

City of Boston

Massachusetts



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2017

Martin J. Walsh, Mayor

David Sweeney, Chief of Administration and Finance & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



Table of Contents

	Page
INTRODUCTORY SECTION (Unaudited)	
Transmittal Letter	i
GFOA Certificate of Achievement	ix
Organizational Chart of City Government	x
List of Elected and Appointed Officials	xii
Organizational Chart of Auditing Department	xiii
List of Auditing Department Personnel	xiv
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Statement of Revenues and Expenditures – Budgetary Basis, General Fund – Budget and Actual	24
Statement of Net Position – Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to the Basic Financial Statements	30
Required Supplementary Information (Unaudited):	
Schedules of Funding Progress – Other Postemployment Benefits	73
Schedules of Employer Contributions – Other Postemployment Benefits	73
Schedule of City's Proportionate Share of the Net Pension Liability – Boston Retirement System	74
Schedule of City's Contributions – Boston Retirement System	74
Combining, Individual Fund Statements and Schedules:	
General Fund	
Fund Description	75
Comparative Balance Sheets	77

	Page
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance	78
Schedule of Revenues and Other Financing Sources Compared to Budget	79
Schedule of Expenditures Compared to Budget	82
 Special Revenue Fund	
Fund Description	85
Comparative Balance Sheets	87
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance	88
 Capital Projects Fund	
Fund Description	89
Comparative Balance Sheets	91
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance	92
 Other Governmental Funds	
Funds Descriptions	93
Combining Balance Sheet	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	96
 Internal Service Fund	
Fund Description	97
Comparative Statements of Net Position	99
Comparative Statements of Revenues, Expenses, and Changes in Net Position	100
Comparative Statements of Cash Flows	101
 Fiduciary Funds	
Funds Descriptions	103
Comparative Statements of Plan Net Position – Boston Retirement System	105
Comparative Statements of Plan Net Position – OPEB Trust Fund	106
Combining Statements of Net Position – Private Purpose Trust Funds	107
Comparative Statements of Net Position – Agency Fund	110
Comparative Statements of Changes in Plan Net Position – Boston Retirement System	111
Comparative Statements of Changes in Plan Net Position – OPEB Trust Fund	112
Combining Statements of Changes in Net Position – Private Purpose Trust Funds	114
Statement of Changes in Assets and Liabilities – Agency Fund	116
 Discretely Presented Component Units	
Discretely Presented Component Units Description	117
Combining Statements of Net Position	118
Combining Statements of Activities	120

STATISTICAL SECTION (Unaudited)

Statistical Section Overview	123
General Government Expenditures by Function (GAAP Basis)	124
General Government Revenues by Source (GAAP Basis)	126
Net Position by Component	128
Changes in Net Position	130
Fund Balances of Governmental Funds	134
Changes in Fund Balances of Governmental Funds	136
Assessed and Estimated Actual Value of All Taxable Property	138
Property Tax Rates – Direct and Overlapping Governments	139
Largest Principal Taxpayers	140
Property Tax Levies and Collections	141
Ratios of Outstanding Debt by Type	142
Ratios of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt per Capita	144
Legal Debt Margin Information	146
Demographic and Economic Statistics	148
Principal Employers	149
Full-Time Equivalent City Government Employees by Department	150
Operating Indicators by Function	152
Capital Asset Statistics by Department	154



(This page intentionally left blank)



Auditing Department

Martin J. Walsh, Mayor

December 27, 2017

*The Honorable Mayor,
Members of the City Council,
and Citizens of Boston:*

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Boston (City) for the fiscal year ended June 30, 2017. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. Management is also responsible for establishing and maintaining internal accounting controls designed to provide reasonable, but not absolute, assurance that these financial statements are complete and accurate in their presentation.

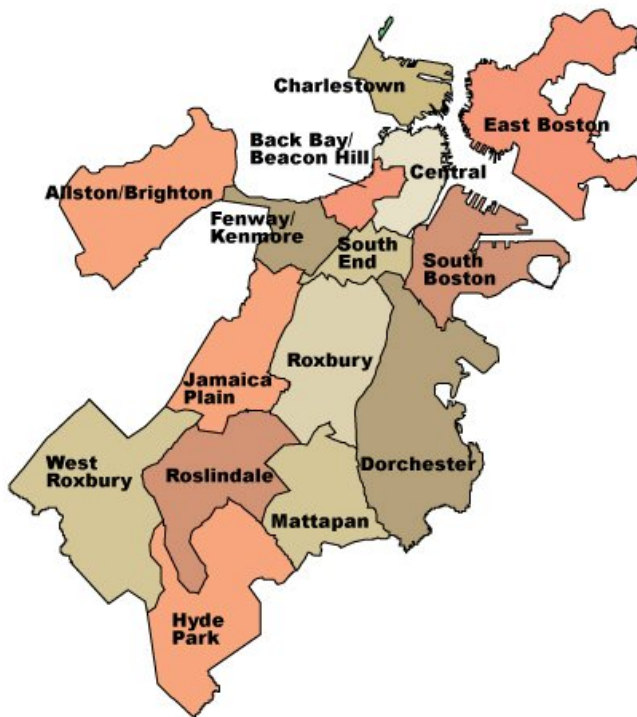
The Auditing Department uses an integrated financial and human resources management system referred to as the Boston Administrative Information System (BAIS). The system is designed to track and control daily activities and report the financial position of the City. This cutting edge software allows management to directly evaluate the financial status of individual programs as well as the entire department, and also supports the rigorous monitoring and reporting requirements enforced by the City.

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected KPMG LLP to perform the June 30, 2017 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review to help assure a fair presentation of the City's financial position and results of operations.

The City also undergoes an annual audit of its federal grant funds as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). KPMG LLP issues separate reports on the City's internal control systems and compliance with applicable laws and regulations that meet the requirements

of the Uniform Guidance. A substantial focus of the Single Audit is to evaluate the City’s internal control structure. The evaluation includes testing a significant number of the major federal program transactions that occurred during the fiscal year. The Single Audit also requires that the auditors determine whether the organization has complied with laws and regulations that may have a material effect on each of its major federal financial assistance programs. All of the City’s major federal programs are evaluated for the adequacy of internal controls and compliance with laws and regulations. The report is publicly issued under a separate cover.

Management’s Discussion and Analysis (MD&A) follows the independent auditors’ report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.



Boston: A City of Neighborhoods

"Boston is like no other city in the way we combine global leadership with local pride. Boston’s resilience is rooted in our neighborhoods, where community ties sustain us and cultural diversity enriches us."

-Mayor Martin J. Walsh

Profile of the Government

The City of Boston, incorporated as a town in 1630 and as a City in 1822, is located on the Shawmut Peninsula, at the confluence of the Charles and Mystic Rivers. The City lies adjacent to Boston Harbor, which is a part of Massachusetts Bay and leads ultimately to the North Atlantic Ocean. The Charles River separates Boston from Cambridge and Watertown, while the Mystic River determines the boundaries between Chelsea and Everett. The Neponset River separates the southern neighborhoods of Boston from the Town of Milton and City of Quincy.

The City of Boston exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts, which, as amended, constitute the City’s Charter. The Mayor is

elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers and departments. The legislative body of the City is the City Council, which consists of 13 elected members serving two-year terms.

The City's Mayor, Martin J. Walsh, was elected to serve a 4 year-term from January 2014 through January 2018 and was sworn in on January 6, 2014 as the City's 54th Mayor. Mayor Walsh was recently re-elected to a second-term beginning January 2018 through January 2022. Prior to his service as Mayor, Mayor Walsh was a member of the Massachusetts House of Representatives, serving as the State Representative from the Thirteenth Suffolk District from 1997 through 2013. Mayor Walsh continues to work tirelessly towards making Boston a city where everyone has the opportunity to succeed. His vision shaped by thousands of Boston voices, envisions a city that will expand opportunity for all, support a dynamic economy, enhance quality of life, and prepare for climate changes. Through Imagine Boston 2030, the Mayor has identified key areas where Boston can take action to enhance neighborhoods' vitality: encourage mixed-use job centers; provide spaces for new housing and jobs; and create a waterfront for future generations. The \$2.08 billion fiscal year 2018-2022 Capital Plan discussed in more detail in the Long-Term Financial Planning section.

The City budgets and maintains its books and records on a statutory basis of accounting prescribed by the Massachusetts Division of Local Services, Bureau of Accounts. This basis of accounting differs from GAAP. The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues, and expenses.

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. Departmental budgets are established at the account level and so voted by the City Council. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3.0 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year.

Included in the basic financial statements, which are prepared on the GAAP basis of accounting, are governmental activities, each major fund, the aggregate discretely presented component units, and aggregate remaining fund information. Discretely presented component units are reported in a separate column to emphasize their operational and/or financial relationship with the City. The Boston Retirement System (BRS) has been presented as a blended component unit because it provides services almost exclusively to the primary government. The Dudley Square Realty Corporation (DSRC) and the Ferdinand Building Development Corporation (FBDC) are also presented as blended component units for the same reason. The Notes to the Financial Statements further discuss the City's financial reporting entity.

Local Economy

Boston is the twenty-third largest city, in terms of population, in the United States and the economic hub of the Commonwealth of Massachusetts (the “Commonwealth”). It is a center for professional services, business, finance, technology, research and development, higher education and health care, as well as for transportation, exports, communications, culture and entertainment. The City accounts for approximately 16.7% of all jobs in the Commonwealth.

The City is the capital of the Commonwealth and is host to several other governmental agencies. According to the U.S. Bureau of Economic Analysis, there were an estimated 76,708 federal, state, and local government workers in the City in 2015. Large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions such as the Massachusetts Port Authority and the Boston Water and Sewer Commission, and the City’s local government agencies and departments are all located within the City.

Boston’s medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Spending by these institutions as well as their employees, patients, students, and visitors are important to the City’s trade and service sectors. Twenty-one inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel Deaconess Medical Center, Boston Children’s Hospital, Tufts New England Medical Center, Dana-Farber Cancer Institute and Boston Medical Center. The City is also the home of the medical, dental and public health schools of Harvard, Tufts, and Boston Universities. In 2015, there were an estimated 140,000 jobs, or 18.5% of all Boston jobs, employed in health services in the City. Thirty-five colleges and universities reside in Boston, accounting for over 138,180 full and part-time students, according to the City of Boston’s University Accountability Ordinance and Department of Neighborhood Development.

Boston’s economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2006 through 2016. During that period Boston’s annual job growth was 1.7%. Financial markets have continued to express confidence in Boston’s fiscal health during the past year. In March 2017, the rating service bureaus Moody’s Investors Service and Standard and Poor’s reaffirmed the City’s bond ratings at Aaa and AAA, respectively, reflecting the City’s capacity to pay debt service. The credit reports from both agencies highlighted Boston’s strong management throughout economic cycles as well as having historically strong reserves while exhibiting positive financial performance.

Boston’s economic growth continues, with low unemployment, the arrival of high profile firms, and a real estate market still in the midst of an historic building boom. The continued economic growth has enabled the City to invest in key initiatives in the areas of affordable housing, public safety and the future of transportation. The City of Boston has committed nearly \$100 million to affordable housing; replaced outdated safety equipment to allow our firefighters to respond safely and quickly to incidents; and released a long-term plan comprised of 58 projects and policies to direct the City of Boston transportation agenda for the next decade and beyond.

Financial Overview

The City is required to have a balanced budget in accordance with Massachusetts General Laws (M.G.L.), Chapter 59, Section 23. As part of the State Department of Revenue's tax rate certification process, the City must balance all appropriations, fixed costs, and prior year deficits with the approved property tax levy, estimated local revenues, and available prior year surpluses in order to obtain authorization to issue property tax bills. Over two-thirds of the City's revenues come from the property tax levy; however, the increase in the levy from year to year is limited by state law. In fiscal year 2017 the net property tax levy (levy less a reserve for abatements) totaled \$2.05 billion.

State aid from the Commonwealth comprises the second largest revenue source to the City's General Fund after the Property Tax. This funding has been trending down since fiscal year 2002. In fiscal year 2017, net state aid, decreased by \$6.5 million. In fiscal year 2018, net state aid is expected to decrease by \$8.8 million. Please see the Management's Discussion and Analysis Section for additional information on financial trends.

In fiscal year 2017, in order to partially fund the annual required contribution associated with the other postemployment benefits (OPEB) liability, the City appropriated \$40.0 million from the General Fund into the OPEB Liability Trust Fund. The City's OPEB financing plan balances the duty to deliver valuable public services while acknowledging the cost of providing health benefits for our employees, both now and when they retire. More details and information on the OPEB liability can be found in note 12 to the Financial Statements.

Health, dental and life insurance costs and Medicare taxes continue to increase over the years. Health benefits for over 29,000 City employees and retirees are managed by the Health Benefits Program. Over 90% of the City's share of health benefits costs are self-insured through Internal Service funds. Actuarially determined reserves are maintained in the Funds to stabilize rate increases and protect against large claims or cost increases.

Most of the City's workforce is represented by one of 41 different unions. Collectively, these unions represent approximately 18,000 employees. As of October 2017, eight of these unions have reached multi-year contracts beginning in 2016. These settled contracts cover over 60% of the City's unionized employees. The agreement with the Boston Teacher's Union, which has approximately 8,000 members, is for two years through August 2018. Other settled contracts include the Boston Police Patrolmen's Association (BPPA), AFSCME (American Federation of State County and Municipal Employees), and the Boston Police Detectives Benevolent Society (BPDBS), which represent in total almost 3,000 unionized workers. Those three contracts are four years in duration and include wage increases of 2% each year and other benefits. The City continues to negotiate with the unions without settled agreements.

In fiscal year 2017, the GAAP General Fund equity increased to \$985.3 million, thus allowing the City to preserve its policy of maintaining a GAAP unassigned fund balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund operating expenditures. The GAAP unassigned fund balance at the end of fiscal year 2017 was \$702.1 million and \$283.2 million was assigned. The unassigned fund balance represents approximately 22.5% of GAAP General Fund operating expenditures.

The FY18 adopted budget builds on the City's strong fiscal management record; maintains high levels of support for educating Boston's students and keeping the City of Boston safe; expands upon strategic initiatives to achieve cost savings; and positions the City to manage through instability at the national level.

Long Term Financial Planning

Imagine Boston 2030, the City's first comprehensive planning process in fifty years, is underway. Boston's five-year \$2.08 billion Capital Plan, is an investment program for the City's future. An ambitious set of initiatives form the foundation of the Imagine Boston 2030 plan. Taken together, these initiatives will support Boston's dynamic economy and improve quality of life for residents by encouraging affordability, increasing access to opportunity, promoting a healthy environment, and guiding investment in the public realm. Under the Imagine Boston 2030 umbrella, the City is investing deeply in the core goals of BuildBPS, Go Boston 2030, Boston Creates, and Climate Ready Boston. The City's capital plan is an important tool in realizing the goals and vision of Boston 2030. As an investment program for the future, "Building A Better Boston" will enable the City to identify, prioritize, and implement capital projects aligned with Boston's goals. The fiscal year 2018-2022 Capital Plan moves Boston Resident's priorities from idea to action, and invests in creating the city Bostonians imagine for the future. All projects in the Capital Plan are categorized as Upkeep, New/Major Renovation, Upgrade, and Planning or Matching Funds. The Capital Budgeting Program of the Office of Budget Management (OBM) tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the expansion or introduction of new ones. The distribution of allocations for fiscal year 2018 are 26.0% for New/Major Renovations, 51.0% for Upgrades, 21.0% for Upkeep, and 2.0% for Planning or Matching fund requirements.

Financing for the fiscal year 2018-2022 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 60.2% of all project funding. The capital plan assumes \$950.0 million in new G.O. borrowings over the next five years to support ongoing capital needs. Effective debt management ensures that the City can meet its capital infrastructure and facility needs. The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market. More details and information on the Long-Term Obligations can be found in note 10 to the Financial Statements.

State and federal funds in the five-year Capital Plan are currently estimated at \$379.0 million and \$301.4 million, respectively. One federal program is the Connect Historic Boston Project. Two of the state financing programs include the School Building Assistance (SBA) program and the Massachusetts Department of Transportation's Highway Division's Chapter 90 funds. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. Annually, the MSBA accepts new project requests from cities, towns, and school districts, and if a project is ultimately approved, the MSBA will pay 40% to 80% of eligible project costs. For the fiscal year 2018-2022 period, total payments from the MSBA are estimated at \$37.4 million to offset debt service costs for projects previously approved by the MSBA. Additionally, in March 2016, the Executive Director of the MSBA was authorized to enter into a Project Funding Agreement with the City for window and door replacement projects at seven schools. The MSBA is providing a multi-year grant up to nearly \$16.4 million. For the fiscal year 2018-2022, the total payments are estimated at \$14.3 million.

Chapter 90 allocates funds by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. The City uses Chapter 90 funds to support its roadway resurfacing and reconstruction programs. Based on recent allocations, the City expects an estimated \$14.4 million in Chapter 90 funds to be provided in fiscal year 2018.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds, and actively manage its projects to ensure that spending does not exceed projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boston for its CAFR for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable state and local legal requirements. A Certificate of Achievement is valid for a period of only one year. We believe that our current report meets the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Budget document for the fiscal year beginning July 1, 2015. The City's budget document was judged to be proficient in several categories including policy documentation and financial planning.

Acknowledgements

We would like to express our appreciation to the staff of the Accounting Program and all the members of the Auditing Department whose professionalism and dedication made the timely preparation of the CAFR possible. We also wish to thank the professional staff of KPMG LLP for their counsel, technical assistance, and continued support in the preparation of this CAFR. Several other City departments and agencies provided additional information and assisted in the CAFR preparation. We gratefully acknowledge their efforts and contributions to this report. Finally, we wish to thank you for your continued interest in the financial operations of the City.

The CAFR for fiscal year 2003 through fiscal year 2017 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora

City Auditor



David Sweeney

Chief of Administration and Finance &
Collector Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

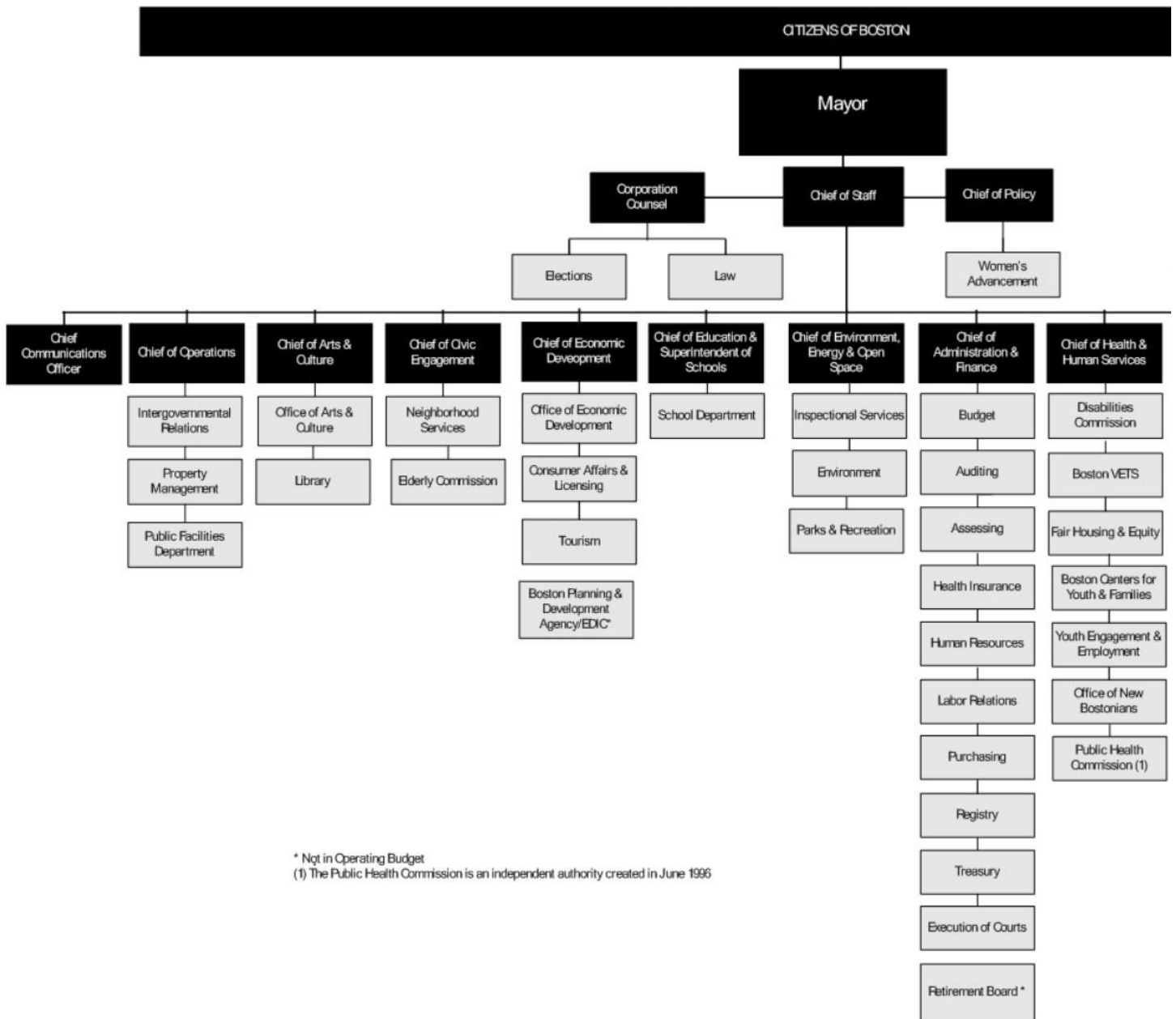
**City of Boston
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ORGANIZATION OF CITY GOVERNMENT

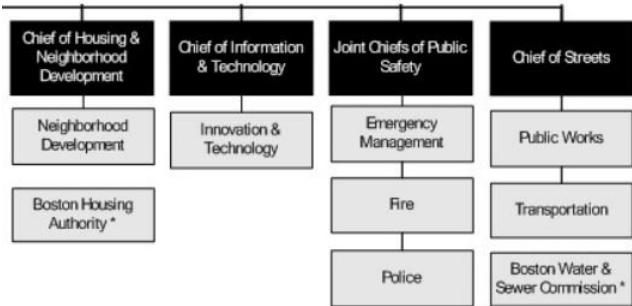


* Not in Operating Budget

(1) The Public Health Commission is an independent authority created in June 1996



Non-Mayoral
City Council
(elected position)
City Clerk
(appointed by City Council)
Finance Commission
(appointed by Governor)



LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2017)

Mayor

Martin J. Walsh

City Council Members

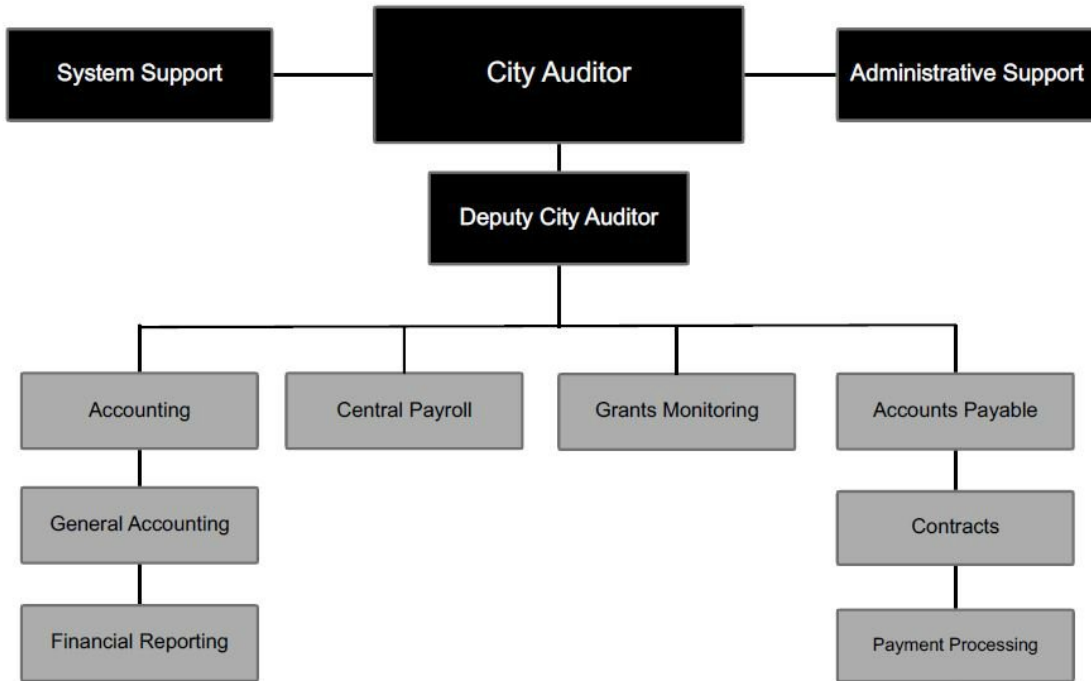
Michelle Wu (President)	At-Large
Michael F. Flaherty	At-Large
Annissa Essaibi-George	At-Large
Ayanna Pressley	At-Large
Salvatore J. LaMattina	District 1
William Linehan	District 2
Frank Baker	District 3
Andrea Campbell	District 4
Timothy McCarthy	District 5
Matthew J. O’Malley	District 6
Tito H. Jackson	District 7
Josh Zakim	District 8
Mark B. Ciommo	District 9

Appointed City Executive Branch Members

Daniel Arrigg Koh	Chief of Staff
Joyce Linehan	Chief of Policy and Planning
Patrick Brophy	Chief of Operations and Administration
Eugene L. O’Flaherty	Corporation Counsel
Laura Oggeri	Chief of Communications Officer
Jascha Franklin-Hodge	Chief of Information & Technology
David Sweeney	Chief of Administration and Finance & Collector Treasurer
John Barros	Chief of Economic Development
Tommy Chang	Superintendent of Boston Public Schools
William B. Evans	Chief of Public Safety and Police Commissioner
Joseph E. Finn	Chief of Public Safety and Fire Commissioner
Rene Fielding	Director of the Office of Emergency Management
Austin Blackmon	Chief of Environmental and Energy Services
Sheila Dillon	Chief of Housing and Neighborhood Development
Felix Arroyo	Chief of Health and Human Services
William McGonagle	Director of Public Housing
Jerome Smith	Chief of Civic Engagement
Julie Burros	Chief of Arts & Culture
Chris Osgood	Chief of Streets, Transportation and Sanitation
Brian Golden	Director Boston Development Authority/EDIC

Auditing Department

Organizational Chart



Auditing Department Personnel

Sally D. Glora, *City Auditor*

Prema Andrew
Domencia Cabral
Michelle E. Castillo-Reid
Mattie Crouse
Margaret Cummings
Patricia Downs
Scott Finn
Christina Gendrolius
Veronica Hodges
Allen Hurley
Sinthia Johnson
James Kelley
Rebecca Layden
Kelli Lazar
Traci Lee
Licia Lima-Pires
Nelida Lopez
Nelly Lopez

Medina Lucien
Mary Ann Mason
Hazel McAfee
Chivy Ok
Michael O'Keefe
Robert Powers
Magnolia Rojas
Raoul Romain
Lisa Stone
Ming C. Su
Julie A. Tippet
Robert Todd
Ashley Torregrosa
Stanley J. Wallace
Paul F. Waple
Teki Way
Nadia Williams



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Boston, Massachusetts:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, and the Permanent Funds, which represent 5.6% and 0.3% of the assets and revenues, respectively, of the governmental activities, and 1.3% and 0.8% of the assets and revenues, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the Boston Retirement System, the OPEB Trust Fund and the Private-Purpose Trust Funds, which represent 97.2% and 76.2% of the assets and revenues, respectively, of the aggregate remaining fund information. Further, we did not audit the financial statements of the Boston Public Health Commission, Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 59.7% and 88.9% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, is based solely on the reports of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncements

As discussed in Note 2p to the financial statements, in 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 77, *Tax Abatement Disclosures*. Our opinions are not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information related to the budgetary comparison for the City's General Fund. Such information does not include all of the information required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2016, from which such partial information was derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules listed under Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining, individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining, individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling



such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the City's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 29, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, based on our audit and the reports of other auditors. The 2016 combining, individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The 2016 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the 2016 combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The City of Boston (the City) provides this Management's Discussion and Analysis to present additional information to the readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2017. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information regarding historical pension information and other postemployment benefit (OPEB) plan information. The components of the financial statements are described in the following sections.

