



**City of Boston
Massachusetts**

2019

*Comprehensive Annual
Financial Report*

**FISCAL YEAR ENDED
JUNE 30, 2019**

MARTIN J. WALSH
Mayor

EMME HANDY
Chief of Administration and Finance & Collector Treasurer

MAUREN JOYCE
City Auditor

Prepared by the City of Boston Auditing Department



City of Boston
Massachusetts



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2019

Martin J. Walsh, Mayor

Emme Handy, Chief of Administration and Finance & Collector Treasurer

Maureen Joyce, City Auditor

Prepared by the City of Boston Auditing Department



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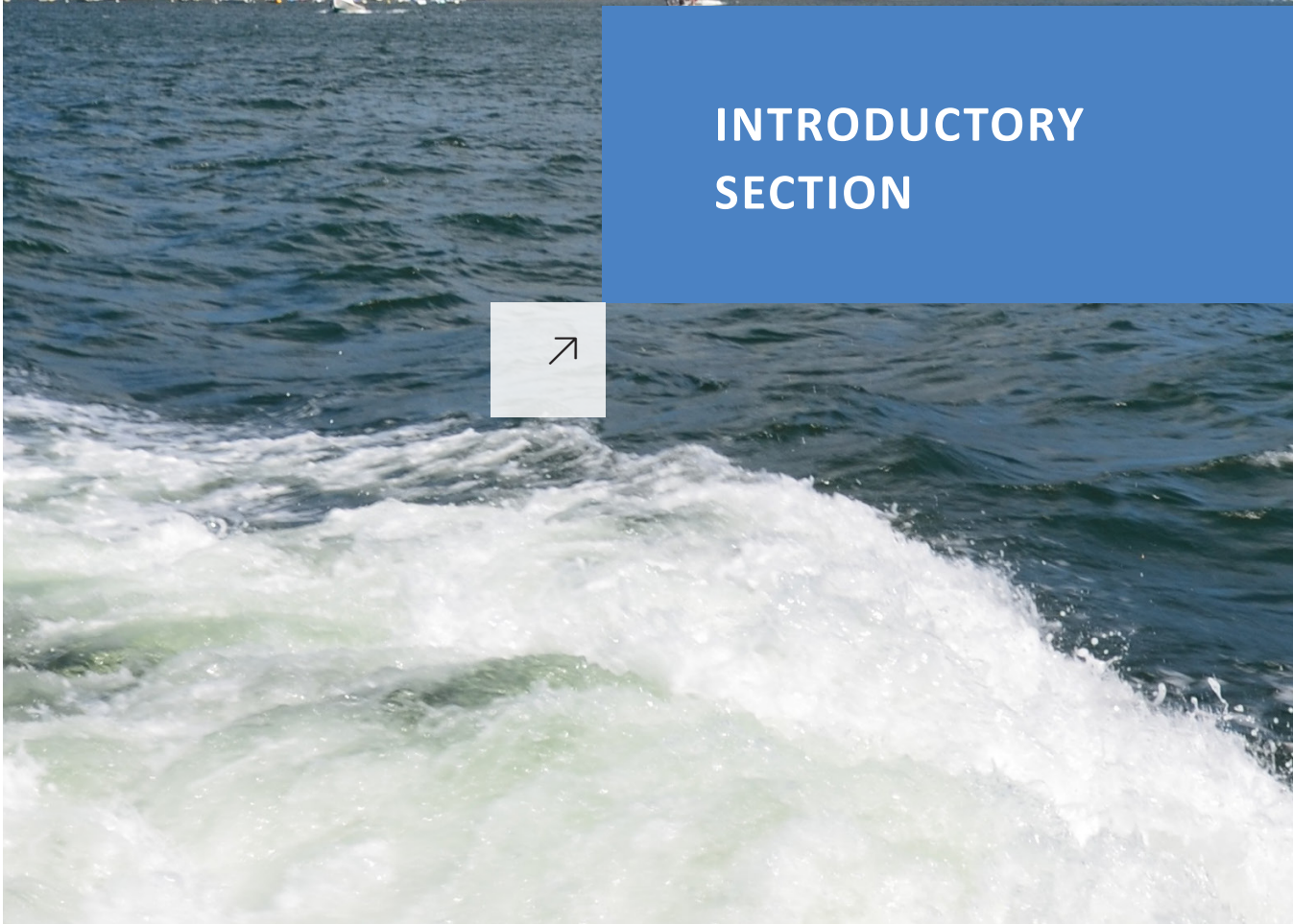
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INTRODUCTORY SECTION





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Auditing Department

Martin J. Walsh, Mayor

December 30, 2019

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, 2019. 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.

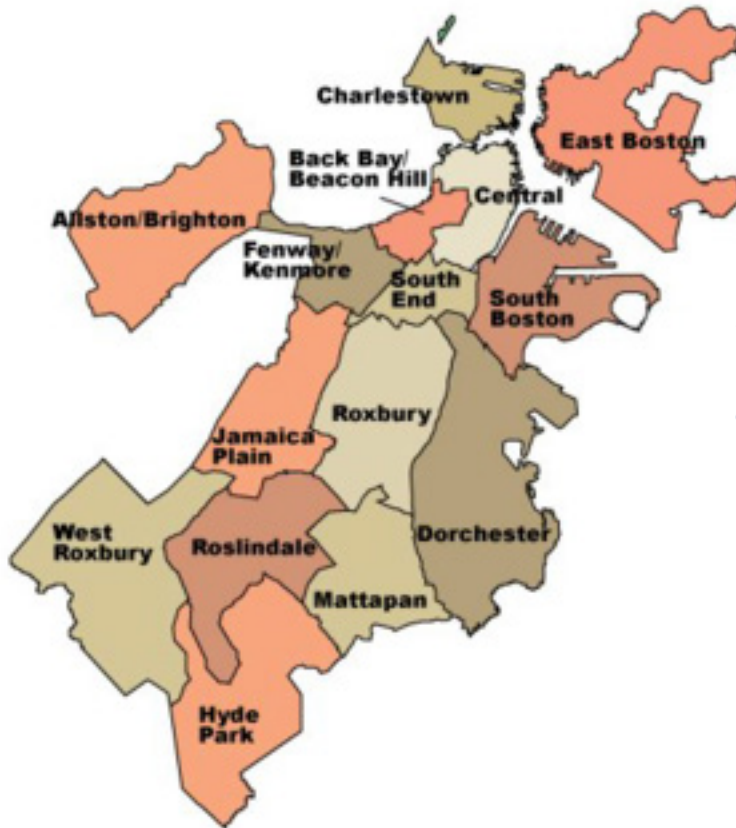
The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations 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 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, 2019 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.

Mayor Martin J. Walsh, the City’s 54th Mayor was re-elected to a second-term that began in January 2018 and runs 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; create a

waterfront for future generations; and connect historically underserved neighborhoods to more opportunities. The \$2.5 billion fiscal year 2020-2024 Capital Plan is 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 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-first largest City, in terms of population, in the United States and is 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. Under the leadership of Mayor Walsh, the City is vigorously pursuing economic opportunities to ensure Boston will continue to be a global leader in the twenty-first century.

The City is the capital of the Commonwealth and is host to several other governmental agencies. Using the employment data from Bureau of Economic Analysis (BEA) and Massachusetts Executive Office of Labor and Workforce Development (EOLWD), BPDA Research estimated that the government employment in the City of Boston is 75,807 in 2017. 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.

Healthcare, higher education and financial services play major roles in Boston's economy. The health care and social assistance industry employs the largest number of people in Boston, 18.3% of total jobs. Twenty-five community-based health centers and 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. Thirty-five colleges and universities reside in Boston, accounting for just under 150,000 full and part-time students. Included among the City's colleges and universities are some of the finest institutions in the country. The City is the home of the medical, dental and public health schools of Harvard, Boston College, Tufts, Northeastern and Boston University. The Boston metropolitan area remains the nation's foremost region for the life sciences industry. Boston's life science industry benefits from skilled labor force availability, leading universities in basic academic science fields, innovative research and development districts, proximity to major research hospitals, and strategic presence of venture capital resources. The Greater Boston area has over 3.5 million square feet of tenant requirements and over 90,000 employees.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, John Hancock/ManuLife Financial, State Street Corporation, and Wellington Management. In 2017, there were over 130,000 people employed in the finance, insurance and real estate industries in Boston.

Boston's economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2007 through 2017. During that period Boston's annual job growth was 2%. Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 19, 2019, 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.

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 2019, the net property tax levy (levy less a reserve for abatements) totaled \$2.32 billion providing 71.1% of recurring revenue. In fiscal year 2020, the net property tax levy is estimated to total \$2.44 billion and account for 71% of budgeted recurring revenues.

State aid from the Commonwealth comprises the second largest single revenue source to the City's General Fund budget after the Property Tax. Since 2016 gross state aid has continued to increase, however, net state aid continues to decrease. In fiscal year 2019, net state aid decreased by \$11.5 million. In fiscal year 2020, net state aid is expected to decrease to \$152.1 million. Please see the Management's Discussion and Analysis Section for additional information on financial trends.

In fiscal year 2019, 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 95% of the City's share of health benefits costs are self-insured through Internal Service Fund. Actuarially determined reserves are maintained in the Fund to stabilize rate increases and protect against large claims or cost increases.

The City of Boston participates in a contributory defined benefit retirement system administered by the Boston Retirement System (BRS). The current pension schedule is based on an actuarial asset valuation as of January 1, 2018. The current pension schedule assumes a long term rate of return of 7.5%. The City's pension liability is currently 76.92% funded and is on track to reduce the unfunded liability to zero by 2025, fifteen years prior to the legally required funding date of 2040. More details can be found in note 11 to the Financial Statements.

Most of the City's workforce is represented by one of 41 different unions. Collectively, these unions represent approximately 19,000 employees. As of November 2019, 38 of these unions (or 93%) have settled agreements. Unions with currently settled contracts represent over 18,500 bargaining unit members. Most contracts are four years in duration and include wage increases of 2% each year and other benefits. The majority of contracts will expire at the end of fiscal year 2020 or shortly thereafter. In early 2020 the City will begin bargaining with unions whose contracts are expiring. The teachers' and the firefighters' unions have agreements through fiscal year 2021.

In fiscal year 2019, the GAAP General Fund equity increased to \$1.19 billion, 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 2019 was \$794.6 million and \$392.0 million was assigned. The unassigned fund balance represents approximately 23.1% of GAAP General Fund operating expenditures.

Mayor Walsh's fiscal year 2020 budget turns policy into action and planning into results. The fiscal year 2020 budget prioritizes investment in innovative and creative approaches to delivering high quality city services while upholding the City's strong record of financial management. The fiscal year 2020 \$3.49 billion budget is balanced, sustainable, and forward looking. The budget contains unparalleled levels of funding for public education and Universal Pre-Kindergarten, new dedicated funding streams to address chronic homelessness, long term commitments to the arts and public libraries, expanded services for residents struggling with substance use disorders, and new initiatives that will transform the future of transportation in Boston.

Long Term Financial Planning

Imagine Boston 2030, the City's first comprehensive planning process in fifty years, is underway. Boston's five-year \$2.79 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. The Capital Plan moves Imagine Boston 2030 from ideas to action. This year, under 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. 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 2020 are 40.0% for New/Major Renovations, 34.0% for Upgrades, 24.0% for Upkeep and 2.0% for Matching fund requirements and Planning.

Financing for the fiscal year 2020-2024 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 61.1% of all project funding. The capital plan assumes \$1.06 billion in new G.O. borrowings over the next five years to support ongoing capital needs, a 4.9% increase over last year's plan. 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 \$353.2 million and \$349.8 million, respectively. One federal program is the Sullivan Sullivan Square 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. The MSBA has approved a maximum project grant totaling \$48.9 million for the Boston Arts Academy project, which covers 39.2 % of the current \$124.8 million project budget. The project is currently under construction. In addition, the City has two projects underway through the MSBA Accelerated Repair Program. One project involves six schools with a total budget of \$14.9, of which \$9.2 million comes from a grant from the MSBA. The second project also features six schools. The City expects to enter into a Project Funding Agreement with the MSBA in fiscal year 2020 for the construction phase of this project. For fiscal year 2020 to 2024, the total payments from the MSBA for these legacy projects are estimated at \$2.5 million. Administered by the Massachusetts Highway Department, 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 \$14.7 million in Chapter 90 funds to be provided in fiscal year 2020. The Transportation Infrastructure Enhancement Fund, is funded by annual per-ride assessment fees imposed on each transportation company. The state distributes half of the assessments proportionately to cities and towns based on the number of rides that originated within the city or town with funding to be used to address the impact of the transportation network services on municipal roads, bridges and other transportation infrastructure. The fiscal year 2020-2024 Capital Plan includes \$6.5 million in new revenue from this source. This funding will be discontinued as of January 1, 2027.

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, 2018. 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, 2018. 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 2015 through fiscal year 2019 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Maureen Joyce
City Auditor



Emme Handy
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**

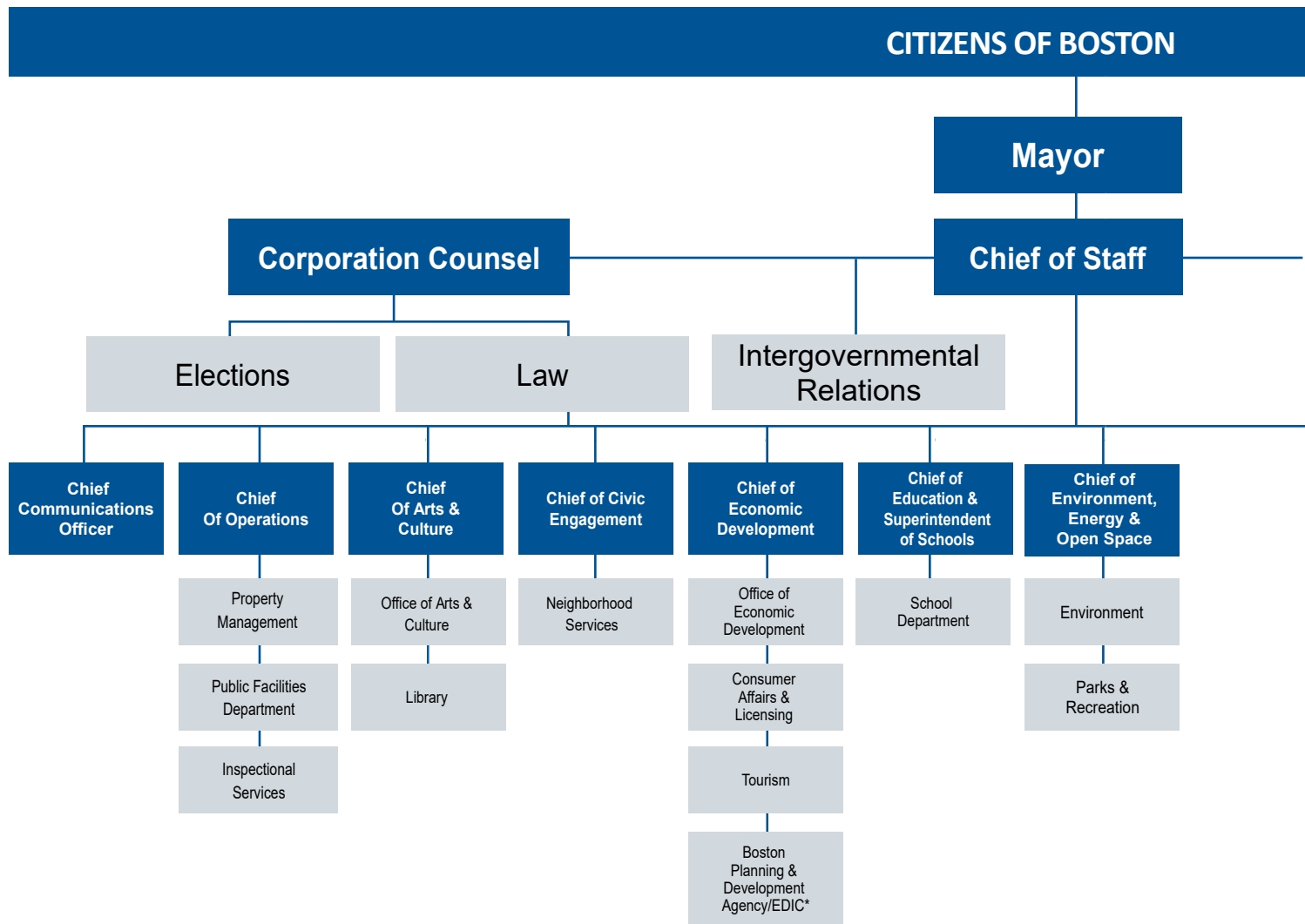
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

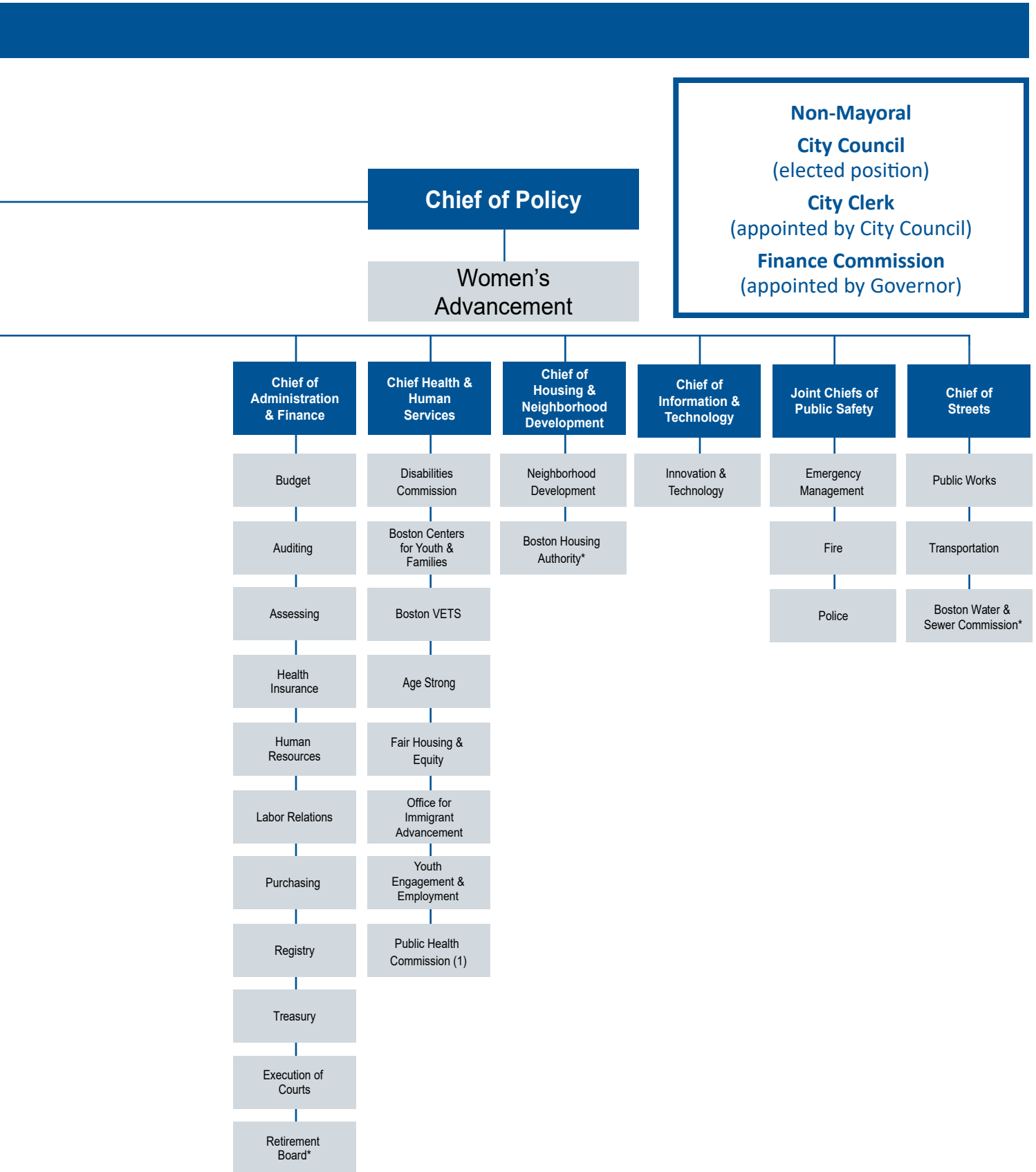
Executive Director/CEO

ORGANIZATION OF A CITY GOVERNMENT



*Not in Operating Budget

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



LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2019)

**Mayor
Martin J. Walsh**

City Council Members

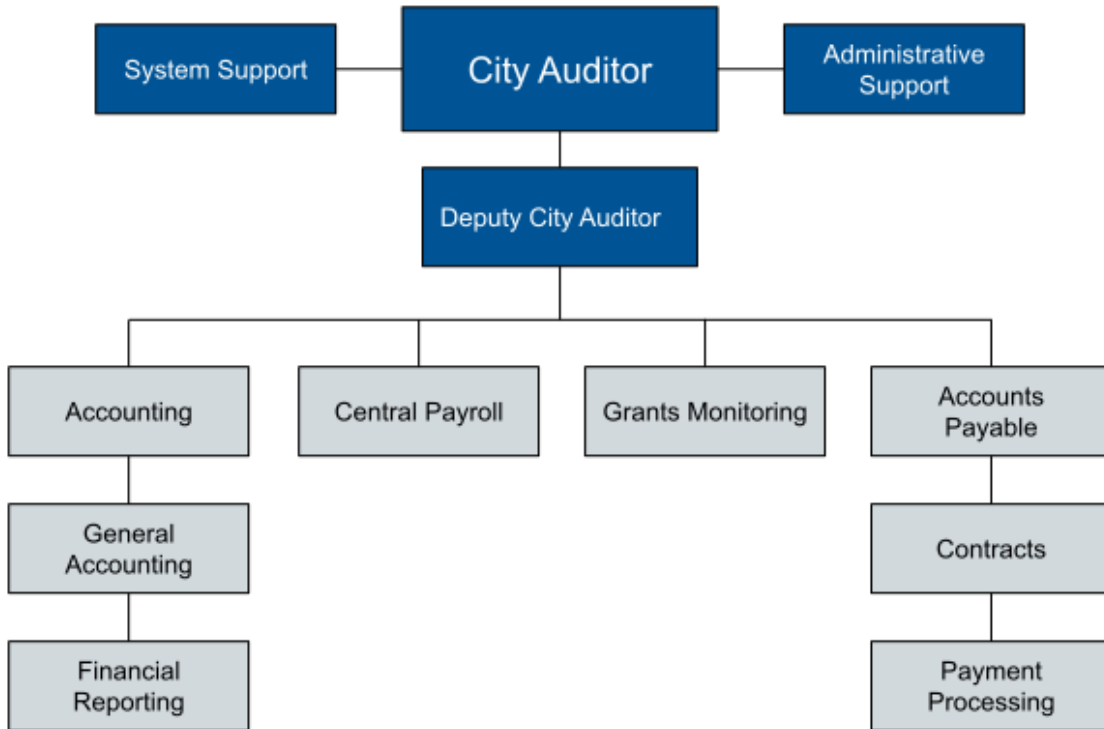
Andrea Campbell (President)	District 4
Michael F. Flaherty	At-Large
Annissa Essaibi-George	At-Large
Althea Garrison	At-Large
Michelle Wu	At-Large
Lydia Edwards	District 1
Ed Flynn	District 2
Frank Baker	District 3
Timothy McCarthy	District 5
Matthew J. O'Malley	District 6
Kim Janey	District 7
Josh Zakim	District 8
Mark B. Ciommo	District 9

