

CITY OF EVERETT, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Everett, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of and for the year ended June 30, 2011, (except for the Everett, Massachusetts Contributory Retirement System which is as of and for the year ended December 31, 2010) which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Everett'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, each major fund, and the aggregate remaining fund information of the City of Everett as of June 30, 2011, (except the Everett Contributory Retirement System which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, appearing on the following pages, and the supplementary information appearing on page 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2012 on our consideration of the City of Everett'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
April 3, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Everett, we offer readers this narrative overview and analysis of the financial activities of the City of Everett for the fiscal year ended June 30, 2011. **All amounts, unless otherwise noted, are expressed in thousands.**

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).

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:

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.

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 are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by 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 \$ 127,070 (i.e., net assets), a change of \$ (3,977) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 26,495 a change of \$ (559) in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 15,529, a change of \$ 3,243 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 66,245, a change of \$ (5,217) 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.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets		
Capital assets	\$ 53,940	\$ 58,599
Total assets	<u>188,498</u>	<u>186,828</u>
	242,438	245,427
Long-term liabilities outstanding		
Other liabilities	99,613	98,385
Total liabilities	<u>15,754</u>	<u>15,995</u>
	115,367	114,380
Net assets:		
Invested in capital assets, net		
Restricted	124,491	118,278
Unrestricted	7,940	6,898
	<u>(5,361)</u>	<u>5,871</u>
Total net assets	<u>\$ 127,070</u>	<u>\$ 131,047</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,065	\$ 14,599
Operating grants and contributions	64,272	58,515
Capital grants and contributions	1,742	663
General revenues:		
Property taxes	78,396	77,682
Excises	2,741	2,608
Penalties and interest on taxes	3,473	3,455
Grants and contributions not restricted to specific programs	8,709	8,956
Investment income	315	343
Other	696	1,144
Total revenues	<u>173,409</u>	<u>167,965</u>

(continued)

(continued)

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Expenses:		
General government	6,610	6,561
Public safety	18,944	18,719
Education	79,171	75,765
Public works	10,195	8,850
Water operations	4,284	4,540
Sewer operations	7,043	6,959
Health and human services	1,926	1,910
Culture and recreation	1,346	1,351
Employee benefits	36,236	34,400
Interest on long-term debt	2,779	2,321
Intergovernmental	8,852	9,059
Total expenses	<u>177,386</u>	<u>170,435</u>
Change in net assets	(3,977)	(2,470)
Net assets - beginning of year	<u>131,047</u>	<u>133,517</u>
Net assets - end of year	<u>\$ 127,070</u>	<u>\$ 131,047</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 \$ 127,070, a change of \$ (3,977) from the prior year.

The largest portion of net assets \$ 124,491 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 \$ 7,940 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ (5,361) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (3,977). Key elements of this change are as follows:

General fund expenditures exceeding revenues	\$ (762)
Internal service fund expenditures exceeding revenues	(681)
Special revenue fund revenues exceeding expenditures	1,714
Increase in OPEB liability	(6,281)
Depreciation exceeding debt service expenditures	(2,291)
Tax collections recognized in the prior year	(3,141)
Current year revenue used for the acquisition of capital assets	7,207
Other	<u>258</u>
Total	<u>\$ (3,977)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 26,495, a change of \$ (559) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures exceeding revenues	\$ (762)
Special revenue fund revenues exceeding expenditures	1,714
Non-major capital project fund expenditures exceeding revenues and bond proceeds	(1,510)
Trust fund expenditures exceeding revenues	<u>(1)</u>
Total	<u>\$ (559)</u>

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

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 15,529, while total fund balance was \$ 16,252. As a measure of the general fund's liquidity, it may be

useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 15,529	\$ 12,286	\$ 3,243	9.8%
Total fund balance ⁽¹⁾	16,252	16,343	(91)	10.2%

⁽¹⁾ Now includes stabilization. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ (91) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (710)
Increase in stabilization accounts	102
Revenues in excess of budget	1,240
Expenditures less than budget	1,269
Tax collections less than budget	(263)
Change in encumbrances	<u>(1,729)</u>
Total	<u>\$ (91)</u>

Included in the total general fund balance is the City's stabilization account with the following balance:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
General stabilization	\$ 9,224	\$ 9,122	\$ 102

Proprietary funds. Unrestricted net assets of the internal service funds at the end of the year amounted to \$ 5,420, a change of \$ (681) in comparison to the prior year.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 23.

