

City of Boston

Massachusetts



*Comprehensive Annual
Financial Report*

Fiscal Year Ended June 30, 2016

Martin J. Walsh, Mayor

David Sweeney, Chief Financial Officer & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



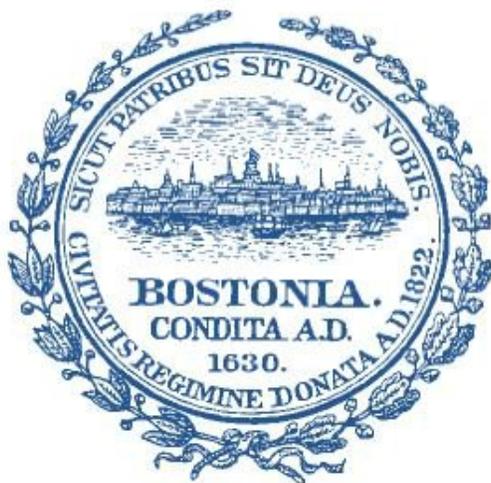
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Auditing Department

Martin J. Walsh, Mayor

December 29, 2016

*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, 2016. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

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

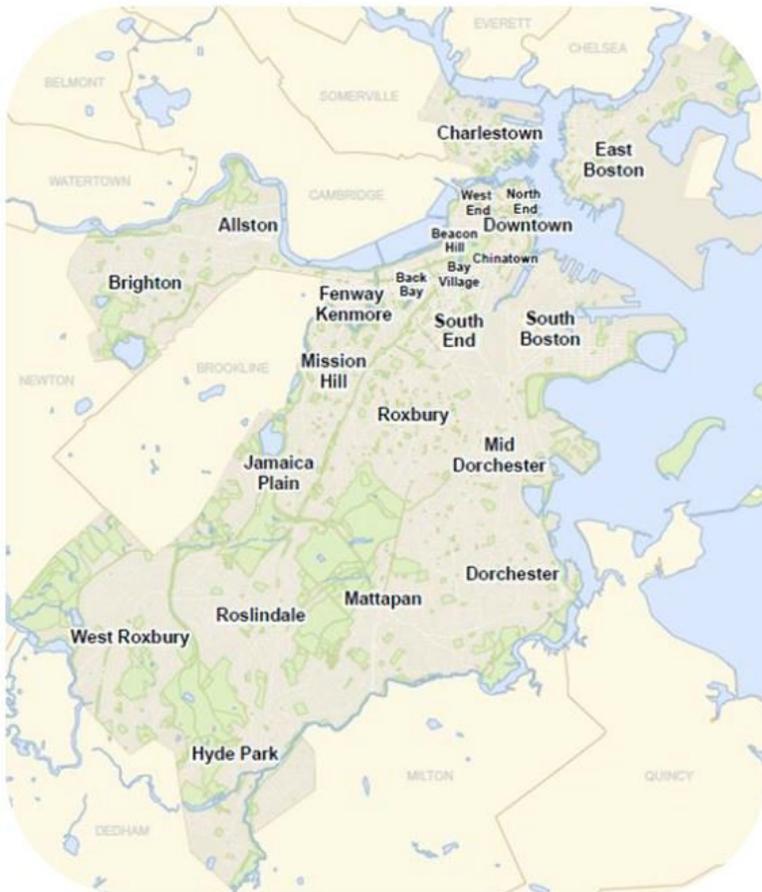
The Auditing Department uses an integrated financial and human resources management system referred to as the Boston Administrative Information System (BAIS). The system is designed to track and control daily activities and report the financial position of the City. This cutting edge software allows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

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected KPMG LLP to perform the June 30, 2016 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

While many cities are defined by their skylines, Boston is distinguished by its vibrant neighborhoods. Indeed, Boston’s strength, diversity and vitality are all rooted in its neighborhoods, where neighborhood pride and cultures from all over the world are cherished and celebrated.

Profile of the Government

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

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

The City's Mayor, Martin J. Walsh, was elected to serve a 4 year-term from January 2014 through January 2018 and was sworn in on January 6, 2014 as the City's 54th Mayor. 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. He has identified five key priorities that build upon Boston's strengths while bringing the City into the future. The key priorities are; strengthening the economy, improving public safety and combating gun violence, ensuring that Boston Public Schools enable every child to succeed, increasing accessibility and transparency in city government, and serving all of Boston's neighborhoods and residents.

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

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

Included in the basic financial statements, which are prepared on the GAAP basis of accounting, are governmental activities, each major fund, the aggregate discretely presented component units, and

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

Local Economy

As the economic hub of both the Commonwealth of Massachusetts and the New England region, Boston is a center for professional, financial, higher educational and medical services, and the focus of tourist and convention travel in New England.

In 2015, Boston had a population of 669,469 as reported by the U.S. Census Bureau, and 718,500 jobs, as stated by the 2014 U.S. Bureau of Economic Analysis and the Massachusetts Executive Office of Labor and Workforce Development. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. The City accounts for approximately 16.2% of the all jobs in the Commonwealth of Massachusetts.

As a government center, the City is the capital of the Commonwealth and is host to several other governmental agencies. According to the Boston Planning & Development Agency (formerly known as the Boston Redevelopment Authority), there were an estimated 76,602 federal, state, and local government workers in the City in 2014. Certain large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions (such as the Massachusetts Port Authority and the Boston Water and Sewer Commission), and the City's local government agencies and departments are all located within the City.

Boston's medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Expenditures by these institutions as well as their employees, patients, students, and visitors are important to the City's trade and service sectors. Twenty-one inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, Boston Children's Hospital, Tufts New England Medical Center, and Boston Medical Center. The City is also the home of the medical and dental schools of Harvard, Tufts, and Boston Universities. In 2014, there were an estimated 133,700 jobs, or one in five of all Boston jobs, employed in health services in the City. Thirty-five colleges and universities reside in Boston, accounting for over 137,000 students, according to the City's University Accountability Ordinance and Department of Neighborhood Development.

Boston's economy, on average, outperformed both Massachusetts and the nation in terms of job growth from 2005 through 2014. During that period Boston's annual job growth was 1.4%. Following the start of the Great Recession in December 2007, the national economy began to experience rising unemployment and deteriorating economic conditions. In late 2008, Boston's economy began to show signs of a weakening labor market, and economic conditions worsened from late 2008 until February 2010, when positive job growth returned. Payroll jobs grew in Boston at an average annual rate of 1.8% from 2010 through 2014, exceeding the national recovery. Boston's unemployment rate for 2015 was 4.4%, which was almost half a percentage point less than the national rate.

Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 2016, the rating service bureaus Moody's Investors Service and Standard and Poor's reaffirmed the City's bond ratings at Aaa and AAA respectively. 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.

Financial Overview

In fiscal year 2016, the GAAP General Fund equity increased to \$949.0 million, thus allowing the City to preserve its policy of maintaining a GAAP unassigned fund balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund operating expenditures. The GAAP unassigned fund balance at the end of fiscal year 2016 was \$682.8 million and \$266.2 million was assigned. The unassigned fund balance represents approximately 23.0% of GAAP General Fund operating expenditures.

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.

The City's second largest source of revenue, state aid, increased by \$8.2 million in fiscal year 2016. In fiscal year 2017, net state aid is expected to decrease by 2.2%. Grant awards from the federal government and those passed through the Commonwealth continue to support personnel retention in Boston Public Schools. And in fiscal year 2016, the City received funding to support 75 firefighter positions. Please see the *Management's Discussion and Analysis* Section for additional information on financial trends.

Boston's health, dental and life insurance costs and Medicare taxes have increased 155% since fiscal year 2001, compared to a 66% increase for all other City costs. Steep cost increases averaged 15% per year from fiscal year 2001 through fiscal year 2008. A significant lowering of the City's baseline costs then occurred between fiscal year 2009 through fiscal year 2015 due to multiple factors including state health care reform legislation, specific efforts by the City and its unions to improve costs and effectiveness of City health plan management, and lower health cost trends. In fiscal years 2016 and 2017 health insurance costs are increasing at a rate higher than other City costs due to pharmaceutical cost drivers consistent with trends in the broader Massachusetts market. In fiscal year 2016 Other Employee Benefits and Retirement Costs represented 15.1% of the General Fund budget as compared to 14.8% in fiscal year 2015. Boston Public Schools' employees are funded for healthcare in the Schools' budget and Boston Public Schools' teachers' pension is funded by the state, therefore these expenses are not included in budgetary Other Employee Benefits and Contributions to Retirement Funds. The Walsh Administration has continued the City's record of achieving health care cost containment reforms through the 2014 Public Employee Committee (PEC) agreement which projected to save \$45.0 million over five years. As part of the agreement City employees are paying a higher share of total health care costs. As a result, the City's cost share for its most popular non-Medicare health plan has decreased.

In fiscal year 2016, 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.

Nearly all of the City's workforce is represented by one of 40 different unions. Collectively, these unions represent approximately 18,000 employees. All forty of these unions have reached an agreement on a six year contract that began in 2010 and 2011 and will expire in 2016 and 2017. These settled contracts cover 100% of the City's unionized employees. Each agreement is six years in duration and the civilian unions contain the same general wage pattern, roughly 12% over the six years. The contract between the City and The Boston Police Patrolmen Association, which expires in 2016, included an arbitration award and increased salaries by 25.4% over six years. The contract between the City and the International Association of Fire Fighters, which expires in 2017, increased salaries by 18.8%, over six years. The City also subsequently reached voluntary agreements with Police Superior Detectives. In December 2015, the City received an arbitration award for the Boston Police Detective Benevolent Society which included an increase estimated at 28.7% over six years through June 2016.

In the fiscal year 2017 budget, Mayor Walsh presented a balanced budget that maintains high levels of support in critical areas such as education and public safety, makes limited strategic investments, continues the City's commitment to addressing its long-term liabilities, and builds on the Administration's record of strong fiscal management. This is made possible by the Administration's achievement of efficiencies and savings. In fiscal year 2017, the Walsh Administration will make government work better for those who live and work here by implementing reforms to improve service and reduce costs, continuing fiscally sustainable practices that have been key to the City's economic success, and taking steps to meet the population's changing needs. This approach is critical to Boston's success in growing as a thriving, healthy and innovative city.

Long Term Financial Planning

Imagine Boston 2030, the City's first comprehensive planning process in fifty years, is underway. Boston's five-year \$1.8 billion capital plan, "Building a Better Boston," is an investment program for the City's future. Four goals have emerged that will help guide Boston's growth: (1) provide quality of life in accessible neighborhoods, (2) drive inclusive economic growth (3) invest in infrastructure, open space and culture, and (4) promote a healthy environment and adapt to climate changes. The City's capital plan is an important tool in realizing the goals and vision of Boston 2030. As an investment program for the future, "Building A Better Boston" will enable the City to identify, prioritize, and implement capital projects aligned with Boston's goals. The fiscal year 2017-2021 capital plan initiates early action items from completed plans, reserves funding capacity for future projects that will emerge from ongoing planning processes such as Build BPS - the 10-year facilities master plan for Boston Public Schools, and embraces a new model for implementing and financing energy efficiency projects. The new capital plan makes new investments in the City's parks, libraries, streets, and other infrastructure. The plan includes 327 projects that will keep Boston healthy, thriving, and innovative through investments in education, public safety, parks, transportation, and community spaces. 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 2017 are 24.0% for New/Major Renovations, 40.0% for Upgrades, 32.0% for Upkeep, and 4.0% for Planning or Matching fund requirements.

Financing for the fiscal year 2017-2021 capital plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 67.1% of all project funding. The capital plan assumes \$775.0 million in new G.O. borrowings over the next five years to support ongoing capital needs. Effective debt management ensures that the City can meet its capital infrastructure and facility needs. The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market. More details and information on the Long-Term Obligations can be found in note 10 to the Financial Statements.

State and federal funds in the five-year capital plan are currently estimated at \$214.4 million and \$304.7 million, respectively. One specific federal program is the the Connect Historic Boston Project. Two specific state financing programs include the School Building Assistance (SBA) program and the Massachusetts Department of Transportation's Highway Division's Chapter 90 funds. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. Annually, the MSBA accepts new project requests from cities, towns, and school districts, and if a project is ultimately approved, the MSBA will pay 40% to 80% of eligible project costs. For the fiscal year 2017-2021 period, total payments from the MSBA are estimated at \$21.0 million to offset debt service costs for projects previously approved by the MSBA. Additionally, in March 2016, the Executive Director of the MSBA was authorized to enter into a Project Funding Agreement with the City for window and door replacement projects at seven schools. The MSBA will provide a maximum grant totaling nearly \$16.4 million. Chapter 90 allocates funds by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. Based on recent allocations, the City expects an estimated \$14.0 million in Chapter 90 funds to be provided in fiscal year 2017.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, 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, 2015. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable state and local legal requirements. A Certificate of Achievement is valid for a period of only one year. We believe that our current report meets the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

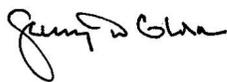
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Budget document for the fiscal year beginning July 1, 2015. The City's budget document was judged to be proficient in several categories including policy documentation and financial planning.

Acknowledgements

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

The CAFR for fiscal year 2003 through fiscal year 2016 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora

City Auditor



David Sweeney

Chief Financial Officer & Collector Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Boston
Massachusetts

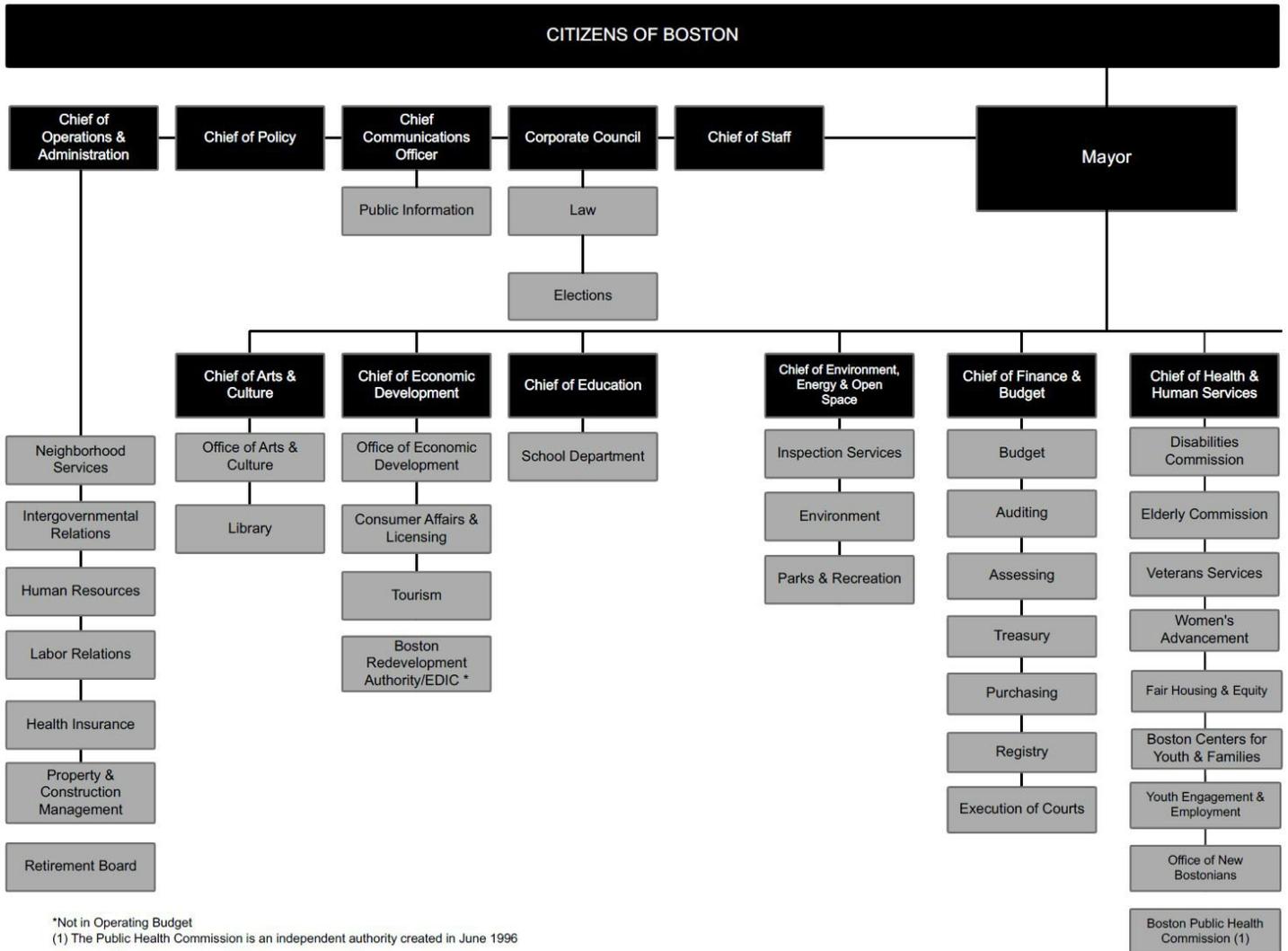
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

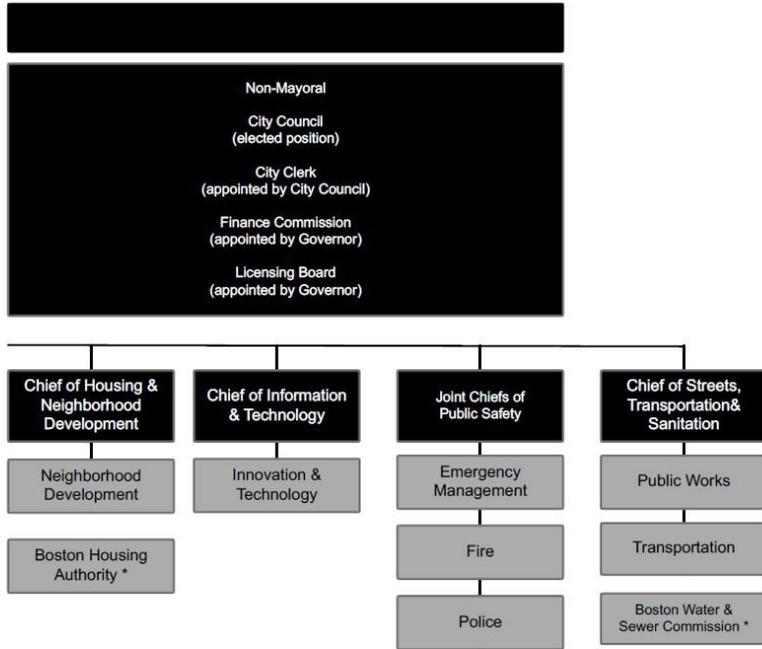
June 30, 2015

A handwritten signature in black ink, which appears to read "Jeffrey R. Egan".

Executive Director/CEO

ORGANIZATION OF CITY GOVERNMENT





LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2016)

Mayor

Martin J. Walsh

City Council Members

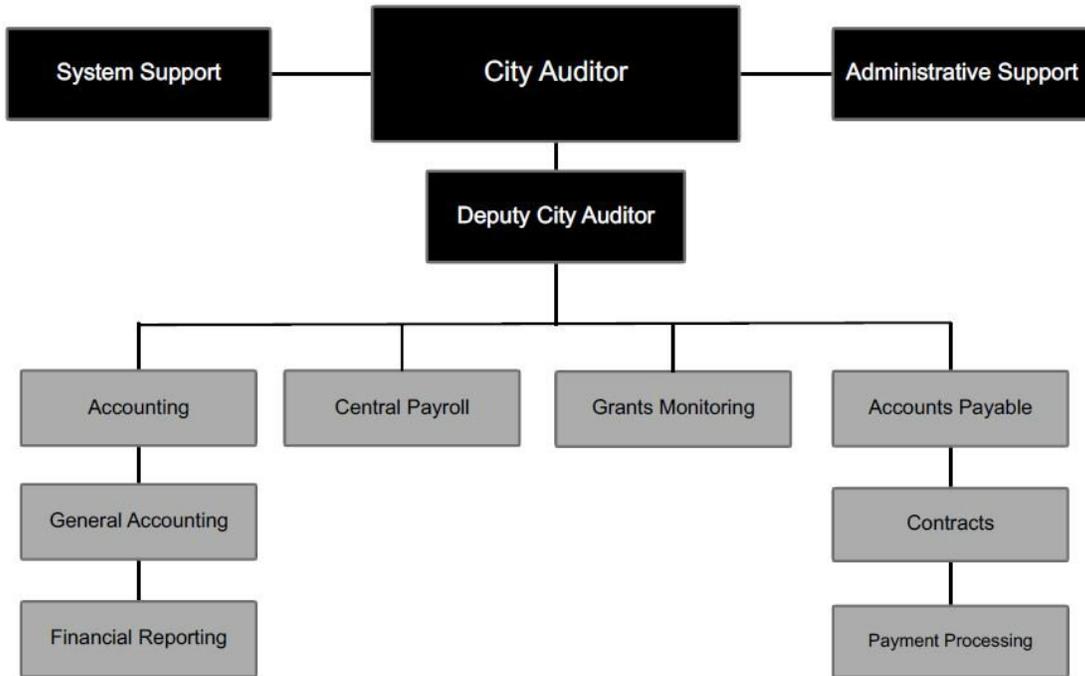
Michelle Wu (President)	At-Large
Michael F. Flaherty	At-Large
Annissa Essaibi-George	At-Large
Ayanna Pressley	At-Large
Salvatore J. LaMattina	District 1
Bill Linehan	District 2
Frank Baker	District 3
Andrea Campbell	District 4
Timothy McCarthy	District 5
Matthew J. O’Malley	District 6
Tito H. Jackson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

Appointed City Executive Branch Members

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

Auditing Department

Organizational Chart



Auditing Department Personnel

Sally D. Glora, *City Auditor*

Prema Andrew
Natoya Castillo
Michelle E. Castillo-Reid
Mattie Crouse
Margaret Cummings
Patricia Downs
Scott Finn
Christina Gendrolius
Allen Hurley
Sinthia Johnson
James Kelley
Kelli Lazar
Traci Lee
Licia Lima-Pires
Nelida Lopez
Nelly Lopez
Medina Lucien
Mary Ann Mason

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



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, and the Permanent Funds, which represent 5.4% and 0.2% of the assets and revenues, respectively, of the governmental activities, and 1.3% and 0.7% of the assets and revenues, respectively, of the aggregate remaining fund information. We also did not audit the financial statements of the Boston Retirement System, the OPEB Trust Fund and the Private-Purpose Trust Funds, which represent 97.3% and 66.4% of the assets and revenues, respectively, of the aggregate remaining fund information. Further, we did not audit the financial statements of the Boston Public Health Commission, Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 57.3% and 90.1% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 2n to the financial statements, in 2016, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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, 2015, from which such partial information was derived.

