining the permitting process for the investor/ developer and resident alike.

The City through its Office of Economic and Community Development continued to operate and sponsor the Lynn Small Business Assistance Center. The Lynn Small Business Assistance Center (LSBAC) has been an example of "best practices" in the area of minority and small business development, entrepreneurial training and support, and financial/technical assistance to both new and expanding Lynn businesses.

The LSBAC continues to provide links to many other organizational resources, including the EDIC/Lynn, the Lynn Area Chamber of Commerce (LACC) and the Union Street Corridor Community Development Corporation (CDC). Service Corps of Retired Executives (SCORE), cosponsored by the LACC, holds business counseling sessions in the LSBAC offices twice a month, and the Small Business Development Center at Salem State College is often tapped for conducting workshops and seminars. All of these efforts are targeted to businesses within the City.

Conclusion

The City possesses an excellent economic infrastructure, especially in telecommunications. Among other assets this infrastructure includes: New England's first and only transatlantic fiber optic hub; an abundance of inexpensive commercial office space; close geographic proximity to Boston, Cambridge and Logan Airport; regular commuter rail service to downtown Boston; the presence of one of New England's premier internet service providers, Shore.net (now Primus) and a host of other cyber based businesses such as Lightbridge Technologies; three miles of open and unobstructed ocean waterfront within easy walking distance from the heart of downtown and; a 2,200 acre forested urban park – the second largest in the United States.

Couple these assets with the presence of the City's more traditional manufacturing and service base such as GE's Aircraft Engine Division, Garelick Farms and Eastern Bank's Operations Center, it becomes clear that Lynn has a rich blend of both emerging and traditional industries that provide both economic stability and new opportunities for the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lynn'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:

Treasurer's Office
3 City Hall Square
Lynn, Massachusetts 01901

CITY OF LYNN, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 45,451,698	\$ 136,756	\$ 45,588,454
Investments	5,246,899	-	5,246,899
Receivables, net of allowance for uncollectibles:			
Property taxes	3,559,142	-	3,559,142
Excises	2,369,845	-	2,369,845
Departmental and other	5,478,336	20,057	5,498,393
Intergovernmental	8,016,900	-	8,016,900
Other assets	2,908,943	14,660	2,923,603
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	26,208,054	-	26,208,054
Property taxes	758,743	-	758,743
Capital assets, non-depreciable	7,182,285	-	7,182,285
Capital assets, depreciable, net of accumulated depreciation	<u>163,405,562</u>	<u>1,697,499</u>	<u>165,103,061</u>
TOTAL ASSETS	270,586,407	1,868,972	272,455,379
LIABILITIES			
Current:			
Warrants payable	1,976,846	-	1,976,846
Accounts payable	2,143,874	-	2,143,874
Accrued liabilities	8,551,152	31,951	8,583,103
Tax refunds payable	592,834	-	592,834
Notes payable	5,000,000	-	5,000,000
Other current liabilities	5,330,268	151,000	5,481,268
Current portion of long-term liabilities:			
Bonds payable	9,594,000	185,759	9,779,759
Other liabilities	1,549,999	-	1,549,999
Noncurrent:			
Bonds payable, net of current portion	80,679,000	1,067,717	81,746,717
Other liabilities, net of current portion	8,648,712	-	8,648,712
OPEB liability	<u>35,047,457</u>	<u>-</u>	<u>35,047,457</u>
TOTAL LIABILITIES	159,114,142	1,436,427	160,550,569
NET ASSETS			
Invested in capital assets, net of related debt	107,845,257	676,739	108,521,996
Restricted for:			
Grants and other statutory restrictions	10,960,857	-	10,960,857
Permanent funds:			
Nonexpendable	5,772,849	-	5,772,849
Expendable	125,784	-	125,784
Unrestricted	<u>(13,232,482)</u>	<u>(244,194)</u>	<u>(13,476,676)</u>
TOTAL NET ASSETS	\$ <u>111,472,265</u>	\$ <u>432,545</u>	\$ <u>111,904,810</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 20,643,480	\$ 603,290	\$ -	\$ (18,395,510)	\$ -	\$ (18,395,510)
Public safety	36,215,944	1,514,587	-	(33,417,664)	-	(33,417,664)
Education	159,514,807	165,387,188	-	6,100,227	-	6,100,227
Public works	15,680,455	3,241,666	1,033,060	(9,337,121)	-	(9,337,121)
Health and human services	3,953,798	2,473,117	-	(8,561)	-	(8,561)
Culture and recreation	980,977	271,888	-	137,805	-	137,805
Employee benefits	71,756,014	726,584	-	(71,029,430)	-	(71,029,430)
Interest	1,661,650	-	-	(1,661,650)	-	(1,661,650)
Intergovernmental	1,651,218	-	-	(1,651,218)	-	(1,651,218)
Total Governmental Activities	312,058,343	174,218,320	1,033,060	(129,263,122)	-	(129,263,122)
Business-Type Activities:						
Marina services	736,277	-	-	-	(16,329)	(16,329)
Total Business-Type Activities	736,277	-	-	-	(16,329)	(16,329)
Total	\$ 312,794,620	\$ 174,218,320	\$ 1,033,060	(129,263,122)	(16,329)	(129,279,451)
General Revenues:						
Property taxes				88,969,854	-	88,969,854
Excises				5,310,680	-	5,310,680
Penalties, interest and other taxes				1,158,215	-	1,158,215
Grants and contributions not restricted to specific programs				27,432,369	-	27,432,369
Investment income (loss)				(49,328)	1,002	(48,326)
Other				2,071,123	3,968	2,075,091
Total general revenues				124,892,913	4,970	124,897,883
Change in Net Assets				(4,370,209)	(11,359)	(4,381,568)
Net Assets:						
Beginning of year, as restated				115,842,474	443,904	116,286,378
End of year				\$ 111,472,265	\$ 432,545	\$ 111,904,810

