

OFFICIAL STATEMENT DATED SEPTEMBER 21, 2010

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: Aa2
(A1 underlying)

New Issue

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

CITY OF LYNN, MASSACHUSETTS
\$14,200,000 GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2010 BONDS

DATED
September 15, 2010

DUE
September 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "Book-Entry-Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

Principal of the Bonds will be payable September 1 of the years in which the Bonds mature. Interest on the Bonds will be payable March 1 and September 1, commencing March 1, 2011.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the City, and, to the extent not paid from other sources, the Bonds are payable from taxes which may be levied upon all taxable property subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

The Bonds are subject to redemption prior to their stated dates of maturity as described herein.

MATURITIES, AMOUNTS, INTEREST RATES, YIELD AND CUSIPS

Due September 1	Principal Amount	Interest Rate	Yield	CUSIP 551562	Due September 1	Principal Amount	Interest Rate	Yield	CUSIP 551562
2011	\$ 210,000	3.00	% 0.50 %	3Y5	2020	\$ 165,000	2.625	% 2.65 %	4H1
2012	2,115,000	3.00	0.67	3Z2	2021	170,000	2.75	2.80	4J7
2013	2,180,000	3.00	0.96	4A6	2022	180,000	2.75	2.90	4K4
2014	2,225,000	3.00	1.10	4B4	2023	185,000	3.00	3.00	4L2
2015	2,300,000	4.00	1.45	4C2	2024	190,000	3.00	3.10	4M0
2016	2,390,000	4.00	1.72	4D0	2025	195,000	3.125	3.20	4N8
2017	745,000	2.00	2.05	4E8	2026	205,000	3.25	3.30	4P3
2018	155,000	2.25	2.25	4F5	2027	210,000	3.375	3.40	4Q1
2019	160,000	2.375	2.45	4G3	2028	220,000	3.50	3.50	4R9

(accrued interest, if any to be added)

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, Boston, Massachusetts, has acted as Financial Advisor to the City of Lynn, Massachusetts with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, on or about September 30, 2010.

FIDELITY CAPITAL MARKETS

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The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice. Neither the delivery of this Preliminary Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Preliminary Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Tuesday, September 21, 2010, 11:00 a.m. (Eastern Time).
Location of Sale	First Southwest Company, 54 Canal Street, 3 rd Floor, Boston, Massachusetts.
Issuer:	City of Lynn, Massachusetts.
Issue:	\$14,200,000 General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds Book Entry (See "Book-Entry Transfer System" herein.)
Official Statement Dated:	September 21, 2010.
Dated Date of the Bonds:	September 15, 2010.
Principal Due:	September 1, 2011 through September 1, 2028, inclusive, as detailed herein.
Purpose and Authority:	The Bonds are authorized for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds are subject to redemption prior to their stated maturity dates as described herein.
Security for the Bonds:	The Bonds are valid general obligations of the City of Lynn, and, to the extent not paid from other sources, the Bonds are payable from taxes which may be levied upon all taxable property subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
State Qualified Bonds:	The Bonds will be State Qualified Bonds pursuant to Chapter 44A of the Massachusetts General Laws ("Chapter 44A"). Pursuant to Chapter 44A, the State Treasurer shall pay debt service on State Qualified Bonds and after payment shall withhold from distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on such State Qualified Bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the "Commonwealth") to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or other amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such State Qualified Bonds. Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any State Qualified Bonds or to guarantee payment or stand as surety to the payment of any State Qualified Bonds. See ("THE BONDS-State Qualified Bonds") herein.
Credit Rating:	Moody's Investors Service has assigned a rating of Aa2 (A1 underlying) to the Bonds.
Bond Insurance:	The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$750,000.
Tax Exemption:	Refer to "THE BONDS -Tax Exemption" herein and "APPENDIX B – Proposed Form of Legal Opinion".
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" and APPENDIX C – Proposed Form of Continuing Disclosure Certificate" herein.
Bank Qualification:	The Bonds WILL BE "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts.
Escrow Agent:	U.S. Bank National Association, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Bond Counsel:	Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to DTC on or about September 30, 2010, against payment in Federal Reserve Funds.
Additional Information:	Questions concerning the Official Statement should be addressed to: Mr. Richard Fortucci, Treasurer, City of Lynn, Massachusetts. Tel: (781) 586-6904 or Cinder McNerney, Managing Director, First Southwest Company, Boston, Massachusetts. Tel: (617) 619-4408.

**NOTICE OF SALE
CITY OF LYNN, MASSACHUSETTS
\$14,205,000* GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2010 BONDS**

The City of Lynn, Massachusetts, (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, on Tuesday, September 21, 2010 for the purchase of the following described General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds of the City:

\$14,205,000* General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds payable as follows:

<u>Due September 1</u>	<u>Principal Amount*</u>	<u>Due September 1</u>	<u>Principal Amount*</u>
2011	\$ 200,000	2020	\$ 165,000
2012	2,110,000	2021	170,000 **
2013	2,165,000	2022	180,000 **
2014	2,235,000	2023	185,000 **
2015	2,315,000	2024	190,000 **
2016	2,400,000	2025	195,000 **
2017	745,000	2026	205,000 **
2018	155,000	2027	210,000 **
2019	160,000	2028	220,000 **

*Preliminary, subject to change.

**Callable maturities. May be combined into one or two Term Bonds, as provided herein.

The Bonds will be dated September 15, 2010. Principal of the Bonds will be payable on September 1 of the years in which the Bonds mature. Interest will be payable semiannually on March 1 and September 1, commencing March 1, 2011.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of certificates made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Principal of and semiannual interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to Beneficial Owners by participants of DTC will be the responsibility of such participants and other nominees of the beneficial owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, Boston, Massachusetts and their legality approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished without charge.

Principal and semiannual interest on the Bonds will be paid by the Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds maturing on and before September 1, 2020 are not subject to redemption prior to their stated maturity dates.

The Bonds maturing on and after September 1, 2021 are subject to redemption prior to their stated maturity dates, at the option of the City, on and after September 1, 2020, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

*Preliminary, subject to change.

For Bonds maturing on and after September 1, 2021, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds. Term Bonds, if any, shall be subject to mandatory redemption on September 1 of the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. **NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$750,000 AND ACCRUED INTEREST TO DATE OF DELIVERY WILL BE CONSIDERED.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of September 1, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot among all such proposals.

The City reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued after taking into account any premium to be received by the City and the actual investment yield at which the proceeds of the Bonds are to be invested, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the City. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by not more than ten percent (10%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Richard Fortucci, Treasurer, City of Lynn, Massachusetts, c/o First Southwest Company, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the City nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than 11:00 A.M. on the date of sale.
- (b) Electronically via PARITY in accordance with this Notice of Sale. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact the financial advisor to the City or Dalcomp at 40 West 23rd Street, 5th Floor, New York, New York 10010, telephone (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

The right is reserved to reject any or all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Mayor of the City of Lynn, Massachusetts.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, such bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated September 15, 2010, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of his knowledge and belief, the Preliminary Official Statement referred to below as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement to be dated as of the date of the Bonds and incorporated by reference in the Bonds.

The City of Lynn has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for the rating of the Bonds. Any such fee paid to Moody's Investors Service would be borne by the City.

Additional information concerning the City of Lynn and the Bonds is contained in the Preliminary Official Statement dated September 15, 2010, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only, and is not a part of this Notice of Sale. The Preliminary Official Statement is deemed final by the City as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date and other terms of the Bonds depending on such matters and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114, telephone (617) 619-4400. Within seven business days following award of the Bonds and receipt of the necessary information from the successful bidder, 25 copies of the Final Official Statement will be available to the successful bidder. Upon request, additional copies will be provided at the expense of the requestor.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of September 21, 2010 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the City assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

In order to assist bidders in complying with Rule 15c 2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds, in definitive form, will be delivered to The Depository Trust Company on or about September 30, 2010, against payment in federal funds.

CITY OF LYNN, MASSACHUSETTS
/s/ Richard Fortucci, Treasurer

September 15, 2010

**PRELIMINARY OFFICIAL STATEMENT
CITY OF LYNN, MASSACHUSETTS
\$14,200,000 GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2010 BONDS**

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the City of Lynn, Massachusetts (the "City") in connection with the sale of \$14,200,000 aggregate stated principal amount of its General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated September 15, 2010. The Bonds are being issued for various municipal purposes and mature on each of the years and in the principal amounts as set forth on the cover page of this Preliminary Official Statement. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2011.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "THE BONDS - Book-Entry Only System" herein.)

Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

State Qualified Bonds

The Bonds constitute "qualified bonds" pursuant to Chapter 44A of the General Laws. Pursuant to Chapter 44A the City Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on such qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by the Commonwealth to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such aid or other amounts, or of the manner, time, or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the City of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the City; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the City which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the City Auditor the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the City for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the City shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the City.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

This is the City's second issuance of "qualified bonds". See "INDEBTEDNESS – Coverage of Qualified Debt Service".

Redemption Provisions

The Bonds maturing on and before September 1, 2020 are not subject to redemption prior to their stated maturity dates.

Optional Redemption

The Bonds maturing on and after September 1, 2021 are subject to redemption prior to their stated maturity dates, at the option of the City, on and after September 1, 2020, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on September 1 of the first year which has been combined to form each Term Bond and continuing on September 1 in each year thereafter until the stated maturity date of such Term Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year as set forth in the maturity schedule on the cover of the Notice of Sale dated September 15, 2010 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the bonds then subject to redemption. The City Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the City or have been redeemed and not therefore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month proceeding the interest payment date, (however, if such day is not a business day, the record date shall be the next succeeding business day) provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the City or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

This Issue	Purpose	Original Authorization	Statutory Reference	BANs Outstanding	Date of Authorization
\$ 3,000,000	Power Lines	\$ 4,000,000	Ch.778 of the Acts of 1977	\$ 4,000,000	03/13/09
11,200,000 (1)	Refunding	50,000,000	Ch. 44 s.21A	N/A	
<u>\$ 14,200,000</u>		<u>\$ 54,000,000</u>		<u>\$ 4,000,000 (2)</u>	

(1) A portion of Bond proceeds (the "Refunding Bonds") will be used to refund a portion of the City's \$25,500,000 General Obligation Bonds dated September 15, 2001 (the "2001 Bonds") maturing in the years 2012 through 2019 (the "Refunded Bonds"), and to pay costs of issuance related thereto.

