

CITY OF LYNN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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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, 2011, (except for the Lynn Contributory Retirement System which is as of and for the year ended December 31, 2010) which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of 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, 2011, (except the Lynn Contributory Retirement System which is as of December 31, 2010), 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.

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

The Management's Discussion and Analysis appearing on the following pages, and the supplementary information appearing on page 57, 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 June 29, 2012 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
June 29, 2012

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, 2011.

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 \$ 107,993,711 (i.e., net assets), a change of \$ (318,579) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 53,564,224 a change of \$ 14,174,612 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 20,915,426, a change of \$ 4,886,026 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 78,142,773 a change of \$ (6,887,029) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 92,672	\$ 91,413	\$ 136	\$ 148	\$ 92,808	\$ 91,561
Noncurrent assets	18,664	22,888	-	-	18,664	22,888
Capital assets	176,207	173,951	1,547	1,622	177,754	175,573
Total assets	<u>287,543</u>	<u>288,252</u>	<u>1,683</u>	<u>1,770</u>	<u>289,226</u>	<u>290,022</u>
Long-term liabilities outstanding	162,529	151,206	1,146	1,156	163,675	152,362
Other liabilities	17,282	29,167	276	181	17,558	29,348
Total liabilities	<u>179,811</u>	<u>180,373</u>	<u>1,422</u>	<u>1,337</u>	<u>181,233</u>	<u>181,710</u>
Net assets:						
Invested in capital assets, net	121,131	116,285	617	693	121,748	116,978
Restricted	30,087	21,433	-	-	30,087	21,433
Unrestricted	(43,486)	(29,839)	(356)	(260)	(43,842)	(30,099)
Total net assets	<u>\$ 107,732</u>	<u>\$ 107,879</u>	<u>\$ 261</u>	<u>\$ 433</u>	<u>\$ 107,993</u>	<u>\$ 108,312</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,926	\$ 8,899	\$ 478	\$ 607	\$ 9,404	\$ 9,506
Operating grants and contributions	179,477	179,080	-	-	179,477	179,080
Capital grants and contributions	1,026	1,235	-	-	1,026	1,235
General revenues:						
Property taxes	97,083	92,928	-	-	97,083	92,928
Excises	4,873	4,153	-	-	4,873	4,153
Penalties and interest on taxes	1,163	1,176	-	-	1,163	1,176
Grants and contributions not restricted to specific programs	27,023	28,107	-	-	27,023	28,107
Investment income	145	546	-	-	145	546
Other	1,372	863	-	12	1,372	875
	<u>321,088</u>	<u>316,987</u>	<u>478</u>	<u>619</u>	<u>321,566</u>	<u>317,606</u>
Total revenues						
Expenses:						
General government	19,553	20,598	-	-	19,553	20,598
Public safety	35,334	35,715	-	-	35,334	35,715
Education	162,563	159,062	-	-	162,563	159,062
Public works	16,667	17,649	-	-	16,667	17,649
Human services	3,016	4,101	-	-	3,016	4,101
Culture and recreation	1,166	2,135	-	-	1,166	2,135
Employee benefits	79,671	79,361	-	-	79,671	79,361
Interest on long-term debt	1,148	1,061	-	-	1,148	1,061
Intergovernmental	2,117	2,085	-	-	2,117	2,085
Marina	-	-	650	619	650	619
	<u>321,235</u>	<u>321,767</u>	<u>650</u>	<u>619</u>	<u>321,885</u>	<u>322,386</u>
Total expenses						
Decrease in net assets	(147)	(4,780)	(172)	-	(319)	(4,780)
Net assets - beginning of year (as restated)	<u>107,879</u>	<u>112,659</u>	<u>433</u>	<u>433</u>	<u>108,312</u>	<u>113,092</u>
Net assets - end of year	<u>\$ 107,732</u>	<u>\$ 107,879</u>	<u>\$ 261</u>	<u>\$ 433</u>	<u>\$ 107,993</u>	<u>\$ 108,312</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 \$ 107,993,711, a change of \$ (318,579) from the prior year.

The largest portion of net assets \$ 121,748,320 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, \$ 30,087,461, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ (43,842,070), results in a deficit.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (146,849). Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 4,150
Non-major funds revenues in excess of expenditures	10,025
Internal service fund expenditures in excess of revenues	(969)
Capital assets obtained from current year revenues	8,535
Massachusetts School Building Authority principal payment received in current year, however recognized in prior years	(7,286)
Principal debt service in excess of depreciation expense	3,532
Decrease in workers compensation liability over prior year	3,190
Increase in OPEB liability over prior year	(22,335)
Other	<u>1,011</u>
Total	<u>\$ (147)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (171,730) primarily due to accrued interest and depreciation expenses.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 53,564,224, an increase of \$ 14,174,612 in comparison to the prior year. Key elements of this increase are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 3,735
Non-major capital project fund expenditures in excess of revenues	(1,723)
Capital project related bond proceeds	3,000
Special revenue fund revenues in excess of expenditures due to unspent grant proceeds	9,098
Trust fund gain on investments	53
Transfers, net	<u>12</u>
Total	<u>\$ 14,175</u>

In fiscal year 2011, the City implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in the stabilization funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 20,915,426, while total fund balance was \$ 24,841,860. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below (in thousands).