Required Supplementary Information

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

Other Information

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

The combining, individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our



opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the City's basic financial statements as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated December 29, 2015, 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 2015 combining, individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The 2015 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the 2015 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 2015 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, 2015.

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 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 29, 2016

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, 2016. 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 OPEB Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the unfunded actuarial liability associated with the City's obligation for other postemployment benefits; and the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the Government-wide financial results. Each year, the City is required to recognize an additional portion of its unfunded actuarial accrued liability. The most recent valuation of the City's OPEB obligations as of June 30, 2015, estimated that the total OPEB unfunded actuarial accrued liability of the City increased by \$111.8 million to \$2.16 billion. This increase was largely as a result of changes to the discount rate applied in the actuarial valuation.
- In fiscal year 2016, the City's contribution to the OPEB Trust Fund (\$150.3 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability. The ARC was not met in 2016 resulting in an increase in the net OPEB obligation. In fiscal year 2017, the City has also appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.
- The City of Boston's net pension liability significantly impacts the Government-wide financial results. With the implementation of GASB Statement No. 68 in fiscal year 2015, the City is required to report its proportionate share of the Boston Retirement System's collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Based on the measurement of the Boston Retirement System's net pension liability as of December 31, 2015, the City's proportionate share of that net pension liability increased by \$205.0 million to \$1.62 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, 2016 by \$(549.0) million (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$(1.16) billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$81.6 million from the amount reported in fiscal year 2015.

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 \$(549.0) million at the end of 2016, compared to a net deficit of \$(630.6) million 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 \$557.1 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, \$53.2 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. Unrestricted net position increased \$25.7 million from 2015.

Net Position – Primary Government

(In thousands)

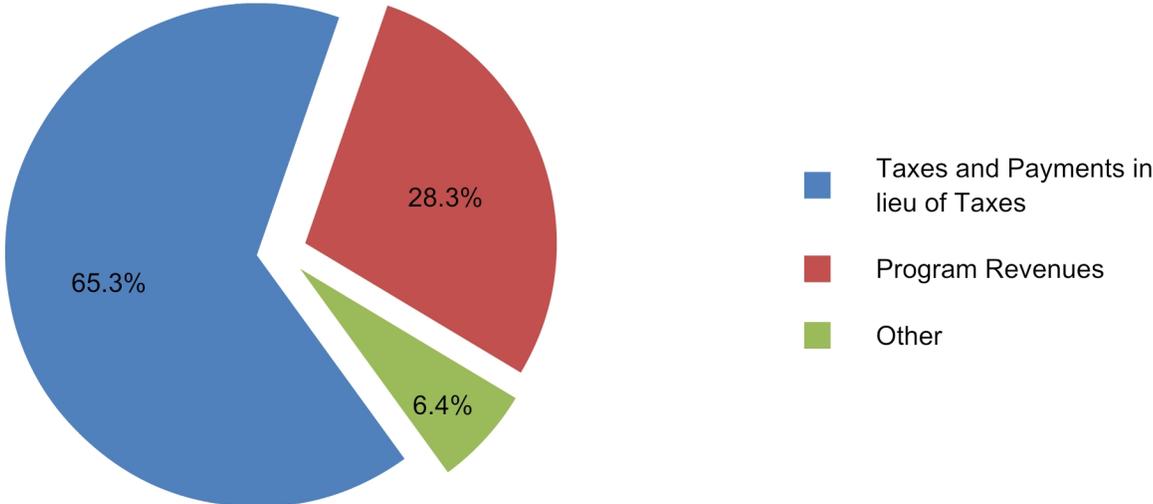
	Governmental Activities	
	Total Primary Government	
	2016	2015
ASSETS:		
Current assets	\$ 1,690,182	\$ 1,602,899
Capital assets	1,981,333	1,858,187
Other assets	94,427	102,677
Total assets	3,765,942	3,563,763
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources.....	332,903	114,209
Liabilities:		
Current liabilities	597,993	607,333
Noncurrent liabilities	3,985,473	3,699,361
Total liabilities	4,583,466	4,306,694
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources.....	64,340	1,834
NET POSITION:		
Net investment in capital assets.....	557,142	502,985
Restricted	53,200	51,446
Unrestricted	(1,159,303)	(1,184,987)
Total net position	\$ (548,961)	\$ (630,556)

Changes in Net Position – Primary Government

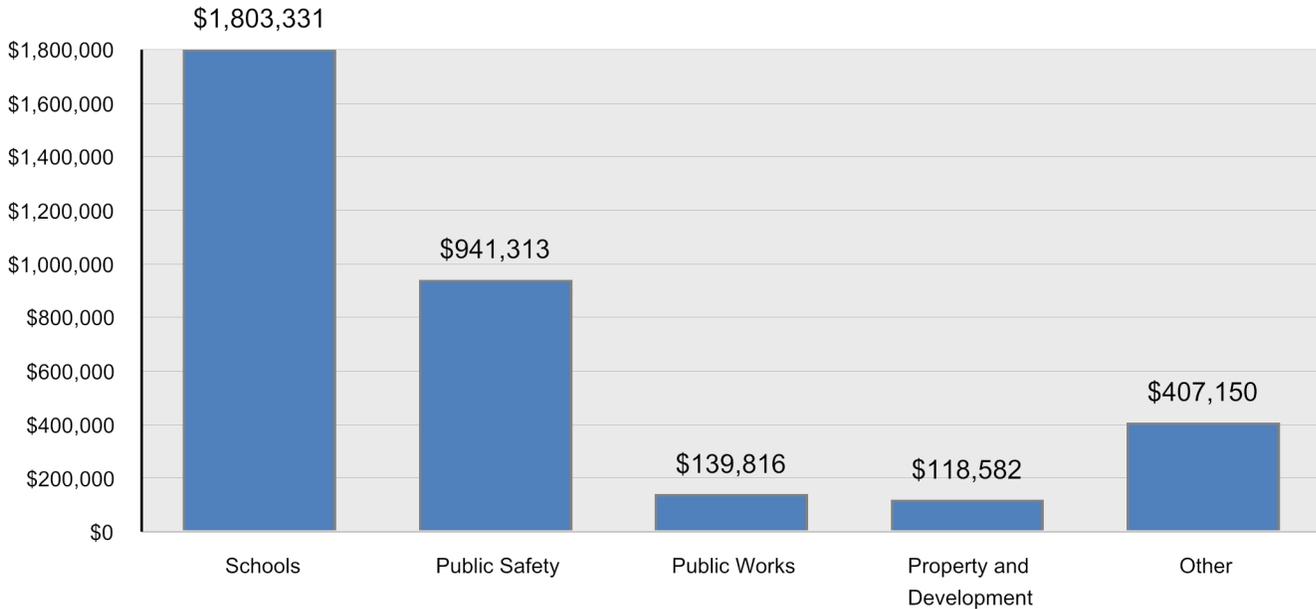
(In thousands)

	Governmental Activities	
	Total Primary Government	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 203,195	\$ 209,382
Operating grants and contributions	746,277	670,640
Capital grants and contributions	39,381	53,099
General revenues:		
Taxes	2,281,288	2,181,717
Grants and contributions not restricted.....	199,835	191,172
Investment income	15,753	15,404
Miscellaneous	6,058	2,983
Total revenues	3,491,787	3,324,397
Program expenses:		
General government	128,288	103,923
Human services	52,056	49,884
Public safety	941,313	941,531
Public works	139,816	178,569
Property and development	118,582	134,506
Parks and recreation.....	39,769	35,890
Library	49,959	48,931
Schools	1,803,331	1,620,851
Public health programs.....	96,083	83,276
Interest on long-term debt	40,995	49,300
Total program expenses	3,410,192	3,246,661
Change in net position	81,595	77,736
Net position - beginning of year	(630,556)	(708,292)
Net position-end of year	\$ (548,961)	\$ (630,556)

Revenues - Governmental Activities Fiscal Year 2016



Expenses - Governmental Activities FY16 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$81.6 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2016. In the assets accounts, cash and investments increased by \$80.2 million, receivables decreased by \$1.9 million, and capital assets increased by \$123.1 million. In the liability accounts, there was a decrease in warrants and accounts payable of \$14.9 million and a decrease in accrued liabilities of \$966 thousand. Additionally, an increase of \$27.8 million was recorded relative to the City's other postemployment benefit obligation and an increase of \$205.0 million was recorded relative to the City's net pension liability in 2016.

During fiscal year 2016, the City's revenues increased by 5.0%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.28 billion (65.3% of total revenues) and \$988.9 million of program revenues (28.3% of total revenues). Taxes increased by \$99.6 million from the previous year. Program revenues increased by \$55.7 million for fiscal year 2016. This is largely due to increases in operating grants and contributions. The City's expenses cover a range of services. The largest expenses were for schools (\$1.80 billion), public safety (\$941.3 million), public works (\$139.8 million), property and development (\$118.6 million), general government (\$128.3 million), public health programs (\$96.1 million), and human services (\$52.1 million). In 2016, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.42 billion. This shortfall was covered primarily through taxes (\$2.28 billion) and unrestricted grants and contributions (\$199.8 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 2016, the City's governmental funds reported a combined ending fund balance of \$1.36 billion, an increase of \$139.0 million from the prior year. Of this total amount, \$682.8 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes.

Governmental Funds

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

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 15%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2016 was \$682.8 million, which represents approximately 23.0% 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 2016 Special Revenue Fund balance is reported at \$246.7 million, a \$38.0 million increase from fiscal year 2015.

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 2016 Capital Projects Fund balance is \$79.0 million, a \$14.3 million increase from fiscal year 2015.

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 2016 Other Governmental Funds fund balance is \$87.2 million, a \$0.2 million decrease from fiscal year 2015.

Internal Service Fund

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

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2016 with a \$1.9 million surplus. There were no material variances between the original budget and final budget amounts. Significant unfavorable variances from the final budget to actual results were in the areas of public safety and judgments. Public safety saw an unfavorable variance of \$19.5 million due to a continued high use of overtime in the Police Department and the Fire Department. Also, judgment and claims saw an unfavorable variance of \$7.0 million in court judgments.

Favorable results were reported for General Fund revenue sources, including \$29.9 million in excises predominantly in motor vehicle and room occupancy excise taxes, \$22.2 million in payments in lieu of taxes, \$22.1 million in licenses and permits, \$12.2 million in departmental and other revenue. Other available funds shows a revenue deficit of \$61.5 million, however, this is a result of not transferring \$950 thousand of cemetery funds, \$20.5 million of parking meter funds and \$40.0 million of free cash from the general fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2016, has a net book value of \$1.98 billion, made up of costs totaling \$3.83 billion less accumulated depreciation of \$1.85 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 \$123.1 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$238.4 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 \$115.4 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 \$1.25 billion in General Obligations Bonds principal outstanding – an increase of \$29.1 million over last year.

There was one bond issuance that took place in fiscal year 2016. The March 24, 2016 \$140.0 million Series A general obligation bond issuance used to finance various capital projects in the City, along with \$8.1 million Series B that were issued for the purpose of advance refunding prior debt in March 2016. In conjunction with the City's annual bond offering, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa and the rating service bureau Standard & Poor's increased the bond rating to AAA. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Notes and Leases Payable and Other Long Term Obligations – The City's general long term notes and leases and other long term obligations increased \$265.3 million, or 10.14%, during the current fiscal year. Key factors for this increase are an increase in the net pension liability of \$205.0 million, an increase in the workers' compensation liability of \$9.7 million, and the increase in the net OPEB obligation of \$27.8 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. 72, *"Fair Value Measurement and Application."* The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The GASB has issued Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to

authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

The GASB has issued GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*." The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

The GASB has issued GASB Statement No. 82, "*Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*." The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*", No. 68, "*Accounting and Financial Reporting for Pensions*", and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

FUTURE PRONOUNCEMENTS

The GASB has issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, "*Accounting and Financial Reporting for Pensions*," as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain provisions of Statements No. 67 and No. 68. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

The GASB has issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local

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

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

REQUESTS FOR INFORMATION

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

Statement of Net Position

June 30, 2016

(Amounts in thousands)

	<u>Primary Government</u>	<u>Discretely Presented</u>
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS:		
Current Assets:		
Cash and investments	\$ 1,480,892	\$ 70,639
Cash and investments held by trustees	67,444	12,050
Receivables, net:		
Property and other taxes	19,471	—
Intergovernmental	94,874	—
Other	20,583	52,911
Other assets	5,523	1,077
Due from primary government	—	2,978
Due from component units	1,395	—
Total current assets	<u>1,690,182</u>	<u>139,655</u>
Noncurrent Assets:		
Intergovernmental receivables	14,289	—
Cash and investments held by trustee	—	54,782
Notes and other receivables	72,918	177,058
Capital assets:		
Nondepreciable assets	125,171	24,865
Depreciable, net	1,856,162	53,618
Due from component units	7,220	—
Total noncurrent assets	<u>2,075,760</u>	<u>310,323</u>
Total assets	<u>3,765,942</u>	<u>449,978</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	326,635	32,377
Deferred amount from debt refunding	6,268	—
Total deferred outflows of resources	<u>332,903</u>	<u>32,377</u>
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable	90,286	28,231
Accrued liabilities - current:		
Compensated absences	58,168	—
Judgments and claims	79,267	—
Payroll and related costs	142,528	—
Deposits and other	85,391	3,213
Unearned revenue	—	5,384
Current portion of long-term debt and leases	139,375	1,727
Due to component units	2,978	—
Due to primary government	—	1,395
Total current liabilities	<u>597,993</u>	<u>39,950</u>
Noncurrent Liabilities:		
Bonds due in more than one year	1,264,231	18,462
Notes and leases payable due in more than one year	115,075	—
Other noncurrent liabilities	286,558	140,638
Net pension liability	1,621,909	170,846
Other postemployment benefits obligation	697,700	91,845
Unearned revenue	—	67,051
Due to primary government	—	7,220
Total noncurrent liabilities	<u>3,985,473</u>	<u>496,062</u>
Total liabilities	<u>4,583,466</u>	<u>536,012</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount for pension costs	62,565	14,034
Deferred amount from debt refunding	1,775	—
Total deferred inflows of resources	<u>64,340</u>	<u>14,034</u>
NET POSITION:		
Net investment in capital assets	557,142	58,546
Restricted for:		
Nonexpendable trust	4,974	66,719
Expendable trust	41,319	—
Capital projects	6,907	—
Unrestricted deficit	(1,159,303)	(192,956)
Total net position	<u>\$ (548,961)</u>	<u>\$ (67,691)</u>

See accompanying notes to the basic financial statements

Statement of Activities

Year Ended June 30, 2016

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 128,288	\$ 29,389	\$ 6,513	\$ 3,493
Human services	52,056	7	14,979	—
Public safety	941,313	133,656	62,218	895
Public works	139,816	24,269	552	14,063
Property and development	118,582	4,593	86,300	11,719
Parks and recreation	39,769	741	461	1,662
Library	49,959	—	3,211	—
Schools	1,803,331	10,540	570,730	5,309
Public health programs	96,083	—	1,313	2,240
Interest on long-term debt	40,995	—	—	—
Total primary government	\$ 3,410,192	\$ 203,195	\$ 746,277	\$ 39,381
Component Units:				
Boston Public Health Commission	187,942	43,886	48,263	415
Boston Planning & Development Agency	24,677	10,215	12,349	—
Trustees of the Public Library of the City of Boston	11,951	1,645	6,545	—
Economic Development and Industrial Corporation of Boston	38,564	21,542	17,035	—
Total component units	\$ 263,134	\$ 77,288	\$ 84,192	\$ 415

General Revenues:

Taxes:

Property taxes, levied for general purposes	
Excises	
Payments in lieu of taxes	
Grants and contributions not restricted	
Investment income	
City appropriation	
Miscellaneous	
Special item - gain on sale of land	
Total general revenues	
Change in net position	
Net position - beginning of year	
Net position - end of year	

Net (Expense) Revenue and Changes in
Net Position

Governmental Activities	Component Units
\$ (88,893)	\$ —
(37,070)	—
(744,544)	—
(100,932)	—
(15,970)	—
(36,905)	—
(46,748)	—
(1,216,752)	—
(92,530)	—
(40,995)	—
\$ (2,421,339)	\$ —
—	(95,378)
—	(2,113)
—	(3,761)
—	13
\$ —	\$ (101,239)
1,967,021	—
224,052	—
90,215	—
199,835	—
15,753	49
—	81,682
6,058	6,889
—	2,539
2,502,934	91,159
81,595	(10,080)
(630,556)	(57,611)
\$ (548,961)	\$ (67,691)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2016
(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,106,315	\$ 211,703	\$ 87,418	\$ 8,048	\$ 1,413,484
Cash and investments held by trustees.....	364	—	17,846	49,234	67,444
Receivables, net:					
Property and other taxes	19,471	—	—	—	19,471
Intergovernmental.....	42,415	54,698	12,050	—	109,163
Departmental and other	19,224	43,585	667	29,447	92,923
Total receivables	81,110	98,283	12,717	29,447	221,557
Due from other funds	2,412	746	—	6,401	9,559
Due from component units	8,615	—	—	—	8,615
Total assets	\$ 1,198,816	\$ 310,732	\$ 117,981	\$ 93,130	\$ 1,720,659
LIABILITIES					
Warrants and accounts payable	\$ 43,997	\$ 15,693	\$ 30,353	\$ 243	\$ 90,286
Accrued liabilities:					
Payroll and related costs.....	141,068	1,459	—	1	142,528
Deposits and other	22,801	43,797	—	30	66,628
Due to other funds	945	2,974	—	5,640	9,559
Due to component unit	2,978	—	—	—	2,978
Total liabilities	\$ 211,789	\$ 63,923	\$ 30,353	\$ 5,914	\$ 311,979
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available.....	38,024	90	8,645	—	46,759
Total deferred inflows of resources	\$ 38,024	\$ 90	\$ 8,645	\$ —	\$ 46,759
FUND BALANCES					
Nonspendable	—	—	—	4,974	4,974
Restricted	—	43,585	78,983	82,242	204,810
Assigned	266,222	203,134	—	—	469,356
Unassigned	682,781	—	—	—	682,781
Total fund balances	949,003	246,719	78,983	87,216	1,361,921
Total liabilities, deferred inflows of resources and fund balances	\$ 1,198,816	\$ 310,732	\$ 117,981	\$ 93,130	\$ 1,720,659

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2016

(Amounts in thousands)