(2) This issue will retire a like amount of bond anticipation notes maturing October 15, 2010; the remaining \$1,000,000 of bond anticipation notes maturing October 15, 2010 are expected to be renewed to January, 2011.

Principal Maturities by Purpose

Fiscal Year	Power Lines	Refunding	Total This Issue
2012	\$ 125,000	\$85,000	\$ 210,000
2013	130,000	1,985,000	2,115,000
2014	130,000	2,050,000	2,180,000
2015	135,000	2,090,000	2,225,000
2016	140,000	2,160,000	2,300,000
2017	150,000	2,240,000	2,390,000
2018	155,000	590,000	745,000
2019	155,000	-	155,000
2020	160,000	-	160,000
2021	165,000	-	165,000
2022	170,000	-	170,000
2023	180,000	-	180,000
2024	185,000	-	185,000
2025	190,000	-	190,000
2026	195,000	-	195,000
2027	205,000	-	205,000
2028	210,000	-	210,000
2029	220,000	-	220,000
	<u>\$ 3,000,000</u>	<u>\$11,200,000</u>	<u>\$14,200,000</u>

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$ 14,200,000.00
Premium	957,861.15
Accrued Interest	19,351.56
Total Sources	<u>\$ 15,177,212.71</u>
Uses:	
Deposit to Refunding Escrow Fund	\$ 11,955,337.78
Underwriter's Discount	96,986.00
Costs of Issuance	91,007.50
Retirement of Temporary Notes	3,000,000.00
Accrued Interest	19,351.56
Premium	14,529.87
Total Uses	<u>\$ 15,177,212.71</u>

Plan of Refunding

Upon delivery of the Bonds, the City will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash and an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds and (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company and has not evaluated or examined the assumptions or information used in the computations.

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The foregoing reflects the enactment of the American Recovery and Reinvestment Act of 2009 which includes provisions that modify treatment under the alternative minimum tax of interest on certain bonds of state and local government entities and that modify Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described above (see also "Serial Bonds and Notes" under "INDEBTEDNESS - Types of Obligations" below) and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “Serial Bonds and Notes” under “INDEBTEDNESS – Types of Obligations” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

Use of State Distributions to Pay Debt Service. If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it shall notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraphs). See “State Distributions” above. If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws.

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Bonds will be rendered by Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of the original delivery of the Bonds and will speak only as of such date. A copy of the legal opinion of the firm of Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts, will be printed on the Bonds. The proposed form of legal opinion is set forth in Appendix B hereto.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel are not passing upon and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the City. The City has consented to the Firm's participation in the public bidding on the Bonds if it so desires.

Rating

Moody's Investors Service has assigned a rating of Aa2 to the Bonds. It reflects only the views of the rating agency and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities Exchange Commission (the "Rule") the City will covenant, at the time of delivery of the Bonds, for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of the fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events; if material. The covenants will be contained in a Continuing Disclosure Certificate to be dated as of the date of the Bonds and incorporated by reference in the Bonds, the proposed form of which is provided in Appendix C.

The City has never failed to comply in any material respect with any previous undertakings in regards to continuing or material events disclosure.

CITY OF LYNN, MASSACHUSETTS

General

The City of Lynn is located in the southeast portion of Essex County, approximately 11 miles north of Boston. Lynn was originally settled in 1629, incorporated as a town in 1631 and subsequently as a city in 1850. Lynn has a population of 89,050 according to the 2000 federal census and occupies a land area of 10.5 square miles. Principal highways serving the City include U.S. Route 1A and State Routes 107 and 129. State Route 128 and Interstate 95 are easily accessible from Lynn.

Governing Bodies and Officers

The Mayor, the Chief Executive Officer, is elected every four years. The City Council is comprised of eleven members, one from each of seven wards and four Councilors-at-Large. They are elected for two-year terms. The Councilors appoint their own Chairman. Local school affairs are administered by a School Committee of seven members, six of whom are elected, at large, for two-year terms and the Mayor, who serves as Chairman ex-officio.

The following table sets forth the principal executive officers of the City:

Principal Executive Officers

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Term Expires</u>
Mayor	Judith Flanagan Kennedy	Elected	4 Years	2014
City Council	John Timothy Phelan	Elected	2 Years	2012
	Daniel Cahill	Elected	2 Years	2012
	Paul T. Crowley	Elected	2 Years	2012
	Stephen John Duffy	Elected	2 Years	2012
	Wayne Lozzi	Elected	2 Years	2012
	William F. Trahant, Jr.	Elected	2 Years	2012
	Darren P. Cyr	Elected	2 Years	2012
	Richard C. Colucci	Elected	2 Years	2012
	Brendan Crighton	Elected	2 Years	2012
	Peter Capano	Elected	2 Years	2012
Richard J. Ford	Elected	2 Years	2012	
City Treasurer/ Chief Financial Officer	Richard Fortucci	Appointed		Indefinite
Comptroller	John E. Pace	Appointed		Indefinite
Tax Collector	Frederick B. Cronin, Jr.	Appointed		Indefinite
City Clerk	Mary F. Audley	Appointed		Indefinite

Municipal Services

The City provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of solid waste, public education in grades K-12, vocational studies in grades 9-12, four public libraries, street maintenance, and parks and recreational facilities. The Massachusetts Electric Company supplies electricity, and the Boston Gas Company provides gas to the City. Water and sewer services are supplied by the Lynn Water and Sewer Commission.

Public housing is provided by the Lynn Housing Authority. The Massachusetts Bay Transportation Authority (MBTA) and Hudson Bus Lines provide bus service for the City; all rail service, both freight and passenger, is provided by the Boston and Maine Railroad. Established competitive truck lines provide service locally and to long distance points. Lynn's proximity to Boston facilitates the use of Boston's Logan International Airport.

Economic Development

See Appendix A for a descriptive narrative of the City's local economy.

Largest Employers

The following is a list of the largest employers in Lynn, exclusive of the City itself.

Name	Product/Function	Approx. No. Employees
General Electric Aviation	Manufacturer - Jet Engines	3,400
Atlantic Care	Healthcare/Hospital	1,105
Visiting Nurse Association	Healthcare/Nursing	643
Greater Lynn Senior Services	Elderly Services	610
Willow Labs	Lab Testing and Services	520
Garelick Farms	Creamery/Milk Products	492
North Shore Community College	Education	400
Lynn Community Health Center	Healthcare Services	330
Wal-Mart	Retail Store	250
Verizon	Utility	100
Harvard Folding Box	Corrugated Boxes	70

The City has experienced positive growth in the health care field with companies such as Lynn Community Health Center, AllCare VNA and Greater Lynn Senior Services having recently expanded both service area and services.

Average Annual Employment by Industry

The following tables list the recent trend in the major categories of income and employment for the City.

Industry	Calendar Year Average				
	2005	2006	2007	2008	2009
Construction	955	760	702	566	5,227
Manufacturing	5,054	5,043	4,972	5,062	4,736
Trade, Transportation & Utilities	3,329	3,289	3,283	3,177	3,151
Information	242	238	236	236	253
Financial Activities	774	1,562	1,539	1,493	1,422
Professional & Business Services	2,431	2,026	1,495	1,514	1,453
Education & Health Services	8,439	8,528	7,776	7,839	8,084
Leisure & Hospitality	1,217	1,220	1,215	1,213	1,158
Other Services	791	783	832	824	866
Public Administration	1,003	998	974	972	932
Total Employment	24,235	24,447	23,024	22,896	27,282
Number of Establishments	1,352	1,339	1,333	1,325	1,350
Average Weekly Wages	\$ 880	\$ 913	\$ 948	\$ 971	\$ 978
Total Wages	\$ 1,108,425,238	\$ 1,161,191,148	\$ 1,134,582,120	\$ 1,153,425,418	\$ 1,146,649,715

Source: Massachusetts Department of Employment & Training.

Labor Force, Employment and Employment Rate

According to the Massachusetts Division of Employment Security data, in July 2010 the City had a total labor force of 43,023 of which 38,360 were employed and 4,663 or 10.8% were unemployed, as compared with 9.1% for the Commonwealth.

The following table sets forth the City's average labor force and unemployment rates for calendar years 2005 through 2009 and the unemployment rates for the state and nation as a whole for the same period.

Year	City of Lynn			Massachusetts	United States
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Unemployment Rate
2009	41,614	36,997	9.7 %	9.4 %	10.0 %
2008	41,198	38,593	6.3	5.3	5.8
2007	41,236	38,994	5.4	4.5	4.6
2006	41,896	39,298	6.2	4.9	4.6
2005	41,736	39,179	6.1	4.8	5.1

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

Education

The City's public school facilities presently include 16 elementary schools, 4 junior high schools and 3 senior high schools. All three senior high schools have undergone either major renovations, additions and/or facility replacement with proceeds of \$95.5 million bonds issued in 1998, 1999 and 2000. Each of these projects is receiving state school construction grants of 90% of approved project costs and the interest costs thereon. Said grant payments commenced in fiscal 1998 and fiscal 1999 and are subject to annual appropriation by the state legislature. See "INDEBTEDNESS", herein. Total capacity of the schools is estimated at 16,100. The following is a table of the recent enrollment trends in the City's public schools.