All of the supplemental appropriations were funded through transfers from other funds. In addition to the above supplemental increases, the City Council voted numerous departmental transfers within the operating budget throughout the fiscal year.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$ 188,498 (net of accumulated depreciation), a change of \$ 1,670 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress. Major capital acquisitions included:

- \$ 2,315 Road and sidewalk construction
- \$ 1,486 Veterans memorial stadium improvements
- \$ 1,223 Airforce road land and improvements
- \$ 1,161 Water main improvements
- \$ 1,089 Parlin School improvements
- \$ 971 Whittier School improvements
- \$ 928 Other school improvements
- \$ 713 Various public safety equipment purchases

Change in credit rating. During the fiscal year, the Moody's credit rating did not change.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 66,245, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

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

Office of City Auditor
City of Everett, Massachusetts
City Hall, 484 Broadway
Everett, Massachusetts 02149

CITY OF EVERETT, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	
Receivables, net of allowance for uncollectibles:	\$ 43,358,803
Property taxes	
Excises	1,503,960
Water user charges	539,823
Sewer user charges	430,043
Intergovernmental	1,389,018
Other	1,338,577
Other assets	926,113
Deferred assets	2,283,111
Noncurrent:	46,000
Receivables, net of allowance for uncollectibles:	
Property taxes	
Loans	1,372,425
Deferred assets	153,845
Capital assets, being depreciated, net	598,000
Capital assets, not being depreciated	178,338,900
	<u>10,159,129</u>
TOTAL ASSETS	<u>242,437,747</u>
LIABILITIES	
Current:	
Warrants payable	
Accounts payable	3,965,974
Accrued liabilities	980,213
Tax refunds payable	7,211,591
Health claims payable	1,260,721
Workers compensation payable	1,960,000
Other current liabilities	25,210
Current portion of long-term liabilities:	351,123
Bonds payable	
Compensated absences	6,043,367
	233,887
Noncurrent:	
Bonds payable, net of current portion	60,202,012
Compensated absences, net of current portion	4,443,843
Net OPEB obligation	28,689,555
	<u>28,689,555</u>
TOTAL LIABILITIES	<u>115,367,496</u>
NET ASSETS	
Invested in capital assets, net of related debt	
Restricted for:	124,490,889
Grants and other statutory restrictions	
Permanent funds:	6,501,503
Nonexpendable	
Expendable	1,228,670
Unrestricted	210,421
	<u>(5,361,232)</u>
TOTAL NET ASSETS	<u>\$ 127,070,251</u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 27,547,547	\$ 8,981,518	\$ 36,529,065
Receivables, net of allowance:			
Property taxes	3,432,582	-	3,432,582
Excises	1,422,534	-	1,422,534
Water user charges	477,826	-	477,826
Sewer user charges	1,543,353	-	1,543,353
Departmental and other	1,323,018	-	1,323,018
Intergovernmental	-	1,338,577	1,338,577
Loans	-	178,889	178,889
Due from other funds	24,875	4,409	29,284
Other assets	893,367	-	893,367
TOTAL ASSETS	<u>\$ 36,665,102</u>	<u>\$ 10,503,393</u>	<u>\$ 47,168,495</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 3,965,974	\$ -	\$ 3,965,974
Deferred revenues	8,039,964	178,889	8,218,853
Accrued liabilities	6,601,841	54,948	6,656,789
Tax refunds payable	1,260,721	-	1,260,721
Due to other funds	193,459	26,520	219,979
Other liabilities	351,123	-	351,123
TOTAL LIABILITIES	20,413,082	260,357	20,673,439
Fund Balances:			
Nonspendable	-	1,228,670	1,228,670
Restricted	-	9,105,484	9,105,484
Assigned	723,121	-	723,121
Unassigned (see Note 16)	15,528,899	(91,118)	15,437,781
TOTAL FUND BALANCES	<u>16,252,020</u>	<u>10,243,036</u>	<u>26,495,056</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,665,102</u>	<u>\$ 10,503,393</u>	<u>\$ 47,168,495</u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS

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

JUNE 30, 2011

Total governmental fund balances	\$ 26,495,056
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	188,498,029
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	6,180,922
• 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.	5,419,710
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(554,802)
• Long-term liabilities, (net of deferred asset) including bonds payable, and net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(98,968,664)</u>
Net assets of governmental activities	\$ <u><u>127,070,251</u></u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 80,110,135	\$ -	\$ 80,110,135
Excises	2,805,452	-	2,805,452
Penalties and interest on taxes	3,110,150	-	3,110,150
Charges for services	1,096,838	1,833,406	2,930,244
Licenses and permits	450,644	-	450,644
Fines and forfeits	1,033,634	-	1,033,634
Intergovernmental	58,261,063	16,213,574	74,474,637
Water	3,675,847	-	3,675,847
Sewer	6,630,373	-	6,630,373
Investment income	149,595	196,163	345,758
Other	695,627	316,124	1,011,751
Total Revenues	<u>158,019,358</u>	<u>18,559,267</u>	<u>176,578,625</u>
Expenditures:			
Current:			
General government	4,252,187	1,797,160	6,049,347
Public safety	18,291,060	863,187	19,154,247
Education	65,837,988	12,091,126	77,929,114
Public works	8,988,893	1,393,667	10,382,560
Water operations	4,166,727	-	4,166,727
Sewer operations	6,614,319	-	6,614,319
Health and human services	1,748,339	158,256	1,906,595
Culture and recreation	950,884	82,575	1,033,459
Employee benefits	29,256,093	-	29,256,093
Capital outlay	1,070,190	2,720,348	3,790,538
Debt service	8,753,301	-	8,753,301
Intergovernmental	8,851,801	-	8,851,801
Total Expenditures	<u>158,781,782</u>	<u>19,106,319</u>	<u>177,888,101</u>
Deficiency of revenues over expenditures	(762,424)	(547,052)	(1,309,476)
Other Financing Sources (Uses):			
Issuance of bonds	-	750,000	750,000
Transfers in	671,472	-	671,472
Transfers out	-	(671,472)	(671,472)
Total Other Financing Sources (Uses)	<u>671,472</u>	<u>78,528</u>	<u>750,000</u>
Changes in fund balances	(90,952)	(468,524)	(559,476)
Fund Balance, at Beginning of Year, as reclassified	<u>16,342,972</u>	<u>10,711,560</u>	<u>27,054,532</u>
Fund Balance, at End of Year	<u>\$ 16,252,020</u>	<u>\$ 10,243,036</u>	<u>\$ 26,495,056</u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (559,476)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases, net of dispositions	9,927,595
Depreciation	(8,257,598)

- 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.

(3,140,594)

- 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:

Issuance of debt	(750,000)
Repayments of debt	5,966,624

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

7,840

- Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:

Increase in compensated absences	(162,788)
Amortization of refunding	(46,000)
Increase in OPEB liability	(6,281,169)

- 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.

(681,263)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (3,976,829)

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS
GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes				
Excise	\$ 80,372,353	\$ 80,372,353	\$ 80,372,353	\$ -
Penalties, interest, and other taxes	2,665,000	2,665,000	2,805,452	140,452
Charges for services	799,112	799,112	3,110,150	2,311,038
Licenses and permits	684,500	684,500	1,096,838	412,338
Fines and forfeits	700,000	700,000	450,644	(249,356)
Intergovernmental	1,170,000	1,170,000	1,033,634	(136,366)
Water	48,428,227	48,428,227	48,225,167	(203,060)
Sewer	3,875,000	3,875,000	3,675,847	(199,153)
Investment income	7,125,000	7,125,000	6,630,373	(494,627)
Other	35,000	35,000	47,661	12,661
Transfers in	1,050,000	1,050,000	695,627	(354,373)
Other financing sources	648,895	671,472	671,472	-
	709,851	709,851	709,851	-
Total Revenues and Other Sources	148,262,938	148,285,515	149,525,069	1,239,554
Expenditures and Other Uses:				
General government	4,225,015	4,299,015	4,195,963	103,052
Public safety	18,269,213	18,191,790	18,017,587	174,203
Education	54,700,760	54,700,760	54,600,529	100,231
Public works	8,861,605	8,861,605	8,679,437	182,168
Water	4,175,218	4,175,218	4,141,727	33,491
Sewer	6,612,606	6,612,606	6,614,319	(1,713)
Health and human services	1,907,342	1,907,342	1,748,339	159,003
Culture and recreation	1,022,229	1,048,229	950,884	97,345
Employee benefits	29,357,951	29,357,951	29,256,093	101,858
Debt service	8,767,505	8,767,505	8,753,301	14,204
Intergovernmental	9,156,494	9,156,494	8,851,801	304,693
Capital outlay	1,207,000	1,207,000	1,207,000	-
Total Expenditures and Other Uses	148,262,938	148,285,515	147,016,980	1,268,535
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,508,089	\$ 2,508,089