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 20,915	\$ 16,029	\$ 4,886	7.7%
Total fund balance	24,842	20,692	4,150	9.1%

The total fund balance of the general fund changed by \$ 4,149,912 during the current fiscal year. Key factors in this change are as follows (in thousands):

Prior year deficits raised in current year	\$ 1,036
Revenues less than budget	(43)
Expenditures less than budget	320
Current year encumbrances in excess of prior year	1,191
Excess tax collections	<u>1,646</u>
Total	<u>\$ 4,150</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 \$ (356,009), a decrease of \$ (96,360) in comparison to 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 \$ 271,539. Major reasons for these amendments include:

- \$ 100,000 Additional workers compensation appropriations
- \$ 50,760 Additional parking appropriations
- \$ 109,609 Additional inspectional services appropriations
- \$ 11,170 Additional police department appropriations

The increases were all funded from transfers from related special revenue funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 177,753,388 (net of accumulated depreciation), an increase of \$ 2,179,782 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):

New school equipment	\$ 1,949
Repair of Lynn Classical High School	1,704
Park improvements	1,124
School building repairs	871
New public safety vehicles	748
Infrastructure improvements	653
Street lighting improvements	652
City Hall elevator replacement	224
City building improvements	206
New public safety equipment	159
Other	245
Depreciation	<u>(6,355)</u>
Total	<u>\$ 2,180</u>

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 78,142,773, 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 2011 marked ongoing forward momentum in the area of economic development as the City continues implementation findings and goals of recently completed economic development strategies. Most notably, we have completed and adopted our Waterfront Master Plan; and while the City awaits the approval and acceptance of our Master Harbor Plan, we are encouraged by what the future holds. The adoption and progressive implementation of these two strategic plans will enable the City of Lynn to chart a positive economic direction for not only the next twenty to thirty years but also for generations to come.

The relocation of the National Grid Power Lines bisecting our waterfront, the singular reason for underutilized development activity over the past 50 years, has been addressed. The significance of this public/private project is substantial; over 220 acres of undeveloped waterfront property is now fully capable of new higher and better future reuse. Furthermore, the City is pleased to report the power line relocation was completed on time and under budget. As noted earlier, the City has well position itself for future development by adopting local changes in zoning-by-right opportunities. These new ordinances will enable future

development and developers the proper tools in which to rapidly advance the shared community goal of a vibrant mixed use waterfront.

With regard to the economic State of the City, this past calendar year's most pressing concern revolves around higher than normal unemployment; a trend shared not only by the City of Lynn and the Commonwealth, but also our Nation as a whole. Furthermore, the City is concerned regarding the prospect of a prolonged double dip recession and continued slow economic growth. The City remains in and around the 9 to 10 percent unemployment rate, the third year above 8% when comparing unemployment in calendar year 2008 of 7.6%. The City is encouraged to see the jobs market slowly improve; we are hopeful to see the unemployment number return to prerecession percentages. On a more positive note, investment by the federal government in the aircraft engine division produced positive economic news for this division of the General Electric Company, Lynn's largest single employer. Additionally, the City has recently become involved with the Commonwealth to work together with GE to begin the process of improving infrastructure at the Lynn plant in hopes to stabilize and grow new manufacturing jobs at the Lynn Facility. Also, steps are being taken to address the former "factory of the future" manufacturing site in hopes to provided long-term future reuse.

The Central Sq. area of the City continued to see a renaissance and resurgence as the number of retail/commercial businesses take hold and activity increases. The Mount Vernon reconstruction and street scape project is near completion providing new lighting as well as aesthetic enhancements in our downtown by the end of 2012. As reported in the past, the City continues to support downtown revival. To date, over 250 new residents call downtown home, and this marks the halfway point in the City's goal to create 400 new units in the center of the City. Additional efforts by the Mayor and her economic development team are hoping to spur even more new growth and opportunities which will, in the end, reach the critical mass of activity to sustain a vibrant downtown. To further assist this goal the City has launched with overwhelming support the establishment of centralized arts and cultural district recently recognized by the Commonwealth. This effort has help organize and produce tangible results in improving the quality of life in our downtown area.

Another positive trend in the City's downtown was the growth of the healthcare industry within this compressed geographical area. 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 project nearing completion will create in excess of 100 jobs and invest \$ 6 million dollars in new infrastructure in the downtown. Additionally, 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 remains an issue of concern for the upcoming fiscal year. As of 2011, over 350 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. On a more positive note, as affordable housing opportunities and increasing rental costs 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 relighting along the downtown linear spine of Union, Exchange and Broad Streets. Additional relighting projects located on Monroe Street and a revitalization project planned for leased 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 2011 will bring about an additional \$ 1,000,000 via CDBG and EDIC funds. Further beautification projects have been launched in collaboration with the City which has produced new murals and artwork in our public places downtown. The trend of social media acceptance and communication is linking public and private sector parties in mutual beneficial project for the City.

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 2011, as mentioned previously, the new arts and cultural initiative should encourage additional growth in the creative economy sector and positive impression of our downtown. To help cement this objective, the Economic Development Corporation of Lynn has purchased a dilapidated building in the downtown with the hope to convert the building into artist work/live space. 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.

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 2011.

In 2011, EDIC will submit and will hopefully be awarded Federal grants/ assistance 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

<u>FY</u>	<u>Commercial</u>	<u>% Chg</u>	<u>Total All Classes</u>	<u>% Chg</u>
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%	5,246,831,500	-6.5%
2011	433,672,455	-6.6%	5,261,064,310	0.3%

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 equitable 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.