Public School Enrollments – October 1

	Actual				
	2005	2006	2007	2008	2009
Elementary (K-6)	6,410	6,329	6,333	6,494	6,619
Junior High (6-8)	2,998	2,931	2,827	2,688	2,769
Senior High (9-12)	3,049	3,043	2,907	2,929	3,028
Voc Tech (9-12)	1,281	1,158	1,201	1,104	902
Alternative	213	234	215	93	67
Totals	<u>13,951</u>	<u>13,695</u>	<u>13,483</u>	<u>13,308</u>	<u>13,385</u>

Building Permits

The following table sets forth the trend in the number of building permits issued and the estimated dollar value of new construction and alterations. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction and City projects.

Calendar Year	New Construction				Additions/ Alterations				Total	
	Residential		Non-Residential		Residential		Non-Residential			
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
2010 (1)	8	\$ 1,572,000	1	\$ 6,600,865	557	\$ 7,412,554	89	\$ 8,167,058	655	\$ 23,752,477
2009	13	1,913,000	4	1,350,000	859	10,313,597	216	10,242,277	1,092	23,818,874
2008	20	3,134,500	2	1,774,533	895	16,964,739	211	16,457,211	1,128	38,330,983
2007	24	5,801,000	4	7,101,800	925	12,481,962	361	17,215,713	1,314	42,600,475
2006	45	9,867,760	14	7,838,093	975	13,319,203	166	15,260,916	1,200	46,285,972
2005	80	12,399,374	1	150,000	616	22,188,687	102	7,729,545	799	42,467,606

SOURCE: Building Inspector.

(1) Issued through June 30, 2010.

Population, Income and Wealth Levels

The following table compares the most recent census figures to prior years' averages for Lynn, the Commonwealth and the country.

	<u>Lynn</u>	<u>Massachusetts</u>	<u>U.S.</u>
Median Age			
2000	34.2	36.5	35.3
1990	33.0	33.6	32.9
1980	32.8	31.2	30.0
Median Family Income			
2000	\$ 45,295	\$ 61,664	\$ 50,046
1990	35,830	44,367	35,225
1980	18,458	21,166	19,908
Per Capita Income			
2000	\$ 17,492	\$ 25,952	\$ 21,587
1990	13,026	17,224	16,118
1980	6,487	7,459	7,313

On the basis of the 2000 federal census, the City has a population density of 8,481 persons per square mile.

Population Trends

<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
94,478	90,294	78,471	81,245	89,050

SOURCE: Federal Census Bureau.

PROPERTY TAXATION

Tax Levy Computation

The principal revenue source of the City is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see "Securities and Remedies" above. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits").

The following table illustrates the manner in which the tax levy is determined.

Calculation of Tax Levies

	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>
Total Appropriations: (1)	\$ 225,560,376	\$ 238,224,726	\$ 246,615,676	\$ 249,868,464	\$ 245,858,167
State and County Assessments	4,548,799	6,399,874	7,369,376	8,497,360	8,162,596
Overlay for Current Year	889,906	798,651	977,898	1,157,021	946,115
Other Local Expenditures	2,611,081	2,871,276	2,710,305	3,711,678	2,031,754
Gross Amount to be Raised	<u>\$ 233,610,162</u>	<u>\$ 248,294,526</u>	<u>\$ 257,673,255</u>	<u>\$ 263,234,523</u>	<u>\$ 256,998,631</u>
Offsets:					
Estimated Receipts from State(2)	\$ 136,563,139	\$ 145,112,298	\$ 152,201,715	\$ 157,574,574	\$ 144,987,570
Local Estimated Receipts	13,313,912	13,877,634	14,590,300	14,690,774	13,585,603
Other Available Funds(3)	7,890,530	7,649,685	4,578,342	1,041,751	5,342,463
Total Offsets	<u>157,767,581</u>	<u>166,639,616</u>	<u>171,370,357</u>	<u>173,307,099</u>	<u>163,915,636</u>
Tax levy	<u>\$ 75,842,581</u>	<u>\$ 81,654,910</u>	<u>\$ 86,302,898</u>	<u>\$ 89,927,424</u>	<u>\$ 93,082,995</u>

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate. Excludes appropriations for water and sewer services, which are provided by the Lynn Water and Sewer Commission.

(2) Estimated by the Massachusetts Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments. The state legislature reduced fiscal 2009 state aid to local municipalities, and Lynn's share of cuts in fiscal 2009 totaled \$2,715,389. State aid cuts from fiscal 2009 to fiscal 2010 totaled \$11.8 million. The City acted quickly to address the situation. Approximately 40 employees were laid off from non-school departments and 100 school department personnel were let go as well. In addition to personnel cuts, several schools were closed, special police units were discontinued and certain fire stations were either closed or had their hours of operation reduced. The City expects state aid to be reduced by \$1,209,046 in fiscal 2011.

(3) Transfers from other available funds, including "free cash", generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" below.

The following table sets forth the trend in the City's assessed valuations, tax rates, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation (1)	Personal Property Valuation (1)	Total Assessed Valuation (1)	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita (2)
				Residential	Com., Ind. Personal		
2010	\$ 5,098,064,640	\$ 148,766,860	\$ 5,246,831,500	\$ 15.53	\$ 31.05	\$ 93,082,995	\$ 1,045.29
2009	6,001,644,511	206,444,890	6,208,089,401	12.74	25.35	89,927,424	1,009.85
2008 (3)	6,874,624,498	167,799,270	7,042,423,768	10.98	21.45	86,302,898	969.15
2007	6,891,774,367	138,399,080	7,030,173,447	10.40	21.26	81,654,910	916.96
2006	6,638,487,881	136,281,750	6,774,769,631	9.94	21.27	75,842,581	851.69

(1) As of the prior January 1.

(2) Based on the 2000 federal census of 89,050.

(3) Professional revaluation year.

Classification of Property

The following is a breakdown of the City's assessed valuation of real estate and personal property in fiscal 2008 through 2010.

Property Type	Fiscal 2008 (1)		Fiscal 2009		Fiscal 2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 6,185,013,513	87.8 %	\$ 5,348,742,422	86.2 %	\$ 4,499,428,024	85.8 %
Commercial	529,546,785	7.5	507,754,589	8.2	464,501,216	8.9
Industrial	160,064,200	2.3	145,147,500	2.3	134,135,400	2.6
Total Real Estate	<u>\$ 6,874,624,498</u>	<u>97.6</u>	<u>\$ 6,001,644,511</u>	<u>96.7</u>	<u>\$ 5,098,064,640</u>	<u>97.2</u>
Personal Property	167,799,270	2.4 %	206,444,890	3.3 %	148,766,860	2.8 %
Total Real and Personal Property	<u>\$ 7,042,423,768</u>	<u>100.0 %</u>	<u>\$ 6,208,089,401</u>	<u>100.0 %</u>	<u>\$ 5,246,831,500</u>	<u>100.0 %</u>

(1) Professional revaluation year.

Largest Taxpayers

The following is a list of the largest taxpayers in the City based upon assessed valuations for fiscal 2010.

Name	Nature of Business	FY 2010 Assessed Valuation	FY 2010 Total Taxes
National Grid	Utility	\$ 99,073,760	\$ 3,076,240
General Electric Company	Manufacturer	42,063,330	1,306,066
Verizon/ New England Telephone	Utility	32,008,300	993,858
Gordon R Hall, Trustee	Apartments	38,515,600	654,757
330 Scangas Nominee Trust	Mixed Commerical/Industrial	17,275,600	536,407
Carpi Lynn Properties/ Walmart	Retail	15,623,680	485,115
North Shore Holdings Inc./ Eastern Bank	Banking	13,508,200	419,430
Mayo Group Development (John McGrail)	Mixed Commerical/Residential	17,102,600	327,678
Dean Northeast LLC/ Garelic Farms	Manufacturer	10,445,600	324,336
Kings Lynn Apartment Company	Apartments	19,698,700	307,308

State Equalized Valuations

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the City.

January 1	State Equalized Valuations
2010 (Proposed)	\$5,947,452,600
2008	7,613,788,900
2006	7,240,287,700
2004	5,892,730,000
2002	4,129,696,800
2000	3,004,807,900
1998	2,460,950,100
1996	2,451,325,700
1994	2,625,296,400

Local assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1. The City has performed in-house updates of valuations since fiscal 1990 and professional external revaluations of industrial/commercial properties only, for use in fiscal 1993 and 1996, 1999, 2002, 2005 and 2008.

Abatements and Overlay

The City is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the excess is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The City may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the trend in the amount of the overlay reserve actual abatements granted during the fiscal year against each levy and abatements granted through June 30, 2010 against each levy.

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted During Fiscal Year of Tax Levy	Abatements Granted Through June 30, 2010
		Dollar Amount	As a % of New Levy		
2010	\$ 92,136,880	\$ 946,115	1.0 %	\$ 946,185	\$ 683,296
2009	89,927,424	1,157,021	1.3	737,484	773,484
2008	85,325,000	977,898	1.1	887,272	983,347
2007	80,856,259	798,651	1.0	657,300	859,053
2006	74,952,675	889,906	1.2	660,418	833,885

(1) Tax levy prior to addition of overlay reserve.

Tax Collections

The taxes for each fiscal year are due in four installments on August 1, November 1, February 1 and May 1. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the trend in the City's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies.

Fiscal Year	Tax Rate			Net Tax Levy (2)	Collections as of Fiscal Year End		Collections as of June 30, 2010 (1)	
	Residential	Commercial Industrial Personal	Total Tax Rate		Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2010	\$ 15.53	\$ 31.05	\$ 17.74	\$ 92,136,880	\$ 87,238,180	94.7 %	\$ 87,238,180	94.7 %
2009	12.74	25.35	14.49	89,927,424	86,324,254	96.0	90,270,787	100.4
2008	10.98	21.45	12.25	85,325,000	82,004,836	96.1	84,183,725	98.7
2007	10.40	21.26	11.61	80,856,259	77,942,888	96.4	79,858,406	98.8
2006	9.94	21.27	11.19	74,952,675	72,786,102	97.1	74,187,475	99.0

(1) Actual dollar collections net of refunds. Does not include abatements or other non-cash credits.