Total fund balance - governmental funds	\$ 1,361,921
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	1,981,332
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	46,759
Internal service funds are included in the government-wide financial statements.....	48,779
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	(1,325,278)
Capital leases	(62,266)
Bond issue premiums/discounts, net	(131,136)
Deferred bond refunding losses/gain, net	4,493
Accrued interest on bonds	(18,763)
Compensated absences	(200,342)
Landfill	(7,796)
Judgments and claims	(190,625)
Other postemployment benefits	(697,700)
Net pension liability, net of deferred amounts	(1,357,839)
Pollution remediation	(500)
Net position of governmental activities	<u>(548,961)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 1,967,687	\$ —	\$ —	\$ —	\$ 1,967,687
Excises	236,263	—	—	—	236,263
Payments in lieu of taxes	90,215	—	—	—	90,215
Fines	60,953	4,270	—	—	65,223
Investment income	184	55	25	1,449	1,713
Licenses and permits	70,005	186	—	—	70,191
Departmental and other	86,791	40,985	1,742	5,183	134,701
Intergovernmental	543,683	263,413	20,004	—	827,100
Total revenues	3,055,781	308,909	21,771	6,632	3,393,093
EXPENDITURES:					
Current:					
General government	80,684	5,822	—	5,923	92,429
Human services	31,356	9,126	—	—	40,482
Public safety	610,233	30,366	—	—	640,599
Public works	101,157	15,630	—	—	116,787
Property and development	33,870	68,881	—	—	102,751
Parks and recreation	22,106	1,272	—	—	23,378
Library	33,870	2,771	—	—	36,641
Schools	1,016,412	126,837	—	—	1,143,249
Public health programs	77,932	2,593	—	—	80,525
Judgments and claims	1,100	—	—	—	1,100
Retirement costs	309,083	—	—	—	309,083
Other employee benefits	236,661	—	—	—	236,661
State and district assessments	234,450	—	—	—	234,450
Capital outlays	13,873	1,827	216,101	2,325	234,126
Debt service	164,708	—	—	—	164,708
Total expenditures	2,967,495	265,125	216,101	8,248	3,456,969
Excess (deficiency) of revenues over (under) expenditures	88,286	43,784	(194,330)	(1,616)	(63,876)
OTHER FINANCING SOURCES (USES):					
Long-term debt, notes and capital leases issued	—	—	181,193	—	181,193
Refunding bonds issued	—	—	8,100	—	8,100
Payments to escrow agents	—	(1,388)	(8,099)	—	(9,487)
Premiums on long-term debt issued	—	2,130	20,929	—	23,059
Transfers in	—	—	6,500	1,455	7,955
Transfers out	(1,455)	(6,500)	—	—	(7,955)
Total other financing sources (uses) .	(1,455)	(5,758)	208,623	1,455	202,865
Net change in fund balances	86,831	38,026	14,293	(161)	138,989
Fund balance - beginning of year	862,172	208,693	64,690	87,377	1,222,932
Fund balance - end of year	\$ 949,003	\$ 246,719	\$ 78,983	\$ 87,216	\$ 1,361,921

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, 2016**

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$	138,989
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays and contributions of capital assets (\$ 238,555) exceeded depreciation expense (\$ 115,396) and loss on disposals (\$ 14)		123,145
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available		(21,091)
Issuances of long-term debt (\$ 173,899) and notes (\$ 15,365) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond, note, and lease principal (\$ 131,891) and payments to the escrow agent for par value of refunded bonds (\$ 9,220) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position. This is the amount by which issuances exceed repayments and escrow payments		(48,153)
Increases in bond premiums net (\$ 11,374) increase the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Decreases in deferred loss on refunding, net (\$ 2,005) decrease deferred outflows, net on the statement of net position, but are included in the operating statement of governmental funds.....		(13,379)
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 compensated absences (\$ 3,875) , other postemployment benefits (\$ 27,813) and workers compensation (\$ 9,685) , offset by a decrease in liabilities for interest payable (\$ 2,075) , judgments and claims (\$ 2,217) and landfill closure and post closure costs (\$ 62) and an increase in net pension liability, net of deferred amounts (\$ 46,784)		(83,803)
Net loss from the internal service fund, which is presented in the statement of activities, but not in the governmental funds		(14,113)
Change in net position of governmental activities	\$	81,595

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2016 (with comparative actual amounts for 2015)

(Amounts in thousands)

	2016				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2015 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net.....	\$ 1,923,431	\$ 1,923,431	\$ 1,925,045	\$ 1,614	\$ 1,839,279
Excises	204,351	204,351	234,247	29,896	218,818
Commonwealth of Massachusetts	424,029	424,029	421,576	(2,453)	413,430
Departmental and other revenue	64,735	64,735	76,919	12,184	78,117
Fines	60,060	60,060	60,899	839	60,347
Payments in lieu of taxes.....	66,662	66,662	88,891	22,229	78,831
Investment income	50	50	184	134	61
Licenses and permits	52,330	52,330	74,442	22,112	72,536
Miscellaneous	—	—	802	802	—
Other available funds	61,450	61,450	—	(61,450)	19,000
Total revenues and other available funds.....	2,857,098	2,857,098	2,883,005	25,907	2,780,419
EXPENDITURES:					
General government	97,357	89,564	87,435	2,129	98,672
Human services	33,207	31,946	31,938	8	31,667
Public safety	595,866	604,372	623,879	(19,507)	602,663
Public works	108,934	103,658	103,639	19	124,664
Property and development	36,489	37,101	37,001	100	35,717
Parks and recreation	21,386	25,632	25,546	86	20,416
Library	34,093	34,866	34,863	3	33,291
Schools	1,013,500	1,016,285	1,016,277	8	974,925
Boston Public Health Commission.....	73,950	76,155	76,155	—	73,827
Judgments and claims	3,500	3,500	10,454	(6,954)	9,698
Other employee benefits	247,706	241,294	241,177	117	231,090
Retirement costs	188,749	200,649	200,649	—	172,997
Debt requirements	163,970	157,626	157,626	—	147,893
State and district assessments	238,391	234,450	234,450	—	215,538
Total expenditures	2,857,098	2,857,098	2,881,089	(23,991)	2,773,058
Excess of revenues and other available funds over expenditures	\$ —	\$ —	\$ 1,916	\$ 1,916	\$ 7,361

See accompanying notes to the basic financial statements

Statement of Net Position

Proprietary Fund

June 30, 2016

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 67,408
Receivables	578
Total current assets.....	<u>67,986</u>
Noncurrent assets:	
Other assets	5,523
Total noncurrent assets.....	<u>5,523</u>
Total assets	<u>73,509</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	24,730
Total current liabilities	<u>24,730</u>
NET POSITION:	
Unrestricted	48,779
Total net position	<u>\$ 48,779</u>

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund
Year Ended June 30, 2016

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 65,165
Employer contributions	265,240
Total operating revenues	<u>330,405</u>
OPERATING EXPENSES:	
Health benefits	344,518
Total operating expenses	<u>344,518</u>
Operating loss	<u>(14,113)</u>
Change in net position	(14,113)
Net position - beginning of year	62,892
Net position - end of year	<u>\$ 48,779</u>

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 330,757
Cash paid to vendors	(350,222)
Net cash used in operating activities	<u>(19,465)</u>
Decrease in cash and cash equivalents	(19,465)
Cash and cash equivalents- beginning of year	86,873
Cash and cash equivalents- end of year	<u>\$ 67,408</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH	
USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (14,113)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Other assets	(2,971)
Due from component units / receivables	352
Accounts payable and accrued liabilities	(2,733)
Net cash used in operating activities	<u>\$ (19,465)</u>

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

(Except Employee Retirement Plan, which is as of December 31, 2015)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 230,341	\$ 25	\$ 108,216	\$ 7,596
Receivables:				
Interest and dividends	6,904	—	—	—
Securities sold	18,866	—	—	—
Employer contributions	11,448	—	—	—
Other	14,634	—	2,542	—
Total receivables	51,852	—	2,542	—
Investments, at fair value:				
Short term:				
Domestic	64,794	—	—	—
International	6,098	—	—	—
Equity:				
Domestic	1,066,255	123,900	—	—
International	931,966	38,235	—	—
Fixed-income:				
Domestic	755,454	182,093	—	—
International	214,320	—	—	—
PRIT Pooled Fund	1,336,641	—	—	—
Real estate	415,693	—	—	—
Alternative	542,378	—	—	—
All asset fund	—	34,828	—	—
Total investments.....	5,333,599	379,056	—	—
Securities lending short-term collateral investment pool	184,295	—	—	—
Total assets	5,800,087	379,081	110,758	7,596
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities	14,843	146	6,888	7,596
Securities purchased	41,603	—	—	—
Collateral held on securities lending	184,348	—	—	—
Total liabilities	240,794	146	6,888	7,596
NET POSITION:				
Held in trust for pension benefits and other purposes	\$ 5,559,293	\$ 378,935	\$ 103,870	\$ —

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2016

(Except Employee Retirement Plan, which is year ended December 31, 2015)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
ADDITIONS:			
Contributions:			
Employers	\$ 218,813	\$ 154,494	\$ —
Commonwealth of Massachusetts (nonemployer)	120,434	—	—
Employees	147,090	—	—
Donations and other	—	—	5,837
Total contributions	486,337	154,494	5,837
Investment earnings:			
Realized and unrealized gains on investments	(104,056)	(2,076)	22,862
Investment income	111,296	4,075	3,600
Less investment expenses	(23,350)	(514)	—
Net investment earnings	(16,110)	1,485	26,462
Securities lending activities:			
Securities lending income	1,186	—	—
Less borrower rebates and fees	(333)	—	—
Net income from securities lending activities	853	—	—
Total net investment income (loss)	(15,257)	1,485	26,462
Intergovernmental	6,929	—	—
Total additions	478,009	155,979	32,299
DEDUCTIONS:			
Benefits	548,605	112,244	—
Reimbursements	11,385	—	—
Refunds of contributions	23,921	—	—
Administrative expenses and other	8,952	6	33,153
Total deductions	592,863	112,250	33,153
Change in net position	(114,854)	43,729	(854)
Net position - beginning of year	5,674,147	335,206	104,724
Net position - end of year	\$ 5,559,293	\$ 378,935	\$ 103,870

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

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, 2015.
- 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, 2016.

c. Discretely Presented Component Units Disclosure

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

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

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2016.

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

d. Related Organizations

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

2. Summary of Significant Accounting Policies

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

a. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from any business-type activities, which rely to a significant extent on fees and charges for support. The City currently reports no business-type activities. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual Governmental Funds are reported as separate columns in the Fund Financial Statements.

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

i. Government-wide Financial Statements

The Government-wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund Financial Statements. The Agency Fund within the Fiduciary Fund Financial Statements has no measurement of results. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements for recognition have been met.

ii. **Governmental Fund Financial Statements**

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are “susceptible to accrual” (i.e., both measurable and available). Revenues not considered to be available are recorded as deferred inflows of resources.

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

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

iii. **Proprietary Fund Financial Statements**

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

iv. **Description of Major Funds**

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

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

Proprietary fund –The City reports the following proprietary fund:

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

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

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

c. Cash Equivalents

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

d. Basis of Investment Valuation

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

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

e. Interfund Receivables and Payables

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

f. Uncollectible Tax and Other Receivables

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

g. Capital Assets

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

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

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

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

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. Public Safety employees are compensated for unused personal leave in addition to sick and vacation leave. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2016 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. 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.

k. 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.

l. 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, 2016, 100% of the Gardner Street landfill site had been used and has not accepted solid waste for several years. While most of the landfill closure construction was completed in prior years, there still remains 12 acres of the landfill to be capped as of June 30, 2016.

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 2016 were \$62 thousand.

m. 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.

n. Adoption of Accounting Pronouncements

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*." The scope of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principals for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The City has incorporated the required disclosures about fair value measurements, but adoption of the statement did not impact financial statement amounts.

3. Short-Term Debt

During fiscal year 2016, 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, 2016 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 2,883,005	2,881,089	—	1,916
Adjustments:				
Revenues to modified accrual basis	52,342		—	52,342
Expenditures, encumbrances, and accruals, net	—	(32,573)	—	32,573
On-behalf contribution for teachers pension	120,434	120,434	—	—
Reclassifications:				
Other transfers		(1,455)	1,455	—
As reported on a GAAP basis	<u>\$ 3,055,781</u>	<u>\$ 2,967,495</u>	<u>\$ 1,455</u>	<u>\$ 86,831</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 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, 2016, the City of Boston Trust Funds had uninsured and uncollateralized deposits of \$14.6 million and uninsured and uncollateralized investments of \$1.5 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 no more than seven years. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2016:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	152,688	152,688	—	—	—
Institutional and mutual funds	59,869	—	—	19,772	40,097
U.S. Treasury and agency securities	41,184	1,088	5,045	5,428	29,623
Corporate debt instruments	56,180	337	2,202	34,440	19,201
	<u>\$ 309,921</u>	<u>\$ 154,113</u>	<u>\$ 7,247</u>	<u>\$ 59,640</u>	<u>\$ 88,921</u>

d. Credit Risk

It is the City of Boston Trust Funds' policy that there shall be no specific limitation in regard to credit worthiness of securities, except the overall average quality of each fixed income portfolio shall be AA or better. The City's fixed income investments as of June 30, 2016 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	\$ 152,688	Not Rated
Institutional and mutual funds	59,869	AAA to A3
U.S. Treasury and agency securities	38,262	AAA to A3
U.S. Treasury and agency securities	1,725	Baa1 to B3
U.S. Treasury and agency securities	45	Caa1 to Ca1
U.S. Treasury and agency securities	1,152	Not Rated
Corporate debt instruments	46,298	AAA to A3
Corporate debt instruments	6,579	Baa1 to B3
Corporate debt instruments	2,261	Caa1 to Ca1
Corporate debt instruments	1,042	Not Rated
	<u>\$ 309,921</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, 2016, the City of Boston Trust Funds held international equity mutual funds valued at \$44.9 million. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

g. Fair Value Hierarchy

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

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

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

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

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

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

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

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

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Money market funds	152,688	—	—	152,688
Institutional and mutual funds	87,385	60,719	—	148,104
Equity securities	41,732	139,632	—	181,364
US Treasury & agency securities	1,364	39,820	—	41,184
Corporate debt instruments	32,837	23,343	—	56,180
Total Investments:	316,006	263,514	—	579,520

Boston Retirement System (BRS or the 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, 2015, 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 www.mass.gov/perac/investup/bostonintsup.html) govern the System's investment practice. Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. C. 32, Sec. 3(3), the "Prudent Person" rule.

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

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

c. Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2015:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury notes and bonds	\$ 79,771	3,730	54,263	6,822	14,956
U.S. agencies	83,170	—	1,495	880	80,795
Domestic corporate	503,609	2,162	73,083	148,764	279,600
Municipal	6,127	—	3,139	—	2,988
International corporate	171,256	107	12,295	17,753	141,101
International government	35,000	—	7,870	15,414	11,716
Asset-backed:					
CMOs	42,612	—	4,599	140	37,873
Other	48,229	—	18,740	5,892	23,597
	<u>\$ 969,774</u>	<u>\$ 5,999</u>	<u>\$ 175,484</u>	<u>\$ 195,665</u>	<u>\$ 592,626</u>

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

The collateralized mortgage obligations (CMOs) held by the System as of December 31, 2015 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, 2015 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	\$ 83,170	—	2,108	—	—	—	—	—	81,062
Domestic corporate	503,609	1,579	4,277	25,283	62,329	29,254	37,170	30,555	313,162
Municipal	6,127	1,242	3,461	1,424	—	—	—	—	—
International corporate	171,256	2,096	3,122	6,314	11,851	2,529	4,817	—	140,527
International government	35,000	4,348	2,350	4,700	2,347	1,269	—	—	19,986
Asset-backed:									
CMOs	42,612	7,620	6,033	7,390	—	—	—	—	21,569
Other	48,229	23,704	2,024	2,855	418	—	—	—	19,228
	\$ 890,003	40,589	23,375	47,966	76,945	33,052	41,987	30,555	595,534

In addition to the above schedule, the System has approximately \$79.8 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

e. Concentration Risk

The System has no investments, at fair value, except for pooled funds, that exceed 5% of the System's total investments as of December 31, 2015.

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

f. Foreign Currency Risk

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

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

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Australian dollar	\$ 148	2,457	23,446	501	26,552
Brazilian real	—	114	—	—	114
Canadian dollar	286	1,686	—	—	1,972
Danish krone	52	670	19,433	—	20,155
Euro currency	1,369	12,296	189,841	9,548	213,054
Hong Kong dollar	86	—	23,627	—	23,713
Hungarian forint	—	390	—	—	390
Indonesian rupiah	52	701	163	—	916
Israeli Shekel	30	—	1,350	—	1,380
Japanese yen	302	8,181	109,209	—	117,692
Malaysian ringgit	10	241	—	—	251
Mexican peso	187	2,129	—	—	2,316
New Taiwan dollar	18	—	—	—	18
New Zealand dollar	42	—	165	—	207
Norwegian krone	25	1,904	1,252	—	3,181
Philippine Peso	—	346	—	—	346
Polish zloty	203	737	—	—	940
Pound sterling	434	4,423	113,723	9,439	128,019
Singapore dollar	97	559	6,976	—	7,632
South African rand	109	—	—	—	109
South Korean won	262	1,685	6,637	—	8,584
Swedish krona	79	785	11,517	—	12,381
Swiss franc	51	589	58,519	—	59,159
Thailand Baht	28	—	—	—	28
Turkish Lira	29	92	—	—	121
Total securities subject to foreign currency risk	\$ 3,899	39,985	565,858	19,488	629,230
U.S. dollars (securities held by international investment managers)	—	33,035	43,147	—	76,182
Total international investment securities	\$ 3,899	73,020	609,005	19,488	705,412

g. PRIT Pooled Fund

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

The fair value of the PRIT fund is based on unit value as reported by management of the PRIT fund. The PRIT fund issues separately available audited financial statements with a year end of June 30.

As of December 31, 2015, the System had \$1.3 billion invested in the PRIT pooled fund.

h. Derivatives

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

i. Securities Lending

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

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

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

At December 31, 2015, the fair value of securities loaned by the System amounted to \$254.6 million, against which was held collateral of \$263.4 million as follows (in thousands):

Short-term collateral investment pool	\$	184,348
Noncash collateral		79,092
Total	\$	<u>263,440</u>

j. Commitments

At December 31, 2015, the System had contractual commitments to provide \$153.5 million of additional funding to private equity funds, and \$72.7 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, 2015 (in thousands).

	Fair Value Measurements Using:			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total at December 31, 2015	(Level 1)	(Level 2)	(Level 3)
Short-term:				
Domestic	\$ 64,793	\$ 64,793	\$ —	—
International	6,099	6,099	—	—
Total short-term	70,892	70,892	—	—
U.S. equities:				
Large cap core	665,297	665,297	—	—
Large cap growth	95,501	95,501	—	—
Large cap value	70,886	70,886	—	—
Small cap core	69,284	69,284	—	—
Small cap growth	98,769	98,769	—	—
Small cap value	66,518	66,518	—	—
Total U.S. equities	1,066,255	1,066,255	—	—
International equities	931,966	931,966	—	—
Fixed income securities:				
U.S. treasury securities	79,771	79,771	—	—
Corporate debt securities	503,609	139,497	364,112	—
Global multi-sector fixed income	206,256	—	206,256	—
Municipal	6,127	—	6,127	—
Collateralized mortgage obligations	42,612	—	42,612	—
Other asset backed securities	48,229	—	48,229	—
U.S. Agencies	83,170	—	83,170	—
Total fixed income securities	969,774	219,268	750,506	—
PRIT fund	1,336,641	—	1,336,641	—
Total investments by fair value level	4,375,528	2,288,381	2,087,147	—
Investments measured at the net asset value (NAV):				
Hedge fund of funds	323,998			
Private equity funds	218,380			
Private real estate funds	415,693			
Total investments measured at the NAV	958,071			
Total investments at fair value	\$ 5,333,599			

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	\$ 323,998	\$ —	Quarterly	60-90 days
Real estate funds ²	415,693	72,697	—	—
Private equity funds ³	218,380	153,497	—	—

1. Global Multi-strategy Hedge Fund of Funds. This type includes investments in 6 hedge funds that invest in other hedge fund managers. Management of each hedge fund is given full discretion to invest with direct hedge fund managers. The fair value of the investments in this type have been determined using the NAV per share of the investments.
2. Real Estate Funds. This type includes 29 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 59 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 15, 2015, all properties with

unpaid fiscal year 2015 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2-1/2” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2-1/2% of the prior year’s levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a citywide referendum.