Appointed City Executive Branch Members

David Sweeney	Chief of Staff
Joyce Linehan	Chief of Policy and Planning
Patrick I. Brophy	Chief of Operations and Administration
Eugene L. O'Flaherty	Corporation Counselor
Laura Oggeri	Chief Communication Officer
David Egles	Chief Information Officer
Emme Handy	Chief of Administration and Finance & Collector Treasurer
John Barros	Chief of Economic Development
Laura Perille	Superintendent of Boston Public Schools
William Gross	Chief of Public Safety and Police Commissioner
Joseph E. Finn	Chief of Public Safety and Fire Commissioner
Shumeane L. Benford	Director of the Office of Emergency Management
Christopher Cook	Chief of Environment and Open Space
Sheila Dillon	Chief of Housing and Neighborhood Development
Marty Martinez	Chief of Health and Human Services
William McGonagle	Director of Public Housing
Jerome Smith	Chief of Civic Engagement and Neighborhood Services
Kara Elliot-Ortega	Chief of Arts & Culture
Christopher Osgood	Chief of Streets, Sanitation, and Transportation
Brian Golden	Director Boston Planning & Development Agency

Auditing Department

Organizational Chart



Auditing Department Personnel

Maureen Joyce, City Auditor

Sally Glora	Nelly Lopez
Prema Andrew	Medina Lucien
Kerry Byrne	Mary Ann Mason
Domencia Cabral	Mark MacDonnell
Michelle E. Castillo-Reid	Michael O’Keefe
Mattie Crouse	Robert Powers
Patricia Downs	Naveen Reddy
Scott Finn	Magnolia Rojas
Nadane Flemming	Raoul Romain
Michael Gee	Debra A. Rufo
Christina Gendrolius	Lisa Stone
Veronica Hodges	Ming C. Su
Allen Hurley	Robert Sweeney
Sinthia Johnson	Julie A. Tippet
James Kelley	Stanley J. Wallace
Traci Lee	Teki Way
Licia Lima-Pires	Nadia Williams



FINANCIAL SECTION



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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, 2019, 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 City's Permanent Funds, which represent 4.5% and 0.2% of the assets and revenues of the governmental activities, respectively, and 1.3% and 1.0% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the Boston Retirement System and the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 96.9% and 66.1% of the assets and revenues of the aggregate remaining fund information, respectively. 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 60.9% and 85.6% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose report has 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, 2019, 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 Matter

Change in Accounting Principle

As discussed in note 2r to the financial statements, in 2019, the City elected to change the measurement date of the liability reported under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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, 2018, 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 Governmental Accounting Standards Board 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, 2018 (not presented herein), and have issued our report thereon dated December 24, 2018, 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 2018 combining, individual fund statements and schedules are presented for purposes of additional analysis and is 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 2018 financial statements. The 2018 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 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 2018 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, 2018.

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 30, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 30, 2019

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, 2019. 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 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 changes in net OPEB liability and related ratios, 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. The most recent valuation of the City's OPEB obligation as of June 30, 2017, estimated that the total OPEB liability of the City increased by \$61.1 million to \$2.4 billion. This increase was largely a result of increasing costs.
- In fiscal year 2019, the City's contribution to the OPEB Trust Fund (\$180.7 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the OPEB liability. The Actuarially Determined Contribution (ADC) was not met in 2019, resulting in an increase in the net OPEB obligation. In fiscal year 2020, the City has also appropriated \$40.0 million in advance funding toward reducing the OPEB liability.
- In fiscal year 2019, the City elected to change its measurement date for OPEB from a beginning of year measurement date to an end of year measurement date. As a result of the change in measurement date, beginning net position of the governmental activities as of July 1, 2018 was restated (reduced) by approximately \$217.6 million.

- The City of Boston's net pension liability significantly impacts the Government-wide financial results. The City is required to report its proportionate share of the 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, 2018, the City's proportionate share of that net pension liability increased by \$377.53 million and the net pension liability for the City's non contributory plan as of June 30, 2019 increased by \$6.4 million resulting in a total net pension liability of \$1.76 billion.

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, 2019 in a net deficit of \$1.77 billion (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$2.68 billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$184.5 million from the amount reported in fiscal year 2018.

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 \$1.77 billion at the end of 2019, compared to a net deficit of \$1.96 billion (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 \$0.8 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, \$98.1 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 \$173.4 million from the 2018 restated amount of \$2.50 billion.

Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2019	2018 ⁽¹⁾
ASSETS:		
Current assets	\$ 2,180,472	\$ 1,924,930
Capital assets	2,234,836	2,142,789
Other assets	205,493	198,906
Total assets	4,620,801	4,266,625
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	495,090	340,804
Liabilities:		
Current liabilities	753,318	689,530
Noncurrent liabilities	5,971,222	5,414,072
Total liabilities	6,724,540	6,103,602
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	165,996	245,463
NET POSITION:		
Net investment in capital assets	802,391	685,036
Restricted	98,106	75,098
Unrestricted	(2,675,142)	(2,501,770)
Total net position	\$ (1,774,645)	\$ (1,741,636)

⁽¹⁾ The 2018 amounts in the tables above have not been restated to reflect the restatement due to the change of measurement date as it relates to GASB Statement No.75 , as described in note 2r to the Financial Statements.

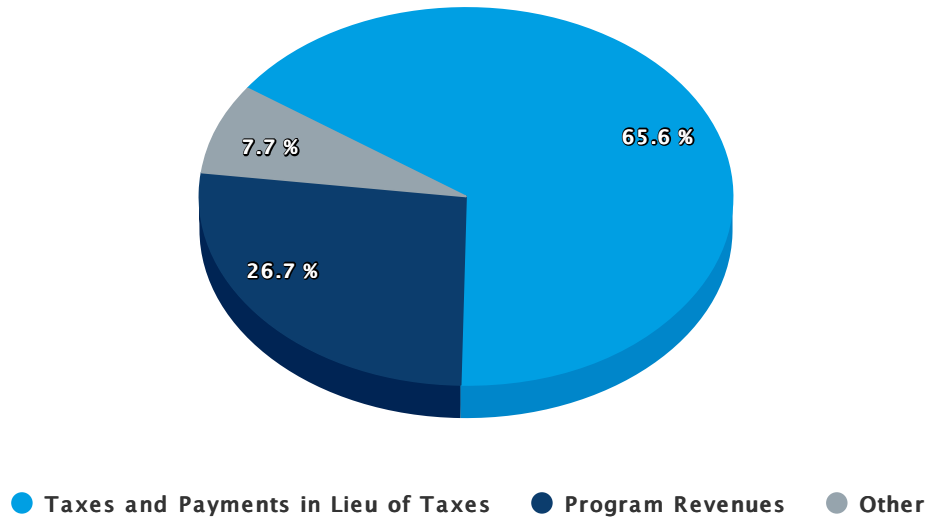
Changes in Net Position – Primary Government

(In thousands)

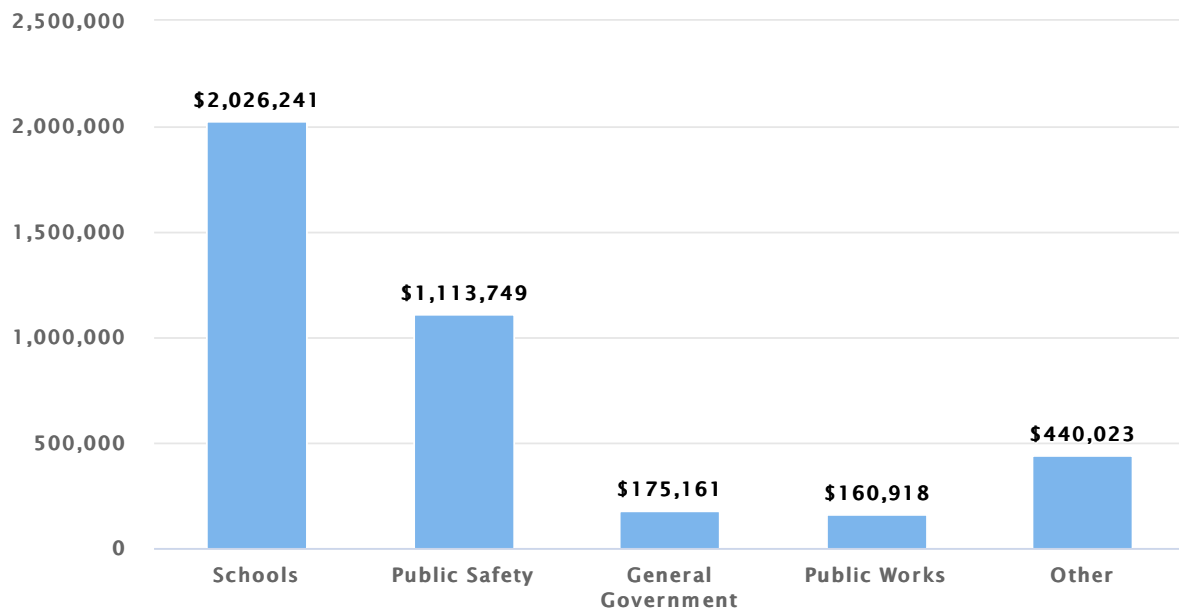
	Governmental Activities	
	Total Primary Government	
	2019	2018 ⁽¹⁾
Revenues:		
Program revenues:		
Charges for services	\$ 235,996	\$ 221,538
Operating grants and contributions	822,932	788,666
Capital grants and contributions	36,224	64,548
General revenues:		
Taxes	2,690,228	2,543,645
Grants and contributions not restricted	208,839	214,106
Investment income	46,405	31,417
Miscellaneous	3,011	2,121
Special item - gain on sale of property	57,000	-
Total revenues	4,100,635	3,866,041
Program expenses:		
General government	175,161	156,670
Human services	57,359	58,494
Public safety	1,113,749	1,048,825
Public works	160,918	163,337
Property and development	146,886	137,296
Parks and recreation	48,804	48,861
Library	55,944	55,626
Schools	2,026,241	1,931,452
Public health programs	91,468	86,228
Interest on long-term debt	39,562	44,263
Total program expenses	3,916,092	3,731,052
Change in net position	184,543	134,989
Net position - beginning of year, as restated (note 2r)	(1,959,188)	(1,876,625)
Net position-end of year	\$ (1,774,645)	\$ (1,741,636)

⁽¹⁾ The 2018 amounts in the tables above have not been restated to reflect the restatement due to the change of measurement date as it relates to GASB Statement No.75 , as described in note 2r to the Financial Statements.

Revenues – Governmental Activities Fiscal Year 2019



Expenses – Governmental Activities FY 2019 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$184.5 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2019. In the assets accounts, cash and investments increased by \$255.5 million, receivables increased by \$14.3 million, and capital assets increased by \$92.0 million. In the liability accounts, there was an increase in warrants and accounts payable of \$40.6 million and an increase in accrued liabilities by \$40.4 million. Additionally, an increase of \$61.1 million was recorded relative to the City's other postemployment benefit obligation and an increase of \$383.9 million was recorded relative to the City's net pension liability in 2019.

During fiscal year 2019, the City's revenues increased by 6.3%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.69 billion (66.5% of total revenues) and \$1.10 billion of program revenues (27.1% of total revenues). Taxes increased by \$146.6 million from the previous year. Program revenues increased by \$20.4 million for fiscal year 2019. 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 (\$2.03 billion), public safety (\$1.11 billion), general government (\$175.2 million), public works (\$160.9 million), and property and development (\$146.9 million). In 2019, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.82 billion. This shortfall was covered primarily through taxes (\$2.69 billion) and unrestricted grants and contributions (\$208.8 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 2019, the City's governmental funds reported a combined ending fund balance of \$1.83 billion, an increase of \$213.60 million from the prior year. Of this total amount, \$794.6 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes, investment income and intergovernmental revenue.

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 2019 was \$794.6 million, which represents approximately 23.1% 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 2019 Special Revenue Fund balance is reported at \$261.0 million, a \$13.6 million increase from fiscal year 2018.

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 2019 Capital Projects Fund balance is \$274.5 million, a \$91.2 million increase from fiscal year 2018 due to the issuance of bonds and the sale of property in the current year.

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 2019 Other Governmental Funds fund balance is \$106.1 million, a \$4.2 million increase from fiscal year 2018.

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, Harvard Pilgrim Health Care, and Tufts for City employees and their dependents. 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 2019 with a \$22.6 million surplus. There were no material variances between the original budget and final budget amounts. Unfavorable variances from the final budget to actual results occurred in public safety and judgments and claims.

Favorable results were reported for General Fund revenue sources, including \$25.7 million in payments in lieu of taxes, \$15.0 million in departmental and other revenue, \$54.9 million in excises and \$25.4 million in investment income. Other available funds shows a revenue deficit of \$78.5 million, however, this is primarily a result of not transferring \$22.5 million of parking meter funds and \$40.00 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, 2019, has a net book value of \$2.23 billion, made up of costs totaling \$4.45 billion less accumulated depreciation of \$2.22 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 \$92.0 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$236.8 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 \$144.66 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 \$1.33 billion in General Obligations Bonds principal outstanding – an increase of \$20.8 million over last year.

On March 19, 2019, the City issued \$145.1 million in Series A general obligation bonds to finance various capital projects in the City. 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 reaffirmed 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 increased \$471.7 million, or 12.7%, during the current fiscal year. Key factors for this increase are an increase in the net pension liability of \$383.9 million and an increase in the net OPEB obligation of \$61.1 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. 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. This Statement was implemented in fiscal 2019 without any material impact.

The GASB has issued Statement No. 88 "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement was implemented in fiscal 2019 without any material impact.

FUTURE PRONOUNCEMENTS

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2019.

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 will take effect for financial statements starting with the fiscal year that ends December 31, 2020. Earlier application is encouraged.

The GASB has issued Statement No. 89 “*Accounting for Interest Cost Incurred before the End of a Construction Period*”. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020. Earlier application is encouraged.

The GASB has issued GASB Statement No. 90, “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019. Earlier application is encouraged.

The GASB has issued Statement No. 91 “Conduit Debt Obligations”. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021. 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.



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Statement of Net Position

June 30, 2019

(Amounts in thousands)

	Primary Government	Discretely Presented
	Governmental Activities	Component Units
ASSETS:		
Current Assets:		
Cash and investments	\$ 2,102,027	\$ 109,220
Cash and investments held by trustees	78,445	14,636
Receivables, net		
Property and other taxes	31,679	-
Intergovernmental	89,363	-
Other	15,234	39,390
Other assets	7,542	5,224
Due from primary government	-	4,712
Due from component units	548	-
Total current assets	<u>2,324,838</u>	<u>173,182</u>
Noncurrent Assets:		
Cash and investments held by trustee	-	63,043
Notes and other receivables	57,692	163,202
Capital assets:		
Nondepreciable assets	214,161	21,803
Depreciable, net	2,020,675	66,695
Due from component units	3,435	-
Total noncurrent assets	<u>2,295,963</u>	<u>314,743</u>
Total assets	<u>4,620,801</u>	<u>487,925</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	486,006	45,980
Deferred amount from OPEB	6,178	8,882
Deferred amount from debt refunding	2,906	-
Total deferred outflows of resources	<u>495,090</u>	<u>54,862</u>

See accompanying notes to the basic financial statements

Statement of Net Position

June 30, 2019

(Amounts in thousands)

	Primary Government	Discretely Presented
	Governmental Activities	Component Units
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable	160,628	28,949
Accrued liabilities - current:		
Compensated absences	64,205	-
Judgments and claims	92,057	-
Payroll and related costs	170,480	-
Deposits and other	113,586	4,347
Unearned revenue	-	3,710
Current portion of long-term bonds, notes and leases	147,650	2,765
Due to component units	4,712	-
Due to primary government	-	548
Total current liabilities	<u>753,318</u>	<u>40,319</u>
Noncurrent Liabilities:		
Bonds due in more than one year	1,367,246	14,777
Notes and leases payable due in more than one year	106,113	-
Other noncurrent liabilities	324,896	135,789
Net pension liability	1,757,632	165,223
Other postemployment benefits obligation	2,415,335	144,857
Unearned revenue	-	65,176
Due to primary government	-	3,435
Total noncurrent liabilities	<u>5,971,222</u>	<u>529,257</u>
Total liabilities	<u>6,724,540</u>	<u>569,576</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount for pension costs	160,276	26,912
Deferred amount for OPEB	4,570	32,586
Deferred amount from debt refunding	1,150	-
Total deferred inflows of resources	<u>165,996</u>	<u>59,498</u>
NET POSITION:		
Net investment in capital assets	802,391	69,415
Restricted for:		
Nonexpendable trust	10,041	78,220
Expendable trust	83,352	-
Capital projects	4,713	-
Unrestricted deficit	(2,675,142)	(233,922)
Total net position	<u>\$ (1,774,645)</u>	<u>\$ (86,287)</u>

See accompanying notes to the basic financial statements

Statement of Activities

Year Ended June 30, 2019

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 175,161	\$ 28,243	\$ 39,592	\$ 3,308
Human services	57,359	326	10,089	-
Public safety	1,113,749	158,455	54,171	-
Public works	160,918	28,609	-	19,493
Property and development	146,886	8,382	94,834	-
Parks and recreation	48,804	596	952	-
Library	55,944	-	2,235	-
Schools	2,026,241	11,385	621,059	13,423
Public health programs	91,468	-	-	-
Interest on long-term debt	39,562	-	-	-
Total primary government	\$ 3,916,092	\$ 235,996	\$ 822,932	\$ 36,224
Component Units:				
Boston Public Health Commission	\$ 181,325	\$ 42,284	\$ 41,884	\$ 1,575
Boston Planning & Development Agency	26,437	11,316	11,266	-
Trustees of the Public Library of the City of Boston	10,984	3,297	13,501	-
Economic Development and Industrial Corporation of Boston	32,356	33,614	12,364	-
Total component units	\$ 251,102	\$ 90,511	\$ 79,015	\$ 1,575

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 property

Total general revenues

Change in net position

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

Net position - end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Component Units
\$ (104,018)	\$ -
(46,944)	-
(901,123)	-
(112,816)	-
(43,670)	-
(47,256)	-
(53,709)	-
(1,380,374)	-
(91,468)	-
(39,562)	-
\$ (2,820,940)	\$ -
\$ -	\$ (95,582)
-	\$ (3,855)
-	\$ 5,814
-	13,622
\$ -	\$ (80,001)
\$ 2,338,507	\$ -
264,703	-
87,018	-
208,839	-
46,405	974
-	88,759
3,011	2,758
57,000	15,371
3,005,483	107,862
184,543	27,861
(1,959,188)	(114,148)
\$ (1,774,645)	\$ (86,287)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2019

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,434,468	\$ 255,096	\$ 297,463	\$ 12,659	\$ 1,999,686
Cash and investments held by trustees	364	-	17,994	60,087	78,445
Receivables, net:					
Property and other taxes	31,679	-	-	-	31,679
Intergovernmental	6,629	72,723	10,011	-	89,363
Departmental and other	15,085	24,117	-	33,724	72,926
Total receivables	53,393	96,840	10,011	33,724	193,968
Due from other funds	1,111	357	-	8,682	10,150
Due from component units	3,983	-	-	-	3,983
Total assets	\$ 1,493,319	\$ 352,293	\$ 325,468	\$ 115,152	\$ 2,286,232
LIABILITIES					
Warrants and accounts payable	\$ 67,915	\$ 24,738	\$ 46,278	\$ 255	\$ 139,186
Accrued liabilities:					
Payroll and related costs	170,480	-	-	-	170,480
Deposits and other	32,231	65,217	-	162	97,610
Due to other funds	168	1,299	-	8,683	10,150
Due to component unit	4,712	-	-	-	4,712
Total liabilities	\$ 275,506	\$ 91,254	\$ 46,278	\$ 9,100	\$ 422,138
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available	31,203	-	4,713	-	35,916
Total deferred inflows of resources	\$ 31,203	\$ -	\$ 4,713	\$ -	\$ 35,916
FUND BALANCES					
Nonspendable	-	-	-	10,041	10,041
Restricted	-	64,405	274,477	96,011	434,893
Assigned	392,000	196,634	-	-	588,634
Unassigned	794,610	-	-	-	794,610
Total fund balances	1,186,610	261,039	274,477	106,052	1,828,178
Total liabilities, deferred inflows of resources and fund balances	\$ 1,493,319	\$ 352,293	\$ 325,468	\$ 115,152	\$ 2,286,232

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2019

(Amounts in thousands)