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the City – the *Government-wide Financial Statements* and the *Fund Financial Statements*. The *Notes to the Basic Financial Statements* supplement the financial statement information and clarify line items that are part of the financial statements.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad view of the City's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

- The *Statement of Net Position* presents all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both the above financial statements present two separate sections as described below.

- *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with city government fall into this category, including general government, human services, public safety, public works, property and development, parks and recreation, library, schools, public health programs, state and district assessments, and debt service.

- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses. The City's four discretely presented component units are the Boston Public Health Commission, the Boston Development & Planning Agency, the Economic Development Industrial Corporation, and the Trustees of the Boston Public Library.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Additional information about the City's component units is presented in the Notes to the Financial Statements.

The Government-wide Financial Statements can be found immediately following this discussion and analysis.

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. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The *Fund Financial Statements* focus on individual parts of the City government, reporting the City's operations in more detail than the Government-wide Financial Statements. All of the funds of the City can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds – Most of the basic services provided by the City are financed through 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, the Governmental Fund Financial Statements focus on near term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual (i.e., measurable and available to liquidate liabilities of the current period). Expenditures are generally recorded when liabilities are incurred, except for those related to long-term liabilities, which are recorded when due and payable. These statements provide a detailed short term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

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 the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City presents four columns in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's three major governmental funds are the General Fund, the Special Revenue Fund, and the Capital Projects Fund. All non-major governmental funds are combined in the "Other Governmental Funds" column on these statements. The Governmental Fund Financial Statements can be found immediately following the Government-wide Financial Statements.

Of the City's governmental funds, the General Fund is the only fund for which a budget is legally adopted. The *Statement of Revenues and Expenditures – Budgetary Basis* is presented after the governmental fund financial statements. This statement provides a comparison of the General Fund original and final budget and the actual expenditures for the current and prior year on a budgetary basis.

In accordance with state law and regulations, the City's legally adopted General Fund budget is prepared on a "budgetary" basis instead of U.S. generally accepted accounting principles (GAAP). Among the key differences between these two sets of accounting principles are that "budgetary" records property tax as it is levied, while GAAP records it as it becomes susceptible to accrual, "budgetary" records certain activities and transactions in the General Fund that GAAP records in separate funds, and "budgetary" records any amount raised to cover a prior year deficit as an expenditure and any available funds raised from prior year surpluses as a revenue, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. Additional information and a reconciliation of "budgetary" to GAAP statements is provided in note 4 to the Financial Statements.

Proprietary Funds – These funds are used to show activities that operate more like those of commercial enterprises. Like the Government-wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds charge fees for services provided to outside customers including local governments. Enterprise Funds provide the same type of information as the business-type activities of the Government-wide Financial Statements within governmental activities, only in more detail. Currently, the City does not have any enterprise funds. The Internal Service Fund provides health insurance services predominantly to other funds, departments or agencies of the City. Therefore, its activities are included in the Government-wide financial statements within governmental activities.

The Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of these 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. They use the economic resources measurement focus and accrual basis of accounting.

The City's fiduciary funds are the Employee Retirement Fund (the Boston Retirement System), which accounts for the transactions, assets, liabilities, and net position of the City employees' pension plan; the Other Postemployment Benefits (OPEB) Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the unfunded actuarial liability associated with the City's obligation for other postemployment benefits; and the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties.

The Fiduciary Funds Financial Statements can be found immediately following the Proprietary Fund Financial Statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and the Fund Financial Statements. The Notes to the Financial Statements can be found immediately following the Fiduciary Funds Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of funding progress and a schedule of employer contributions for the OPEB Trust Fund, a schedule of the City's proportionate

share of the net pension liability of the Boston Retirement System, and a schedule of the City's contributions to the Boston Retirement System.

CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the Government-wide financial results. Each year, the City is required to recognize an additional portion of its unfunded actuarial accrued liability. The most recent valuation of the City's OPEB obligations as of June 30, 2015, estimated that the total OPEB unfunded actuarial accrued liability of the City increased by \$111.8 million to \$2.16 billion. This increase was largely as a result of changes to the discount rate applied in the actuarial valuation.
- In fiscal year 2017, the City's contribution to the OPEB Trust Fund (\$159.2 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability. The ARC was not met in 2017 resulting in an increase in the net OPEB obligation. In fiscal year 2018, the City has also appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.
- The City of Boston's net pension liability significantly impacts the Government-wide financial results. With the implementation of GASB Statement No. 68 in fiscal year 2015, the City is required to report its proportionate share of the Boston Retirement System's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Based on the measurement of the Boston Retirement System's net pension liability as of December 31, 2016, the City's proportionate share of that net pension liability decreased by \$150.2 million to \$1.57 billion.
- In fiscal year 2017, with the implementation of GASB Statement No. 73, the City is required to report a net pension liability and pension expense as it relates to the benefits provisions of Massachusetts General Law Chapter 32 as applied to non-contributory retirees and beneficiaries and Section 100 death benefit recipients and the provision of the applicable special legislation. As a result of the implementation of GASB Statement No. 73, beginning net position of the governmental activities as of July 1, 2016 was restated (reduced) by \$102.4 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis is based on the Statement of Net Position and the Statement of Activities found directly after Management's Discussion and Analysis.

Government-wide Highlights

Net Position – Primary Government – The total liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at fiscal year ended June 30, 2017 resulting in a net deficit of \$505.0 million (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$1.21 billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$146.4 million from the amount reported in fiscal year 2016.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net deficit totaled \$505.0 million at the end of 2017, compared to a net deficit of \$651.3 million, (restated) reported at the end of the previous year.

The components of net position comprise the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding – this amount is \$648.8 million million indicating that the net book value of the City’s capital assets exceeds the amount of related capital debt outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City’s investment in its 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.

A portion of the City’s governmental activities net position, \$52.7 million, represents restricted net position, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The unrestricted net position increased by \$55.2 million from the 2016 restated amount of \$1.26 billion.

Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2017	2016 ⁽¹⁾
ASSETS:		
Current assets	\$ 1,683,091	\$ 1,690,182
Capital assets	2,091,030	1,981,333
Other assets	226,147	94,427
Total assets	4,000,268	3,765,942
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	291,681	332,903
Liabilities:		
Current liabilities	634,777	597,993
Noncurrent liabilities	3,990,579	4,087,823
Total liabilities	4,625,356	4,685,816
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	171,549	64,340
NET POSITION:		
Net investment in capital assets	648,786	557,142
Restricted	52,746	53,200
Unrestricted	(1,206,488)	(1,261,653)
Total net position	\$ (504,956)	\$ (651,311)

(1) The 2016 amounts in the tables above have been restated to reflect the implementation of GASB Statement No.73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", described in note 2p to the Financial Statements.

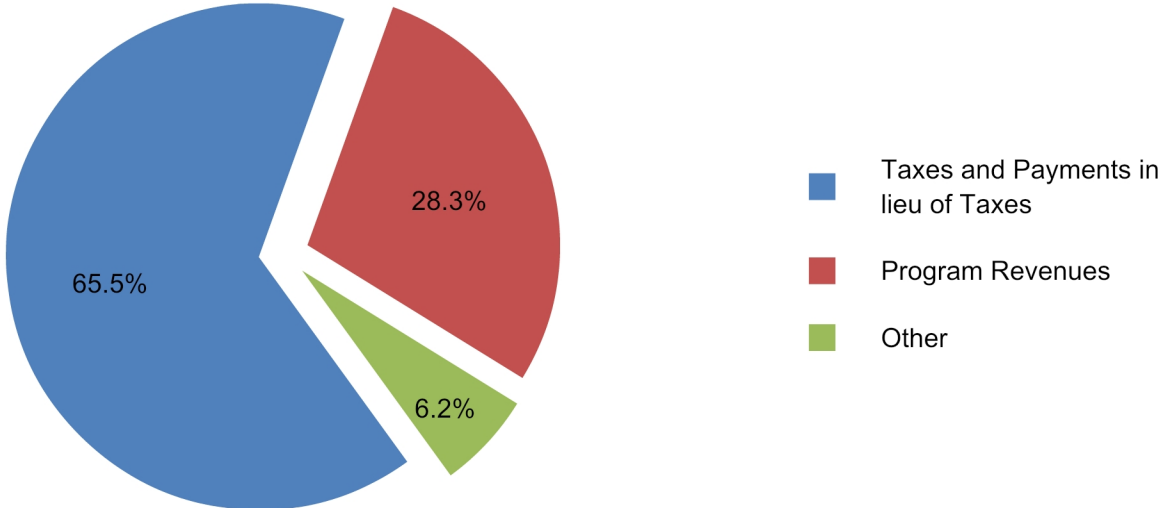
Changes in Net Position – Primary Government

(In thousands)

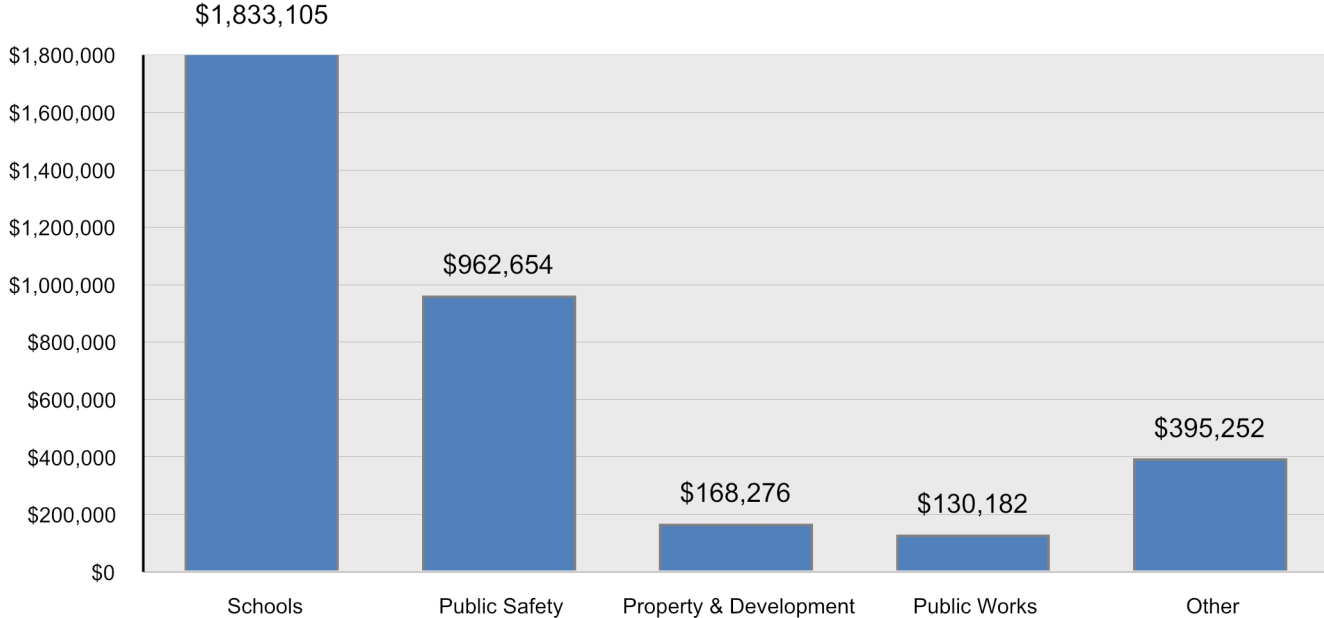
	Governmental Activities	
	Total Primary Government	
	2017	2016 ⁽¹⁾
Revenues:		
Program revenues:		
Charges for services	\$ 217,549	\$ 203,195
Operating grants and contributions	760,230	746,277
Capital grants and contributions	52,348	39,381
General revenues:		
Taxes	2,381,358	2,281,288
Grants and contributions not restricted	201,013	199,835
Investment income	19,588	15,753
Miscellaneous	3,738	6,058
Total revenues	3,635,824	3,491,787
Program expenses:		
General government	128,465	128,288
Human services	49,974	52,056
Public safety	962,654	941,313
Public works	130,182	139,816
Property and development	168,276	118,582
Parks and recreation	41,236	39,769
Library	51,397	49,959
Schools	1,833,105	1,803,331
Public health programs	81,859	96,083
Interest on long-term debt	42,321	40,995
Total program expenses	3,489,469	3,410,192
Change in net position	146,355	81,595
Net position - beginning of year, as restated (note 2p)	(651,311)	(732,906)
Net position-end of year	\$ (504,956)	\$ (651,311)

(1) The 2016 amounts in the tables above have been restated to reflect the implementation of GASB Statement No.73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", described in note 2p to the Financial Statements.

Revenues - Governmental Activities Fiscal Year 2017



Expenses - Governmental Activities FY17 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$146.4 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2017. In the assets accounts, cash and investments increased by \$134.8 million, receivables decreased by \$9.2 million, and capital assets increased by \$109.7 million. In the liability accounts, there was an increase in warrants and accounts payable of \$13.1 million and an increase in accrued liabilities of \$10.0 million. Additionally, an increase of \$25.4 million was recorded relative to the City's other postemployment benefit obligation and a decrease of \$150.2 million was recorded relative to the City's net pension liability in 2017.

During fiscal year 2017, the City's revenues increased by 4.1%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.38 billion (65.5% of total revenues) and \$1.03 billion of program revenues (28.3% of total revenues). Taxes increased by \$100.1 million from the previous year. Program revenues increased by \$41.3 million for fiscal year 2017. This is largely due to increases in operating grants and contributions. The City's expenses cover a range of services. The largest expenses were for schools (\$1.83 billion), public safety (\$0.96 billion), public works (\$130.2 million), property and development (\$168.3 million), general government (\$128.5 million), public health programs (\$81.9 million), and human services (\$50.0 million). In 2017, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.46 billion. This shortfall was covered primarily through taxes (\$2.38 billion) and unrestricted grants and contributions (\$201.0 million).

Comparative data on these revenues and expenses is itemized in the reporting of the Changes in Net Position – Primary Government earlier in this Management Discussion and Analysis.

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

This analysis is based on the Governmental and Proprietary Fund Financial Statements. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund Highlights

Governmental Funds – Fund Balances – as of the close of fiscal year 2017, the City's governmental funds reported a combined ending fund balance of \$1.46 billion, an increase of \$93.9 million from the prior year. Of this total amount, \$702.1 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes.

Governmental Funds

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

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 15%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2017 was \$702.1 million, which represents approximately 22.5% of GAAP General Fund operating expenditures.

However, because the City is required to follow the statutory basis of accounting rather than GAAP for determining the amount of unassigned fund balance that can be appropriated, it is the statutory (not the GAAP) fund balance that is used to calculate "free cash". Free cash is the amount of statutory fund balance in the General Fund, as certified by the Commonwealth of Massachusetts' Department of Revenue, which is available for appropriation and is generated when actual revenues, on a cash basis, exceed budgeted amounts and encumbrances are less than appropriations, or both.

The City has established the General Fund-Fund Balance Policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e., revenue shortfalls and unanticipated expenditures). The policy in full states that the City shall maintain a GAAP Unassigned Fund Balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund Operating Expenditures. The City shall only consider the certification of Free Cash (as defined by the Commonwealth of Massachusetts' Department of Revenue) in years where the appropriation of Free Cash shall not cause the fiscal year's GAAP Unassigned Fund Balance to go below 15% of the fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Unassigned Fund Balance at 10% or higher of Budgetary Operating Expenditures. The City shall only consider the appropriation of Certified Free Cash to offset: (1) certain fixed costs such as pension contributions and related post-retirement health benefits; and/or (2) to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

Special Revenue Fund – Fund Balance – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal year 2017 Special Revenue Fund balance is reported at \$255.4 million, a \$8.7 million increase from fiscal year 2016.

Capital Projects Fund – Fund Balance – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The fiscal year 2017 Capital Projects Fund balance is \$121.2 million, a \$42.3 million increase from fiscal year 2016.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds, as well as the activities related to DSRC and FBDC. The fiscal year 2017 Other Governmental Funds fund balance is \$93.9 million, a \$6.7 million increase from fiscal year 2016.

Internal Service Fund

The City's Internal Service Fund accounts for the City's self-insurance program for health benefits provided by Blue Cross Blue Shield and Harvard Pilgrim Health Care for City employees, their dependents, and retirees. The Internal Service Fund is included as part of the governmental activities in the government-wide financial statements.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2017 with a \$6.7 million surplus. There were no material variances between the original budget and final budget amounts. One unfavorable variance from the final budget to actual results was in the area of public works due to snow removal.

Favorable results were reported for General Fund revenue sources, including \$20.3 million in licenses and permits, \$16.7 million in payments in lieu of taxes, \$13.0 million in departmental and other revenue, \$10.7 million in excises. Other available funds shows a revenue deficit of \$67.5 million, however, this is a result of not transferring \$950 thousand of cemetery funds, \$4.0 million from the Housing Initiative, \$22.5 million of parking meter funds and \$40.0 million of free cash from the general fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2017, has a net book value of \$2.09 billion, made up of costs totaling \$4.04 billion less accumulated depreciation of \$1.95 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and have value only to the City, such as roads, bridges, streets, sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the City's investment in capital assets for the current fiscal year was approximately \$109.7 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$238.0 million for the fiscal year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements and infrastructure. Depreciation charges for the year totaled \$117.7 million. Additional information on the City's capital assets can be found in note 8 to the Financial Statements.

Long Term Obligations

Debt Administration – The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt. At year end, the City had \$1.28 billion in General Obligations Bonds principal outstanding – an increase of \$29.4 million over last year.

On March 1, 2017, the City issued \$150.0 million in Series A general obligation bonds to finance various capital projects in the City. In June 2017, the City issued \$58.4 million Series B bonds for the purpose of advance refunding prior debt. In conjunction with the City's annual bond offering, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa and the rating service bureau Standard & Poor's increased the bond rating to AAA. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Notes and Leases Payable and Other Long Term Obligations – The City's general long term notes and leases and other long term obligations decreased \$126.5 million, or 4.24%, during the current fiscal year. Key factors for this decrease are a decrease in the net pension liability of \$150.2 million, an increase in the workers' compensation liability of \$2.8 million, and the increase in the net OPEB obligation of \$25.4 million.

Additional information on the City's long term debt obligations can be found in note 10 to the Financial Statements.

NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."*

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain provisions of Statements No. 67 and No. 68. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB has issued GASB Statement No. 77, *"Tax Abatement Disclosures."* The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

FUTURE PRONOUNCEMENTS

The GASB has issued GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended"*, and No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."* This Statement is effective for fiscal years beginning after June 15, 2017.

The GASB has issued Statement No. 87 *"Leases."* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The GASB has issued Statement No. 86 *"Certain Debt Extinguishment Issues."* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The GASB has issued Statement No. 85 *"Omnibus 2017."* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and

postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The GASB has issued Statement No. 84 "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The GASB has issued Statement No. 83 "*Certain Asset Retirement Obligations*." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of the City's citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Boston, Auditing Department, Boston City Hall, Room M 4, Boston, MA 02201. Alternatively, these requests may also be made through email, by contacting the Auditing Department at CityAuditor@boston.gov.

Statement of Net Position

June 30, 2017

(Amounts in thousands)

	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS:		
Current Assets:		
Cash and investments	\$ 1,618,856	\$ 70,837
Cash and investments held by trustees	64,235	12,583
Receivables, net:		
Property and other taxes	26,152	—
Intergovernmental	89,562	—
Other	16,191	49,240
Other assets	6,541	2,083
Due from primary government	—	2,331
Due from component units	984	—
Total current assets	<u>1,822,521</u>	<u>137,074</u>
Noncurrent Assets:		
Intergovernmental receivables	7,569	—
Cash and investments held by trustee	—	60,387
Notes and other receivables	73,422	168,258
Capital assets:		
Nondepreciable assets	143,081	27,540
Depreciable, net	1,947,949	54,704
Due from component units	5,726	—
Total noncurrent assets	<u>2,177,747</u>	<u>310,889</u>
Total assets	<u>4,000,268</u>	<u>447,963</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	286,694	31,107
Deferred amount from debt refunding	4,987	—
Total deferred outflows of resources	<u>291,681</u>	<u>31,107</u>
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable	103,345	24,456
Accrued liabilities - current:		
Compensated absences	57,847	—
Judgments and claims	78,410	—
Payroll and related costs	149,663	—
Deposits and other	94,659	4,349
Unearned revenue	—	4,251
Current portion of long-term debt and leases	148,522	2,075
Due to component units	2,331	—
Due to primary government	—	984
Total current liabilities	<u>634,777</u>	<u>36,115</u>
Noncurrent Liabilities:		
Bonds due in more than one year	1,296,931	18,162
Notes and leases payable due in more than one year	115,251	—
Other noncurrent liabilities	281,305	130,915
Net pension liability	1,574,036	158,608
Other postemployment benefits obligation	723,056	98,609
Unearned revenue	—	65,975
Due to primary government	—	5,725
Total noncurrent liabilities	<u>3,990,579</u>	<u>477,994</u>
Total liabilities	<u>4,625,356</u>	<u>514,109</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount for pension costs	169,991	25,296
Deferred amount from debt refunding	1,558	—
Total deferred inflows of resources	<u>171,549</u>	<u>25,296</u>
NET POSITION:		
Net investment in capital assets	648,786	62,178
Restricted for:		
Nonexpendable trust	10,041	74,041
Expendable trust	40,583	—
Capital projects	2,122	—
Unrestricted deficit	(1,206,488)	(196,554)
Total net position	<u>\$ (504,956)</u>	<u>\$ (60,335)</u>

See accompanying notes to the basic financial statements

Statement of Activities
Year Ended June 30, 2017

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 128,465	\$ 27,470	\$ 7,713	\$ 7,284
Human services	49,974	9	9,675	2
Public safety	962,654	147,471	59,262	901
Public works	130,182	28,268	—	20,017
Property and development	168,276	8,118	88,528	787
Parks and recreation	41,236	459	1,582	401
Library	51,397	591	2,969	145
Schools	1,833,105	5,163	590,501	22,807
Public health programs	81,859	—	—	4
Interest on long-term debt	42,321	—	—	—
Total primary government	\$ 3,489,469	\$ 217,549	\$ 760,230	\$ 52,348
Component Units:				
Boston Public Health Commission	\$ 189,169	\$ 57,700	\$ 44,814	\$ 366
Boston Planning & Development Agency	28,675	8,739	19,514	—
Trustees of the Public Library of the City of Boston	18,052	2,206	17,397	—
Economic Development and Industrial Corporation of Boston	42,480	31,004	17,481	—
Total component units	\$ 278,376	\$ 99,649	\$ 99,206	\$ 366

General Revenues:

Taxes:

 Property taxes, levied for general purposes

 Excises

 Payments in lieu of taxes

Grants and contributions not restricted

Investment income

City appropriation

Miscellaneous

Special item - gain on sale of land

Total general revenues

Change in net position

Net position - beginning of year, as restated (note 2p)

Net position - end of year

Net (Expense) Revenue and Changes in
Net Position

Governmental Activities	Component Units
\$ (85,998)	\$ —
(40,288)	—
(755,020)	—
(81,897)	—
(70,843)	—
(38,794)	—
(47,692)	—
(1,214,634)	—
(81,855)	—
(42,321)	—
\$ (2,459,342)	\$ —
\$ —	\$ (86,289)
—	(422)
—	1,551
—	6,005
\$ —	\$ (79,155)
\$ 2,087,659	\$ —
213,198	—
80,501	—
201,013	—
19,588	409
—	77,267
3,738	3,279
—	5,556
2,605,697	86,511
146,355	7,356
(651,311)	(67,691)
\$ (504,956)	\$ (60,335)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2017
(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,153,476	\$ 245,567	\$ 136,428	\$ 9,469	\$ 1,544,940
Cash and investments held by trustees	364	—	10,008	53,863	64,235
Receivables, net:					
Property and other taxes	26,152	—	—	—	26,152
Intergovernmental	38,483	52,356	6,292	—	97,131
Departmental and other	22,555	35,054	657	31,347	89,613
Total receivables	87,190	87,410	6,949	31,347	212,896
Due from other funds	1,868	1,745	—	6,942	10,555
Due from component units	6,709	—	—	—	6,709
Total assets	\$ 1,249,607	\$ 334,722	\$ 153,385	\$ 101,621	\$ 1,839,335
LIABILITIES					
Warrants and accounts payable	\$ 48,704	\$ 25,344	\$ 28,573	\$ 724	\$ 103,345
Accrued liabilities:					
Payroll and related costs	148,379	1,282	—	2	149,663
Deposits and other	26,032	49,022	—	—	75,054
Due to other funds	170	3,405	—	6,980	10,555
Due to component unit	2,331	—	—	—	2,331
Total liabilities	\$ 225,616	\$ 79,053	\$ 28,573	\$ 7,706	\$ 340,948
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available	38,703	254	3,570	—	42,527
Total deferred inflows of resources	\$ 38,703	\$ 254	\$ 3,570	\$ —	\$ 42,527
FUND BALANCES					
Nonspendable	—	—	—	10,041	10,041
Restricted	—	35,056	121,242	83,874	240,172
Assigned	283,208	220,359	—	—	503,567
Unassigned	702,080	—	—	—	702,080
Total fund balances	985,288	255,415	121,242	93,915	1,455,860
Total liabilities, deferred inflows of resources and fund balances	\$ 1,249,607	\$ 334,722	\$ 153,385	\$ 101,621	\$ 1,839,335

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2017

(Amounts in thousands)