7. Receivables

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

	General	Special revenue	Capital projects	Other nonmajor funds	Total
Receivables:					
Property taxes	\$ 13,183	\$ —	\$ —	\$ —	\$ 13,183
Other taxes	104,438	—	—	—	104,438
Intergovernmental	42,415	54,698	12,050	—	109,163
Other	19,224	43,585	667	29,447	92,923
Gross receivables	179,260	98,283	12,717	29,447	319,707
Less allowance for uncollectibles	(98,150)	—	—	—	(98,150)
Net total receivables	<u>\$ 81,110</u>	<u>\$ 98,283</u>	<u>\$ 12,717</u>	<u>\$ 29,447</u>	<u>\$ 221,557</u>

a. Long-Term Receivable

The City participates in the Commonwealth’s school building assistance program, which is administered by the MSBA. The MSBA provides financial assistance (up to 80% of total costs) to the City to build and/or renovate schools. As of June 30, 2016, under this program, the City was due funds totaling \$21.0 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The following is a schedule of the four-year paydown (in thousands) as of June 30, 2017 through 2020:

Fiscal year(s):	<u>Anticipated revenue</u>
2017	\$ 6,720
2018	6,720
2019	5,107
2020	2,462
Total	<u>\$ 21,009</u>

Notes Receivable

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing

rehabilitation, public facilities, and large-scale physical development projects. Housing and Urban Development (HUD) provides grants or loans to local governments, which in turn provides loans to developers. As of June 30, 2016, under this program, the City determined that \$43.6 million was collectible. This amount is recorded in the City's Special Revenue fund.

8. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2016 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,215	110	—	29,325
Construction in progress	96,537	162,784	(163,475)	95,846
Total capital assets not being depreciated	125,752	162,894	(163,475)	125,171
Capital assets being depreciated:				
Land improvements	219,195	37,665	—	256,860
Buildings and improvements	2,167,190	85,402	(128)	2,252,464
Furniture and equipment	382,267	40,039	(12,662)	409,644
Infrastructure	710,554	76,031	—	786,585
Total capital assets being depreciated	3,479,206	239,137	(12,790)	3,705,553
Less accumulated depreciation for:				
Land improvements	86,492	12,053	—	98,545
Buildings and improvements	1,124,265	46,745	(128)	1,170,882
Furniture and equipment	284,985	33,933	(12,648)	306,270
Infrastructure	251,029	22,665	—	273,694
Total accumulated depreciation	1,746,771	115,396	(12,776)	1,849,391
Total capital assets being depreciated, net	1,732,435	123,741	(14)	1,856,162
Governmental activities capital assets, net	\$ 1,858,187	\$ 286,635	\$ (163,489)	\$ 1,981,333

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

General government	\$	11,617
Human services		2,732
Public safety		17,257
Public works, including depreciation of general infrastructure assets		23,421
Property and development		9,385
Parks and recreation		11,120
Library		4,387
Schools		35,204
Public health		273
Total depreciation expense - governmental activities	\$	<u>115,396</u>

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

Individual fund receivable and payable balances at June 30, 2016 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 2,412	945
Special revenue	746	2,974
Non-major governmental funds	6,401	5,640
Balances at June 30, 2016	<u>\$ 9,559</u>	<u>\$ 9,559</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, 2016 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 8,615	2,978
Balances at June 30, 2016	<u>8,615</u>	<u>2,978</u>
Discretely presented component units:		
TPL	—	938
BPHC	2,978	457
BPDA	—	7,220
	<u>2,978</u>	<u>8,615</u>
Balances at June 30, 2016	<u>\$ 11,593</u>	<u>\$ 11,593</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, 2016 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds Payable:						
General Obligation Bonds	2.0 - 5.75%	\$ 805,655	140,000	74,780	870,875	71,390
General Obligation Refunding Bonds	0.125-5.0%	413,950	8,100	44,265	377,785	44,175
Total governmental general obligation bonds payable		\$ 1,219,605	148,100	119,045	1,248,660	115,565
Add (deduct):						
Unamortized bond premiums/discounts net					131,136	
Current portion of long-term debt					(115,565)	
					\$ 1,264,231	
Notes, Leases and Other long-term obligations:						
Notes payable	2.10-7.18%	\$ 63,361	15,365	2,107	76,619	2,352
Leases payable		56,425	25,799	19,958	62,266	21,458
Judgments and claims		8,127	1,283	1,100	8,310	6,698
Tax abatements		18,800	—	2,400	16,400	5,200
Workers' compensation		156,230	23,815	14,130	165,915	42,489
Health and life claims		22,553	346,695	344,518	24,730	24,730
Compensated absences		196,467	75,956	72,081	200,342	58,168
Landfill closure and postclosure care costs		7,858	—	62	7,796	150
Pollution remediation		500	—	—	500	—
Other postemployment benefits		669,887	178,099	150,286	697,700	—
Net pension liability		1,416,932	204,977	—	1,621,909	—
Total notes, leases, and other long-term obligations		\$ 2,617,140	871,989	606,642	2,882,487	161,245

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, 2016, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General Obligation Bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2017	\$ 115,565	59,074	(3,254)	171,385
2018	110,365	52,902	(3,180)	160,087
2019	104,470	43,083	(3,113)	144,440
2020	94,335	38,710	(3,034)	130,011
2021	91,610	34,170	(2,951)	122,829
2022-2026	427,070	108,726	(9,291)	526,505
2027-2031	212,205	37,469	(690)	248,984
2032-2036	93,040	7,194	—	100,234
	<u>\$ 1,248,660</u>	<u>\$ 381,328</u>	<u>\$ (25,513)</u>	<u>\$ 1,604,475</u>
Notes Payable:				
Year(s) ending June 30:				
2017	\$ 2,352	1,273	—	3,625
2018	5,447	1,188	—	6,635
2019	1,661	1,102	—	2,763
2020	1,801	1,075	—	2,876
2021	1,677	1,032	—	2,709
2022-2026	12,350	4,237	—	16,587
2027-2031	14,046	3,096	—	17,142
2032-2036	17,840	1,118	—	18,958
Thereafter	19,445	1,374	—	20,819
	<u>\$ 76,619</u>	<u>\$ 15,495</u>	<u>\$ —</u>	<u>\$ 92,114</u>
Leases Payable:				
Year(s) ending June 30:				
2017	\$ 21,458	713	—	22,171
2018	16,415	479	—	16,894
2019	12,199	288	—	12,487
2020	6,325	149	—	6,474
2021	3,291	75	—	3,366
2022-2023	2,578	47	—	2,625
	<u>\$ 62,266</u>	<u>\$ 1,751</u>	<u>\$ —</u>	<u>\$ 64,017</u>

On March 24, 2016, the City issued \$148.1 million of general obligation and refunding bonds, including \$140.0 million for various municipal capital projects and \$8.1 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$9.2 million. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2027 and 2036, respectively.

The cash flow difference and economic gain (the difference between the present value of the debt service payments and old and new debt) obtained from the March 24, 2016 refunding were \$1.1 million and \$0.9 million, respectively.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. The gross amount of assets acquired under the equipment lease agreements totals \$62.3 million as of June 30, 2016. 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, 2016 was approximately \$144.2 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, 2016, the City may issue \$3.73 billion of additional general obligation debt under the debt limit. General obligation debt of \$680.8 million, subject to the debt limit, and \$75.7 million, exempt from the debt limit, are authorized but unissued as of June 30, 2016.

11. Retirement Plans

a. Plan Description

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

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

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

The System is administered by a five person Board of Retirement consisting of the City Auditor, who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor, and a fifth member chosen by the other members. A complete set of financial statements for BRS for the fiscal year ended December 31, 2015 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, 2015).

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, 2013). 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, 2013, the date of the latest actuarial valuation:

Active plan members	20,278
Retirees and beneficiaries receiving benefits	14,341
Inactive members entitled to a return of contributions	7,983
Inactive members entitled to, but not yet receiving benefits	808
Total membership	43,410
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, 2015, the System was due \$339.2 million from all employers and the Commonwealth and received \$339.2 million in these contributions. For the year ended June 30, 2016, inclusive of contributions related to SCSD, and exclusive of contributions related to the City's teachers, the City's required and actual contribution was \$179.5 million. For the year ended June 30, 2016, the Commonwealth's required and actual contribution related to City Teachers was \$120.4 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, 2015 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,638,152	Active members' contribution balance
Annuity reserve fund	455,559	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	3,364,918	Amounts appropriated to fund future retirement benefits
Pension fund	100,614	Remaining net position
	<u>\$ 5,559,293</u>	

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

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

At June 30, 2016, the City reported a liability of \$1.62 billion for its proportionate share of the BRS net pension liability measured as of December 31, 2015. 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, 2015 were as follows (in thousands):

City's proportionate share of net pension liability	\$ 1,621,909
Commonwealth's proportionate share of net pension liability associated with the City	2,425,659
Total	<u>\$ 4,047,568</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, 2015, the City was allocated 100% of the net pension liability for SCSD retirees and 81.71% of the remaining non-teacher group based on its proportion of 2015 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2015 was 36.78% compared to 36.82% at December 31, 2014.

For the year ended June 30, 2016, in the Government-wide financial statements, the City recognized pension expense of \$462.8 million and revenue of \$236.5 million related to the Commonwealth special funding situations. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual investment earnings	\$ 297,346	\$ —
Changes in assumptions	4,954	62,565
Changes in employer proportion	24,335	—
	<u>\$ 326,635</u>	<u>\$ 62,565</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:		
2017	\$	73,940
2018		73,940
2019		73,940
2020		51,981
2021		(9,731)
	<u>\$</u>	<u>264,070</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, 2015 measurement date was determined by using an actuarial valuation as of December 31, 2013, with updated procedures used to roll forward the total pension liability to December 31, 2015. The measurement at December 31, 2015 applied the following actuarial assumptions:

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

The salary scale for for non-teachers indicated above was a reduction from a range of 5.0% to 4.5% used in the measurement of the total pension liability as of December 31, 2014. Additionally, the investment rate of return of 7.5% for teachers indicated above was a reduction from the 8.0% used in the December 31, 2014 measurement.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation date of December 31, 2013 for BRS, excluding Teachers, are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	25%	6.49%
International developed markets equity	19	7.16
Emerging markets equity	8	9.46
Core fixed income	11	1.68
High yield fixed income	13	4.76
Real estate	10	4.37
Hedge fund, GTAA, Risk parity	7	3.60
Private equity	7	11.04
	100%	

h. Discount Rate

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

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

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

	City's net pension liability		
	1% Decrease (6.75)%	Current Discount Rate (7.75%)	1% Increase (8.75)%
June 30, 2016	\$ 2,185,286	\$ 1,621,909	\$ 1,145,392

12. Other Postemployment Benefits (OPEB)

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

In addition to the pension benefits described in note 11, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. Participating retirees are City retirees. As of June 30, 2015, the most recent actuarial valuation date, approximately 14,700 retirees and 14,300 active members meet the eligibility requirements as put forth in Chapter 32B of M.G.L. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

Groups 1 and 2 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on accidental disability retirement are eligible at any age, while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and postretirement death benefits, as well as medical and prescription drug coverage.

a. Funding Policy

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

b. Basis of Accounting

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

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

c. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2015 (in thousands):

ARC	\$	162,018
Interest on net OPEB obligation		46,892
Adjustment to ARC		(30,811)
Annual OPEB cost		178,099
Contributions made		(150,286)
Change in net OPEB obligation		27,813
Net OPEB obligation - beginning of year		669,887
Net OPEB obligation - end of year	\$	697,700

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 178,099	84%	\$ 697,700
2015	175,602	92%	669,887
2014	170,249	90%	656,343

d. Funded Status and Funding Progress of the Plan

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to

Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

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

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

13. Transfers

Transfers and their purposes during the year ended June 30, 2016 were as follows (in thousands):

	Governmental funds			
	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other governmental</u>
Primary government:				
Parking Meter Fees	\$ —	\$ (6,500)	\$ 6,500	\$ —
Debt Service	(1,455)	—	—	1,455
Total	<u>\$ (1,455)</u>	<u>\$ (6,500)</u>	<u>\$ 6,500</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, 2016 in the following categories (in thousands):

Public safety:	
Police Department	\$ 16,343
Fire Department	3,195
Judgments and Claims:	
Execution of courts	6,954
	<u>\$ 26,492</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, 2016 are as follows (in thousands):

Fund Balances:	General	Special Revenue	Capital Projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ —	—	—	4,974
Subtotal	—	—	—	4,974
Restricted for:				
General government	—	—	24,234	1,475
Human services	—	—	1,821	—
Public safety	—	—	10,106	—
Public works	—	—	3,547	—
Property and development	—	43,585	10,509	32,918
Parks and recreation	—	—	2,462	39,357
Library	—	—	—	—
Schools	—	—	26,304	8,492
Subtotal	—	43,585	78,983	82,242
Assigned to:				
General government	4,186	6,110	—	—
Human services	704	—	—	—
Police	6,781	—	—	—
Fire	3,106	—	—	—
Other public safety	896	127,540	—	—
Public works	736	—	—	—
Property and development	2,843	51,378	—	—
Parks and recreation	504	2,224	—	—
Library	324	150	—	—
Schools	24,868	15,732	—	—
Boston Public Health Commission	2,209	—	—	—
Judgments and claims	29,354	—	—	—
Catastrophic loss	31,112	—	—	—
Housing initiative	8,550	—	—	—
Debt service	7,163	—	—	—
Employee related costs	63,500	—	—	—
Designated for subsequent year expense	79,386	—	—	—
Subtotal	266,222	203,134	—	—
Unassigned	682,781	—	—	—
Total fund balances	\$ 949,003	246,719	78,983	87,216

16. Commitments and Contingencies

The City has committed \$76.5 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$55.6 million in the Special Revenue Fund, \$185.6 million in the Capital Projects Fund, and \$287 thousand in Other Governmental Funds.

Infrastructure Investment Incentive Transactions

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

During fiscal year 2015, the City executed two Infrastructure Development Assistance Agreements (IDAA) for I-Cubed transactions. Under the first IDAA, \$32.4 million in bonds were issued by MDFA in September 2015. Also, an MLR of \$1.2 million was established at the time of the issuance of the bonds. This reserve is equal to twice the maximum annual debt service payable in any fiscal year on the bonds issued under the indenture. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2016. 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, 2016.

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

17. Public Health System

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

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

The BPHC receives the majority of its funding from federal and state grants, and a City appropriation. During fiscal year 2016, the City appropriated \$76.2 million to the PHC. 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 PHC. The City has budgeted \$77.3 million for the BPHC for fiscal year 2017.

Due from BPHC/BMC

General obligation bonds issued by the City between December 1967 and October 1995, for which BPHC was responsible for repayment, have been fully repaid as of June 30, 2016. These bonds pertained to the property and operations of the BCH Campus, South Block Campus, BSRH Campus, Emergency Medical Services Operations, and the Long Island Campus.

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

18. Risk Management

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

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

The City provides health insurance coverage for employees and retirees through a variety of insured and self-insured plans. The City budgets for and funds the premium costs for all plans through the General Fund. Self-insured plans are financially managed through the Internal Service Fund established in compliance with M.G.L. Chapter 32B, Section 3A. In fiscal year 2013, a guiding policy for the more prudent management of the City of Boston Health Claims Trust Fund was established. This policy 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 \$31.1 million at the end of fiscal 2016. 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, 2016 and 2015 are as follows (in thousands):

	Internal service fund	
	2016	2015
Health and life claims, beginning of year	\$ 22,553	\$ 24,312
Incurred claims	346,695	321,873
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(344,518)	(323,632)
Health and life claims, end of year	<u>\$ 24,730</u>	<u>\$ 22,553</u>

	Government-wide statements	
	2016	2015
Judgments and claims, beginning of year	\$ 183,157	\$ 162,038
Incurred claims	28,747	45,912
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(14,130)	(13,686)
Unemployment compensation	(3,649)	(4,886)
Tax abatement liability	(2,400)	(700)
Court judgments	(1,100)	(5,521)
Judgments and claims, end of year	<u>\$ 190,625</u>	<u>\$ 183,157</u>

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

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

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

As described in note 1, the DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. As the project sponsor during fiscal year 2013, the City authorized and issued \$28.9 million in general obligation bonds and transferred proceeds to FBDC. FBDC, utilizing these bond proceeds, made loans totaling \$29.3 million to two investment funds. As of June 30, 2016, \$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	
2017	\$	551
2018		551
2019		595
2020		638
2021		638
2022-2026		8,062
2027-2031		10,150
2032-2036		10,150
2037-2041		10,150
2042-2046		10,150
2047		3,045
Total	\$	54,680

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, 2016 (In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 30,228	\$ 28,836	\$ 2,585	\$ 8,990	\$ 70,639
Cash and investments held by trustee	—	—	12,050	—	\$ 12,050
Receivables, net:					
Other	28,656	14,622	1,155	8,478	\$ 52,911
Other assets	27	—	19	1,031	\$ 1,077
Due from primary government	2,978	—	—	—	2,978
Total current assets	61,889	43,458	15,809	18,499	139,655
Noncurrent assets:					
Cash and investments held by trustee	—	—	54,782	—	54,782
Notes receivable	41,934	135,074	50	—	177,058
Capital assets:					
Nondepreciable	12,087	9,534	150	3,094	24,865
Depreciable	14,433	4,204	672	34,309	53,618
Total noncurrent assets	68,454	148,812	55,654	37,403	310,323
Total assets	130,343	192,270	71,463	55,902	449,978
Deferred outflows of resources:					
Deferred amount for pension costs	28,572	3,805	—	—	32,377

Condensed Statements of Net Position

June 30, 2016

(In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 19,184	\$ 4,412	\$ 932	\$ 3,703	\$ 28,231
Accrued liabilities:					
Other	311	549	394	1,959	3,213
Current portion of long-term debt and leases	945	—	—	782	1,727
Due to primary government	457	—	938	—	1,395
Unearned revenue	2,819	1,980	145	440	5,384
Total current liabilities	<u>23,716</u>	<u>6,941</u>	<u>2,409</u>	<u>6,884</u>	<u>39,950</u>
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	\$ 3,017	\$ 3,268	\$ —	\$ 12,177	\$ 18,462
Other noncurrent liabilities	1,640	138,316	—	682	140,638
OPEB	86,075	5,770	—	—	91,845
Unearned revenue	42,978	24,073	—	—	67,051
Net pension liability	150,750	20,096	—	—	170,846
Due to primary government	—	7,220	—	—	7,220
Total noncurrent liabilities	<u>284,460</u>	<u>198,743</u>	<u>—</u>	<u>12,859</u>	<u>496,062</u>
Total liabilities	<u>308,176</u>	<u>205,684</u>	<u>2,409</u>	<u>19,743</u>	<u>536,012</u>
Deferred inflows of resources:					
Deferred amount for pension costs	<u>11,734</u>	<u>2,300</u>	<u>—</u>	<u>—</u>	<u>14,034</u>
Net position:					
Net investment in capital assets	22,558	10,723	822	24,443	58,546
Restricted	—	—	66,015	704	66,719
Unrestricted	(183,553)	(22,632)	2,217	11,012	(192,956)
Total net position	<u>\$ (160,995)</u>	<u>\$ (11,909)</u>	<u>\$ 69,054</u>	<u>\$ 36,159</u>	<u>\$ (67,691)</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2016
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 187,942	\$ 24,677	\$ 11,951	\$ 38,564	\$ 263,134
Program revenues:					
Charges for services	43,886	10,215	1,645	21,542	77,288
Operating grants and contributions	48,263	12,349	6,545	17,035	84,192
Capital grants and contributions	415	—	—	—	415
Total program revenues	92,564	22,564	8,190	38,577	161,895
Net expenses	(95,378)	(2,113)	(3,761)	13	(101,239)
General revenues:					
Investment income	35	20	(7)	1	49
Sale of property	—	2,539	—	—	2,539
City appropriation	81,682	—	—	—	81,682
Miscellaneous income	5,517	—	1,341	31	6,889
Total general revenues	87,234	2,559	1,334	32	91,159
Change in net position	(8,144)	446	(2,427)	45	(10,080)
Net position - beginning of year	(152,851)	(12,355)	71,481	36,114	(57,611)
Net position - end of year	\$ (160,995)	\$ (11,909)	\$ 69,054	\$ 36,159	\$ (67,691)

Required Supplementary Information

(Unaudited)

(Amounts in thousands)

Schedules of Funding Progress - Other Postemployment Benefits

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
OPEB - City						
06/30/15	\$324,261	2,489,239	2,164,978	13.03%	\$1,304,331	166.0%
06/30/13	204,567	2,257,699	2,053,132	9.06	1,021,081	201.1
06/30/11	109,736	2,595,942	2,486,206	4.23	1,045,488	237.8
OPEB - Plan						
06/30/15	\$335,205	2,597,763	2,262,558	12.90%	\$1,366,047	165.6%
06/30/13	209,779	2,352,101	2,142,322	8.92	1,080,837	198.2
06/30/01	111,038	2,704,200	2,593,162	4.11	1,102,402	235.2

Schedules of Employer Contributions - Other Postemployment Benefits

	Annual required contribution	Percentage contributed
OPEB - City		
June 30, 2016	\$162,018	93%
June 30, 2015	158,387	102%
June 30, 2014	153,469	100%
OPEB - Plan		
June 30, 2016	\$172,045	90%
June 30, 2015	168,281	99%
June 30, 2014	162,798	97%

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

(Amounts in millions)