City of Lynn

<u>FY</u>	<u>Avg Value</u>	<u>% Chg</u>	<u>Calendar Year</u>	<u>Median Sale Price</u>	<u>% Chg</u>
1999	\$ 111,459	12.9%	1999	\$ 135,000	16.2%
2000	124,571	11.8%	2000	155,000	19.0%
2001	139,174	11.7%	2001	184,900	18.8%
2002	168,817	21.3%	2002	226,500	28.9%
2003	198,415	17.5%	2003	250,000	9.3%
2004	229,600	15.7%	2004	269,900	4.6%
2005	256,992	11.9%	2005	290,000	6.8%
2006	276,031	7.4%	2006	283,000	-3.0%
2007	286,007	3.6%	2007	259,000	-10.3%
2008	286,002	0.0 %	2008	206,000	-23.1%
2009	260,462	-11.2%	2009	196,000	-20.6%
2010	223,153	-14.3%	2010	194,000	-1.0%
2011	223,882	0.3%	2011	175,000	-9.8%

Source: a) Mass. Dept. of Revenue
b) Town Stats, the Warren Group
Information is based on Single Family Homes

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, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 60,056,006	\$ 76,210	\$ 60,132,216
Investments	6,437,522	-	6,437,522
Receivables, net of allowance for uncollectibles:			
Property taxes	4,447,911	-	4,447,911
Excises	1,863,691	-	1,863,691
Departmental and other	6,137,422	23,903	6,161,325
Intergovernmental	11,005,059	-	11,005,059
Other assets	2,725,000	36,113	2,761,113
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	18,408,894	-	18,408,894
Property taxes	255,102	-	255,102
Capital assets, non-depreciable	8,369,202	-	8,369,202
Capital assets, depreciable, net of accumulated depreciation	<u>167,837,427</u>	<u>1,546,759</u>	<u>169,384,186</u>
TOTAL ASSETS	287,543,236	1,682,985	289,226,221
LIABILITIES			
Current:			
Warrants payable	3,040,620	-	3,040,620
Accounts payable	1,445,520	-	1,445,520
Accrued liabilities	7,673,537	125,137	7,798,674
Tax refunds payable	64,945	-	64,945
Other current liabilities	5,057,159	151,000	5,208,159
Current portion of long-term liabilities:			
Bonds payable	9,082,000	490,046	9,572,046
Other liabilities	1,331,074	-	1,331,074
Noncurrent:			
Bonds payable, net of current portion	67,915,000	655,727	68,570,727
Other liabilities, net of current portion	5,517,795	-	5,517,795
Net OPEB obligation	<u>78,682,950</u>	<u>-</u>	<u>78,682,950</u>
TOTAL LIABILITIES	179,810,600	1,421,910	181,232,510
NET ASSETS			
Invested in capital assets, net of related debt	121,131,236	617,084	121,748,320
Restricted for:			
Grants and other statutory restrictions	23,737,205	-	23,737,205
Permanent funds:			
Nonexpendable	6,115,978	-	6,115,978
Expendable	234,278	-	234,278
Unrestricted	<u>(43,486,061)</u>	<u>(356,009)</u>	<u>(43,842,070)</u>
TOTAL NET ASSETS	\$ <u>107,732,636</u>	\$ <u>261,075</u>	\$ <u>107,993,711</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	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	\$ 19,553,166	\$ 2,576,173	\$ 311,109	\$ -	\$ (16,665,884)	\$ -	\$ (16,665,884)
Public safety	35,334,017	1,140,858	3,175,097	-	(31,018,062)	-	(31,018,062)
Education	162,562,659	573,354	168,252,237	-	6,262,932	-	6,262,932
Public works	16,667,372	2,978,306	4,308,511	1,026,039	(8,354,516)	-	(8,354,516)
Health and human services	3,016,295	618,215	2,247,973	-	(150,107)	-	(150,107)
Culture and recreation	1,166,374	1,039,705	602,025	-	475,356	-	475,356
Employee benefits	79,670,802	-	579,676	-	(79,091,126)	-	(79,091,126)
Interest	1,147,604	-	-	-	(1,147,604)	-	(1,147,604)
Intergovernmental	2,116,730	-	-	-	(2,116,730)	-	(2,116,730)
Total Governmental Activities	321,235,019	8,926,611	179,476,628	1,026,039	(131,805,741)	-	(131,805,741)
Business-Type Activities:							
Marina services	650,087	478,284	-	-	-	(171,803)	(171,803)
Total Business-Type Activities	650,087	478,284	-	-	-	(171,803)	(171,803)
Total	\$ 321,885,106	\$ 9,404,895	\$ 179,476,628	\$ 1,026,039	(131,805,741)	(171,803)	(131,977,544)
General Revenues:							
Property taxes					97,083,437	-	97,083,437
Excises					4,872,851	-	4,872,851
Penalties, interest and other taxes					1,163,185	-	1,163,185
Grants and contributions not restricted to specific programs					27,022,674	-	27,022,674
Investment income					144,659	73	144,732
Other					1,372,086	-	1,372,086
Total general revenues					131,658,892	73	131,658,965
Change in Net Assets					(146,849)	(171,730)	(318,579)
Net Assets:							
Beginning of year					107,879,485	432,805	108,312,290
End of year					\$ 107,732,636	\$ 261,075	\$ 107,993,711