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

ASSETS	General	High School Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 21,386,608	\$ 5,745,057	\$ 10,643,143	\$ 37,774,808
Investments	-	-	5,246,899	5,246,899
Receivables:				
Property taxes	5,793,766	-	-	5,793,766
Excises	5,652,280	-	-	5,652,280
Departmental and other	430,410	-	5,047,926	5,478,336
Intergovernmental	-	-	2,951,106	2,951,106
Due from other funds	21,242	-	-	21,242
TOTAL ASSETS	\$ 33,284,306	\$ 5,745,057	\$ 23,889,074	\$ 62,918,437
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 1,976,846	\$ -	\$ -	\$ 1,976,846
Accounts Payable	976,700	865,068	302,106	2,143,874
Accrued liabilities	4,097,721	-	-	4,097,721
Deferred revenues	11,347,402	-	7,042,902	18,390,304
Tax refunds payable	592,834	-	-	592,834
Due to other funds	-	-	21,242	21,242
Notes payable	-	4,000,000	1,000,000	5,000,000
Other liabilities	566,413	-	-	566,413
TOTAL LIABILITIES	19,557,916	4,865,068	8,366,250	32,789,234
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	3,351,313	-	-	3,351,313
Perpetual (nonexpendable) permanent funds	-	-	5,772,849	5,772,849
Unreserved:				
Undesignated, reported in:				
General fund	10,375,077	-	-	10,375,077
Special revenue funds	-	-	10,080,868	10,080,868
Capital project funds	-	879,989	(456,677)	423,312
Permanent funds	-	-	125,784	125,784
TOTAL FUND BALANCES	13,726,390	879,989	15,522,824	30,129,203
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,284,306	\$ 5,745,057	\$ 23,889,074	\$ 62,918,437

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

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

JUNE 30, 2009

Total governmental fund balances	\$ 30,129,203
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	170,587,847
• Long-term receivable from the Massachusetts School Building Authority are not available in the current period and, therefore, are not reported in the governmental funds.	31,273,848
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	13,631,988
• Internal service 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.	2,914,661
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,546,114)
• Future expenses related to providing other post employment benefits (OPEB's) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(35,047,457)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(100,471,711)</u>
Net assets of governmental activities	<u><u>\$ 111,472,265</u></u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>High School Capital Project</u>	<u>ARRA</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 88,865,814	-	-	-	\$ 88,865,814
Excises	4,871,370	-	-	-	4,871,370
Penalties, interest and other taxes	1,158,215	-	-	-	1,158,215
Charges for services	2,323,991	-	-	3,056,679	5,380,670
Intergovernmental	165,798,004	-	12,368,129	31,955,767	210,121,900
Contributions and donations	-	-	-	879,804	879,804
Licenses and permits	1,106,041	-	-	-	1,106,041
Fines and forfeitures	1,485,286	-	-	-	1,485,286
Investment income	306,373	77,373	-	(433,074)	(49,328)
Miscellaneous	174,279	-	-	196,843	371,122
Total Revenues	<u>266,089,373</u>	<u>77,373</u>	<u>12,368,129</u>	<u>35,656,019</u>	<u>314,190,894</u>
Expenditures:					
Current:					
General government	19,747,594	-	-	312,205	20,059,799
Public safety	35,037,947	-	-	916,436	35,954,383
Education	125,762,958	8,533,972	12,368,129	24,199,105	170,864,164
Public works	10,670,864	-	-	4,786,394	15,457,258
Health and human services	1,062,042	-	-	2,883,496	3,945,538
Culture and recreation	1,279,177	-	-	1,005,676	2,284,853
Employee benefits	51,645,520	-	-	-	51,645,520
Debt service	12,721,928	-	-	-	12,721,928
Intergovernmental	1,651,218	-	-	-	1,651,218
Total Expenditures	<u>259,579,248</u>	<u>8,533,972</u>	<u>12,368,129</u>	<u>34,103,312</u>	<u>314,584,661</u>
Excess (deficiency) of revenues over expenditures	6,510,125	(8,456,599)	-	1,552,707	(393,767)
Other Financing Sources (Uses):					
Court judgment	-	1,700,000	-	-	1,700,000
Transfers in	250,171	-	-	1,104,913	1,355,084
Transfers out	(3,509,913)	-	-	(250,171)	(3,760,084)
Total Other Financing Sources (Uses)	<u>(3,259,742)</u>	<u>1,700,000</u>	<u>-</u>	<u>854,742</u>	<u>(705,000)</u>
Change in Fund Balance	3,250,383	(6,756,599)	-	2,407,449	(1,098,767)
Fund Balance, at Beginning of Year, as restated	<u>10,476,007</u>	<u>7,636,588</u>	<u>-</u>	<u>13,115,375</u>	<u>31,227,970</u>
Fund Balance, at End of Year	<u>\$ 13,726,390</u>	<u>\$ 879,989</u>	<u>\$ -</u>	<u>\$ 15,522,824</u>	<u>\$ 30,129,203</u>