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

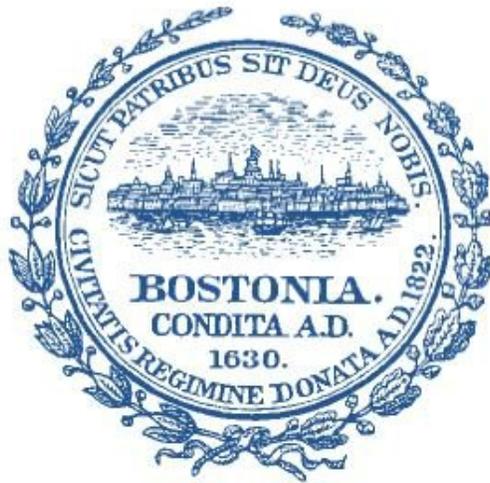
Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

Schedule of City's Contributions - Boston Retirement System

(Amounts in millions)

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

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



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General Fund



“Make Way for Ducklings” – Boston Public Garden

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



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General Fund
Comparative Balance Sheets
June 30, 2016 and 2015
(Amounts in thousands)

	2016	2015
ASSETS:		
Cash and investments	\$ 1,106,679	\$ 1,043,852
Receivables:		
Property taxes	13,818	15,658
Motor vehicle / boat excise	23,895	32,956
Intergovernmental	42,415	47,115
Departmental and other	19,224	18,811
Tax title and possession	80,542	85,138
Total Receivables	<u>179,894</u>	<u>199,678</u>
Allowance:		
Motor vehicle / boat excise	(18,242)	(16,990)
Tax title and possession	(80,542)	(85,138)
Total Allowance	<u>(98,784)</u>	<u>(102,128)</u>
Net receivable	81,110	97,550
Due from other funds	2,412	1,899
Due from component units	8,615	9,806
Total assets	<u>\$ 1,198,816</u>	<u>\$ 1,153,107</u>
LIABILITIES:		
Warrants and accounts payable	\$ 43,997	\$ 47,066
Accrued liabilities:		
Payroll and related costs	141,068	155,406
Deposits and other	22,801	23,277
Due to other funds	945	184
Due to component units	2,978	2,091
Total liabilities	<u>\$ 211,789</u>	<u>\$ 228,024</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	<u>38,024</u>	<u>62,911</u>
FUND BALANCE:		
Assigned	266,222	228,236
Unassigned	682,781	633,936
Total fund balance	<u>949,003</u>	<u>862,172</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,198,816</u>	<u>\$ 1,153,107</u>

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

	2016	2015
REVENUES:		
Real and personal property taxes	\$ 1,967,687	\$ 1,867,259
Excises	236,263	228,962
Payments in lieu of taxes	90,215	79,232
Fines	60,953	60,116
Investment income	184	61
Licenses and permits	70,005	71,205
Departmental and other	86,791	86,392
Intergovernmental	543,683	523,256
Total Revenues	3,055,781	2,916,483
EXPENDITURES:		
Current:		
General government	80,684	58,242
Human services	31,356	31,507
Public safety	610,233	633,471
Public works	101,157	123,767
Property and development	33,870	35,594
Parks and recreation	22,106	20,063
Library	33,870	33,966
Schools	1,016,412	960,228
Public health programs	77,932	73,577
Judgments and claims	1,100	3,678
Retirement costs	309,083	282,648
Other employee benefits	236,661	230,089
State and district assessments	234,450	215,538
Total current expenditures	2,788,914	2,702,368
Capital outlays	13,873	348
Debt service	164,708	153,448
Total Expenditures	2,967,495	2,856,164
Excess of revenues over expenditures	88,286	60,319
OTHER FINANCING USES:		
Transfers in	—	19,000
Transfers out	(1,455)	(1,455)
Total other financing uses	(1,455)	17,545
Net change in fund balances	86,831	77,864
Fund balance - beginning	862,172	784,308
Fund balance - ending	\$ 949,003	\$ 862,172

See accompanying independent auditor's report.

General Fund

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

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016				2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PROPERTY TAXES					
Real Estate Taxes	\$ 1,778,993	\$ 1,778,993	\$ 1,780,160	\$ 1,167	\$ 1,680,751
Real and Personal Property Taxes.....	144,438	144,438	144,885	447	158,528
Revenue class total	1,923,431	1,923,431	1,925,045	1,614	1,839,279
MOTOR VEHICLE EXCISE					
Motor Vehicle Excise - Current.....	49,186	49,186	46,385	(2,801)	38,807
Motor Vehicle Excise - Prior Years.....	—	—	21,261	21,261	14,115
Boat Excise - Current and Prior Years	65	65	39	(26)	66
Revenue class total	49,251	49,251	67,685	18,434	52,988
OTHER EXCISE TAXES					
Hotel / Motel Room Excise	77,000	77,000	89,103	12,103	83,451
Aircraft Fuel Excise	27,000	27,000	36,807	9,807	29,707
Condominium Conversion Excise	350	350	646	296	352
Meals Tax Excise	25,500	25,500	27,967	2,467	25,870
Urban Redevelopment Ch. 121A	25,000	25,000	10,422	(14,578)	26,198
Vehicle Rental Surcharge.....	250	250	1,617	1,367	252
Revenue class total	155,100	155,100	166,562	11,462	165,830
COMMONWEALTH OF MASSACHUSETTS					
State Owned Lands	295	295	295	—	295
Exemption - Elderly	1,069	1,069	386	(683)	1,070
Exemption - Other	—	—	—	—	—
Lottery	—	—	—	—	—
Veterans Services - Local Aid.....	2,757	2,757	3,410	653	2,765
Police Career Incentive	—	—	—	—	—
Unrestricted General Government Aid.....	174,653	174,653	174,653	—	168,584
Local Share of Racing Taxes.....	307	307	376	69	373
School Construction	7,344	7,344	7,344	—	8,176
Charter School Reimbursement	25,007	25,007	22,515	(2,492)	21,176
Chapter 70 Education Aid.....	212,597	212,597	212,597	—	210,991
Revenue class total	424,029	424,029	421,576	(2,453)	413,430

(continued)

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

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016				2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes.....	\$ 3,000	\$ 3,000	\$ 6,012	\$ 3,012	\$ 5,533
Penalties & Interest - Motor Vehicle	2,850	2,850	3,163	313	3,172
Penalties & Interest - Tax Title	4,000	4,000	5,303	1,303	4,373
Penalties & Interest - Boat Excise	5	5	—	(5)	4
Sidewalk Paid in Advance	—	—	1	1	3
Unapportioned Assessments	—	—	4	4	11
Other Departmental Fees & Charges	2,000	2,000	2,122	122	2,371
Registry Division Fees	1,500	1,500	1,529	29	1,579
Liens	615	615	681	66	634
Other Departmental	4,700	4,700	3,233	(1,467)	7,334
City Clerk Fees	575	575	636	61	600
Muni Medicaid Reimbursement	6,500	6,500	8,172	1,672	7,132
Medicaid Part D	4,000	4,000	5,111	1,111	5,182
Police Services	325	325	416	91	326
Fire Services	5,250	5,250	5,650	400	5,696
Parking Facilities	1,500	1,500	1,285	(215)	1,537
Street Occupancy	4,600	4,600	5,500	900	5,223
Street and Sidewalk Permits	1,000	1,000	1,164	164	994
Administrative Fees	—	—	—	—	151
Demolition of Abandoned Structures	100	100	20	(80)	19
Property Mgmt - Building Rents	1,850	1,850	1,837	(13)	2,063
St. Furniture Program Fixed Fees.....	1,500	1,500	1,500	—	1,500
St. Furniture Program Adm Fees	1,000	1,000	1,492	492	1,171
Fiber Optics Access Fees	250	250	318	68	250
Public Works - Other Charges	—	—	—	—	—
Tuition and Transportation - Schools.....	800	800	1,273	473	860
McKinney-Vento reimbursement	—	—	—	—	830
Library Fees	300	300	153	(147)	307
Cobra / Self-pay	245	245	381	136	227
Affirmative Recovery Unit	275	275	393	118	542
Fringe-Retirement	5,500	5,500	4,792	(708)	4,587
Pensions and Annuities	3,500	3,500	4,386	886	7,370
Indirect Costs Reimbursement	525	525	661	136	529
Third-Party Payments	—	—	15	15	106
Prior Year Reimbursements	3,000	3,000	4,623	1,623	2,029
Police Detail Payroll	—	—	53	53	300
Police Detail Administration Fee	3,100	3,100	4,640	1,540	3,227
Rental Income	20	20	—	(20)	—
Administrative Fee 3rd Party Payments.....	350	350	400	50	345
Revenue class total	64,735	64,735	76,919	12,184	78,117

(continued)

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

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016					2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
FINES						
Parking Fines	\$ 57,000	\$ 57,000	\$ 57,763	\$ 763	\$ 57,126	
Court Fines	120	120	170	50	216	
Moving Violation Fines - Court	2,200	2,200	1,711	(489)	1,931	
Fire Safety Fines	40	40	33	(7)	41	
Code Enforcement	700	700	1,222	522	1,033	
Revenue class total	60,060	60,060	60,899	839	60,347	
PAYMENTS IN LIEU OF TAXES						
Massport	18,612	18,612	18,830	218	19,090	
Miscellaneous PILOT's	25,500	25,500	32,370	6,870	30,324	
Miscellaneous Ch 121B Section 16	2,800	2,800	8,005	5,205	3,149	
Miscellaneous Ch 121A Section 6A	19,750	19,750	29,686	9,936	26,268	
Revenue class total	66,662	66,662	88,891	22,229	78,831	
INVESTMENT INCOME						
Interest on Investments	50	50	184	134	61	
Revenue class total	50	50	184	134	61	
LICENSES AND PERMITS						
Building Structures and Permits	33,000	33,000	52,285	19,285	51,742	
Weights and Measures	280	280	289	9	288	
Street and Curb Permits	3,100	3,100	4,034	934	3,057	
Pre-rental Inspections	1,150	1,150	1,730	580	807	
Other Departmental Licenses & Permits	700	700	744	44	719	
Health Inspections	1,700	1,700	1,811	111	1,769	
Alcoholic Beverages and Licenses	3,750	3,750	4,337	587	4,134	
Entertainment Licenses	1,900	1,900	1,843	(57)	1,835	
Police Firearm Permits	25	25	66	41	74	
Other Business Licenses and Permits	225	225	172	(53)	1	
Cable Television	6,500	6,500	7,131	631	8,110	
Revenue class total	52,330	52,330	74,442	22,112	72,536	
MISCELLANEOUS						
Air Rights	—	—	802	802	—	
Revenue class total	—	—	802	802	—	
TRANSFERS AND OTHER AVAILABLE FUNDS						
Appropriated Cemetery Trustee.....	950	950	—	(950)	—	
Appropriated Parking Meter Receipts	20,500	20,500	—	(20,500)	19,000	
Appropriated Funds Balance	40,000	40,000	—	(40,000)	—	
Revenue class total	61,450	61,450	—	(61,450)	19,000	
Total Revenues and Other financing Sources	\$ 2,857,098	\$ 2,857,098	\$ 2,883,005	\$ 25,907	\$ 2,780,419	

See accompanying independent auditor's report.

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016					2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
GENERAL GOVERNMENT						
Costs of Issuance - RANS	\$ 500	\$ 65	\$ 65	\$ —	\$ 114	
Annual Audit Costs	750	594	573	21	632	
Mayor's Office	3,409	3,409	3,234	175	2,500	
City Council	5,290	5,289	5,206	83	5,061	
Office of New Bostonians	377	381	381	—	363	
Consumer Affairs and Licensing	457	457	379	78	460	
Election Department - Election Division	3,960	3,959	3,268	691	2,792	
Election Department - Listing Board	544	544	507	37	541	
Auditing Department	2,666	2,666	2,570	96	2,494	
Assessing Department	7,108	7,108	7,103	5	6,346	
Treasury Department - Collecting Division	2,970	2,970	2,832	138	2,616	
Treasury Department - Treasury Division	1,947	1,947	1,913	34	1,909	
Office of Budget Management	3,136	3,136	2,723	413	2,585	
Human Resources	3,107	3,066	2,904	162	2,879	
Purchasing Division	1,863	1,803	1,772	31	1,545	
Office of Administration & Finance	933	890	888	2	935	
Office of Labor Relations	1,425	1,328	1,311	17	1,364	
Department of Innovation & Technology	27,828	32,050	32,047	3	30,614	
Intergovernmental Relations	1,320	1,320	1,275	45	1,237	
Law Department	6,044	5,773	5,753	20	5,993	
Risk Retention Reserved	1,500	1,500	1,500	—	6,000	
Housing Trust Fund	330	296	296	—	303	
City Clerk	1,127	1,152	1,147	5	1,074	
Registry Division	1,008	982	968	14	995	
Finance Commission	266	266	257	9	233	
Tregor Reserve Fund	210	989	989	—	915	
Office of Civil Rights	217	162	160	2	223	
Commission for Persons with Disabilities	411	306	287	19	365	
Public Information	—	—	—	—	1,190	
Neighborhood Services	2,742	2,526	2,525	1	1,422	
Arts & Cultural Develop	1,401	1,291	1,275	16	976	
Arts, Tourism & Special Events	1,156	1,104	1,093	11	1,012	
Women's Commission	213	213	212	1	191	
Reserve for Collective Bargaining	11,142	22	22	—	10,793	
Function Total	97,357	89,564	87,435	2,129	98,672	
HUMAN SERVICES						
Boston Centers for Youth & Families	24,828	24,920	24,918	2	24,130	
Elderly Commission	3,128	3,073	3,072	1	3,095	
Veterans Services Department	5,251	3,953	3,948	5	4,442	
Function total	33,207	31,946	31,938	8	31,667	

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016				2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department	\$ 323,509	\$ 332,545	\$ 348,887	\$ (16,342)	\$ 337,311
Fire Department	213,723	213,723	216,918	(3,195)	211,234
Mayor's Office - Emergency Preparedness	706	652	651	1	465
Transportation - Traffic Division	24,748	24,878	24,875	3	23,505
Transportation - Parking Clerk	8,460	7,927	7,917	10	7,752
Licensing Board	834	651	638	13	705
Inspection Services Department	18,338	18,234	18,233	1	16,701
Youth Fund	5,548	5,762	5,760	2	4,990
Function total	595,866	604,372	623,879	(19,507)	602,663
PUBLIC WORKS					
Public Works Department	83,812	86,714	86,704	10	83,539
Central Maintenance Facility	2,558	2,158	2,149	9	2,672
Snow Removal	22,564	14,786	14,786	—	38,453
Function total	108,934	103,658	103,639	19	124,664
PROPERTY AND DEVELOPMENT					
Property Management	24,729	25,516	25,457	59	25,249
Neighborhood Development	11,760	11,585	11,544	41	4,968
Leading the Way	—	—	—	—	5,500
Function total	36,489	37,101	37,001	100	35,717
PARKS AND RECREATION					
Parks and Recreation Department	16,908	21,372	21,371	1	16,215
Environment Department	2,140	1,909	1,898	11	2,018
Cemetery Division	2,338	2,351	2,277	74	2,183
Function total	21,386	25,632	25,546	86	20,416
LIBRARY					
Library Department	34,093	34,866	34,863	3	33,291
Function total	34,093	34,866	34,863	3	33,291
SCHOOLS					
Boston Public Schools	1,013,500	1,016,285	1,016,277	8	974,925
Function total	1,013,500	1,016,285	1,016,277	8	974,925
PUBLIC HEALTH					
Public Health Commission	73,950	76,155	76,155	—	73,827
Function total	73,950	76,155	76,155	—	73,827

(continued)

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

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

Classification	2016				2015 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts	\$ 3,500	\$ 3,500	\$ 10,454	\$ (6,954)	\$ 9,698
Function total	3,500	3,500	10,454	(6,954)	9,698
OTHER EMPLOYEE BENEFITS					
Medicare Payments	8,700	7,989	7,989	—	8,577
Human Resources - Health Insurance	195,756	191,266	191,266	—	180,007
Health Benefits & Insurance	700	710	593	117	606
Unemployment Compensation	350	—	—	—	34
Workers' Compensation Fund	2,200	1,329	1,329	—	1,866
OPEB Stabilization Fund	40,000	40,000	40,000	—	40,000
Function total	247,706	241,294	241,177	117	231,090
PENSION COSTS					
Boston Retirement System	184,549	196,549	196,549	—	169,624
Pensions and Annuities - City	4,100	4,063	4,063	—	3,337
Pensions and Annuities - County	100	37	37	—	36
Function total	188,749	200,649	200,649	—	172,997
DEBT REQUIREMENTS					
Redemption of City Loans	106,544	106,251	106,251	—	98,390
City Debt and Interest Payments	47,949	47,873	47,873	—	46,825
Temporary Notes	5,975	—	—	—	—
MWPAT Principal	543	543	543	—	525
MWPAT Interest	56	56	56	—	64
Section 108 - Dudley Square	505	505	505	—	505
Debt Service Sinking Funds	1,455	1,455	1,455	—	1,455
Lease Payments	943	943	943	—	129
Function total	163,970	157,626	157,626	—	147,893
STATE & DISTRICT ASSESSMENTS					
Health Insurance/Retirement	120	120	120	—	109
Parking Surcharge	2,539	2,539	2,539	—	2,539
Mosquito Control Projects	265	265	265	—	263
Special Education Chapter 766	622	696	696	—	598
Metropolitan Air Pollution Center	224	224	224	—	210
Metropolitan Area Planning	318	292	292	—	317
M.B.T.A. Assessments	82,998	82,998	82,998	—	81,270
M.D.C. Assessments	12	12	12	—	12
School Choice	555	643	643	—	536
Charter School Sending Tuition	146,863	142,786	142,786	—	125,810
Suffolk County Jail	3,875	3,875	3,875	—	3,874
Function total	238,391	234,450	234,450	—	215,538
Total Expenditures	\$ 2,857,098	\$ 2,857,098	\$ 2,881,089	\$ (23,991)	\$ 2,773,058

See accompanying independent auditor's report.

Special Revenue Fund



Commonwealth Avenue

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

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



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Special Revenue Fund
Comparative Balance Sheets
June 30, 2016 and 2015
(Amounts in thousands)

	2016	2015
ASSETS:		
Cash and investments	\$ 211,703	\$ 185,486
Receivables, net:		
Intergovernmental	54,698	44,741
Departmental and other	43,585	44,240
Total receivables	98,283	88,981
Due from other funds	746	888
Total Assets	\$ 310,732	\$ 275,355
LIABILITIES:		
Warrants and accounts payable	\$ 15,693	\$ 20,474
Accrued liabilities:		
Payroll and related costs	1,459	615
Deposits and other	43,797	42,195
Unearned revenue	—	600
Due to other funds	2,974	2,600
Total liabilities	63,923	66,484
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	90	178
FUND BALANCE:		
Restricted	43,585	46,951
Assigned	203,134	161,742
Total fund balance	246,719	208,693
Total liabilities, deferred inflows of resources and fund balance	\$ 310,732	\$ 275,355

Special Revenue Fund
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2016 and 2015
(Amounts in thousands)

	2016	2015
REVENUES:		
Fines	\$ 4,270	\$ —
Investment income	55	23
Licenses and permits	186	86
Departmental and other	40,985	49,789
Intergovernmental	263,413	243,220
Total revenues	308,909	293,118
EXPENDITURES:		
Current:		
General government	5,822	7,544
Human services	9,126	8,071
Public safety	30,366	32,184
Public works	15,630	18,456
Property & development	68,881	75,919
Parks and recreation	1,272	1,511
Library	2,771	2,552
Schools	126,837	127,668
Public health programs	2,593	1,244
Total current expenditures	263,298	275,149
Capital outlays	1,827	2,411
Debt service	—	4,823
Total Expenditures	265,125	282,383
Excess of revenues over expenditures	43,784	10,735
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	—	455
Payments to escrow agent	(1,388)	(21,079)
Premiums on long-term debt issued	2,130	22,922
Transfer out	(6,500)	(19,000)
Total other financing sources (uses)	(5,758)	(16,702)
Net change in fund balances	38,026	(5,967)
Fund balance - beginning	208,693	214,660
Fund balance - ending	\$ 246,719	\$ 208,693

See accompanying independent auditor's report.