(2) Net after deduction of overlay for abatements.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at public sale or by taking), at which time the tax title is written off in full with the appropriate gain or loss on sale of property account charged as the offset at the time of sale.

The following table sets forth the trend in the amount of tax titles and possessions at fiscal year end and the amounts realized by the City through tax title redemptions during this same period.

<u>Fiscal Year</u>	<u>Tax Titles and Possessions</u>	<u>Tax Title Redemptions</u>
2010	\$ 1,468,508	\$ 1,074,150
2009	1,379,652	1,077,594
2008	1,549,285	622,295
2007	1,170,750	846,350
2006	1,051,765	706,867

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges and accrued interest relates.

Taxation to Meet Deficits

As noted elsewhere (see *“Abatements and Overlay”* above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59 Section 21C of the General Laws, also known as “Proposition 2½”, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a town votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Fiscal Year	Local Assessed Valuation(1)	Primary Levy Limit(1)	Maximum Levy Limit	Actual Tax Levy	Under(over) Primary Levy Limit	Under(over) Maximum Levy Limit
2010	\$ 5,246,831,500	\$ 131,170,788	\$ 93,462,876	\$ 93,082,995	\$ 38,087,793	\$ 379,881
2009	6,208,089,401	155,202,235	89,933,111	89,927,424	65,274,811	5,687
2008 (2)	7,042,423,768	176,060,594	86,352,449	86,302,898	89,757,696	49,551
2007	7,030,173,447	175,754,336	82,674,448	81,654,910	94,099,426	1,019,538
2006	6,774,769,631	169,369,241	79,598,859	75,842,581	93,526,660	3,756,278

(1) Represents the City's local assessed valuations.

(2) Revaluation year.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See “Tax Increment Financing for Development Districts” below).

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "*Tax Limitations*" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City has not adopted the CPA.

CITY FINANCES

Budget and Appropriation Process

In a city, within 170 days after the annual organization of the city government (which is ordinarily in early January), the mayor or city manager is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The city council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the mayor or manager, the council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of a failure of the mayor or manager to recommend an appropriation for such a purpose within 7 days after a request from the council. The council may not increase any item without the recommendation of the mayor (except as provided by legislation, subject to local acceptance, under which the school budget or regional school district assessment can be increased upon recommendation of the school committee or regional district school committee and by two-thirds vote of the council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the mayor or city manager between November 1 and December 1. This does not apply to the school department, which must submit its requests in time for the mayor or manager to include them in his submission to the council.

If the mayor or manager does not make a timely budget submission, provision is made for preparation of a budget by the council. Provision is also made for supplementary appropriations upon recommendation of the mayor or manager.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

Expenditure Control Procedures

Special legislation (Chapter 8 of the Massachusetts Acts of 1985) provides the city with a mechanism by which to control and limit spending. The legislation requires an allotment schedule of expenditures for each city department and limits spending to the amounts allotted. Waiver of an allotment amount can only be achieved with mayoral approval and requires reduction of subsequent allotment amounts by the amount of funds waived.

Budget Trends

The following table sets forth the trend in annual operating budgets of the city. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items nor supplemental budget appropriations. See "Budget and Appropriation Process" above.

Annual Operating Budgets

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
General Government	\$ 11,551,275	\$ 21,874,371 (3)	\$ 19,673,535	\$ 21,008,440	\$ 19,554,112
Public Safety	37,191,932	37,886,972	36,154,342	33,843,778	33,290,479
Culture and Recreation	1,203,073	1,195,641	1,092,854	1,039,885	980,722
Schools	114,204,235	107,305,534 (3)	107,808,394	106,819,394	103,478,560
Public Service (1)	10,859,427	10,962,414	10,823,727	9,509,402	9,028,870
Health and Welfare	1,054,992	1,084,591	1,107,623	1,020,106	1,091,272
Non-Departmental (2)	31,532,014	35,201,316	41,696,698	38,750,000	37,712,500
Indebtedness	12,847,806	13,278,766	13,256,765	13,905,878	13,363,027
Pensions	16,680,287	17,778,297	18,663,746	19,643,925	21,029,087
Total	<u>\$ 237,125,041</u>	<u>\$ 246,567,902</u>	<u>\$ 250,277,684</u>	<u>\$ 245,540,808</u>	<u>\$ 239,528,629</u>

(1) Includes Department of Public Works.

(2) Includes insurance and reserve funds.

(3) Custodial and maintenance was transferred from school budget to City budget beginning in fiscal 2008.

Revenues

Property Taxes: Property taxes are the major source of revenue for the city. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION - Tax Limitations". There is litigation claiming that the system of financing public education, with its heavy reliance on the property tax, is unconstitutional because it is based on the wealth of the municipality in which the student lives.

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both the major formulas tend to provide more state aid to poorer communities. None of the major local aid programs has a termination date under existing law and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State legislature (by statute) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limits the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, these measures could restrict the amount of state revenues available for state aid to local communities.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

State Distributions

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

The City did not utilize the deferral option in either fiscal year.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Fiscal year appropriations by the City have exceeded the minimum required funding level.

Investment of City Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §§54 and 55 do not apply to City and City retirement systems.

A breakdown of the above investments may be obtained from the City Treasurer. Pension funds are under the jurisdiction of the Lynn Contributory Retirement System. Investments and the retirement system are discussed in Appendix A.

Summary of Significant Accounting Policies

See Appendix A.

Annual Audits

Fiscal 2005 through 2009 operations were audited by Melanson Heath, certified public accountants. A copy of the fiscal 2009 audit is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007, and Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2009, 2008, 2007, 2006 and 2005. All such statements have been extracted from the City's audited financial statements.

CITY OF LYNN, MASSACHUSETTS
Governmental Funds
Balance Sheet
June 30, 2009 (1)

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

(1) Extracted from audited financial statements of the City.

CITY OF LYNN, MASSACHUSETTS
Governmental Funds
Balance Sheet
June 30, 2008 (1)

	General	High School Capital Project	City Wide Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 14,061,764	\$ 7,935,448	\$ 528,250	\$ 8,792,886	\$ 31,318,348
Investments	-	-	-	5,852,820	5,852,820
Receivables:					
Property Taxes	6,413,461	-	-	-	6,413,461
Excises	5,549,189	-	-	-	5,549,189
Departmental and other	714,918	-	-	5,290,409	6,005,327
Intergovernmental	183,240	-	-	3,540,376	3,723,616
Due from other funds	21,242	-	-	-	21,242
Advance to other funds	808,685	-	-	-	808,685
Total Assets	\$ 27,752,499	\$ 7,935,448	\$ 528,250	\$ 23,476,491	\$ 59,692,688
Liabilities and Fund Balances					
Liabilities:					
Warrants payable	\$ 983,244	\$ -	\$ -	\$ -	\$ 983,244
Accounts payable	769,181	298,860	-	1,665,284	2,733,325
Accrued liabilities	3,464,043	-	-	-	3,464,043
Deferred revenues	11,459,868	-	-	7,116,155	18,576,023
Tax refunds payable	61,747	-	-	-	61,747
Due to other funds	-	-	-	21,242	21,242
Notes payable	-	-	278,000	1,000,000	1,278,000
Advance from other funds	-	-	-	808,685	808,685
Other liabilities	538,409	-	-	-	538,409
Total Liabilities	17,276,492	298,860	278,000	10,611,366	28,464,718
Fund Balances:					
Reserved for:					
Advances	808,685	-	-	-	808,685
Encumbrances and continuing appropriations	2,867,145	-	-	-	2,867,145
Perpetual (nonexpendable) permanent funds	-	-	-	6,121,643	6,121,643
Unreserved:					
Undesignated, reported in:					
General fund	6,800,177	-	-	-	6,800,177
Special revenue funds	-	-	-	7,371,216	7,371,216
Capital project funds	-	7,636,588	250,250	(840,666)	7,046,172
Permanent funds	-	-	-	212,932	212,932
Total Fund Balances	10,476,007	7,636,588	250,250	12,865,125	31,227,970
Total Liabilities and Fund Balances	\$ 27,752,499	\$ 7,935,448	\$ 528,250	\$ 23,476,491	\$ 59,692,688

(1) Extracted from audited financial statements of the City.

CITY OF LYNN, MASSACHUSETTS
Governmental Funds
Balance Sheet
June 30, 2007 (1)