Total fund balance - governmental funds \$ **1,455,860**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements	2,091,030
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	42,527
Internal service funds are included in the government-wide financial statements	56,576
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(1,352,281)
Capital leases	(69,465)
Bond issue premiums/discounts, net	(138,956)
Deferred bond refunding losses/gain, net	3,427
Accrued interest on bonds	(19,604)
Compensated absences	(196,556)
Landfill	(7,364)
Judgments and claims	(189,261)
Other postemployment benefits	(723,056)
Net pension liability, net of deferred amounts	(1,457,333)
Pollution remediation	(500)
Net position of governmental activities	<u>(504,956)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 2,079,693	\$ —	\$ —	\$ —	\$ 2,079,693
Excises	212,797	—	—	—	212,797
Payments in lieu of taxes	80,501	—	—	—	80,501
Fines	63,046	—	—	—	63,046
Investment income	2,329	100	—	7,967	10,396
Licenses and permits	84,470	212	—	—	84,682
Departmental and other	87,985	61,694	—	4,654	154,333
Intergovernmental	554,661	258,671	43,579	—	856,911
Total revenues	3,165,482	320,677	43,579	12,621	3,542,359
EXPENDITURES:					
Current:					
General government	85,855	6,094	—	7,058	99,007
Human services	31,422	8,329	—	—	39,751
Public safety	643,100	34,371	—	—	677,471
Public works	106,059	8,534	—	—	114,593
Property and development	42,460	93,717	—	—	136,177
Parks and recreation	23,447	1,062	—	—	24,509
Library	35,791	3,180	—	—	38,971
Schools	1,048,987	139,127	—	—	1,188,114
Public health programs	77,754	1,615	—	—	79,369
Judgments and claims	3,766	—	—	—	3,766
Retirement costs	347,402	—	—	—	347,402
Other employee benefits	247,965	—	—	—	247,965
State and district assessments	244,320	—	—	—	244,320
Capital outlays	10,283	1,767	221,321	319	233,690
Debt service	171,131	—	—	—	171,131
Total expenditures	3,119,742	297,796	221,321	7,377	3,646,236
Excess (deficiency) of revenues over (under) expenditures	45,740	22,881	(177,742)	5,244	(103,877)
OTHER FINANCING SOURCES (USES):					
Long-term debt, notes and capital leases issued	—	—	181,935	—	181,935
Refunding bonds issued	—	—	58,370	—	58,370
Payments to escrow agents	—	(7,432)	(58,367)	—	(65,799)
Premiums on long-term debt issued	—	8,247	15,063	—	23,310
Transfers in	—	—	23,000	1,455	24,455
Transfers out	(9,455)	(15,000)	—	—	(24,455)
Total other financing sources (uses) .	(9,455)	(14,185)	220,001	1,455	197,816
Net change in fund balances	36,285	8,696	42,259	6,699	93,939
Fund balance - beginning of year	949,003	246,719	78,983	87,216	1,361,921
Fund balance - end of year	\$ 985,288	\$ 255,415	\$ 121,242	\$ 93,915	\$ 1,455,860

See accompanying notes to the basic financial statements

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance
Governmental Funds to the Statement of Activities
Year Ended June 30, 2017**

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$	93,939
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays and contributions of capital assets (\$ 238,665) exceeded depreciation expense (\$ 117,734) and loss on disposals (\$ 11,234)		109,697
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available		(4,232)
Issuances of long-term debt (\$ 240,305) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond and lease principal(\$ 142,653) and payments to the escrow agent for par value of refunded bonds (\$ 63,450) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position. This is the amount by which issuances exceed repayments and escrow payments		(34,202)
Increases in bond premiums net (\$ 11,232) increase the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Decreases in deferred loss on refunding, net (\$ 2,349) decrease deferred outflows, net on the statement of net position, but are included in the operating statement of governmental funds		(8,883)
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. This amount represents the increase in liabilities for other postemployment benefits \$25,355, workers compensation \$2,795 and interest payable \$843, offset by a decrease in liabilities for compensated absences (\$ 3,785), judgments and claims (\$ 4,159) and landfill closure and post-closure costs (\$ 432) and a decrease in net pension liability, net of deferred amounts (\$ 2,856)		(17,761)
Net operating income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds		7,797
Change in net position of governmental activities	\$	146,355

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2017 (with comparative actual amounts for 2016)

(Amounts in thousands)

	2017					2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
REVENUES AND OTHER AVAILABLE FUNDS:						
Real and personal property taxes, net.....	\$ 2,047,936	\$ 2,047,936	\$ 2,053,396	\$ 5,460	\$ 1,925,045	
Excises	198,820	198,820	209,498	10,678	234,247	
Commonwealth of Massachusetts	429,855	429,855	424,933	(4,922)	421,576	
Departmental and other revenue	64,088	64,088	77,082	12,994	76,919	
Fines	59,560	59,560	63,082	3,522	60,899	
Payments in lieu of taxes	65,470	65,470	82,132	16,662	88,891	
Investment income	200	200	2,329	2,129	184	
Licenses and Permits	54,695	63,785	84,093	20,308	74,442	
Miscellaneous	267	267	267	—	802	
Other available funds	67,450	67,450	—	(67,450)	—	
Total revenues and other available funds	2,988,341	2,997,431	2,996,814	(618)	2,883,005	
EXPENDITURES:						
General government	104,004	125,158	121,507	3,651	87,435	
Human services	32,871	32,668	32,521	147	31,938	
Public safety	636,015	643,419	641,567	1,852	623,879	
Public works	109,117	107,462	109,478	(2,016)	103,639	
Property and development	43,390	45,426	45,295	131	37,001	
Parks and recreation	23,214	24,634	24,451	183	25,546	
Library	34,502	34,776	34,775	1	34,863	
Schools	1,031,684	1,031,684	1,031,628	56	1,016,277	
Boston Public Health Commission	77,267	77,267	77,267	—	76,155	
Judgments and claims	5,000	5,000	3,188	1,812	10,454	
Other employee benefits	259,480	257,023	256,044	980	241,177	
Retirement costs	204,669	202,988	202,925	63	200,649	
Debt requirements	177,454	165,254	165,160	94	157,626	
State and district assessments	249,674	244,672	244,320	352	234,450	
Total expenditures	2,988,341	2,997,431	2,990,127	7,305	2,881,089	
Excess of revenues and other available funds over expenditures	\$ —	\$ —	\$ 6,687	\$ 6,687	\$ 1,916	

See accompanying notes to the basic financial statements

Statement of Net Position

Proprietary Fund

June 30, 2017

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 73,916
Total current assets	<u>73,916</u>
Noncurrent assets:	
Other assets	6,541
Total noncurrent assets	<u>6,541</u>
Total assets	<u>\$ 80,457</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	23,881
Total current liabilities	<u>\$ 23,881</u>
NET POSITION:	
Unrestricted	56,576
Total net position	<u>\$ 56,576</u>

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund
Year Ended June 30, 2017

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 68,821
Employer contributions	276,134
Total operating revenues	<u>344,955</u>
OPERATING EXPENSES:	
Health benefits	337,158
Total operating expenses	<u>337,158</u>
Operating Income	<u>7,797</u>
Net position - beginning of year	<u>48,779</u>
Net position - end of year	<u>\$ 56,576</u>

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 345,533
Cash paid to vendors	(339,025)
Net cash provided by operating activities	6,508
Cash and cash equivalents- beginning of year	67,408
Cash and cash equivalents- end of year	<u>\$ 73,916</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH	
USED IN OPERATING ACTIVITIES:	
Operating Income	\$ 7,797
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other assets	(1,018)
Due from component units / receivables	578
Accounts payable and accrued liabilities	(849)
Net cash provided by operating activities	\$ 6,508

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

(Except Employee Retirement Plan, which is as of December 31, 2016)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 253,687	\$ 2,321	\$ 113,356	\$ 8,385
Receivables:				
Interest and dividends	7,184	1	—	—
Securities sold	15,183	—	—	—
Employer contributions	13,134	—	—	—
Other	5,303	—	102	—
Total receivables	40,804	1	102	—
Investments, at fair value:				
Short term:				
Domestic	50,398	—	—	—
International	3,866	—	—	—
Equity:				
Domestic	1,109,817	151,676	—	—
International	1,064,600	60,463	—	—
Fixed-income:				
Domestic	748,731	210,889	—	—
International	260,754	—	—	—
PRIT Pooled Fund	1,382,745	—	—	—
Real estate	431,091	—	30	—
Alternative	554,572	—	—	—
All asset fund	—	45,099	—	—
Total investments	5,606,574	468,127	30	—
Securities lending short-term collateral investment pool	191,892	—	—	—
Total assets	6,092,957	470,449	113,488	8,385
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities	15,882	187	3,232	8,385
Securities purchased	34,166	—	—	—
Collateral held on securities lending	191,826	—	—	—
Total liabilities	241,874	187	3,232	8,385
NET POSITION:				
Held in trust for pension benefits and other purposes	\$ 5,851,083	\$ 470,262	\$ 110,256	\$ —

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2017

(Except Employee Retirement Plan, which is year ended December 31, 2016)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
ADDITIONS:			
Contributions:			
Employers	\$ 247,771	\$ 163,791	\$ —
Commonwealth of Massachusetts (nonemployer)	132,477	—	—
Employees	153,943	—	—
Donations and other	—	—	4,998
Total contributions	534,191	163,791	4,998
Investment earnings:			
Realized and unrealized gains on investments	198,838	45,197	23,828
Investment income	188,572	4,536	3,366
Less investment expenses	(28,940)	(651)	—
Net investment earnings	358,470	49,082	27,194
Securities lending activities:			
Securities lending income	2,704	—	—
Less borrower rebates and fees	(1,123)	—	—
Net income from securities lending activities	1,581	—	—
Total net investment income (loss)	360,051	49,082	27,194
Intergovernmental	7,566	—	—
Miscellaneous income	89	—	—
Total additions	901,897	212,873	32,192
DEDUCTIONS:			
Benefits	566,850	121,541	—
Reimbursements	12,662	—	—
Refunds of contributions	23,005	—	—
Administrative expenses and other	7,590	5	25,806
Total deductions	610,107	121,546	25,806
Change in net position	291,790	91,327	6,386
Net position - beginning of year	5,559,293	378,935	103,870
Net position - end of year	\$ 5,851,083	\$ 470,262	\$ 110,256

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2017

1. The Financial Reporting Entity

a. Primary Government

The City of Boston (the City), incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Act of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts (the Commonwealth), which, as amended, constitute the City's Charter. The Mayor is elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The legislative body of the City is the City Council, which consists of 13 elected members serving two-year terms.

The accompanying basic financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

b. Blended Component Units Disclosure

- i. **Boston Retirement System (BRS)** is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprising five members: the City Auditor, who serves *ex officio*; two individuals elected by participants in the system; a fourth member appointed by the Mayor; and a fifth member chosen by the other members. BRS provides pension benefits to retired City, Boston Planning & Development Agency, Boston Housing Authority, Boston Water and Sewer Commission, and Boston Public Health Commission employees. Although legally separate, BRS provides services entirely, or almost entirely, to the City and thus has been reported as a blended component unit among the City's fiduciary funds. The financial statements of BRS are included for its fiscal year end which is December 31, 2016.
- ii. **Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)** – The DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. FBDC leases the property from DSRC and the City subleases the property from FBDC. The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Both entities are instrumentalities of the City, as the Mayor has full control of appointments to their boards of directors. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. These funds are presented as non-major funds within the other governmental funds as of their fiscal year end, which is June 30, 2017.

c. Discretely Presented Component Units Disclosure

These component units are reported in a separate column to emphasize that they are legally separate from the City but are included because the City is financially accountable for the organizations, meaning it appoints, at a minimum, a voting majority of the board of directors of the organization and is able to impose its will on the organizations or has a financial benefit or burden relationship with the organizations. Unless otherwise indicated, the Notes to the Financial Statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary government. A description of the component units, criteria for inclusion, and their relationship with the City are as follows:

- i. Boston Planning & Development Agency (BPDA)** – The BPDA is legally separate from the City and a body politic and corporate constituting the City’s redevelopment authority and exercising the powers of a planning board for the City. The BPDA is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the EDIC). The BPDA receives a significant amount of intergovernmental revenue, which is used solely for capital projects that are under the oversight of the BPDA. In accordance with GASB Statement No. 61, the BPDA is presented as a discrete component unit of the City.
- ii. Economic Development and Industrial Corporation of Boston (EDIC)** – The EDIC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The EDIC is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the BPDA). The EDIC receives a significant amount of intergovernmental revenue, including grants and contracts with the City for jobs and community service activities. In accordance with GASB Statement No. 61, the EDIC is presented as a discrete component unit of the City.
- iii. Boston Public Health Commission (BPHC)** – The BPHC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The BPHC is governed by a seven-member board, six of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is the chief executive officer of the Boston Medical Center. The BPHC receives the majority of its funding from a City appropriation, EMS and other third party billings, and federal and state grants. The BPHC expects that the City will continue to provide support for the public health programs of the BPHC. In accordance with GASB Statement No. 61, the BPHC is presented as a discrete component unit of the City.
- iv. Trustees of the Public Library of the City of Boston (TPL)** – The TPL is legally separate from the City of Boston and is a non-profit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The trustees of the TPL are appointed by the Mayor and the TPL places substantial reliance upon the City to fund its daily operations. In addition, the Library receives significant support through state and federal government appropriations and private sources. In accordance with GASB Statement No. 61, the TPL is presented as a discrete component unit of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2017.

Complete financial statements of these discretely presented component units can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201. In addition, condensed financial statements for the discretely presented component units are included in note 20.

d. Related Organizations

The Mayor is also responsible for appointing members of the governing bodies of the Boston Housing Authority, Boston Industrial Development Finance Authority, and Boston Water and Sewer Commission; however, the City's accountability for these organizations does not extend beyond making these appointments.

2. Summary of Significant Accounting Policies

The accounting policies of the City conform to U.S. generally accepted accounting principles as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies followed by the City:

a. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 any business-type activities, which rely to a significant extent on fees and charges for support. The City currently reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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.

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

i. Government-wide Financial Statements

The Government-wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund Financial Statements. The Agency Fund within the Fiduciary Fund Financial Statements has no measurement of results. 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 for recognition have been met.

ii. Governmental 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 “susceptible to accrual” (i.e., both measurable and available). Revenues not considered to be available are recorded as deferred inflows of resources.

The City applies the susceptible to accrual criteria to property and other taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the amount of expenditures incurred subject to availability requirements. In the other, resources are virtually unrestricted and are usually revocable by the grantor only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. Property and other taxes are recognized as revenue in the year for which taxes have been levied or earned, provided they are collected within 60 days after year-end. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except for Massachusetts School Building Authority (MSBA) and Chapter 90 receivables which are considered available when received.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to long-term liabilities including compensated absences, other postemployment benefits, workers’ compensation and judgments and claims, are recorded only when payment is mature and due.

iii. Proprietary Fund Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the provision of services. The principal operating revenues of the City’s Internal Service Funds are receipts from employer and employees for health insurance premiums. Operating expenses for the Internal Service Fund include administrative expenses, vendor payments, and health benefits. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

iv. Description of Major Funds

Governmental funds – The City reports the following major governmental funds:

1. The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Special Revenue Fund* accounts for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted or assigned to expenditures for various general governmental functions. Revenue sources include grant funding for education, housing, and public safety.
3. The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City’s capital facilities.

Proprietary fund –The City reports the following proprietary fund:

4. The City uses an internal service fund to account for its self-insured health costs. Although the fund is presented in a separate column in the accompanying proprietary fund financial statements, it is not considered a major fund.

Fiduciary Funds – The City reports the following fiduciary fund types:

5. The *Private Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments. The City operates four pools used for the improvement of the City’s parks and cemeteries, educational scholarships and sporting equipment, creation of public utility and beauty, and co-mingled nontestamentary trusts.
6. The *Pension Trust Fund* accounts principally for the activities of the Boston Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired employees of the City and other entities.
7. The *OPEB Trust Fund* is an irrevocable trust fund established for other postemployment benefits. The assets are appropriated from the General Fund and accumulate to reduce the unfunded actuarial liability for health care and other postemployment benefits. The assets of the trust are currently not used for direct payments of benefits.
8. The *Agency Funds* are used to report funds held by the City in a purely custodial capacity. The City currently operates a drug evidence account for proceeds of property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

c. Cash Equivalents

For purposes of the statement of cash flows, investments with original maturities of three months or less when purchased are considered to be cash equivalents.

d. Basis of Investment Valuation

Investments generally are presented in the accompanying basic financial statements at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments of BRS, which are described in notes 5 and 11. Further, income from investments is recognized in the same fund as the related investments.

The City invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, which is an external investment pool and is not SEC-registered. The fund is state-regulated and is valued at amortized cost.

e. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

f. Uncollectible Tax and Other Receivables

All receivables are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

g. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements, land use rights, computer software, trademarks and patents. Capital assets are reported in the governmental activities column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Any significant construction commitments are encumbered at year-end in the City’s Capital Projects Fund.

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

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	30
Infrastructure	30
Land improvements - major	30
Land improvements - playgrounds	15
Computer upgrades	10
Equipment and machinery	10
Intangible assets, computer software and licenses	5
Computers and related equipment	3
Furniture and fixtures	3
Motor vehicles	3

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. Public Safety employees are compensated for unused personal leave in addition to sick and vacation leave. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2017 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

i. Long-Term Obligations and Related Costs

Long-term debt and other long-term obligations are reported as liabilities in the Government-wide Statement of Net Position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the Government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred.

The Governmental Fund Financial Statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred outflows or resources decrease net position, similar to liabilities.

l. Net Position and Fund Balance

In the Government-wide and Proprietary Fund Financial Statements, net position is reported in the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Net position the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net position not considered net investment in capital assets or restricted.

For purposes of net position classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the Governmental Fund Financial Statements, fund balance is reported in the following categories:

Nonspendable: Amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

Restricted: Amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.

Assigned: Amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted or committed. Under M.G.L. Chapter 190, Acts of 1982, the City Auditor has the authority to assign amounts to be used for specific purposes on behalf of the City.

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City. The City maintains a formal policy that unassigned fund balance in the General Fund be at least 15 percent of the current year's General Fund GAAP basis operating expenditures.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

m. Tax Abatement Refunds

Matured tax abatement refunds that are due and payable at June 30 have been recorded as a liability in the General Fund. A liability for estimated future tax abatement refunds has been recorded in the Government-wide Statement of Net Position.

n. Landfill Closure and Postclosure Care Costs

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2017, 100% of the Gardner Street landfill site had been used and has not accepted solid waste for several years. While most of the landfill closure construction was completed in prior years, there still remains 12 acres of the landfill to be capped as of June 30, 2017.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Position. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2017 were \$432,000.

o. Use of Estimates

The preparation of the accompanying basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

p. Adoption of Accounting Pronouncements

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *"Accounting and Financial Reporting for Pensions"*, as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain provisions of Statements No. 67 *"Financial Reporting for Pension Plans"*, and No. 68. As a result of the implementation of Statement No. 73, beginning net position of the governmental activities were restated as follows (in thousands):

Governmental Activities

Beginning Net Position as previously reported	\$ (548,961)
Implementation of GASB Statement No. 73	(102,350)
Beginning Net Position, as restated	\$ <u>(651,311)</u>

The City adopted GASB Statement No. 74 *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The City adopted GASB Statement No. 77, *“Tax Abatement Disclosures.”* The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. For purposes of this Statement, tax abatements include (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The City has incorporated the required tax abatement disclosures, but adoption of the statement did not impact financial statement amounts.

3. Short-Term Debt

During fiscal year 2017, the City had no short-term debt issued or outstanding.

4. Budgetary Data

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee.

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3.0 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the City Auditor may, with the approval of the Mayor, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year.

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 6). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years' deficits, if any; less (d) the aggregate of all non-property tax revenues

projected to be received by the City, including available funds, in amounts certified or approved by the Commonwealth for tax rate purposes.

In accordance with the 1986 amendments to the Funding Loan Act of 1982, the City has established two reserve funds. The first is a budget reserve fund, which is required to be funded in stages to a final level of 2-1/2% of the prior year's overall departmental appropriations, except the School Department, by the beginning of fiscal year 1990. It is available to be applied to extraordinary and unforeseen expenditures. The second is a separate reserve fund of 1% to 2-1/2% of the current year appropriation of the School Department to be applied to over-expenditures in that department.

The City's General Fund budget is prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column in the Statement of Revenues and Expenditures – Budgetary Basis – General Fund is presented on a "budgetary basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- i. Revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- ii. Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) but have no effect on GAAP expenditures.
- iii. Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the General Fund (budget).
- iv. Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures, and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2017 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 2,996,814	\$ 2,990,127	\$ —	\$ 6,687
Adjustments:				
Revenues to modified accrual basis	36,191	—	—	36,191
Expenditures, encumbrances, and accruals, net	—	6,593	—	(6,593)
On-behalf contribution for teachers pension	132,477	132,477	—	—
Reclassifications:				
Other transfers	—	(9,455)	9,455	—
As reported on a GAAP basis	<u>\$ 3,165,482</u>	<u>\$ 3,119,742</u>	<u>\$ 9,455</u>	<u>\$ 36,285</u>

5. Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, and certificates of deposit in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the financial institution involved. Investments from operating cash in the general fund may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the MMDT. MMDT, which is an external investment pool that is overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79 "*Certain External Investment Pools and Pool Participants*", to report its investments at amortized cost; therefore the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated. The three highest commercial paper classifications for Moody's and Standard & Poor's (S&P) are as follows:

Commercial Paper Credit Ratings		
	Moody's	S&P
Superior	P1	A1+ or A1
Satisfactory	P2	A2
Adequate	P3	A3

Primary Government (except the pension trust fund)

a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits or investments may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized in the City's name. All of the City's investments are held by third parties in the City's name. As of June 30, 2017, the City of Boston Trust Funds had uninsured and uncollateralized deposits and investments of \$45.6 million.

b. Investment Policy

The City's primary concern in connection with its investment activities is a concern shared by all municipal governments: the preservation of capital. The City's investment policy establishes a discipline in which all of the City's investment activities may be safely conducted while it strives to use its capital resources as efficiently as possible. The foundation of that discipline is fixed by Massachusetts General Laws (M.G.L.) c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limits the amount of the City's bank deposits in any one financial institution; and establishes qualifying criteria for banking institutions. Further, all investments held by third parties are to be held in the City's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to seven years. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2017:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 181,204	\$ 181,204	\$ —	\$ —	\$ —
Institutional and mutual funds	53,701	—	53,701	—	—
U.S. Treasury and agency securities	79,012	226	15,426	10,333	53,027
State and local municipal obligations	5,728	1,309	2,161	417	1,840
Corporate debt instruments	105,636	7,723	12,184	17,369	68,361
Certificate of deposits	25,052	25,052	—	—	—
	<u>\$ 450,333</u>	<u>\$ 215,514</u>	<u>\$ 83,472</u>	<u>\$ 28,119</u>	<u>\$ 123,228</u>

d. Credit Risk

It is the City of Boston Trust Funds' policy that there shall be no specific limitation in regard to credit worthiness of securities, except the overall average quality of each fixed income portfolio shall be AA or better. The City's fixed income investments as of June 30, 2017 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

Investment type	Fair Value	Rating
Money market mutual funds	\$ 181,204	Not Rated
Institutional and mutual funds	53,701	AAA to A3
U.S. treasury and agency securities	79,012	AAA to A3
State and local municipal obligations	5,728	AAA to B3
Corporate debt instruments	63,420	AAA to A3
Corporate debt instruments	29,703	Baa1 to B3
Corporate debt instruments	209	Caa1 to Ca1
Corporate debt instruments	12,304	Not Rated
Certificate of deposits	25,052	Not Rated
	<u>\$ 450,333</u>	

e. Concentration Risk

The City adheres to the provisions of M.G.L. c. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the City may deposit its funds. No investments in a single issuer exceeded 5% of the City's investment portfolio.

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2017, the City of Boston Trust Funds held international equity mutual funds valued at \$68.9 million. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

g. Fair Value Hierarchy

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds held by the Pool of the money market fund and the City are open-end money market funds that are registered with the Securities and Exchange Commission. The money market funds held by the City and classified as Level 1 are deemed to be actively traded.

Institutional and mutual funds: Valued at the daily closing price as reported by the fund. Institutional and mutual funds held by the City are open-end funds that are registered with the Securities and Exchange Commission. The institutional and mutual funds held by the Pool and classified as Level 1 are deemed to be actively traded. If market quotations are not readily available, the funds are valued by the pricing method determined by investment managers which determines valuations using methods based upon market transactions for comparable securities.

Equity securities: Consist primarily of corporate stocks traded on U.S. and non-U.S. active security exchanges. Stocks traded on active exchanges and valued at quoted market prices and documented trade history for identical assets are categorized within Level 1 of the fair value hierarchy. If market quotations are not readily available, the stocks may be valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

US. Treasury and agency securities: Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate debt instruments: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The City has the following recurring fair value measurements as of June 30, 2017 (in thousands):

		Fair Value Measurements Using:			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
		(Level 1)	(Level 2)	(Level 3)	Total
Investments:					
	Money market funds	\$ 181,204	\$ —	\$ —	\$ 181,204
	Institutional and mutual funds	56,097	—	—	56,097
	Equity securities	51,390	240,670	—	292,060
	US Treasury & agency securities	1,885	77,127	—	79,012
	State and Local municipal obligations	25	5,703	—	5,728
	Corporate debt instruments	40,599	65,037	—	105,636
	Total Investments:	<u>\$ 331,200</u>	<u>\$ 388,537</u>	<u>\$ —</u>	<u>\$ 719,737</u>

Boston Retirement System

a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the System or the System's agent in the System's name. As of December 31, 2016, all of the System's deposits were insured or collateralized.

b. Investment Policy

The provisions of M.G.L. C. 32, Sec 23(2); 840 C.M.R. 16-19, 21, 23, 26; and, the Plan's own investment regulations (stated at <http://www.mass.gov/perac/board-info/profiles/investment/bostonintsup.html>) govern the System's investment practice. Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. C. 32, Sec. 3(3), the "Prudent Person" rule.

The System has retained an investment consultant to work with the Retirement Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The System is currently invested in stocks (domestic and foreign), fixed income securities (domestic and foreign), real estate, private equity, PRIT and hedge funds.

c. Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2016:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 73,823	\$ 2,540	\$ 41,750	\$ 10,302	\$ 19,231
U.S. agencies	74,158	1,462	1,180	1,120	70,395
Domestic corporate	581,704	4,494	107,737	170,080	299,393
Municipal	5,254	—	3,176	—	2,078
International corporate	36,353	—	11,706	20,634	4,013
International government	171,742	268	3,240	4,996	163,238
Asset-backed:					
CMOs	24,301	—	256	—	24,045
Other	42,150	—	16,806	4,820	20,524
	<u>\$ 1,009,485</u>	<u>\$ 8,764</u>	<u>\$ 185,851</u>	<u>\$ 211,952</u>	<u>\$ 602,917</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

The collateralized mortgage obligations (CMOs) held by the System as of December 31, 2016 are highly sensitive to changes in interest rates.

d. Credit Risk

The System allows investment managers to apply discretion under the "Prudent Person" rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2016 were rated by S & P and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the S & P rating scale:

Investment type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not rated
U.S. agencies	\$ 74,158	\$ —	\$ 1,122	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 73,035
Domestic corporate	581,704	615	4,850	21,528	54,758	28,291	62,929	36,174	372,559
Municipal	5,254	—	3,181	1,215	858	—	—	—	—
International corporate	36,353	990	457	6,750	9,103	4,633	6,583	3,340	4,497
International government	171,742	2,155	2,369	4,867	1,291	—	1,443	—	159,617
Asset-backed:									
CMOs	24,301	19,118	1,443	1,139	—	—	—	—	2,601
Other	42,150	31,111	2,019	2,053	—	—	303	—	6,664
	<u>\$ 935,662</u>	<u>\$ 53,989</u>	<u>\$ 15,441</u>	<u>\$ 37,552</u>	<u>\$ 66,010</u>	<u>\$ 32,924</u>	<u>\$ 71,258</u>	<u>\$ 39,514</u>	<u>\$ 618,973</u>

In addition to the above schedule, the System has approximately \$73.8 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

e. Concentration Risk

The System has no investments, at fair value, except for pooled funds, that exceed 5% of the System's total investments as of December 31, 2016.

The System adheres to the provisions of M.G.L. c. 32, sec. 23(2); 840 C.M.R. 16-19, 21, 23, 26; and the Plan's own investment regulations when managing concentration risk.

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies.

Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk is presented on the following table (in thousands):

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Australian dollar	\$ 186	\$ 641	\$ 24,994	\$ —	\$ 25,821
Brazilian real	—	142	—	—	142
Canadian dollar	109	434	216	—	759
Columbian Peso	—	111	—	—	111
Danish krone	25	149	9,227	—	9,401
Euro currency	163	3,308	186,712	7,670	197,853
Hong Kong dollar	51	—	17,370	—	17,421
Indonesian rupiah	7	227	171	—	405
Japanese yen	144	2,450	79,650	—	82,244
Malaysian ringgit	3	63	—	—	66
Mexican peso	43	465	—	—	508
New Israeli sheqel	3	—	—	—	3
New Zealand dollar	21	—	1,179	—	1,200
Norwegian krone	29	552	230	—	811
Polish zloty	9	251	—	—	260
Pound sterling	248	1,027	81,459	8,880	91,614
Singapore dollar	43	148	5,771	—	5,962
South African rand	11	252	—	—	263
South Korean won	51	268	5,872	—	6,191
Swedish krona	19	126	11,141	—	11,286
Swiss franc	12	147	43,720	—	43,879
Thailand Baht	28	—	—	—	28
Total securities subject to foreign currency risk	\$ 1,205	\$ 10,761	\$ 467,712	\$ 16,550	\$ 496,228
U.S. dollars (securities held by international investment managers)	—	35,476	207,020	—	242,496
Total international investment securities	\$ 1,205	\$ 46,237	\$ 674,732	\$ 16,550	\$ 738,724

g. PRIT Pooled Fund

The Commonwealth enacted Chapter 112, Section 17 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the Pension Reserves Investment Trust (PRIT) fund. The PRIT fund is an external investment pool that is not registered with the Securities Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund.

The fair value of the PRIT fund is based on unit value as reported by management of the PRIT fund. The PRIT fund issues separately available audited financial statements with a year end of June 30. The Plan is required to provide a 30 day redemption notice for this investment.

As of December 31, 2016, the System had \$1.4 billion invested in the PRIT pooled fund.

h. Derivatives

The System trades financial instruments with off-balance-sheet risk in the normal course of its investing activities to assist in managing exposure to market risks. The System uses forward foreign currency contracts to hedge against the risk of future foreign currency fluctuations.

i. Securities Lending

The Public Employment Retirement Administration Commission of Massachusetts (PERAC) has issued supplemental regulations that permit the System to engage in securities lending transactions. These transactions are conducted by the System's custodian, which lends certain securities owned by the System to other broker dealers and banks pursuant to a form of loan agreement. The System and the borrowers maintain the right to terminate all securities lending transactions on demand.

At the System's direction, the custodian lends the System's securities and receives cash (including both U.S. and foreign currency), U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver collateral in amounts equal to not less than 100% of the market value of the loaned securities.

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2015. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2016, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System.

At December 31, 2016, the fair value of securities loaned by the System amounted to \$271.3 million, against which was held collateral of \$279.8 million as follows (in thousands):

Short-term collateral investment pool	\$	191,826
Noncash collateral		88,012
Total	\$	<u>279,838</u>

j. Commitments

At December 31, 2016, the System had contractual commitments to provide \$243 million of additional funding to private equity funds, and \$69 million to real estate funds.

k. Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2016 (in thousands).

	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Total at December 31, 2016	(Level 1)	(Level 2)
Short-term:			
Domestic	\$ 50,398	\$ 50,398	\$ —
International	3,866	3,866	—
Total short-term	54,264	54,264	—
U.S. equities:			
Large cap core	626,295	626,295	—
Large cap growth	116,912	116,912	—
Large cap value	100,733	100,733	—
Small cap core	83,856	83,856	—
Small cap growth	103,165	103,165	—
Small cap value	78,856	78,856	—
Total U.S. equities	1,109,817	1,109,817	—
International equities	1,064,600	1,064,600	—
Fixed income securities:			
U.S. treasury securities	73,823	73,823	—
Corporate debt securities	581,704	498,441	83,263
Global multi-sector fixed income	208,095	—	208,095
Municipal	5,254	—	5,254
Collateralized mortgage obligations	24,301	—	24,301
Other asset backed securities	42,150	—	42,150
U.S. Agencies	74,158	—	74,158
Total fixed income securities	1,009,485	572,264	437,221
Total investments by fair value level	3,238,166	\$ 2,800,945	\$ 437,221
Government external investment pool:			
PRIT fund	1,382,745		
Investments measured at the net asset value (NAV):			
Hedge fund of funds	324,902		
Private equity funds	229,670		
Private real estate funds	431,091		
Total investments measured at the NAV	985,663		
Total investments at fair value	\$ 5,606,574		

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	Investments Measured at the NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global multi-strategy hedge fund of funds ¹	\$ 324,091	\$ —	Quarterly	60-90 days
Real estate funds ²	431,091	68,559	—	—
Private equity funds ³	229,670	242,817	—	—

1. Global Multi-strategy Hedge Fund of Funds. This type includes investments in 6 hedge funds that invest in other hedge fund managers. Management of each hedge fund is given full discretion to invest with direct hedge fund managers. The fair value of the investments in this type have been determined using the NAV per share of the investments.
2. Real Estate Funds. This type includes 31 real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.
3. Private Equity Funds. This type includes 58 private equity funds that invest primarily in U.S. companies. These investments can never be redeemed with the funds; instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

6. Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting as described in note 2.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On December 13, 2016, all properties with unpaid fiscal year 2016 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2-1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase

by more than 2-1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a citywide referendum.

7. Receivables

Receivables as of year-end for the City's individual major governmental funds and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	General	Special revenue	Capital projects	Other nonmajor funds	Total
Receivables:					
Property taxes, current	\$ 16,013	\$ —	\$ —	\$ —	\$ 16,013
Other taxes	89,389	—	—	—	89,389
Intergovernmental	38,483	52,356	6,292	—	97,131
Other	22,555	35,054	657	31,347	89,613
Gross receivables	166,440	87,410	6,949	31,347	292,146
Less allowance for uncollectibles	(79,250)	—	—	—	(79,250)
Net total receivables	<u>\$ 87,190</u>	<u>\$ 87,410</u>	<u>\$ 6,949</u>	<u>\$ 31,347</u>	<u>\$ 212,896</u>

a. Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the MSBA. The MSBA provides financial assistance (up to 80% of total costs) to the City to build and/or renovate schools. As of June 30, 2017, under this program, the City was due funds totaling \$14.3 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The following is a schedule of the three-year paydown (in thousands) as of June 30, 2018 through 2020:

Fiscal year(s):	Anticipated revenue
2018	\$ 6,720
2019	5,107
2020	2,462
Total	<u>\$ 14,289</u>

Notes Receivable

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Housing and Urban Development (HUD) provides grants or loans to local governments, which in turn provides loans to developers. As of June 30, 2017, under this program, the City determined that \$35.1 million was collectible. This amount is recorded in the City's Special Revenue fund.

b. Tax Abatement Programs

The City enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77 "Tax Abatement Disclosures". Below are descriptions of the tax abatement programs and the amount of real estate taxes that were abated for each program during the fiscal year.

Chapter 121A

Chapter 121A of the Massachusetts General Laws authorizes a local government in cooperation with its redevelopment authorities to suspend the imposition of real and personal property taxes, betterments and special assessments on properties determined to be "blighted" in order to encourage the redevelopment of residential, commercial, civic, recreational, historic or industrial projects by Chapter 121A Corporations. The City receives two principal sources of revenue from Chapter 121A Corporations. The first consists of an excise, as determined under Section 10 of Chapter 121A, that each Chapter 121A Corporation must pay to the Commonwealth that is then distributed to the City. The second form of revenue consists of payments as required by a contract between the City and Chapter 121A Corporations as authorized by Chapter 121A, Section 6A that provide for additional revenue beyond the excise provided under Section 10 of Chapter 121A.

Chapter 121B

Chapter 121B of the Massachusetts General Laws authorizes a local government, at their option and through their redevelopment authorities, to undertake public actions to address substandard or blighted open areas for residential, commercial, industrial, business, government, recreational, educational, hospital or other uses. Chapter 121B project owners may be exempted from property taxes. In these cases, an agreement to make annual in lieu of tax payments to the City is required.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a property tax incentive authorized under the Economic Development Incentive Program pursuant to Massachusetts General Laws Chapter 40, Section 59 and administered by the Commonwealth's Economic Assistance Coordinating Council. In return for substantial job creation, a local government may provide businesses with tax relief on the incremental growth in their property's value for up to 20 years. In Boston, TIF projects must be approved by the Mayor and City Council.

The following are estimated taxes abated for the year ended June 30, 2017 by tax abatement program (in thousands):

Tax Abatement Program (1)	Estimated Tax Amount	In Lieu of Tax Payments	Estimated Taxes Abated
121A Urban Redevelopment	\$ 48,113	\$ 39,818	\$ 8,295
121B Urban Redevelopment	14,973	10,337	4,636
Tax Increment Financing	29,559	25,406	4,153
Total	\$ 92,645	\$ 75,561	\$ 17,084

(1) Individual tax abatement agreements are available upon request or through the City of Boston Assessing Department website at boston.gov/assessing

8. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2017 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,325	\$ 24	\$ —	\$ 29,349
Construction in progress	95,846	150,669	(132,783)	113,732
Total capital assets not being depreciated	125,171	150,693	(132,783)	143,081
Capital assets being depreciated:				
Land improvements	256,860	18,500	—	275,360
Buildings and improvements	2,252,464	72,004	—	2,324,468
Furniture and equipment	409,644	61,890	(14,178)	457,356
Infrastructure	786,585	68,361	(11,206)	843,740
Total capital assets being depreciated	3,705,553	220,755	(25,384)	3,900,924
Less accumulated depreciation for:				
Land improvements	98,545	12,675	—	111,220
Buildings and improvements	1,170,882	45,404	—	1,216,286
Furniture and equipment	306,270	36,960	(14,150)	329,080
Infrastructure	273,694	22,695	—	296,389
Total accumulated depreciation	1,849,391	117,734	(14,150)	1,952,975
Total capital assets being depreciated, net	1,856,162	103,021	(11,234)	1,947,949
Governmental activities capital assets, net	\$ 1,981,333	\$ 253,714	\$ (144,017)	\$ 2,091,030

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

General government	\$	11,465
Human services		2,653
Public safety		19,121
Public works, including depreciation of general infrastructure assets		23,285
Property and development		8,783
Parks and recreation		11,240
Library		5,874
Schools		35,063
Public health		250
Total depreciation expense - governmental activities	\$	<u>117,734</u>

9. Interfund Balances and Amounts Due To and From Component Units

Individual fund receivable and payable balances at June 30, 2017 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,868	\$ 170
Special revenue	1,745	3,405
Non-major governmental funds	6,942	6,980
Balances at June 30, 2017	<u>\$ 10,555</u>	<u>\$ 10,555</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements and to record amounts owed for rent related to the Dudley Municipal Center property.

Amounts due to and from discretely presented component units at June 30, 2017 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 6,709	\$ 2,331
Balances at June 30, 2017	<u>6,709</u>	<u>2,331</u>
Discretely presented component units:		
TPL	—	425
BPHC	2,331	559
BPDA	—	5,725
Balances at June 30, 2017	<u>2,331</u>	<u>6,709</u>
Balances at June 30, 2017	<u>\$ 9,040</u>	<u>\$ 9,040</u>

10. Long-Term Obligations

Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2017 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds Payable:						
General Obligation Bonds	0 - 6.05%	\$ 870,875	\$ 150,000	\$ 86,115	\$ 934,760	\$ 75,115
General Obligation Refunding Bonds	0.125-5.0%	377,785	58,370	92,900	343,255	44,925
Total governmental general obligation bonds payable		<u>\$ 1,248,660</u>	<u>\$ 208,370</u>	<u>\$ 179,015</u>	<u>\$ 1,278,015</u>	<u>\$ 120,040</u>
Add (deduct):						
Unamortized bond premiums/discounts net					138,956	
Current portion of long-term debt					(120,040)	
					<u>\$ 1,296,931</u>	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes, Leases and Other long-term obligations:						
Notes payable	2.10-7.18%	\$ 76,619	\$ —	\$ 2,353	\$ 74,266	\$ 5,446
Leases payable		62,266	31,935	24,736	69,465	23,034
Judgments and claims		8,310	1,000	3,759	5,551	4,470
Tax abatements		16,400	—	1,400	15,000	4,800
Workers' compensation		165,915	16,018	13,223	168,710	44,909
Health and life claims		24,730	336,309	337,158	23,881	23,881
Compensated absences		200,342	74,230	78,016	196,556	57,847
Landfill closure and postclosure care costs		7,796	—	432	7,364	350
Pollution remediation		500	—	—	500	—
Other postemployment benefits		697,700	184,537	159,181	723,056	—
Net pension liability		1,724,260	—	150,224	1,574,036	—
Total notes, leases, and other long-term obligations		<u>\$ 2,984,838</u>	<u>\$ 644,029</u>	<u>\$ 770,482</u>	<u>\$ 2,858,385</u>	<u>\$ 164,737</u>

The payment of long-term obligations of the governmental activities, except for health and life claims, is the responsibility of the City's General Fund. Health and life claims are the responsibility of the City's Internal Service Fund.

The annual debt service requirements of the City's general obligation bonds, notes and leases payable as of June 30, 2017, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General Obligation Bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2018	\$ 120,040	\$ 59,218	\$ (3,203)	\$ 176,055
2019	113,940	49,768	(3,136)	160,572
2020	104,280	44,922	(3,056)	146,146
2021	102,055	39,884	(2,972)	138,967
2022	105,815	35,127	(2,875)	138,067
2023-2027	429,320	104,677	(6,846)	527,151
2028-2032	215,200	35,677	(427)	250,450
2033-2037	87,365	662,481	—	749,846
	<u>\$ 1,278,015</u>	<u>\$ 1,031,754</u>	<u>\$ (22,515)</u>	<u>\$ 2,287,254</u>
Notes Payable:				
Year(s) ending June 30:				
2018	\$ 5,447	\$ 1,188	\$ —	\$ 6,635
2019	1,661	1,102	—	2,763
2020	1,801	1,075	—	2,876
2021	1,677	1,032	—	2,709
2022	2,269	977	—	3,246
2023-2027	12,829	3,967	—	16,796
2028-2032	16,682	2,728	—	19,410
2033-2037	14,142	903	—	15,045
Thereafter	17,758	1,250	—	19,008
	<u>\$ 74,266</u>	<u>\$ 14,222</u>	<u>\$ —</u>	<u>\$ 88,488</u>
Leases Payable:				
Year(s) ending June 30:				
2018	\$ 23,035	\$ 838	\$ —	\$ 23,873
2019	18,903	563	—	19,466
2020	11,825	337	—	12,162
2021	7,419	198	—	7,617
2022	4,312	100	—	4,412
2023-2024	3,971	54	—	4,025
	<u>\$ 69,465</u>	<u>\$ 2,090</u>	<u>\$ —</u>	<u>\$ 71,555</u>

On March 10, 2017, the City issued \$150.0 million of general obligation bonds for various municipal capital projects and on June 10, 2017 the City issued \$58.4 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$63.5 million. Interest on the bonds are payable semiannually each March 1 and September 1 until maturity in fiscal year 2037.

The cash flow difference and economic gain (the difference between the present value of the debt service payments and old and new debt) obtained from the June 10, 2017 refunding were \$5.1 million and \$5.4 million, respectively.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. The gross amount of assets acquired under the equipment lease agreements totals \$69.5 million as of June 30, 2017. The City's operating lease with DSRC is described in note 19.

No Obligation Debt

The City has outstanding industrial, commercial, and housing development bonds payable solely from revenues of the respective enterprises that do not constitute an indebtedness of the City and are not charged against its general credit. This aggregate amount is immaterial to the financial statements.

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions for governmental activities and still outstanding at June 30, 2017 was approximately \$164.7 million.

Debt Capacity

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the Massachusetts Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Secretary of Administration and Finance. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2017, the City may issue \$5.27 billion of additional general obligation debt under the debt limit. General obligation debt of \$735.9 million, subject to the debt limit, and \$72.7 million, exempt from the debt limit, are authorized but unissued as of June 30, 2017.

11. Retirement Plans

a. Plan Description

The City contributes to the BRS, a cost-sharing, multiple-employer qualified defined benefit governmental pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries of the following government units:

- (1) City of Boston
- (2) Boston Planning & Development Agency
- (3) Boston Housing Authority
- (4) Boston Water and Sewer Commission
- (5) Boston Public Health Commission
- (6) Sheriff of Suffolk County (Retirees as of December 31, 2009, funded by the City)

The Commonwealth of Massachusetts also is an other contributing entity and makes contributions to BRS related to City of Boston teachers.

The System is administered by a five person Board of Retirement consisting of the City Auditor, who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor, and a fifth member chosen by the other members. A complete set of financial statements for BRS for the fiscal year ended December 31, 2016 can be obtained through the BRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website www.cityofboston.gov/retirement/investment.asp.

Participation in the System is mandatory for all permanent, full time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment, or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants who resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2016).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 20 years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2012). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigned the authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to the Boston Retirement Board.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits.

Accidental disability is provided to members with incapacitation resulting from a work-related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation a member earned while an active employee on date of injury or average annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work-related and has attained ten years of creditable service. Such benefits are provided as if the member had attained the age of 55 (or actual age if over 55) based on the amount of creditable service actually earned. Limits are placed on how much a disability employee can earn from other sources while collecting a disability retirement pension.

The City is legally responsible for funding the employer portion of all pensions associated with certain retirees from the Suffolk County Sheriff's Department (SCSD), which became part of the Commonwealth of Massachusetts in 2010, pursuant to a cooperation agreement (the Agreement) dated June 28, 2011. According to the Agreement, all employees of the SCSD, or its predecessor department, who retired prior to January 1, 2010 remained retirees of the BRS. In addition, members of AFSCME Local 419 who retired between January 1, 2010 and October 31, 2010, remained retirees of the BRS. Employer contributions related to these retirees are the responsibility of the City under the Agreement.

Special Funding Situations

The City is party to a special funding situation with the Commonwealth of Massachusetts with respect to City of Boston Teachers. The Commonwealth is responsible for funding the employer portion of all teacher pensions in the Commonwealth. All teachers in the Commonwealth are members of the Massachusetts Teachers Retirement System, with the exception of teachers employed by the City, who are members of BRS. Although Boston Teachers are members of BRS, the Commonwealth is the responsible contributing entity as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

The Commonwealth is also legally responsible for reimbursing BRS for a portion of the benefits payments for cost of living increases granted before July 1997 as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

b. BRS Basis of Accounting

The System's 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 as additions in the period when they become due pursuant to formal statutory obligations. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. The following is a description of the valuation techniques and inputs used for each major class of assets and liabilities measured at fair value:

(1) Short-term, Equity and Fixed Income Investments - Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Certain fixed income securities not traded on an exchange are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

(2) Pooled funds - the fair value of shares in managed investment pools is based on unit values reported by the funds.

(3) Alternative investments include hedge funds, holding through commingled limited partnerships of venture capital funds, including equity interests in early, middle, and later stage companies, as well as debt and equity interests in buyouts, acquisitions, restructurings, mezzanine structures and special situations, such as litigation or spin-off activities. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

(4) Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on the net asset values of the entities, which are estimated using third-party appraisals and other information provided by property managers.

c. Membership

Membership in the System consisted of the following at December 31, 2015:

Active plan members	20,498
Retirees and beneficiaries receiving benefits	14,485
Inactive members entitled to a return of contributions	8,690
Inactive members entitled to, but not yet receiving benefits	1,050
Total membership	<u>44,723</u>
Total number of participating employers	<u>6</u>

d. Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 11% of their regular gross compensation. Non-teacher members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on an actuarial computation. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended December 31, 2016, the System was due \$380.2 million from all employers and the Commonwealth and received \$380.2 million in these contributions. For the year ended June 30, 2017, inclusive of contributions related to SCSD, and exclusive of contributions related to the City's teachers, the City's required and actual contribution was \$179.5 million. For the year ended June 30, 2017, the Commonwealth's required and actual contribution related to City Teachers was \$132.5 million. The amount is reported as intergovernmental revenue and retirement cost expenditures in the General Fund.

e. Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2016 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,700,074	Active members' contribution balance
Annuity reserve fund	449,058	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	3,466,207	Amounts appropriated to fund future retirement benefits
Pension fund	235,694	Remaining net position
	<u>\$ 5,851,083</u>	

All reserve accounts are funded at levels required by state statute.

f. City Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$1.48 billion for its proportionate share of the BRS net pension liability measured as of December 31, 2016. This net pension liability includes amounts related to SCSD retirees and reflects a reduction for the special funding situations with the Commonwealth. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situations, and the total portion of the net pension liability associated with the City measured at December 31, 2016 were as follows (in thousands):

City's proportionate share of net pension liability	\$ 1,483,824
Commonwealth's proportionate share of net pension liability associated with the City	2,345,447
Total	<u>\$ 3,829,271</u>

To determine employers' proportionate share of the net pension liability, separate calculations of net pension liability were performed for each of the Commonwealth special funding situations, SCSD retirees, and the remaining non-teacher group. At December 31, 2016, the City was allocated 100% of the net

pension liability for SCSD retirees and 81.71% of the remaining non-teacher group based on its proportion of 2015 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2016 was 35.66% compared to 36.78% at December 31, 2015.

For the year ended June 30, 2017, in the Government-wide financial statements, the City recognized pension expense of \$454.2 million and revenue of \$239.5 million related to the Commonwealth special funding situations. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings	\$ 262,105	\$ —
Difference between expected and actual experience	—	119,935
Changes in assumptions	3,716	50,056
Changes in employer proportion	20,873	—
	<u>\$ 286,694</u>	<u>\$ 169,991</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2017 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2018	\$ 61,486
2019	61,486
2020	39,525
2021	(22,194)
2022	(23,600)
	<u>\$ 116,703</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS's fiduciary net position have been determined on the same basis as they are reported for the BRS.

g. Actuarial Assumptions

The total pension liability for the December 31, 2016 measurement date was determined by using an actuarial valuation as of December 31, 2015, with updated procedures used to roll forward the total pension liability to December 31, 2016. The measurement at December 31, 2016 applied the following actuarial assumptions:

Inflation	3.25% for BRS excluding teachers and 4.5% for teachers
Salary Scale	7.5% to 4% percent, indexed by year of service, for teachers and 4.5% to 4% for non-teachers
Investment rate of return, including inflation	7.75% for BRS excluding teachers and 7.5% for teachers, net of expenses, including inflation
Cost of living adjustments	3 % of first \$13,000
Mortality	RP-2000 mortality tables projected using scale BB2D from 2009 for BRS excluding teachers, and RP-2014 mortality tables projected using scale BB2D for teachers

The salary scale for non-teachers indicated above was a reduction from a range of 5.0% to 4.5% used in the measurement of the total pension liability as of December 31, 2015. Additionally, the investment rate of return of 7.5% for teachers indicated above was a reduction from the 8.0% used in the December 31, 2015 measurement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation date of December 31, 2015 for BRS, excluding Teachers, are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	25%	6.44%
International developed markets equity	19	7.40
Emerging markets equity	8	9.42
Core fixed income	11	2.03
High yield fixed income	13	4.43
Real estate	10	5.00
Commodities	—	4.43
Hedge fund, GTAA, Risk parity	7	3.75
Private equity	7	10.47
	100%	

h. Discount Rate

The discount rate used to measure the total pension liability was 7.75% for BRS excluding Teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employers and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the BRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

i. Sensitivity of the City's Proportionate Share of the BRS Net Pension Liability

The following presents the City's proportionate share of the BRS net pension liability calculated using the discount rate of 7.75% for the BRS excluding Teachers, as well as what the City's proportionate share of the BRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate for BRS excluding Teachers (in thousands):

	City's net pension liability		
	1% Decrease (6.75)%	Current Discount Rate (7.75%)	1% Increase (8.75)%
June 30, 2017	\$ 2,044,641	\$ 1,483,824	\$ 1,008,453

j. Non-contributory retirees and beneficiaries

In addition to appropriation payments to cover current and future benefit payments of City employees covered by the BRS, the City funds noncontributory retirement benefits for pensioners whose employment predates the BRS, certain veterans who meet certain state law requirements, former employees retired under Massachusetts Special Acts and families receiving killed-in-the-line-of-duty benefits. These retirees and beneficiaries receive benefits for their lifetime. As of June 30, 2017, the date of the City's Actuarial Valuation for the City's Non-contributory and Special Legislation Retirees, the City is providing such benefits to 71 pensioners; these benefits are funded on a pay-as-you-go basis with annual benefits of approximately \$4.0 million. The City's net pension liability for the noncontributory retirees and beneficiaries is \$90.2 million, as of June 30, 2017.

The actuarial valuation as of June 30, 2016 was used to determine the City's pension liability and pension expense as of June 30, 2017 (in thousands):

Total Pension liability	\$ 90,212
Plan fiduciary net position	—
Plan net pension liability	\$ 90,212
Plan fiduciary net position as a percentage of the total pension liability	—%
Interest	\$ 2,860
Recognized portion of current year assumption change	(11,035)
Pension expense (income)	\$ (8,175)

The pension expense reflects immediate recognition of the change in assumptions because the group of retirees and beneficiaries is assumed to be closed.

There are no deferred outflows/inflows of resources related to these pensions. The discount rate used to determine the total pension liability was 3.585% as of June 30, 2017, which was the high quality tax-exempt general obligation municipal bond rates (20-Bond GO Index) as of June 30, 2017, as published by The Bond Buyer. The mortality assumptions are the same as used in the Boston Retirement System Actuarial Valuation Report as noted in footnote 11(g).

12. Other Postemployment Benefits (OPEB)

GASB No.74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Plan Description

During fiscal 2017, the City implemented GASB No. 74. The City sponsors and participates in the Other Postemployment Benefit Trust Plan (the Plan) an agent multi-employer defined benefit OPEB plan that provides healthcare and insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. The Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

Membership in the Plan

Chapter 32B of M.G.L. establishes the eligibility requirements for membership of the Plan. As of June 30, 2015, the date of the most recent actuarial valuation, the membership of the Plan consisted of the the following:

Active plan members	15,195
Inactive members	
receiving benefits	14,897
Inactive members	
entitled to but not yet receiving benefits	—
Total membership	<u>30,092</u>
Total number of participating employers	<u>2</u>

City ordinance grants the authority to the City to establish a healthcare benefit trust fund for purposes of providing retiree healthcare benefits to employees of the City and the Boston Public Health Commission.

GASB No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

Membership of the City

In addition to the pension benefits described in note 11, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. Participating retirees are City retirees. As of June 30, 2015, the most recent actuarial valuation date, approximately 14,700 retirees and 14,300 active members meet the eligibility requirements as put forth in Chapter 32B of M.G.L.

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Neighborhood Health Plan. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan.

Groups 1 and 2 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on accidental disability retirement are eligible at any age,

while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and postretirement death benefits, as well as medical and prescription drug coverage.

a. Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB Plan is currently funded on a pay-as-you-go basis plus periodic advance funding contributions as amounts are available. The employers and plan members share the cost of benefits. As of June 30, 2015, the valuation date, the plan members contribute 11% to 28.50% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

b. Basis of Accounting

The OPEB Trust Fund is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when made. Benefits are recognized when due and payable in accordance with the terms of each plan.

Investments are reported at fair value. Fair value of securities held directly are based on quotations from national securities exchanges.

c. Annual OPEB Cost and Net OPEB Obligation

GASB Statement No. 45 requires governments to account for OPEB, primarily healthcare, on an accrual basis. The effect is the recognition of an actuarially required contribution as an expense on the Government-wide Statement of Activities when a future retiree earns their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Government-wide Statement of Net Position over time. OPEB benefits are reported as expenditures on a pay-as-you-go basis in the governmental funds.