Total fund balance - governmental funds.	\$ 1,828,178
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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	2,234,836
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	35,916
Internal service funds are included in the government-wide financial statements	82,304
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	(1,394,566)
Capital leases	(64,096)
Bond issue premiums/discounts, net	(162,347)
Deferred bond refunding losses/gain, net	1,756
Accrued interest on bonds	(15,973)
Compensated absences	(231,859)
Landfill	(6,592)
Judgments and claims	(215,073)
Other postemployment benefits, net of deferred amounts	(2,413,727)
Net pension liability, net of deferred amounts	(1,452,902)
Pollution remediation	(500)
Net position of governmental activities	\$ (1,774,645)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 2,344,686	\$ -	\$ -	\$ -	\$ 2,344,686
Excises	256,229	-	-	-	256,229
Payments in lieu of taxes	87,018	-	-	-	87,018
Fines	73,792	-	-	-	73,792
Investment income	30,408	942	-	4,624	35,974
Licenses and permits	82,658	223	-	-	82,881
Departmental and other	97,442	76,286	-	4,217	177,945
Intergovernmental	577,458	284,054	33,010	-	894,522
Total revenues	3,549,691	361,505	33,010	8,841	3,953,047
EXPENDITURES:					
Current:					
General government	112,998	11,672	-	6,104	124,670
Human services	34,208	8,701	-	-	42,909
Public safety	726,406	23,666	-	-	750,072
Public works	106,504	6,732	-	-	113,236
Property and development	41,483	83,716	-	-	125,199
Parks and recreation	26,890	1,423	-	-	28,313
Library	38,597	2,137	-	-	40,734
Schools	1,118,332	153,481	-	-	1,271,813
Public health programs	87,487	1,040	-	-	88,527
Judgments and claims	1,202	-	-	-	1,202
Retirement costs	400,973	-	-	-	400,973
Other employee benefits	264,832	-	-	-	264,832
State and district assessments	283,360	-	-	-	283,360
Capital outlays	17,683	1,596	244,137	-	263,416
Debt service	182,725	-	-	-	182,725
Total expenditures	3,443,680	294,164	244,137	6,104	3,988,085
Excess (deficiency) of revenues over (under) expenditures	106,011	67,341	(211,127)	2,737	(35,038)
OTHER FINANCING SOURCES (USES):					
Long-term debt, notes and capital leases issued	-	-	165,836	-	165,836
Premiums on long-term debt issued	-	110	25,688	-	25,798
Proceeds from sale of property	-	-	57,000	-	57,000
Transfers in	-	-	53,803	1,455	55,258
Transfers out	(1,455)	(53,803)	-	-	(55,258)
Total other financing sources (uses)	(1,455)	(53,693)	302,327	1,455	248,634
Net change in fund balances	104,556	13,648	91,200	4,192	213,596
Fund balance - beginning of year	1,082,054	247,391	183,277	101,860	1,614,582
Fund balance - end of year	\$ 1,186,610	\$ 261,039	\$ 274,477	\$ 106,052	\$ 1,828,178

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, 2019**

(Amounts in thousands)

Net change in fund balances - total governmental funds	213,596
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 \$236,794 exceeded depreciation expense \$(144,655) and loss on disposals \$(92)	92,047
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available	(5,458)
Issuances of long-term debt \$(165,834) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bonds, notes and lease principal \$152,171 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	(13,663)
Decreases in bond premiums net \$(12,872) decrease 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 \$(695) decrease the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds	(13,564)
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 \$49,618, workers compensation \$2,833, net pension liability, net of deferred amounts \$18,504 compensated absences \$4,164, judgments and claims \$19,850 offset by a decrease in landfill closure and post-closure costs \$(365) and interest payable \$(5,278)	(89,326)
Net operating income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds	911
Change in net position of governmental activities	\$ 184,543

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2019 (with comparative actual amounts for 2018)

(Amounts in thousands)

	2019					2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
REVENUES AND OTHER AVAILABLE FUNDS:						
Real and personal property taxes, net	\$ 2,316,649	\$ 2,316,649	\$ 2,320,883	\$ 4,234	\$ 2,191,992	
Excises	201,290	201,290	256,219	54,929	264,814	
Commonwealth of Massachusetts	446,950	446,950	434,357	(12,593)	439,708	
Departmental and other revenue	68,774	68,774	83,739	14,965	79,590	
Fines	68,745	68,745	73,931	5,186	63,389	
Payments in lieu of taxes	63,016	63,016	88,745	25,729	83,634	
Investment income	5,000	5,000	30,408	25,408	15,390	
Licenses and permits	66,260	66,260	82,596	16,336	74,508	
Miscellaneous	267	267	267	-	267	
Other available funds	78,450	78,450	-	(78,450)	-	
Total revenues and other available funds	3,315,401	3,315,401	3,371,145	55,744	3,213,292	
EXPENDITURES:						
General government	118,214	124,048	122,973	1,075	111,283	
Human services	35,721	34,196	34,129	67	35,954	
Public safety	719,525	718,947	740,556	(21,609)	694,457	
Public works	115,000	113,308	113,251	57	115,758	
Property and development	41,829	43,923	43,881	42	39,402	
Parks and recreation	26,708	30,783	30,768	15	28,793	
Library	38,180	38,664	38,664	-	35,758	
Schools	1,126,705	1,126,705	1,126,676	29	1,093,290	
Boston Public Health Commission	87,967	87,967	87,967	-	79,563	
Judgments and claims	5,000	5,000	18,234	(13,234)	19,513	
Other employee benefits	275,419	265,325	265,164	161	262,902	
Retirement costs	246,285	266,850	266,797	53	236,968	
Debt requirements	186,751	176,975	176,857	118	170,514	
State and district assessments	292,097	282,710	282,617	93	267,949	
Total expenditures	3,315,401	3,315,401	3,348,534	(33,133)	3,192,104	
Excess of revenues and other available funds over expenditures	\$ -	\$ -	\$ 22,611	\$ 22,611	\$ 21,188	

See accompanying notes to the basic financial statements

Statement of Net Position
Proprietary Fund
June 30, 2019

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 102,341
Total current assets	<u>102,341</u>
Noncurrent assets:	
Other assets	7,539
Total noncurrent assets	<u>7,539</u>
Total assets	<u>\$ 109,880</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	27,576
Total current liabilities	<u>\$ 27,576</u>
NET POSITION:	
Unrestricted	82,304
Total net position	<u>\$ 82,304</u>

See accompanying notes to the basic financial statements

**Statement of Revenues, Expenses
and Changes in Net Position**
Proprietary Fund
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 83,972
Employer contributions	198,178
Total operating revenues	<u>282,150</u>
OPERATING EXPENSES:	
Health benefits	281,239
Total operating expenses	<u>281,239</u>
Operating Income	<u>911</u>
Net position - beginning of year	<u>81,393</u>
Net position - end of year	<u>\$ 82,304</u>

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 286,599
Cash paid to vendors	(273,638)
Net cash provided by operating activities	<u>12,961</u>
Cash and cash equivalents- beginning of year	89,380
Cash and cash equivalents- end of year	<u>\$ 102,341</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 911
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other assets	4,449
Accounts payable and accrued liabilities	7,601
Net cash provided by operating activities	<u>\$ 12,961</u>

See accompanying notes to the basic financial statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

(Except Employee Retirement Plan, which is as of December 31, 2018)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts	Agency Funds
ASSETS:			
Cash and cash equivalents	\$ 917,022	\$ 141,559	\$ 10,759
Receivables:			
Interest and dividends	8,381	-	-
Securities sold	23,048	-	-
Employer contributions	17,189	-	-
Other	5,480	1,177	-
Total receivables	54,098	1,177	-
Prepaid Expenses	1,415	-	-
Other Assets	-	30	-
Investments, at fair value:			
Short term:			
Domestic	87,863	-	-
International	13,783	-	-
Equity:			
Domestic	1,011,726	-	-
International	1,312,889	-	-
Fixed-income:			
Domestic	888,559	-	-
International	292,081	-	-
PRIT Pooled Fund	1,481,521	-	-
Real estate	484,640	-	-
Alternative	533,171	-	-
Total investments	6,106,233	-	-
Securities lending short-term collateral investment pool	149,987	-	-
Total assets	7,228,755	142,766	10,759
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	17,264	1,992	10,759
Securities purchased	40,189	-	-
Collateral held on securities lending	149,883	-	-
Total liabilities	207,336	1,992	10,759
NET POSITION RESTRICTED FOR:			
Pension Benefits	6,402,954	-	-
OPEB Benefits	618,465	-	-
Other Purposes	-	140,774	-
Total Net Position Restricted	\$ 7,021,419	\$ 140,774	\$ -

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year Ended June 30, 2019

(Except Employee Retirement Plan, which is year ended December 31, 2018)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts
ADDITIONS:		
Contributions:		
Employers	\$ 475,859	\$ -
Commonwealth of Massachusetts (nonemployer)	143,146	-
Employees	166,826	-
Donations and other	-	49,360
Total contributions	785,831	49,360
Investment earnings:		
Net depreciation in fair value of investments	(380,631)	-
Investment income	130,177	12,980
Less investment expenses	(41,572)	-
Net investment earnings	(292,026)	12,980
Securities lending activities:		
Securities lending income	5,200	-
Less borrower rebates and fees	(2,359)	-
Net income from securities lending activities	2,841	-
Total net investment income (loss)	(289,185)	12,980
Intergovernmental	7,702	-
Miscellaneous income	3	-
Total additions	504,351	62,340
DEDUCTIONS:		
Benefits	746,447	-
Reimbursements	13,067	-
Refunds of contributions	21,592	-
Administrative expenses and other	9,553	32,477
Total deductions	790,659	32,477
Change in net position	(286,308)	29,863
Net position - beginning of year	7,307,727	110,911
Net position - end of year	\$ 7,021,419	\$ 140,774

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2019

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, 2018.
- 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, 2019.

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, Emergency Management Services 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, 2019.

Audited 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 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 and 1% surcharge on the Community Preservation Act.
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 City's total OPEB liability. 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:

Assets	Years
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, 2019 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 generally reported at fair value.

k. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Trust Fund (the Plan) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

l. 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 inflows of resources decrease net position, similar to liabilities.

m. 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.

n. 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.

o. 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, 2019, 100% of the Gardner Street landfill had been capped.

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 2019 were \$365 thousand.

p. 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.

q. Adoption of Accounting Pronouncements

The City adopted GASB 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. This Statement was implemented in fiscal 2019 without any material impact.

The City adopted GASB Statement No. 88 “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement was implemented in fiscal 2019 without any material impact.

r. Restatement for Change in Measurement Date- GASB Statement No. 75

The City elected to change its measurement date for OPEB from a beginning of year measurement date to an end of year measurement date. As a result of the change in measurement date, the beginning net position of the governmental activities was restated as follows (in thousands):

Governmental Activities	
Beginning Net Position as previously reported	\$ (1,741,636)
Effect of change in measurement date of OPEB Liability	(217,552)
Beginning Net Position, as restated	<u>\$ (1,959,188)</u>

3. Short Term Debt

During fiscal year 2019, 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, 2019 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 3,371,145	\$ 3,348,534	\$ -	\$ 22,611
Adjustments:				
Revenues to modified accrual basis	35,400	-	-	35,400
Expenditures, encumbrances, and accruals, net	-	(46,545)	-	46,545
On-behalf contribution for teachers pension	143,146	143,146	-	-
Reclassifications:				
Other transfers	-	(1,455)	1,455	-
As reported on a GAAP basis	<u>\$ 3,549,691</u>	<u>\$ 3,443,680</u>	<u>\$ 1,455</u>	<u>\$ 104,556</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, 2019, the City of Boston Trust Funds had uninsured and uncollateralized deposits and investments of \$52.28 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 of Boston Trust Funds’ fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2019:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 245,064	\$ 245,064	\$ -	\$ -	\$ -
Institutional and mutual funds	74,390	14,267	41,256	5,727	13,140
U.S. Treasury and agency securities	115,801	41,641	15,810	27,538	30,812
State and local municipal obligations	2,675	41	913	603	1,118
Corporate debt instruments	111,919	19,423	47,281	19,919	25,296
International Government Bonds	20,866	1,924	8,477	2,470	7,995
Certificate of deposits	26,010	26,010	-	-	-
	<u>\$ 596,725</u>	<u>\$ 348,370</u>	<u>\$ 113,737</u>	<u>\$ 56,257</u>	<u>\$ 78,361</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 of Boston Trust Funds’ fixed income investments as of June 30, 2019 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	\$ 245,064	Unrated
Institutional and mutual funds	74,385	AAA to A3
Institutional and mutual funds	3	Baa1 to B3
Institutional and mutual funds	2	Unrated
U.S. Treasury and agency securities	115,297	AAA to A3
U.S. Treasury and agency securities	504	Unrated
State and local municipal obligations	1,211	AAA to A3
State and local municipal obligations	896	Baa1 to B3
State and local municipal obligations	568	Unrated
Corporate debt instruments	31,845	AAA to A3
Corporate debt instruments	48,462	Baa1 to B3
Corporate debt instruments	1,172	Caa1 to C
Corporate debt instruments	30,440	Unrated
International Government Bonds	8,416	AAA to A3
International Government Bonds	6,700	Baa1 to B3
International Government Bonds	138	Caa1 to C
International Government Bonds	5,612	Unrated
Certificate of deposits	26,010	Not Rated
	<u>\$ 596,725</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, 2019, the City of Boston Trust Funds held international equity mutual funds valued at \$108.1 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.

International government bonds: Bonds issued by foreign governments that are valued using quoted prices, documented history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

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 of Boston Trust Funds have the following recurring fair value measurements as of June 30, 2019 (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)	
Investments:				
Money market funds	\$ 245,064	\$ -	\$ -	\$ 245,064
Institutional and mutual funds	74,390	-	-	74,390
Equity securities	381,464	409	-	381,873
US Treasury & agency securities	39,446	76,355	-	115,801
State and Local municipal obligations	-	2,675	-	2,675
Corporate debt instruments	22,023	81,669	8,227	111,919
International Government Bonds	3,711	17,155	-	20,866
Total Investments:	\$ 766,098	\$ 178,263	\$ 8,227	\$ 952,588

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, 2018, 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 Boston 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, Pension Reserve Investment Trust (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, 2018:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury notes and bonds	\$ 247,378	\$ 2,873	\$ 120,452	\$ 100,467	\$ 23,586
U.S. agencies	90,869	-	134	-	90,735
Domestic corporate	733,989	878	76,212	132,584	524,315
Municipal	2,624	1,792	-	-	832
International corporate	9,687	-	3,294	5,369	1,024
International government	30,825	130	10,109	15,033	5,553
Asset-backed:					
CMOs	30,547	-	55	583	29,909
Other	34,721	-	9,366	2,680	22,675
	\$ 1,180,640	\$ 5,673	\$ 219,622	\$ 256,716	\$ 698,629

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 managers 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, 2018 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, 2018 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	\$ 90,869	\$ 134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,735
Domestic corporate	733,989	796	4,639	21,508	45,685	20,648	28,880	29,581	582,252
Municipal	2,624	-	2,270	111	243	-	-	-	-
International corporate	9,687	372	532	436	1,539	4,079	2,242	307	180
International government	30,825	758	1,963	3,297	10,647	3,072	3,039	700	7,349
Asset-backed:									
CMOs	30,547	2,298	-	21	-	-	-	-	28,228
Other	34,721	13,092	4,374	960	960	298	-	47	14,990
	<u>\$ 933,262</u>	<u>\$ 17,450</u>	<u>\$ 13,778</u>	<u>\$ 26,333</u>	<u>\$ 59,074</u>	<u>\$ 28,097</u>	<u>\$ 34,161</u>	<u>\$ 30,635</u>	<u>\$ 723,734</u>

In addition to the above schedule, the System has approximately \$247.3 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

e. Concentration Risk

Other than the Pension Reserves Investment Trust (PRIT) fund, 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, 2018. 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
Argentina	\$ 5	\$ -	\$ -	\$ -	\$ 5
Australian dollar	42	489	37,944	-	38,475
Austria	-	-	2,272	-	2,272
Belgium	-	-	5,279	-	5,279
Brazilian real	37	421	-	-	458
Canadian dollar	41	552	-	-	593
Chile	2	-	-	-	2
Columbian Peso	19	190	-	-	209
Danish krone	36	161	12,127	-	12,324
Euro currency	743	-	-	1,977	2,720
Finland	-	215	2,651	-	2,866
France	-	560	77,358	-	77,918
Germany	-	1,339	42,162	-	43,501
Hong Kong dollar	-	-	17,987	-	17,987
Hungary	8	232	-	-	240
Indonesian rupiah	29	322	251	-	602
Israel	5	-	563	-	568
Italy	-	671	16,576	-	17,247
Japanese yen	23	2,590	102,362	-	104,975
Korea	52	-	7,531	-	7,583
Malaysian ringgit	9	69	-	-	78
Mexican peso	27	39	-	-	66
Netherlands	-	109	36,885	-	36,994
New Zealand dollar	30	208	2,089	-	2,327
Norwegian krone	13	201	10,898	-	11,112
Polish zloty	14	147	-	-	161
Pound sterling	243	1,439	90,240	18,312	110,234
Singapore dollar	19	33	2,780	-	2,832
South African rand	33	333	-	-	366
Spain	-	645	22,317	-	22,962
Swedish krona	17	84	12,091	-	12,192
Swiss franc	104	143	31,617	-	31,864
Thailand Baht	34	63	-	-	97
Total securities subject to foreign currency risk	\$ 1,585	\$ 11,255	\$ 533,980	\$ 20,289	\$ 567,109
U.S. dollars (securities held by international investment managers)	-	33,805	243,315	-	277,120
Total international investment securities	\$ 1,585	\$ 45,060	\$ 777,295	\$ 20,289	\$ 844,229

g. PRIT External Investment Pooled Fund

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the PRIT fund. The PRIT pooled 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 pooled fund is based on unit value as reported by management of the PRIT pooled fund. The PRIT pooled fund issues separately available audited financial statements with a year-end of June 30.

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT pooled fund. As of December 31, 2018, the System had the following amounts invested in the PRIT fund (in thousands):

General allocation account	\$	1,481,521
Cash fund		143,278
Total PRIT pooled funds	\$	<u>1,624,799</u>

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. As of December 31, 2018, the System had 20 forward foreign currency contracts with a net notional amount of \$4,093,590 and fair value of \$37,663.

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. Securities lending is an investment management enhancement that utilizes certain existing securities of the Plan to earn additional income. 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.

Securities lending involves the loaning of securities to approved banks and broker-dealers. In return for the loaned securities, the custodian, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash (including both U.S. and foreign currency) or U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral to serve as a safeguard against possible default of any borrower on the return of the loan. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver collateral in the amounts equal to not less than 100% of the market value of the loaned securities. The collateral is marked to market on a daily basis. In the event the counterparty is unable to meet its contractual obligation under the securities lending arrangement, the Plan may incur losses equal to the amount by which the market value of the securities differs from the amount of collateral held. The Plan mitigates credit risk associated with securities lending arrangements by monitoring the fair value of the securities loaned on a daily basis, with additional collateral obtained or refunded as necessary. At December 31, 2018, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System.

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, 2018. 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.

The Plan maintains full ownership rights to the securities loaned and, accordingly, classifies loaned securities as investments. At December 31, 2018, the fair value of securities loaned by the System amounted to \$270.4 million, against which was held collateral of \$278.6 million as follows (in thousands):

Short-term collateral investment pool	\$	149,883
Noncash collateral		128,707
Total	\$	<u>278,590</u>

j. Commitments

At December 31, 2018, the System had contractual commitments to provide \$291 million of additional funding to private equity funds, and \$95 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, 2018 (in thousands):

	Fair Value Measurements Using:		
	Total at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Short-term:			
Domestic	\$ 87,863	\$ 87,863	\$ -
International	13,783	13,783	-
Total short-term	101,646	101,646	-
U.S. equities:			
Large cap core	559,086	559,086	-
Large cap growth	91,133	91,133	-
Large cap value	93,927	93,927	-
Small cap core	87,535	87,535	-
Small cap growth	85,079	85,079	-
Small cap value	94,966	94,966	-
Total U.S. equities	1,011,726	1,011,726	-
International equities	1,312,889	1,312,889	-
Fixed income securities:			
U.S. treasury securities	247,378	247,378	-
Corporate debt securities	733,989	630,268	103,721
Global multi-sector fixed income	40,512	-	40,512
Municipal	2,624	-	2,624
Collateralized mortgage obligations	30,547	-	30,547
Other asset backed securities	34,721	-	34,721
U.S. Agencies	90,869	-	90,869
Total fixed income securities	1,180,640	877,646	302,994
Total investments by fair value level	3,606,901	3,303,907	302,994
Government external investment pool:			
PRIT fund	1,481,521		
Investments measured at the net asset value (NAV):			
Hedge fund of funds	239,768		
Private equity funds	293,403		
Private real estate funds	484,640		
Total investments measured at the NAV	1,017,811		
Total investments at fair value	\$ 6,106,233		

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 PRIT pooled fund is an external investment pool that is not registered with the Securities and 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 pooled fund is based on unit value as reported by management of the PRIT pooled 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.

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	\$ 239,768	\$ -	Quarterly	60-90 days
Real estate funds ²	484,640	94,855	-	-
Private equity funds ³	293,403	290,802	-	-

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 has been determined using the NAV per share of the investments.
2. Real Estate Funds. This type includes 32 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 11, 2018, all properties with unpaid fiscal year 2018 property taxes were liened. 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	\$ 16,974	\$ -	\$ -	\$ -	\$ 16,974
Motor vehicle/boat excise	35,707	-	-	-	35,707
Intergovernmental	6,629	72,723	10,011	-	89,363
Departmental and other	15,085	24,117	-	33,724	72,926
Tax Title and possession	60,818	-	-	-	60,818
Gross receivables	135,213	96,840	10,011	33,724	275,788
Less allowance for uncollectibles	(81,820)	-	-	-	(81,820)
Net total receivables	\$ 53,393	\$ 96,840	\$ 10,011	\$ 33,724	\$ 193,968

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, 2019, under this program, the City was due funds totaling \$2.5 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The final scheduled paydown of \$2.5 million is due in fiscal year 2020.