See notes to financial statements.

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

	<u>Internal Service Fund</u>
<u>ASSETS</u>	
Cash and short-term investments	
Due from other funds	\$ 6,829,738
Other assets	190,695
	<u>1,364,700</u>
TOTAL ASSETS	8,385,133
<u>LIABILITIES</u>	
Current:	
Accounts payable	980,213
Health claims payable	1,960,000
Workers compensation payable	<u>25,210</u>
TOTAL LIABILITIES	2,965,423
<u>NET ASSETS</u>	
Unrestricted	<u>5,419,710</u>
TOTAL NET ASSETS	\$ <u><u>5,419,710</u></u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Internal Service Fund
Operating Revenues:	
Charges for services	\$ 19,650,743
Operating Expenses:	
Personnel services	<u>20,347,347</u>
Operating income	(696,604)
Nonoperating Revenues:	
Investment income	<u>15,341</u>
Change in Net Assets	(681,263)
Net Assets at Beginning of Year	<u>6,100,973</u>
Net Assets at End of Year	<u><u>\$ 5,419,710</u></u>

See notes to financial statements.

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

	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from employees and employer	\$ 19,460,282
Payments of employee benefits and expenses	<u>(19,897,949)</u>
Net Cash Provided By Operating Activities	(437,667)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>15,341</u>
Net Cash Provided By Investing Activities	<u>15,341</u>
Net Change in Cash and Short-Term Investments	(422,326)
Cash and Short-Term Investments, Beginning of Year	<u>7,252,064</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,829,738</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating income	\$ (696,604)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Due from other funds	(190,461)
Other assets	47,900
Accounts payable	182,188
Accrued liabilities	<u>219,310</u>
Net Cash Provided By Operating Activities	<u>\$ (437,667)</u>

See notes to financial statements.

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

<u>ASSETS</u>	<u>Pension Trust Fund (as of December 31, 2010)</u>	<u>Agency Funds</u>
Cash and short term investments	\$ 536,936	\$ 265,976
Investments	64,634,030	-
Accounts receivable	<u>35,623</u>	<u>478,918</u>
Total Assets	65,206,589	744,894
<u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>15</u>	<u>744,894</u>
Total Liabilities	<u>15</u>	<u>744,894</u>
<u>NET ASSETS</u>		
Total Net Assets Held in Trust for Pension Benefits	\$ <u><u>65,206,574</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employers	\$ 11,166,466
Plan members	3,207,578
Other Systems and Commonwealth of Massachusetts	650,316
Other	45,055
Total contributions	<u>15,069,415</u>
Investment Income:	
Increase(Decrease) in fair value of investments	8,240,341
Less: management fees	(268,730)
Net investment income	<u>7,971,611</u>
Total additions	23,041,026
Deductions:	
Benefit payments to plan members and beneficiaries	11,368,797
Refunds to plan members	463,511
Transfers to other systems	188,357
Administrative expenses	188,467
Total deductions	<u>12,209,132</u>
Net decrease	10,831,894
Net assets:	
Beginning of year	<u>54,374,680</u>
End of year	<u>\$ 65,206,574</u>

See notes to financial statements.

CITY OF EVERETT, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Everett (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 City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB-39 criteria of component units. The Everett Contributory Retirement System 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 484 Broadway, Everett, Massachusetts 02149.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function 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 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 self-insured employee health program, workers compensation program, and the City's general liability insurance activities are reported as an internal service fund in the accompanying financial statements.

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

The *agency fund* is used to account for student activity funds and employee work details.