The City's 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 each year and amortize any unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2017, 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, 2015 (in thousands):

ARC	\$	167,787
Interest on net OPEB obligation		48,839
Adjustment to ARC		(32,090)
Annual OPEB cost		<u>184,536</u>
Contributions made		<u>(159,180)</u>
Change in net OPEB obligation		25,356
Net OPEB obligation - beginning of year		<u>697,700</u>
Net OPEB obligation - end of year	\$	<u><u>723,056</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 (in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 184,536	86%	\$ 723,056
2016	178,099	84%	697,700
2015	175,602	92%	669,887

Funded Status and Funding Progress of the Plan

The funded status of the OPEB plan in the aggregate and the City's individual OPEB Plan as of the most recent actuarial valuation at June 30, 2015 was as follows (in thousands):

	<u>Plan</u>	<u>City</u>
AAL	\$ 2,597,763	\$ 2,489,239
Actuarial value of plan assets	335,205	324,261
UAAL	<u>\$ 2,262,558</u>	<u>\$ 2,164,978</u>
Funded ratio (actuarial value of plan assets/AAL)	12.90 %	13.03%
Covered payroll (active plan members)	\$ 1,366,047	\$ 1,304,331
UAAL as a percentage of covered payroll	166 %	166%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 City 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 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.

d. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and 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.

The most recent actuarial valuation was performed as of June 30, 2015. The projected unit credit cost method was used. The actuarial assumptions included a 7.0% investment rate of return, an inflation rate of 4.5% and an annual healthcare cost trend rate of 7.0 - 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 - 6 years. The actuarial value of assets was determined using the fair value of investments. The healthcare cost trend rate differs between the master medical and other healthcare plans. The City's UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at July 1, 2015 was 30 years.

e. Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 11.65% . The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

13. Transfers

Transfers and their purposes during the year ended June 30, 2017 were as follows (in thousands):

	Governmental funds			
	General	Special revenue	Capital projects	Other governmental
Primary government:				
Parking Meter Fees	\$ —	\$ (15,000)	\$ 15,000	\$ —
Parks and Recreation	(8,000)	—	8,000	—
Debt Service	(1,455)	—	—	1,455
Total	<u>\$ (9,455)</u>	<u>\$ (15,000)</u>	<u>\$ 23,000</u>	<u>\$ 1,455</u>

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2017 in the following categories (in thousands):

Public Safety:	
Snow Removal	\$ 2,311
Police	273
	<u>\$ 2,584</u>

The excess expenditures reported above are allowed under the budgetary laws governing the City.

15. Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2017 are as follows (in thousands):

Fund Balances:	General	Special Revenue	Capital Projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ —	\$ —	\$ —	\$ 10,041
Subtotal	—	—	—	10,041
Restricted for:				
General government	—	—	14,782	1,314
Human services	—	—	1,137	—
Police	—	—	15,469	—
Fire	—	—	2,832	—
Public Works	—	—	28,288	—
Property and Development	—	35,056	13,382	33,560
Parks and recreation	—	—	14,825	38,859
Library	—	—	2,099	—
Schools	—	—	28,428	10,141
Subtotal	—	35,056	121,242	83,874
Assigned to:				
General government	19,295	12,476	—	—
Human services	409	1,199	—	—
Police	2,739	—	—	—
Fire	1,567	—	—	—
Other public safety	817	133,750	—	—
Public works	1,945	908	—	—
Property and development	2,284	57,793	—	—
Parks and recreation	745	2,689	—	—
Library	141	121	—	—
Schools	24,244	11,423	—	—
Judgments and claims	24,620	—	—	—
Catastrophic loss	32,968	—	—	—
Housing initiative	21,034	—	—	—
Debt service	7,162	—	—	—
Employee Related Costs	70,000	—	—	—
Designated for subsequent year expense	73,238	—	—	—
Subtotal	283,208	220,359	—	—
Unassigned	702,080	—	—	—
Total fund balances	\$ 985,288	\$ 255,415	\$ 121,242	\$ 93,915

16. Commitments and Contingencies

The City has assigned \$78.8 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$12.3 million in the Special Revenue Fund, \$22.8 million in the Capital Projects Fund, and \$262,000 in Other Governmental Funds.

Infrastructure Investment Incentive Transactions

Infrastructure Investment Incentive transactions (I-Cubed) are governed by Chapter 293 of the Acts of 2006 (the Act). Under the Act, the funding for the projects associated with these transactions is provided through proceeds of bonds issued by the Massachusetts Development Finance Agency (MDFA) and is to be used for approved public infrastructure improvements undertaken by the developer. The debt service on these bonds will be paid by the Commonwealth through State Infrastructure Development Assistance to the extent that New State Tax Revenues generated once the project is operational offset the amounts paid to MDFA to cover the debt service. When this is not the case, the participating municipality or developer generally will be responsible for the shortfall depending on the transaction agreement. The Act provides for the establishment of a Municipal Liquidity Reserve (MLR) from which the participating municipality can draw to offset any required payments made to the Commonwealth. The MLR is generally funded by the developer either through cash or a direct pay letter of credit.

During fiscal year 2015, the City executed two Infrastructure Development Assistance Agreements (IDAA) for I-Cubed transactions. Under the first IDAA, \$32.4 million in bonds were issued by MDFA in September 2015. Also, an MLR of \$1.2 million was established at the time of the issuance of the bonds. This reserve is equal to twice the maximum annual debt service payable in any fiscal year on the bonds issued under the indenture. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2017. The City also recorded \$11.2 million in donated capital assets in fiscal year 2016 for improvements to City-owned infrastructure made by the developer. These assets have been recorded at acquisition value which has been defined as "the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date."

Under the second IDAA, \$10.0 million in bonds were issued by MDFA in fiscal year 2016. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for one-third of any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2017.

In connection with this second I-Cubed transaction, the City has a leasehold interest in a portion of the parking garage, which represents the public infrastructure improvements under the transaction, created under a master lease and its assignments and a sublease. With the execution of the master lease and sublease agreements, along with the assignment agreements transferring the interests of the owner of the parking garage to the City through the BPDA, the City essentially becomes the lessee on the master lease and the sub-landlord on the sublease. This results in the City having no responsibility for the operation of the parking garage and having the right to collect from the sub-lessee Section 121A PILOT payments from 2015 through 2036 and then base rent from 2036 through 2055, both of which are largely based on a percentage of gross revenues of the parking garage. The City has no obligation for any payments as lessee under the master lease.

17. Public Health System

Effective July 1, 1996, the City's Department of Health and Hospitals and Trustees of Health and Hospitals were abolished. Substantially all their assets and liabilities, including title to the City's two hospitals, BCH and Boston Specialty and Rehabilitation Hospital (BSRH), were transferred to and assumed by BPHC.

Also effective July 1, 1996, the operations of BCH and BSRH were consolidated with the operations of the Boston University Medical Center under the licensure and control of the BMC.

The BPHC receives the majority of its funding from federal and state grants, and a City appropriation. During fiscal year 2017, the City appropriated \$77.3 million to the BPHC. As described below, the BPHC uses the appropriation to pay debt service on certain general obligation bonds, for administrative purposes and to support the various public health programs run by the BPHC. The City has budgeted \$79.3 million for the BPHC for fiscal year 2018.

Due from BPHC/BMC

General obligation bonds issued by the City between December 1967 and October 1995, for which BPHC was responsible for repayment, have been fully repaid as of June 30, 2017. These bonds pertained to the property and operations of the BCH Campus, South Block Campus, BSRH Campus, Emergency Medical Services Operations, and the Long Island Campus.

In addition, the BPHC is also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

18. Risk Management

The Risk Management Program focuses on a planned strategy of self-insurance, supported by strong prevention and cost reduction efforts, financial reserves and catastrophic insurance. The City is self-insured in most areas of risk including general liability, property and casualty, workers' compensation, certain employee health care costs and unemployment compensation.

The City's legal liabilities are capped per M.G.L. Chapter 258, and Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations. For workers' compensation, the City is exempt from state insurance requirements per M.G.L. Chapter 152 Section 25B. The City's Workers' Compensation Division as well as the Police and Fire Departments manage employee injury claims internally. The City budgets for and funds legal claims and employee injury costs through the General Fund, charging specific departments for their share of costs in order to promote awareness and prevention efforts.

The City provides health insurance coverage for employees and retirees through a variety of insured and self-insured plans. The City budgets for and funds the premium costs for all plans through the General Fund. Self-insured plans are financially managed through the Internal Service Fund established in compliance with M.G.L. Chapter 32B, Section 3A. The guiding policy for the City of Boston Health Claims Trust Fund states that accounting for the fund will be in accordance with generally accepted accounting principles, and will ensure that all contributions and actual costs are shared between employers and their subscribers according to predetermined ratios.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$26.1 million at the end of fiscal 2017. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$25.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorneys' estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2017 and 2016 are as follows (in thousands):

	Internal service fund	
	2017	2016
Health and life claims, beginning of year	\$ 24,730	\$ 22,553
Incurred claims	336,309	346,695
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(337,158)	(344,518)
Health and life claims, end of year	<u>\$ 23,881</u>	<u>\$ 24,730</u>

	Government-wide statements	
	2017	2016
Judgments and claims, beginning of year	\$ 190,625	\$ 183,157
Incurred claims	7,301	28,747
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(13,223)	(14,130)
Unemployment compensation	(3,493)	(3,649)
Tax abatement liability	(1,400)	(2,400)
Court judgments	(3,759)	(1,100)
Judgments and claims, end of year	<u>\$ 189,261</u>	<u>\$ 190,625</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys' estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

19. Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)

As described in note 1, the DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. As the project sponsor during fiscal year 2013, the City authorized and issued \$28.9 million in general obligation bonds and transferred proceeds to FBDC. FBDC, utilizing these bond proceeds, made loans totaling \$29.3 million to two investment funds. As of June 30, 2017, \$29.3 million is due to FBDC on such loans. The investment funds made these proceeds and funds from additional investments available to eight leverage lenders that made loans in the aggregate amount of \$40.8 million to DSRC to finance the Dudley Municipal Center project. This amount is recorded in the City's Notes and Leases Payable line of note 10. With the completion of the Dudley Municipal Center project, FBDC is the master tenant and leases the project from DSRC.

FBDC subleases the majority of space of the project to the City. The schedule of payments is the same in the lease and the sublease as follows (in thousands):

<u>Year(s) ending June 30:</u>	<u>Lease payments</u>
2018	\$ 551
2019	595
2020	638
2021	638
2022	638
2023-2027	9,454
2028-2032	10,150
2033-2037	10,150
2038-2043	10,150
2043-2047	10,150
2048	1,015
Total	<u>\$ 54,129</u>

20. Discretely Presented Component Units

The following presents condensed financial statements for each of the discretely presented component units:

Condensed Statements of Net Position June 30, 2017 (In thousands)

	<u>BPHC</u>	<u>BPDA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Assets:					
Current assets:					
Cash and investments	\$ 34,419	\$ 23,045	\$ 2,175	\$ 11,198	\$ 70,837
Cash and investments held by trustee	—	—	12,583	—	12,583
Receivables, net:					
Other	24,248	15,109	1,762	8,121	49,240
Other assets	114	—	8	1,961	2,083
Due from primary government	2,331	—	—	—	2,331
Total current assets	<u>61,112</u>	<u>38,154</u>	<u>16,528</u>	<u>21,280</u>	<u>137,074</u>
Noncurrent assets:					
Cash and investments held by trustee	—	—	60,387	—	60,387
Notes receivable	42,703	125,530	25	—	168,258
Capital assets:					
Nondepreciable	12,193	8,161	—	7,186	27,540
Depreciable	12,907	8,529	250	33,018	54,704
Total noncurrent assets	<u>67,803</u>	<u>142,220</u>	<u>60,662</u>	<u>40,204</u>	<u>310,889</u>
Total assets	<u>128,915</u>	<u>180,374</u>	<u>77,190</u>	<u>61,484</u>	<u>447,963</u>
Deferred outflows of resources:					
Deferred amount for pension costs	<u>27,858</u>	<u>3,249</u>	<u>—</u>	<u>—</u>	<u>31,107</u>

Condensed Statements of Net Position
June 30, 2017
(In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 17,413	\$ 3,228	\$ 611	\$ 3,204	\$ 24,456
Accrued liabilities:					
Other	662	536	482	2,669	4,349
Current portion of long-term debt and leases	1,285	—	—	790	2,075
Due to primary government	559	—	425	—	984
Unearned revenue	2,056	1,899	—	296	4,251
Total current liabilities	<u>21,975</u>	<u>5,663</u>	<u>1,518</u>	<u>6,959</u>	<u>36,115</u>
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	\$ 3,584	\$ 3,186	\$ —	\$ 11,392	\$ 18,162
Other noncurrent liabilities	1,225	128,859	—	831	130,915
OPEB	93,541	5,068	—	—	98,609
Unearned revenue	43,729	22,246	—	—	65,975
Net pension liability	140,757	17,851	—	—	158,608
Due to primary government	—	5,725	—	—	5,725
Total noncurrent liabilities	<u>282,836</u>	<u>182,935</u>	<u>—</u>	<u>12,223</u>	<u>477,994</u>
Total liabilities	<u>304,811</u>	<u>188,598</u>	<u>1,518</u>	<u>19,182</u>	<u>514,109</u>
Deferred inflows of resources:					
Deferred amount for pension costs	<u>21,541</u>	<u>3,755</u>	<u>—</u>	<u>—</u>	<u>25,296</u>
Net position:					
Net investment in capital assets	20,231	13,675	250	28,022	62,178
Restricted	—	—	73,337	704	74,041
Unrestricted	(189,810)	(22,405)	2,085	13,576	(196,554)
Total net position	<u>\$ (169,579)</u>	<u>\$ (8,730)</u>	<u>\$ 75,672</u>	<u>\$ 42,302</u>	<u>\$ (60,335)</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2017
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 189,169	\$ 28,675	\$ 18,052	\$ 42,480	\$ 278,376
Program revenues:					
Charges for services	57,700	8,739	2,206	31,004	99,649
Operating grants and contributions	44,814	19,514	17,397	17,481	99,206
Capital grants and contributions	366	—	—	—	366
Total program revenues	102,880	28,253	19,603	48,485	199,221
Net program revenues (expenses)	(86,289)	(422)	1,551	6,005	(79,155)
General revenues:					
Investment income	54	78	267	10	409
Sale of property	—	3,523	2,033	—	5,556
City appropriation	77,267	—	—	—	77,267
Miscellaneous income	384	—	2,767	128	3,279
Total general revenues	77,705	3,601	5,067	138	86,511
Change in net position	(8,584)	3,179	6,618	6,143	7,356
Net position - beginning of year	(160,995)	(11,909)	69,054	36,159	(67,691)
Net position - end of year	\$ (169,579)	\$ (8,730)	\$ 75,672	\$ 42,302	\$ (60,335)

Required Supplementary Information

(Unaudited)

(Amounts in thousands)

Schedules of Funding Progress - Other Postemployment Benefits

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
OPEB - City						
06/30/15	\$324,261	\$2,489,239	\$2,164,978	13.03%	\$1,304,331	166.0%
06/30/13	204,567	2,257,699	2,053,132	9.06%	1,021,081	201.1%
06/30/11	109,736	2,595,942	2,486,206	4.23%	1,045,488	237.8%
OPEB - Plan						
06/30/15	\$335,205	\$2,597,763	\$2,262,558	12.90%	\$1,366,047	165.6%
06/30/13	209,779	2,352,101	2,142,322	8.92%	1,080,837	198.2%
06/30/11	111,038	2,704,200	2,593,162	4.11%	1,102,402	235.2%

Schedules of Employer Contributions - Other Postemployment Benefits

	Annual required contribution	Percentage contributed
OPEB - City		
June 30, 2017	\$167,787	95%
June 30, 2016	162,018	93%
June 30, 2015	158,387	102%
OPEB - Plan		
June 30, 2017	\$178,411	90%
June 30, 2016	172,045	90%
June 30, 2015	168,281	99%

See accompanying independent auditor's report.

Schedule of City's Proportionate Share of the Net Pension Liability - Boston Retirement System

(Amounts in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	35.66%	36.78%	36.82%
City's proportionate share of the net pension liability	\$ 1,484	\$ 1,622	\$ 1,417
Commonwealth's proportionate share of net pension liability associated with the City	2,345	2,426	2,092
Total	<u>\$ 3,829</u>	<u>\$ 4,048</u>	<u>\$ 3,509</u>
City's covered-employee payroll (for the period ended on the measurement date December 31, 2015 and 2014)	\$ 1,475	\$ 1,475	\$ 1,423
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	100.61%	109.97%	99.58%
BRS fiduciary net position as a percentage of the total pension liability	58.44%	55.76%	59.59%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

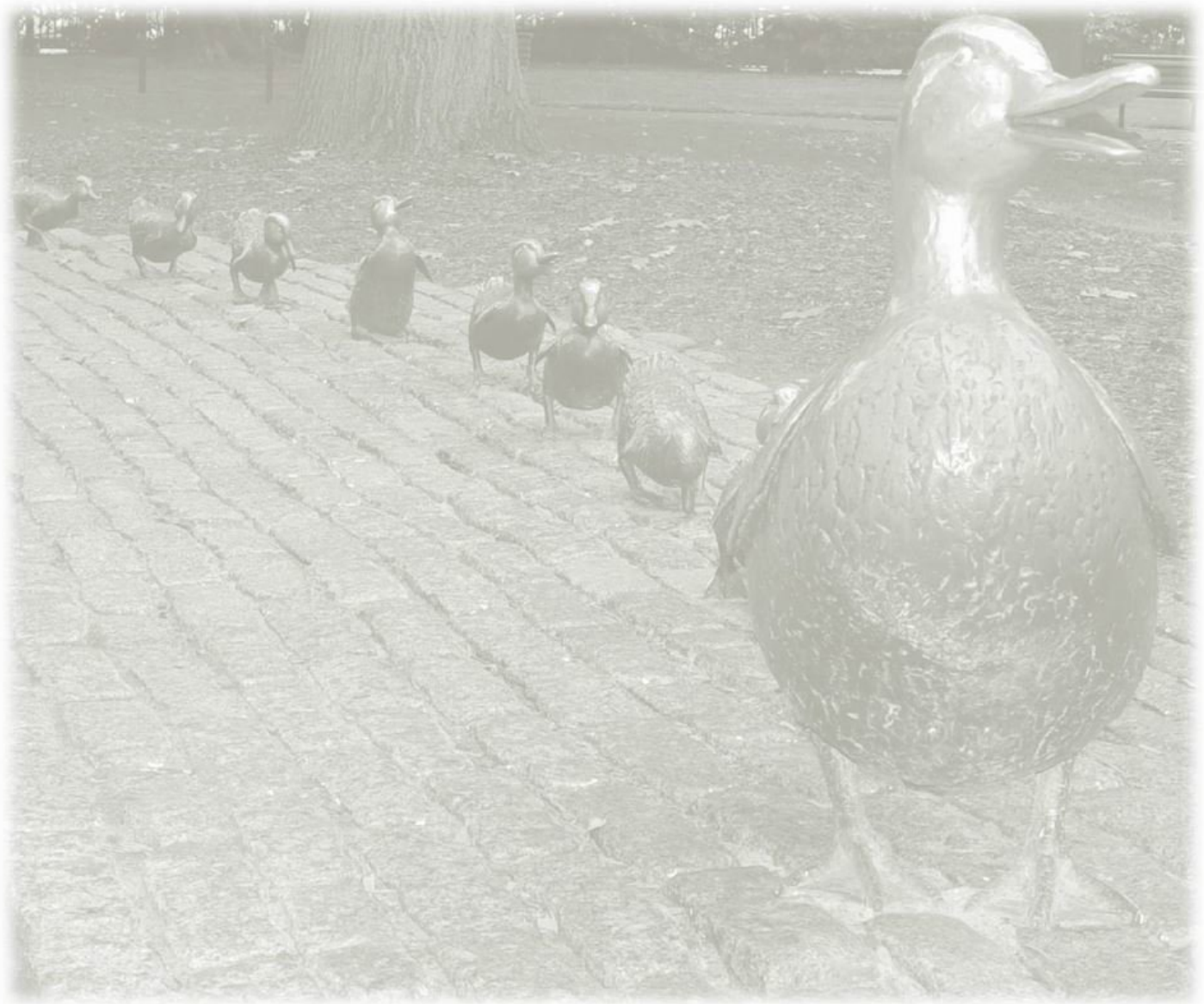
Schedule of City's Contributions - Boston Retirement System

(Amounts in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 193	\$ 179	\$ 165
Contributions in relation to the actuarially determined contribution	205	179	165
Contribution surplus (deficiency)	<u>\$ 12</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll (for the fiscal year ended June 30, 2017, 2016 and 2015)	\$ 1,467	\$ 1,467	\$ 1,442
Contributions as a percentage of covered-employee payroll	13.97%	12.20%	11.44%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

General Fund



“Make Way for Ducklings” – Boston Public Garden

The General Fund is the operating fund of the City. It is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.



(This page intentionally left blank)

General Fund
Comparative Balance Sheets
June 30, 2017 and 2016
(Amounts in thousands)

	2017	2016
ASSETS:		
Cash and investments	\$ 1,153,840	\$ 1,106,679
Receivables:		
Property taxes	18,520	13,818
Motor vehicle / boat excise	26,650	23,896
Intergovernmental	38,483	42,415
Departmental and other	22,555	19,224
Tax title and possession	60,668	80,542
Total Receivables	<u>166,876</u>	<u>179,895</u>
Allowance:		
Motor vehicle / boat excise	(19,018)	(18,242)
Tax title and possession	(60,668)	(80,542)
Total Allowance	<u>(79,686)</u>	<u>(98,784)</u>
Net receivable	87,190	81,110
Due from other funds	1,868	2,412
Due from component units	6,709	8,615
Total assets	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>
LIABILITIES:		
Warrants and accounts payable	\$ 48,704	\$ 43,997
Accrued liabilities:		
Payroll and related costs	148,379	141,068
Deposits and other	26,032	22,801
Due to other funds	170	945
Due to component units	2,331	2,978
Total liabilities	<u>\$ 225,616</u>	<u>\$ 211,789</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>38,703</u>	<u>38,024</u>
FUND BALANCE:		
Assigned	283,208	266,222
Unassigned	702,080	682,781
Total fund balance	<u>985,288</u>	<u>949,003</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,249,607</u>	<u>\$ 1,198,816</u>

See accompanying independent auditor's report.

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	2017	2016
REVENUES:		
Real and personal property taxes	\$ 2,079,693	\$ 1,967,687
Excises	212,797	236,263
Payments in lieu of taxes	80,501	90,215
Fines	63,046	60,953
Investment income	2,329	184
Licenses and permits	84,470	70,005
Departmental and other	87,985	86,791
Intergovernmental	554,661	543,683
Total Revenues	3,165,482	3,055,781
EXPENDITURES:		
Current:		
General government	85,855	80,684
Human services	31,422	31,356
Public safety	643,100	610,233
Public works	106,059	101,157
Property and development	42,460	33,870
Parks and recreation	23,447	22,106
Library	35,791	33,870
Schools	1,048,987	1,016,412
Public health programs	77,754	77,932
Judgments and claims	3,766	1,100
Retirement costs	347,402	309,083
Other employee benefits	247,965	236,661
State and district assessments	244,320	234,450
Total current expenditures	2,938,328	2,788,914
Capital outlays	10,283	13,873
Debt service	171,131	164,708
Total Expenditures	3,119,742	2,967,495
Excess of revenues over expenditures	45,740	88,286
OTHER FINANCING USES:		
Transfers out	(9,455)	(1,455)
Total other financing uses	(9,455)	(1,455)
Net change in fund balances	36,285	86,831
Fund balance - beginning	949,003	862,172
Fund balance - ending	\$ 985,288	\$ 949,003

See accompanying independent auditor's report.

General Fund**Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)**

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

Classification	2017				2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PROPERTY TAXES					
Real Estate Taxes	\$ 1,900,669	\$ 1,900,669	\$ 1,904,246	\$ 3,577	\$ 1,780,160
Real and Personal Property Taxes	147,267	147,267	149,150	1,883	144,885
Revenue class total	2,047,936	2,047,936	2,053,396	5,460	1,925,045
MOTOR VEHICLE EXCISE					
Motor Vehicle Excise - Current	53,000	53,000	36,049	(16,951)	46,385
Motor Vehicle Excise - Prior Years	—	—	16,012	16,012	21,261
Boat Excise - Current and Prior Years	40	40	62	22	39
Revenue class total	53,040	53,040	52,123	(917)	67,685
OTHER EXCISE TAXES					
Hotel / Motel Room Excise	80,000	80,000	91,306	11,306	89,103
Aircraft Fuel Excise	27,680	27,680	15,864	(11,816)	36,807
Condominium Conversion Excise	350	350	510	160	646
Meals Tax Excise	26,000	26,000	29,165	3,165	27,967
Urban Redevelopment Ch. 121A	10,500	10,500	18,949	8,449	10,422
Vehicle Rental Surcharge	1,250	1,250	1,581	331	1,617
Revenue class total	145,780	145,780	157,375	11,595	166,562
COMMONWEALTH OF MASSACHUSETTS					
State Owned Lands	291	291	291	—	295
Exemption - Elderly	1,041	1,041	770	(271)	386
Exemption - Other	—	—	—	—	—
Lottery	—	—	—	—	—
Veterans Services - Local Aid	2,547	2,547	2,423	(124)	3,410
Police Career Incentive	—	—	—	—	—
Unrestricted General Government Aid	182,164	182,164	182,164	—	174,653
Local Share of Racing Taxes	293	293	348	55	376
School Construction	6,720	6,720	6,720	—	7,344
Charter School Reimbursement	20,671	20,671	16,089	(4,582)	22,515
Chapter 70 Education Aid	216,128	216,128	216,128	—	212,597
Revenue class total	429,855	429,855	424,933	(4,922)	421,576

(continued)

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

Classification	2017				2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes	\$ 3,000	\$ 3,000	\$ 2,569	\$ (431)	\$ 6,012
Penalties & Interest - Motor Vehicle	2,500	2,500	2,913	413	3,163
Penalties & Interest - Tax Title	3,000	3,000	5,329	2,329	5,303
Penalties & Interest - Boat Excise	5	5	—	(5)	—
Sidewalk Paid in Advance	—	—	3	3	1
Unapportioned Assessments	—	—	13	13	4
Other Departmental Fees & Charges	2,000	2,000	2,066	66	2,122
Registry Division Fees	1,500	1,500	1,527	27	1,529
Liens	525	525	687	162	681
Other Departmental	3,100	3,100	2,323	(777)	3,233
City Clerk Fees	600	600	547	(53)	636
Muni Medicaid Reimbursement	7,000	7,000	9,162	2,162	8,172
Medicaid Part D	4,000	4,000	5,910	1,910	5,111
Police Services	400	400	769	369	416
Fire Services	6,500	6,500	6,461	(39)	5,650
Parking Facilities	1,000	1,000	2,268	1,268	1,285
Street Occupancy	4,850	4,850	6,022	1,172	5,500
Street and Sidewalk Permits	1,100	1,100	1,222	122	1,164
Administrative Fees	—	—	—	—	—
Demolition of Abandoned Structures	20	20	18	(2)	20
Property Mgmt - Building Rents	1,800	1,800	1,863	63	1,837
St. Furniture Program Fixed Fees	1,500	1,500	1,500	—	1,500
St. Furniture Program Adm Fees	1,100	1,100	1,340	240	1,492
DOIT E-Rate	—	—	1,392	1,392	—
Fiber Optics Access Fees	300	300	62	(238)	318
Public Works - Other Charges	—	—	—	—	—
Tuition and Transportation - Schools	1,000	1,000	1,151	151	1,273
McKinney-Vento reimbursement	1,383	1,383	1,383	—	—
Library Fees	150	150	173	23	153
Cobra / Self-pay	250	250	392	142	381
Affirmative Recovery Unit	400	400	113	(287)	393
Fringe-Retirement	4,800	4,800	4,851	51	4,792
Pensions and Annuities	4,386	4,386	4,404	18	4,386
Indirect Costs Reimbursement	525	525	477	(48)	661
Third-Party Payments	—	—	1	1	15
Prior Year Reimbursements	2,024	2,024	2,964	940	4,623
Police Detail Payroll	—	—	49	49	53
Police Detail Administration Fee	3,000	3,000	4,637	1,637	4,640
Rental Income	20	20	—	(20)	—
Miscellaneous Collecting	—	—	11	11	—
Administrative Fee 3rd Party Payments	350	350	510	160	400
Revenue class total	64,088	64,088	77,082	12,994	76,919

(continued)

See accompanying independent auditor's report.