Capital Projects Fund



Boston skyline from Boston Harbor

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



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Capital Projects Fund
Comparative Balance Sheets
June 30, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and investments	\$ 87,418	\$ 69,610
Cash and investment held by trustees	17,846	17,606
Intergovernmental receivables	12,050	6,263
Departmental and other receivables	667	1,761
Due from other funds	—	5,375
Total Assets	<u>\$ 117,981</u>	<u>\$ 100,615</u>
LIABILITIES:		
Warrants and accounts payable	\$ 30,353	\$ 31,164
Total liabilities	<u>30,353</u>	<u>31,164</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available	8,645	4,761
FUND BALANCE:		
Restricted	78,983	64,690
Total fund balance	<u>78,983</u>	<u>64,690</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 117,981</u>	<u>\$ 100,615</u>

Capital Projects Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
REVENUES:		
Intergovernmental	\$ 20,004	\$ 63,106
Investment income	25	—
Departmental and other	1,742	—
Total revenues	<u>21,771</u>	<u>63,106</u>
EXPENDITURES:		
Capital outlays	216,101	226,835
Total expenditures	<u>216,101</u>	<u>226,835</u>
Deficiency of revenues under expenditures	<u>(194,330)</u>	<u>(163,729)</u>
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued	181,193	169,735
Refunding bonds issued	8,100	126,735
Payments to escrow agent	(8,099)	(126,579)
Premiums on long-term debt issued	20,929	13,953
Operating transfers, net	6,500	(23,779)
Total other financing sources (uses)	<u>208,623</u>	<u>160,065</u>
Net change in fund balances	<u>14,293</u>	<u>(3,664)</u>
Fund balance - beginning	<u>64,690</u>	<u>68,354</u>
Fund balance - ending	<u>\$ 78,983</u>	<u>\$ 64,690</u>

Other Governmental Funds



Prudential Center

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

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

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

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

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

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

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



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Other Governmental Funds
Combining Balance Sheet
June 30, 2016 and 2015
(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.	2016	2015
ASSETS:								
Cash and investments.....	\$ 46	\$ —	\$ —	\$ 8,002	\$ —	\$ —	\$ 8,048	\$ 7,625
Cash and investments held by trustees	44,273	641	1,472	—	1,912	936	49,234	57,109
Receivables, net.....	99	1	—	—	—	29,347	29,447	29,447
Due from other funds	—	—	—	—	5,636	765	6,401	4,882
Prepaid expenditures	—	—	—	—	—	—	—	125
Total assets.....	\$ 44,418	\$ 642	\$ 1,472	\$ 8,002	\$ 7,548	\$ 31,048	\$ 93,130	\$ 99,188
LIABILITIES:								
Warrants and accounts payable.....	\$ 222	\$ 7	\$ —	\$ —	\$ 5	\$ 9	\$ 243	\$ 1,539
Accrued liabilities	1	—	—	—	—	30	31	12
Due to other funds	4	—	—	—	—	5,636	5,640	10,260
Total liabilities.....	227	7	—	—	5	5,675	5,914	11,811
FUND BALANCE:								
Nonspendable	4,829	145	—	—	—	—	4,974	4,974
Restricted	39,362	490	1,472	8,002	7,543	25,373	82,242	82,403
Total fund balance	44,191	635	1,472	8,002	7,543	25,373	87,216	87,377
Total liabilities and fund balance	\$ 44,418	\$ 642	\$ 1,472	\$ 8,002	\$ 7,548	\$ 31,048	\$ 93,130	\$ 99,188

Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Years Ended June 30, 2016 and 2015

(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.	2016	2015
REVENUES:								
Investment income	\$ 286	\$ 32	\$ 438	\$ —	\$ 2	\$ 691	\$ 1,449	\$ 2,228
Departmental and other	1,678	32	692	—	1,581	1,200	5,183	3,140
Total revenues	\$ 1,964	\$ 64	\$ 1,130	\$ —	\$ 1,583	\$ 1,891	\$ 6,632	\$ 5,368
EXPENDITURES:								
General government	\$ 2,851	\$ 56	\$ 418	\$ —	\$ 464	\$ 2,134	\$ 5,923	\$ 1,675
Capital outlays	—	—	—	—	2,325	—	2,325	17,880
Total expenditures	2,851	56	418	—	2,789	2,134	8,248	19,555
Net change in fund balances	(887)	8	712	—	(1,206)	(243)	(1,616)	(14,187)
OTHER FINANCING SOURCES:								
Transfers in	—	—	—	1,455	—	—	1,455	25,234
Total other financing sources	—	—	—	1,455	—	—	1,455	25,234
Net change in fund balances	(887)	8	712	1,455	(1,206)	(243)	(161)	11,047
Fund balance - beginning	45,078	627	760	6,547	8,749	25,616	87,377	76,330
Fund balance - ending ..	\$ 44,191	\$ 635	\$ 1,472	\$ 8,002	\$ 7,543	\$ 25,373	\$ 87,216	\$ 87,377

Internal Service Fund



Boston Public Library – Copley Square

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



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Internal Service Fund
Comparative Statements of Net Position
June 30, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and investments	\$ 67,408	\$ 86,873
Receivables	578	—
Due from component units	—	930
Other assets	5,523	2,552
Total Assets	\$ 73,509	\$ 90,355
LIABILITIES:		
Warrants and accounts payable	\$ —	\$ 4,910
Accrued liabilities	24,730	22,553
Total liabilities	\$ 24,730	\$ 27,463
NET POSITION:		
Unrestricted	48,779	62,892
Total net position	\$ 48,779	\$ 62,892

Internal Service Fund
Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015
(Amounts in thousands)

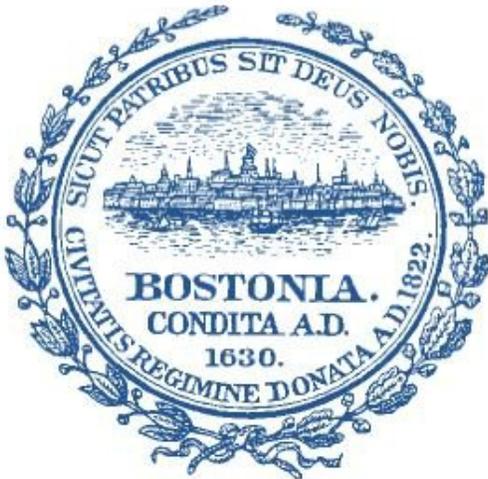
	<u>2016</u>	<u>2015</u>
REVENUES:		
Employee contributions	\$ 65,165	\$ 60,167
Employer contributions	265,240	251,194
Total revenues	<u>\$ 330,405</u>	<u>\$ 311,361</u>
EXPENDITURES:		
Health benefits	344,518	323,632
Total expenditures	<u>344,518</u>	<u>323,632</u>
Change in net position	<u>(14,113)</u>	<u>(12,271)</u>
Net position - beginning	<u>62,892</u>	<u>75,163</u>
Net position - ending	<u>\$ 48,779</u>	<u>\$ 62,892</u>

See accompanying independent auditor's report.

Internal Service Fund
Comparative Statements of Cash Flows
Years Ended June 30, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer	\$ 330,757	\$ 310,431
Cash paid to vendors	(350,222)	(323,234)
Net cash used in operating activities	(19,465)	(12,803)
Cash and cash equivalents, beginning of year	86,873	99,676
Cash and cash equivalents, end of year	\$ 67,408	\$ 86,873
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (14,113)	\$ (12,271)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Other assets	(2,971)	(1,138)
Due from component units / receivables	352	(930)
Accounts payable and accrued liabilities	(2,733)	1,536
Net cash used in operating activities	\$ (19,465)	\$ (12,803)

See accompanying independent auditor's report.



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Fiduciary Funds



Leonard P. Zakim Bridge

EMPLOYEE RETIREMENT PLAN

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

OPEB TRUST FUND

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

PRIVATE PURPOSE TRUST FUNDS

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

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

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

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

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

AGENCY FUND

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



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Boston Retirement System
Comparative Statements of Plan Net Position
December 31, 2015 and 2014
(Amounts in thousands)

	Total Boston Retirement System	
	2015	2014
ASSETS:		
Cash and investments	\$ 5,563,940	\$ 5,682,807
Receivables:		
Interest and dividends	6,904	7,062
Securities sold	18,866	28,332
Employer contributions	11,448	18,375
Other	14,634	9,077
Total receivables	<u>51,852</u>	<u>62,846</u>
Securities lending short-term collateral investment pool.....	184,295	204,030
Total Assets	<u>5,800,087</u>	<u>5,949,683</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities.....	14,843	15,149
Securities purchased	41,603	56,066
Collateral held on securities lending	184,348	204,321
Total liabilities	<u>240,794</u>	<u>275,536</u>
NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 5,559,293</u>	<u>\$ 5,674,147</u>

OPEB Trust Fund
Comparative Statements of Plan Net Position
June 30, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and investments	\$ 379,081	\$ 335,289
Total Assets	<u>379,081</u>	<u>335,289</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities	146	83
Total liabilities	<u>146</u>	<u>83</u>
NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 378,935</u>	<u>\$ 335,206</u>

See accompanying independent auditor's report.

Private Purpose Trust Funds
Combining Statements of Net Position
June 30, 2016 and 2015
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ASSETS:		
Cash and investments	\$ 25,007	\$ 529
Receivables:		
Other	25	1
Total receivables	<u>25</u>	<u>1</u>
Total Assets	<u>25,032</u>	<u>530</u>
LIABILITIES:		
Accounts payable	391	3
Accrued liabilities	—	—
Total liabilities	<u>391</u>	<u>3</u>
NET POSITION:		
Held in trust for other purposes	<u>\$ 24,641</u>	<u>\$ 527</u>

		Total Private Purpose Trust Funds	
Pool 5	Pool 7	2016	2015
\$ 29,945	\$ 52,735	\$ 108,216	\$ 104,718
54	2,462	2,542	1,963
54	2,462	2,542	1,963
29,999	55,197	110,758	106,681
272	5,999	6,665	1,787
—	223	223	170
272	6,222	6,888	1,957
\$ 29,727	\$ 48,975	\$ 103,870	\$ 104,724

Agency Fund
Comparative Statements of Net Position
June 30, 2016 and 2015
(Amounts in thousands)

	Law Enforcement Trust Fund	
	2016	2015
ASSETS:		
Cash and investments	\$ 7,596	\$ 7,626
Total assets	7,596	7,626
LIABILITIES:		
Refunds payable and other	7,596	7,626
Total liabilities	\$ 7,596	\$ 7,626

Boston Retirement System
Comparative Statements of Changes in Plan Net Position
Years Ended December 31, 2014 and 2014
(Amounts in thousands)

	<u>2015</u>	<u>2014</u>
ADDITIONS:		
Contributions:		
Employers	\$ 218,813	\$ 203,075
Employees	147,090	143,397
Commonwealth of Massachusetts (nonemployer)	120,434	114,335
Net appreciation (depreciation) in fair value of investments	(104,056)	191,037
Interest and dividends	111,296	115,344
Management and related fees	(23,350)	(23,600)
Securities lending income	1,186	1,220
Borrower rebates and fees	(333)	(312)
Intergovernmental	6,929	6,448
Total additions	478,009	750,944
DEDUCTIONS:		
Benefits	548,605	528,022
Reimbursements to other systems	11,385	10,619
Refunds of contributions	23,921	18,791
Administration	8,952	10,562
Total deductions	592,863	567,994
Changes in net position	(114,854)	182,950
Net position - beginning of year	5,674,147	5,491,197
Net position - end of year	\$ 5,559,293	\$ 5,674,147

OPEB Trust Fund
Comparative Statements of Changes in Plan Net Position
Years Ended June 30, 2016 and 2015
(Amounts in thousands)

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Employers	\$ 154,494	\$ 166,317
Net appreciation (depreciation) in fair value of investments	(2,076)	1,103
Interest and dividends	4,075	4,482
Management and related fees	(514)	(441)
Total additions	155,979	171,461
DEDUCTIONS:		
Benefits	112,244	124,067
Administrative expenses and other	6	5
Total deductions	112,250	124,072
Changes in net position	43,729	47,389
Net position - beginning of year	335,206	287,817
Net position - end of year	\$ 378,935	\$ 335,206



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Private Purpose Trust Funds
Combining Statements of Changes in Net Position
Years Ended June 30, 2016 and 2015
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ADDITIONS:		
Investment income	\$ 1,209	\$ 45
Donations and other	323	—
Total additions	<u>1,532</u>	<u>45</u>
DEDUCTIONS:		
Administrative expenses and other	3,041	34
Total operating expenses	<u>3,041</u>	<u>34</u>
Net changes in net position	<u>(1,509)</u>	<u>11</u>
Net position - beginning of year	<u>26,150</u>	<u>516</u>
Net position - end of year	<u>\$ 24,641</u>	<u>\$ 527</u>

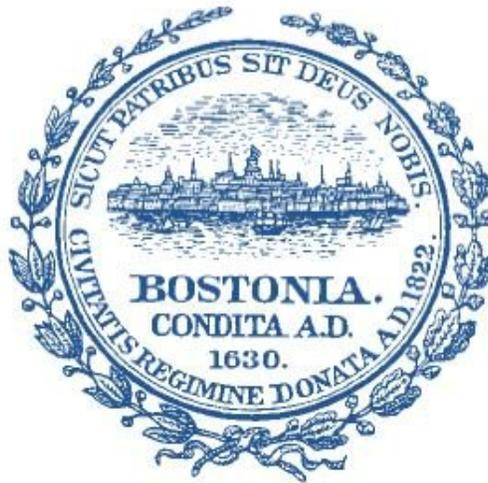
See accompanying independent auditor's report.

Pool 5	Pool 7	Total Private Purpose Trust Funds	
		2016	2015
\$ 1,537	\$ 23,671	\$ 26,462	\$ 23,913
200	5,314	5,837	4,767
1,737	28,985	32,299	28,680
3,700	26,378	33,153	23,430
3,700	26,378	33,153	23,430
(1,963)	2,607	(854)	5,250
31,690	46,368	104,724	99,474
\$ 29,727	\$ 48,975	\$ 103,870	\$ 104,724

See accompanying independent auditor's report.

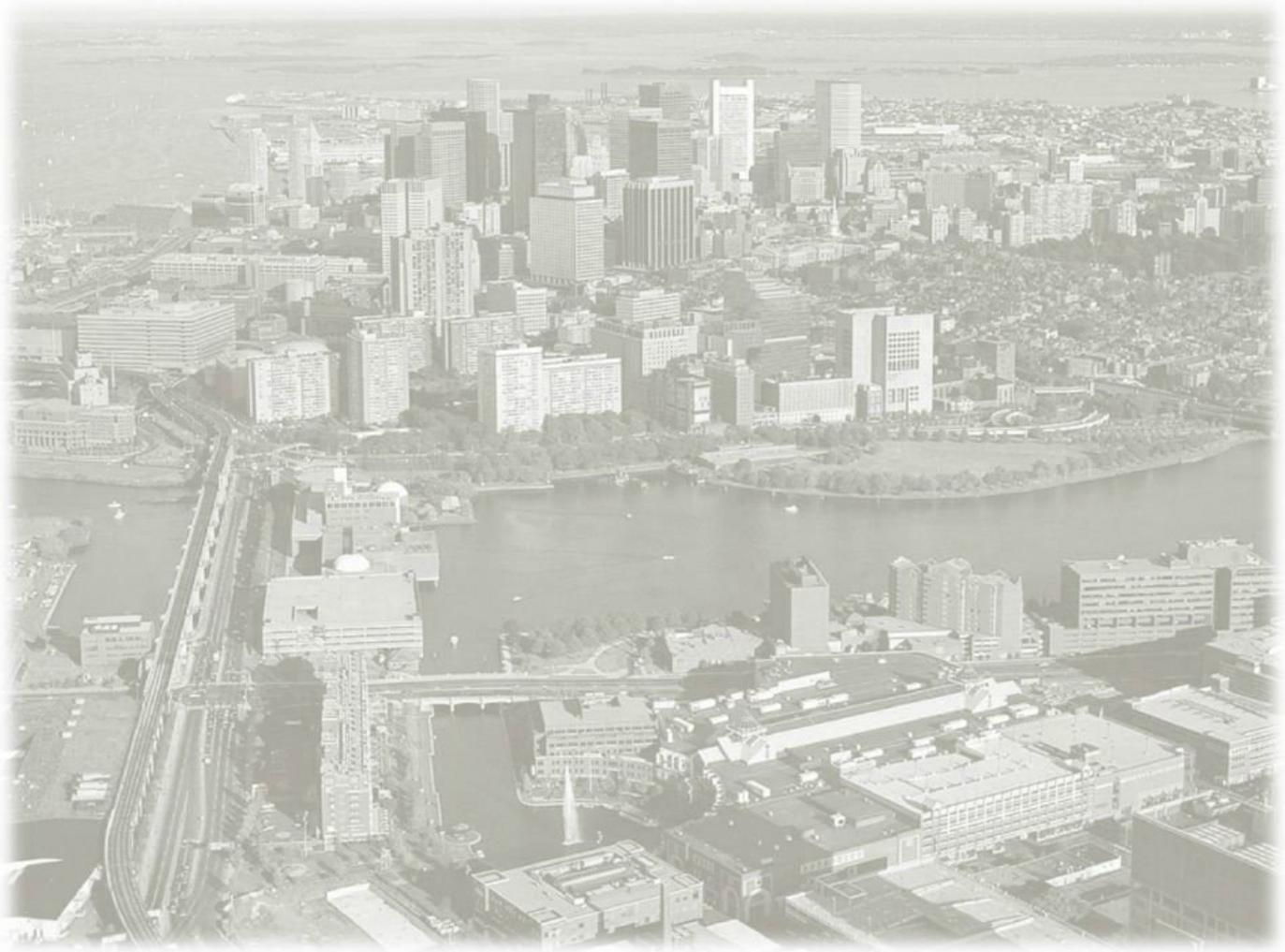
Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2016
(Amounts in thousands)

	Law Enforcement Trust Fund			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and investments	\$ 7,626	2,021	2,050	\$ 7,596
LIABILITIES:				
Refunds payable and other	\$ 7,626	2,021	2,050	\$ 7,596



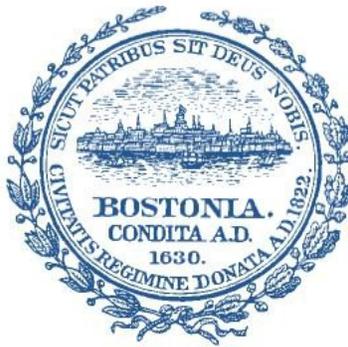
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Discretely Presented Component Units



Boston skyline

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



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Discretely Presented Component Units

Combining Statements of Net Position

June 30, 2016 and 2015

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Assets:		
Current assets:		
Cash and investments	\$ 30,228	\$ 28,836
Cash and investments held by trustee	—	—
Receivables, net:		
Other	28,656	14,622
Other assets	27	—
Due from primary government	2,978	—
Total current assets	<u>61,889</u>	<u>43,458</u>
Noncurrent assets:		
Cash and investments held by trustee	—	—
Notes and other receivables	41,934	135,074
Capital assets:		
Nondepreciable	12,087	9,534
Depreciable, net	14,433	4,204
Total noncurrent assets	<u>68,454</u>	<u>148,812</u>
Total assets	<u>130,343</u>	<u>192,270</u>
Deferred outflows of resources:		
Deferred amount for pension costs	28,572	3,805
Liabilities:		
Current liabilities		
Warrants and accounts payable	19,184	4,412
Accrued liabilities:		
Other	311	549
Current portion of long-term debt and leases	945	—
Due to primary government	457	—
Unearned revenue	2,819	1,980
Total current liabilities	<u>23,716</u>	<u>6,941</u>
Noncurrent liabilities:		
Bonds notes and leases due in more than one year	3,017	3,268
Other noncurrent liabilities	1,640	138,316
OPEB	86,075	5,770
Unearned revenue	42,978	24,073
Net pension liability	150,750	20,096
Due to primary government	—	7,220
Total noncurrent liabilities	<u>284,460</u>	<u>198,743</u>
Total liabilities	<u>308,176</u>	<u>205,684</u>
Deferred outflows of resources:		
Deferred amount for pension costs	11,734	2,300
Net Position:		
Net investment in capital assets	22,558	10,723
Restricted for:		
Restricted	—	—
Unrestricted	(183,553)	(22,632)
Total net position	<u>\$ (160,995)</u>	<u>\$ (11,909)</u>

See accompanying independent auditor's report.

Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2016	2015
\$ 2,585	\$ 8,990	\$ 70,639	\$ 85,434
12,050	—	12,050	2,586
1,155	8,478	52,911	56,403
19	1,031	1,077	868
—	—	2,978	2,091
<u>15,809</u>	<u>18,499</u>	<u>139,655</u>	<u>147,382</u>
54,782	—	54,782	57,471
50	—	177,058	194,174
150	3,094	24,865	29,651
672	34,309	53,618	54,420
<u>55,654</u>	<u>37,403</u>	<u>310,323</u>	<u>335,716</u>
<u>71,463</u>	<u>55,902</u>	<u>449,978</u>	<u>483,098</u>
—	—	32,377	10,114
932	3,703	28,231	35,563
394	1,959	3,213	3,402
—	782	1,727	1,401
938	—	1,395	2,641
145	440	5,384	5,108
<u>2,409</u>	<u>6,884</u>	<u>39,950</u>	<u>48,115</u>
—	12,177	18,462	15,990
—	682	140,638	162,416
—	—	91,845	87,812
—	—	67,051	68,614
—	—	170,846	151,395
—	—	7,220	8,095
—	12,859	496,062	494,322
<u>2,409</u>	<u>19,743</u>	<u>536,012</u>	<u>542,437</u>
—	—	14,034	8,386
822	24,443	58,546	56,559
66,015	704	66,719	68,531
2,217	11,012	(192,956)	(182,701)
<u>\$ 69,054</u>	<u>\$ 36,159</u>	<u>\$ (67,691)</u>	<u>\$ (57,611)</u>

See accompanying independent auditor's report.