See notes to financial statements.

CITY OF LYNN, 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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,098,767)						
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay purchases</td> <td style="width: 30%; text-align: right;">12,621,824</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,521,839)</td> </tr> <tr> <td>Loss on sale</td> <td style="text-align: right;">(289,016)</td> </tr> </table> 		Capital outlay purchases	12,621,824	Depreciation	(5,521,839)	Loss on sale	(289,016)
Capital outlay purchases	12,621,824						
Depreciation	(5,521,839)						
Loss on sale	(289,016)						
<ul style="list-style-type: none"> • 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. 185,588 							
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Repayments of debt</td> <td style="width: 30%; text-align: right;">8,802,000</td> </tr> <tr> <td>Proceeds of capital leases, net</td> <td style="text-align: right;">(1,452,791)</td> </tr> </table> 		Repayments of debt	8,802,000	Proceeds of capital leases, net	(1,452,791)		
Repayments of debt	8,802,000						
Proceeds of capital leases, net	(1,452,791)						
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (281,543) 							
<ul style="list-style-type: none"> • 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. 5,317,912 							
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities, such as certain employee benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Decrease in compensated absences liability</td> <td style="width: 30%; text-align: right;">588,995</td> </tr> <tr> <td>Increase in OPEB liability</td> <td style="text-align: right;">(17,987,516)</td> </tr> <tr> <td>Decrease in workers compensation liability</td> <td style="text-align: right;">366,471</td> </tr> </table> 		Decrease in compensated absences liability	588,995	Increase in OPEB liability	(17,987,516)	Decrease in workers compensation liability	366,471
Decrease in compensated absences liability	588,995						
Increase in OPEB liability	(17,987,516)						
Decrease in workers compensation liability	366,471						
<ul style="list-style-type: none"> • Reimbursements from the Massachusetts School Building Authority for principal payments on long-term debt provide current financial resources to governmental funds but have no effect on changes in net assets, therefore are excluded from net assets <u>(5,621,527)</u> 							
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(4,370,209)</u>						

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget			
Revenues and Other Sources:					
Taxes	\$ 88,770,403	\$ 88,770,403		\$ 88,770,403	\$ -
Excise	5,205,000	5,205,000		4,871,370	(333,630)
Penalties, interest and other taxes	1,028,000	1,028,000		1,158,215	130,215
Charges for services	2,309,000	2,309,000		2,323,991	14,991
Intergovernmental	159,745,819	157,030,430		145,447,814	(11,582,616)
Licenses and permits	1,495,000	1,495,000		1,106,041	(388,959)
Fines and forfeits	1,498,000	1,498,000		1,485,286	(12,714)
Investment income	740,019	740,019		306,373	(433,646)
Miscellaneous	16,000	16,000		174,279	158,279
Transfers in	62,649	250,171		250,171	-
Other sources: (free cash)	911,505	911,505		911,505	-
Total Revenues and Other Sources	261,781,395	259,253,528		246,805,448	(12,448,080)
Expenditures and Other Uses:					
General government	21,097,851	20,703,085		19,959,408	743,677
Public safety	36,609,152	35,713,467		35,288,573	424,894
Education	114,219,244	113,219,244		105,997,456	7,221,788
Public works	10,076,767	9,896,792		10,918,294	(1,021,502)
Health and human services	1,113,485	1,084,922		1,063,236	21,686
Culture and recreation	1,416,465	1,387,587		1,279,702	107,885
Debt service	13,236,734	13,236,734		12,977,860	258,874
Intergovernmental	2,085,216	2,085,216		1,651,218	433,998
Employee benefits	57,616,079	57,616,079		51,848,862	5,767,217
Transfers out	3,231,913	3,231,913		3,231,913	-
Other uses	1,078,489	1,078,489		1,078,489	-
Total Expenditures and Other Uses	261,781,395	259,253,528		245,295,011	13,958,517
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -		\$ 1,510,437	\$ 1,510,437