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

Classification	2017					2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
FINES						
Parking Fines	\$ 57,000	\$ 57,000	\$ 60,472	\$ 3,472	\$ 57,763	
Court Fines	120	120	172	52	170	
Moving Violation Fines - Court	1,700	1,700	1,391	(309)	1,711	
Fire Safety Fines	40	40	36	(4)	33	
Code Enforcement	700	700	1,011	311	1,222	
Revenue class total	59,560	59,560	63,082	3,522	60,899	
PAYMENTS IN LIEU OF TAXES						
Massport	18,970	18,970	18,493	(477)	18,830	
Miscellaneous PILOT's	25,500	25,500	35,077	9,577	32,370	
Miscellaneous Ch 121B Section 16	6,000	6,000	6,464	464	8,005	
Miscellaneous Ch 121A Section 6A	15,000	15,000	22,098	7,098	29,686	
Revenue class total	65,470	65,470	82,132	16,662	88,891	
INVESTMENT INCOME						
Interest on Investments	200	200	2,329	2,129	184	
Revenue class total	200	200	2,329	2,129	184	
LICENSES AND PERMITS						
Building Structures and Permits	35,000	44,090	61,954	17,864	52,285	
Weights and Measures	285	285	298	13	289	
Street and Curb Permits	3,100	3,100	3,650	550	4,034	
Pre-rental Inspections	1,150	1,150	1,955	805	1,730	
Other Departmental Licenses & Permits	665	665	642	(23)	744	
Health Inspections	1,700	1,700	1,864	164	1,811	
Alcoholic Beverages and Licenses	4,200	4,200	4,455	255	4,337	
Entertainment Licenses	1,900	1,900	1,816	(84)	1,843	
Police Firearm Permits	25	25	20	(5)	66	
Other Business Licenses and Permits	170	170	170	—	172	
Cable Television	6,500	6,500	7,269	769	7,131	
Revenue class total	54,695	63,785	84,093	20,308	74,442	
MISCELLANEOUS						
Air Rights	267	267	267	—	802	
Revenue class total	267	267	267	—	802	
TRANSFERS AND OTHER AVAILABLE FUNDS						
Surplus of Property	4,000	4,000	—	(4,000)	—	
Appropriated Cemetery Trustee	950	950	—	(950)	—	
Appropriated Parking Meter Receipts	22,500	22,500	—	(22,500)	—	
Appropriated Funds Balance	40,000	40,000	—	(40,000)	—	
Revenue class total	67,450	67,450	—	(67,450)	—	
Total Revenues and Other financing Sources	\$ 2,988,341	\$ 2,997,431	\$ 2,996,814	\$ (618)	\$ 2,883,005	

See accompanying independent auditor's report.

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

Classification	2017				2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
GENERAL GOVERNMENT					
Costs of Issuance - RANS	\$ 500	\$ 150	\$ 146	\$ 4	\$ 65
Annual Audit Costs	750	779	779	—	573
Mayor's Office	4,042	4,042	3,770	272	3,234
City Council	5,341	5,341	5,084	257	5,206
Office of New Bostonians	425	425	400	25	381
Consumer Affairs and Licensing	1,177	1,177	1,059	118	379
Election Department - Election Division	3,819	3,819	3,488	331	3,268
Election Department - Listing Board	511	537	537	—	507
Auditing Department	2,705	2,705	2,541	164	2,570
Assessing Department	7,200	7,233	6,992	241	7,103
Treasury Department - Collecting Division	3,035	3,035	2,557	478	2,832
Treasury Department - Treasury Division	1,951	1,951	1,912	39	1,913
Office of Budget Management	3,200	3,200	3,081	119	2,723
Human Resources	3,410	3,406	2,877	529	2,904
Purchasing Division	1,832	1,832	1,726	106	1,772
Office of Administration & Finance	1,071	1,071	849	222	888
Office of Labor Relations	1,424	1,424	1,356	68	1,311
Department of Innovation & Technology	28,524	32,343	32,339	4	32,047
Intergovernmental Relations	1,185	1,185	1,136	49	1,275
Law Department	5,872	5,343	5,253	90	5,753
Risk Retention Reserved	3,000	3,000	3,000	—	1,500
Housing Trust Fund	330	330	280	50	296
City Clerk	1,220	1,220	1,161	59	1,147
Registry Division	1,032	1,032	966	66	968
Finance Commission	268	268	264	4	257
Tregor Reserve Fund	—	3,813	3,813	—	989
Office of Civil Rights	283	283	258	25	160
Commission for Persons with Disabilities	418	418	370	48	287
Public Information	—	—	—	—	—
Neighborhood Services	3,195	2,813	2,680	133	2,525
Arts & Cultural Develop	1,349	1,349	1,247	102	1,275
Arts, Tourism & Special Events	1,400	1,400	1,390	10	1,093
Women's Commission	234	234	196	38	212
Reserve for Collective Bargaining	13,300	28,000	28,000	—	22
Function Total	104,004	125,158	121,507	3,651	87,435
HUMAN SERVICES					
Boston Centers for Youth & Families	24,959	26,017	26,017	—	24,918
Elderly Commission	3,234	3,255	3,221	34	3,072
Veterans Services Department	4,678	3,396	3,283	113	3,948
Function total	32,871	32,668	32,521	147	31,938

(continued)

General Fund
Schedule of Expenditures Compared to Budget (Budgetary Basis)
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

Classification	2017				2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department	\$ 356,341	\$ 364,322	\$ 364,595	\$ (273)	\$ 348,887
Fire Department	220,990	221,045	219,083	1,962	216,918
Mayor's Office - Emergency Preparedness	638	643	643	—	651
Transportation - Traffic Division	24,832	25,150	25,146	4	24,875
Transportation - Parking Clerk	8,342	8,361	8,323	38	7,917
Licensing Board	—	—	—	—	638
Inspection Services Department	18,813	18,555	18,555	—	18,233
Youth Fund	6,059	5,343	5,222	121	5,760
Function total	636,015	643,419	641,567	1,852	623,879
PUBLIC WORKS					
Public Works Department	83,963	82,308	82,281	27	86,704
Central Maintenance Facility	2,590	2,590	2,322	268	2,149
Snow Removal	22,564	22,564	24,875	(2,311)	14,786
Function total	109,117	107,462	109,478	(2,016)	105,289
PROPERTY AND DEVELOPMENT					
Property Management	30,427	28,504	28,369	134	25,457
Neighborhood Development	12,963	12,963	12,926	37	11,544
Leading the Way	—	—	—	—	—
Function total	43,390	45,426	45,295	131	38,561
PARKS AND RECREATION					
Parks and Recreation Department	18,562	19,956	19,956	—	21,371
Environment Department	2,233	2,233	2,167	66	1,898
Cemetery Division	2,419	2,445	2,328	117	2,277
Function total	23,214	24,634	24,451	183	25,546
LIBRARY					
Library Department	34,502	34,776	34,775	1	34,863
Function total	34,502	34,776	34,775	1	34,863
SCHOOLS					
Boston Public Schools	1,031,684	1,031,684	1,031,628	56	1,016,277
Function total	1,031,684	1,031,684	1,031,628	56	1,016,277
PUBLIC HEALTH					
Public Health Commission	77,267	77,267	77,267	—	76,155
Function total	77,267	77,267	77,267	—	76,155

(continued)

General Fund**Schedule of Expenditures Compared to Budget (Budgetary Basis)**

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

Classification	2017				2016 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts	\$ 5,000	\$ 5,000	\$ 3,188	\$ 1,812	\$ 10,454
Function total	5,000	5,000	3,188	1,812	10,454
OTHER EMPLOYEE BENEFITS					
Medicare Payments	10,000	8,610	8,608	2	7,989
Human Resources - Health Insurance	206,208	206,208	205,280	928	191,266
Health Benefits & Insurance	722	726	676	50	593
Unemployment Compensation	350	—	—	—	—
Workers' Compensation Fund	2,200	1,479	1,479	—	1,329
OPEB Stabilization Fund	40,000	40,000	40,000	—	40,000
Function total	259,480	257,023	256,043	980	241,177
PENSION COSTS					
Boston Retirement System	199,280	199,280	199,280	—	196,549
Pensions and Annuities - City	5,289	3,608	3,607	1	4,063
Pensions and Annuities - County	100	100	38	62	37
Function total	204,669	202,988	202,925	63	200,649
DEBT REQUIREMENTS					
Redemption of City Loans	112,190	112,190	112,190	—	106,251
City Debt and Interest Payments	48,977	48,977	48,960	17	47,873
Temporary Notes	12,277	77	—	77	—
MWPAT Principal	1,187	1,187	1,187	—	543
MWPAT Interest	312	312	312	—	56
Section 108 - Dudley Square	505	505	505	—	505
Debt Service Sinking Funds	1,455	1,455	1,455	—	1,455
Lease Payments	551	551	551	—	943
Function total	177,454	165,254	165,160	94	157,626
STATE & DISTRICT ASSESSMENTS					
Health Insurance/Retirement	111	111	111	—	120
Parking Surcharge	2,539	2,539	2,265	274	2,539
Mosquito Control Projects	265	265	265	—	265
Special Education Chapter 766	724	734	734	—	696
Metropolitan Air Pollution Center	230	230	210	20	224
Metropolitan Area Planning	326	326	326	—	292
M.B.T.A. Assessments	83,823	83,823	83,823	—	82,998
M.D.C. Assessments	12	12	12	—	12
School Choice	942	942	882	60	643
Charter School Sending Tuition	156,829	151,817	151,817	—	142,786
Suffolk County Jail	3,875	3,875	3,875	—	3,875
Function total	249,674	244,672	244,320	352	234,450
Total Expenditures	\$ 2,988,341	\$ 2,997,431	\$ 2,990,127	\$ 7,305	\$ 2,881,089

See accompanying independent auditor's report.

Special Revenue Fund



Commonwealth Avenue

The Special Revenue Fund is used to account for the proceeds of specific revenue sources, other than debt service, trust funds or capital projects that are legally restricted or committed for specific purposes.

This fund accounts for a number of federal and state grants administered by the City's individual departments.



(This page intentionally left blank)

Special Revenue Fund
Comparative Balance Sheets
June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and investments	\$ 245,567	\$ 211,703
Receivables, net:		
Intergovernmental	52,356	54,698
Departmental and other	35,054	43,585
Total receivables	<u>87,410</u>	<u>98,283</u>
Due from other funds	1,745	746
Total Assets	<u>\$ 334,722</u>	<u>\$ 310,732</u>
LIABILITIES:		
Warrants and accounts payable	\$ 25,344	\$ 15,693
Accrued liabilities:		
Payroll and related costs	1,282	1,459
Deposits and other	49,022	43,797
Unearned revenue	—	—
Due to other funds	3,405	2,974
Total liabilities	<u>79,053</u>	<u>63,923</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>254</u>	<u>90</u>
FUND BALANCE:		
Restricted	35,056	43,585
Assigned	220,359	203,134
Total fund balance	<u>255,415</u>	<u>246,719</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 334,722</u>	<u>\$ 310,732</u>

See accompanying independent auditor's report.

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	2017	2016
REVENUES:		
Fines	\$ —	\$ 4,270
Investment income	100	55
Licenses and permits	212	186
Departmental and other	61,694	40,985
Intergovernmental	258,671	263,413
Total revenues	320,677	308,909
EXPENDITURES:		
Current:		
General government	6,094	5,822
Human services	8,329	9,126
Public safety	34,371	30,366
Public works	8,534	15,630
Property & development	93,717	68,881
Parks and recreation	1,062	1,272
Library	3,180	2,771
Schools	139,127	126,837
Public health programs	1,615	2,593
Total current expenditures	296,029	263,298
Capital outlays	1,767	1,827
Total Expenditures	297,796	265,125
Excess of revenues over expenditures	22,881	43,784
OTHER FINANCING SOURCES (USES):		
Payments to escrow agent	(7,432)	(1,388)
Premiums on long-term debt issued	8,247	2,130
Transfer out	(15,000)	(6,500)
Total other financing sources (uses)	(14,185)	(5,758)
Net change in fund balances	8,696	38,026
Fund balance - beginning	246,719	208,693
Fund balance - ending	\$ 255,415	\$ 246,719

See accompanying independent auditor's report.

Capital Projects Fund



Boston skyline from Boston Harbor

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bonds and from federal and state grants.



(This page intentionally left blank)

Capital Projects Fund
Comparative Balance Sheets
June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and investments	\$ 136,428	\$ 87,418
Cash and investment held by trustees	10,008	17,846
Intergovernmental receivables	6,292	12,050
Departmental and other receivables	657	667
Total Assets	<u>\$ 153,385</u>	<u>\$ 117,981</u>
LIABILITIES:		
Warrants and accounts payable	\$ 28,573	\$ 30,353
Total liabilities	<u>28,573</u>	<u>30,353</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>3,570</u>	<u>8,645</u>
FUND BALANCE:		
Restricted	<u>121,242</u>	<u>78,983</u>
Total fund balance	<u>121,242</u>	<u>78,983</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 153,385</u>	<u>\$ 117,981</u>

See accompanying independent auditor's report.

Capital Projects Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	2017	2016
REVENUES:		
Intergovernmental	\$ 43,579	\$ 20,004
Investment income	—	25
Departmental and other	—	1,742
Total revenues	43,579	21,771
EXPENDITURES:		
Capital outlays	221,321	216,101
Total expenditures	221,321	216,101
Deficiency of revenues under expenditures	(177,742)	(194,330)
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	181,935	181,193
Refunding bonds issued	58,370	8,100
Payments to escrow agent	(58,367)	(8,099)
Premiums on long-term debt issued	15,063	20,929
Operating transfers, net	23,000	6,500
Total other financing sources (uses)	220,001	208,623
Net change in fund balances	42,259	14,293
Fund balance - beginning	78,983	64,690
Fund balance - ending	\$ 121,242	\$ 78,983

See accompanying independent auditor's report.

Other Governmental Funds



Prudential Center

Other Governmental Funds are those funds that are not defined as major funds.

Permanent Fund, established by GASB Statement No. 34, is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. The permanent fund is composed of the following pools:

Pool#1 is used for the maintenance and improvement of the City's parks and cemeteries and the erection and maintenance of statues and monuments for the use and enjoyment of City residents.

Pool#2 is used for scholarship awards, the purchase of educational equipment, and the aid of needy students.

Pool#7 is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The non-expendable portion of the fund is composed of donations/contributions from either individuals or organizations. Donations/contributions are to be expended in conformity with their respective trust instruments.

Debt Service Fund is used to account for resources accumulating for principal and interest for the 2009 Qualified Construction School Bond.

Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)— The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. DSRC and FBDC are used to account for the construction and financing of the Dudley Municipal Center.



(This page intentionally left blank)

Other Governmental Funds
Combining Balance Sheet
June 30, 2017 and 2016
(Amounts in thousands)

	Permanent Funds						Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	2017	2016
ASSETS:								
Cash and investments	\$ —	\$ —	\$ —	\$ 9,469	\$ —	\$ —	\$ 9,469	\$ 8,048
Cash and investments held by trustees	49,085	673	1,317	—	1,594	1,194	53,863	49,234
Receivables, net	58	2	1	—	—	31,286	31,347	29,447
Due from other funds	—	—	—	—	6,942	—	6,942	6,401
Total assets	\$ 49,143	\$ 675	\$ 1,318	\$ 9,469	\$ 8,536	\$ 32,480	\$ 101,621	\$ 93,130
LIABILITIES:								
Warrants and accounts payable	\$ 241	\$ 4	\$ 4	\$ —	\$ 372	\$ 103	\$ 724	\$ 243
Accrued liabilities	2	—	—	—	—	—	2	31
Due to other funds	—	—	—	—	—	6,980	6,980	5,640
Total liabilities	243	4	4	\$ —	372	7,083	7,706	5,914
FUND BALANCE:								
Nonspendable	9,897	144	—	—	—	—	10,041	4,974
Restricted	39,003	527	1,314	9,469	8,164	25,397	83,874	82,242
Total fund balance	48,900	671	1,314	9,469	8,164	25,397	93,915	87,216
Total liabilities and fund balance	\$ 49,143	\$ 675	\$ 1,318	\$ 9,469	\$ 8,536	\$ 32,480	\$ 101,621	\$ 93,130

See accompanying independent auditor's report.

Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	Permanent Funds						Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	2017	2016
REVENUES:								
Investment income	\$ 7,546	\$ 85	\$ 11	\$ 12	\$ 10	\$ 303	\$ 7,967	\$ 1,449
Departmental and other	226	—	927	—	1,581	1,920	4,654	5,183
Total revenues	\$ 7,772	\$ 85	\$ 938	\$ 12	\$ 1,591	\$ 2,223	\$ 12,621	\$ 6,632
EXPENDITURES:								
General government	3,063	49	1,096	—	970	1,880	7,058	5,923
Capital outlays	—	—	—	—	—	319	319	2,325
Total expenditures	3,063	49	1,096	—	970	2,199	7,377	8,248
Net change in fund balances	4,709	36	(158)	12	621	24	5,244	(1,616)
OTHER FINANCING SOURCES:								
Transfers in	—	—	—	1,455	—	—	1,455	1,455
Total other financing sources	—	—	—	1,455	—	—	1,455	1,455
Net change in fund balances	4,709	36	(158)	1,467	621	24	6,699	(161)
Fund balance - beginning	44,191	635	1,472	8,002	7,543	25,373	87,216	87,377
Fund balance - ending ..	\$ 48,900	\$ 671	\$ 1,314	\$ 9,469	\$ 8,164	\$ 25,397	\$ 93,915	\$ 87,216

See accompanying independent auditor's report.

Internal Service Fund



Boston Public Library – Copley Square

Internal Service Fund accounts for the City’s self-insurance for health benefits provided by Blue Cross Blue Shield of Massachusetts and Harvard Pilgrim Healthcare for City employees, their dependents and retirees. The Internal Service Fund is included in the governmental activities column in the government-wide financial statements.



(This page intentionally left blank)

Internal Service Fund
Comparative Statements of Net Position
June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and investments	\$ 73,916	\$ 67,408
Receivables	—	578
Other assets	6,541	5,523
Total Assets	\$ 80,457	\$ 73,509
LIABILITIES:		
Accrued liabilities	\$ 23,881	\$ 24,730
Total liabilities	\$ 23,881	\$ 24,730
NET POSITION:		
Unrestricted	56,576	48,779
Total net position	\$ 56,576	\$ 48,779

See accompanying independent auditor's report.

Internal Service Fund

Comparative Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
REVENUES:		
Employee contributions	\$ 68,821	\$ 65,165
Employer contributions	276,134	265,240
Total revenues	<u>344,955</u>	<u>330,405</u>
EXPENDITURES:		
Health benefits	337,158	344,518
Total expenditures	<u>337,158</u>	<u>344,518</u>
Change in net position	7,797	(14,113)
Net position - beginning	48,779	62,892
Net position - ending	<u>\$ 56,576</u>	<u>\$ 48,779</u>

See accompanying independent auditor's report.

Internal Service Fund
Comparative Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer	\$ 345,533	\$ 330,757
Cash paid to vendors	(339,025)	(350,222)
Net cash provided by (used in) operating activities	6,508	(19,465)
Cash and cash equivalents, beginning of year	67,408	86,873
Cash and cash equivalents, end of year	\$ 73,916	\$ 67,408
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ 7,797	\$ (14,113)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Other assets	(1,018)	(2,971)
Due from component units / receivables	578	352
Accounts payable and accrued liabilities	(849)	(2,733)
Net cash provided by (used in) operating activities	\$ 6,508	\$ (19,465)

See accompanying independent auditor's report.



(This page intentionally left blank)

Fiduciary Funds



Leonard P. Zakim Bridge

EMPLOYEE RETIREMENT PLAN

Boston Retirement System is a defined benefit contributory retirement plan covering employees of the City of Boston, Boston Public Health Commission, Boston Housing Authority, Boston Redevelopment Authority, and the Boston Water and Sewer Commission. The System is subject to benefit provisions and financing requirements set forth primarily in Chapter 32 of the Massachusetts General Laws.

OPEB TRUST FUND

The *OPEB Trust Fund* is an irrevocable trust fund established for other postemployment benefits. The assets are appropriated from the General Fund and accumulate to reduce the unfunded actuarial liability for health care and other postemployment benefits.

PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds are used to report any trust arrangement not otherwise classified as pension or benefit trusts, or an investment trust fund, “under which principal and income benefit individuals, private organizations, or other governments.”

Pool#1 is a co-mingled investment fund of various trust funds of the City. A number of the *Pool#1* trust funds are for the maintenance and improvement of the City’s parks and cemeteries for the use and enjoyment of City residents. The other portion of *Pool#1* trust funds lack a general government purpose and are therefore classified here as private purpose trust funds.

Pool#2 is used for scholarship awards, the purchase of educational equipment, and the aid of needy students.

Pool#5 is formed by the will of George R. White dated May 21, 1920. The will requires that the fund’s income be used for the creation of public utility and beauty for the use and enjoyment of the inhabitants of the City.

Pool#7 is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The nonexpendable portion of the fund is composed of donations/contributions from either individuals or organizations. Donations/contributions are to be expended in conformity with their respective trust instruments.

AGENCY FUND

Law Enforcement Trust Fund accounts for proceeds from property seized from illegal drug-related activities. Funds can be used to defray the costs of protracted investigations, to provide technical equipment or expertise, and to provide matching funds for federal grants.



(This page intentionally left blank)

Boston Retirement System
Comparative Statements of Plan Net Position
Years Ended December 31, 2016 and 2015
(Amounts in thousands)

	Total Boston Retirement System	
	2016	2015
ASSETS:		
Cash and investments	\$ 5,860,261	\$ 5,563,940
Receivables:		
Interest and dividends	7,184	6,904
Securities sold	15,183	18,866
Employer contributions	13,134	11,448
Other	5,303	14,634
Total receivables	<u>40,804</u>	<u>51,852</u>
Securities lending short-term collateral investment pool	191,892	184,295
Total Assets	<u>6,092,957</u>	<u>5,800,087</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 15,882	\$ 14,843
Securities purchased	34,166	41,603
Collateral held on securities lending	191,826	184,348
Total liabilities	<u>\$ 241,874</u>	<u>\$ 240,794</u>
NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 5,851,083</u>	<u>\$ 5,559,293</u>

See accompanying independent auditor's report.

OPEB Trust Fund
Comparative Statements of Plan Net Position
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and investments	\$ 470,449	\$ 379,081
Total Assets	<u>470,449</u>	<u>379,081</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 187	\$ 146
Total liabilities	<u>187</u>	<u>146</u>
NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 470,262</u>	<u>\$ 378,935</u>

See accompanying independent auditor's report.



(This page intentionally left blank)

Private Purpose Trust Funds
Combining Statements of Net Position
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ASSETS:		
Cash and investments	\$ 26,089	\$ 556
Receivables:		
Other	28	1
Total receivables	<u>28</u>	<u>1</u>
Total Assets	<u>26,117</u>	<u>557</u>
LIABILITIES:		
Accounts payable	\$ 173	\$ 4
Accrued liabilities	—	—
Total liabilities	<u>173</u>	<u>4</u>
NET POSITION:		
Held in trust for other purposes	<u>\$ 25,944</u>	<u>\$ 553</u>

See accompanying independent auditor's report.

		Total Private Purpose Trust Funds	
Pool 5	Pool 7	2017	2016
\$ 27,979	\$ 58,732	\$ 113,356	\$ 108,216
53	50	132	2,542
53	50	132	2,542
28,032	58,782	113,488	110,758
181	2,793	3,151	6,665
—	81	81	223
181	2,874	3,232	6,888
\$ 27,851	\$ 55,908	\$ 110,256	\$ 103,870

Agency Fund
Comparative Statements of Net Position
Years ended June 30, 2017 and 2016
(Amounts in thousands)

	Law Enforcement Trust Fund	
	2017	2016
ASSETS:		
Cash and investments	\$ 8,385	\$ 7,596
Total assets	8,385	7,596
LIABILITIES:		
Refunds payable and other	8,385	7,596
Total liabilities	\$ 8,385	\$ 7,596

See accompanying independent auditor's report.

Boston Retirement System
Comparative Statements of Changes in Plan Net Position
Years Ended December 31, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Employers	\$ 247,771	\$ 218,813
Employees	153,943	147,090
Commonwealth of Massachusetts (nonemployer)	132,477	120,434
Net appreciation (depreciation) in fair value of investments	198,838	(104,056)
Interest and dividends	188,572	111,296
Management and related fees	(28,940)	(23,350)
Securities lending income	2,704	1,186
Borrower rebates and fees	(1,123)	(333)
Intergovernmental	7,566	6,929
Miscellaneous Income	89	—
Total additions	901,897	478,009
DEDUCTIONS:		
Benefits	566,850	548,605
Reimbursements to other systems	12,662	11,385
Refunds of contributions	23,005	23,921
Administration	7,590	8,952
Total deductions	610,107	592,863
Changes in net position	291,790	(114,854)
Net position - beginning of year	5,559,293	5,674,147
Net position - end of year	\$ 5,851,083	\$ 5,559,293

See accompanying independent auditor's report.

OPEB Trust Fund
Comparative Statements of Changes in Plan Net Position
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions:		
Employers	\$ 163,791	\$ 154,494
Net appreciation (depreciation) in fair value of investments	45,197	(2,076)
Interest and dividends	4,536	4,075
Management and related fees	(651)	(514)
Total additions	<u>212,873</u>	<u>155,979</u>
DEDUCTIONS:		
Benefits	121,541	112,244
Administrative expenses and other	5	6
Total deductions	<u>121,546</u>	<u>112,250</u>
Changes in net position	<u>91,327</u>	<u>43,729</u>
Net position - beginning of year	<u>378,935</u>	<u>335,206</u>
Net position - end of year	<u>\$ 470,262</u>	<u>\$ 378,935</u>

See accompanying independent auditor's report.



(This page intentionally left blank)

Private Purpose Trust Funds
Combining Statements of Changes in Net Position
Years Ended June 30, 2017 and 2016
(Amounts in thousands)

	Pool 1	Pool 2
ADDITIONS:		
Investment income	\$ 3,962	\$ 60
Donations and other	263	—
Total additions	4,225	60
DEDUCTIONS:		
Administrative expenses and other	2,922	34
Total operating expenses	2,922	34
Net changes in net position	1,303	26
Net position - beginning of year	24,641	527
Net position - end of year	\$ 25,944	\$ 553

See accompanying independent auditor's report.