Discretely Presented Component Units

Combining Statements of Activities

Years Ended June 30, 2016 and 2015

(Amounts in thousands)

	Boston Public Health Commission	Boston Planning & Development Agency
Expenses	\$ 187,942	\$ 24,677
Program revenues:		
Charges for services	43,886	10,215
Operating grants and contributions	48,263	12,349
Capital grants and contributions	415	—
Total program revenues	<u>92,564</u>	<u>22,564</u>
Net expenses	<u>(95,378)</u>	<u>(2,113)</u>
General revenues:		
Investment income	35	20
Sale of property	—	2,539
City appropriation	81,682	—
Miscellaneous income	5,517	—
Total general revenues	<u>87,234</u>	<u>2,559</u>
Changes in net position	<u>(8,144)</u>	<u>446</u>
Net position - beginning of year	<u>(152,851)</u>	<u>(12,355)</u>
Net position - end of year	<u>\$ (160,995)</u>	<u>\$ (11,909)</u>

See accompanying independent auditor's report.

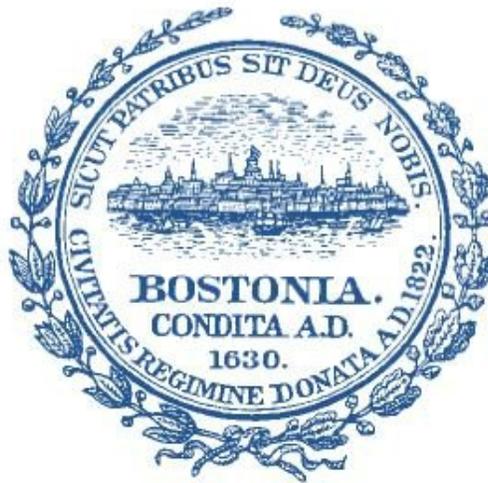
Trustees of the Public Library of the City of Boston	Economic Development and Industrial Corporation of Boston	Total Discretely Presented Component Units	
		2016	2015
\$ 11,951	\$ 38,564	\$ 263,134	\$ 247,265
1,645	21,542	77,288	75,056
6,545	17,035	84,192	79,624
—	—	415	375
8,190	38,577	161,895	155,055
(3,761)	13	(101,239)	(92,210)
(7)	1	49	1,147
—	—	2,539	2,692
—	—	81,682	69,827
1,341	31	6,889	10,729
1,334	32	91,159	84,395
(2,427)	45	(10,080)	(7,815)
71,481	36,114	(57,611)	(49,796)
\$ 69,054	\$ 36,159	\$ (67,691)	\$ (57,611)

See accompanying independent auditor's report.

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	
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Revenue Capacity	136
<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	
Legal Debt Margin Information – Last Ten Fiscal Years	
Demographic and Economic Information	144
<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.	



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General Government Expenditures by Function

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2016	2015	2014	2013	2012
General Government	\$ 80,684	\$ 58,242	\$ 102,786	\$ 77,515	\$ 68,828
% of Total	2.7	2.0	3.7	3.0	2.8
% Change	38.5	(43.3)	32.6	12.6	5.1
Public Safety	\$ 610,233	\$ 633,471	\$ 558,802	\$ 553,851	\$ 524,476
% of Total	20.6	22.2	20.4	21.4	21.3
% Change	(3.7)	13.4	0.9	5.6	1.5
Public Works	\$ 101,157	\$ 123,767	\$ 113,239	\$ 102,789	\$ 84,727
% of Total	3.4	4.3	4.1	4.0	3.4
% Change	(18.3)	9.3	10.2	21.3	(19.6)
Library	\$ 33,870	\$ 33,966	\$ 33,978	\$ 30,888	\$ 30,069
% of Total	1.1	1.2	1.2	1.2	1.2
% Change	-0.3	—	10.0	2.7	(1.5)
Schools	\$ 1,016,412	\$ 960,228	\$ 940,276	\$ 879,898	\$ 830,839
% of Total	34.3	33.6	34.2	34.0	33.8
% Change	5.9	2.1	6.9	5.9	2.2
Retirement Costs	\$ 309,083	\$ 282,648	\$ 255,647	\$ 235,078	\$ 220,340
% of Total	10.4	9.9	9.3	9.1	9.0
% Change	9.4	10.6	8.7	6.7	12.4
Employee Benefits	\$ 236,661	\$ 230,089	\$ 234,400	\$ 232,831	\$ 251,194
% of Total	8.0	8.1	8.5	9.0	10.2
% Change	2.9	(1.8)	0.7	(7.3)	(14.6)
State & District Assessments	\$ 234,450	\$ 215,538	\$ 197,939	\$ 176,300	\$ 160,547
% of Total	7.9	7.5	7.2	6.8	6.5
% Change	8.8	8.9	12.3	9.8	5.6
Property & Development	\$ 33,870	\$ 35,594	\$ 33,376	\$ 32,568	\$ 30,089
% of Total	1.1	1.2	1.2	1.3	1.2
% Change	(4.8)	6.6	2.5	8.2	(14.4)
Other	\$ 311,075	\$ 282,621	\$ 275,250	\$ 262,653	\$ 267,743
% of Total	10.5	9.9	10.0	10.2	10.9
% Change	10.1	2.7	4.8	(1.9)	6.5
Total Expenditures	\$ 2,967,495	\$ 2,856,164	\$ 2,745,693	\$ 2,584,371	\$ 2,468,852
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	3.9	4.0	6.2	4.7	0.4

*General fund only

						Fiscal Year		
2011	2010	2009	2008	2007	FUNCTION			
\$ 65,459	\$ 70,514	\$ 69,524	\$ 66,927	\$ 65,223	General Government			
2.7	2.9	3.1	3.1	3.3	% of Total			
(7.2)	1.4	3.9	2.6	13.9	% Change			
\$ 516,725	\$ 511,365	\$ 521,898	\$ 509,293	\$ 477,403	Public Safety			
21.0	21.2	23.2	23.3	24	% of Total			
1.0	(2)	2.5	6.7	6.9	% Change			
\$ 105,318	\$ 96,641	\$ 112,168	\$ 108,831	\$ 97,897	Public Works			
4.3	4.0	5.0	5	4.9	% of Total			
9.0	(13.8)	3.1	11.2	(3.5)	% Change			
\$ 30,532	\$ 29,853	\$ 31,268	\$ 27,089	\$ 31,225	Library			
1.2	1.2	1.4	1.2	1.6	% of Total			
2.3	(4.5)	15.4	(13.2)	10.1	% Change			
\$ 812,949	\$ 815,694	\$ 818,338	\$ 782,500	\$ 743,848	Schools			
33.0	33.8	36.4	35.8	37.4	% of Total			
(0.3)	(0.3)	4.6	5.2	3.4	% Change			
\$ 195,976	\$ 235,282	\$ 82,332	\$ 95,193	\$ 92,873	Retirement Costs			
8.0	9.7	3.7	4.4	4.7	% of Total			
(16.7)	185.8	(13.5)	2.5	(4.1)	% Change			
\$ 294,200	\$ 224,156	\$ 191,597	\$ 190,167	\$ 175,862	Employee Benefits			
12.0	9.3	8.5	8.7	8.8	% of Total			
31.2	17	0.8	8.1	11.4	% Change			
\$ 152,042	\$ 146,323	\$ 142,055	\$ 132,792	\$ 124,243	State & District Assessments			
6.2	6.1	6.3	6.1	6.3	% of Total			
3.9	3.0	7	6.9	4.6	% Change			
\$ 35,138	\$ 30,247	\$ 28,959	\$ 29,876	\$ 35,506	Property & Development			
1.4	1.3	1.3	1.4	1.8	% of Total			
16.2	4.4	(3.1)	(15.9)	6.6	% Change			
\$ 251,514	\$ 256,727	\$ 247,084	\$ 241,360	\$ 224,703	Other			
10.2	10.6	11	11.1	11.3	% of Total			
(2.0)	3.9	2.4	7.4	(1)	% Change			
\$ 2,459,853	\$ 2,416,802	\$ 2,245,223	\$ 2,184,028	\$ 2,068,783	Total Expenditures			
100.0	100.0	100.0	100	104.1	% of Total			
2	7.6	2.8	5.6	4.1	% Change			

See accompanying independent auditor's report.

General Government Revenues by Source

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2016	2015	2014	2013	2012
Property Taxes	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998
% of Total	64.4	64.0	63.6	63	63.1
% Change	5.4	5.6	5.4	5.4	4.3
Motor Vehicle Excises	\$ 67,686	\$ 52,922	\$ 52,972	\$ 47,105	\$ 40,507
% of Total	2.2	1.8	1.9	1.8	1.6
% Change	27.9	(0.1)	12.5	16.3	(13.8)
Other Excises	\$ 168,577	\$ 176,040	\$ 170,161	\$ 174,149	\$ 147,065
% of Total	5.5	6.0	6.1	6.5	5.8
% Change	(4.2)	3.5	(2.3)	18.4	90.4
Departmental & Other	\$ 86,791	\$ 86,392	\$ 84,385	\$ 87,585	\$ 78,438
% of Total	2.8	3.0	3	3.3	3.1
% Change	0.5	2.4	(3.7)	11.7	19.8
State Distributions	\$ 543,683	\$ 523,256	\$ 509,199	\$ 504,656	\$ 486,379
% of Total	17.8	17.9	18.3	18.9	19.3
% Change	3.9	2.8	0.9	3.8	23
Payment in Lieu of Taxes	\$ 90,215	\$ 79,232	\$ 73,324	\$ 72,335	\$ 63,066
% of Total	3.0	2.7	2.6	2.7	2.5
% Change	13.9	8.1	1.4	14.7	(3.7)
Fines	\$ 60,953	\$ 60,116	\$ 59,922	\$ 58,835	\$ 64,566
% of Total	2.0	2.1	2.2	2.2	2.6
% Change	1.4	0.3	1.8	(8.9)	(0.3)
Investment Income	\$ 184	\$ 61	\$ 57	\$ 179	\$ 982
% of Total	0.0	0.0	0.0	0.0	—
% Change	201.6	7.0	(68.2)	(81.8)	(79.3)
Licenses & Permits	\$ 70,005	\$ 71,205	\$ 62,257	\$ 47,220	\$ 48,753
% of Total	2.3	2.4	2.2	1.8	1.9
% Change	(1.7)	14.4	31.8	(3.1)	17
Total Revenues	\$ 3,055,781	\$ 2,916,483	\$ 2,780,060	\$ 2,669,645	\$ 2,521,754
% of Total	100.00	100.0	100	100.2	100.0
% Change	4.8	4.9	4.1	5.9	10.2

*General fund only

Fiscal Year						SOURCE
2011	2010	2009	2008	2007		
\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734	\$ 1,258,878		Property Taxes
66.7	65.5	62.5	58.7	59.5		% of Total
4	5.3	5.8	4.6	5.8		% Change
\$ 46,977	\$ 40,134	\$ 37,354	\$ 56,883	\$ 34,082		Motor Vehicle Excises
2.1	1.8	1.7	2.5	1.6		% of Total
17.1	7.4	(34.3)	66.9	(45.3)		% Change
\$ 77,237	\$ 80,986	\$ 78,100	\$ 58,926	\$ 65,734		Other Excises
3.4	3.6	3.5	2.6	3.1		% of Total
(4.6)	3.7	32.5	(10.4)	46		% Change
\$ 65,498	\$ 74,861	\$ 82,087	\$ 79,030	\$ 65,661		Departmental & Other
2.9	3.3	3.7	3.5	3.1		% of Total
(12.5)	(8.8)	3.9	20.4	26.3		% Change
\$ 395,374	\$ 404,619	\$ 454,252	\$ 493,227	\$ 484,510		State Distributions
17.3	18	20.4	22	22.9		% of Total
(2.3)	(10.9)	(7.9)	1.8	(13.1)		% Change
\$ 65,461	\$ 67,265	\$ 56,686	\$ 56,667	\$ 56,146		Payment in Lieu of Taxes
2.9	3	2.5	2.5	2.7		% of Total
(2.7)	18.7	—	0.9	(7.3)		% Change
\$ 64,751	\$ 70,627	\$ 69,711	\$ 67,940	\$ 67,546		Fines
2.8	3.1	3.1	3	3.2		% of Total
(8.3)	1.3	2.6	0.6	(0.5)		% Change
\$ 4,733	\$ 3,246	\$ 18,289	\$ 37,822	\$ 43,068		Investment Income
0.2	0.1	0.8	1.7	2		% of Total
45.8	(82.3)	(51.6)	(12.2)	33.1		% Change
\$ 41,676	\$ 32,907	\$ 40,822	\$ 45,989	\$ 40,694		Licenses & Permits
1.8	1.5	1.8	2.1	1.9		% of Total
26.6	(19.4)	(11.2)	13	0.8		% Change
\$ 2,288,068	\$ 2,242,250	\$ 2,230,672	\$ 2,213,218	\$ 2,116,319		Total Revenues
100.0	100.0	100	98.7	100.0		% of Total
2	0.5	0.8	4.6	0.4		% Change

See accompanying independent auditor's report.

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities:					
Net investment in capital assets	\$ 557,142	\$ 502,985	\$ 457,789	\$ 450,322	\$ 442,778
Restricted	53,200	51,446	62,701	75,878	127,843
Unrestricted	(1,159,303)	(1,184,987)	82,638	74,097	(46,024)
Total governmental activities net position..	\$ (548,961)	\$ (630,556)	\$ 603,128	\$ 600,297	\$ 524,597
Business-type activities:					
Net investment in capital assets	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	—	—	—	—	—
Unrestricted	—	—	—	—	—
Total business-type activities net position..	\$ —	\$ —	\$ —	\$ —	\$ —
Primary government:					
Net investment in capital assets	\$ 557,142	\$ 502,985	\$ 457,789	\$ 450,322	\$ 442,778
Restricted	53,200	51,446	62,701	75,878	127,843
Unrestricted	(1,159,303)	(1,184,987)	82,638	74,097	(46,024)
Total primary government net position	\$ (548,961)	\$ (630,556)	\$ 603,128	\$ 600,297	\$ 524,597

Fiscal Year				
2011	2010	2009	2008	2007
\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467	\$ 285,756
156,989	234,339	217,070	234,902	280,949
(108,780)	(69,124)	221,418	405,878	592,425
\$ 450,855	\$ 592,312	\$ 822,877	\$ 975,247	\$ 1,159,130
\$ —	\$ —	\$ —	\$ —	\$ —
14,832	14,901	—	—	—
—	(52,069)	(42,803)	(50,997)	(70,008)
\$ 14,832	\$ (37,168)	\$ (42,803)	\$ (50,997)	\$ (70,008)
\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467	\$ 285,756
171,821	249,240	217,070	234,902	280,949
(108,780)	(121,193)	178,615	354,881	522,417
\$ 465,687	\$ 555,144	\$ 780,074	\$ 924,250	\$ 1,089,122

See accompanying independent auditor's report.

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

	Fiscal Year			
	2016	2015	2014	2013
EXPENSES:				
Governmental activities:				
General government	\$ 128,288	\$ 103,923	\$ 161,913	\$ 127,882
Human services	52,056	49,884	49,291	50,690
Public safety	941,313	941,531	821,196	826,700
Public works	139,816	178,569	157,491	132,506
Property and development	118,582	134,506	118,816	114,673
Parks and recreation	39,769	35,890	32,297	32,242
Library	49,959	48,931	52,192	51,875
Schools	1,803,331	1,620,851	1,554,563	1,455,300
Public health programs	96,083	83,276	69,896	69,978
Interest on long-term debt	40,995	49,300	48,188	41,900
Total governmental activities expenses.....	<u>3,410,192</u>	<u>3,246,661</u>	<u>3,065,843</u>	<u>2,903,746</u>
Business-type activities:				
Hospital	—	—	—	—
Total business-type activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total primary government expenses.....	<u>\$ 3,410,192</u>	<u>\$ 3,246,661</u>	<u>\$ 3,065,843</u>	<u>\$ 2,903,746</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety	133,656	138,066	139,431	129,602
Public works	24,269	23,975	19,165	17,716
Schools	10,540	6,623	2,832	9,130
Other	34,730	40,718	41,811	49,490
Operating grants and contributions	746,277	670,640	583,480	549,596
Capital grants and contributions	39,381	53,099	11,972	37,256
Total governmental activities program revenues.....	<u>988,853</u>	<u>933,121</u>	<u>798,691</u>	<u>792,790</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>\$ 988,853</u>	<u>\$ 933,121</u>	<u>\$ 798,691</u>	<u>\$ 792,790</u>

See accompanying independent auditor's report.

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 108,499	\$ 80,968	\$ 106,435	\$ 103,420	\$ 109,121	\$ 82,793
48,103	49,974	52,310	48,896	50,827	41,697
817,768	875,111	930,779	920,790	908,353	730,627
110,187	133,830	131,883	145,867	148,497	125,228
114,753	117,871	118,456	105,581	110,272	112,857
34,651	31,956	31,204	30,026	30,134	20,371
44,526	47,320	50,050	52,881	47,340	45,498
1,369,047	1,317,108	1,314,601	1,316,314	1,272,997	1,187,826
73,975	70,619	71,453	71,618	68,718	65,439
39,798	40,329	39,832	28,041	31,058	28,725
<u>2,761,307</u>	<u>2,765,086</u>	<u>2,847,003</u>	<u>2,823,434</u>	<u>2,777,317</u>	<u>2,441,061</u>
—	1,516	13,751	4,902	5,122	5,202
2,523	3,336	3,635	3,924	4,201	4,979
<u>2,523</u>	<u>4,852</u>	<u>17,386</u>	<u>8,826</u>	<u>9,323</u>	<u>10,181</u>
<u>\$ 2,763,830</u>	<u>\$ 2,769,938</u>	<u>\$ 2,864,389</u>	<u>\$ 2,832,260</u>	<u>\$ 2,786,640</u>	<u>\$ 2,451,242</u>
134,384	89,485	85,305	115,013	127,460	120,887
19,515	12,029	12,190	10,174	2,564	16,748
7,839	9,451	20,318	16,077	16,910	25,562
48,522	33,410	39,236	28,562	33,135	25,717
574,653	501,441	547,812	594,914	593,767	594,457
35,337	33,338	12,555	56,517	18,267	19,306
<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	<u>821,257</u>	<u>792,103</u>	<u>802,677</u>
—	1,172	5,567	1,116	1,196	1,152
—	1,172	5,567	1,116	1,196	1,152
<u>\$ 820,250</u>	<u>\$ 680,326</u>	<u>\$ 722,983</u>	<u>\$ 822,373</u>	<u>\$ 793,299</u>	<u>\$ 803,829</u>

See accompanying independent auditor's report.

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

	Fiscal Year		
	2016	2015	2014
NET EXPENSE:			
Governmental activities	\$ (2,421,339)	\$ (2,313,540)	\$ (2,267,152)
Business-type activities	—	—	—
Total primary government net expense.....	\$ (2,421,339)	\$ (2,313,540)	\$ (2,267,152)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes.....	\$ 1,967,021	\$ 1,866,277	\$ 1,771,166
Excises	224,052	236,208	220,761
Payment in lieu of taxes	90,215	79,232	73,324
Grants and contributions not restricted	199,835	191,172	199,007
Investment income	15,753	15,404	16,713
Miscellaneous	6,058	2,983	4,012
Special items	—	—	—
Transfers	—	—	—
Loss on disposal of capital assets	—	—	—
Total governmental activities	2,502,934	2,391,276	2,284,983
Business-type activities:			
Taxes:			
Excises	—	—	—
Investment income	—	—	—
Miscellaneous	—	—	—
Special items	—	—	—
Transfers	—	—	—
Total business-type activities	—	—	—
Total primary government	\$ 2,502,934	\$ 2,391,276	\$ 2,284,983
CHANGES IN NET POSITION:			
Governmental activities	\$ 81,595	\$ 77,736	\$ 17,831
Business-type activities	—	—	—
Total primary government	\$ 81,595	\$ 77,736	\$ 17,831

See accompanying independent auditor's report.