	General	High School Capital Project	City Wide Capital Projects	Manning Field Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and short-term investments	\$ 19,039,956	\$ 8,643,001	\$ 991,081	\$ 148,622	\$ 8,837,786	\$ 37,660,446
Investments	-	-	-	-	6,029,284	6,029,284
Receivables:						
Property Taxes	5,752,714	-	-	-	-	5,752,714
Excises	4,898,112	-	-	-	-	4,898,112
Departmental and other	612,969	-	-	-	5,202,765	5,815,734
Intergovernmental	-	-	-	5,000,000	1,361,108	6,361,108
Due from other funds	25,399	-	-	-	-	25,399
Total Assets	<u>\$ 30,329,150</u>	<u>\$ 8,643,001</u>	<u>\$ 991,081</u>	<u>\$ 5,148,622</u>	<u>\$ 21,430,943</u>	<u>\$ 66,542,797</u>
Liabilities and Fund Balances						
Liabilities:						
Warrants payable	\$ 390,180	\$ -	\$ -	-	\$ -	\$ 390,180
Accounts payable	1,570,927	-	-	770,187	38,409	2,379,523
Accrued liabilities	4,577,188	-	-	-	-	4,577,188
Deferred revenues	10,146,537	-	-	5,000,000	6,158,249	21,304,786
Tax refunds payable	115,160	-	-	-	-	115,160
Due to other funds	-	-	-	-	25,399	25,399
Notes payable	-	-	7,500,000	-	-	7,500,000
Other liabilities	612,870	-	-	-	-	612,870
Total Liabilities	<u>17,412,862</u>	<u>-</u>	<u>7,500,000</u>	<u>5,770,187</u>	<u>6,222,057</u>	<u>36,905,106</u>
Fund Balances:						
Reserved for:						
Expenditures	4,179,342	-	-	-	-	4,179,342
Encumbrances and continuing appropriations	3,482,527	-	-	-	-	3,482,527
Perpetual (nonexpendable) permanent funds	-	-	-	-	5,972,825	5,972,825
Unreserved:						
Undesignated, reported in:						
General fund	5,254,419	-	-	-	-	5,254,419
Special revenue funds	-	-	-	-	9,022,931	9,022,931
Capital project funds	-	8,643,001	(6,508,919)	(621,565)	-	1,512,517
Permanent funds	-	-	-	-	213,130	213,130
Total Fund Balances	<u>12,916,288</u>	<u>8,643,001</u>	<u>(6,508,919)</u>	<u>(621,565)</u>	<u>15,208,886</u>	<u>29,637,691</u>
Total Liabilities and Fund Balances	<u>\$ 30,329,150</u>	<u>\$ 8,643,001</u>	<u>\$ 991,081</u>	<u>\$ 5,148,622</u>	<u>\$ 21,430,943</u>	<u>\$ 66,542,797</u>

(1) Extracted from audited financial statements of the City.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2009 (1)

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

(1) Extracted from the City's audited financial statements.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2008 (1)

	General	High School Capital Project	City Wide Capital Projects	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:					
Property Taxes	\$ 84,806,611	\$ -	\$ -	\$ -	\$ 84,806,611
Excise Taxes	5,218,873	-	-	-	5,218,873
Penalties, Interest and other taxes	1,030,761	-	-	-	1,030,761
Charges for services	2,117,828	-	-	4,345,444	6,463,272
Intergovernmental	172,510,052	-	-	36,417,843	208,927,895
Contributions and donations	-	-	-	494,359	494,359
Licenses and permits	1,356,617	-	-	-	1,356,617
Fines and forfeitures	1,591,377	-	-	-	1,591,377
Investment income	739,325	381,607	-	180,466	1,301,398
Miscellaneous	148,469	-	-	185,151	333,620
Total Revenues	\$ 269,519,913	\$ 381,607	\$ -	\$ 41,623,263	\$ 311,524,783
Expenditures:					
Current:					
General Government	\$ 19,858,445	\$ -	\$ 125,087	\$ 1,516,748	\$ 21,500,280
Public Safety	36,447,249	-	79,870	698,645	37,225,764
Education	131,138,665	2,483,020	981,830	27,510,457	162,113,972
Public works	10,631,617	-	6,703	5,027,462	15,665,782
Health and Human Services	956,907	-	-	2,936,056	3,892,963
Culture and Recreation	1,529,026	-	-	6,644,408	8,173,434
Employee Pensions	53,531,413	-	-	-	53,531,413
Debt service	13,242,031	-	-	-	13,242,031
Intergovernmental	2,099,247	-	-	-	2,099,247
Total Expenditures	269,434,600	2,483,020	1,193,490	44,333,776	317,444,886
(Deficiency) of Revenues Over Expenditures	85,313	(2,101,413)	(1,193,490)	(2,710,513)	(5,920,103)
Other Financing Sources (Uses):					
Court judgment	-	95,000	-	-	95,000
Proceeds of notes	-	-	9,722,000	-	9,722,000
Transfers in	101,496	1,000,000	90,659	2,142,874	3,335,029
Transfers out	(2,627,090)	-	(1,860,000)	(1,097,939)	(5,585,029)
Total Other Financing Sources (Uses)	(2,525,594)	1,095,000	7,952,659	1,044,935	7,567,000
Change in Fund balance	(2,440,281)	(1,006,413)	6,759,169	(1,665,578)	1,646,897
Fund Equity, at Beginning of Year, as restated	12,916,288	8,643,001	(6,508,919)	14,530,703	29,581,073
Fund Equity, at End of Year	\$ 10,476,007	\$ 7,636,588	\$ 250,250	\$ 12,865,125	\$ 31,227,970

(1) Extracted from the City's audited financial statements.

Compiled from annual audit.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007 (1)

	General	High School Capital Project	City Wide Capital Projects	Manning Field Capital Project	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:						
Property Taxes	\$ 80,300,709	\$ -	\$ -	\$ -	\$ -	\$ 80,300,709
Excise Taxes	5,582,807	-	-	-	-	5,049,740
Penalties, Interest and other taxes	917,632	-	-	-	-	917,632
Charges for services	2,239,854	-	-	-	4,580,724	6,820,578
Intergovernmental	164,036,345	-	-	-	32,252,476	196,288,821
Contributions and donations	-	-	-	700,000	315,052	1,015,052
Licenses and permits	1,333,757	-	-	-	-	1,333,757
Fines and forfeitures	1,609,375	-	-	-	-	1,609,375
Investment income	985,321	49,777	-	-	312,978	1,348,076
Miscellaneous	195,293	-	-	-	444,929	640,222
Total Revenues	\$ 257,201,093	\$ 49,777	\$ -	\$ 700,000	\$ 37,906,159	\$ 295,857,029
Expenditures:						
Current:						
General Government	\$ 10,588,796	\$ -	\$ 345,844	\$ -	\$ 1,327,369	\$ 12,262,009
Public Safety	36,570,293	-	1,319,433	-	646,074	38,535,800
Education	134,603,910	-	4,555,159	-	27,211,543	166,370,612
Public works	9,870,835	-	1,258,803	-	4,848,455	15,978,093
Health and Human Services	981,037	-	-	-	2,282,153	3,263,190
Culture and Recreation	1,588,674	-	-	3,283,076	328,294	5,200,044
Employee Pensions	49,058,625	-	-	-	34,672	49,093,297
Debt service	12,728,971	-	-	-	-	12,728,971
Intergovernmental	2,007,626	-	-	-	-	2,007,626
Total Expenditures	257,998,767	-	7,479,239	3,283,076	36,678,560	305,439,642
(Deficiency) of Revenues Over Expenditures	(797,674)	49,777	(7,479,239)	(2,583,076)	1,227,599	(9,582,613)
Other Financing Sources (Uses):						
Bonds proceeds	-	-	2,500,000	4,185,000	-	6,685,000
Court judgment	-	8,437,500	-	-	-	8,437,500
Transfers in	427,646	155,724	-	150,000	304,983	1,038,353
Transfers out	(1,786,921)	-	(6,444)	-	(876,185)	(2,669,550)
Total Other Financing Sources (Uses)	(1,359,275)	8,593,224	2,493,556	4,335,000	(571,202)	13,491,303
Change in Fund balance	(2,156,949)	8,643,001	(4,985,683)	1,751,924	656,397	3,908,690
Fund Equity, at Beginning of Year, as restated	15,073,237	-	(1,523,236)	(2,373,489)	14,552,489	25,729,001
Fund Equity, at End of Year	\$ 12,916,288	\$ 8,643,001	\$ (6,508,919)	\$ (621,565)	\$ 15,208,886	\$ 29,637,691

(1) Extracted from the City's audited financial statements.

Compiled from annual audit.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2006 (1)

	General	Police Station Capital Project	Manning Field Capital Project	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:					
Property Taxes	\$ 74,943,341	\$ -	\$ -	\$ -	\$ 74,943,341
Excise Taxes	5,214,550				5,049,740
Penalties, Interest and other taxes	997,107				997,107
Charges for services	2,568,517			4,397,974	6,966,491
Intergovernmental	154,303,233			32,226,266	186,529,499
Licenses and permits	1,196,176				1,196,176
Fines and Forfeitures	1,585,722				1,585,722
Investment income	965,959			30,728	996,687
Miscellaneous	98,772			8,464	107,236
Total Revenues	\$ 241,873,377	\$ -	\$ -	\$ 36,663,432	\$ 278,536,809
Expenditures:					
Current:					
General Government	\$ 9,986,027	\$ -	\$ -	\$ 1,724,776	\$ 11,710,803
Public Safety	35,324,340	3,019,200		805,082	39,148,622
Education	127,713,798			26,478,433	154,192,231
Public works	11,356,369			4,649,445	16,005,814
Health and Human Services	961,825			3,005,424	3,967,249
Culture and Recreation	1,358,773		2,119,325	302,802	3,780,900
Employee Pensions	44,948,406			-	44,948,406
Miscellaneous				112,383	112,383
Debt service	11,564,990			-	11,564,990
Intergovernmental	1,942,880			-	1,942,880
Total Expenditures	245,157,408	3,019,200	2,119,325	37,078,345	287,374,278
(Deficiency) of Revenues Over Expenditures	(3,284,031)	(3,019,200)	(2,119,325)	(414,913)	(8,837,469)
Other Financing Sources (Uses):					
Issuance of bonds		15,000,000			15,000,000
Capital leases	739,613				739,613
Operating transfers in	1,043,814			535,299	1,579,113
Operating transfers out				(1,579,113)	(1,579,113)
Total Other Financing Sources (Uses)	1,783,427	15,000,000	-	(1,043,814)	15,739,613
Change in Fund balance	(1,500,604)	11,980,800	(2,119,325)	(1,458,727)	6,902,144
Fund Equity, at Beginning of Year, as restated (1)	16,573,841	(13,510,481)	(254,164)	16,017,661	18,826,857
Fund Equity, at End of Year	\$ 15,073,237	\$ (1,529,681)	\$ (2,373,489)	\$ 14,558,934	\$ 25,729,001

(1) Extracted from the City's audited financial statements.

Complied from annual audit.