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, 2019, under this program, the City determined that \$24 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, 2019 by tax abatement program (in thousands):

Tax Abatement Program (1)	Estimated Tax Amount	In Lieu of Tax Payments	Estimated Taxes Abated
121A Urban Redevelopment	\$ 50,101	\$ 44,348	\$ 5,753
121B Urban Redevelopment	18,652	13,838	4,814
Tax Increment Financing	14,592	12,480	2,112
Total	\$ 83,345	\$ 70,666	\$ 12,679

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

8. Capital Asset

Capital asset activity for the governmental activities for the year ended June 30, 2019 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,349	\$ 13,452	\$ -	\$ 42,801
Construction in progress	52,186	202,813	(83,639)	171,360
Total capital assets not being depreciated	81,535	216,265	(83,639)	214,161
Capital assets being depreciated:				
Land improvements	287,669	11,547	-	299,216
Buildings and improvements	2,455,421	20,185	-	2,475,606
Furniture and equipment	481,508	37,784	(19,906)	499,386
Infrastructure	928,806	34,652	-	963,458
Total capital assets being depreciated	4,153,404	104,168	(19,906)	4,237,666
Less accumulated depreciation for:				
Land improvements	127,391	15,605	-	142,996
Buildings and improvements	1,272,313	56,100	-	1,328,413
Furniture and equipment	367,380	44,366	(19,814)	391,932
Infrastructure	325,066	28,584	-	353,650
Total accumulated depreciation	2,092,150	144,655	(19,814)	2,216,991
Total capital assets being depreciated, net	2,061,254	(40,487)	(92)	2,020,675
Governmental activities capital assets, net	\$ 2,142,789	\$ 175,778	\$ (83,731)	\$ 2,234,836

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

General government	\$	17,411
Human services		3,695
Public safety		25,945
Public works, including depreciation of general infrastructure assets		28,344
Property and development		9,601
Parks and recreation		13,780
Library		6,525
Schools		39,100
Public health		254
Total depreciation expense - governmental activities	\$	<u>144,655</u>

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

Individual fund receivable and payable balances at June 30, 2019 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,111	\$ 168
Special revenue	357	1,299
Non-major governmental funds	8,682	8,683
Balances at June 30, 2019	<u>\$ 10,150</u>	<u>\$ 10,150</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, 2019 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 3,983	\$ 4,712
Balances at June 30, 2019	<u>3,983</u>	<u>4,712</u>
Discretely presented component units:		
TPL	-	319
BPHC	4,712	229
BPDA	-	3,435
	<u>4,712</u>	<u>3,983</u>
Balances at June 30, 2019	<u>\$ 8,695</u>	<u>\$ 8,695</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, 2019 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds, Notes, Leases and Other long-term obligations:						
General Obligation Bonds	0-6.05%	\$ 1,307,975	\$ 145,130	\$ 124,361	\$ 1,328,744	\$ 123,845
Add (deduct):						
					162,347	
					(123,845)	
					\$ 1,367,246	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes payable	2.10-7.18%	\$ 67,398	\$ -	\$ 1,576	\$ 65,822	\$ 1,708
Leases payable		69,626	20,704	26,234	64,096	22,097
Judgments and claims		5,084	21,950	7,700	19,334	3,874
Tax abatements		17,300	5,600	-	22,900	7,400
Workers' compensation		170,006	49,400	46,567	172,839	53,298
Health and life claims		19,890	288,484	281,239	27,135	27,135
Compensated absences		227,695	86,510	82,346	231,859	64,205
Landfill closure and postclosure care costs		6,957	-	365	6,592	350
Pollution remediation		500	-	-	500	-
Other postemployment benefits*		2,354,231	286,739	225,635	2,415,335	-
Net pension liability		1,373,685	584,298	200,351	1,757,632	-
Total bonds, notes, leases, and other long-term obligations		\$ 4,312,372	\$ 1,343,685	\$ 872,013	\$ 4,784,044	\$ 180,067

*As restated in note 2r

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, 2019, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

	Principal	Interest	Subsidy	Total
General Obligation Bonds:				
Year(s) ending June 30:				
2020	\$ 123,845	\$ 57,551	\$ (3,070)	\$ 178,326
2021	122,225	51,898	(2,986)	171,137
2022	127,010	45,903	(2,887)	170,026
2023	116,465	40,404	(2,397)	154,472
2024	104,205	34,905	(1,887)	137,223
2025-2029	417,925	109,436	(2,936)	524,425
2030-2034	230,135	43,621	(73)	273,683
2035-2039	86,934	9,493	-	96,427
	<u>\$ 1,328,744</u>	<u>\$ 393,211</u>	<u>\$ (16,236)</u>	<u>\$ 1,705,719</u>
Notes Payable:				
Year(s) ending June 30:				
2020	\$ 1,708	\$ 964	\$ -	\$ 2,672
2021	1,584	929	-	2,513
2022	1,438	889	-	2,327
2023	2,955	845	-	3,800
2024	2,438	800	-	3,238
2025-2029	13,099	3,440	-	16,539
2030-2034	17,983	1,893	-	19,876
2035-2039	10,229	677	-	10,906
Thereafter	14,388	1,001	-	15,389
	<u>\$ 65,822</u>	<u>\$ 11,438</u>	<u>\$ -</u>	<u>\$ 77,260</u>
Leases Payable:				
Year(s) ending June 30:				
2020	\$ 22,097	\$ 1,123	\$ -	\$ 23,220
2021	16,495	758	-	17,253
2022	11,156	466	-	11,622
2023	8,058	265	-	8,323
2024	4,150	113	-	4,263
2025-2026	2,140	48	-	2,188
	<u>\$ 64,096</u>	<u>\$ 2,773</u>	<u>\$ -</u>	<u>\$ 66,869</u>

On March 19, 2019, the City issued \$145.1 million of general obligation bonds for various municipal capital projects. Interest on the bonds are payable semiannually each March 1 and September 1 until maturity in fiscal year 2039.

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 \$64.1 million as of June 30, 2019. 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, 2019 was approximately \$14.7 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, 2019, the City may issue \$6.67 billion of additional general obligation debt under the debt limit. General obligation debt of \$1.02 billion, subject to the debt limit, and \$75.3 million, exempt from the debt limit, are authorized but unissued as of June 30, 2019.

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 another 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, 2018 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, 2018).

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, 2017:

Active plan members	20,995
Retirees and beneficiaries receiving benefits	14,448
Inactive members entitled to a return of contributions	9,514
Inactive members entitled to, but not yet receiving benefits	1,109
Total membership	46,066
Total number of participating employers	6

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, 2018, the System was due \$426.3 million from all employers and the Commonwealth and received \$426.3 million in these contributions. For the year ended June 30, 2019, inclusive of contributions related to SCSD, and exclusive of contributions related to the City’s teachers, the City’s required contribution was \$234.1. The actual contribution was \$255.1 million, which includes a \$21.0 million contribution subsequent to the measurement date. For the year ended June 30, 2019, the Commonwealth’s required and actual contribution related to City Teachers was \$143.1 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, 2018 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,838,956	Active members’ contribution balance
Annuity reserve fund	446,799	Retired members’ contribution account
Military service fund	50	Members’ contribution account while on military leave
Pension reserve fund	4,081,772	Amounts appropriated to fund future retirement benefits
Pension fund	35,377	Remaining net position
	\$ 6,402,954	

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, 2019, the City reported a liability of \$1.67 billion for its proportionate share of the BRS net pension liability measured as of December 31, 2018. 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, 2018 were as follows (in thousands):

City's proportionate share of net pension liability	\$	1,665,325
Commonwealth's proportionate share of net pension liability associated with the City		<u>2,556,731</u>
Total	\$	<u><u>4,222,056</u></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, 2018, the City was allocated 100% of the net pension liability for SCSD retirees and 82.4% of the remaining non-teacher group based on its proportion of 2018 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2018 was 36.32% compared to 32.04% at December 31, 2017.

For the year ended June 30, 2019, in the Government-wide financial statements, the City recognized pension expense of \$513 million and revenue of \$254.8 million related to the Commonwealth special funding situations. At June 30, 2019, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual investment earnings	\$ 329,314	\$ 135,025
Changes in assumptions	115,585	25,251
Changes in employer proportion	20,107	-
Employer contributions made subsequent to the measurement date	<u>21,000</u>	<u>-</u>
	<u>\$ 486,006</u>	<u>\$ 160,276</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:

2020	\$ 103,854
2021	41,609
2022	40,213
2023	130,205
2024	<u>(11,151)</u>
	<u>\$ 304,730</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, 2018 measurement date was determined by using an actuarial valuation as of January 1, 2018, with updated procedures used to roll forward the total pension liability to December 31, 2018. The measurement of the total pension liability at December 31, 2018 applied the following actuarial assumptions:

Inflation	3.25%
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	7.50% for BRS excluding teachers and 7.35% for teachers, net of expenses, including inflation
Cost of living adjustments	3% of first \$14,000
Mortality	RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward 1 year for female participants projected generationally using Scale MP-2017 for BRS excluding Teachers and RP-2014 White Collar Employee and Healthy Annuitant Mortality Tables projected generationally with Scale MP-2016 for Teachers

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, 2018 for BRS, excluding Teachers, are summarized below:

Asset class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	23%	6.16%
International developed markets equity	17	6.69
Emerging markets equity	8	9.47
Core fixed income	16	1.89
High yield fixed income	10	4.00
Real estate	10	4.58
Commodities	0	4.77
Hedge fund, GTAA, Risk parity	9	3.68
Private equity	7	10.00
	100%	

h. Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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 7.50% for the BRS excluding Teachers, as well as what the City’s proportionate share of the BRS net pension liability would be if the liability was calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate for BRS excluding Teachers (in thousands):

	City’s net pension liability		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30, 2019	\$ 2,298,284	\$ 1,665,325	\$ 1,129,876

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, 2019, 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 58 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 \$92.3 million, as of June 30, 2019.

The actuarial valuation as of June 30, 2018 was used to determine the City’s pension liability and pension expense as of June 30, 2019 (in thousands):

Total Pension liability	\$ 92,307
Plan fiduciary net position	-
Plan net pension liability	\$ 92,307
Plan fiduciary net position as a percentage of the total pension liability	-%
Interest	\$ 3,248
Current period difference between expected and actual experience in the total pension liability	2,229
Recognized portion of current year assumption changes	4,875
Pension expense (income)	\$ 10,352

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 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018, which was the high quality tax-exempt general obligation municipal bond rates (20-Bond GO Index) as published by The Bond Buyer for those dates. The mortality assumptions are the same as used in the Boston Retirement System Actuarial Valuation Report as noted in footnote 11(g).

12. Other Post Employment Benefits (OPEB)

Plan Description

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. 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.

The OPEB plan is administered by the City and issues a standalone audited financial report that can be obtained from www.boston.gov/departments/auditing.

Benefits Provided

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 post retirement death benefits, as well as medical and prescription drug coverage.

Employees Covered by the Benefit Terms

As of June 30, 2017, the most recent actuarial valuation date, the following employees meet the eligibility requirements as put forth in Chapter 32B of M.G.L.:

	City	PHC
Active Plan members	14,186	904
Inactive members receiving benefits	14,863	251
Inactive Plan members entitled to but not yet receiving benefits	-	-
Total membership	29,049	1,155

b. Contributions

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, 2017, the valuation date, the plan members contribute 12.0% to 29.5% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

c. Basis of Accounting

The OPEB Trust Fund Financial Statements are 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.

d. Investment Policy

The provisions of Massachusetts General Laws (M.G.L.) c. 44 sec 54 allows investment in securities listed on the Commonwealth’s approved securities listing. The OPEB investment portfolio is managed by the City’s Investment committee consisting of the City Auditor, the Assistant City Manager of Fiscal Affairs, Assistant Finance Director, and City Assessor. The investment strategy is to reduce risk through the prudent diversification of the portfolio across the distinct allowable asset classes. The Committee aims to remain consistent in the approach and refrain from dramatically shifting asset class allocation over a short period.

Actuarial Methods and Assumptions

The total OPEB liability for the June 30, 2019 measurement date determined by using an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total OPEB liability to June 30, 2019. The measurement at June 30, 2019 applied the following assumptions:

- Salary Increase. Non-teachers: 4.0 to 4.5%. Teachers: 4.0 to 7.5%
- Inflation Increase. 3.25%
- Actuarial Cost Method. The entry age normal cost method based on level percentage of payroll.
- Mortality. RP-2014 generational table using Scale MP-2017 for non-teachers and MP-2016 for teachers, applied on a gender-specific basis.
- Healthcare cost trend rates. Medical and Prescription Drug: 7.0% decreasing by 0.5% for 5 years to an ultimate rate of 4.5%. Medicare Part B Premium: 4.5%. Contributions: Retiree contributions are expected to increase with medical trend.
- Discount Rate. The discount rate used to measure the total OPEB liability is 6.75% per annum.

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of return
Domestic equity	25%	6.16%
International developed markets equity	20%	6.69%
International emerging markets equity	5%	9.47%
Core Fixed Income	23%	1.89%
High Yield Fixed Income	7%	4.00%
Real Estate	6%	4.58%
Hedge Fund, GTAA, Risk parity	14%	3.68%
Total	100%	

Net OPEB Liability

The components of the net OPEB liability for the City’s Plan as of June 30, 2019, presented below on the June 30, 2019 measurement date and the actuarial assumptions are outlined above (in thousands):

	City
Total OPEB Liability	\$3,009,584
Plan Fiduciary Net Position	(594,249)
Net OPEB Liability	\$2,415,335
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	19.75%

Change in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2018	\$2,874,860	\$520,629	\$2,354,231
Changes for the year:			
Service cost	69,659	-	69,659
Interest	194,459	-	194,459
Differences between expected and actual experience	6,624	-	6,624
Contributions - employer	-	176,018	(176,018)
Net investment income	-	33,624	(33,624)
Benefit payments	(136,018)	(136,018)	-
Administrative expenses	-	(4)	4
Net changes	134,724	73,620	61,104
Balances at June 30, 2019	\$3,009,584	\$594,249	\$2,415,335

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rates disclosed as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as of June 30, 2019 (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$2,835,237	\$2,415,335	\$2,070,930

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB liability	\$1,991,597	\$2,415,335	\$2,947,904

OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Plan financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019 the City recognized OPEB expense of \$226 million.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings	\$ -	\$ 3,588
Differences between expected and actual experience	6,178	982
Total	<u>\$ 6,178</u>	<u>\$ 4,570</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Fiscal Year	Amount
2020	\$ (1,994)
2021	(1,994)
2022	2,229
2023	1,375
2024	1,046
2025	945
Total	<u>\$ 1,607</u>

13. Transfers

Transfers and their purposes during the year ended June 30, 2019 were as follows (in thousands):

	Governmental funds			
	General	Special revenue	Capital projects	Other governmental
Primary government:				
Parking Meter Fees	\$ -	\$ (53,803)	\$ 53,803	\$ -
Debt Service	(1,455)	-	-	1,455
Total	<u>\$ (1,455)</u>	<u>\$ (53,803)</u>	<u>\$ 53,803</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, 2019 in the following categories (in thousands):

Police Department	\$ 16,326
Execution of Courts	13,234
Fire Department	5,365
	<u>\$ 34,925</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, 2019 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:				
Community Preservation Fund	-	40,339	-	-
General government	-	-	15,929	2,844
Human services	-	-	1,487	-
Police	-	-	21,309	-
Fire	-	-	5,814	-
Other public safety	-	-	10,602	-
Public Works	-	-	98,434	-
Property and Development	-	24,066	40,889	36,530
Parks and recreation	-	-	46,437	43,219
Library	-	-	16,073	-
Schools	-	-	17,503	13,418
Public health programs	-	-	-	-
Subtotal	-	64,405	274,477	96,011
Assigned to:				
Property and development	9,240	-	-	-
Catastrophic loss	26,072	-	-	-
Housing initiative	34,275	-	-	-
Debt service	7,162	-	-	-
Employee Related Costs	150,479	-	-	-
Designated for subsequent year budget	40,000	-	-	-
Designated for subsequent year expenditure	124,772	196,634	-	-
Subtotal	392,000	196,634	-	-
Unassigned	794,610	-	-	-
Total fund balances	\$ 1,186,610	\$ 261,039	\$ 274,477	\$ 106,052

16. Commitments and Contingencies

a. Encumbrances

The City has assigned \$124.8 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$118.4 million in the Special Revenue Fund, \$97.9 million in the Capital Projects Fund, and \$500 thousand in Other Governmental Funds.

b. 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, 2019. 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, 2019.

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.

During fiscal year 2019, the City executed an Infrastructure Development Assistance Agreements (IDAA) for an I-Cubed transaction. Under the IDAA, \$30.0 million in bonds were issued by MDFA in June 2019. 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 letter of credit for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2019.

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 2019, the City appropriated \$88.0 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 \$93.4 million for the BPHC for fiscal year 2020.

Due from BPHC/BMC

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 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 \$41.7 million at the end of fiscal 2019. 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, 2019 and 2018 are as follows (in thousands):

	Internal service fund	
	2019	2018
Health and life claims, beginning of year	\$ 19,890	\$ 23,881
Incurred claims	288,484	222,090
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(281,239)	(226,081)
Health and life claims, end of year	<u>\$ 27,135</u>	<u>\$ 19,890</u>

	Government-wide statements	
	2019	2018
Judgments and claims, beginning of year	\$ 192,390	\$ 189,261
Incurred claims	76,950	24,703
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(46,567)	(13,874)
Court judgments	(7,700)	(7,700)
Judgments and claims, end of year	\$ 215,073	\$ 192,390

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, 2019, \$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):

Year(s) ending June 30:	Lease payments
2020	\$ 638
2021	638
2022	638
2023	1,334
2024	2,030
2025-2029	10,150
2030-2034	10,150
2035-2039	10,150
2040-2044	10,150
2045-2048	7,105
Total	\$ 52,983

The Board of Directors and City of Boston have arranged the leveraged loans to be paid via the assignment of the notes and cancellation of the indebtedness based on the ending compliance period of the New Market Tax Credits ("NMTC") received by the City to operate as a qualified active low-income business ("QALICB"). The unwind of the NMTC is scheduled for fiscal year 2020.

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, 2019

(In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 37,200	\$ 42,015	\$ 7,160	\$ 22,845	\$ 109,220
Cash and investments held by trustee	-	-	14,636	-	14,636
Receivables, net:					
Other	21,518	9,017	2,709	6,146	39,390
Other assets	463	176	6	4,579	5,224
Due from primary government	4,712	-	-	-	4,712
Total current assets	63,893	51,208	24,511	33,570	173,182
Noncurrent assets:					
Cash and investments held by trustee	-	-	63,043	-	63,043
Notes receivable	44,332	117,907	963	-	163,202
Capital assets:					
Nondepreciable	11,793	5,988	-	4,022	21,803
Depreciable	13,590	15,902	149	37,054	66,695
Total noncurrent assets	69,715	139,797	64,155	41,076	314,743
Total assets	133,608	191,005	88,666	74,646	487,925
Deferred outflows of resources:					
Deferred amount for pension costs	40,824	5,156	-	-	45,980
Deferred amount for other postemployment benefits costs	6,995	1,887	-	-	8,882
Total deferred outflows of resources	\$ 47,819	\$ 7,043	\$ -	\$ -	\$ 54,862
Liabilities:					
Current liabilities:					
Warrants and accounts payable	20,803	3,360	1,101	3,685	28,949
Accrued liabilities:					
Other	1,065	161	1,509	1,612	4,347
Current portion of long-term debt and leases	1,930	-	-	835	2,765
Due to primary government	229	-	319	-	548
Unearned revenue	1,974	1,066	-	670	3,710
Total current liabilities	26,001	4,587	2,929	6,802	40,319
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	3,548	1,475	-	9,754	14,777
Other noncurrent liabilities	1,575	133,047	-	1,167	135,789
Other postemployment benefits	130,494	14,363	-	-	144,857
Unearned revenue	45,323	19,853	-	-	65,176
Net pension liability	146,140	19,083	-	-	165,223
Due to primary government	-	3,435	-	-	3,435
Total noncurrent liabilities	327,080	191,256	-	10,921	529,257
Total liabilities	353,081	195,843	2,929	17,723	569,576
Deferred inflows of resources:					
Deferred amount for pension costs	23,616	3,296	-	-	26,912
Deferred amount for other postemployment benefits costs	17,019	15,567	-	-	32,586
Total deferred inflows of resources	40,635	18,863	-	-	59,498
Net position:					
Net investment in capital assets	19,905	18,874	149	30,487	69,415
Restricted	-	-	77,516	704	78,220
Unrestricted	(232,194)	(35,532)	8,072	25,732	(233,922)
Total net position	\$ (212,289)	\$ (16,658)	\$ 85,737	\$ 56,923	\$ (86,287)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2019
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 181,325	\$ 26,437	\$ 10,984	\$ 32,356	\$ 251,102
Program revenues:					
Charges for services	42,284	11,316	3,297	33,614	90,511
Operating grants and contributions	41,884	11,266	13,501	12,364	79,015
Capital grants and contributions	1,575	-	-	-	1,575
Total program revenues	85,743	22,582	16,798	45,978	171,101
Net program revenues (expenses)	(95,582)	(3,855)	5,814	13,622	(80,001)
General revenues:					
Investment income	508	294	172	-	974
Sale of property	17	15,354	-	-	15,371
City appropriation	88,759	-	-	-	88,759
Miscellaneous income	546	-	1,466	746	2,758
Total general revenues	89,830	15,648	1,638	746	107,862
Change in net position	(5,752)	11,793	7,452	14,368	27,861
Net position - beginning of year, restated	(206,537)	(28,451)	78,285	42,555	(114,148)
Net position - end of year	\$ (212,289)	\$ (16,658)	\$ 85,737	\$ 56,923	\$ (86,287)

Required Supplementary Information
(Unaudited)

Schedule of OPEB Contributions - OPEB
(Amounts in thousands)

	2019	2018	2017
Actuarially determined contribution	\$ 199,400	\$ 190,991	\$ 167,787
Contributions in relation to the actuarially determined contribution	176,018	159,966	157,464
Contribution surplus (deficiency)	<u>(23,382)</u>	<u>(31,025)</u>	<u>(10,323)</u>
Covered payroll	\$ 1,696,838	\$ 1,611,911	\$ 1,582,695
Contributions as a percentage of covered payroll	10.37%	9.92%	9.95%

Note: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Valuation date:

Actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. That is, the contribution for June 30, 2019 was determined with the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Payments increasing at 3.25% per year
Remaining amortization:	27 years as of July 1, 2018
Asset valuation method:	Market Value
Inflation:	3.25%
Health care trend rates:	Non-Medicare costs 7% initial, decreasing 0.5% annually to an ultimate of 4.5%
	Medicare costs - 7% initial, decreasing 0.5% annually to an ultimate of 4.5%
	Medicare Part B premiums - 4.5%
Salary increases:	Non-teachers - 4% to 4.5%; Teachers 4% to 7.5%
Investment return:	6.75%
Mortality:	RP-2014 generational table using Scale MP-2017 for non-teachers and MP-2016 for teachers applied on a gender-specific basis.