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.

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

(excluding new growth), unless an override is voted. The actual fiscal year 2011 tax levy reflected an excess capacity of \$ 27,295.

G. Interfund Receivables and Payables

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 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.

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

<u>Assets</u>	<u>Years</u>
Building improvements	5 - 40
Machinery, equipment, and furnishings	5
Infrastructure	10 - 40

I. Compensated Absences

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

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

K. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 4) Unassigned funds are available to be spent in future periods. The unassigned fund balance in the General fund includes \$9,224,016 of stabilization accounts as authorized by Massachusetts General Law Chapter 40, section 5B.

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

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

L. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

	<u>Revenues and Other General Fund</u>	<u>Expenditures and Other General Fund</u>
Revenues/Expenditures (GAAP Basis)	\$ 158,019,358	\$ 158,781,782
Other financing sources/uses (GAAP Basis)	<u>671,472</u>	<u>-</u>
Subtotal (GAAP Basis)	158,690,830	158,781,782
Adjust tax revenue to accrual basis	262,218	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,452,027)
Add end of year appropriation carry- forwards to expenditures	-	723,121
Recognize use of fund balance as funding source	709,851	-
Reverse the effect of non-budgeted State contributions for Teachers' Retirement	(10,035,896)	(10,035,896)
Other	<u>(101,934)</u>	<u>-</u>
Budgetary Basis	<u>\$ 149,525,069</u>	<u>\$ 147,016,980</u>

D. Excess of Expenditures over Appropriations

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

Sewer Department	\$ 1,713
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The above appropriation deficit will need to be raised in subsequent periods.

E. Deficit Fund Equity

The City reported special revenue, trust, agency, and capital project funds reflecting various individual deficit fund balance accounts, which will be funded by bond issuances and future receipts.

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 the City's 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."

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The City and System does not have a deposit policy for custodial credit risk.

As of June 30, 2011 and December 31, 2010, \$ 29,255,714 and \$ 463,284 of the City's and System's bank balances of \$ 45,991,140 and \$ 713,284 respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the System's \$ 463,284 that was exposed to custodial credit risk, \$ 400,145 was invested in the Pension Reserve Investment Trust (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).

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 collat-

eral 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 the Public Employee Retirement Administration Commission (PERAC).

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
State investment pool*	\$ <u>64,634</u>	\$ <u>64,634</u>
Total investments	\$ <u><u>64,634</u></u>	\$ <u><u>64,634</u></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 does not have policies for custodial credit risk. The System follows PRIM policies for custodial credit risk.

Of the System's investment in pooled funds, the government has a custodial credit risk exposure of \$ 64,634,030 because the related securities are uninsured, unregistered, and held by the System's brokerage firm, which is also counterparty to these securities. The System manages this risk with SIPC, excess SIPC and because the assets are held in separately identifiable trust accounts. In addition, \$ 64,634,030 of the pooled funds are invested in the State Pension Reserve Investment Trust (PRIT).

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City has no investments in any one issuer that represents more than 5% of total investments.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System follows PRIM policies for credit risk. The System has no investments in any one issuer that represents more than 5% of total investments.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System follows PRIM policies for interest rate risk.

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 policies for foreign currency risk. The System follows PRIM policies for foreign currency risk.

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 semiannual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

Taxes receivable at June 30, 2011 consist of the following (in thousands):

Real Estate		
2011	\$ 1,470	
2010 and Prior	<u>191</u>	
		1,661
Personal Property		
2011	56	
2010	32	
2009	21	
2008 and Prior	<u>138</u>	
		247
Tax Liens		<u>1,525</u>
Total		<u>\$ 3,433</u>

6. **Allowance for Doubtful Accounts**

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

	<u>Governmental</u>
Property taxes	\$ 557
Excises	883
Water user charges	48
Sewer user charges	154
Other receivables	<u>397</u>

7. **Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

8. **Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 24,875	\$ 193,459
Nonmajor governmental funds	4,409	26,520
Proprietary fund	<u>190,695</u>	<u>-</u>
Total	<u>\$ 219,979</u>	<u>\$ 219,979</u>