**CITY OF LYNN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005 (1)**

	General	Police Station Capital Project	Nonmajor Governmental Fund	Governmental Funds
Revenues:				
Property Taxes	\$ 70,928,093	\$ -	\$ -	\$ 70,928,093
Excise Taxes	5,049,740	-		5,049,740
Penalties, Interest and other taxes	1,310,714	-		1,310,714
Charges for services	2,455,315	-	3,524,286	5,979,601
Intergovernmental	149,305,519	-	30,981,894	180,287,413
Licenses, permits	1,068,445	-		1,068,445
Fines and Forfeitures	1,505,417	-		1,505,417
Investment income	778,346	-	52,631	830,977
Miscellaneous	959,982	-	124,082	1,084,064
Total Revenues	\$ 233,361,571	\$ -	\$ 34,682,893	\$ 268,044,464
Expenditures:				
Current:				
General Government	\$ 9,035,030	\$ -	\$ 1,614,180	\$ 10,649,210
Public Safety	33,109,124	10,002,339	440,919	43,552,382
Education	119,916,837	-	26,655,003	146,571,840
Public works	11,260,197	-	4,094,107	15,354,304
Health and Human Services	844,122	-	2,510,223	3,354,345
Culture and Recreation	1,193,156	-	245,573	1,438,729
Employee Pensions	40,440,245	-	-	40,440,245
Debt service	11,647,430	-	-	11,647,430
Intergovernmental	2,040,172	-	-	2,040,172
Total Expenditures	229,486,313	10,002,339	35,560,005	275,048,657
Excess (deficiency) of Revenues Over Expenditures	3,875,258	(10,002,339)	(877,112)	(7,004,193)
Other Financing Sources (Uses):				
Operating transfers in	613,204		496,763	1,109,967
Operating transfers out	(150,000)	(904)	(959,063)	(1,109,967)
Total Other Financing Sources (Uses)	463,204	(904)	(462,300)	-
Change in Fund balance	4,338,462	(10,003,243)	(1,339,412)	(7,004,193)
Fund Equity, at Beginning of Year, as restated	12,715,500	(3,507,238)	17,102,909	26,311,171
Fund Equity, at End of Year	\$ 17,053,962	\$ (13,510,481)	\$ 15,763,497	\$ 19,306,978

(1) Extracted from the City's audited financial statements.

Undesignated Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy.

The following table sets forth the trend in undesignated fund balance and free cash as certified by the Bureau of Accounts.

<u>Fiscal Year</u>	<u>Undesignated Fund Balance (June 30)</u>	<u>Free Cash (Deficit) (July 1)</u>
2010	N.A.	\$ 1,000,000 (est.)
2009	\$ 10,375,077	4,675,104 (1)
2008	6,800,177	411,505
2007	5,254,419	3,729,342
2006	11,666,833	5,473,979
2005	14,007,969	9,384,104

(1) Essentially all of this was appropriated to balance the fiscal 2010 tax levy as a consequence of the \$11.8 million in state aid cuts to the City in fiscal 2010.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The City has not established any such districts.

INDEBTEDNESS

Authorization Procedure and Limitations

The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for any projects, the maximum term may be determined in accordance with the useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purpose set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work, improvement or asset not specifically listed in the statutes that has a useful life of at least five years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required principal payment of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. This article is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this article.

**Direct Debt Summary
As of June 30, 2010
Including Subsequent Issues**

General Obligation Bonds:		
Outstanding (1):		
School (2)	\$ 53,350,000	
General	28,690,000	
Refuse Energy Systems Company (3)	940,000	
Total Outstanding		\$ 82,980,000
This Issue - New Money (Power Lines)		3,000,000
Temporary Loans Outstanding		
Bond Anticipation Notes Outstanding (4)	4,000,000	
To Be Retired with This Issue	(3,000,000)	
Total Outstanding After This Issue (4)		1,000,000
Total Direct Debt		\$ 86,980,000

- (1) Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
(2) The unpaid balance of state school construction grants payable over the life of outstanding school bonds is estimated at \$40,718,140 as of June 30, 2010. Said grant payments are subject to annual appropriation by the State legislature. \$49,205,000 is outside the City's general debt limit.
(3) Outside the City's general debt limit.
(4) Payable October 15, 2010; Bond proceeds will fund \$3 million and the balance is expected to be renewed to January, 2011.

Debt Ratios

The following table sets forth the ratio of debt to estimated full valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the City of Lynn only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole or part by non-tax revenues. (See "Direct Debt Summary.")

Fiscal Year End	General Obligation Bonds Outstanding	Population (Federal Census)	Equalized Valuation (1)	Per Capita Debt	Debt To Equalized Valuation
2010	\$ 82,980,000	89,050	\$ 7,613,788,900	\$ 932	1.09 %
2009	89,147,000	89,050	7,613,788,900	1,001	1.17
2008	88,000,000	89,050	7,240,287,700	988	1.22
2007	96,375,000	89,050	7,240,287,700	1,082	1.33
2006	97,415,000	89,050	5,892,730,000	1,094	1.65

(1) 2004 equalized valuation used for fiscal year 2006; 2006 equalized valuation used for fiscal years 2007 and 2008; 2008 equalized valuation used for fiscal years 2009 and 2010.

Projected Principal Payments by Purpose

The following table sets forth the principal payments by purpose on outstanding debt of the City of Lynn as of June 30, 2010.

Fiscal Year	General Obligation Bonds			Total Outstanding
	School	General	RESCO	
2011	\$ 7,060,000	\$ 2,040,000	\$ 475,000	\$ 9,575,000
2012	6,125,000	2,040,000	465,000	8,630,000
2013	6,420,000	2,035,000	-	8,455,000
2014	6,725,000	2,030,000	-	8,755,000
2015	7,040,000	2,025,000	-	9,065,000
2016	7,375,000	2,020,000	-	9,395,000
2017	7,710,000	2,020,000	-	9,730,000
2018	2,585,000	2,015,000	-	4,600,000
2019	210,000	2,005,000	-	2,215,000
2020	210,000	2,005,000	-	2,215,000
2021	210,000	1,665,000	-	1,875,000
2022	210,000	1,530,000	-	1,740,000
2023	210,000	1,530,000	-	1,740,000
2024	210,000	1,525,000	-	1,735,000
2025	210,000	975,000	-	1,185,000
2026	210,000	725,000	-	935,000
2027	210,000	320,000	-	530,000
2028	210,000	185,000	-	395,000
2029	210,000	-	-	210,000
Total	\$ 53,350,000	\$ 28,690,000	\$ 940,000	\$ 82,980,000

Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the City as of June 30, 2010.

Fiscal Year	Outstanding		Estimated State School Construction Aid (1)	Net Debt
	Principal	Interest		
2011	\$ 9,575,000	\$ 3,508,022	\$ (6,426,574)	\$ 19,739,470
2012	8,630,000	3,153,929	(5,460,418)	18,107,440
2013	8,455,000	2,778,298	(5,460,418)	17,006,177
2014	8,755,000	2,386,451	(5,438,452)	16,844,449
2015	9,065,000	1,980,616	(5,437,452)	16,653,781
2016	9,395,000	1,560,151	(5,437,452)	16,472,849
2017	9,730,000	1,111,726	(5,437,452)	16,245,999
2018	4,600,000	767,984	(1,619,922)	9,116,046
2019	2,215,000	612,614	-	5,655,228
2020	2,215,000	514,545	-	5,459,090
2021	1,875,000	422,276	-	4,594,553
2022	1,740,000	338,542	-	4,157,084
2023	1,740,000	264,028	-	4,008,055
2024	1,735,000	189,285	-	3,848,570
2025	1,185,000	126,186	-	2,622,373
2026	935,000	79,413	-	2,028,825
2027	530,000	45,769	-	1,151,538
2028	395,000	24,463	-	838,925
2029	210,000	9,450	-	438,900
Total	\$ 82,980,000	\$ 19,873,745	\$ (40,718,140)	\$ 164,989,349

(1) Subject to annual appropriation by the State legislature.

Coverage of Qualified Debt Service

It is projected that state aid distributions from The Commonwealth of Massachusetts to the City will provide ample coverage of outstanding qualified debt service. The following table presents debt service on the City's State Qualified Bonds and the coverage ratio of total state aid to projected qualified debt service.

Fiscal Year	Outstanding Qualified Bond Debt Service (1)	Prospective Debt Service on This Issue New Money Only (2)	Total Existing Qualified Debt Service	Total State Aid (3)	Coverage Ratio
2011	\$ 6,259,763	\$ 45,800	\$ 6,305,563	\$ 134,368,404	21.31
2012	6,258,439	223,075	6,481,514	137,055,772	21.15
2013	5,787,270	224,875	6,012,145	139,796,888	23.25
2014	5,788,795	220,975	6,009,770	142,592,825	23.73
2015	5,799,445	221,325	6,020,770	145,444,682	24.16
2016	5,799,970	220,825	6,020,795	148,353,575	24.64
2017	5,786,420	225,025	6,011,445	151,320,647	25.17
2018	2,206,620	224,700	2,431,320	154,347,060	63.48
2019	394,495	220,050	614,545	157,434,001	256.18
2020	381,245	220,325	601,570	160,582,681	266.94
2021	367,995	220,450	588,445	163,794,335	278.35
2022	354,745	220,425	575,170	167,070,221	290.47
2023	343,615	224,950	568,565	170,411,626	299.72
2024	332,485	224,019	556,504	173,819,858	312.34
2025	321,355	222,806	544,161	177,296,256	325.82
2026	310,225	221,188	531,413	180,842,181	340.30
2027	298,300	224,188	522,488	184,459,024	353.04
2028	286,375	221,925	508,300	188,148,205	370.15
2029	219,450	224,125	443,575	191,911,169	432.65
Total	\$ 47,297,007	\$ 4,051,050	\$ 51,348,057		

(1) As of June 30, 2010.

(2) Estimated interest.