See accompanying independent auditors' report

Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2019

*(Amounts in thousands)***Total OPEB Liability**

	2019	2018	2017
Service Cost	\$ 69,659	\$ 67,365	\$ 65,146
Interest	194,459	185,615	177,157
Differences between expected and actual experience	6,624	700	(1,717)
Benefit payments, including refunds of employee contributions	(136,018)	(119,966)	(117,464)
Net Change in total OPEB liability	134,724	133,714	123,122
Total OPEB liability - beginning	2,874,860	2,741,146	2,618,024
Total OPEB liability - ending	3,009,584	2,874,860	2,741,146
Plan Fiduciary Net Position			
Contributions - employers	176,018	159,966	157,464
Net investment income, net	33,624	27,656	47,156
Benefit payments, including refunds of employee contributions	(136,018)	(119,966)	(117,464)
Administrative expenses	(4)	(12)	(5)
Net change in plan fiduciary net position	73,620	67,644	87,151
Plan fiduciary net position - beginning	520,629	452,986	365,835
Plan fiduciary net position - ending	594,249	520,630	452,986
Net OPEB liability	\$ 2,415,335	\$ 2,354,230	\$ 2,288,160
Plan fiduciary net position as a percentage of the total			
OPEB Liability	19.75%	18.11%	16.53%
Net OPEB liability as a percentage of the total covered payroll	142.34%	146.05%	144.57%
Covered payroll	1,696,838	1,611,911	1,582,695

Notes: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: None

See accompanying independent auditors' report

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

(Amounts in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City’s proportion of the net pension liability	36.31%	32.04%	35.66%	36.78%
City’s proportionate share of the net pension liability	\$ 1,665	\$ 1,288	\$ 1,484	\$ 1,622
Commonwealth’s proportionate share of net pension liability associated with the City	2,451	2,451	2,345	2,426
Total	\$ 4,116	\$ 3,739	\$ 3,829	\$ 4,048
City’s covered payroll (for the period ended on the measurement date December 31, 2018, 2017, and 2016)	\$ 1,609	\$ 1,547	\$ 1,475	\$ 1,475
City’s proportionate share of the net pension liability as a percentage of covered payroll	103.48%	83.26%	100.61%	109.97%
BRS fiduciary net position as a percentage of the total pension liability	58.27%	62.73%	58.44%	55.76%

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 234	\$ 214	\$ 193	\$ 179
Contributions in relation to the actuarially determined contribution	234	214	193	179
Contribution surplus (deficiency)	\$ -	\$ -	\$ -	-
Covered payroll (for the fiscal year ended June 30, 2018, 2017 and 2016)	\$ 1,609	\$ 1,542	\$ 1,467	\$ 1,467
Contributions as a percentage of covered payroll	14.54%	13.88%	13.16%	12.20%

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.

See accompanying independent auditors’ report



GENERAL FUND

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.



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GENERAL FUND

Comparative Balance Sheets

June 30, 2019 and 2018

(Amounts in thousands)

	2019	2018
ASSETS:		
Cash and investments	\$ 1,434,832	\$ 1,309,557
Receivables:		
Property taxes	16,974	16,151
Motor vehicle / boat excise	35,707	24,594
Intergovernmental	6,629	10,525
Departmental and other	15,085	19,003
Tax title and possession	60,818	61,831
Total Receivables	135,213	132,104
Allowance:		
Motor vehicle / boat excise	(21,001)	(19,996)
Tax title and possession	(60,819)	(61,831)
Total Allowance	(81,820)	(81,827)
Net receivable	53,393	50,277
Due from other funds	1,111	1,860
Due from component units	3,983	7,234
Total assets	\$ 1,493,319	\$ 1,368,928
LIABILITIES:		
Warrants and accounts payable	\$ 67,915	\$ 57,050
Accrued liabilities:		
Payroll and related costs	170,480	172,942
Deposits and other	32,231	24,674
Due to other funds	168	923
Due to component units	4,712	2,413
Total liabilities	\$ 275,506	\$ 258,002
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	31,203	28,872
FUND BALANCE:		
Assigned	392,000	300,652
Unassigned	794,610	781,402
Total fund balance	1,186,610	1,082,054
Total liabilities, deferred inflows of resources and fund balance	\$ 1,493,319	\$ 1,368,928

See accompanying independent auditors' report

GENERAL FUND

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	2019	2018
REVENUES:		
Real and personal property taxes	\$ 2,344,686	\$ 2,221,877
Excises	256,229	243,581
Payments in lieu of taxes	87,018	84,940
Fines	73,792	63,206
Investment income	30,408	15,390
Licenses and permits	82,658	74,144
Departmental and other	97,442	98,287
Intergovernmental	577,458	570,753
Total Revenues	3,549,691	3,372,178
EXPENDITURES:		
Current:		
General government	112,998	90,076
Human services	34,208	35,023
Public safety	726,406	689,929
Public works	106,504	111,772
Property and development	41,483	39,022
Parks and recreation	26,890	25,285
Library	38,597	36,025
Schools	1,118,332	1,087,192
Public health programs	87,487	81,129
Judgments and claims	1,202	7,693
Retirement costs	400,973	356,251
Other employee benefits	264,832	261,377
State and district assessments	283,360	267,205
Total current expenditures	3,243,272	3,087,979
Capital outlays	17,683	9,738
Debt service	182,725	176,240
Total Expenditures	3,443,680	3,273,957
Excess of revenues over expenditures	106,011	98,221
OTHER FINANCING USES:		
Transfers out	(1,455)	(1,455)
Total other financing uses	(1,455)	(1,455)
Net change in fund balances	104,556	96,766
Fund balance - beginning	1,082,054	985,288
Fund balance - ending	\$ 1,186,610	\$ 1,082,054

See accompanying independent auditors' report

GENERAL FUND

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

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019					2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
PROPERTY TAXES						
Real Estate Taxes	\$ 2,152,155	\$ 2,152,155	\$ 2,154,758	\$ 2,603	\$ 2,031,384	
Real and Personal Property Taxes	164,494	164,494	166,125	1,631	160,608	
Revenue class total	2,316,649	2,316,649	2,320,883	4,234	2,191,992	
MOTOR VEHICLE EXCISE						
Motor Vehicle Excise - Current	52,000	52,000	42,926	(9,074)	39,440	
Motor Vehicle Excise - Prior Years	-	-	23,099	23,099	27,443	
Boat Excise - Current and Prior Years	40	40	50	10	57	
Revenue class total	52,040	52,040	66,075	14,035	66,940	
OTHER EXCISE TAXES						
Hotel / Motel Room Excise	92,000	92,000	100,579	8,579	94,010	
Aircraft Fuel Excise	15,750	15,750	34,476	18,726	28,835	
Condominium Conversion Excise	500	500	743	243	970	
Meals Tax Excise	29,000	29,000	33,013	4,013	30,930	
Urban Redevelopment Ch 121A	10,500	10,500	19,709	9,209	41,576	
Vehicle Rental Surcharge	1,500	1,500	1,562	62	1,553	
Community Host Agreements	-	-	62	62	-	
Revenue class total	149,250	149,250	190,144	40,894	197,874	
COMMONWEALTH OF MASSACHUSETTS						
State Owned Lands	319	319	319	-	291	
Exemption - Elderly	1,017	1,017	1,014	(3)	380	
Exemption - Other	-	-	-	-	-	
Lottery	-	-	-	-	-	
Veterans Services - Local Aid	1,628	1,628	1,662	34	1,927	
Police Career Incentive	-	-	-	-	-	
Unrestricted General Government Aid	195,892	195,892	186,905	(8,987)	189,268	
Local Share of Racing Taxes	323	323	330	7	443	
School Construction	5,107	5,107	5,107	-	6,720	
Charter School Reimbursement	22,662	22,662	19,018	(3,644)	22,613	
Chapter 70 Education Aid	220,002	220,002	220,002	-	218,066	
Revenue class total	446,950	446,950	434,357	(12,593)	439,708	

(Continued)

See accompanying independent auditors' report

GENERAL FUND

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

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes	\$ 2,500	\$ 2,500	\$ 2,581	\$ 81	\$ 2,911
Penalties & Interest - Motor Vehicle	2,500	2,500	2,861	361	3,069
Penalties & Interest - Tax Title	4,000	4,000	5,978	1,978	5,395
Penalties & Interest - Boat Excise	5	5	0	(5)	-
Sidewalk Paid in Advance	-	-	21	21	1
Unapportioned Assessments	-	-	1	1	2
Unapportioned Street Assessments	-	-	14	14	-
Other Departmental Fees & Charges	1,960	1,960	1,918	(42)	2,289
Registry Division Fees	1,525	1,525	1,786	261	1,616
Liens	625	625	583	(42)	634
Other Departmental	1,900	1,900	4,332	2,432	3,200
City Clerk Fees	600	600	653	53	586
Muni Medicaid Reimbursement	7,500	7,500	7,533	33	8,115
Medicaid Part D	3,600	3,600	5,336	1,736	3,600
BCYF Membership Fees	-	-	225	225	-
Police Services	550	550	697	147	765
Fire Services	6,500	6,500	7,572	1,072	7,322
Parking Facilities	2,089	2,089	2,644	555	2,956
Street Occupancy	8,500	8,500	10,955	2,455	8,873
Street and Sidewalk Permits	1,100	1,100	1,188	88	1,520
Demolition of Abandoned Structures	20	20	-	(20)	2
Property Mgmt - Building Rents	1,610	1,610	2,277	667	1,621
St Furniture Program Fixed Fees	1,500	1,500	1,500	-	1,500
St Furniture Program Adm Fees	1,100	1,100	971	(129)	1,251
DoIT/PWD Small Cell Revenue	150	150	430	280	-
DOIT E-Rate	800	800	894	94	1,284
Fiber Optics Access Fees	60	60	39	(21)	137
Tuition and Transportation - Schools	1,000	1,000	1,909	909	1,311
McKinney-Vento reimbursement	1,380	1,380	-	(1,380)	2,811
Library Fees	150	150	183	33	164
Cobra / Self-pay	200	200	179	(21)	287
Affirmative Recovery Unit	100	100	263	163	154
Fringe-Retirement	4,800	4,800	5,141	341	5,409
Pensions and Annuities	4,650	4,650	5,076	426	4,718
Indirect Costs Reimbursement	400	400	484	84	482
3rd Party Fringe Reimbursement	300	300	260	(40)	325
Third-Party Payments	-	-	4	4	-
Prior Year Reimbursements	200	200	1,759	1,559	149
Police Detail Payroll	-	-	50	50	9
Police Detail Administration Fee	4,600	4,600	4,041	(559)	4,684
Miscellaneous Collecting	-	-	5	5	8
Administrative Fee 3rd Party Payments	300	300	1,396	1,096	430
Revenue class total	68,774	68,774	83,739	14,965	79,590

(continued)

See accompanying independent auditors' report

GENERAL FUND**Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis)
Years Ended June 30, 2019 and 2018 (Amounts in thousands)**

Classification	2019					2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
FINES						
Parking Fines	\$ 66,295	\$ 66,295	\$ 70,136	\$ 3,841	\$ 60,722	
Boots & Tows Fees	-	-	1,038	1,038	-	
Court Fines	110	110	23	(87)	59	
Moving Violation Fines - Court	1,312	1,312	1,435	123	1,352	
Fire Safety Fines	28	28	72	44	52	
Code Enforcement	1,000	1,000	1,227	227	1,204	
Revenue class total	68,745	68,745	73,931	5,186	63,389	
PAYMENTS IN LIEU OF TAXES						
Massport	19,240	19,240	19,443	203	18,705	
Miscellaneous PILOT's	26,776	26,776	34,605	7,829	33,990	
Miscellaneous Ch 121B Section 16	6,000	6,000	9,608	3,608	9,542	
Miscellaneous Ch 121A Section 6A	11,000	11,000	24,639	13,639	21,347	
EDIC Chapter 121C PILOT	-	-	450	450	50	
Revenue class total	63,016	63,016	88,745	25,729	83,634	
INVESTMENT INCOME						
Interest on Investments	5,000	5,000	30,408	25,408	15,390	
Revenue class total	5,000	5,000	30,408	25,408	15,390	
LICENSES AND PERMITS						
Building Structures and Permits	45,000	45,000	61,819	16,819	52,818	
Weights and Measures	300	300	289	(11)	298	
Street and Curb Permits	3,500	3,500	3,310	(190)	3,660	
Pre-rental Inspections	2,000	2,000	1,640	(360)	1,322	
Other Departmental Licenses & Permits	700	700	514	(186)	562	
Boat Mooring Permits	-	-	16	16	-	
Health Inspections	1,800	1,800	1,850	50	1,871	
Alcoholic Beverages and Licenses	4,560	4,560	4,602	42	4,526	
Entertainment Licenses	1,700	1,700	1,883	183	1,902	
Police Firearm Permits	25	25	37	12	49	
Other Business Licenses and Permits	175	175	167	(8)	165	
Cable Television	6,500	6,500	6,469	(31)	7,335	
Revenue class total	66,260	66,260	82,596	16,336	74,508	
MISCELLANEOUS						
Air Rights	267	267	267	-	267	
Revenue class total	267	267	267	-	267	
TRANSFERS AND OTHER AVAILABLE FUNDS						
Surplus of Property	15,000	15,000	-	(15,000)	-	
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	78,450	78,450	-	(78,450)	-	
Total Revenues and Other financing Sources	\$ 3,315,401	\$ 3,315,401	\$ 3,371,145	\$ 55,744	\$ 3,213,292	

See accompanying independent auditors' report

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
GENERAL GOVERNMENT					
Costs of Issuance - RANS	\$ 500	\$ 500	\$ 426	\$ 74	\$ 400
Annual Audit Costs	750	817	817	-	980
Mayor's Office	5,799	4,569	4,556	13	4,178
City Council	5,667	5,667	5,443	224	5,248
Office of New Bostonians	472	472	412	60	444
Consumer Affairs and Licensing	1,274	1,274	1,222	52	1,152
Election Department - Election Division	4,218	3,738	3,725	13	3,404
Election Department - Listing Board	514	514	481	33	502
Auditing Department	2,894	2,744	2,735	9	2,680
Assessing Department	7,614	7,164	7,151	13	7,190
Treasury Department - Collecting Division	2,897	3,248	3,228	20	3,287
Treasury Department - Treasury Division	17,004	16,974	16,942	32	1,929
Office of Budget Management	3,502	2,722	2,703	19	2,812
Human Resources	4,630	3,879	3,852	27	3,537
Purchasing Division	1,852	1,752	1,736	16	1,659
Office of Administration & Finance	1,298	786	757	29	1,206
Office of Labor Relations	1,447	1,237	1,123	114	1,250
Department of Innovation & Technology	31,337	39,063	39,059	4	33,816
Intergovernmental Relations	1,450	1,301	1,292	9	1,197
Law Department	8,113	6,513	6,479	34	6,503
Risk Retention Reserved	3,000	3,000	3,000	-	3,000
Housing Trust Fund	641	653	653	-	472
City Clerk	1,302	1,302	1,234	68	1,234
Registry Division	1,136	1,136	1,116	20	958
Finance Commission	283	283	276	7	271
Tregor Reserve Fund	-	3,410	3,410	-	-
Office of Civil Rights	303	303	291	12	259
Commission for Persons with Disabilities	473	473	400	73	428
Public Information	-	-	-	-	-
Neighborhood Services	3,408	3,108	3,045	63	3,062
Arts & Cultural Develop	1,489	1,319	1,308	11	1,347
Arts, Tourism & Special Events	1,422	1,352	1,334	18	1,135
Women's Commission	265	265	257	8	243
Reserve for Collective Bargaining	1,260	2,510	2,510	-	15,500
Function Total	118,214	124,048	122,973	1,075	111,283
HUMAN SERVICES					
Boston Centers for Youth & Families	27,295	27,470	27,468	2	29,152
Elderly Commission	3,734	3,734	3,724	10	3,568
Veterans Services Department	4,692	2,992	2,937	55	3,234
Function total	35,721	34,196	34,129	67	35,954

(continued)

See accompanying independent auditors' report

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department	\$ 400,436	\$ 400,436	\$ 416,762	\$ (16,326)	\$ 399,924
Fire Department	254,444	254,444	259,809	(5,365)	233,420
Mayor's Office - Emergency Preparedness	700	700	685	15	651
Transportation - Traffic Division	29,106	29,472	29,469	3	26,905
Transportation - Parking Clerk	8,817	8,572	8,570	2	8,655
Inspection Services Department	19,473	19,174	19,170	4	18,566
Youth Fund	6,549	6,149	6,091	58	6,336
Function total	719,525	718,947	740,556	(21,609)	694,457
PUBLIC WORKS					
Public Works Department	87,957	87,543	87,494	49	84,760
Central Maintenance Facility	2,977	2,997	2,994	3	2,829
Snow Removal	24,066	22,768	22,763	5	28,169
Function total	115,000	113,308	113,251	57	115,758
PROPERTY AND DEVELOPMENT					
Property Management	27,608	29,702	29,677	25	25,716
Neighborhood Development	14,221	14,221	14,204	17	13,686
Function total	41,829	43,923	43,881	42	39,402
PARKS AND RECREATION					
Parks and Recreation Department	21,234	23,444	23,436	8	23,855
Environment Department	2,918	4,783	4,779	4	2,470
Cemetery Division	2,556	2,556	2,553	3	2,468
Function total	26,708	30,783	30,768	15	28,793
LIBRARY					
Library Department	38,180	38,664	38,664	-	35,758
Function total	38,180	38,664	38,664	-	35,758
SCHOOLS					
Boston Public Schools	1,126,705	1,126,705	1,126,676	29	1,093,290
Function total	1,126,705	1,126,705	1,126,676	29	1,093,290
PUBLIC HEALTH					
Public Health Commission	87,967	87,967	87,967	-	79,563
Function total	87,967	87,967	87,967	-	79,563

(continued)

See accompanying independent auditors' report

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

Classification	2019				2018 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts	\$ 5,000	\$ 5,000	\$ 18,234	\$ (13,234)	\$ 19,513
Function total	5,000	5,000	18,234	(13,234)	19,513
OTHER EMPLOYEE BENEFITS					
Medicare Payments	11,000	\$ 10,700	\$ 10,673	\$ 27	9,815
Human Resources - Health Insurance	220,979	212,079	212,029	50	210,986
Health Benefits & Insurance	890	891	843	48	715
Unemployment Compensation	350	-	-	-	-
Workers' Compensation Fund	2,200	1,655	1,619	36	1,386
OPEB Stabilization Fund	40,000	40,000	40,000	-	40,000
Function total	275,419	265,325	265,164	161	262,902
PENSION COSTS					
Boston Retirement System	242,085	263,085	263,085	-	233,302
Pensions and Annuities - City	4,100	3,745	3,699	46	3,636
Pensions and Annuities - County	100	20	13	7	30
Function total	246,285	266,850	266,797	53	236,968
DEBT REQUIREMENTS					
Redemption of City Loans	112,190	121,170	121,161	9	116,643
City Debt and Interest Payments	70,961	52,194	52,099	95	49,837
Temporary Notes	-	-	-	-	-
MWPAT Principal	1,187	1,229	1,229	-	1,218
MWPAT Interest	407	289	275	14	305
Section 108 - Dudley Square	-	-	-	-	505
Debt Service Sinking Funds	1,455	1,455	1,455	-	1,455
Lease Payments	551	638	638	-	551
Function total	186,751	176,975	176,857	118	170,514
STATE & DISTRICT ASSESSMENTS					
Health Insurance/Retirement	11	11	11	-	45
Parking Surcharge	2,265	2,265	2,265	-	2,265
Mosquito Control Projects	282	282	282	-	274
Special Education Chapter 766	782	782	707	75	743
Metropolitan Air Pollution Center	262	262	262	-	255
Metropolitan Area Planning	348	348	348	-	338
MBTA Assessments	88,210	88,210	88,210	-	85,805
MDC Assessments	12	12	12	-	12
School Choice	1,106	1,620	1,620	-	985
Charter School Sending Tuition	194,944	185,043	185,025	18	173,352
Suffolk County Jail	3,875	3,875	3,875	-	3,875
Function total	292,097	282,710	282,617	93	267,949
Total Expenditures	\$ 3,315,401	\$ 3,315,401	\$ 3,348,534	\$ (33,133)	\$ 3,192,104

See accompanying independent auditors' report



SPECIAL REVENUE FUND

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 in addition to Community Preservation Act funds.



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SPECIAL REVENUE FUND**Combining Balance Sheets****June 30, 2019 and with comparative totals for 2018***(Amounts in thousands)*

	Special Revenue	CPA Fund	Total	
			2019	2018
ASSETS:				
Cash and investments	\$ 214,231	\$ 40,865	\$ 255,096	\$ 247,631
Receivables, net:				
Intergovernmental	72,723	-	72,723	54,583
Departmental and other	24,066	51	24,117	29,215
Total receivables	96,789	51	96,840	83,798
Due from other funds	357	-	357	211
Total Assets	\$ 311,377	\$ 40,916	\$ 352,293	\$ 331,640
LIABILITIES:				
Warrants and accounts payable	\$ 24,185	\$ 553	\$ 24,738	\$ 24,382
Accrued liabilities:				
Payroll and related costs	-	-	-	95
Deposits and other	65,217	-	65,217	57,673
Due to other funds	1,275	24	1,299	1,899
Total liabilities	90,677	577	91,254	84,049
DEFERRED INFLOWS OF RESOURCES:				
Revenue not considered available	-	-	-	200
FUND BALANCE:				
Restricted	24,066	40,339	64,405	47,854
Assigned	196,634	-	196,634	199,537
Total fund balance	220,700	40,339	261,039	247,391
Total liabilities, deferred inflows of resources and fund balance	\$ 311,377	\$ 40,916	\$ 352,293	\$ 331,640

See accompanying independent auditors' report

SPECIAL REVENUE FUND

Combining Statements of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Special Revenue	CPA Fund	Total	
			2019	2018
REVENUES:				
Fines	\$ -	\$ -	\$ -	\$ 73
Investment income	185	757	942	213
Licenses and permits	223	-	223	212
Departmental and other	55,928	20,358	76,286	71,385
Intergovernmental	280,441	3,613	284,054	265,723
Total revenues	336,777	24,728	361,505	337,606
EXPENDITURES:				
Current:				
General government	8,466	3,206	11,672	9,472
Human services	8,701	-	8,701	8,953
Public safety	23,666	-	23,666	21,692
Public works	6,732	-	6,732	10,062
Property & development	83,716	-	83,716	88,005
Parks and recreation	1,423	-	1,423	4,845
Library	2,137	-	2,137	2,452
Schools	153,481	-	153,481	150,198
Public health programs	1,040	-	1,040	2,140
Total current expenditures	289,362	3,206	292,568	297,819
Capital outlays	1,596	-	1,596	1,659
Total Expenditures	290,958	3,206	294,164	299,478
Excess of revenues over expenditures	45,819	21,522	67,341	38,128
OTHER FINANCING SOURCES (USES):				
Premiums on long-term debt issued	110	-	110	233
Transfer out	(53,803)	-	(53,803)	(46,385)
Total other financing sources (uses)	(53,693)	-	(53,693)	(46,152)
Net change in fund balances	(7,874)	21,522	13,648	(8,024)
Fund balance - beginning	228,574	18,817	247,391	255,415
Fund balance - ending	\$ 220,700	\$ 40,339	\$ 261,039	\$ 247,391

See accompanying independent auditors' report



CAPITAL PROJECTS FUND

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.