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	<u>Business-Type Activities Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Marina Fund</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>		
Current:		
Cash and short-term investments	\$ 136,756	\$ 7,676,890
User fees, net of allowance for uncollectibles	20,057	-
Inventory	14,660	-
Other assets	-	2,908,943
	<hr/>	<hr/>
Total current assets	171,473	10,585,833
Noncurrent:		
Capital assets, net of accumulated depreciation	1,697,499	-
	<hr/>	<hr/>
Total noncurrent assets	1,697,499	-
	<hr/>	<hr/>
TOTAL ASSETS	1,868,972	10,585,833
<u>LIABILITIES</u>		
Current:		
Accrued liabilities	31,951	2,907,317
Other current liabilities	151,000	4,763,855
Current portion of long-term liabilities:		
Bonds payable	185,759	-
	<hr/>	<hr/>
Total current liabilities	368,710	7,671,172
Noncurrent:		
Bonds payable, net of current portion	1,067,717	-
	<hr/>	<hr/>
Total noncurrent liabilities	1,067,717	-
	<hr/>	<hr/>
TOTAL LIABILITIES	1,436,427	7,671,172
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	676,739	-
Unrestricted	(244,194)	2,914,661
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 432,545	\$ 2,914,661
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Marina <u>Fund</u>	Internal Service <u>Fund</u>
Operating Revenues:		
Charges for services	\$ 723,916	\$ -
Employee and employer contributions	<u>-</u>	<u>41,890,506</u>
Total Operating Revenues	723,916	41,890,506
Operating Expenses:		
Personnel expenses	142,051	-
Non personnel expenses	430,792	-
Depreciation	75,370	-
Employee benefits	<u>-</u>	<u>38,977,594</u>
Total Operating Expenses	<u>648,213</u>	<u>38,977,594</u>
Operating income	75,703	2,912,912
Nonoperating Revenues (Expenses):		
Investment income	1,002	-
Interest expense	<u>(88,064)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(87,062)</u>	<u>-</u>
Transfers In	<u>-</u>	<u>2,405,000</u>
Change in net assets	(11,359)	5,317,912
Net Assets at Beginning of Year	<u>443,904</u>	<u>(2,403,251)</u>
Net Assets at End of Year	\$ <u><u>432,545</u></u>	\$ <u><u>2,914,661</u></u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u> Internal Service <u>Fund</u>
	Marina <u>Fund</u>	
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 703,859	\$ -
Payments to vendors and employees	(566,470)	-
Receipts from employees and employer	-	41,890,506
Payments of employee benefits and expenses	<u>-</u>	<u>(39,928,029)</u>
Net Cash Provided By Operating Activities	137,389	1,962,477
<u>Cash Flows From Noncapital Financing Activities:</u>		
Transfers in	<u>-</u>	<u>2,405,000</u>
Net Cash Provided by Noncapital Financing Activities	-	2,405,000
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Principal payments on bonds	(71,728)	-
Interest expense	<u>(88,064)</u>	<u>-</u>
Net Cash Used For Capital and Related Financing Activities	(159,792)	-
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>1,002</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>1,002</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(21,401)	4,367,477
Cash and Short-Term Investments, Beginning of Year	<u>158,157</u>	<u>3,309,413</u>
Cash and Short-Term Investments, End of Year	<u>\$ 136,756</u>	<u>\$ 7,676,890</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>		
Operating income	\$ 75,703	\$ 2,912,912
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	75,370	-
Changes in assets and liabilities:		
User fees	(20,057)	-
Inventory	3,669	-
Other assets	-	147,506
Accrued liabilities	2,704	(980,466)
Other liabilities	<u>-</u>	<u>(117,475)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 137,389</u>	<u>\$ 1,962,477</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2009

	Pension Trust Fund (As of <u>December 31, 2008</u>)	Agency Funds
<u>ASSETS</u>		
Cash and short term investments	\$ 3,156,932	\$ 326,606
Investments	147,057,010	-
Accounts receivable	<u>11,539,670</u>	<u>-</u>
Total Assets	161,753,612	326,606
 <u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>326,606</u>
Total Liabilities	<u>-</u>	<u>326,606</u>
 <u>NET ASSETS</u>		
Total net assets held in trust for pension benefits	\$ <u><u>161,753,612</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employers	\$ 20,743,750
Plan members	6,350,522
Other	2,138,438
Total contributions	<u>29,232,710</u>
Investment Income (Loss):	
Change in fair value of investments	(60,147,582)
Less: management fees	<u>(1,411,291)</u>
Net investment (loss)	<u>(61,558,873)</u>
Total additions	(32,326,163)
Deductions:	
Benefit payments to plan members and beneficiaries	28,593,871
Refunds to plan members	356,251
Transfers to other systems	379,635
Administrative expenses	<u>360,806</u>
Total deductions	<u>29,690,563</u>
Net (decrease)	(62,016,726)
Net assets:	
Beginning of year	<u>223,770,338</u>
End of year	<u>\$ 161,753,612</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Lynn (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 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 unit is blended within the primary government:

In the Fiduciary Funds: The Lynn 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 3 City Hall Square, Lynn, MA 01901.