9. Capital Assets

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

	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 110,228,211	\$ 4,941,221	\$ -	\$ 115,169,432
Machinery, equipment and furnishings	26,018,868	2,425,254	-	28,444,122
Infrastructure	<u>123,856,914</u>	<u>3,006,072</u>	-	<u>126,862,986</u>
Total capital assets, being depreciated	260,103,993	10,372,547	-	270,476,540
Less accumulated depreciation for:				
Buildings and improvements	(31,879,826)	(3,745,346)	-	(35,625,172)
Machinery, equipment and furnishings	(15,865,881)	(2,062,323)	-	(17,928,204)
Infrastructure	<u>(36,134,335)</u>	<u>(2,449,929)</u>	-	<u>(38,584,264)</u>
Total accumulated depreciation	<u>(83,880,042)</u>	<u>(8,257,598)</u>	-	<u>(92,137,640)</u>
Total capital assets, being depreciated, net	176,223,951	2,114,949	-	178,338,900
Capital assets, not being depreciated:				
Land	8,411,274	666,000	-	9,077,274
Construction in progress	<u>2,192,807</u>	<u>1,081,855</u>	<u>(2,192,807)</u>	<u>1,081,855</u>
Total capital assets not being depreciated	<u>10,604,081</u>	<u>1,747,855</u>	<u>(2,192,807)</u>	<u>10,159,129</u>
Governmental activities capital assets, net	<u>\$ 186,828,032</u>	<u>\$ 3,862,804</u>	<u>\$ (2,192,807)</u>	<u>\$ 188,498,029</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	\$ 288,266
Public safety	483,426
Education	4,213,678
Public works	1,836,890
Sewer	428,719
Water	565,981
Culture and recreation	<u>440,638</u>
Total depreciation expense - governmental activities	<u>\$ 8,257,598</u>

10. **Warrants and Accounts Payable**

Warrants payable represent 2011 expenditures paid by July 15, 2011. Accounts payable represent additional 2011 expenditures paid after July 15, 2011.

11. **Deferred Revenue**

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

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

12. **Accrued Liabilities**

This balance represents expenditures incurred, but not yet paid, including interest on notes and bonds, as well as teacher's summer pay.

13. **Tax Refunds Payable**

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

14. **Long-Term Debt**

A. **General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s)%</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/11</u>
Feb 1, 2007 - High School Building	02/01/26	3.5 - 5.5%	\$ 10,560,000
Feb 1, 2007 - Prior School Building	02/01/12	3.5 - 5.5%	380,000
Feb 1, 2007 - Lafayette School Remediaton	02/01/17	3.5 - 5.5%	2,870,000
Nov 1,2003 - MWPTA CW-02-31	08/01/23	Variable	307,141
Mar 1, 2004 - School Remodeling	03/01/22	2.125 - 4.5%	1,455,000
Mar 1, 2004 - Public works Facility	03/01/20	2.125 - 4.5%	1,930,000
Jan 15, 2000 - School	12/15/11	5.0 - 6.125%	2,065,000
Dec 1, 2000 - School	12/01/11	5.0 - 6.0%	15,000
Jun 27, 2002 - MWRA	05/15/12	-	54,290
Sep 5, 2002 - MWRA	08/15/12	-	67,173
May 20, 2004 - MWRA	05/15/14	-	32,940
Aug 19, 2004 - MWRA Water Bonds	08/15/14	-	49,453
Sep 15, 2004 - Advanced refunding	12/15/19	2.6 - 5.315%	21,665,000
Nov 18, 2004 - MWRA - Water	11/15/14	-	196,000
May 18, 2006 - MWRA Water	05/15/16	-	275,000
Oct 25, 2007 - High School Bond	11/01/32	2.00%	9,887,137
May 22, 2008 - MWRA Water Bond	05/15/18	-	212,800
Jun 8, 2008 - HUD Loan	08/01/27	Variable	1,000,000
May 21, 2009 MWRA Water	05/15/19	-	1,238,445
Aug,1, 2009 - School Remodeling	08/01/29	3.75-5.0%	1,900,000
Oct 15, 2009 Refunding	09/01/11	2.0-3.0%	70,000
Oct 15, 2009 Refunding	09/01/19	2.0-5.0%	9,265,000
July 8, 2010 MWPAT	02/15/21	2.00%	250,000
March 15, 2011 MWRA	02/15/21	-	500,000
Total Governmental Activities:			<u>\$ 66,245,379</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,043,367	\$ 2,586,766	\$ 8,630,133
2013	5,690,063	2,354,719	8,044,782
2014	5,782,499	2,136,462	7,918,961
2015	5,921,887	1,909,637	7,831,524
2016	6,010,745	1,647,188	7,657,933
2017-2021	25,978,379	4,209,221	30,187,600
2022-2026	6,989,371	1,041,323	8,030,694
2027-2031	2,719,238	337,761	3,056,999
2032-2033	1,109,830	38,808	1,148,638
Total	\$ 66,245,379	\$ 16,261,885	\$ 82,507,264