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 28,869,345	\$ 21,724,139	\$ 50,593,484
Investments	-	6,437,522	6,437,522
Receivables:			
Property taxes	6,318,443	-	6,318,443
Excises	6,160,193	-	6,160,193
Departmental and other	812,075	5,325,347	6,137,422
Intergovernmental	-	7,492,346	7,492,346
Due from other funds	<u>27,970</u>	<u>-</u>	<u>27,970</u>
TOTAL ASSETS	\$ <u>42,188,026</u>	\$ <u>40,979,354</u>	\$ <u>83,167,380</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 1,637,503	\$ 1,403,117	\$ 3,040,620
Accounts Payable	1,133,676	311,844	1,445,520
Accrued liabilities	2,220,027	-	2,220,027
Deferred revenues	12,256,604	10,514,059	22,770,663
Tax refunds payable	64,945	-	64,945
Due to other funds	-	27,970	27,970
Other liabilities	<u>33,411</u>	<u>-</u>	<u>33,411</u>
TOTAL LIABILITIES	17,346,166	12,256,990	29,603,156
Fund Balances:			
Nonspendable	-	6,115,978	6,115,978
Restricted	-	23,971,483	23,971,483
Assigned	3,926,434	-	3,926,434
Unassigned	<u>20,915,426</u>	<u>(1,365,097)</u>	<u>19,550,329</u>
TOTAL FUND BALANCES	<u>24,841,860</u>	<u>28,722,364</u>	<u>53,564,224</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>42,188,026</u>	\$ <u>40,979,354</u>	\$ <u>83,167,380</u>

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, 2011

Total governmental fund balances	\$ 53,564,224
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	176,206,629
<ul style="list-style-type: none">• 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.	21,921,607
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	16,858,731
<ul style="list-style-type: none">• 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.	2,445,391
<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.	(735,127)
<ul style="list-style-type: none">• 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.	(78,682,950)
<ul style="list-style-type: none">• 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>(83,845,869)</u>
Net assets of governmental activities	<u>\$ 107,732,636</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, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 96,808,212	\$ -	\$ 96,808,212
Excises	4,741,390	-	4,741,390
Penalties, interest and other taxes	1,163,185	-	1,163,185
Charges for services	2,225,807	3,393,327	5,619,134
Intergovernmental	167,452,646	46,659,036	214,111,682
Contributions and donations	-	672,090	672,090
Licenses and permits	1,507,048	-	1,507,048
Fines and forfeitures	1,531,597	-	1,531,597
Investment income	76,485	68,174	144,659
Miscellaneous	209,941	875,472	1,085,413
Total Revenues	<u>275,716,311</u>	<u>51,668,099</u>	<u>327,384,410</u>
Expenditures:			
Current:			
General government	17,069,595	1,593,102	18,662,697
Public safety	34,007,139	1,778,344	35,785,483
Education	133,351,844	30,665,642	164,017,486
Public works	10,683,114	7,282,851	17,965,965
Health and human services	1,032,233	1,982,382	3,014,615
Culture and recreation	1,132,195	937,197	2,069,392
Employee benefits	59,567,161	-	59,567,161
Debt service	13,021,439	-	13,021,439
Intergovernmental	2,116,730	-	2,116,730
Total Expenditures	<u>271,981,450</u>	<u>44,239,518</u>	<u>316,220,968</u>
Excess (deficiency) of revenues over expenditures	3,734,861	7,428,581	11,163,442
Other Financing Sources (Uses):			
Bond proceeds	-	3,000,000	3,000,000
Proceeds of refunding	11,200,000	-	11,200,000
Refunding premium	65,000	-	65,000
Payment to escrow agent	(11,265,000)	-	(11,265,000)
Transfers in	427,332	12,281	439,613
Transfers out	(12,281)	(416,162)	(428,443)
Total Other Financing Sources (Uses)	<u>415,051</u>	<u>2,596,119</u>	<u>3,011,170</u>
Change in Fund Balance	4,149,912	10,024,700	14,174,612
Fund Balance, at Beginning of Year	<u>20,691,948</u>	<u>18,697,664</u>	<u>39,389,612</u>
Fund Balance, at End of Year	<u>\$ 24,841,860</u>	<u>\$ 28,722,364</u>	<u>\$ 53,564,224</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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 14,174,612																										
<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: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">8,535,394</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,280,242)</td> </tr> </table> • 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">(156,332)</td> </tr> </table> • 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: 40px;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="width: 20%; text-align: right;">9,877,000</td> </tr> <tr> <td>Proceeds of notes</td> <td style="text-align: right;">(3,000,000)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">221,667</td> </tr> <tr> <td>Payments of capital leases, net</td> <td style="text-align: right;">875,425</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">158,701</td> </tr> </table> • 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">(969,457)</td> </tr> </table> • 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: 40px;"> <tr> <td style="width: 80%;">Increase in compensated absences liability</td> <td style="width: 20%; text-align: right;">(151,817)</td> </tr> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;">(22,335,219)</td> </tr> <tr> <td>Decrease in workers compensation liability</td> <td style="text-align: right;">3,189,866</td> </tr> </table> • 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;"><u>(4,286,447)</u></td> </tr> </table> 		Capital outlay purchases	8,535,394	Depreciation	(6,280,242)		(156,332)	Repayments of debt	9,877,000	Proceeds of notes	(3,000,000)	Amortization of bond premium	221,667	Payments of capital leases, net	875,425		158,701		(969,457)	Increase in compensated absences liability	(151,817)	Increase in net OPEB obligation	(22,335,219)	Decrease in workers compensation liability	3,189,866		<u>(4,286,447)</u>
Capital outlay purchases	8,535,394																										
Depreciation	(6,280,242)																										
	(156,332)																										
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Decrease in workers compensation liability	3,189,866																										
	<u>(4,286,447)</u>																										
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(146,849)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 95,161,972	\$ 95,161,972	\$ 95,161,972	\$ -
Excise	4,652,100	4,652,100	4,741,390	89,290
Penalties, interest and other taxes	1,167,000	1,167,000	1,163,185	(3,815)
Charges for services	2,428,150	2,428,150	2,225,807	(202,343)
Intergovernmental	142,923,570	142,923,570	142,561,789	(361,781)
Licenses and permits	1,574,000	1,574,000	1,507,048	(66,952)
Fines and forfeits	1,334,500	1,334,500	1,531,597	197,097
Investment income	137,000	137,000	76,485	(60,515)
Miscellaneous	-	-	209,941	209,941
Transfers in	-	271,539	427,332	155,793
Total Revenues and Other Sources	249,378,292	249,649,831	249,606,546	(43,285)
Expenditures and Other Uses:				
General government	19,059,573	18,358,947	17,493,605	865,342
Public safety	33,664,361	34,028,973	33,793,945	235,028
Education	109,819,167	109,819,167	109,114,245	704,922
Public works	8,825,158	9,000,038	10,950,094	(1,950,056)
Health and human services	1,091,272	1,108,323	1,033,378	74,945
Culture and recreation	1,193,977	1,242,074	1,133,731	108,343
Debt service	13,363,027	13,363,027	13,021,439	341,588
Intergovernmental	2,073,930	2,073,930	2,116,730	(42,800)
Employee benefits	59,252,182	59,619,707	59,624,815	(5,108)
Transfers out	-	-	12,281	(12,281)
Other uses	1,035,645	1,035,645	1,035,645	-
Total Expenditures and Other Uses	249,378,292	249,649,831	249,329,908	319,923
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 276,638	\$ 276,638