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. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 or 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 is 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 funds:

- 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.
- The *high school capital project fund* is used to account for the financing and repairs at Lynn Classical High School
- The *ARRA (American Recovery and Reinvestment Act) fund* is used to account for the receipt and expenditure of federal "stimulus" funds awarded the community to replace some of the fiscal year 2009 Chapter 70 state aid reductions.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 funds:

- Seaport Marina Operations

The self-insured employee health program is 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 *Agency Fund* is used to account for student activity funds and police details. Agency funds report only assets and liabilities, and thus have no measurement focus.

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 are 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 ½" has limited 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 is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 5,687

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 “due from/to other funds” (i.e., the current portion of interfund loans).

H. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets 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 \$ 25,000 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Vehicles	8
Office equipment	5 - 10
Computer equipment	5 - 10
Infrastructure	10 - 20

J. 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.

K. 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.

L. 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.

M. 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 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 special town 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 and Proprietary Funds. 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 and proprietary funds 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.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 266,089,373	\$ 259,579,248
Other financing sources/uses (GAAP basis)	<u>250,171</u>	<u>3,509,913</u>
Subtotal (GAAP Basis)	266,339,544	263,089,161
Adjust tax revenue to accrual basis	(95,411)	
Reverse beginning of year appro- priation carryforwards from expenditures		(1,851,694)
Add end of year appropriation carryforwards to expenditures		3,351,313
To reverse the effect of non- budgeted State contributions for teachers retirement	(20,350,190)	(20,350,190)
To reverse the effect of short term interest accrual		(22,068)
Recognize use of fund balance and raising of prior year deficits	<u>911,505</u>	<u>1,078,489</u>
Budgetary basis	<u>\$ 246,805,448</u>	<u>\$ 245,295,011</u>

D. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice	\$ 1,817,242
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The appropriation deficit was funded on the fiscal year 2010 recap.

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2009:

Non-major Governmental Funds:	\$
Chapter 90	(1,946,193)
Byrne Grant	(7,720)
After School Meals	(11,640)
Mass Family Network	(19,436)
School Sale	(6,900)
Fire Detail	(14,602)
Electrical Detail	(7,860)
Teen Dating Violence Prevention	(11,706)
Early Childhood Allocation	(8,044)
Commonwealth Corp	(38,041)
Cemetary Capital Project	(987,927)

The deficits in these funds will be eliminated through future departmental or intergovernmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City and System do not have a deposit policy for custodial credit risk

As of June 30, 2009 and December 31, 2008, \$ 5,604,881 and \$ 3,032,042 of the City's and System's bank balances of \$ 51,906,091 and \$ 3,522,995 respectively, were exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's and System's name.

Of the System's total exposed balance, \$ 2,501,414 was invested in PRIT.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts

General Law, Chapter 44, Section 55, limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below are the City's investments at year end (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury notes	\$ 771
Corporate bonds	2,082
Corporate equities	1,292
Mutual funds	353
Federal agency securities	<u>749</u>
Total investments	\$ <u>5,247</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

In accordance with Chapter 32 Section 22 of the Massachusetts General Laws, the System has transferred its investments to the Commonwealth's PRIT fund because its funding ratio and rate of return in prior years has not met the standards established by PERAC.

Presented below are the investments of the Lynn Contributory Retirement System as of December 31, 2008 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Rating</u>
Corporate bonds	\$ 338	BAA3
Pooled funds	18,311	N/A
State investment pool*	<u>128,408</u>	N/A
Total investments	\$ <u>147,057</u>	

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and System do not have policies for custodial credit risk.

Of the System's investment in corporate bonds of \$ 337,537, Federal Agency Securities of \$ 268, and Pooled Funds of \$ 146,719,205, the system has a custodial credit risk exposure of \$ 147,057,010 because the related securities are uninsured, unregistered and held by the System's brokerage firm, which is also the Counterparty to these securities. The System manages this risk with SIPC, Excess SIPC and because the assets are held in separately identifiable trust accounts. Of the System's total exposure, \$ 128,407,652 is invested in the State Investment Pool.

All of the City's investment in Corporate bonds of \$ 2,082,220 are held in the government's name and therefore are not exposed to custodial credit risk.

C. Concentration of Credit Risk

The City and Contributory Retirement System do not have an investment in one issuer greater than 5% of total investments, other than U.S. Treasury Notes and PRIT.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do 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.