The General fund has been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2011.

C. Changes in General Long-Term Liabilities

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

	<u>Total Balance 7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/11</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 71,462,003	\$ 750,000	\$ (5,966,624)	\$ 66,245,379	\$ (6,043,367)	\$ 60,202,012
Other:						
Compensated absences	4,514,942	388,535	(225,747)	4,677,730	(233,887)	4,443,843
Net OPEB obligation	22,408,386	12,622,307	(6,341,138)	28,689,555	-	28,689,555
Totals	\$ 98,385,331	\$ 13,760,842	\$ (12,533,509)	\$ 99,612,664	\$ (6,277,254)	\$ 93,335,410

D. Advanced Refundings

Prior Year

On September 15, 2004, the City issued general obligation bonds in the amount of \$ 22,270,000 with a variable interest rate ranging from 2.000% to 5.375% to advance refund \$ 21,350,000 serial bonds with interest rates ranging from 5.750% to 6.125%. The serial bonds mature December 15, 2012 through December 15, 2019 and are callable on December 16, 2009. The general obligation bonds were issued at a true interest cost of 4.1062%. \$ 24,329,129 of the net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the serial bonds are

called on December 15, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the serial bonds were removed from the City's financial statements.

As a result of the advance refunding, the City reduced its total debt service cash flow requirements by \$ 1,070,415 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 885,155.

Defeased debt still outstanding at June 30, 2011 is \$ 21,145,000.

15. 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.

16. Governmental Funds - Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes

general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by the Board of Alderman and Common Council, stabilization accounts set aside by the Board of Alderman and Common Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

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

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 1,228,670	\$ 1,228,670
	<u>\$ -</u>	<u>\$ 1,228,670</u>	<u>\$ 1,228,670</u>
Restricted			
Capital projects	\$ -	\$ 2,307,269	\$ 2,307,269
Special revenue funds	-	6,587,794	6,587,794
Expendable permanent funds	-	210,421	210,421
	<u>\$ -</u>	<u>\$ 9,105,484</u>	<u>\$ 9,105,484</u>
Assigned			
Encumbrances	\$ 723,121	\$ -	\$ 723,121
	<u>\$ 723,121</u>	<u>\$ -</u>	<u>\$ 723,121</u>
Unassigned			
	<u>\$ 15,528,899</u> (a)	<u>\$ (91,118)</u>	<u>\$ 15,437,781</u>

(a) This amount includes \$ 9,224,016 of stabilization accounts as authorized by Massachusetts General Law Chapter 40, section 5B.

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the poten-

tial 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.

18. Post-Employment Healthcare and Life Insurance Benefits

GASB 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 Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2009, the actuarial valuation date, approximately 656 retirees and 1,288 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 15% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially

determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of January 1, 2009.

Annual Required Contribution (ARC)	\$ 12,901,823
Interest on net OPEB obligation	631,500
Adjustment to ARC	<u>(911,016)</u>
Annual OPEB cost	12,622,307
Contributions made	<u>(6,341,138)</u>
Increase in net OPEB obligation	6,281,169
Net OPEB obligation - beginning of year	<u>22,408,386</u>
Net OPEB obligation - end of year	<u>\$ 28,689,555</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>
2011	\$ 12,622,307	44.0%	\$ 28,689,555
2010	\$ 12,763,822	48.1%	\$ 22,408,386
2009	\$ 13,076,956	39.6%	\$ 15,787,522
2008	\$ 13,076,956	39.6%	\$ 7,893,761

The City's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 145,636,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 145,636,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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 multi-year 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 January 1, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.00% investment rate of return and an initial annual healthcare cost trend rate of 6.98% which decreases to a 5.00% 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 4.50%.