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-Type Activities <u>Enterprise Fund</u>	Governmental <u>Activities</u>
	Marina <u>Fund</u>	Internal Service <u>Fund</u>
<u>ASSETS</u>		
Current:		
Cash and short-term investments	\$ 76,210	\$ 9,462,522
User fees, net of allowance for uncollectibles	23,903	-
Inventory	36,113	-
Other assets	<u>-</u>	<u>2,725,000</u>
Total current assets	136,226	12,187,522
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>1,546,759</u>	<u>-</u>
Total noncurrent assets	<u>1,546,759</u>	<u>-</u>
TOTAL ASSETS	1,682,985	12,187,522
<u>LIABILITIES</u>		
Current:		
Accrued liabilities	125,137	4,718,383
Other current liabilities	151,000	5,023,748
Current portion of long-term liabilities: Bonds payable	<u>490,046</u>	<u>-</u>
Total current liabilities	766,183	9,742,131
Noncurrent:		
Bonds payable, net of current portion	<u>655,727</u>	<u>-</u>
Total noncurrent liabilities	<u>655,727</u>	<u>-</u>
TOTAL LIABILITIES	1,421,910	9,742,131
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	617,084	-
Unrestricted	<u>(356,009)</u>	<u>2,445,391</u>
TOTAL NET ASSETS	<u>\$ 261,075</u>	<u>\$ 2,445,391</u>

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, 2011

	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	\$ 478,284	\$ -
Employee and employer contributions	<u>-</u>	<u>42,672,799</u>
Total Operating Revenues	478,284	42,672,799
Operating Expenses:		
Personnel expenses	144,985	-
Non personnel expenses	324,733	-
Depreciation	75,370	-
Employee benefits	<u>-</u>	<u>43,631,086</u>
Total Operating Expenses	<u>545,088</u>	<u>43,631,086</u>
Operating loss	(66,804)	(958,287)
Nonoperating Revenues (Expenses):		
Investment income	73	-
Interest expense	<u>(104,999)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(104,926)</u>	<u>-</u>
Transfers Out	<u>-</u>	<u>(11,170)</u>
Change in net assets	(171,730)	(969,457)
Net Assets at Beginning of Year	<u>432,805</u>	<u>3,414,848</u>
Net Assets at End of Year	<u>\$ 261,075</u>	<u>\$ 2,445,391</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Marina <u>Fund</u>	Internal Service <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 468,052	\$ -
Payments to vendors and employees	(375,859)	-
Receipts from employees and employer	-	42,672,799
Payments of employee benefits and expenses	<u>-</u>	<u>(42,802,898)</u>
Net Cash Provided By Operating Activities	92,193	(130,099)
<u>Cash Flows From Noncapital Financing Activities:</u>		
Transfers out	<u>-</u>	<u>(11,170)</u>
Net Cash Provided by Noncapital Financing Activities	-	(11,170)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Principal payments on bonds	(10,029)	-
Interest expense	<u>(104,999)</u>	<u>-</u>
Net Cash Used For Capital and Related Financing Activities	(115,028)	-
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>73</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>73</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(22,762)	(141,269)
Cash and Short-Term Investments, Beginning of Year	<u>98,972</u>	<u>9,603,791</u>
Cash and Short-Term Investments, End of Year	<u>\$ 76,210</u>	<u>\$ 9,462,522</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>		
Operating loss	\$ (66,804)	\$ (958,287)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	75,370	-
Changes in assets and liabilities:		
User fees	(10,232)	-
Inventory	(1,169)	-
Accrued liabilities	95,028	908,516
Other liabilities	<u>-</u>	<u>(80,328)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 92,193</u>	<u>\$ (130,099)</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011