Information about the credit quality and sensitivity of the fair values of the City's investments subject to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>Average Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>	
<u>Debt Related Securities:</u>						
U.S. Treasury notes	\$ 771	\$ -	\$ 662	\$ 109	\$ -	Aaa
Corporate bonds	2,082	203	1,827	52	-	A1
Federal agency securities	749	-	-	111	638	Aaa
Total	\$ 3,602	\$ 203	\$ 2,489	\$ 272	\$ 638	

Information about the credit quality and sensitivity of the fair values of the Retirement System's investments subject to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Greater Than 10</u>
Debt Related Securities:					
Corporate bonds	\$ 338	\$ -	\$ -	\$ -	\$ 338
Total	\$ 338	\$ -	\$ -	\$ -	\$ 338

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City does not have a policy for foreign currency risk. The System's policy is that holdings in foreign issuers shall be limited to those denominated in U.S. dollars and listed and traded on major domestic exchanges.

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, 2009 consist of the following (in thousands):

Real Estate			
2009	\$	2659	
2008		11	
2007		5	
Prior		<u>9</u>	
			2,684
Personal Property			
2009	\$	57	
2008		35	
2007		22	
2006		26	
2005		27	
2004		173	
2003		167	
Prior		<u>686</u>	
			1,193
Tax Liens			1,380
Deferred Taxes			<u>537</u>
Total			<u>\$ 5,794</u>

6. Allowance for Doubtful Accounts

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

Property taxes	\$	1,476
Excises		3,282

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009. Of the \$ 34,224,954 of intergovernmental receivables, \$ 31,273,848 is due from the Massachusetts School Building Authority for reimbursement of school construction projects.

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 amount payable to the general fund from the school lunch fund relates to cash flow hardship, and is not scheduled to be collected in the subsequent year. The following is an analysis of the June 30, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 21,242	\$ -
Nonmajor Governmental Funds:		
Trust and Agency Funds:		
Library Trust Fund	-	21,242
	<u> </u>	<u> </u>
Total	<u>\$ 21,242</u>	<u>\$ 21,242</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 212,017	\$ 21,612	\$ (323)	\$ 233,306
Machinery, equipment, and furnishings	17,337	928	(2,013)	16,252
Land improvements	2,946	-	-	2,946
Infrastructure	14,266	1,173	-	15,439
Total capital assets, being depreciated	246,566	23,713	(2,336)	267,943
Buildings and improvements	(76,739)	(4,345)	48	(81,036)
Machinery, equipment, and furnishings	(14,481)	(705)	1,999	(13,187)
Land improvements	(1,495)	(110)	-	(1,605)
Infrastructure	(8,347)	(362)	-	(8,709)
Total accumulated depreciation	(101,062)	(5,522)	2,047	(104,537)
Total capital assets, being depreciated, net	145,504	18,191	(289)	163,406
Capital assets, not being depreciated:				
Land	7,182	-	-	7,182
Construction in progress	11,091	-	(11,091)	-
Total capital assets, not being depreciated	18,273	-	(11,091)	7,182
Governmental activities capital assets, net	<u>\$ 163,777</u>	<u>\$ 18,191</u>	<u>\$ (11,380)</u>	<u>\$ 170,588</u>

(continued)

(continued)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,043	\$ -	\$ -	\$ 2,043
Machinery, equipment, and furnishings	489	-	-	489
Land improvements	38	-	-	38
Infrastructure	<u>263</u>	<u>-</u>	<u>-</u>	<u>263</u>
Total capital assets, being depreciated	2,833	-	-	2,833
Less accumulated depreciation for:				
Buildings and improvements	(541)	(41)	-	(582)
Machinery, equipment, and furnishings	(402)	(8)	-	(410)
Land improvements	(39)	-	-	(39)
Infrastructure	<u>(79)</u>	<u>(26)</u>	<u>-</u>	<u>(105)</u>
Total accumulated depreciation	<u>(1,061)</u>	<u>(75)</u>	<u>-</u>	<u>(1,136)</u>
Total capital assets, being depreciated, net	<u>1,772</u>	<u>(75)</u>	<u>-</u>	<u>1,697</u>
Business-type activities capital assets, net	<u>\$ 1,772</u>	<u>\$ (75)</u>	<u>\$ -</u>	<u>\$ 1,697</u>

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

Governmental Activities:	
General government	\$ 1,019
Public safety	815
Education	3,039
Public works	461
Culture and recreation	<u>188</u>
Total depreciation expense - governmental activities	<u>\$ 5,522</u>
Business-Type Activities:	
Marina	\$ <u>75</u>
Total depreciation expense - business-type activities	<u>\$ 75</u>

10. Warrants and Accounts Payable

Warrants payable represent 2009 expenditures paid by July 15, 2009. Accounts payable represent additional 2009 expenditures paid after July 15, 2009.