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CAPITAL PROJECTS FUND

Comparative Balance Sheets

June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and investments	\$ 297,463	\$ 198,417
Cash and investment held by trustees	17,994	10,185
Intergovernmental receivables	10,011	13,058
Total Assets	<u>\$ 325,468</u>	<u>\$ 221,660</u>
LIABILITIES:		
Warrants and accounts payable	\$ 46,278	\$ 26,081
Total liabilities	<u>46,278</u>	<u>26,081</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	4,713	12,302
FUND BALANCE:		
Restricted	274,477	183,277
Total fund balance	<u>274,477</u>	<u>183,277</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 325,468</u>	<u>\$ 221,660</u>

See accompanying independent auditors' report

CAPITAL PROJECTS FUND

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
REVENUES:		
Intergovernmental	\$ 33,010	\$ 38,261
Total revenues	<u>33,010</u>	<u>38,261</u>
EXPENDITURES:		
Capital outlays	244,137	222,598
Total expenses	<u>244,137</u>	<u>222,598</u>
Deficiency of revenues under expenditures	<u>(211,127)</u>	<u>(184,337)</u>
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	165,836	176,698
Premiums on long-term debt issued	25,688	23,289
Proceeds from Sale of Property	57,000	-
Operating transfers, net	53,803	46,385
Total other financing sources (uses)	<u>302,327</u>	<u>246,372</u>
Net change in fund balances	<u>91,200</u>	<u>62,035</u>
Fund balance - beginning	<u>183,277</u>	<u>121,242</u>
Fund balance - ending	<u>\$ 274,477</u>	<u>\$ 183,277</u>

See accompanying independent auditors' report



OTHER GOVERNMENTAL FUNDS

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 a co-mingled investment fund and 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 a co-mingled investment fund and 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.



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OTHER GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2019 with comparative totals for 2018

(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.	2019	2018
ASSETS:								
Cash and investments	\$ -	\$ -	\$ -	\$ 12,659	\$ -	\$ -	\$ 12,659	\$ 11,012
Cash and investments held by trustees	53,420	765	2,842	-	1,577	1,483	60,087	58,749
Receivables, net	44	1	6	-	1	33,672	33,724	32,552
Due from other funds	-	-	-	-	8,682	-	8,682	7,696
Total assets	\$ 53,464	\$ 766	\$ 2,848	\$ 12,659	\$ 10,260	\$ 35,155	\$ 115,152	\$ 110,009
LIABILITIES:								
Warrants and accounts payable	\$ 203	\$ 6	\$ 5	\$ -	\$ 41	\$ -	\$ 255	\$ 449
Accrued liabilities	-	-	-	-	43	119	162	-
Due to other funds	1	-	-	-	-	8,682	8,683	7,700
Total liabilities	204	6	5	-	84	8,801	9,100	8,149
FUND BALANCE:								
Nonexpendable	9,897	144	-	-	-	-	10,041	10,041
Restricted	43,363	616	2,843	12,659	10,176	26,354	96,011	91,819
Total fund balance	53,260	760	2,843	12,659	10,176	26,354	106,052	101,860
Total liabilities and fund balance	\$ 53,464	\$ 766	\$ 2,848	\$ 12,659	\$ 10,260	\$ 35,155	\$ 115,152	\$ 110,009

See accompanying independent auditors' report

OTHER GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2019 with comparative totals for 2018

(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.	2019	2018
REVENUES:								
Investment income	\$ 3,939	\$ 72	\$ 83	\$ 192	\$ 11	\$ 327	\$ 4,624	\$ 5,931
Departmental and other	218	-	531	-	1,581	1,887	4,217	7,059
Total revenues	\$ 4,157	\$ 72	\$ 614	\$ 192	\$ 1,592	\$ 2,214	\$ 8,841	\$ 12,990
EXPENDITURES:								
General government	2,438	23	1,393	-	574	1,676	6,104	6,500
Total expenditures	2,438	23	1,393	-	574	1,676	6,104	6,500
Net change in fund balances	1,719	49	(779)	192	1,018	538	2,737	\$ 6,490
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	1,719	49	(779)	1,647	1,018	538	4,192	7,945
Fund balance - beginning	51,541	711	3,622	11,012	9,158	25,816	101,860	93,915
Fund balance - ending	\$ 53,260	\$ 760	\$ 2,843	\$ 12,659	\$ 10,176	\$ 26,354	\$ 106,052	\$ 101,860

See accompanying independent auditors' report



INTERNAL SERVICE FUND

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.



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INTERNAL SERVICE FUND
Comparative Statements of Net Position
June 30, 2019 and 2018

(amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and Investments	\$ 102,341	\$ 89,380
Other assets	7,539	11,988
Total Assets	\$ 109,880	\$ 101,368
LIABILITIES:		
Accrued liabilities	\$ 27,576	\$ 19,975
Total liabilities	\$ 27,576	\$ 19,975
NET POSITION:		
Unrestricted	82,304	81,393
Total net position	\$ 82,304	\$ 81,393

See accompanying independent auditors' report

INTERNAL SERVICE FUND

Comparative Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
REVENUES:		
Employee contributions	\$ 83,972	\$ 68,905
Employer contributions	198,178	172,640
Total revenues	<u>282,150</u>	<u>241,545</u>
EXPENDITURES:		
Health benefits	281,239	216,728
Total expenditures	<u>281,239</u>	<u>216,728</u>
Change in net position	911	24,817
Net position - beginning	<u>81,393</u>	<u>56,576</u>
Net position - ending	<u>\$ 82,304</u>	<u>\$ 81,393</u>

See accompanying independent auditors' report

INTERNAL SERVICE FUND
Comparative Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(Amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer	\$ 286,599	\$ 241,545
Cash paid to vendors	(273,638)	(226,081)
Net cash provided by operating activities	12,961	15,464
Cash and cash equivalents, beginning of year	89,380	73,916
Cash and cash equivalents, end of year	102,341	89,380
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 911	\$ 24,817
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Other assets	4,449	(5,447)
Accrued liabilities	7,601	(3,906)
Net cash provided by operating activities	\$ 12,961	\$ 15,464

See accompanying independent auditors' report



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FIDUCIARY FUNDS

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 a co-mingled investment fund and 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.



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PENSION AND OPEB TRUST FUNDS**Combining Statement of Plan Net Position****Years Ended December 31, 2018 (Pension) and June 30, 2019 (OPEB)***(Amounts in thousands)*

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 6,404,605	\$ 618,650	\$ 7,023,255
Receivables:			
Interest and dividends	8,371	10	8,381
Securities sold	23,048	-	23,048
Employer contributions	17,189	-	17,189
Other	5,480	-	5,480
Total receivables	<u>54,088</u>	<u>10</u>	<u>54,098</u>
Prepaid expenses	<u>1,415</u>	<u>-</u>	<u>1,415</u>
Securities lending short-term collateral investment pool	<u>149,987</u>	<u>-</u>	<u>149,987</u>
Total Assets	<u>\$ 6,610,095</u>	<u>\$ 618,660</u>	<u>\$ 7,228,755</u>
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	\$ 17,069	\$ 195	\$ 17,264
Securities purchased	40,189	-	40,189
Collateral held on securities lending	149,883	-	149,883
Total liabilities	<u>207,141</u>	<u>195</u>	<u>207,336</u>
NET POSITION RESTRICTED FOR:			
Held in trust for pension and OPEB benefits and other purposes	<u>\$ 6,402,954</u>	<u>\$ 618,465</u>	<u>\$ 7,021,419</u>

See accompanying independent auditors' report

BOSTON RETIREMENT SYSTEM
Comparative Statements of Plan Net Position
Years Ended December 31, 2018 and 2017
(Amounts in thousands)

	Total Boston Retirement System	
	2018	2017
ASSETS:		
Cash and investments	\$ 6,404,605	\$ 6,653,714
Receivables:		
Interest and dividends	8,371	7,294
Securities sold	23,048	130,646
Employer contributions	17,189	16,709
Other	5,480	5,313
Total receivables	<u>54,088</u>	<u>159,962</u>
Prepaid expenses	1,415	28
Securities lending short-term collateral investment pool	<u>149,987</u>	<u>173,640</u>
Total Assets	<u>6,610,095</u>	<u>6,987,344</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 17,069	\$ 16,617
Securities purchased	40,189	30,714
Collateral held on securities lending	<u>149,883</u>	<u>173,522</u>
Total liabilities	<u>207,141</u>	<u>220,853</u>
NET POSITION RESTRICTED FOR:		
Held in trust for pension benefits	<u>\$ 6,402,954</u>	<u>\$ 6,766,491</u>

See accompanying independent auditors' report

OPEB TRUST FUND

Comparative Statements of Plan Net Position

Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and investments	\$ 618,650	\$ 541,454
Interest and dividends receivable	10	-
Total Assets	<u>618,660</u>	<u>541,454</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	\$ 195	\$ 218
Total liabilities	<u>195</u>	<u>218</u>
NET POSITION RESTRICTED FOR:		
Held in trust for OPEB	<u><u>\$ 618,465</u></u>	<u><u>\$ 541,236</u></u>

See accompanying independent auditors' report

PRIVATE PURPOSE TRUST FUNDS

Combining Statements of Net Position

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Pool 1	Pool 2
ASSETS:		
Cash and investments	\$ 46,526	\$ 622
Receivables:		
Other	34	1
Total receivables	34	1
Other assets	-	-
Total Assets	46,560	623
LIABILITIES:		
Accounts payable	\$ 198	\$ 6
Accrued liabilities	-	-
Total liabilities	198	6
NET POSITION RESTRICTED FOR:		
Held in trust for other purposes	\$ 46,362	\$ 617

See accompanying independent auditors' report

		Total Private Purpose Trust Funds	
Pool 5	Pool 7	2019	2018
\$ 28,396	\$ 66,015	\$ 141,559	\$ 113,042
18	1,124	1,177	99
18	1,124	1,177	99
30	-	30	-
28,444	67,139	142,766	113,141
\$ 412	\$ 1,376	\$ 1,992	\$ 2,176
-	-	-	54
412	1,376	1,992	2,230
\$ 28,032	\$ 65,763	\$ 140,774	\$ 110,911

See accompanying independent auditors' report

AGENCY FUND

Comparative Statement of Assets and Liabilities

June 30, 2019 and June 30, 2018

(Amounts in thousands)

	Law Enforcement Trust Fund	Student Activity Fund	Before and After School Fund	Total Agency Funds	
				2019	2018
ASSETS:					
Cash and investments	\$ 9,360	\$ 912	\$ 487	\$ 10,759	\$ 9,115
Total assets	<u>9,360</u>	<u>912</u>	<u>487</u>	<u>10,759</u>	<u>9,115</u>
LIABILITIES:					
Refunds payable and other	9,360	912	487	10,759	9,115
Total liabilities	<u>\$ 9,360</u>	<u>\$ 912</u>	<u>\$ 487</u>	<u>\$ 10,759</u>	<u>\$ 9,115</u>

See accompanying independent auditors' report

PENSION AND OPEB TRUST FUNDS**Combining Statement of Changes in Plan Net Position****Years Ended December 31, 2018 (Pension) and June 30, 2019 (OPEB)***(Amounts in thousands)*

	Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS:			
Contributions:			
Employers	\$ 295,189	\$ 180,670	\$ 475,859
Employees	166,826	-	166,826
Commonwealth of Massachusetts (nonemployer)	143,146	-	143,146
Net appreciation (depreciation) in fair value of investments	(407,939)	27,308	(380,631)
Interest and dividends	121,625	8,552	130,177
Management and related fees	(40,695)	(877)	(41,572)
Securities lending income	5,200	-	5,200
Borrower rebates and fees	(2,359)	-	(2,359)
Intergovernmental	7,702	-	7,702
Miscellaneous Income	3	-	3
Total additions	288,698	215,653	504,351
DEDUCTIONS:			
Benefits	608,027	138,420	746,447
Reimbursements to other systems	13,067	-	13,067
Refunds of contributions	21,592	-	21,592
Administration	9,549	4	9,553
Total deductions	652,235	138,424	790,659
Changes in net position	(363,537)	77,229	(286,308)
Net position - beginning of year	6,766,491	541,236	7,307,727
Net position - end of year	\$ 6,402,954	\$ 618,465	\$ 7,021,419

See accompanying independent auditors' report

BOSTON RETIREMENT SYSTEM

Comparative Statements of Changes in Plan Net Position

Years Ended December 31, 2018 and 2017

(Amounts in thousands)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Contributions:		
Employers	\$ 295,189	\$ 260,165
Employees	166,826	154,955
Commonwealth of Massachusetts (nonemployer)	143,146	131,298
Net appreciation (depreciation) in fair value of investments	(407,939)	897,860
Interest and dividends	121,625	118,788
Management and related fees	(40,695)	(30,304)
Securities lending income	5,200	3,026
Borrower rebates and fees	(2,359)	(1,828)
Intergovernmental	7,702	8,961
Miscellaneous Income	3	213
Total additions	<u>288,698</u>	<u>1,543,134</u>
DEDUCTIONS:		
Benefits	608,027	587,307
Reimbursements to other systems	13,067	12,515
Refunds of contributions	21,592	20,439
Administration	9,549	7,465
Total deductions	<u>652,235</u>	<u>627,726</u>
Changes in net position	<u>(363,537)</u>	<u>915,408</u>
Net position - beginning of year	<u>6,766,491</u>	<u>5,851,083</u>
Net position - end of year	<u><u>\$ 6,402,954</u></u>	<u><u>\$ 6,766,491</u></u>

See accompanying independent auditors' report

OPEB TRUST FUND

Comparative Statements of Changes in Plan Net Position Years Ended June 30, 2019 and 2018

(Amounts in thousands)

	2019	2018
ADDITIONS:		
Contributions:		
Employers	\$ 180,670	\$ 164,591
Net appreciation in fair value of investments	27,308	23,133
Interest and dividends	8,552	6,332
Management and related fees	(877)	(728)
Total additions	215,653	193,328
DEDUCTIONS:		
Benefits	138,420	122,341
Administrative expenses and other	4	13
Total deductions	138,424	122,354
Changes in net position	77,229	70,974
Net position - beginning of year	541,236	470,262
Net position - end of year	\$ 618,465	\$ 541,236

See accompanying independent auditors' report

PRIVATE PURPOSE TRUST FUNDS

Combining Statements of Changes in Net Position

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Pool 1	Pool 2
ADDITIONS:		
Investment income	\$ 5,066	\$ -
Donations and other	19,033	51
Total additions	24,099	51
DEDUCTIONS:		
Administrative expenses and other	4,020	14
Total operating expenses	4,020	14
Net changes in net position	20,079	37
Net position - beginning of year	26,283	580
Net position - end of year	\$ 46,362	\$ 617

See accompanying independent auditors' report

		Total Private Purpose Trust	
		Funds	
Pool 5	Pool 7	2019	2018
\$ 210	\$ 7,704	\$ 12,980	\$ 5,627
2,906	27,370	49,360	20,937
3,116	35,074	62,340	26,564
3,166	25,277	32,477	25,909
3,166	25,277	32,477	25,909
(50)	9,797	29,863	655
28,082	55,966	110,911	110,256
\$ 28,032	\$ 65,763	\$ 140,774	\$ 110,911

See accompanying independent auditors' report

AGENCY FUND

Statement of Changes in Assets and Liabilities

Year ended June 30, 2019

(Amounts in thousands)

	Balance at June 30, 2018	Additions	Deductions	Balance at June 30, 2019
Assets:				
Cash and investments				
Law Enforcement Fund	\$ 9,115	\$ 2,418	\$ 2,173	\$ 9,360
Student Activity	-	1,442	530	912
Before and After School Fund	-	1,960	1,473	487
Total	\$ 9,115	\$ 5,820	\$ 4,176	\$ 10,759
Liabilities:				
Refunds payable and other				
Law Enforcement Fund	\$ 9,115	\$ 2,418	\$ 2,173	\$ 9,360
Student Activity	-	1,442	530	912
Before and After School Fund	-	1,960	1,473	487
Total	\$ 9,115	\$ 5,820	\$ 4,176	\$ 10,759

See accompanying independent auditors' report



DISCRETELY PRESENTED COMPONENT UNITS

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, 2019 with comparative totals for 2018

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Assets:		
Current assets:		
Cash and investments	\$ 37,200	\$ 42,015
Cash and investments held by trustee	-	-
Receivables, net:		
Other	21,518	9,017
Other assets	463	176
Due from primary government	4,712	-
Total current assets	<u>63,893</u>	<u>51,208</u>
Noncurrent assets:		
Cash and investments held by trustee	-	-
Notes and other receivables	44,332	117,907
Capital assets:		
Nondepreciable	11,793	5,988
Depreciable, net	13,590	15,902
Total noncurrent assets	<u>69,715</u>	<u>139,797</u>
Total assets	<u>133,608</u>	<u>191,005</u>
Deferred outflows of resources:		
Deferred amount for pension costs	40,824	5,156
Deferred amount for other postemployment benefits costs	6,995	1,887
Total deferred outflows of resources	<u>47,819</u>	<u>7,043</u>
Liabilities:		
Current liabilities		
Warrants and accounts payable	20,803	3,360
Accrued liabilities:		
Other	1,065	161
Current portion of long-term debt and obligations	1,930	-
Due to primary government	229	-
Unearned revenue	1,974	1,066
Total current liabilities	<u>26,001</u>	<u>4,587</u>
Noncurrent liabilities:		
Bonds notes and leases due in more than one year	3,548	1,475
Other noncurrent liabilities	1,575	133,047
OPEB liability	130,494	14,363
Unearned revenue	45,323	19,853
Net pension liability	146,140	19,083
Due to primary government	-	3,435
Total noncurrent liabilities	<u>327,080</u>	<u>191,256</u>
Total liabilities	<u>353,081</u>	<u>195,843</u>
Deferred inflows of resources:		
Deferred amount for pension costs	23,616	3,296
Deferred amount for other postemployment benefits costs	17,019	15,567
Total deferred inflows of resources	<u>40,635</u>	<u>18,863</u>
Net Position:		
Net investment in capital assets	19,905	18,874
Restricted for:		
Restricted	-	-
Unrestricted	(232,194)	(35,532)
Total net position	<u>\$ (212,289)</u>	<u>\$ (16,658)</u>

See accompanying independent auditors' report

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2019	2018
\$ 7,160	\$ 22,845	\$ 109,220	\$ 83,544
14,636	-	14,636	13,262
2,709	6,146	39,390	47,093
6	4,579	5,224	2,358
-	-	4,712	2,413
<u>24,511</u>	<u>33,570</u>	<u>173,182</u>	<u>148,670</u>
63,043	-	63,043	61,926
963	-	163,202	179,702
-	4,022	21,803	29,419
149	37,054	66,695	56,985
<u>64,155</u>	<u>41,076</u>	<u>314,743</u>	<u>328,032</u>
<u>88,666</u>	<u>74,646</u>	<u>487,925</u>	<u>476,702</u>
-	-	45,980	16,789
-	-	8,882	6,536
-	-	<u>54,862</u>	<u>23,325</u>
1,101	3,685	28,949	30,253
1,509	1,612	4,347	3,386
-	835	2,765	4,426
319	-	548	1,509
-	670	3,710	4,894
<u>2,929</u>	<u>6,802</u>	<u>40,319</u>	<u>44,468</u>
-	9,754	14,777	17,369
-	1,167	135,789	147,078
-	-	144,857	143,781
-	-	65,176	65,475
-	-	165,223	131,227
-	-	3,435	5,725
-	10,921	529,257	510,655
<u>2,929</u>	<u>17,723</u>	<u>569,576</u>	<u>555,123</u>
-	-	26,912	33,313
-	-	32,586	20,055
-	-	<u>59,498</u>	<u>53,368</u>
149	30,487	69,415	66,598
77,516	704	78,220	75,187
8,072	25,732	(233,922)	(250,249)
<u>\$ 85,737</u>	<u>\$ 56,923</u>	<u>\$ (86,287)</u>	<u>\$ (108,464)</u>

See accompanying independent auditors' report

DISCRETELY PRESENTED COMPONENT UNITS

Combining Statements of Activities

Years Ended June 30, 2019 with comparative totals for 2018

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Expenses	\$ 181,325	\$ 26,437
Program revenues:		
Charges for services	42,284	11,316
Operating grants and contributions	41,884	11,266
Capital grants and contributions	1,575	-
Total program revenues	85,743	22,582
Net expenses	(95,582)	(3,855)
General revenues:		
Investment income	508	294
Sale of property	17	15,354
City appropriation	88,759	-
Miscellaneous income	546	-
Total general revenues	89,830	15,648
Changes in net position	(5,752)	11,793
Net position - beginning of year, restated	(206,537)	(28,451)
Net position - end of year	\$ (212,289)	\$ (16,658)

See accompanying independent auditors' report

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2019	2018
\$ 10,984	\$ 32,356	\$ 251,102	\$ 245,129
3,297	33,614	90,511	83,176
13,501	12,364	79,015	80,278
-	-	1,575	-
16,798	45,978	171,101	163,454
5,814	13,622	(80,001)	(81,675)
172	-	974	207
-	-	15,371	5,848
-	-	88,759	79,563
1,466	746	2,758	1,714
1,638	746	107,862	87,332
7,452	14,368	27,861	5,657
78,285	42,555	(114,148)	(114,121)
\$ 85,737	\$ 56,923	\$ (86,287)	\$ (108,464)