(3) Includes total state aid available for coverage based on the FY 2011 Cherry Sheet. State aid is increased at a rate of 2% each year after FY 2011. The State aid figures above do not reflect school building assistance grants as such grants are not paid by the Commonwealth and are paid by the Massachusetts School Building Authority. Therefore, such payments do not constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the City will have a total authorized but unissued debt of approximately \$95,500,000 comprised of \$1,000,000 for the relocation of power lines and \$94,500,000 is for the design, construction and completion of the City's elementary and secondary school building projects, such borrowing being contingent upon approval of a 90% state school construction grant for eligible project costs. It is expected that the school bond authorization will be rescinded and the projects reconsidered in light of the new state school construction program. No immediate plans are underway in this regard.

In January, 1997, the City commenced construction of a new Lynn Classical High School ("Lynn Classical"), at a cost of approximately \$37,332,827.55. Lynn Classical opened in the Fall of September, 1999. Not long after it opened, portions of Lynn Classical's slab on grade flooring appeared to be shifting. Further investigation by consulting engineers retained by the City to evaluate this problem revealed that the entire first floor of Lynn Classical would need to be replaced.

The City received approximately \$8.5 million in legal settlements relating to its Classical High School project, and the City has earned over \$400,000 in interest on the settlement monies. These funds were not diverted to the General Fund. They remained with the project as a source of additional funding. Revised estimates to repair the most severely affected areas total \$14 million. Also, further litigation is still pending. The project was completed in 2009 and there is an ongoing feasibility study occurring to determine means, methods and the expense of repairing the balance of the still settling slab on grade.

Overlapping Debt

The City of Lynn is located in Essex County and is a member of Massachusetts Bay Transportation Authority (M.B.T.A.). The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the M.B.T.A., and the City of Lynn's gross share of such debt and the fiscal 2011 dollar assessment.

<u>Overlapping Entity</u>	<u>Outstanding Debt (6-30-10)</u>	<u>Lynn Estimated Share (1)</u>	<u>Fiscal 2011 Dollar Assessment (2)</u>
Massachusetts Bay Transportation Authority (3)	\$5,522,119,947	1.48%	\$1,773,638

(1) Estimated share based upon total net operating expenses, inclusive (where applicable) of debt service.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Massachusetts Bay Transportation Authority. The MBTA is comprised of cities and towns in the Greater Boston area. The Commonwealth pays approximately 90 percent of the debt service on MBTA bonds. It has also been state practice in recent years to absorb enough of the net cost of service of the MBTA to assure that the total assessments on the cities and towns within the territory of the MBTA will not exceed 102 1/2 percent of the prior year's assessments. The remainder of the net cost of service is assessed on those cities and towns.

Lynn Water and Sewer Commission

The Commission is a political subdivision and public instrumentality of the Commonwealth, separate and apart from the City, created by a passage of the Act of the Massachusetts legislature in 1982 in response to a "home rule" petition of the City. The Commission is authorized by the Act to operate and maintain the Water and Wastewater Systems, construct all necessary improvements to the Systems, establish and collect rates and charges for its services and finance its operations and improvements through revenue collections and the sale of bonds and notes payable solely from the Commission's revenues. The Commission owns and maintains its own wastewater collection and treatment facilities and is not a member of the wastewater collection and treatment system operated by the MWRA. The Commission provides water supply, treatment and distribution services on a retail basis to a service area, comprised principally of the City, with a 2000 population as reported by the U.S. Census in excess of 89,000, and wastewater collection and treatment services on a retail and wholesale basis to a service area, including the City and three adjacent communities, with a 1990 population in excess of 124,000. As of June 30, 2010, the Commission had \$115,450,617 revenue bonds outstanding.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long term contractual obligations not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The City has a limited number of contractual obligations of a material nature (all of which are subject to annual appropriation by the City Council).

The first of such contracts is with Waste Management of Massachusetts for the pick up of solid waste. The current contract expires June 30, 2014. The fiscal 2010 budget appropriation for this purpose under the contract is \$2.4 million. The fiscal 2011 budget appropriation for this purpose under the contract is \$2.4 million. The second such contract is with Refuse Energy Systems Company (RESCO) for the disposal of solid waste. The contract expires June 30, 2014 and the cost to the City under the contract is based on tonnage and operating expenses. The City appropriated \$2.2 million for this service in fiscal 2010. The City appropriated \$2.4 million for this service in fiscal 2011.

The City has a contract for school busing service which includes busing for special education and athletic programs in addition to regular busing services. The busing contracts were awarded in September 2009, due to expire in August 2012. The City appropriated \$3,675,902 for these purposes for fiscal 2010. The City appropriated \$4,408,000 for these purpose for fiscal 2011.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payments in any year of the schedule are not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Pursuant to recent legislation, a system (other than the state employee's retirement system and the teacher's retirement system) which conduct an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provision and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must be submitted to PERAC by September 27, 2010.

In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. There are approximately 1,252 contributory and 19 non-contributory retired persons or surviving beneficiaries currently receiving pensions under the contributory and non-contributory plans, respectively.

The trends in annual required contributions of the City to each retirement system are as follows:

<u>Year Ending</u>	<u>Contributory</u>	<u>Non-Contributory</u>
June 30, 2011 (Budget)	\$20,984,087	\$45,000
June 30, 2010	19,598,925	45,000
June 30, 2009	18,493,746	170,000
June 30, 2008	17,583,297	195,000
June 30, 2007	16,440,287	235,000
June 30, 2006	15,458,102	297,000

The estimated unfunded actuarial liability of the contributory retirement systems on January 1, 2009 is estimated at approximately \$257,612,464. No estimated unfunded actuarial liability is available for the non-contributory retirement system.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The City provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. The pay-as-you-go cost to the City for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Cost</u>
2010	\$ 9,340,720
2009	9,997,320
2008	9,566,814
2007	8,775,524
2006	8,583,007

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The City was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. As of June 30, 2008, the City's unfunded actuarial liability was estimated at \$450,682,000, and the Annual Required contribution (ARC) for fiscal 2009 was \$28,993,000. The City has not yet determined how it will fund this liability.

EMPLOYEE RELATIONS

The City employs 2,934 full-time persons, of whom 1,652 are employed by the school department, 173 by the fire department, 198 by the police department, 49 by the department of public works and the balance of 221 are distributed among smaller departments. Of the 2,934 full-time employees of the City, approximately 2,423 are represented by bargaining units.

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

Various union contracts (AFSCME Local 193, AFSCME Local 3147, AFSCME Local 1736, AFL-CIO-CLC Local 261 and public library staff) expired on June 30, 2010. The City is currently in open negotiations with the Lynn Police Association contract which expired June 2007 and IAFF Local 739 contract which expired June 2008.

LITIGATION

At present there are several cases pending in various courts throughout the Commonwealth where the City is a defendant. In the opinion of City management and its City Solicitor, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgment against the City that would materially affect its financial position.

CITY OF LYNN, MASSACHUSETTS
/s/ Richard Fortucci, Treasurer

September 21, 2010

CITY OF LYNN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009

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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, 2009, (except for the Lynn Contributory Retirement System which is as of and for the year ended December 31, 2008) which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lynn's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn, as of June 30, 2009, (except the Lynn Contributory Retirement System which is as of December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing in the back of this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath & Company, P.C.

Andover, Massachusetts
March 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include the marina activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 111,904,810 (i.e., net assets), a change of \$ (4,381,568) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 30,129,203, a change of \$ (1,098,767) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 10,375,077, a change of \$ 3,574,900 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 91,526,476, a change of \$ 848,272 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 73,031	\$ 65,094	\$ 172	\$ 176	\$ 73,203	\$ 65,270
Noncurrent assets	26,967	31,900	-	-	26,967	31,900
Capital assets	<u>170,588</u>	<u>163,777</u>	<u>1,697</u>	<u>1,773</u>	<u>172,285</u>	<u>165,550</u>
Total assets	270,586	260,771	1,869	1,949	272,455	262,720
Long-term liabilities outstanding	135,519	116,115	1,253	1,325	136,772	117,440
Other liabilities	<u>23,595</u>	<u>28,814</u>	<u>183</u>	<u>180</u>	<u>23,778</u>	<u>28,994</u>
Total liabilities	159,114	144,929	1,436	1,505	160,550	146,434
Net assets:						
Invested in capital assets, net	107,845	100,898	677	693	108,522	101,591
Restricted	16,859	20,654	-	-	16,859	20,654
Unrestricted	<u>(13,232)</u>	<u>(5,710)</u>	<u>(244)</u>	<u>(249)</u>	<u>(13,476)</u>	<u>(5,959)</u>
Total net assets	\$ <u>111,472</u>	\$ <u>115,842</u>	\$ <u>433</u>	\$ <u>444</u>	\$ <u>111,905</u>	\$ <u>116,286</u>

(continued)

(continued)

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 111,904,810, a change of \$ (4,381,568) from the prior year.

The largest portion of net assets \$ 108,521,996 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt

must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 30,129,203, a decrease of \$ (1,098,767) in comparison with the prior year. Key elements of this increase are as follows (in thousands):

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

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 10,375,077, while total fund balance was \$ 13,726,390. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.0 percent of total general fund expenditures, while total fund balance represents 5.3 percent of that same amount.