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, 2009 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 tax payers for potential abatements. 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, 2009:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2009</u>
Bond Anticipation	2.38%	04/23/09	04/23/10	<u>5,000,000</u>
Total				<u>\$ 5,000,000</u>

The following summarizes activity in notes payable during fiscal year 2009 (in thousands):

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
City wide projects	\$ 5,000	\$ -	\$ (5,000)	\$ -
City wide projects	2,500	-	(2,500)	-
City wide projects	2,500	-	(2,500)	-
Cemetery	1,000	1,000	\$ (1,000)	1,000
High School	-	4,000	-	4,000
Total	<u>\$ 11,000</u>	<u>\$ 5,000</u>	<u>\$ (11,000)</u>	<u>\$ 5,000</u>

14. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2012. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2009:

2010	\$ 738,544
2011	679,974
2012	<u>460,677</u>
Total minimum lease payments	1,879,195
Less amount representing interest	<u>(94,929)</u>
Present Value of Minimum Lease Payments	\$ 1,784,266

15. 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 <u>Through</u>	Interest Rate(s)%	Amount Outstanding as of <u>June 30, 2009</u>
Police, Library	02/01/10	5.4	\$ 150,000
School Land acquisition	11/01/10	5.0 - 5.2	290,000
General Obligation bonds	01/15/11	3.5 - 5.0	2,110,000
Rooks Building ⁽¹⁾	07/25/11	3.7 - 5.8	66,000
RESCO General Obligation ⁽¹⁾	06/01/12	4.9 - 5.1	1,440,000
HUD 108 Note ⁽¹⁾	08/01/12	1.2 - 4.6	270,000
HUD 108 2004 A ⁽¹⁾	08/01/12	2.3 - 5.0	460,000
Lynn Arts CCMC ⁽¹⁾	07/25/16	4.9 - 6.6	330,000
School Project Loan	02/15/17	2.3 - 2.5	24,555,000
School Project Loan	08/15/17	2.3 - 4.2	16,490,000
School Project Loan	06/01/18	2.3 - 3.7	14,440,000
New Police Station	01/15/21	3.4 - 4.5	1,660,000
New Police Station	10/01/24	3.0 - 6.0	12,525,000
Police Station, Manning Field	03/01/26	4.0 - 6.0	5,765,000
Remodeling	07/15/27	4.0 - 6.0	<u>9,722,000</u>
Total Governmental Activities:			\$ <u>90,273,000</u>

(1) Repaid through CDBG program

(continued)

(continued)

Business-Type Activities:	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2009
Marina	02/01/14	7.0	\$ 1,017,760
Marina	04/14/26	4.5	<u>235,716</u>
Total Business-Type Activities:			\$ <u>1,253,476</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 9,594,000	\$ 4,369,754	\$ 13,963,754
2011	9,692,000	3,711,921	13,403,921
2012	8,807,000	3,281,747	12,088,747
2013	8,640,000	2,877,154	11,517,154
2014	8,765,000	2,454,601	11,219,601
2015-2019	34,810,000	5,911,492	40,721,492
2020-2024	7,980,000	1,273,591	9,253,591
2025-2029	<u>1,985,000</u>	<u>104,019</u>	<u>2,089,019</u>
Total	\$ <u>90,273,000</u>	\$ <u>23,984,279</u>	\$ <u>114,257,279</u>
<u>Business-Type</u>			
2010	\$ 185,759	\$ 81,654	\$ 267,413
2011	198,939	68,882	267,821
2012	213,050	55,198	268,248
2013	228,182	40,536	268,718
2014	244,386	24,828	269,214
2015-2019	65,790	34,210	100,000
2020-2024	82,356	17,644	100,000
2025-2028	<u>35,014</u>	<u>1,524</u>	<u>36,538</u>
Total	\$ <u>1,253,476</u>	\$ <u>324,476</u>	\$ <u>1,577,952</u>

The general fund has been designated as the source, except as noted on the previous page, to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2009.

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/2008</u> *	Additions	Reductions	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
Governmental Activities						
Bonds payable	\$ 89,353	\$ 9,722	\$ (8,802)	\$ 90,273	\$ (9,594)	\$ 80,679
Other:						
Capital leases	331	1,737	(284)	1,784	(709)	1,075
Accrued employee benefits	4,130	-	(589)	3,541	(354)	3,187
Workers compensation	5,240	-	(366)	4,874	(487)	4,387
OPEB	17,060	28,993	(11,005)	35,048	-	35,048
Totals	\$ <u>116,114</u>	\$ <u>40,452</u>	\$ <u>(21,046)</u>	\$ <u>135,520</u>	\$ <u>(11,144)</u>	\$ <u>124,376</u>
Business-Type Activities						
Bonds payable	\$ 1,325	\$ -	\$ (72)	\$ 1,253	\$ (186)	\$ 1,067
Totals	\$ <u>1,325</u>	\$ <u>-</u>	\$ <u>(72)</u>	\$ <u>1,253</u>	\$ <u>(186)</u>	\$ <u>1,067</u>

* As restated

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, 2009:

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

Reserved for Perpetual Permanent 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.