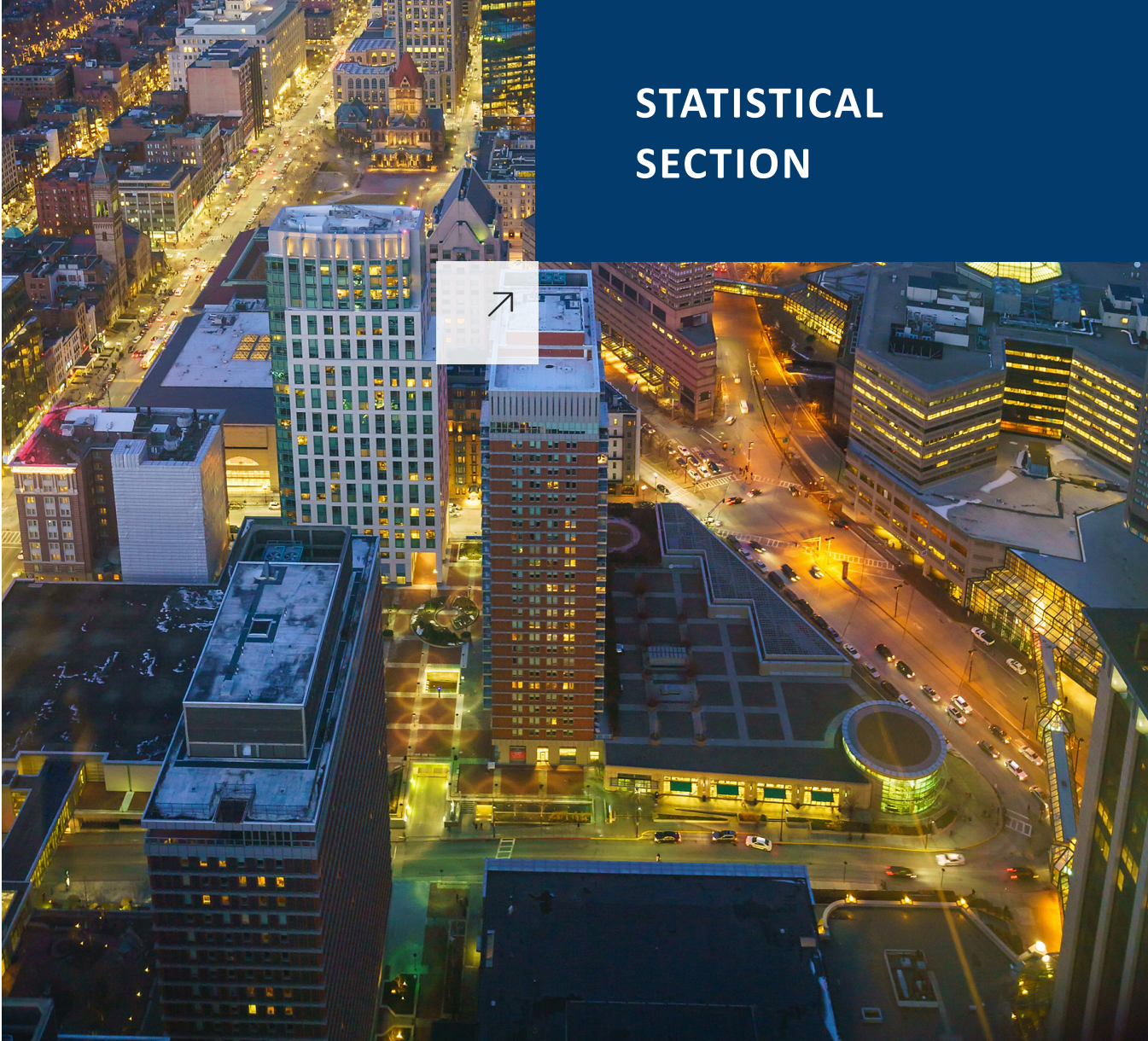
See accompanying independent auditors' report



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**STATISTICAL
SECTION**





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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	122
<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	
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<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	140
<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	
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<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	148
<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				
	2019	2018	2017	2016	2015
General Government	\$ 112,998	\$ 90,076	\$ 85,855	\$ 80,684	\$ 58,242
% of Total	3.3	2.8	2.8	2.7	2.0
% Change	25.4	4.9	6.4	38.5	(43.3)
Public Safety	\$ 726,406	\$ 689,929	\$ 643,100	\$ 610,233	\$ 633,471
% of Total	21.1	21.1	20.6	20.6	22.2
% Change	5.3	7.3	5.4	(3.7)	13.4
Public Works	\$ 106,504	\$ 111,772	\$ 106,059	\$ 101,157	\$ 123,767
% of Total	3.1	3.4	3.4	3.4	4.3
% Change	(4.7)	5.4	4.8	(18.3)	9.3
Library	\$ 38,597	\$ 36,025	\$ 35,791	\$ 33,870	\$ 33,966
% of Total	1.1	1.1	1.1	1.1	1.2
% Change	7.1	0.7	5.7	(0.3)	-
Schools	\$ 1,118,332	\$ 1,087,192	\$ 1,048,987	\$ 1,016,412	\$ 960,228
% of Total	32.5	33.2	33.6	34.3	33.6
% Change	2.9	3.6	3.2	5.9	2.1
Retirement Costs	\$ 400,973	\$ 356,251	\$ 347,402	\$ 309,083	\$ 282,648
% of Total	11.6	10.9	11.1	10.4	9.9
% Change	12.6	2.5	12.4	9.4	10.6
Employee Benefits	\$ 264,832	\$ 261,377	\$ 247,965	\$ 236,661	\$ 230,089
% of Total	7.7	8.0	7.9	8.0	8.1
% Change	1.3	5.4	4.8	2.9	(1.8)
State & District Assessments	\$ 283,360	\$ 267,205	\$ 244,320	\$ 234,450	\$ 215,538
% of Total	8.2	8.2	7.8	7.9	7.5
% Change	6.0	9.4	4.2	8.8	8.9
Property & Development	\$ 41,483	\$ 39,022	\$ 42,460	\$ 33,870	\$ 35,594
% of Total	1.2	1.2	1.4	1.1	1.2
% Change	6.3	(8.1)	25.4	(4.8)	6.6
Other	\$ 350,195	\$ 335,108	\$ 317,804	\$ 311,077	\$ 282,621
% of Total	10.2	10.2	10.2	10.5	9.9
% Change	4.5	5.4	2.2	10.1	2.7
Total Expenditures	\$ 3,443,680	\$ 3,273,957	\$ 3,119,743	\$ 2,967,497	\$ 2,856,164
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	5.2	4.9	5.1	3.9	4.0

*General fund only

See accompanying independent auditors' report

Fiscal Year						FUNCTION
2014	2013	2012	2011	2010		
\$ 102,786	\$ 77,515	\$ 68,828	\$ 65,459	\$ 70,514		General Government
3.7	3.0	2.8	2.7	2.9		% of Total
32.6	12.6	5.1	(7.2)	1.4		% Change
\$ 558,802	\$ 553,851	\$ 524,476	\$ 516,725	\$ 511,365		Public Safety
20.4	21.4	21.3	21.0	21.2		% of Total
0.9	5.6	1.5	1.0	(2.0)		% Change
\$ 113,239	\$ 102,789	\$ 84,727	\$ 105,318	\$ 96,641		Public Works
4.1	4.0	3.4	4.3	4.0		% of Total
10.2	21.3	(19.6)	9.0	(13.8)		% Change
\$ 33,978	\$ 30,888	\$ 30,069	\$ 30,532	\$ 29,853		Library
1.2	1.2	1.2	1.2	1.2		% of Total
10.0	2.7	(1.5)	2.3	(4.5)		% Change
\$ 940,276	\$ 879,898	\$ 830,839	\$ 812,949	\$ 815,694		Schools
34.2	34.0	33.8	33.0	33.8		% of Total
6.9	5.9	2.2	(0.3)	(0.3)		% Change
\$ 255,647	\$ 235,078	\$ 220,340	\$ 195,976	\$ 235,282		Retirement Costs
9.3	9.1	9.0	8.0	9.7		% of Total
8.7	6.7	12.4	(16.7)	185.8		% Change
\$ 234,400	\$ 232,831	\$ 251,194	\$ 294,200	\$ 224,156		Employee Benefits
8.5	9.0	10.2	12.0	9.3		% of Total
0.7	(7.3)	(14.6)	31.2	17.0		% Change
\$ 197,939	\$ 176,300	\$ 160,547	\$ 152,042	\$ 146,323		State & District Assessments
7.2	6.8	6.5	6.2	6.1		% of Total
12.3	9.8	5.6	3.9	3.0		% Change
\$ 33,376	\$ 32,568	\$ 30,089	\$ 35,138	\$ 30,247		Property & Development
1.2	1.3	1.2	1.4	1.3		% of Total
2.5	8.2	(14.4)	16.2	4.4		% Change
\$ 275,250	\$ 262,653	\$ 267,743	\$ 251,514	\$ 256,727		Other
10.0	10.2	10.9	10.2	10.6		% of Total
4.8	(1.9)	6.5	(2.0)	3.9		% Change
\$ 2,745,693	\$ 2,584,371	\$ 2,468,852	\$ 2,459,853	\$ 2,416,802		Total Expenditures
100.0	100.0	100.0	100.0	100.0		% of Total
6.2	5.0	0.4	1.8	7.6		% Change

See accompanying independent auditors' report

GENERAL GOVERNMENT REVENUES BY SOURCE

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2019	2018	2017	2016	2015
Property Taxes	\$ 2,344,686	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687	\$ 1,867,259
% of Total	66.1	65.9	65.7	64.4	64.0
% Change	5.5	6.8	5.7	5.4	5.6
Motor Vehicle Excises	\$ 66,026	\$ 52,040	\$ 52,061	\$ 67,686	\$ 52,922
% of Total	1.9	1.5	1.6	2.2	1.8
% Change	26.9	-	(23.1)	27.9	(0.1)
Other Excises	\$ 190,203	\$ 191,541	\$ 160,736	\$ 168,577	\$ 176,040
% of Total	5.4	5.7	5.1	5.5	6.0
% Change	(0.70)	19.2	(4.7)	(4.2)	3.5
Departmental & Other	\$ 97,442	\$ 98,287	\$ 87,985	\$ 86,791	\$ 86,392
% of Total	2.7	2.9	2.8	2.8	3.0
% Change	(0.9)	11.7	1.4	0.5	2.4
State Distributions	\$ 577,458	\$ 570,753	\$ 554,661	\$ 543,683	\$ 523,256
% of Total	16.3	16.9	17.5	17.8	17.9
% Change	1.2	2.9	2.0	3.9	2.8
Payment in Lieu of Taxes	\$ 87,018	\$ 84,940	\$ 80,501	\$ 90,215	\$ 79,232
% of Total	2.5	2.5	2.5	3.0	2.7
% Change	2.4	5.5	(10.8)	13.9	8.1
Fines	\$ 73,792	\$ 63,206	\$ 63,046	\$ 60,953	\$ 60,116
% of Total	2.1	1.9	2.0	2.0	2.1
% Change	16.7	0.3	3.4	1.4	0.3
Investment Income	\$ 30,408	\$ 15,390	\$ 2,329	\$ 184	\$ 61
% of Total	0.9	0.5	0.1	-	-
% Change	97.6	560.8	1,165.8	201.6	7.0
Licenses & Permits	\$ 82,658	\$ 74,144	\$ 84,470	\$ 70,005	\$ 71,205
% of Total	2.3	2.2	2.7	2.3	2.4
% Change	11.5	(12.2)	20.7	(1.7)	14.4
Total Revenues	\$ 3,549,691	\$ 3,372,178	\$ 3,165,482	\$ 3,055,781	\$ 2,916,483
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	5.3	6.5	3.6	4.8	4.9

*General fund only

See accompanying independent auditors' report

Fiscal Year						SOURCE
2014	2013	2012	2011	2010		
\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605		Property Taxes
63.6	63.0	63.1	66.7	65.5		% of Total
5.4	5.4	4.3	4.0	5.3		% Change
\$ 52,972	\$ 47,105	\$ 40,507	\$ 46,977	\$ 40,134		Motor Vehicle Excises
1.9	1.8	1.6	2.1	1.8		% of Total
12.5	16.3	(13.8)	17.1	7.4		% Change
\$ 170,161	\$ 174,149	\$ 147,065	\$ 77,237	\$ 80,986		Other Excises
6.1	6.5	5.8	3.4	3.6		% of Total
(2.3)	18.4	90.4	(4.6)	3.7		% Change
\$ 84,385	\$ 87,585	\$ 78,438	\$ 65,498	\$ 74,861		Departmental & Other
3.0	3.3	3.1	2.9	3.3		% of Total
(3.7)	11.7	19.8	(12.5)	(8.8)		% Change
\$ 509,199	\$ 504,656	\$ 486,379	\$ 395,374	\$ 404,619		State Distributions
18.3	18.9	19.3	17.3	18.0		% of Total
0.9	3.8	23.0	(2.3)	(10.9)		% Change
\$ 73,324	\$ 72,335	\$ 63,066	\$ 65,461	\$ 67,265		Payment in Lieu of Taxes
2.6	2.7	2.5	2.9	3.0		% of Total
1.4	14.7	(3.7)	(2.7)	18.7		% Change
\$ 59,922	\$ 58,835	\$ 64,566	\$ 64,751	\$ 70,627		Fines
2.2	2.2	2.6	2.8	3.1		% of Total
1.8	(8.9)	(0.3)	(8.3)	1.3		% Change
\$ 57	\$ 179	\$ 982	\$ 4,733	\$ 3,246		Investment Income
-	-	-	0.2	0.1		% of Total
(68.2)	(81.8)	(79.3)	45.8	(82.3)		% Change
\$ 62,257	\$ 47,220	\$ 48,753	\$ 41,676	\$ 32,907		Licenses & Permits
2.2	1.8	1.9	1.8	1.5		% of Total
31.8	(3.1)	17.0	26.6	(19.4)		% Change
\$ 2,780,060	\$ 2,669,645	\$ 2,521,754	\$ 2,288,068	\$ 2,242,250		Total Revenues
100.0	100.2	100.0	100.0	100.0		% of Total
4.1	5.9	10.2	2.0	0.5		% Change

See accompanying independent auditors' report

NET POSITION BY COMPONENT

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental activities:					
Net investment in capital assets	\$ 802,391	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985
Restricted	98,106	75,098	52,746	53,200	51,446
Unrestricted	(2,675,142)	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)
Total governmental activities net position	\$ (1,774,645)	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)
Business-type activities:					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government:					
Net investment in capital assets	\$ 802,391	\$ 685,036	\$ 648,786	\$ 557,142	\$ 502,985
Restricted	98,106	75,098	52,746	53,200	51,446
Unrestricted	(2,675,142)	(2,501,770)	(1,206,488)	(1,159,303)	(1,184,987)
Total primary government net position	\$ (1,774,645)	\$ (1,741,636)	\$ (504,956)	\$ (548,961)	\$ (630,556)

See accompanying independent auditors' report

Fiscal Year					
2014	2013	2012	2011	2010	
\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	
62,701	75,878	127,843	156,989	234,339	
82,638	74,097	(46,024)	(108,780)	(69,124)	
\$ 603,128	\$ 600,297	\$ 524,597	\$ 450,855	\$ 592,312	
\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	14,832	14,901	
-	-	-	-	(52,069)	
\$ -	\$ -	\$ -	\$ 14,832	\$ (37,168)	
\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646	\$ 427,097	
62,701	75,878	127,843	171,821	249,240	
82,638	74,097	(46,024)	(108,780)	(121,193)	
\$ 603,128	\$ 600,297	\$ 524,597	\$ 465,687	\$ 555,144	

See accompanying independent auditors' report

CHANGES IN NET POSITION

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

EXPENSES:	Fiscal Year			
	2019	2018	2017	2016
Governmental activities:				
General government	\$ 175,161	\$ 156,670	\$ 128,465	\$ 128,288
Human services	57,359	58,494	49,974	52,056
Public safety	1,113,749	1,048,825	962,654	941,313
Public works	160,918	163,337	130,182	139,816
Property and development	146,886	137,296	168,276	118,582
Parks and recreation	48,804	48,861	41,236	39,769
Library	55,944	55,626	51,397	49,959
Schools	2,026,241	1,931,452	1,833,105	1,803,331
Public health programs	91,468	86,228	81,859	96,083
Interest on long-term debt	39,562	44,263	42,321	40,995
Total governmental activities expenses	<u>3,916,092</u>	<u>3,731,052</u>	<u>3,489,469</u>	<u>3,410,192</u>
Business-type activities:				
Convention Center	-	-	-	-
Hospital	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government expenses	<u>\$ 3,916,092</u>	<u>\$ 3,731,052</u>	<u>\$ 3,489,469</u>	<u>\$ 3,410,192</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety	158,455	139,793	147,471	133,656
Public works	28,609	31,120	28,268	24,269
Schools	11,385	4,275	5,163	10,540
Other	37,547	46,350	36,647	34,730
Operating grants and contributions	822,932	788,666	760,230	746,277
Capital grants and contributions	36,224	64,548	52,348	39,381
Total governmental activities program revenues	<u>1,095,152</u>	<u>1,074,752</u>	<u>1,030,127</u>	<u>988,853</u>
Business-type activities:				
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 1,095,152</u>	<u>\$ 1,074,752</u>	<u>\$ 1,030,127</u>	<u>\$ 988,853</u>

See accompanying independent auditors' report

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 103,923	\$ 161,913	\$ 127,882	\$ 108,499	\$ 80,968	\$ 106,435	
49,884	49,291	50,690	48,103	49,974	52,310	
941,531	821,196	826,700	817,768	875,111	930,779	
178,569	157,491	132,506	110,187	133,830	131,883	
134,506	118,816	114,673	114,753	117,871	118,456	
35,890	32,297	32,242	34,651	31,956	31,204	
48,931	52,192	51,875	44,526	47,320	50,050	
1,620,851	1,554,563	1,455,300	1,369,047	1,317,108	1,314,601	
83,276	69,896	69,978	73,975	70,619	71,453	
49,300	48,188	41,900	39,798	40,329	39,832	
<u>3,246,661</u>	<u>3,065,843</u>	<u>2,903,746</u>	<u>2,761,307</u>	<u>2,765,086</u>	<u>2,847,003</u>	
-	-	-	-	1,516	13,751	
-	-	-	2,523	3,336	3,635	
-	-	-	2,523	4,852	17,386	
<u>\$ 3,246,661</u>	<u>\$ 3,065,843</u>	<u>\$ 2,903,746</u>	<u>\$ 2,763,830</u>	<u>\$ 2,769,938</u>	<u>\$ 2,864,389</u>	
138,066	139,431	129,602	134,384	89,485	85,305	
23,975	19,165	17,716	19,515	12,029	12,190	
6,623	2,832	9,130	7,839	9,451	20,318	
40,718	41,811	49,490	48,522	33,410	39,236	
670,640	583,480	549,596	574,653	501,441	547,812	
53,099	11,972	37,256	35,337	33,338	12,555	
<u>933,121</u>	<u>798,691</u>	<u>792,790</u>	<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	
-	-	-	-	1,172	5,567	
-	-	-	-	1,172	5,567	
<u>\$ 933,121</u>	<u>\$ 798,691</u>	<u>\$ 792,790</u>	<u>\$ 820,250</u>	<u>\$ 680,326</u>	<u>\$ 722,983</u>	

See accompanying independent auditors' report

CHANGES IN NET POSITION (CONTINUED)

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year		
	2019	2018	2017
NET EXPENSE:			
Governmental activities	\$ (2,820,940)	\$ (2,656,300)	\$ (2,459,342)
Business-type activities	-	-	-
Total primary government net expense	<u>\$ (2,820,940)</u>	<u>\$ (2,656,300)</u>	<u>\$ (2,459,342)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes	2,338,507	2,219,700	2,087,659
Excises	264,703	239,005	213,198
Payment in lieu of taxes	87,018	84,940	80,501
Grants and contributions not restricted	208,839	214,106	201,013
Investment income	46,405	31,417	19,588
Miscellaneous	3,011	2,121	3,738
Special items	57,000	-	-
Transfers	-	-	-
Loss on disposal of capital assets	-	-	-
Total governmental activities	<u>3,005,483</u>	<u>2,791,289</u>	<u>2,605,697</u>
Business-type activities:			
Taxes:			
Excises	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Special items	-	-	-
Transfers	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,005,483</u>	<u>\$ 2,791,289</u>	<u>\$ 2,605,697</u>
CHANGES IN NET POSITION:			
Governmental activities	\$ 184,543	\$ 134,989	\$ 146,355
Business-type activities	-	-	-
Total primary government	<u>\$ 184,543</u>	<u>\$ 134,989</u>	<u>\$ 146,355</u>

See accompanying independent auditors' report

Fiscal Year						
2016	2015	2014	2013	2012	2011	2010
\$ (2,421,339)	\$ (2,313,540)	\$ (2,267,152)	\$ (2,110,956)	\$ (1,941,057)	\$ (2,085,932)	\$ (2,129,587)
-	-	-	-	(2,523)	(3,680)	(11,819)
<u>\$ (2,421,339)</u>	<u>\$ (2,313,540)</u>	<u>\$ (2,267,152)</u>	<u>\$ (2,110,956)</u>	<u>\$ (1,943,580)</u>	<u>\$ (2,089,612)</u>	<u>\$ (2,141,406)</u>
1,967,021	1,866,277	1,771,166	1,684,908	1,586,988	1,525,494	1,468,340
224,052	236,208	220,761	221,937	191,301	122,399	123,121
90,215	79,232	73,324	72,335	63,066	65,461	67,265
199,835	191,172	199,007	185,827	188,895	187,322	171,174
15,753	15,404	16,713	14,732	10,887	21,724	17,221
6,058	2,983	4,012	7,820	7,084	23,195	21,901
-	-	-	-	11,450	-	-
-	-	-	-	(44,872)	(1,120)	30,000
-	-	-	(903)	-	-	-
<u>2,502,934</u>	<u>2,391,276</u>	<u>2,284,983</u>	<u>2,186,656</u>	<u>2,014,799</u>	<u>1,944,475</u>	<u>1,899,022</u>
-	-	-	-	-	58,508	43,887
-	-	-	-	2,688	3,561	3,567
-	-	-	-	(257)	(7,509)	-
-	-	-	-	(59,612)	-	-
-	-	-	-	44,872	1,120	(30,000)
-	-	-	-	(12,309)	55,680	17,454
<u>\$ 2,502,934</u>	<u>\$ 2,391,276</u>	<u>\$ 2,284,983</u>	<u>\$ 2,186,656</u>	<u>\$ 2,002,490</u>	<u>\$ 2,000,155</u>	<u>\$ 1,916,476</u>
\$ 81,595	\$ 77,736	\$ 17,831	\$ 75,700	\$ 73,742	\$ (141,457)	\$ (230,565)
-	-	-	-	(14,832)	52,000	5,635
<u>\$ 81,595</u>	<u>\$ 77,736</u>	<u>\$ 17,831</u>	<u>\$ 75,700</u>	<u>\$ 58,910</u>	<u>\$ (89,457)</u>	<u>\$ (224,930)</u>

See accompanying independent auditors' report

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2019	2018	2017	2016
General Fund				
Assigned	\$ 392,000	\$ 300,652	\$ 283,208	\$ 266,222
Unassigned	794,610	781,402	702,080	682,781
Total general fund	\$ 1,186,610	\$ 1,082,054	\$ 985,288	\$ 949,003
All other Governmental Funds				
Nonspendable	\$ 10,041	\$ 10,041	\$ 10,041	\$ 4,974
Restricted	434,893	322,950	240,172	204,810
Assigned	196,634	199,537	220,359	203,134
Total all other governmental funds	\$ 641,568	\$ 532,528	\$ 470,572	\$ 412,918