	Pension Trust Fund (As of <u>December 31, 2010</u>)	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short term investments	\$ 2,264,061	\$ 461,313
Investments	196,417,229	-
Accounts receivable	<u>838,480</u>	<u>-</u>
Total Assets	199,519,770	461,313
 <u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>461,313</u>
Total Liabilities	<u>-</u>	<u>461,313</u>
 <u>NET ASSETS</u>		
Total net assets held in trust for pension benefits	<u>\$ 199,519,770</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, 2010

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employers	\$ 23,500,000
Plan members	6,216,348
Other	<u>1,424,564</u>
Total contributions	31,140,912
Investment Income (Gain):	
Change in fair value of investments	24,069,083
Less: management fees	<u>(1,115,452)</u>
Net investment (gain)	<u>22,953,631</u>
Total additions	54,094,543
Deductions:	
Benefit payments to plan members and beneficiaries	30,469,500
Refunds to plan members	450,363
Transfers to other systems	268,785
Administrative expenses	<u>326,904</u>
Total deductions	<u>31,515,552</u>
Net increase	22,578,991
Net assets:	
Beginning of year	<u>176,940,779</u>
End of year	<u><u>\$ 199,519,770</u></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 is 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major proprietary 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 2011 tax levy reflected an excess capacity of \$ 26,277.

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

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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 to 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)	\$ 275,716,311	\$ 271,981,450
Other financing sources/uses (GAAP Basis)	<u>11,692,332</u>	<u>11,277,281</u>
Subtotal (GAAP Basis)	287,408,643	283,258,731

(continued)

(continued)

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Adjust tax revenue to accrual basis	(1,646,240)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,735,045)
Add end-of-year appropriation carryforwards from expenditures	-	3,926,434
To reverse the effect of non- budgeted State contributions for teachers retirement	(24,890,857)	(24,890,857)
To reverse the effect of refunding bond proceeds	(11,265,000)	(11,265,000)
Recognize use of fund balance as funding source	-	1,035,645
Budgetary Basis	<u>\$ 249,606,546</u>	<u>\$ 249,329,908</u>

D. Excess of Expenditures Over Appropriations

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

Snow and ice	\$ 2,067,670
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The appropriation deficit was funded on the fiscal year 2011 recap.

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2011:

Non-major Governmental Funds:	
Chapter 90	\$ (1,169,253)
Early Childhood SPED Stimulus	(76,122)
Title I Dissemination	(31,464)
License Plate Reader	(18,945)
After School Meals	(11,640)
CFCE	(10,130)
Curriculum, Instruction, Assessment	(9,722)
Commonwealth Corp	(8,992)
Byrne Grant	(7,720)
School Sale	(6,900)
Dept Support Incentive Grant	(5,900)
Mass Family Network	(5,301)
School Achievement	(1,995)
Agency Funds:	
Police Detail	(13,827)
Division of Fish & Wildlife	(10,658)
Fire Detail	(3,745)
Electrical Detail	(986)

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, 2011 and December 31, 2010, \$ 20,551,809 and \$ 1,250,453 of the City's and System's bank balances of \$ 71,865,996 and \$ 2,720,924 respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

Of the System's total exposed balance, \$ 1,250,453 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	\$ 1,565
Corporate bonds	2,307
Corporate equities	1,524
Mutual funds	632
Federal agency securities	410
Total investments	<u>\$ 6,438</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, 2010 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
Pooled funds	\$ 16,235
State investment pool*	<u>180,182</u>
Total investments	<u>\$ 196,417</u>

These investment types are not rated.

**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.

The System's investments of \$ 196,417,229 were exposed to custodial credit risk because the related securities are uninsured, unregistered, or 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, \$ 180,18,211 is invested in the State Investment Pool (PRIT).

Of the City's investment of \$ 6,437,522, the government has a custodial credit risk exposure of \$ 6,437,522 because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is also the Counterparty to these securities. The City manages this custodial credit risk with SIPC and excess SIPC.

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>	
Debt-related Securities:						
U.S. Treasury notes	\$ 1,565	\$ 26	\$ 912	\$ 627	\$ -	Aaa
Corporate bonds	2,307	153	1,169	985	-	A1
Federal agency securities	410	-	3	285	122	Aaa
Total	<u>\$ 4,282</u>	<u>\$ 179</u>	<u>\$ 2,084</u>	<u>\$ 1,897</u>	<u>\$ 122</u>	

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, 2011 consist of the following (in thousands):

Real Estate		
2011	\$ 2,870	
2010	39	
2009	24	
2008	5	
Prior	<u>4</u>	2,942
Personal Property		
2011	115	
2010	48	
2009	42	
2008	31	
2007	20	
2006	25	
2005	26	
Prior	<u>1,025</u>	1,332
Tax Liens		1,169
Deferred Taxes		<u>875</u>
Total		<u>\$ 6,318</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):