Pool 5	Pool 7	Total Private Purpose Trust Funds	
		2017	2016
\$ 3,774	\$ 19,398	\$ 27,194	\$ 26,462
201	4,534	4,998	5,837
3,975	23,932	32,192	32,299
5,852	16,998	25,806	33,153
5,852	16,998	25,806	33,153
(1,877)	6,934	6,386	(854)
29,727	48,975	103,870	104,724
\$ 27,850	\$ 55,909	\$ 110,256	\$ 103,870

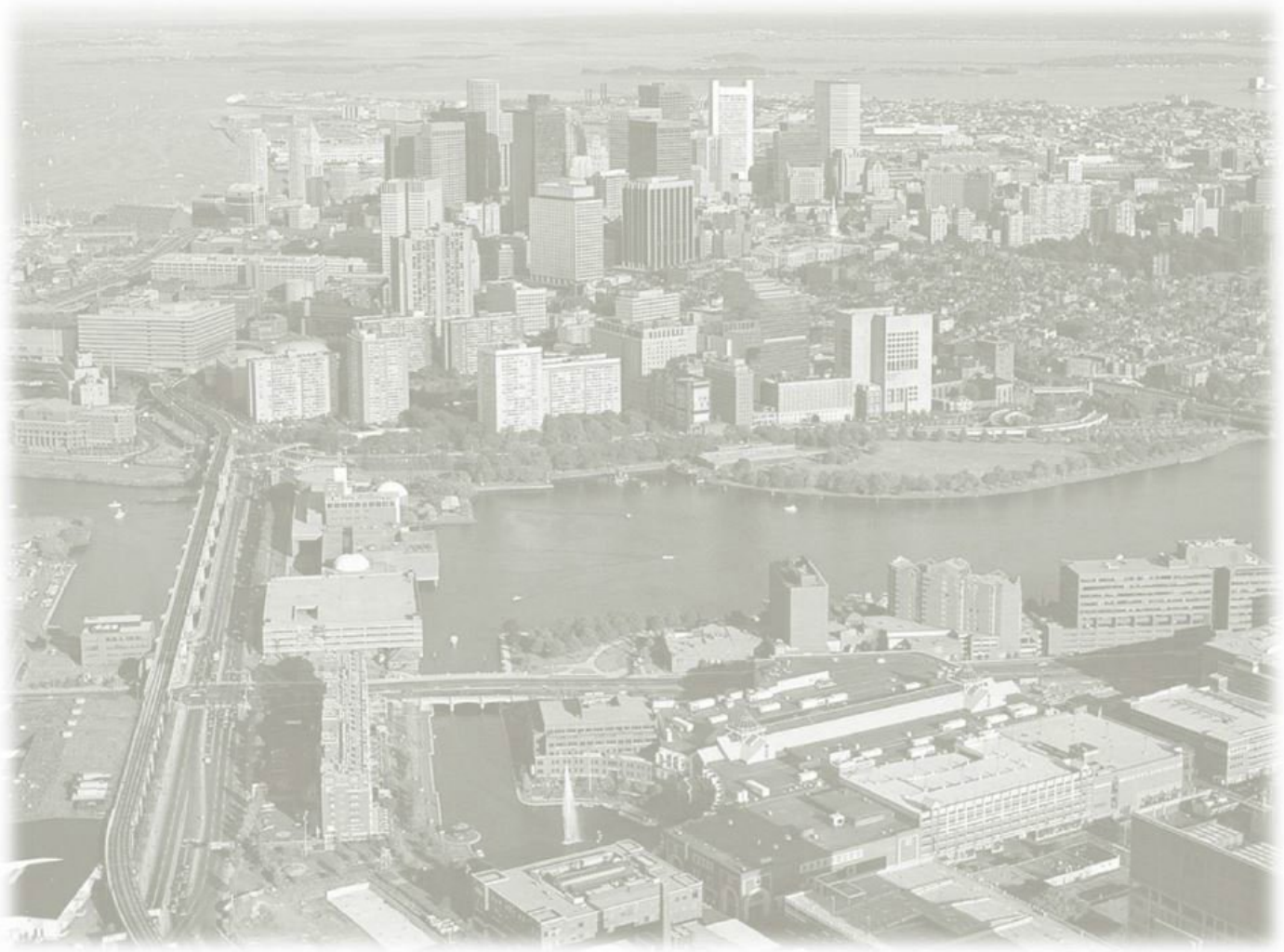
See accompanying independent auditor's report.

Agency Fund
Statement of Changes in Assets and Liabilities
Year ended June 30, 2017
(Amounts in thousands)

	Law Enforcement Trust Fund			
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and investments	\$ 7,596	\$ 3,326	\$ 2,537	\$ 8,385
LIABILITIES:				
Refunds payable and other	\$ 7,596	\$ 3,326	\$ 2,537	\$ 8,385

See accompanying independent auditor's report.

Discretely Presented Component Units



Boston skyline

Discretely presented component units are legally separate from the City but are included because the City is financially accountable for the organizations.

Discretely Presented Component Units

Combining Statements of Net Position

June 30, 2017 and 2016

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Assets:		
Current assets:		
Cash and investments	\$ 34,419	\$ 23,045
Cash and investments held by trustee	—	—
Receivables, net:		
Other	24,248	15,109
Other assets	114	—
Due from primary government	2,331	—
Total current assets	<u>61,112</u>	<u>38,154</u>
Noncurrent assets:		
Cash and investments held by trustee	—	—
Notes and other receivables	42,703	125,530
Capital assets:		
Nondepreciable	12,193	8,161
Depreciable, net	12,907	8,529
Total noncurrent assets	<u>67,803</u>	<u>142,220</u>
Total assets	<u>128,915</u>	<u>180,374</u>
Deferred outflows of resources:		
Deferred amount for pension costs	27,858	3,249
Liabilities:		
Current liabilities		
Warrants and accounts payable	17,413	3,228
Accrued liabilities:		
Other	662	536
Current portion of long-term debt and leases	1,285	—
Due to primary government	559	—
Unearned revenue	2,056	1,899
Total current liabilities	<u>21,975</u>	<u>5,663</u>
Noncurrent liabilities:		
Bonds notes and leases due in more than one year	3,584	3,186
Other noncurrent liabilities	1,225	128,859
OPEB	93,541	5,068
Unearned revenue	43,729	22,246
Net pension liability	140,757	17,851
Due to primary government	—	5,725
Total noncurrent liabilities	<u>282,836</u>	<u>182,935</u>
Total liabilities	<u>304,811</u>	<u>188,598</u>
Deferred outflows of resources:		
Deferred amount for pension costs	21,541	3,755
Net Position:		
Net investment in capital assets	20,231	13,675
Restricted for:		
Restricted	—	—
Unrestricted	(189,810)	(22,405)
Total net position	<u>\$ (169,579)</u>	<u>\$ (8,730)</u>

See accompanying independent auditor's report.

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2017	2016
\$ 2,175	\$ 11,198	\$ 70,837	\$ 70,639
12,583	—	12,583	12,050
1,762	8,121	49,240	52,911
8	1,961	2,083	1,077
—	—	2,331	2,978
<u>16,528</u>	<u>21,280</u>	<u>137,074</u>	<u>139,655</u>
60,387	—	60,387	54,782
25	—	168,258	177,058
—	7,186	27,540	24,865
250	33,018	54,704	53,618
<u>60,662</u>	<u>40,204</u>	<u>310,889</u>	<u>310,323</u>
<u>77,190</u>	<u>61,484</u>	<u>447,963</u>	<u>449,978</u>
—	—	31,107	32,377
611	3,204	24,456	28,231
482	2,669	4,349	3,213
—	790	2,075	1,727
425	—	984	1,395
—	296	4,251	5,384
<u>1,518</u>	<u>6,959</u>	<u>36,115</u>	<u>39,950</u>
—	11,392	18,162	18,462
—	831	130,915	140,638
—	—	98,609	91,845
—	—	65,975	67,051
—	—	158,608	170,846
—	—	5,725	7,220
—	12,223	477,994	496,062
<u>1,518</u>	<u>19,182</u>	<u>514,109</u>	<u>536,012</u>
—	—	25,296	14,034
250	28,022	62,178	58,546
73,337	704	74,041	66,719
2,085	13,576	(196,554)	(192,956)
<u>\$ 75,672</u>	<u>\$ 42,302</u>	<u>\$ (60,335)</u>	<u>\$ (67,691)</u>

See accompanying independent auditor's report.

Discretely Presented Component Units

Combining Statements of Activities

Years Ended June 30, 2017 and 2016

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Expenses	\$ 189,169	\$ 28,675
Program revenues:		
Charges for services	57,700	8,739
Operating grants and contributions	44,814	19,514
Capital grants and contributions	366	—
Total program revenues	<u>102,880</u>	<u>28,253</u>
Net expenses	<u>(86,289)</u>	<u>(422)</u>
General revenues:		
Investment income	54	78
Sale of property	—	3,523
City appropriation	77,267	—
Miscellaneous income	384	—
Total general revenues	<u>77,705</u>	<u>3,601</u>
Changes in net position	<u>(8,584)</u>	<u>3,179</u>
Net position - beginning of year	<u>(160,995)</u>	<u>(11,909)</u>
Net position - end of year	<u>\$ (169,579)</u>	<u>\$ (8,730)</u>

See accompanying independent auditor's report.

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2017	2016
\$ 18,052	\$ 42,480	\$ 278,376	\$ 263,134
2,206	31,004	99,649	77,288
17,397	17,481	99,206	84,192
—	—	366	415
19,603	48,485	199,221	161,895
1,551	6,005	(79,155)	(101,239)
267	10	409	49
2,033	—	5,556	2,539
—	—	77,267	81,682
2,767	128	3,279	6,889
5,067	138	86,511	91,159
6,618	6,143	7,356	(10,080)
69,054	36,159	(67,691)	(57,611)
\$ 75,672	\$ 42,302	\$ (60,335)	\$ (67,691)



(This page intentionally left blank)

STATISTICAL SECTION (Unaudited)

This part of the City of Boston's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	124
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time (See accompanying Management's Discussion and Analysis, Statement of Net Position, and Statement of Activities):</i>	
General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
Net Position by Component – Last Ten Fiscal Years	
Changes in Net Position – Last Ten Fiscal Years	
Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Revenue Capacity	138
<i>These schedules contain information to help the reader assess the government's most significant revenue source, the property tax:</i>	
Assessed and Estimated Actual Value of All Taxable Property – Last Ten Fiscal Years	
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	
Largest Principal Taxpayers – Current Year and Nine Years Ago	
Property Tax Levies and Collections – Last Ten Fiscal Years	
Debt Capacity	142
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future (See accompanying note 10 of the basic financial statements):</i>	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	
Legal Debt Margin Information – Last Ten Fiscal Years	
Demographic and Economic Information	148
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:</i>	
Demographic and Economic Statistics – Last Ten Fiscal Years	
Principal Employers – Current Year and Nine Years Ago	
Operating Information	150
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:</i>	
Full-time Equivalent City Government Employees by Department – Last Ten Fiscal Years	
Operating Indicators by Function – Last Ten Fiscal Years	
Capital Asset Statistics by Department – Last Ten Fiscal Years	
Sources: Unless otherwise noted, the prior year information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

General Government Expenditures by Function

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2017	2016	2015	2014	2013
General Government	\$ 85,855	\$ 80,684	\$ 58,242	\$ 102,786	\$ 77,515
% of Total	2.8	2.7	2.0	3.7	3.0
% Change	6.4	38.5	(43.3)	32.6	12.6
Public Safety	\$ 643,100	\$ 610,233	\$ 633,471	\$ 558,802	\$ 553,851
% of Total	20.6	20.6	22.2	20.4	21.4
% Change	5.4	(3.7)	13.4	0.9	5.6
Public Works	\$ 106,059	\$ 101,157	\$ 123,767	\$ 113,239	\$ 102,789
% of Total	3.4	3.4	4.3	4.1	4.0
% Change	4.8	(18.3)	9.3	10.2	21.3
Library	\$ 35,791	\$ 33,870	\$ 33,966	\$ 33,978	\$ 30,888
% of Total	1.1	1.1	1.2	1.2	1.2
% Change	5.7	(0.3)	—	10.0	2.7
Schools	\$ 1,048,987	\$ 1,016,412	\$ 960,228	\$ 940,276	\$ 879,898
% of Total	33.6	34.3	33.6	34.2	34.0
% Change	3.2	5.9	2.1	6.9	5.9
Retirement Costs	\$ 347,402	\$ 309,083	\$ 282,648	\$ 255,647	\$ 235,078
% of Total	11.1	10.4	9.9	9.3	9.1
% Change	12.4	9.4	10.6	8.7	6.7
Employee Benefits	\$ 247,965	\$ 236,661	\$ 230,089	\$ 234,400	\$ 232,831
% of Total	7.9	8.0	8.1	8.5	9.0
% Change	4.8	2.9	(1.8)	0.7	(7.3)
State & District Assessments	\$ 244,320	\$ 234,450	\$ 215,538	\$ 197,939	\$ 176,300
% of Total	7.8	7.9	7.5	7.2	6.8
% Change	4.2	8.8	8.9	12.3	9.8
Property & Development	\$ 42,460	\$ 33,870	\$ 35,594	\$ 33,376	\$ 32,568
% of Total	1.4	1.1	1.2	1.2	1.3
% Change	25.4	(4.8)	6.6	2.5	8.2
Other	\$ 317,803	\$ 311,075	\$ 282,621	\$ 275,250	\$ 262,653
% of Total	10.2	10.5	9.9	10.0	10.2
% Change	2.2	10.1	2.7	4.8	(1.9)
Total Expenditures	\$ 3,119,742	\$ 2,967,495	\$ 2,856,164	\$ 2,745,693	\$ 2,584,371
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	5.1	3.9	4.0	6.2	4.7

*General fund only

See accompanying independent auditor's report.

						Fiscal Year		
2012	2011	2010	2009	2008	FUNCTION			
\$ 68,828	\$ 65,459	\$ 70,514	\$ 69,524	\$ 66,927	General Government			
2.8	2.7	2.9	3.1	3.1	% of Total			
5.1	(7.2)	1.4	3.9	2.6	% Change			
\$ 524,476	\$ 516,725	\$ 511,365	\$ 521,898	\$ 509,293	Public Safety			
21.3	21.0	21.2	23.2	23.3	% of Total			
1.5	1.0	(2)	2.5	6.7	% Change			
\$ 84,727	\$ 105,318	\$ 96,641	\$ 112,168	\$ 108,831	Public Works			
3.4	4.3	4.0	5	5	% of Total			
(19.6)	9.0	(13.8)	3.1	11.2	% Change			
\$ 30,069	\$ 30,532	\$ 29,853	\$ 31,268	\$ 27,089	Library			
1.2	1.2	1.2	1.4	1.2	% of Total			
(1.5)	2.3	(4.5)	15.4	(13.2)	% Change			
\$ 830,839	\$ 812,949	\$ 815,694	\$ 818,338	\$ 782,500	Schools			
33.8	33.0	33.8	36.4	35.8	% of Total			
2.2	(0.3)	(0.3)	4.6	5.2	% Change			
\$ 220,340	\$ 195,976	\$ 235,282	\$ 82,332	\$ 95,193	Retirement Costs			
9.0	8.0	9.7	3.7	4.4	% of Total			
12.4	(16.7)	185.8	(13.5)	2.5	% Change			
\$ 251,194	\$ 294,200	\$ 224,156	\$ 191,597	\$ 190,167	Employee Benefits			
10.2	12.0	9.3	8.5	8.7	% of Total			
(14.6)	31.2	17	0.8	8.1	% Change			
\$ 160,547	\$ 152,042	\$ 146,323	\$ 142,055	\$ 132,792	State & District Assessments			
6.5	6.2	6.1	6.3	6.1	% of Total			
5.6	3.9	3	7	6.9	% Change			
\$ 30,089	\$ 35,138	\$ 30,247	\$ 28,959	\$ 29,876	Property & Development			
1.2	1.4	1.3	1.3	1.4	% of Total			
(14.4)	16.2	4.4	(3.1)	(15.9)	% Change			
\$ 267,743	\$ 251,514	\$ 256,727	\$ 247,084	\$ 241,360	Other			
10.9	10.2	10.6	11	11.1	% of Total			
6.5	(2.0)	3.9	2.4	7.4	% Change			
\$ 2,468,852	\$ 2,459,853	\$ 2,416,802	\$ 2,245,223	\$ 2,184,028	Total Expenditures			
100.0	100.0	100.0	100	100.0	% of Total			
—	1.8	7.6	2.8	5.6	% Change			

See accompanying independent auditor's report.

General Government Revenues by Source

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2017	2016	2015	2014	2013
Property Taxes	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783	\$ 1,677,581
% of Total	65.7	64.4	64.0	63.6	63
% Change	5.7	5.4	5.6	5.4	5.4
Motor Vehicle Excises	\$ 52,061	\$ 67,686	\$ 52,922	\$ 52,972	\$ 47,105
% of Total	1.6	2.2	1.8	1.9	1.8
% Change	(23.1)	27.9	(0.1)	12.5	16.3
Other Excises	\$ 160,736	\$ 168,577	\$ 176,040	\$ 170,161	\$ 174,149
% of Total	5.1	5.5	6.0	6.1	6.5
% Change	(4.7)	(4.2)	3.5	(2.3)	18.4
Departmental & Other	\$ 87,985	\$ 86,791	\$ 86,392	\$ 84,385	\$ 87,585
% of Total	2.8	2.8	3.0	3	3.3
% Change	1.4	0.5	2.4	(3.7)	11.7
State Distributions	\$ 554,661	\$ 543,683	\$ 523,256	\$ 509,199	\$ 504,656
% of Total	17.5	17.8	17.9	18.3	18.9
% Change	2.0	3.9	2.8	0.9	3.8
Payment in Lieu of Taxes	\$ 80,501	\$ 90,215	\$ 79,232	\$ 73,324	\$ 72,335
% of Total	2.5	3.0	2.7	2.6	2.7
% Change	(10.8)	13.9	8.1	1.4	14.7
Fines	\$ 63,046	\$ 60,953	\$ 60,116	\$ 59,922	\$ 58,835
% of Total	2.0	2.0	2.1	2.2	2.2
% Change	3.4	1.4	0.3	1.8	(8.9)
Investment Income	\$ 2,329	\$ 184	\$ 61	\$ 57	\$ 179
% of Total	0.1	0.0	0.0	0.0	—
% Change	1,165.8	201.6	7.0	(68.2)	(81.8)
Licenses & Permits	\$ 84,470	\$ 70,005	\$ 71,205	\$ 62,257	\$ 47,220
% of Total	2.7	2.3	2.4	2.2	1.8
% Change	20.7	(1.7)	14.4	31.8	(3.1)
Total Revenues	\$ 3,165,482	\$ 3,055,781	\$ 2,916,483	\$ 2,780,060	\$ 2,669,645
% of Total	100.00	100.0	100	100.0	100.2
% Change	3.6	4.8	4.9	4.1	5.9

*General fund only

Fiscal Year						SOURCE
2012	2011	2010	2009	2008		
\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734		Property Taxes
63.1	66.7	65.5	62.5	58.7		% of Total
4.3	4	5.3	5.8	4.6		% Change
\$ 40,507	\$ 46,977	\$ 40,134	\$ 37,354	\$ 56,883		Motor Vehicle Excises
1.6	2.1	1.8	1.7	2.5		% of Total
(13.8)	17.1	7.4	(34.3)	66.9		% Change
\$ 147,065	\$ 77,237	\$ 80,986	\$ 78,100	\$ 58,926		Other Excises
5.8	3.4	3.6	3.5	2.6		% of Total
90.4	(4.6)	3.7	32.5	(10.4)		% Change
\$ 78,438	\$ 65,498	\$ 74,861	\$ 82,087	\$ 79,030		Departmental & Other
3.1	2.9	3.3	3.7	3.5		% of Total
19.8	(12.5)	(8.8)	3.9	20.4		% Change
\$ 486,379	\$ 395,374	\$ 404,619	\$ 454,252	\$ 493,227		State Distributions
19.3	17.3	18.0	20.4	22		% of Total
23	(2.3)	(10.9)	(7.9)	1.8		% Change
\$ 63,066	\$ 65,461	\$ 67,265	\$ 56,686	\$ 56,667		Payment in Lieu of Taxes
2.5	2.9	3	2.5	2.5		% of Total
(3.7)	-2.7	18.7	—	0.9		% Change
\$ 64,566	\$ 64,751	\$ 70,627	\$ 69,711	\$ 67,940		Fines
2.6	2.8	3.1	3.1	3		% of Total
(0.3)	(8.3)	1.3	2.6	0.6		% Change
\$ 982	\$ 4,733	\$ 3,246	\$ 18,289	\$ 37,822		Investment Income
—	0.2	0.1	0.8	1.7		% of Total
(79.3)	45.8	(82.3)	(51.6)	(12.2)		% Change
\$ 48,753	\$ 41,676	\$ 32,907	\$ 40,822	\$ 45,989		Licenses & Permits
1.9	1.8	1.5	1.8	2.1		% of Total
17	26.6	(19.4)	(11.2)	13		% Change
\$ 2,521,754	\$ 2,288,068	\$ 2,242,250	\$ 2,230,672	\$ 2,213,218		Total Revenues
100.0	100.0	100	100.0	98.7		% of Total
10.2	2	0.5	0.8	4.6		% Change

See accompanying independent auditor's report.

Net Position by Component
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental activities:					
Net investment in capital assets	\$ 648,786	\$ 557,142	\$ 502,985	\$ 457,789	\$ 450,322
Restricted	52,746	53,200	51,446	62,701	75,878
Unrestricted	(1,206,488)	(1,159,303)	(1,184,987)	82,638	74,097
Total governmental activities net position ..	\$ (504,956)	\$ (548,961)	\$ (630,556)	\$ 603,128	\$ 600,297
Business-type activities:					
Net investment in capital assets	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—	—
Unrestricted	—	—	—	—	—
Total business-type activities net position ..	\$ —	\$ —	\$ —	\$ —	\$ —
Primary government:					
Net investment in capital assets	\$ 648,786	\$ 557,142	\$ 502,985	\$ 502,985	\$ 450,322
Restricted	52,746	53,200	51,446	51,446	75,878
Unrestricted	(1,206,488)	(1,159,303)	(1,184,987)	(1,184,987)	74,097
Total primary government net position	\$ (504,956)	\$ (548,961)	\$ (630,556)	\$ 603,128	\$ 600,297

See accompanying independent auditor's report.

Fiscal Year

2012	2011	2010	2009	2008
\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467
127,843	156,989	234,339	217,070	234,902
(46,024)	(108,780)	(69,124)	221,418	405,878
\$ 524,597	\$ 450,855	\$ 592,312	\$ 822,877	\$ 975,247
\$ —	\$ —	\$ —	\$ —	\$ —
—	14,832	14,901	—	—
—	—	(52,069)	(42,803)	(50,997)
\$ —	\$ 14,832	\$ (37,168)	\$ (42,803)	\$ (50,997)
\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467
127,843	171,821	249,240	217,070	234,902
(46,024)	(108,780)	(121,193)	178,615	354,881
\$ 524,597	\$ 465,687	\$ 555,144	\$ 780,074	\$ 924,250

Changes in Net Position
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year			
	2017	2016	2015	2014
EXPENSES:				
Governmental activities:				
General government	\$ 128,465	\$ 128,288	\$ 103,923	\$ 161,913
Human services	49,974	52,056	49,884	49,291
Public safety	962,654	941,313	941,531	821,196
Public works	130,182	139,816	178,569	157,491
Property and development	168,276	118,582	134,506	118,816
Parks and recreation	41,236	39,769	35,890	32,297
Library	51,397	49,959	48,931	52,192
Schools	1,833,105	1,803,331	1,620,851	1,554,563
Public health programs	81,859	96,083	83,276	69,896
Interest on long-term debt	42,321	40,995	49,300	48,188
	<u>3,489,469</u>	<u>3,410,192</u>	<u>3,246,661</u>	<u>3,065,843</u>
Business-type activities:				
Convention Center	—	—	—	—
Hospital	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 3,489,469</u>	<u>\$ 3,410,192</u>	<u>\$ 3,246,661</u>	<u>\$ 3,065,843</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety	147,471	133,656	138,066	139,431
Public works	28,268	24,269	23,975	19,165
Schools	5,163	10,540	6,623	2,832
Other	36,647	34,730	40,718	41,811
Operating grants and contributions	760,230	746,277	670,640	583,480
Capital grants and contributions	52,348	39,381	53,099	11,972
	<u>1,030,127</u>	<u>988,853</u>	<u>933,121</u>	<u>798,691</u>
Business-type activities:				
Operating grants and contributions	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 1,030,127</u>	<u>\$ 988,853</u>	<u>\$ 933,121</u>	<u>\$ 798,691</u>

See accompanying independent auditor's report.

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 127,882	\$ 108,499	\$ 80,968	\$ 106,435	\$ 103,420	\$ 109,121
50,690	48,103	49,974	52,310	48,896	50,827
826,700	817,768	875,111	930,779	920,790	908,353
132,506	110,187	133,830	131,883	145,867	148,497
114,673	114,753	117,871	118,456	105,581	110,272
32,242	34,651	31,956	31,204	30,026	30,134
51,875	44,526	47,320	50,050	52,881	47,340
1,455,300	1,369,047	1,317,108	1,314,601	1,316,314	1,272,997
69,978	73,975	70,619	71,453	71,618	68,718
41,900	39,798	40,329	39,832	28,041	31,058
<u>2,903,746</u>	<u>2,761,307</u>	<u>2,765,086</u>	<u>2,847,003</u>	<u>2,823,434</u>	<u>2,777,317</u>
—	—	1,516	13,751	4,902	5,122
—	2,523	3,336	3,635	3,924	4,201
—	2,523	4,852	17,386	8,826	9,323
<u>\$ 2,903,746</u>	<u>\$ 2,763,830</u>	<u>\$ 2,769,938</u>	<u>\$ 2,864,389</u>	<u>\$ 2,832,260</u>	<u>\$ 2,786,640</u>
129,602	134,384	89,485	85,305	115,013	127,460
17,716	19,515	12,029	12,190	10,174	2,564
9,130	7,839	9,451	20,318	16,077	16,910
49,490	48,522	33,410	39,236	28,562	33,135
549,596	574,653	501,441	547,812	594,914	593,767
37,256	35,337	33,338	12,555	56,517	18,267
<u>792,790</u>	<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	<u>821,257</u>	<u>792,103</u>
—	—	1,172	5,567	1,116	1,196
—	—	1,172	5,567	1,116	1,196
<u>\$ 792,790</u>	<u>\$ 820,250</u>	<u>\$ 680,326</u>	<u>\$ 722,983</u>	<u>\$ 822,373</u>	<u>\$ 793,299</u>

See accompanying independent auditor's report.

Changes in Net Position (continued)
Government-wide Financial Statements
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year		
	2017	2016	2015
NET EXPENSE:			
Governmental activities	\$ (2,459,342)	\$ (2,421,339)	\$ (2,313,540)
Business-type activities	—	—	—
Total primary government net expense	\$ (2,459,342)	\$ (2,421,339)	\$ (2,313,540)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes	\$ 2,087,659	\$ 1,967,021	\$ 1,866,277
Excises	213,198	224,052	236,208
Payment in lieu of taxes	80,501	90,215	79,232
Grants and contributions not restricted	201,013	199,835	191,172
Investment income	19,588	15,753	15,404
Miscellaneous	3,738	6,058	2,983
Special items	—	—	—
Transfers	—	—	—
Loss on disposal of capital assets	—	—	—
Total governmental activities	2,605,697	2,502,934	2,391,276
Business-type activities:			
Taxes:			
Excises	—	—	—
Investment income	—	—	—
Miscellaneous	—	—	—
Special items	—	—	—
Transfers	—	—	—
Total business-type activities	—	—	—
Total primary government	\$ 2,605,697	\$ 2,502,934	\$ 2,391,276
CHANGES IN NET POSITION:			
Governmental activities	\$ 146,355	\$ 81,595	\$ 77,736
Business-type activities	—	—	—
Total primary government	\$ 146,355	\$ 81,595	\$ 77,736

See accompanying independent auditor's report.