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

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

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to a deficit balance of \$ (244,194) an increase of \$ 4,452 in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ (2,527,867). Major reasons for these amendments include:

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

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

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 172,285,346 (net of accumulated depreciation), an increase of \$ 6,735,599 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

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

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

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

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

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

Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information is based on Single Family Homes

Infrastructure

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

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

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

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

Employment

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

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

Employment and Unemployment Rates

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

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

Organizational Structures

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

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

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

Conclusion

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lynn's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

CITY OF LYNN, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2009

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 20,643,480	\$ 1,644,680	\$ 603,290	\$ -	\$ (18,395,510)	\$ -	\$ (18,395,510)
Public safety	36,215,944	1,283,693	1,514,587	-	(33,417,664)	-	(33,417,664)
Education	159,514,807	227,846	165,387,188	-	6,100,227	-	6,100,227
Public works	15,680,455	2,068,608	3,241,666	1,033,060	(9,337,121)	-	(9,337,121)
Health and human services	3,953,798	1,472,120	2,473,117	-	(8,561)	-	(8,561)
Culture and recreation	980,977	846,894	271,888	-	137,805	-	137,805
Employee benefits	71,756,014	-	726,584	-	(71,029,430)	-	(71,029,430)
Interest	1,661,650	-	-	-	(1,661,650)	-	(1,661,650)
Intergovernmental	1,651,218	-	-	-	(1,651,218)	-	(1,651,218)
Total Governmental Activities	312,058,343	7,543,841	174,218,320	1,033,060	(129,263,122)	-	(129,263,122)
Business-Type Activities:							
Marina services	736,277	719,948	-	-	-	(16,329)	(16,329)
Total Business-Type Activities	736,277	719,948	-	-	-	(16,329)	(16,329)
Total	\$ 312,794,620	\$ 8,263,789	\$ 174,218,320	\$ 1,033,060	(129,263,122)	(16,329)	(129,279,451)
General Revenues:							
Property taxes					88,969,854	-	88,969,854
Excises					5,310,680	-	5,310,680
Penalties, interest and other taxes					1,158,215	-	1,158,215
Grants and contributions not restricted to specific programs					27,432,369	-	27,432,369
Investment income (loss)					(49,328)	1,002	(48,326)
Other					2,071,123	3,968	2,075,091
Total general revenues					124,892,913	4,970	124,897,883
Change in Net Assets					(4,370,209)	(11,359)	(4,381,568)
Net Assets:							
Beginning of year, as restated					115,842,474	443,904	116,286,378
End of year					<u>\$ 111,472,265</u>	<u>\$ 432,545</u>	<u>\$ 111,904,810</u>

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>High School Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 21,386,608	\$ 5,745,057	\$ 10,643,143	\$ 37,774,808
Investments	-	-	5,246,899	5,246,899
Receivables:				
Property taxes	5,793,766	-	-	5,793,766
Excises	5,652,280	-	-	5,652,280
Departmental and other	430,410	-	5,047,926	5,478,336
Intergovernmental	-	-	2,951,106	2,951,106
Due from other funds	<u>21,242</u>	<u>-</u>	<u>-</u>	<u>21,242</u>
TOTAL ASSETS	<u>\$ 33,284,306</u>	<u>\$ 5,745,057</u>	<u>\$ 23,889,074</u>	<u>\$ 62,918,437</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 1,976,846	\$ -	\$ -	\$ 1,976,846
Accounts Payable	976,700	865,068	302,106	2,143,874
Accrued liabilities	4,097,721	-	-	4,097,721
Deferred revenues	11,347,402	-	7,042,902	18,390,304
Tax refunds payable	592,834	-	-	592,834
Due to other funds	-	-	21,242	21,242
Notes payable	-	4,000,000	1,000,000	5,000,000
Other liabilities	<u>566,413</u>	<u>-</u>	<u>-</u>	<u>566,413</u>
TOTAL LIABILITIES	19,557,916	4,865,068	8,366,250	32,789,234
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	3,351,313	-	-	3,351,313
Perpetual (nonexpendable) permanent funds	-	-	5,772,849	5,772,849
Unreserved:				
Undesignated, reported in:				
General fund	10,375,077	-	-	10,375,077
Special revenue funds	-	-	10,080,868	10,080,868
Capital project funds	-	879,989	(456,677)	423,312
Permanent funds	<u>-</u>	<u>-</u>	<u>125,784</u>	<u>125,784</u>
TOTAL FUND BALANCES	<u>13,726,390</u>	<u>879,989</u>	<u>15,522,824</u>	<u>30,129,203</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,284,306</u>	<u>\$ 5,745,057</u>	<u>\$ 23,889,074</u>	<u>\$ 62,918,437</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, 2009

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,098,767)																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">12,621,824</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,521,839)</td> </tr> <tr> <td>Loss on sale</td> <td style="text-align: right;">(289,016)</td> </tr> </table> • 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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">185,588</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 border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">8,802,000</td> </tr> <tr> <td>Proceeds of capital leases, net</td> <td style="text-align: right;">(1,452,791)</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(281,543)</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">5,317,912</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 border="0" style="margin-left: 40px;"> <tr> <td>Decrease in compensated absences liability</td> <td style="text-align: right;">588,995</td> </tr> <tr> <td>Increase in OPEB liability</td> <td style="text-align: right;">(17,987,516)</td> </tr> <tr> <td>Decrease in workers compensation liability</td> <td style="text-align: right;">366,471</td> </tr> </table> • 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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(5,621,527)</u></td> </tr> </table> 		Capital outlay purchases	12,621,824	Depreciation	(5,521,839)	Loss on sale	(289,016)		185,588	Repayments of debt	8,802,000	Proceeds of capital leases, net	(1,452,791)		(281,543)		5,317,912	Decrease in compensated absences liability	588,995	Increase in OPEB liability	(17,987,516)	Decrease in workers compensation liability	366,471		<u>(5,621,527)</u>
Capital outlay purchases	12,621,824																								
Depreciation	(5,521,839)																								
Loss on sale	(289,016)																								
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Decrease in workers compensation liability	366,471																								
	<u>(5,621,527)</u>																								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(4,370,209)</u>																								

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

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

See notes to financial statements.

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

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

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

See notes to financial statements.

CITY OF LYNN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

In the Fiduciary Funds: The Lynn Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 3 City Hall Square, Lynn, MA 01901.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are

considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *high school capital project fund* is used to account for the financing and repairs at Lynn Classical High School
- The *ARRA (American Recovery and Reinvestment Act) fund* is used to account for the receipt and expenditure of federal "stimulus" funds awarded the community to replace some of the fiscal year 2009 Chapter 70 state aid reductions.

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

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

The government reports the following major proprietary funds:

- Seaport Marina Operations

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

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

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent

(excluding new growth), unless an override is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 5,687

G. Interfund Receivables and Payables

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

H. Inventories

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

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

J. Compensated Absences

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

K. Long-Term Obligations

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

L. Fund Equity

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

M. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

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

D. Excess of Expenditures Over Appropriations

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

Snow and ice	\$ 1,817,242
--------------	--------------

The appropriation deficit was funded on the fiscal year 2010 recap.

E. Deficit Fund Equity

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

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

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

3. Cash and Short-Term Investments

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

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

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

4. Investments

A. Credit Risk

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

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

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

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

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

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

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

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

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

B. Custodial Credit Risk

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

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

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

C. Concentration of Credit Risk

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

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

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

E. Foreign Currency Risk

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

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2009 consist of the following (in thousands):

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

6. Allowance for Doubtful Accounts

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

Property taxes	\$	1,476
Excises		3,282

7. Intergovernmental Receivables

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

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The amount payable to the general fund from the school lunch fund relates to cash flow hardship, and is not scheduled to be collected in the subsequent year. The following is an analysis of the June 30, 2009 balances in interfund receivable and payable accounts:

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

9. Capital Assets

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

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

(continued)

(continued)

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

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

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

10. Warrants and Accounts Payable

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

11. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

12. Tax Refunds Payable

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

13. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2009:

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

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

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

14. Capital Lease Obligations

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

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

15. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

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

(1) Repaid through CDBG program

(continued)

(continued)

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

B. Future Debt Service

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

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

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

C. Changes in General Long-Term Liabilities

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

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

* As restated

16. Restricted Net Assets

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

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

17. Reserves of Fund Equity

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

The following types of reserves are reported at June 30, 2009:

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

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

18. General Fund Undesignated Fund Balance

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

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

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

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

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

19. Subsequent Events

A. Debt

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

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

20. Commitments and Contingencies

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

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

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

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

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

21. Post-Employment Health Care and Life Insurance Benefits

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

A. Plan Description

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

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

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

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

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

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

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

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

E. Funded Status and Funding Progress

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included an 8% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

22. Contributory Retirement System

A. Plan Description and Contribution Information

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Lynn Contributory Retirement System (LCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the LCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the LCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid.

The LCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2008:

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

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

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

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

B. Summary of Significant Accounting Policies

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

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

C. Funded Status and Funding Progress

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

Schedule of Funding Progress:

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

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

D. Actuarial Methods and Assumptions

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

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

E. Teachers

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

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

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

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

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

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

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 20,350,190 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

23. Self Insurance

The City self insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable for claims up to \$ 1,800,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2009 are as follows:

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

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

24. Risk Management

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

25. Beginning Fund Balance Net Assets Restatement/Reclassification

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

Government-Wide Financial Statements:

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

Fund Basis Financial Statements:

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

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

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

Employee's Retirement System

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

Other Post-Employment Benefits
(Amounts Expressed in thousands)

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

See Independent Auditors' Report.

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EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Richard J. Fortucci, Treasurer
City of Lynn
Lynn, Massachusetts

\$14,200,000
City of Lynn, Massachusetts
General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds
Dated September 15, 2010

We have acted as bond counsel to the City of Lynn, Massachusetts (the “City”) in connection with the issuance by the City of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain

of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 5 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

5. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Lynn, Massachusetts (the "City") in connection with the issuance of its \$14,200,000 General Obligation State Qualified Municipal Purpose Loan of 2010 Bonds dated September 15, 2010 (the "Bonds"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted when available separately from the balance of the Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the City's Official Statement dated September __, 2010 relating to the Bonds regarding (i) the revenues and expenditures of the City relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the City, and (vi) pension obligations of the City, and

(b) the most recently available audited financial statements of the City, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Material Events.

(a) The City shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.

8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the City shall promptly file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the City), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the City of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with

this Disclosure Certificate shall be an action for specific performance of the City's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 2010

CITY OF LYNN, MASSACHUSETTS

By _____
Treasurer

Mayor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]