	<u>Governmental</u>
Property taxes	\$ 1,615
Excises	4,297

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011. Of the \$ 29,413,953 of intergovernmental receivables, \$ 21,921,607 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 following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 27,970	\$ -
Nonmajor Governmental Funds:		
Trust and Agency Funds:		
Library Trust Fund	<u>-</u>	<u>27,970</u>
Total	<u>\$ 27,970</u>	<u>\$ 27,970</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 237,806	\$ 2,726	\$ -	\$ 240,532
Machinery, equipment, and furnishings	18,194	3,349	(206)	21,337
Land improvements	3,428	1,124	-	4,552
Infrastructure	<u>16,339</u>	<u>1,336</u>	<u>-</u>	<u>17,675</u>
Total capital assets, being depreciated	275,767	8,535	(206)	284,096
Less accumulated depreciation for:				
Buildings and improvements	(85,634)	(4,875)	-	(90,509)
Machinery, equipment, and furnishings	(13,712)	(818)	206	(14,324)
Land improvements	(1,708)	(119)	-	(1,827)
Infrastructure	<u>(9,131)</u>	<u>(468)</u>	<u>-</u>	<u>(9,599)</u>
Total accumulated depreciation	<u>(110,185)</u>	<u>(6,280)</u>	<u>206</u>	<u>(116,259)</u>
Total capital assets, being depreciated, net	165,582	2,255	-	167,837
Capital assets, not being depreciated:				
Land	<u>8,369</u>	<u>-</u>	<u>-</u>	<u>8,369</u>
Total capital assets, not being depreciated	<u>8,369</u>	<u>-</u>	<u>-</u>	<u>8,369</u>
Governmental activities capital assets, net	<u>\$ 173,951</u>	<u>\$ 2,255</u>	<u>\$ -</u>	<u>\$ 176,206</u>

	Beginning Balance	Increases	Decreases	Ending Balance
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	263	-	-	263
	<u>2,833</u>	<u>-</u>	<u>-</u>	<u>2,833</u>
Total capital assets, being depreciated	2,833	-	-	2,833
Less accumulated depreciation for:				
Buildings and improvements	(623)	(40)	-	(663)
Machinery, equipment, and furnishings	(418)	(9)	-	(427)
Land improvements	(39)	-	-	(39)
Infrastructure	(131)	(26)	-	(157)
	<u>(1,211)</u>	<u>(75)</u>	<u>-</u>	<u>(1,286)</u>
Total accumulated depreciation	(1,211)	(75)	-	(1,286)
Total capital assets, being depreciated, net	<u>1,622</u>	<u>(75)</u>	<u>-</u>	<u>1,547</u>
Business-type activities capital assets, net	<u>\$ 1,622</u>	<u>\$ (75)</u>	<u>\$ -</u>	<u>\$ 1,547</u>

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

Governmental Activities:	
General government	\$ 1,146
Public safety	752
Education	3,364
Public works	541
Culture and recreation	<u>477</u>
Total depreciation expense - governmental activities	<u>\$ 6,280</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 2011 expenditures paid by July 15, 2011. Accounts payable represent additional 2011 expenditures paid after July 15, 2011.

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, 2011 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 no notes outstanding at June 30, 2011.

The following summarizes activity in notes payable during fiscal year 2011 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Power Lines	\$ 2,000	\$ -	\$ (2,000)	\$ -
Power Lines	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>
Total	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ -</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, 2011:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2012	\$ 704,405
2013	<u>227,985</u>
Total minimum lease payments	932,390
Less amounts representing interest	<u>(43,547)</u>
Present Value of Minimum Lease Payments	<u>\$ 888,843</u>

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:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
Rooks Building ⁽¹⁾	07/25/11	3.7 - 5.8	\$ 22,000
HUD 108 Note ⁽¹⁾	08/01/12	1.2 - 4.6	145,000
HUD 108 2004 A ⁽¹⁾	08/01/12	2.3 - 5.0	240,000
Lynn Arts CCMC ⁽¹⁾	07/25/16	4.9 - 6.6	250,000
School Project Loan	08/15/17	2.3 - 4.2	1,830,000
School Gen Obligation refunding bonds	09/01/17	2.0 - 4.0	11,200,000
General Obligation refunding bonds	12/01/17	2.0 - 5.0	29,875,000
New Police Station	01/15/21	3.4 - 4.5	1,380,000
New Police Station	10/01/24	3.0 - 6.0	10,875,000
Police Station, Manning Field	03/01/26	4.0 - 6.0	4,845,000
Remodeling	07/15/27	4.0 - 6.0	8,610,000
Pine Grove Cemetary	03/01/28	3.0 - 5.0	940,000
Power Lines	09/01/28	2.0 - 4.0	3,000,000
Classical High School	03/01/29	3.0 - 5.0	<u>3,785,000</u>
Total Governmental Activities:			<u>\$ 76,997,000</u>

⁽¹⁾ Repaid through CDBG program

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
Marina	02/01/14	7.0	\$ 929,675
Marina	04/14/26	4.5	<u>216,098</u>
Total Business-Type Activities:			\$ <u><u>1,145,773</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,082,000	\$ 3,038,121	\$ 12,120,121
2013	8,895,000	2,667,965	11,562,965
2014	8,950,000	2,311,179	11,261,179
2015	9,210,000	1,949,059	11,159,059
2016	9,500,000	1,564,545	11,064,545
2017 - 2021	21,335,000	3,677,286	25,012,286
2022 - 2026	8,255,000	1,175,713	9,430,713
2027 - 2031	<u>1,770,000</u>	<u>112,894</u>	<u>1,882,894</u>
Total	<u>\$ 76,997,000</u>	<u>\$ 16,496,762</u>	<u>\$ 93,493,762</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 490,046	\$ 152,814	\$ 642,860
2013	228,182	40,536	268,718
2014	244,386	24,828	269,214
2015	12,003	7,997	20,000
2016	12,555	7,445	20,000
2017 - 2021	71,974	28,026	100,000
2022 - 2026	<u>86,627</u>	<u>9,910</u>	<u>96,537</u>
Total	<u>\$ 1,145,773</u>	<u>\$ 271,556</u>	<u>\$ 1,417,329</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, 2011.