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 budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 10,375,077
Snow and ice deficit	1,817,242
Tax refund estimate	<u>592,834</u>
Statutory (UMAS) Balance	<u><u>\$ 12,785,153</u></u>

19. Subsequent Events

A. Debt

Subsequent to June 30, 2009, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation refunding bond	\$ 38,440,000	2.0 - 5.0%	09/22/09	12/01/17
General obligation BAN	4,000,000	3.50%	08/13/09	10/16/09
General obligation BAN	4,000,000	1.45 - 1.75%	10/16/09	10/15/10

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.

Lynn Classical High School The City of Lynn constructed a new high school on a former capped landfill site. The school has suffered structural damages resulting from shifting in the foundation slab and support system. Engineers believe repair to the existing structure can remediate the problem.

Costs needed for remediation are estimated at \$ 14 million including repairs, engineering, air quality monitoring, and costs of recovery from various parties participating in the design and construction.

The City has initiated claims for damages, and as of June 30, 2009 had received \$ 10.1 million in settlement claims.

21. Post-Employment Health Care and Life Insurance Benefits

During the year, the City implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2008 the actuarial

valuation date, approximately 2,020 retirees and 2,225 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute various amounts based on active blended rates of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2009 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2009 (in thousands):

Annual Required Contribution (ARC)	\$ 28,993
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	28,993
Contributions made	(11,005)
Increase in net OPEB obligation	17,988
Net OPEB obligation - beginning of year	17,060
Net OPEB obligation - end of year	\$ 35,048

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 28,993	37.96%	\$ 35,048

The City's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 450,682
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>450,682</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 149,762</u>
UAAL as a percentage of covered payroll	<u>300.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

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 Lynn Contributory Retirement System (LCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the LCRS. 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 LCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid.

The LCRS 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, 2008:

Retirees and beneficiaries receiving benefits	1,298
Inactive members	225
Active plan members	<u>1,385</u>
Total	<u><u>2,908</u></u>
Number of participating employers	3

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). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 14,054,394	100%
2004	14,693,491	100%
2005	16,354,707	100%
2006	17,501,805	100%
2007	18,282,652	100%
2008	19,500,000	100%
2009	20,700,000	100%

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 at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Lynn Contributory Retirement System's most recent valuation.

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
01/01/07	\$ 198,161	\$ 412,239	\$ 214,078	48.1%	\$ 67,206	318.5%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 412 million was calculated. The actuarial assumptions included (a) 8.25% investment rate of return and (b) a projected salary increase of 4.75%, 5.00%, and 5.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3.0%, on the first \$ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return.

An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2008, the unfunded actuarially accrued liability is being amortized over 18 years using an open group method which assumes a 4.5% per year increase in payroll.

E. 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.

The City's current year covered payroll for teachers and administrators was \$ 75,063,208.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 20,350,190 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 workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

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 \$ 1,800,000 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, 2009 are as follows:

	<u>Heath Coverage</u>
Claims liability, July 1, 2008	\$ 3,887,783
Claims incurred/recognized in fiscal year 2009	37,996,723
Claims paid in fiscal year 2009	<u>(38,977,189)</u>
Claims liability, June 30, 2009	<u>\$ 2,907,317</u>

The \$ 2,907,317 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The City is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

24. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Beginning Fund Balance Net Assets Restatement/Reclassification

The beginning (July 1, 2008) fund balances of the City have been restated as follows (in thousands):

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 120,525
Correct prior year workers compensation	(4,682)
As restated	<u>\$ 115,843</u>

Fund Basis Financial Statements:

	<u>Governmental Funds</u>		
	<u>City Wide Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
As previously reported	\$ 250	\$ 12,865	\$ 13,115
Reclass major funds	<u>(250)</u>	<u>250</u>	<u>-</u>
As restated	<u>\$ -</u>	<u>\$ 13,115</u>	<u>\$ 13,115</u>

CITY OF LYNN, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009
(Unaudited)
(Amounts Expressed in thousands)

Employee's Retirement System

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 Percent- age of Covered Payroll [(b-a)/c]
1/1/07	\$ 198,161	\$ 412,239	\$ 214,078	48.07%	\$ 67,206	318.5%
1/1/06	\$ 186,959	\$ 400,013	\$ 213,054	46.74%	\$ 65,445	325.5%
1/1/04	\$ 178,523	\$ 351,319	\$ 172,796	50.82%	\$ 63,051	274.1%
1/1/02	\$ 166,986	\$ 317,253	\$ 150,267	52.63%	\$ 66,008	227.6%
1/1/00	\$ 168,280	\$ 278,031	\$ 109,751	60.53%	\$ 58,954	186.2%
1/1/98	\$ 109,786	\$ 200,056	\$ 90,270	54.88%	\$ 47,985	188.1%

Other Post-Employment Benefits
(Amounts Expressed in thousands)

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 Percent- age of Covered Payroll [(b-a)/c]
06/30/08	\$ -	\$ 450,682	\$ 450,682	0.0%	\$ 149,762	300.9%

See Independent Auditors' Report.