19. Contributory Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

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 Everett Contributory Retirement System (ECRS), a cost sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the ECRS. 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 ECRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The ECRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2010:

Retirees and beneficiaries receiving benefits	563
Terminated plan members entitled to but not yet receiving benefits	167
Active plan members	<u>584</u>
Total	<u><u>1,314</u></u>
Number of participating employers	2

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

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). 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>
2011	\$ 11,166,466	100%
2010	\$ 10,506,000	100%
2009	\$ 9,550,000	100%
2008	\$ 8,694,000	100%
2007	\$ 6,927,668	100%
2006	\$ 6,623,439	100%
2005	\$ 6,332,593	100%
2004	\$ 5,557,500	100%
2003	\$ 5,036,064	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 Everett Contributory Retirement System's most recent valuation (in thousands).

<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>
01/01/08	\$ 57,880	\$ 156,991	\$ 99,111	36.9%	\$ 31,005	319.7%
01/01/10	\$ 63,848	\$ 169,041	\$ 105,193	37.8%	\$ 31,213	337.0%

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 \$ 105 million was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 4.75% - 5.25%. Liabilities for cost of living increases have been assumed at an annual increase of 3.00%, 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%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2010, the unfunded actuarially accrued liability is being amortized over 19 years (17 years for ERIs) using a 2.5% increasing payment method.

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 was approximately \$ 31,213,000.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 10,035,896 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. 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.

Workers Compensation

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

Health Coverage

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 \$ 110,000 per individual.

The \$ 1,960,000 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.

Changes in the aggregate liability for claims for the year ended June 30, 2011 are as follows:

	<u>Health Coverage</u>	<u>Workers Compensation</u>
Claims liability, beginning of year	\$ 1,725,000	\$ 40,900
Claims incurred/recognized in fiscal year 2011	20,005,331	342,016
Claims paid in fiscal year 2011	<u>(19,770,331)</u>	<u>(357,706)</u>
Claims liability, end of year	<u>\$ 1,960,000</u>	<u>\$ 25,210</u>

21. Risk Management

The City 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.

22. Subsequent Events

Free Cash

On January 26, 2012, the City voted to appropriate \$1,500,000 of free cash for use in the 2012 budget.

Debt

Subsequent to June 30, 2011, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MWRA loan	\$ <u>228,422</u>	0%	08/25/11	08/25/21

23. Beginning Fund Balance Reclassification

The City's major governmental funds for fiscal year 2011, as defined by GASB Statement 34 and with the implementation of Statement 54 have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/2010 (as previously reported)	Reclassification	Fund Equity 6/30/2010 (as restated)
General Fund	\$ 7,220,890	\$ 9,122,082	\$ 16,342,972
Stablization Fund	9,122,082	(9,122,082)	-
Nonmajor Funds	<u>10,711,560</u>	<u>-</u>	<u>10,711,560</u>
Total	<u>\$ 27,054,532</u>	<u>\$ -</u>	<u>\$ 27,054,532</u>

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

June 30, 2011

(Unaudited)

(Amounts Expressed in thousands)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/10	\$ 63,848	\$ 169,041	\$ 105,193	37.8%	\$ 31,213	337.0%
01/01/08	\$ 57,880	\$ 156,991	\$ 99,111	36.9%	\$ 31,005	319.7%
01/01/07	\$ 50,378	\$ 151,136	\$ 100,758	33.3%	\$ 27,430	367.3%
01/01/06	\$ 48,092	\$ 143,150	\$ 95,058	33.6%	\$ 24,164	393.4%
01/01/04	\$ 50,498	\$ 128,181	\$ 77,683	39.4%	\$ 20,907	371.6%
01/01/01	\$ 51,660	\$ 113,565	\$ 61,905	45.5%	\$ 21,179	292.3%
01/01/99	\$ 55,875	\$ 108,557	\$ 52,682	51.5%	\$ 18,994	277.4%
01/01/98	\$ 53,566	\$ 100,338	\$ 46,772	53.4%	\$ 16,895	276.8%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/09	\$ -	\$ 145,636	\$ 145,636	0.0%	NA	NA

See Independent Auditors' Report.