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Equals Long-Term Portion 6/30/11
<u>Governmental Activities</u>						
Bonds payable	\$ 83,874	\$ 14,200	\$ (21,077)	\$ 76,997	\$ (9,082)	\$ 67,915
Other:						
Capital leases	1,764	-	(875)	889	(669)	220
Accrued employee benefits	3,258	152	-	3,410	(341)	3,069
Workers compensation	4,188	-	(3,190)	998	(100)	898
Bond premium liability	1,773	-	(221)	1,552	(222)	1,330
Net OPEB obligation	56,348	34,495	(12,160)	78,683	-	78,683
Totals	\$ <u>151,205</u>	\$ <u>48,847</u>	\$ <u>(37,523)</u>	\$ <u>162,529</u>	\$ <u>(10,414)</u>	\$ <u>152,115</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,155	\$ -	\$ (10)	\$ 1,145	\$ (490)	\$ 655
Totals	\$ <u>1,155</u>	\$ <u>-</u>	\$ <u>(10)</u>	\$ <u>1,145</u>	\$ <u>(490)</u>	\$ <u>655</u>

D. Advance and Current Refundings

Current Year

On September 15, 2010, the City issued general obligation refunding bonds in the amount of \$ 11,200,000 with interest rates ranging from 2.0% to 4.0% to advance refund \$ 11,265,000 of the September 15, 2001 Bonds, comprised of serial bonds with an interest rates ranging from 4.70% to 5.375. The 2001 serial bonds mature on August 15, 2012 through August 15, 2017 and were called on August 15, 2011.

The general obligation bonds were issued at a true interest cost of 1.568%. The refunding met the requirements of an in-substance debt defeasance and the serial bonds were removed from the City's financial statements.

As a result of the 2001 current refunding, the City reduced its total debt service cash flow requirements by \$ 1,020,028, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 991,619.

Defeased debt for the 2001 issue still outstanding at June 30, 2011 was \$ 1,830,000 (payable August 15, 2011 at 4.00%).

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. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

In fiscal year 2011, the City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2011:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2011:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 6,115,978	\$ 6,115,978
	<u>\$ -</u>	<u>\$ 6,115,978</u>	<u>\$ 6,115,978</u>
Restricted			
Bonded projects	\$ -	\$ 751,007	\$ 751,007
Special revenue funds	-	22,986,198	22,986,198
Expendable permanent funds	-	234,278	234,278
	<u>\$ -</u>	<u>\$ 23,971,483</u>	<u>\$ 23,971,483</u>
Assigned			
Encumbrances	\$ 3,926,434	\$ -	\$ 3,926,434
	<u>\$ 3,926,434</u>	<u>\$ -</u>	<u>\$ 3,926,434</u>
Unassigned			
	<u>\$ 20,915,426</u>	<u>\$ (1,365,097)</u>	<u>\$ 19,550,329</u>

18. General Fund Unassigned Fund Balance

The unassigned 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 unassigned fund balance:

GAAP basis balance	\$ 20,915,426
Snow and ice deficit	2,067,670
Tax refund estimate	<u>64,945</u>
Statutory (UMAS) Balance	<u>\$ 23,048,041</u>

19. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues 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, 2011 had received \$ 10.1 million in settlement claims.

20. **Post-Employment Healthcare and Life Insurance Benefits**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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 healthcare 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, 2010 the actuarial valuation date, approximately 2,394 retirees and 2,576 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 2011 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, 2011, 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, 2010 (in thousands):

Annual Required Contribution (ARC)	\$ 34,495
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	34,495
Contributions made	(12,160)
Increase in net OPEB obligation	22,335
Net OPEB obligation - beginning of year	56,348
Net OPEB obligation - end of year	\$ 78,683

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>
2011	\$ 34,495	35.25%	\$ 78,683
2010	\$ 32,896	35.25%	\$ 56,348
2009	\$ 28,993	37.96%	\$ 35,048
2008	\$ 27,498	37.96%	\$ 17,060

The City's net OPEB obligation as of June 30, 2011 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, 2010 the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 531,170
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 531,170</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 140,290</u>
UAAL as a percentage of covered payroll	<u>378.6%</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, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 3.5% 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 six 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%.

21. 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, 2010:

Retirees and beneficiaries receiving benefits	1,214
Inactive members	214
Active plan members	<u>1,294</u>
Total	<u><u>2,722</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</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>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%
2010	22,000,000	100%
2011	23,500,000	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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/09	\$ 186,016	\$ 443,629	\$ 257,613	41.9%	\$ 69,357	371.4%

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 \$ 444 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, 2010, the unfunded actuarially accrued liability is being amortized over 20 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 unavailable.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 24,890,857 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. 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 \$ 2,000,000 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, 2011 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year	\$ 8,913,943
Claims incurred/recognized in fiscal year 2011	43,631,086
Claims paid in fiscal year 2011	<u>(42,802,898)</u>
Claims liability, end of year	<u>\$ 9,742,131</u>

The \$ 5,023,748 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.

23. 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.

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

**June 30, 2011
(Unaudited)**

Employees' Retirement System

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
1/1/09	\$ 186,016	\$ 443,629	\$ 257,613	41.93%	\$ 69,357	371.4%
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

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/10	\$ -	\$ 531,170	\$ 531,170	0.0%	\$ 140,290	378.6%
06/30/08	\$ -	\$ 450,682	\$ 450,682	0.0%	\$ 149,762	300.9%

See Independent Auditors' Report.