Fiscal Year

2014	2013	2012	2011	2010	2009	2008
\$ (2,267,152)	\$ (2,110,956)	\$ (1,941,057)	\$ (2,085,932)	\$ (2,129,587)	\$ (2,002,177)	\$ (1,985,214)
—	—	(2,523)	(3,680)	(11,819)	(7,710)	(8,127)
\$ (2,267,152)	\$ (2,110,956)	\$ (1,943,580)	\$ (2,089,612)	\$ (2,141,406)	\$ (2,009,887)	\$ (1,993,341)

\$ 1,771,166	\$ 1,684,908	\$ 1,586,988	\$ 1,525,494	\$ 1,468,340	\$ 1,389,218	\$ 1,316,165
220,761	221,937	191,301	122,399	123,121	115,237	97,262
73,324	72,335	63,066	65,461	67,265	56,686	56,668
199,007	185,827	188,895	187,322	171,174	230,475	259,931
16,713	14,732	10,887	21,724	17,221	22,584	47,072
4,012	7,820	7,084	23,195	21,901	12,107	1,531
—	—	11,450	—	—	—	(298)
—	—	(44,872)	(1,120)	30,000	27,000	23,000
—	(903)	—	—	—	—	—
\$ 2,284,983	\$ 2,186,656	\$ 2,014,799	\$ 1,944,475	\$ 1,899,022	\$ 1,853,307	\$ 1,801,331

—	—	—	58,508	43,887	36,605	40,342
—	—	2,688	3,561	3,567	6,299	9,796
—	—	(257)	(7,509)	—	—	—
—	—	(59,612)	—	—	—	—
—	—	44,872	1,120	(30,000)	(27,000)	(23,000)
—	—	(12,309)	55,680	17,454	15,904	27,138
\$ 2,284,983	\$ 2,186,656	\$ 2,002,490	\$ 2,000,155	\$ 1,916,476	\$ 1,869,211	\$ 1,828,469

\$ —	\$ 75,700	\$ 73,742	\$ (141,457)	\$ (230,565)	\$ (148,870)	\$ (183,883)
17,831	—	(14,832)	52,000	5,635	8,194	19,011
\$ 17,831	\$ 75,700	\$ 58,910	\$ (89,457)	\$ (224,930)	\$ (140,676)	\$ (164,872)

See accompanying independent auditor's report.

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2017	2016	2015	2014
General Fund				
Assigned	\$ 283,208	\$ 266,222	\$ 228,236	\$ 251,353
Unassigned	702,080	682,781	633,936	532,955
Total general fund	\$ 985,288	\$ 949,003	\$ 862,172	\$ 784,308
All other Governmental Funds				
Nonspendable	\$ 10,041	\$ 4,974	\$ 4,974	\$ 4,974
Restricted	240,172	204,810	194,044	199,703
Assigned	220,359	203,134	161,742	154,667
Total all other governmental funds	\$ 470,572	\$ 412,918	\$ 360,760	\$ 359,344

General Fund

Reserved for:

Encumbrances

Debt service

Unreserved:

Designated for subsequent years expenditures

Undesignated

Total general fund

All Other Governmental Funds

Reserved for:

Encumbrances

Debt service

Future appropriations

Unreserved:

Undesignated:

Special revenue

Capital projects

Reported in permanent funds

Total all other governmental funds

Note: For the fiscal year ended June 30, 2011 the City implemented GASB Statement No. 54, "Fund Balance Reporting and Other Governmental Fund Type Definitions." Statement No. 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the City is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2I.

See accompanying independent auditor's report.

<u>Fiscal Year</u>	
2013	
\$ 218,292	
533,104	
\$ 751,396	
\$ 34,307	
137,727	
132,889	
\$ 304,923	

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 36,808	\$ 36,808	\$ 37,534	\$ 32,519	\$ 38,617
—	—	—	—	—
123,103	123,103	240,824	216,429	198,098
547,282	547,282	550,329	553,101	495,334
\$ 707,193	\$ 707,193	\$ 828,687	\$ 802,049	\$ 732,049
\$ 136,138	\$ 136,138	\$ 116,878	\$ 125,858	\$ 187,565
—	—	—	—	—
24,108	24,108	30,087	30,087	35,756
123,714	123,714	138,594	144,043	154,404
(65,024)	(65,024)	(74,168)	(110,745)	(144,877)
37,098	37,098	35,743	44,678	48,101
\$ 256,034	\$ 256,034	\$ 247,134	\$ 233,921	\$ 280,949

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years*

(Amounts in thousands)

	Fiscal Year			
	2017	2016	2015	2014
REVENUES:				
Real and personal property taxes	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783
Excises	212,797	236,263	228,962	223,133
Payments in lieu of taxes	80,501	90,215	79,232	73,324
Fines	63,046	65,223	60,116	59,952
Investment Income	2,329	1,713	2,312	6,508
Licenses and permits	84,470	70,191	71,291	62,325
Departmental and other	87,985	134,701	139,321	137,366
Intergovernmental	554,661	827,100	829,582	804,289
Total revenues	3,165,482	3,393,093	3,278,075	3,134,680
EXPENDITURES:				
General government	85,855	92,429	67,461	113,743
Human services	31,422	40,482	39,578	39,205
Public safety	643,100	640,599	665,655	596,239
Public works	106,059	116,787	142,223	127,703
Property and development	42,460	102,751	111,513	107,771
Parks and recreation	23,447	23,378	21,574	20,937
Library	35,791	36,641	36,518	36,026
Schools	1,048,987	1,143,249	1,087,896	1,091,899
Public health programs	77,754	80,525	74,821	68,697
Judgments and claims	3,766	1,100	3,678	9,493
Retirement costs	347,402	309,083	282,648	255,647
Other employee benefits	247,965	236,661	230,089	234,400
State and district assessments	244,320	234,450	215,538	197,939
Capital outlays	10,283	234,126	247,474	248,864
Debt service:				
Principal	117,527	109,825	111,381	110,948
Interest	53,604	54,883	46,890	42,967
Total Expenditures	3,119,742	3,456,969	3,384,937	3,302,478
Deficiency of revenues under expenditures	45,740	(63,876)	(106,862)	(167,798)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued	—	181,193	170,190	178,444
Issuance of refunding bonds	—	8,100	126,735	—
Payments to refunded bonds escrow agent	—	(9,487)	(147,658)	—
Premiums on long-term debt issued	—	23,059	36,875	17,172
Transfers, net	(9,455)	—	—	—
Total other financing sources (uses)	(9,455)	202,865	186,142	195,616
Net change in fund balances	\$ 36,285	\$ 138,989	\$ 79,280	\$ 27,818
Debt Service as a percentage of noncapital expenditures	5.94%	5.12%	5.03%	5.05%

*General fund only

See accompanying independent auditor's report.

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734
221,254	187,572	124,214	121,120	115,454	115,809
72,335	63,066	65,461	67,265	56,686	56,667
58,852	64,593	64,772	70,649	69,723	68,090
5,523	4,137	11,956	8,907	15,275	38,554
47,290	48,838	41,750	32,907	41,130	46,049
131,632	123,042	103,003	91,468	104,208	111,982
749,369	772,491	707,754	742,464	875,912	850,392
2,963,836	2,855,737	2,645,271	2,602,385	2,671,759	2,604,277
95,199	85,951	78,573	78,148	81,905	81,877
37,621	35,406	36,008	38,014	37,307	38,575
588,771	552,785	526,332	523,515	529,425	530,379
114,731	90,214	109,635	105,123	121,422	122,038
106,423	109,707	111,607	117,394	93,408	102,682
21,407	22,795	19,766	17,534	18,195	17,928
33,447	31,799	33,556	33,431	36,634	32,051
1,035,828	1,004,168	974,832	962,703	973,327	931,569
69,105	73,736	70,380	71,214	71,393	68,394
		—	69,040	129,603	121,180
3,010	3,871	811	10,181	9,946	1,967
235,078	220,340	195,976	235,282	82,332	95,193
235,002	251,194	294,200	224,156	191,597	190,167
176,300	160,547	152,042	146,323	142,055	132,792
241,547	188,377	140,405	126,668	141,309	183,244
107,189	99,435	91,690	91,784	87,700	83,460
39,495	38,784	42,092	41,300	31,594	32,311
3,140,153	2,969,109	2,877,905	2,891,810	2,779,152	2,765,807
(176,317)	(113,372)	(232,634)	(289,425)	(107,393)	(161,530)
235,136	146,835	156,109	144,492	113,962	153,510
37,080	110,100	52,720	68,345	40,425	28,155
(35,975)	(95,876)	(15,490)	(73,640)	(42,230)	(28,565)
25,482	33,885	11,401	7,634	8,087	8,402
—	(44,872)	(1,120)	30,000	27,000	23,000
		—	—	—	—
261,723	150,072	203,620	176,831	147,244	184,502
\$ 85,406	\$ 36,700	\$ (29,014)	\$ (112,594)	\$ 39,851	\$ 22,972
5.06%	4.8%	4.8%	4.83%	4.51%	4.44%

See accompanying independent auditor's report.

Assessed and Estimated Actual Value of All Taxable Property

Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Real Property			Personal Property	Total Assessed Value ⁽¹⁾	Total Direct Tax Rate ^{(b) (c)}
	Residential Value ^(a)	Commercial Value	Industrial Value	Assessed Value		
2017	\$ 93,462,191	\$ 43,571,094	\$ 1,103,888	\$ 5,804,774	\$ 143,941,947	\$ 15.77
2016	83,719,423	38,031,832	908,352	5,387,474	128,047,081	16.47
2015	72,346,068	32,451,521	785,062	5,154,211	110,736,862	18.15
2014	64,541,403	29,631,863	707,564	4,951,983	99,832,813	19.16
2013	60,147,396	26,762,023	707,703	4,582,149	92,199,271	19.68
2012	57,517,785	25,790,869	675,290	4,516,466	88,500,410	19.65
2011	56,563,231	25,171,149	679,520	4,386,681	86,800,581	19.15
2010	56,279,025	25,931,406	798,982	4,247,118	87,256,531	18.09
2009	57,465,174	28,198,212	809,682	3,914,103	90,387,171	16.63
2008	59,387,385	26,011,520	875,894	3,792,499	90,067,298	16.06

(1) The assessed valuation of taxable property reflects 100% of the full and fair cash value.

(a) Exempt residential properties not included.

(b) Tax rates are per \$1,000 of assessed value and are reported in whole dollars in the above table.

(c) Total direct tax rate is the weighted average calculation of the residential, commercial, and industrial values.

Source: City of Boston Assessing Department

Property Tax Rates Direct and Overlapping Governments ^{(1) (2)}

Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct ⁽³⁾
2017	Residential	\$ 10.59	\$ 10.59	(3.7)%	\$ 15.77
	C.I.P.	25.37	25.37	(5.4)%	
2016	Residential	11.00	11.00	(9.2)%	16.47
	C.I.P.	26.81	26.81	(9.2)%	
2015	Residential	12.11	12.11	(3.7)%	18.15
	C.I.P.	29.52	29.52	(5.3)%	
2014	Residential	12.58	12.58	(4.3)%	19.16
	C.I.P.	31.18	31.18	(2.4)%	
2013	Residential	13.14	13.14	0.8 %	19.68
	C.I.P.	31.96	31.96	0.1 %	
2012	Residential	13.04	13.04	2.0 %	19.65
	C.I.P.	31.92	31.92	2.8 %	
2011	Residential	12.79	12.79	7.7 %	19.15
	C.I.P.	31.04	31.04	5.7 %	
2010	Residential	11.88	11.88	11.8 %	18.09
	C.I.P.	29.38	29.38	8.4 %	
2009	Residential	10.63	10.63	(3.1)%	16.63
	C.I.P.	27.11	27.11	4.6 %	
2008	Residential	10.97	10.97	(0.2)%	16.06
	C.I.P.	25.92	25.92	(3.5)%	

(1) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters

(2) Real and personal property tax rates are per \$1,000 of assessed value.

(3) Total direct tax rate is the weighted average calculation of the residential, commercial, and industrial values. C.I.P. = Commercial, Industrial, and Personal Property.

Source: City of Boston Assessing Department

Largest Principal Taxpayers ⁽¹⁾

Current and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Boston Properties	\$ 3,578,676,469	1	2.49%	\$ 1,548,494,130	2	1.72%
Eversource	2,254,340,174	2	1.57%	1,466,676,780	3	1.63%
Oxford Properties	1,536,031,000	3	1.07%	760,512,169		—
Teacher's Insurance and Annuity Association	1,280,059,900	4	0.89%			—
Tishman Speyer Properties	1,170,925,460	5	0.81%	993,080,160	4	1.10%
Fort Hill Associates	1,030,088,190	6	0.72%		5	0.84%
MetLife Real Estate Investments.....	987,652,970	7	0.69%			—
Morgan Stanley	740,575,030	8	0.51%			—
John Hancock Financial.....	701,297,200	9	0.49%			—
Libery Mutual	668,732,380	10	0.46%			—
Senior Housing Properties Trust	667,847,000	11	0.46%			—
National Grid	666,255,000	12	0.46%			—
Synergy Investments.....	661,044,517	13	0.46%			—
Blackstone Group Equity Office	622,375,830	14	0.43%			—
Equity Office Properties				2,106,813,670	1	2.34%
Brookfield Properties Corporation.....				751,725,240	6	0.83%
Broadway Real Estate Partners				695,299,900	7	0.77%
Beacon Properties				597,003,380	8	0.66%
Manulife Financial				487,023,700	9	0.54%
UIDC of Massachusetts, Inc				485,947,930	10	0.54%
	<u>\$ 16,565,901,120</u>		<u>11.51%</u>	<u>\$ 9,892,577,059</u>		<u>10.97%</u>

(1) The Largest Taxpayers table includes entities with a fiscal 2017 tax liability greater than \$15 million. The methodology used in creating the table involves the search of the title holder(s) of all major parcels of property in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in particular parcel.

Source: City of Boston Assessing and Treasury Departments

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts in millions)

Fiscal Year	Tax Levy			Tax Levy Collected within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2017		
	Gross ⁽¹⁾	Net	Net % Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2017	\$ 2,093.9	\$ 2,055.2	98.2%	\$ 2,083.3	99.5%	101.4%	\$2,075.4	99.1%	101.0%
2016	1,963.1	1,924.8	98.0%	1,958.4	99.8%	101.7%	1,949.3	99.3%	101.3%
2015	1,869.0	1,833.1	98.1%	1,865.6	99.8%	101.8%	1,853.6	99.2%	101.1%
2014	1,779.8	1,744.9	98.0%	1,784.7	100.3%	102.3%	1,765.8	99.2%	101.2%
2013	1,684.4	1,643.4	97.6%	1,677.0	99.6%	102.0%	1,669.1	99.1%	101.6%
2012	1,615.9	1,577.3	97.6%	1,604.2	99.3%	101.7%	1,597.8	98.9%	101.3%
2011	1,541.1	1,503.8	97.6%	1,531.8	99.4%	101.9%	1,523.5	98.9%	101.3%
2010	1,465.5	1,429.8	97.6%	1,456.6	99.4%	101.9%	1,447.2	98.8%	101.2%
2009	1,400.7	1,365.3	97.5%	1,392.7	99.4%	102.0%	1,383.2	98.8%	101.3%
2008	1,334.6	1,295.5	97.1%	1,338.8	100.3%	103.3%	1,317.5	98.7%	101.7%

(1) Includes omitted assessments billed in June of each fiscal year and subsequently reduced through residential exemption.

Source: City of Boston Treasury Department

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Notes Payable (1)	Capital Lease Agreements	Convention Center Special Obligation Bonds	Boston City Hospital Special Obligation Bonds
2017	\$ 1,296,931	\$ 74,266	\$ 69,465	\$ —	\$ —
2016	1,264,231	76,619	62,266	—	—
2015	1,229,542	63,361	56,425	—	—
2014	1,189,238	75,680	45,887	—	—
2013	1,129,545	76,587	39,365	—	—
2012	1,040,365	40,382	32,566	—	—
2011	972,540	36,602	28,123	—	73,080
2010	952,830	40,285	35,504	93,305	80,605
2009	916,820	32,611	39,545	97,085	87,840
2008	903,215	35,421	36,773	100,485	94,800

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Includes Bond Anticipation Notes, MWPAT Notes, and Other Notes.

(2) See page 148 for the City's total personal income data.

(3) See page 148 for the City's population data.

	Total Primary Government	% of Total Personal Income (²)	Per Capita (³)
\$	1,440,662	5.32%	\$ 2,141.17
	1,403,116	5.54%	2,095.86
	1,349,328	6.13%	2,057.27
	1,310,805	5.94%	1,992.14
	1,245,497	5.66%	1,931.87
	1,113,313	5.34%	1,755.74
	1,110,345	5.37%	1,777.42
	1,202,529	5.70%	1,947.44
	1,173,901	4.94%	1,819.47
	1,170,694	5.39%	1,908.50

Ratios of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Calendar Year	Net General Bonded Debt Outstanding	Assessed Value ⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ⁽²⁾
2017	\$ 1,296,931	\$ 143,941,947	0.9%	\$ 1,927.55
2016	1,264,231	128,047,081	1.0%	1,888.41
2015	1,229,542	110,736,862	1.1%	1,874.63
2014	1,189,238	99,832,813	1.2%	1,813.18
2013	1,129,545	92,199,272	1.2%	1,752.02
2012	1,040,365	88,500,410	1.2%	1,631.90
2011	972,540	86,800,582	1.1%	1,556.82
2010	952,830	87,256,531	1.1%	1,542.81
2009	916,820	90,387,171	1.0%	1,421.01
2008	903,215	90,067,298	1.0%	1,472.45

(1) See page 138 for the City's total assessed value of property.

(2) See page 148 for the City's population data.



(This page intentionally left blank)

Legal Debt Margin Information

Last Ten Fiscal Years

(Amounts in thousands)

	2017	2016	2015	2014	2013
Debt limit	\$ 5,540,530	\$ 5,540,530	\$ 5,156,374	\$ 5,156,374	\$ 5,301,711
Total net debt applicable to limit	275,070	1,809,054	1,388,019	1,590,189	1,705,035
Legal debt margin	<u>\$ 5,265,460</u>	<u>\$ 3,731,476</u>	<u>\$ 3,768,355</u>	<u>\$ 3,566,185</u>	<u>\$ 3,596,676</u>
Total net debt applicable to the limit as a percentage of debt limit	4.96%	32.65%	26.92%	30.84%	32.16%

Legal Debt margin Calculation for Fiscal Year 2016

Equalized valuation as of January 31, 2016 ⁽¹⁾	\$ 110,810,609
Maximum debt limits as of July 1, 2017 ⁽²⁾	5,540,530
Less: Debt outstanding June 30, 2016	(1,128,298)
Less: Debt authorized but unissued as of June 30, 2016	(680,756)
Debt incurring capacity as of June 30, 2016	<u>\$ 3,731,476</u>
Add: Debt redeemed during fiscal year 2017	93,926
Less: City Council Authorizations during fiscal year 2017 ⁽³⁾	(217,146)
less: Debt adjustments approved through June 30, 2017	—
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2017	1,638,280
Add: Premium per Issuance through June 30, 2017	15,063
Add: Refunded amounts	3,861
Debt incurring capacity as of June 30, 2017	<u>\$ 5,265,460</u>

(1) Includes the value of Chapter 121A tax agreement properties

(2) The laws of the Commonwealth of Massachusetts provide for general debt limits for the City, consisting of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5.0% of the assessed valuation of taxable property in the City as last equalized by the State Department of Revenue, and may authorize debt up to this limit without State approval. The City may also authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Commonwealth's Secretary of Administration and Finance.

(3) The debt authorized but unissued as of June 30, 2016 and City Council authorizations during fiscal year 2017 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

Source: City of Boston Office of Budget Management

2012	2011	2010	2009	2008
\$ 5,301,711	\$ 5,301,711	\$ 5,293,826	\$ 4,387,466	\$ 4,387,466
1,399,004	1,345,702	1,257,207	369,724	1,187,532
<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>	<u>\$ 4,017,742</u>	<u>\$ 3,199,934</u>
26.39%	25.38%	23.75%	8.43%	27.07%

Demographic and Economic Statistics

Last Ten Calendar Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income	Unemployment Rate ⁽³⁾
2017	N/A	N/A	N/A	N/A
2016	672,840	\$ 27,073,058	\$ 40,237	3.4%
2015	669,469	25,334,046	37,842	4.6%
2014	656,051	23,899,232	36,429	5.2%
2013	644,710	22,393,343	34,734	6.1%
2012	637,516	21,329,440	32,884	6.0%
2011	624,969	21,030,468	33,074	6.6%
2010	621,383	21,470,976	34,170	7.6%
2009	645,187	24,159,957	36,805	7.5%
2008	613,411	22,090,962	35,396	5.3%

N/A = Information not available for this fiscal year

(1) Source: U.S. Census Bureau and BPDA Research Analysis

(2) Source: U.S. Census Bureau, 1-year American Community Survey estimates, BPDA Research Division Analysis. Converted 2013 to dollars using the Consumer Price Index.

(3) Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, BPDA Research Division Analysis. Recent unemployment figures are preliminary and subject to revision.

Principal Employers

Current and Nine Years Ago

<u>Employer</u> ⁽¹⁾	2017			2008 ⁽²⁾		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Massachusetts General Hospital	17,640	1	2.33%	16,146	1	2.52%
Brigham and Women's Hospital	13,365	2	1.76%	11,225	2	1.75%
Boston University	9,960	3	1.32%	9,087	4	1.42%
Children's Hospital, Boston	9,760	4	1.29%	3,832	9	0.60%
Beth Israel Deaconess Medical Ctr	8,305	5	1.10%	—		—%
State Street Bank & Trust Co. ⁽³⁾	7,500	6	0.99%	10,861	3	1.69%
Harvard University Graduate Schools ⁽³⁾ ..	5,680	7	0.75%	—		—%
Northeastern University	5,390	8	0.71%	4,417	7	0.69%
Fidelity Investments	5,100	9	0.67%	8,000	5	1.25%
Boston Medical Center	4,395	10	0.58%	4,000	8	0.62%
New England Medical Center	—		—	5,508	6	0.86%
Harvard University	—		—	3,654	10	0.57%
Total	87,095		11.50%	76,730		11.97%

Note 1: Boston employment estimate represents both payroll and non-payroll jobs for 2015.

Note 2: No new survey data was made available in 2008. The figures shown are from 2006.

Note 3: Employment numbers for these employers are current as of 2016.

Source: Bureau of Economic Analysis; American Hospital Association; National Center for Education Statistics; BPDA Research Division Analysis. Estimates reflect most recent available data.

Full-Time Equivalent City Government Employees by Department ⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year				
	2017	2016	2015	2014	2013
CITY-FUNDED:					
Public safety ⁽²⁾	4,501	4,456	4,529	4,541	4,413
Public works	373	377	394	366	342
Other city departments ⁽³⁾	2,688	2,650	2,678	2,696	2,643
Boston Public Health Commission ⁽⁴⁾	827	777	770	762	798
Schools	8,782	8,746	8,789	8,664	8,381
Total city-funded	17,171	17,006	17,160	17,029	16,577
GRANT-FUNDED:					
Schools	610	656	601	698	796
All others ⁽⁶⁾	385	370	282	277	293
Total grant-funded	995	1,026	883	975	1,089
Total employees	18,166	18,032	18,043	18,004	17,666

- (1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.
- (2) Public Safety includes both the Police Department and the Fire Department and starting in fiscal 2015 the Office of Emergency Management.
- (3) Includes Boston Retirement System employees.
- (4) Boston Public Health Commission employees are funded by the City, but are not employees of the City.
- (5) Prior years restated to include part-time school custodians.
- (6) Does not include grants managed by the Boston Public Health Commission.

Source: City of Boston Office of Budget Management

Fiscal Year				
2012	2011	2010	2009	2008 ⁽⁵⁾
4,446	4,476	4,431	4,685	4,737
350	359	378	388	404
2,565	2,596	2,712	2,841	2,771
803	794	797	820	752
8,052	8,047	8,211	8,572	8,476
16,216	16,272	16,529	17,306	17,140
759	792	754	755	912
307	292	378	1,433	1,391
1,066	1,084	1,132	2,188	2,303
17,282	17,356	17,661	19,494	19,443

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Service calls answered	516,741	408,144	421,573	566,297	579,704
Moving/traffic violations	95,865	107,204	110,254	90,180	95,454
Parking violations as of June 30	1,358,385	1,346,400	1,272,107	1,326,235	1,309,406
Fire					
Calls answered	85,598	82,438	80,079	73,443	73,971
Inspections conducted	24,332	25,819	23,019	23,896	23,744
Library					
Personnel full-time	411	413	417	408	401
Personnel part-time	45	50	58	59	66
Central and branch libraries	25	24	24	25	26
Books, audio and video materials, newspapers, and magazines in circulation	3,796,379	3,707,607	3,715,079	3,732,000	3,694,546
Library cards in force	281,439	268,275	323,789	361,939	383,931
Schools					
Student enrollment as of June 30	56,433	56,531	57,102	56,975	56,801
Streets, sidewalks, and bridges					
Streets in miles	988	988	988	988	988
Hospitals					
Births as of June 30	20,089	20,968	19,586	20,392	21,480
Deaths as of June 30	7,526	7,383	7,438	7,330	7,051

Source: City of Boston Auditing Department

Fiscal Year				
2012	2011	2010	2009	2008
598,280	543,424	621,794	577,126	577,163
108,520	107,822	138,441	137,217	132,546
1,424,098	1,435,022	1,571,688	1,591,832	1,529,537
72,511	71,244	69,859	71,247	70,176
25,112	24,297	23,900	22,093	23,810
384	385	431	464	518
49	54	57	96	158
26	26	26	27	27
3,796,679	3,534,413	3,587,136	3,403,538	3,116,540
524,054	510,966	543,628	518,080	552,797
56,535	56,789	56,219	56,144	56,074
988	987.5	968	810	809
20,540	21,568	21,064	21,387	8,430
7,090	7,572	6,987	7,185	3,043

Capital Asset Statistics by Department

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Officers and personnel	2,896	2,895	2,907	2,933	2,925
Stations	11	11	11	11	11
Fire					
Officers and personnel	1,623	1,618	1,604	1,604	1,597
Stations	35	35	35	35	35
Parks and Recreation					
Personnel (Parks Division)	280	251	306	233	220
Neighborhood (city) parks	258	251	251	262	262
Neighborhood (city) playgrounds – Tot Lots	131	129	127	129	129
Community Centers – (BCYF operated)	30	29	29	29	35
Golf courses	2	2	2	2	2
Swimming pools (BCYF operated)	18	18	17	18	17
Tennis courts	65	65	65	66	66
Public Education					
Total number of Boston Public Schools employees	10,255	9,634	9,530	9,374	9,467
Total number of schools	124	125	128	128	127
Public Works					
Traffic signals (signalized intersections)	859	854	849	841	846
Parking meters (approximately)	6,420	7,626	7,699	7,614	6,810
Bridges	40	40	36	37	4
Hospitals					
Number of hospitals	20	20	20	21	21
Patient beds	6,021	5,227	6,049	5,402	5,437

Source: City of Boston Auditing Department

Fiscal Year				
2012	2011	2010	2009	2008
2,913	2,948	2,885	3,011	3,085
11	11	11	11	11
1,559	1,559	1,557	1,573	1,525
35	35	35	35	35
219	218	212	224	224
251	251	251	257	257
128	128	128	132	129
38	38	45	46	46
2	2	2	2	2
17	17	21	23	20
78	78	78	67	67
9,806	9,982	9,240	9,188	9,754
128	135	135	135	144
837	833	823	813	800
7,861	7,195	7,304	7,038	6,300
4	4	4	4	4
22	20	20	22	22
5,618	5,584	5,564	5,629	5,618