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

See accompanying independent auditors' report

Fiscal Year																	
2015	2014	2013	2012	2011													
\$ 228,236	\$ 251,353	\$ 218,292	\$ 177,942	\$ 141,891													
633,936	532,955	533,104	511,765	511,040													
\$ 862,172	\$ 784,308	\$ 751,396	\$ 689,707	\$ 652,931													
\$ 4,974	\$ 4,974	\$ 34,307	\$ 4,974	\$ 4,974													
194,044	199,703	137,727	177,685	195,333													
161,742	154,667	132,889	98,557	80,975													
\$ 360,760	\$ 359,344	\$ 304,923	\$ 281,216	\$ 281,282													
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">2010</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 36,808</td> </tr> <tr> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">123,103</td> </tr> <tr> <td style="text-align: right;">547,282</td> </tr> <tr> <td style="text-align: right;">\$ 707,193</td> </tr> <tr> <td style="text-align: right;">\$ 136,138</td> </tr> <tr> <td style="text-align: right;">-</td> </tr> <tr> <td style="text-align: right;">24,108</td> </tr> <tr> <td style="text-align: right;">123,714</td> </tr> <tr> <td style="text-align: right;">(65,024)</td> </tr> <tr> <td style="text-align: right;">37,098</td> </tr> <tr> <td style="text-align: right;">\$ 256,034</td> </tr> </tbody> </table>					2010	\$ 36,808	-	123,103	547,282	\$ 707,193	\$ 136,138	-	24,108	123,714	(65,024)	37,098	\$ 256,034
2010																	
\$ 36,808																	
-																	
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\$ 136,138																	
-																	
24,108																	
123,714																	
(65,024)																	
37,098																	
\$ 256,034																	

See accompanying independent auditors' report

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years*

(Amounts in thousands)

	Fiscal Year			
	2019	2018	2017	2016
REVENUES:				
Real and personal property taxes	\$ 2,344,686	\$ 2,221,877	\$ 2,079,693	\$ 1,967,687
Excises	256,229	243,581	212,797	236,263
Payments in lieu of taxes	87,018	84,940	80,501	90,215
Fines	73,792	63,206	63,046	65,223
Investment Income	30,408	15,390	2,329	1,713
Licenses and permits	82,658	74,144	84,470	70,191
Departmental and other	97,442	98,287	87,985	134,701
Intergovernmental	577,458	570,753	554,661	827,100
Total revenues	3,549,691	3,372,178	3,165,482	3,393,093
EXPENDITURES:				
General government	112,998	90,076	85,855	92,429
Human services	34,208	35,023	31,422	40,482
Public safety	726,406	689,929	643,100	640,599
Public works	106,504	111,772	106,059	116,787
Property and development	41,483	39,022	42,460	102,751
Parks and recreation	26,890	25,285	23,447	23,378
Library	38,597	36,025	35,791	36,641
Schools	1,118,332	1,087,193	1,048,987	1,143,249
Public health programs	87,487	81,129	77,754	80,525
Judgments and claims	1,202	7,693	3,766	1,100
Retirement costs	400,973	356,251	347,402	309,083
Other employee benefits	264,832	261,377	247,965	236,661
State and district assessments	283,360	267,205	244,320	234,450
Capital outlays	17,683	9,738	10,283	234,126
Debt service:				
Principal	126,469	122,041	117,527	109,825
Interest	56,256	54,199	53,604	54,883
Total Expenditures	3,443,680	3,273,957	3,119,742	3,456,969
Deficiency of revenues under expenditures	106,011	98,221	45,740	(63,876)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued	-	-	-	181,193
Issuance of refunding bonds	-	-	-	8,100
Payments to refunded bonds escrow agent	-	-	-	(9,487)
Premiums on long-term debt issued	-	-	-	23,059
Transfers, net	(1,455)	(1,455)	(9,455)	-
Total other financing sources (uses)	(1,455)	(1,455)	(9,455)	202,865
Net change in fund balances	\$ 104,556	\$ 96,766	\$ 36,285	\$ 138,989
Debt Service as a percentage of noncapital expenditures	5.70%	6.12%	5.94%	5.12%

*General fund only

See accompanying independent auditors' report

Fiscal Year						
2015	2014	2013	2012	2011	2010	
\$ 1,867,259	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	
228,962	223,133	221,254	187,572	124,214	121,120	
79,232	73,324	72,335	63,066	65,461	67,265	
60,116	59,952	58,852	64,593	64,772	70,649	
2,312	6,508	5,523	4,137	11,956	8,907	
71,291	62,325	47,290	48,838	41,750	32,907	
139,321	137,366	131,632	123,042	103,003	91,468	
829,582	804,289	749,369	772,491	707,754	742,464	
3,278,075	3,134,680	2,963,836	2,855,737	2,645,271	2,602,385	
67,461	113,743	95,199	85,951	78,573	78,148	
39,578	39,205	37,621	35,406	36,008	38,014	
665,655	596,239	588,771	552,785	526,332	523,515	
142,223	127,703	114,731	90,214	109,635	105,123	
111,513	107,771	106,423	109,707	111,607	117,394	
21,574	20,937	21,407	22,795	19,766	17,534	
36,518	36,026	33,447	31,799	33,556	33,431	
1,087,896	1,091,899	1,035,828	1,004,168	974,832	962,703	
74,821	68,697	69,105	73,736	70,380	71,214	
3,678	-	-	-	-	69,040	
282,648	9,493	3,010	3,871	811	10,181	
230,089	255,647	235,078	220,340	195,976	235,282	
215,538	234,400	235,002	251,194	294,200	224,156	
247,474	197,939	176,300	160,547	152,042	146,323	
248,864	248,864	241,547	188,377	140,405	126,668	
111,381	110,948	107,189	99,435	91,690	91,784	
46,890	42,967	39,495	38,784	42,092	41,300	
3,384,937	3,302,478	3,140,153	2,969,109	2,877,905	2,891,810	
(106,862)	(167,798)	(176,317)	(113,372)	(232,634)	(289,425)	
170,190	178,444	235,136	146,835	156,109	144,492	
126,735	-	37,080	110,100	52,720	68,345	
(147,658)	-	(35,975)	(95,876)	(15,490)	(73,640)	
36,875	17,172	25,482	33,885	11,401	7,634	
-	-	-	(44,872)	(1,120)	30,000	
186,142	195,616	261,723	150,072	203,620	176,831	
\$ 79,280	\$ 27,818	\$ 85,406	\$ 36,700	\$ (29,014)	\$ (112,594)	
5.03%	5.05%	5.06%	4.80%	4.80%	4.83%	

See accompanying independent auditors' 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		
2019	\$ 107,628,598	\$ 49,035,301	\$ 1,206,341	\$ 6,643,880	\$ 164,514,120	15.52
2018	99,885,328	46,615,297	1,187,339	6,237,993	153,925,958	15.65
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

⁽¹⁾ Represents assessed values determined as of January 1 prior to the start of the fiscal year. For example, fiscal 2019 assessed values are as of January 1, 2018.

^(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

See accompanying independent auditors' report

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS ^{(1) (2)}

Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct ⁽³⁾
2019	Residential	\$ 10.54	\$ 10.54	0.6 %	\$ 15.52
	C.I.P.	25.00	25.00	(0.8) %	
2018	Residential	10.48	10.48	(1.0) %	15.65
	C.I.P.	25.20	25.20	(0.7) %	
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) %	15.77
	C.I.P.	26.81	26.81	(9.2) %	
2015	Residential	12.11	12.11	(3.7) %	16.47
	C.I.P.	29.52	29.52	(5.3) %	
2014	Residential	12.58	12.58	(4.3) %	18.15
	C.I.P.	31.18	31.18	(2.4) %	
2013	Residential	13.14	13.14	0.8 %	19.16
	C.I.P.	31.96	31.96	0.1 %	
2012	Residential	13.04	13.04	2.0 %	19.68
	C.I.P.	31.92	31.92	2.8 %	
2011	Residential	12.79	12.79	7.7 %	19.65
	C.I.P.	31.04	31.04	5.7 %	
2010	Residential	11.88	11.88	11.8 %	19.15
	C.I.P.	29.38	29.38	8.4 %	

⁽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

See accompanying independent auditors' report

LARGEST PRINCIPAL TAXPAYERS ^{(1) (2)}

Current and Nine Years Ago

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Boston Properties	\$4,107,890,420	1	2.50%	\$1,316,223,930	3	1.71%
Eversource	2,511,071,400	2	1.53%	1,625,062,601	2	-
Oxford Properties	1,876,111,350	3	1.14%			1.73%
Tishman Speyer Properties	1,420,204,000	4	0.86%	969,641,740	4	-
Teacher's Insurance and Annuity Association	1,353,685,000	5	0.82%	622,803,500	8	1.20%
Fort Hill Associates	1,154,332,500	6	0.70%	749,879,670	5	-
MetLife Real Estate Investments	1,090,242,050	7	0.66%			0.92%
Rockpoint	1,010,561,000	8	0.61%			0.58%
Morgan Stanley	862,569,310	9	0.52%			-
John Hancock Financial	936,437,250	10	0.57%	484,009,400	9	0.55%
Senior Housing Properties Trust	818,997,500	11	0.50%			-
National Grid	756,152,000	12	0.46%	389,510,150	14	0.45%
Synergy Investments						-
Blackstone Group Equity Office				2,819,116,550	1	3.23%
Brookfield Properties Corporation				723,963,720	6	0.83%
Broadway Real Estate Partners				681,009,700	7	0.78%
Beacon Properties						
Dewey Square Tower Associates				426,285,360	13	0.49%
Fortis Property Group				431,448,090	12	0.49%
One Hundred Federal Street, LPS				467,651,690	10	0.54%
UIDC of Massachusetts, Inc				462,349,550	11	0.53%
	<u>\$17,898,253,780</u>		<u>10.88%</u>	<u>\$12,168,955,651</u>		<u>14.03%</u>

- (1) The Largest Taxpayers table includes entities with a fiscal year 2019 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.
- (2) Pursuant to Chapter 59 of the General Laws, Section 4, personal property consists of movable physical items not permanently attached to real estate. Many items of personal property are exempt from taxation in Massachusetts. There are three general types of personal property that are taxable: business and professional furnishings, machinery used in the conduct of business, and personal property of public utilities.

Source: City of Boston Assessing and Treasury Departments

See accompanying independent auditors' report

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, 2019		
	Gross ⁽¹⁾	Net	% Net Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	Net % Levy
2019	\$ 2,364.7	\$ 2,331.4	98.6%	\$ 2,362.2	99.9%	101.3%	\$ 2,347.7	99.3%	100.7%
2018	2,223.2	\$ 2,192.6	98.6%	2,216.2	99.7%	101.1%	\$ 2,207.1	99.3%	100.7%
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%

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

Source: City of Boston Treasury Department

See accompanying independent auditors' report

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
2019	\$ 1,491,091	\$ 65,822	\$ 64,096	\$ -	\$ -
2018	1,457,450	67,398	69,626	-	-
2017	1,416,971	74,266	69,465	-	-
2016	1,395,367	76,619	62,266	-	-
2015	1,339,367	63,361	56,425	-	-
2014	1,296,153	75,680	45,887	-	-
2013	1,233,215	76,587	39,365	-	-
2012	1,139,800	40,382	32,566	-	-
2011	1,069,125	36,602	28,123	-	73,080
2010	944,248	40,285	35,504	93,305	80,605

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 146 for the City's total personal income data.

⁽³⁾ See page 146 for the City's population data.

See accompanying independent auditors' report

	Total Primary Government	% of Total Personal Income (2)	Per Capita (3)
\$	1,621,009	5.37%	2,329.28
	1,594,474	5.28%	2,291.15
	1,560,702	5.41%	2,285.02
	1,534,252	5.55%	2,280.26
	1,459,153	5.55%	2,179.57
	1,417,720	5.72%	2,160.99
	1,349,167	5.80%	2,092.67
	1,212,748	5.50%	1,902.30
	1,206,930	5.55%	1,931.18
	1,193,947	5.33%	1,921.43

See accompanying independent auditors' report

RATIOS OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Calendar Year	General Bonded Debt Outstanding	Assessed Value ⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ⁽²⁾
2019	\$ 1,491,091	\$ 164,514,120	0.9%	\$ 2,142.60
2018	1,457,450	153,925,958	0.9%	2,094.26
2017	1,416,971	143,941,947	1.0%	2,074.58
2016	1,395,367	128,047,081	1.1%	2,073.85
2015	1,339,367	110,736,862	1.2%	2,000.64
2014	1,296,153	99,832,813	1.3%	1,975.69
2013	1,233,215	92,199,271	1.3%	1,912.82
2012	1,139,800	88,500,410	1.3%	1,787.88
2011	1,069,125	86,800,581	1.2%	1,710.68
2010	944,248	87,256,531	1.1%	1,519.59

⁽¹⁾ See page 136 for the City's total assessed value of property.

⁽²⁾ See page 146 for the City's population data.

See accompanying independent auditors' report



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LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Amounts in thousands)

	2019	2018	2017	2016	2015
Debt limit	\$ 8,989,652	\$ 7,178,810	\$ 7,178,810	\$ 5,540,530	\$ 5,540,530
Total net debt applicable to limit	2,311,238	2,122,823	1,913,350	1,809,054	1,388,019
Legal debt margin	\$ 6,678,414	\$ 5,055,987	\$ 5,265,460	\$ 3,731,476	\$ 4,152,511
Total net debt applicable to the limit as a percentage of debt limit	25.71%	29.57%	26.65%	32.65%	25.05%

Legal Debt margin Calculation for Fiscal Year 2018

Equalized valuation as of January 31, 2018 ⁽¹⁾	\$ 143,576,210
Maximum debt limits as of July 1, 2019 ⁽²⁾	7,178,810
Less: Debt outstanding June 30, 2018	(1,225,942)
Less: Debt authorized but unissued as of June 30, 2018	(896,881)
Debt incurring capacity as of June 30, 2018	5,055,987
Add: Debt redeemed during fiscal year 2019	106,919
Less: City Council Authorizations during fiscal year 2019 ⁽³⁾	(293,700)
less: Debt adjustments approved through June 30, 2019	(1,634)
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2019	1,810,842
Add: Premium per Issuance through June 30, 2019	25,688
Add: Refunded amounts	-
Debt incurring capacity as of June 30, 2019	\$ 6,704,102

⁽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, 2018 and City Council authorizations during fiscal year 2019 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

Source: City of Boston Office of Budget Management

See accompanying independent auditors' report

	2014	2013	2012	2011	2010
\$	5,156,374	\$ 5,156,374	\$ 5,301,711	\$ 5,301,711	\$ 5,293,826
	1,590,189	1,705,035	1,399,004	1,345,702	1,257,207
\$	<u>3,566,185</u>	<u>\$ 3,451,339</u>	<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>
	30.84%	33.07%	26.39%	25.38%	23.75%

See accompanying independent auditors' report

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⁾
2019	N/A	N/A	N/A	N/A
2018	695,926	\$ 30,180,223	\$ 43,367	3.00%
2017	683,015	28,847,822	42,236	3.40%
2016	672,840	27,625,465	40,237	3.40%
2015	669,469	26,273,980	39,246	4.40%
2014	656,051	24,804,632	36,395	5.30%
2013	644,710	23,245,664	34,139	6.10%
2012	637,516	22,034,466	32,413	6.00%
2011	624,969	21,741,422	31,934	6.60%
2010	621,383	22,412,663	31,982	7.60%

N/A = Information not available for this fiscal year

⁽¹⁾ Source: U.S. Census Bureau, 2008-2018 1 year American Community Survey estimates; BPDA Research Division Analysis.

⁽²⁾ Source: U.S. Census Bureau, 2008-2018 1-year American Community Survey estimates; BPDA Research Division Analysis. Converted to 2017 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.

See accompanying independent auditors' report

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Massachusetts General Hospital	16,648	1	2.00%	16,146	1	2.52%
Brigham and Women's Hospital	12,252	2	1.50%	11,225	2	1.75%
Boston University	10,182	3	1.30%	3,832	9	0.60%
Children's Hospital, Boston	9,057	4	1.10%	9,087	4	1.42%
Beth Israel Deaconess Medical Ctr	7,887	5	1.00%	-		0
State Street Bank & Trust Co. ⁽¹⁾	7,500	6	0.90%	10,861	3	1.69%
Boston Medical Center	5,806	7	0.70%	4,000	8	0.62%
Northeastern University ⁽³⁾	5,768	8	0.70%	-		0
Harvard University Graduate Schools ⁽¹⁾	5,680	9	0.70%	4,417	7	0.69%
Wayfair	5,500	10	0.70%	8,000	5	1.25%
New England Medical Center	-		-	5,508	6	0.86%
Harvard University	-		-	3,654	10	0.57%
Total	86,280		10.60%	76,730		11.97%
Total Boston Employment ⁽²⁾	812,153					

⁽¹⁾ Employment numbers for these employers are current as of 2017. This is the most recent data available.

⁽²⁾ Boston's total payroll and non-payroll employment as of 2017. A 2018 number is not available until 2018 Bureau of Economic Analysis (BEA) data is released in November.

⁽³⁾ Northeastern's employment includes both Northeastern University and the Northeastern University Professional Advancement Network.

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

See accompanying independent auditors' report

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT⁽¹⁾

Last Ten Fiscal Years

	Fiscal Year				
	2019	2018	2017	2016	2015
CITY-FUNDED:					
Public safety ⁽²⁾	4,476	4,442	4,501	4,456	4,529
Public works	357	362	373	377	394
Other city departments ⁽³⁾	2,708	2,730	2,688	2,650	2,678
Boston Public Health Commission ⁽⁴⁾	832	845	827	777	770
Schools	9,249	9,005	8,782	8,746	8,789
Total city-funded	17,622	17,384	17,171	17,006	17,160
GRANT-FUNDED:					
Schools	636	595	610	656	601
All others ⁽⁵⁾	270	358	385	370	282
Total grant-funded	906	953	995	1,026	883
Total employees	18,528	18,337	18,166	18,032	18,043

⁽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⁾ Includes the Police Department, the Fire Department, and the Office of Emergency Management.

⁽³⁾ Includes Boston Retirement System employees. Since the publication of the fiscal 2018 CAFR, the 2018 number for this category has been adjusted to increase the total by 1 full-time equivalent employee.

⁽⁴⁾ Boston Public Health Commission employees are funded by the City, but are not employees of the City.

⁽⁵⁾ Since the publication of the fiscal 2018 CAFR, the 2018 number for this category has been adjusted to decrease the total by 75 full-time equivalent employees.

Source: City of Boston Office of Budget Management

See accompanying independent auditors' report

Fiscal Year					
2014	2013	2012	2011	2010	
4,541	4,413	4,446	4,476	4,431	
366	342	350	359	378	
2,696	2,643	2,565	2,596	2,712	
762	798	803	794	797	
8,664	8,381	8,052	8,047	8,211	
17,029	16,577	16,216	16,272	16,529	
698	796	759	792	754	
277	293	307	292	378	
975	1,089	1,066	1,084	1,132	
18,004	17,666	17,282	17,356	17,661	

See accompanying independent auditors' report

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Service calls answered	497,728	494,226	516,741	408,144	421,573
Moving/traffic violations	103,485	92,111	95,865	107,204	110,254
Parking violations as of June 30	1,289,023	1,414,184	1,358,385	1,346,400	1,272,107
Fire					
Calls answered	83,173	86,103	85,598	82,438	80,079
Inspections conducted	25,896	24,009	24,332	25,519	23,019
Library					
Personnel full-time	410	411	411	413	417
Personnel part-time	43	45	45	50	58
Central and branch libraries	26	25	25	24	24
Books, audio and video materials, newspapers, and magazines in circulation	4,223,612	3,806,215	3,796,379	3,707,607	3,715,079
Library cards in force	332,468	292,763	281,439	268,275	323,789
Schools					
Student enrollment as of June 30	54,300	55,594	56,433	56,531	57,102
Streets, sidewalks, and bridges					
Streets in miles	988	988	988	988	988
Hospitals					
Births as of June 30	20,217	20,686	20,089	20,968	19,586
Deaths as of June 30	7,763	7,790	7,526	7,383	7,438

Source: City of Boston Auditing Department

See accompanying independent auditors' report

Fiscal Year				
2014	2013	2012	2011	2010
566,297	579,704	598,280	543,424	621,794
90,180	95,454	108,520	107,822	138,441
1,326,235	1,309,406	1,424,098	1,435,022	1,571,688
73,443	73,971	72,511	71,244	69,859
23,896	23,744	25,112	24,297	23,900
408	401	384	385	431
59	66	49	54	57
25	26	26	26	26
3,732,000	3,694,546	3,796,679	3,534,413	3,587,136
361,939	383,931	524,054	510,966	543,628
56,975	56,801	56,535	56,789	56,219
988	988	988	988	968
20,392	21,480	20,540	21,568	21,064
7,330	7,051	7,090	7,572	6,987

See accompanying independent auditors' report

CAPITAL ASSET STATISTICS BY DEPARTMENT

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2019	2018	2017	2016	2015
Police					
Officers and personnel	2,936	2,869	2,896	2,895	2,907
Stations	11	11	11	11	11
Fire					
Officers and personnel	1,649	1,652	1,623	1,618	1,604
Stations	34	34	35	35	35
Parks and Recreation					
Personnel (Parks Division)	274	269	280	251	306
Neighborhood (city) parks	257	257	258	251	251
Neighborhood (city) playgrounds – Tot Lots	137	132	131	129	127
Community Centers – (BCYF operated)	36	36	30	29	29
Golf courses	2	2	2	2	2
Swimming pools (BCYF operated)	19	19	18	18	17
Tennis courts	58	65	65	65	65
Public Education					
Total number of Boston Public Schools employees	10,695	10,344	10,255	9,634	9,530
Total number of schools	125	125	124	125	128
Public Works					
Traffic signals (signalized intersections)	872	866	859	854	849
Parking meters (approximately)	6,736	6,722	6,420	7,626	7,699
Bridges	40	40	40	40	36
Hospitals					
Number of hospitals	19	19	20	20	20
Patient beds	6,108	6,053	6,021	5,227	6,049

Source: City of Boston Auditing Department

See accompanying independent auditors' report

Fiscal Year					
2014	2013	2012	2011	2010	
2,933	2,925	2,913	2,948	2,885	
11	11	11	11	11	
1,604	1,597	1,559	1,559	1,557	
35	35	35	35	35	
233	220	219	218	212	
262	262	251	251	251	
129	129	128	128	128	
29	35	38	38	45	
2	2	2	2	2	
18	17	17	17	21	
66	66	78	78	78	
9,374	9,467	9,806	9,982	9,240	
128	127	128	135	135	
841	846	837	833	823	
7,614	6,810	7,861	7,195	7,304	
37	4	4	4	4	
21	21	22	20	20	
5,402	5,437	5,618	5,584	5,564	

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