Fiscal Year

2013	2012	2011	2010	2009	2008	2007
\$ (2,110,956)	\$ (1,941,057)	\$ (2,085,932)	\$ (2,129,587)	\$ (2,002,177)	\$ (1,985,214)	\$ (1,638,384)
—	(2,523)	(3,680)	(11,819)	(7,710)	(8,127)	(9,029)
\$ (2,110,956)	\$ (1,943,580)	\$ (2,089,612)	\$ (2,141,406)	\$ (2,009,887)	\$ (1,993,341)	\$ (1,647,413)
\$ 1,684,908	\$ 1,586,988	\$ 1,525,494	\$ 1,468,340	\$ 1,389,218	\$ 1,316,165	\$ 1,261,159
221,937	191,301	122,399	123,121	115,237	97,262	111,079
72,335	63,066	65,461	67,265	56,686	56,668	56,146
185,827	188,895	187,322	171,174	230,475	259,931	246,538
14,732	10,887	21,724	17,221	22,584	47,072	52,528
7,820	7,084	23,195	21,901	12,107	1,531	539
—	11,450	—	—	—	(298)	(3,820)
—	(44,872)	(1,120)	30,000	27,000	23,000	20,000
(903)	—	—	—	—	—	—
\$ 2,186,656	\$ 2,014,799	\$ 1,944,475	\$ 1,899,022	\$ 1,853,307	\$ 1,801,331	\$ 1,744,169
—	—	58,508	43,887	36,605	40,342	35,092
—	2,688	3,561	3,567	6,299	9,796	2,180
—	(257)	(7,509)	—	—	—	—
—	(59,612)	—	—	—	—	—
—	44,872	1,120	(30,000)	(27,000)	(23,000)	(20,000)
2,186,656	(12,309)	55,680	17,454	15,904	27,138	17,272
\$ 4,373,312	\$ 2,002,490	\$ 2,000,155	\$ 1,916,476	\$ 1,869,211	\$ 1,828,469	\$ 1,761,441
\$ —	\$ 73,742	\$ (141,457)	\$ (230,565)	\$ (148,870)	\$ (183,883)	\$ 105,785
75,700	(14,832)	52,000	5,635	8,194	19,011	8,243
\$ 75,700	\$ 58,910	\$ (89,457)	\$ (224,930)	\$ (140,676)	\$ (164,872)	\$ 114,028

See accompanying independent auditor's report.

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2016	2015	2014	2013
General Fund				
Assigned	\$ 266,222	\$ 228,236	\$ 251,353	\$ 218,292
Unassigned	682,781	633,936	532,955	533,104
Total general fund	\$ 949,003	\$ 862,172	\$ 784,308	\$ 751,396
All other Governmental Funds				
Nonspendable	4,974	4,974	4,974	34,307
Restricted	204,810	194,044	199,703	137,727
Assigned	203,134	161,742	154,667	132,889
Total all other governmental funds	\$ 412,918	\$ 360,760	\$ 359,344	\$ 304,923

General Fund

Reserved for:

Encumbrances

Debt service

Unreserved:

Designated for subsequent years expenditures

Undesignated

Total general fund

All Other Governmental Funds

Reserved for:

Encumbrances

Debt service

Future appropriations

Unreserved:

Undesignated:

Special revenue

Capital projects

Reported in permanent funds

Total all other governmental funds

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

See accompanying independent auditor's report.

<u>Fiscal Year</u>	
2012	
\$ 177,942	
511,755	
\$ 689,697	
4,974	
177,685	
98,557	
\$ 281,216	

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 36,808	\$ 36,808	\$ 37,534	\$ 32,519	\$ 38,617
—	—	—	—	—
123,103	123,103	240,824	216,429	198,098
547,282	547,282	550,329	553,101	495,334
\$ 707,193	\$ 707,193	\$ 828,687	\$ 802,049	\$ 732,049
\$ 136,138	\$ 136,138	\$ 116,878	\$ 125,858	\$ 187,565
—	—	—	—	—
24,108	24,108	30,087	30,087	35,756
123,714	123,714	138,594	144,043	154,404
(65,024)	(65,024)	(74,168)	(110,745)	(144,877)
37,098	37,098	35,743	44,678	48,101
\$ 256,034	\$ 256,034	\$ 247,134	\$ 233,921	\$ 280,949

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2016	2015	2014	2013
REVENUES:				
Real and personal property taxes	\$ 1,967,687	\$ 1,867,259	\$ 1,767,783	\$ 1,677,581
Excises	236,263	228,962	223,133	221,254
Payments in lieu of taxes	90,215	79,232	73,324	72,335
Fines	65,223	60,116	59,952	58,852
Investment Income	1,713	2,312	6,508	5,523
Licenses and permits	70,191	71,291	62,325	47,290
Departmental and other	134,701	139,321	137,366	131,632
Intergovernmental	827,100	829,582	804,289	749,369
Total revenues	3,393,093	3,278,075	3,134,680	2,963,836
EXPENDITURES:				
General government	92,429	67,461	113,743	95,199
Human services	40,482	39,578	39,205	37,621
Public safety	640,599	665,655	596,239	588,771
Public works	116,787	142,223	127,703	114,731
Property and development	102,751	111,513	107,771	106,423
Parks and recreation	23,378	21,574	20,937	21,407
Library	36,641	36,518	36,026	33,447
Schools	1,143,249	1,087,896	1,091,899	1,035,828
Public health programs	80,525	74,821	68,697	69,105
Judgments and claims	1,100	3,678	9,493	3,010
Retirement costs	309,083	282,648	255,647	235,078
Other employee benefits	236,661	230,089	234,400	235,002
State and district assessments	234,450	215,538	197,939	176,300
Capital outlays	234,126	247,474	248,864	241,547
Debt service:				
Principal	109,825	111,381	110,948	107,189
Interest	54,883	46,890	42,967	39,495
Total Expenditures	3,456,969	3,384,937	3,302,478	3,140,153
Deficiency of revenues under expenditures	(63,876)	(106,862)	(167,798)	(176,317)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued	181,193	170,190	178,444	235,136
Issuance of refunding bonds	8,100	126,735	—	37,080
Payments to refunded bonds escrow agent	(9,487)	(147,658)	—	(35,975)
Premiums on long-term debt issued	23,059	36,875	17,172	25,482
Transfers, net	—	—	—	—
Total other financing sources (uses)	202,865	186,142	195,616	261,723
Net change in fund balances	\$ 138,989	\$ 79,280	\$ 27,818	\$ 85,406
Debt Service as a percentage of noncapital expenditures	5.12%	5.03%	5.05%	5.06%

See accompanying independent auditor's report.

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734	\$ 1,258,878
187,572	124,214	121,120	115,454	115,809	99,816
63,066	65,461	67,265	56,686	56,667	56,146
64,593	64,772	70,649	69,723	68,090	67,557
4,137	11,956	8,907	15,275	38,554	43,818
48,838	41,750	32,907	41,130	46,049	40,759
123,042	103,003	91,468	104,208	111,982	124,369
772,491	707,754	742,464	875,912	850,392	843,503
2,855,737	2,645,271	2,602,385	2,671,759	2,604,277	2,534,846
85,951	78,573	78,148	81,905	81,877	77,390
35,406	36,008	38,014	37,307	38,575	35,031
552,785	526,332	523,515	529,425	530,379	505,981
90,214	109,635	105,123	121,422	122,038	106,939
109,707	111,607	117,394	93,408	102,682	102,399
22,795	19,766	17,534	18,195	17,928	17,354
31,799	33,556	33,431	36,634	32,051	36,391
1,004,168	974,832	962,703	973,327	931,569	898,622
73,736	70,380	71,214	71,393	68,394	65,333
	—	69,040	129,603	121,180	114,218
3,871	811	10,181	9,946	1,967	2,257
220,340	195,976	235,282	82,332	95,193	92,873
251,194	294,200	224,156	191,597	190,167	175,862
160,547	152,042	146,323	142,055	132,792	124,243
188,377	140,405	126,668	141,309	183,244	131,413
99,435	91,690	91,784	87,700	83,460	82,280
38,784	42,092	41,300	31,594	32,311	30,932
2,969,109	2,877,905	2,891,810	2,779,152	2,765,807	2,599,518
(113,372)	(232,634)	(289,425)	(107,393)	(161,530)	(64,672)
146,835	156,109	144,492	113,962	153,510	115,051
110,100	52,720	68,345	40,425	28,155	85,425
(95,876)	(15,490)	(73,640)	(42,230)	(28,565)	(85,350)
33,885	11,401	7,634	8,087	8,402	4,378
(44,872)	(1,120)	30,000	27,000	23,000	20,000
	—	—	—	—	—
150,072	203,620	176,831	147,244	184,502	139,504
\$ 36,700	\$ (29,014)	\$ (112,594)	\$ 39,851	\$ 22,972	\$ 74,832
4.80%	4.8%	4.83%	4.51%	4.44%	4.58%

See accompanying independent auditor's report.

Assessed and Estimated Actual Value of All Taxable Property

Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Real Property			Personal Property	Total Assessed Value ⁽¹⁾	Total Direct Tax Rate ^{(b) (c)}
	Residential Value ^(a)	Commercial Value	Industrial Value	Assessed Value		
2016	\$ 83,719,423	\$ 38,031,832	\$ 908,352	\$ 5,387,474	\$ 128,047,081	16.47
2015	72,346,068	32,451,521	785,062	5,154,211	110,736,862	18.15
2014	64,541,403	29,631,863	707,564	4,951,983	99,832,813	19.16
2013	60,147,396	26,762,023	707,703	4,582,149	92,199,271	19.68
2012	57,517,785	25,790,869	675,290	4,516,466	88,500,410	19.65
2011	56,563,231	25,171,149	679,520	4,386,681	86,800,581	19.15
2010	56,279,025	25,931,406	798,982	4,247,118	87,256,531	18.09
2009	57,465,174	28,198,212	809,682	3,914,103	90,387,171	16.63
2008	59,387,385	26,011,520	875,894	3,792,499	90,067,298	16.06
2007	59,293,474	22,937,239	769,744	3,515,648	86,516,105	15.99

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

(a) Exempt residential properties not included.

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

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

Source: City of Boston Assessing Department

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

Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct ⁽³⁾
2016	Residential	11.00	11.00	(9.2%)	16.47
	C.I.P.	26.81	26.81	(9.2%)	
2015	Residential	12.11	12.11	(3.7%)	18.15
	C.I.P.	29.52	29.52	(5.3%)	
2014	Residential	12.58	12.58	(4.3%)	19.16
	C.I.P.	31.18	31.18	(2.4%)	
2013	Residential	13.14	13.14	0.8%	19.68
	C.I.P.	31.96	31.96	0.1%	
2012	Residential	13.04	13.04	2.0%	19.65
	C.I.P.	31.92	31.92	2.8%	
2011	Residential	12.79	12.79	7.7%	19.15
	C.I.P.	31.04	31.04	5.7%	
2010	Residential	11.88	11.88	11.8%	18.09
	C.I.P.	29.38	29.38	8.4%	
2009	Residential	10.63	10.63	(3.1%)	16.63
	C.I.P.	27.11	27.11	4.6%	
2008	Residential	10.97	10.97	(0.2%)	16.06
	C.I.P.	25.92	25.92	(3.5%)	
2007	Residential	10.99	10.99	(1.2%)	15.99
	C.I.P.	26.87	26.87	(12.5%)	

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

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

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

Largest Principal Taxpayers ⁽¹⁾

Current and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value ⁽²⁾	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Boston Properties	\$ 3,143,073,691	1	2.45%	\$ 1,050,045,860	3	1.21%
NSTAR/Boston Edison Company	2,179,590,681	2	1.70%	1,425,900,390	2	1.65%
Blackstone Group Equity Office ⁽³⁾	1,508,814,640	3	1.18%	—	—	—%
Teacher's Insurance and Annuity Association ⁽⁴⁾	1,154,859,110	4	0.90%	—	—	—%
Tishman Speyer Properties	1,083,287,120	5	0.85%	841,830,520	4	0.97%
Oxford Properties ⁽⁵⁾	923,451,500	6	0.72%	—	—	—%
MetLife Real Estate Investments ⁽⁶⁾	903,056,910	7	0.71%	—	—	—%
Fort Hill Associates	843,793,670	8	0.66%	657,872,670	5	0.76%
Synergy Investments ⁽⁷⁾	625,148,439	9	0.49%	—	—	—%
John Hancock Financial	624,157,640	10	0.49%	—	—	—%
Equity Office Properties	—	—	—	1,789,309,500	1	2.07%
Brookfield Properties Corporation	—	—	—	638,003,900	6	0.74%
Broadway Real Estate Partners	—	—	—	591,763,400	7	0.68%
Beacon Properties	—	—	—	517,950,540	8	0.60%
UIDC of Massachusetts, Inc	—	—	—	453,549,610	9	0.52%
Manulife Financial	—	—	—	430,480,480	10	0.50%
	<u>\$ 12,989,233,401</u>		<u>10.15%</u>	<u>\$ 8,396,706,870</u>		<u>9.70%</u>

- (1) The Largest Taxpayers table includes entities with a fiscal 2016 tax liability greater than \$10 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.
- (3) Blackstone Group Equity Office ("Blackstone") sold their interest in One Post Office Square to Morgan Stanley in August 2013; the tax adjustment associated with this transaction was reflected in fiscal 2015. Blackstone sold their interest in 1-3 Center Plaza to Shorenstein Properties in January 2014 and purchased 399 Boylston St from Shorenstein Properties in September 2014. Blackstone also sold their interest in 28 State Street to Rockefeller Group Development in March 2014, and sold their interest in 60 State Street, 255 Franklin Street, and 125 Summer Street to Oxford Properties, as well as their interest in 150 Federal Street to CBRE in September 2014; the tax adjustment associated with these transactions are reflected in fiscal 2016. Blackstone sold their interest in 500 Boylston Street and 222 Berkeley Street to Oxford Properties in November 2015; the tax adjustment associated with these transactions will be reflected in fiscal 2017.
- (4) TIAA purchased 40 Broad Street in May 2013; the taxes associated with this property were reflected in fiscal 2015.
- (5) Oxford Properties ("Oxford") purchased 60 State Street, 225 Franklin Street, and 125 Summer Street from Blackstone Group Equity Office in September 2014; the tax adjustment associated with these transactions is reflected in fiscal 2016, increasing Oxford's total tax liability to an amount greater than \$10 million. Oxford sold 125 Summer Street to Alony Hetz Properties & investments Ltd. in December 2015 and purchased the properties located at 500 Boylston Street and 222 Berkeley Street from Blackstone Group Equity Office in November 2015; the tax adjustment associated with these transactions will be reflected in fiscal 2017.
- (6) Met Life Real Estate Investments ("MetLife") purchased 655 Atlantic Ave from Beacon Capital Partners, which was held under Dewey Square Tower Associates, in December 2013. The taxes associated with this property were reflected in fiscal 2015. In July 2014, MetLife purchased One Beacon Street from Beacon Capital Partners; the tax adjustment associated with this transaction is reflected in fiscal 2016.
- (7) Synergy Investments ("Synergy"), as a result of several real estate purchases in 2014, increased their fiscal 2015 tax liability to an amount greater than \$10 million in fiscal 2015. These transactions included the purchase of 11 Beacon Street from Beacon Street Holdings, and a joint venture agreement with DivcoWest on 71-87 Summer St. Synergy also purchased 10 Post Office Square and 55 Summer St in Fall 2014; the tax adjustment associated with these these transactions is reflected in fiscal 2016. In 2015, Synergy sold their interest in 100 Franklin St to Clarion Partners (May) and 2 Oliver St to NTT Urban Development Corporation (July); the tax adjustment associated with these transactions will be reflected in fiscal 2017. In 2016, Synergy sold their interest in 100 N. Washington St, 115 Broad St, 184 High St, and 211 Congress St to Westbrook Partners (January); the adjustment associated with these transactions will be reflected in fiscal 2018.

Source: City of Boston Assessing and Treasury Departments

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts in millions)

Fiscal Year	Tax Levy			Tax Levy Collected within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2016		
	Gross ⁽¹⁾	Net	Net % Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2016	\$ 1,963.1	1,924.8	98.0%	\$ 1,958.4	99.8%	101.7%	\$1,949.3	99.3%	101.3%
2015	1,869.0	1,833.1	98.1%	1,865.6	99.8%	101.8%	1,853.6	99.2%	101.1%
2014	1,779.8	1,744.9	98.0%	1,784.7	100.3%	102.3%	1,765.8	99.2%	101.2%
2013	1,684.4	1,643.4	97.6%	1,677.0	99.6%	102.0%	1,669.1	99.1%	101.6%
2012	1,615.9	1,577.3	97.6%	1,604.2	99.3%	101.7%	1,597.8	98.9%	101.3%
2011	1,541.1	1,503.8	97.6%	1,531.8	99.4%	101.9%	1,523.5	98.9%	101.3%
2010	1,465.5	1,429.8	97.6%	1,456.6	99.4%	101.9%	1,447.2	98.8%	101.2%
2009	1,400.7	1,365.3	97.5%	1,392.7	99.4%	102.0%	1,383.2	98.8%	101.3%
2008	1,334.6	1,295.5	97.1%	1,338.8	100.3%	103.3%	1,317.5	98.7%	101.7%
2007	1,270.8	1,223.9	96.3%	1,260.2	99.2%	103.0%	1,252.6	98.6%	102.3%

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

Source: City of Boston Treasury Department

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Notes Payable (1)	Capital Lease Agreements	Convention Center Special Obligation Bonds	Boston City Hospital Special Obligation Bonds
2016	\$ 1,264,231	\$ 76,619	\$ 62,266	\$ —	\$ —
2015	1,229,542	63,361	56,425	—	—
2014	1,189,238	75,680	45,887	—	—
2013	1,129,545	76,587	39,365	—	—
2012	1,040,365	40,382	32,566	—	—
2011	972,540	36,602	28,123	—	73,080
2010	952,830	40,285	35,504	93,305	80,605
2009	916,820	32,611	39,545	97,085	87,840
2008	903,215	35,421	36,773	100,485	94,800
2007	860,215	34,170	24,386	103,715	101,490

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.

	Total Primary Government	% of Total Personal Income (²)	Per Capita (³)
\$	1,403,116	5.54%	\$ 2,095.86
	1,349,328	6.13%	2,057.27
	1,310,805	5.94%	1,992.14
	1,245,497	5.66%	1,931.87
	1,113,313	5.34%	1,755.74
	1,110,345	5.37%	1,777.42
	1,202,529	5.70%	1,947.44
	1,173,901	4.94%	1,819.47
	1,170,694	5.39%	1,908.50
	1,123,976	5.27%	1,834.36

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

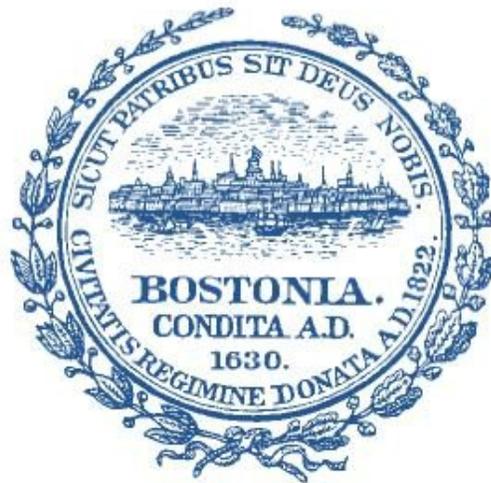
Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Calendar Year	Net General Bonded Debt Outstanding	Assessed Value ⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ⁽²⁾
2016	\$ 1,264,231	\$ 128,047,081	1.0%	\$ 1,888.41
2015	1,229,542	110,736,862	1.1%	1,874.63
2014	1,189,238	99,832,813	1.2%	1,813.18
2013	1,129,545	92,199,272	1.2%	1,752.02
2012	1,040,365	88,500,410	1.2%	1,631.90
2011	972,540	86,800,582	1.1%	1,556.82
2010	952,830	87,256,531	1.1%	1,542.81
2009	916,820	90,387,171	1.0%	1,421.01
2008	903,215	90,067,298	1.0%	1,472.45
2007	860,915	86,516,105	1.0%	1,404.16

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

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



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Legal Debt Margin Information

Last Ten Fiscal Years

(Amounts in thousands)

	2016	2015	2014	2013	2012
Debt limit	\$ 5,540,530	\$ 5,156,374	\$ 5,156,374	\$ 5,301,711	\$ 5,301,711
Total net debt applicable to limit	1,809,052	1,388,019	1,590,189	1,705,035	1,399,004
Legal debt margin	<u>\$ 3,731,478</u>	<u>\$ 3,768,355</u>	<u>\$ 3,566,185</u>	<u>\$ 3,596,676</u>	<u>\$ 3,902,707</u>
Total net debt applicable to the limit as a percentage of debt limit	32.65%	26.92%	30.84%	32.16%	26.39%

Legal Debt margin Calculation for Fiscal Year 2016

Equalized valuation as of January 31, 2015 ⁽¹⁾	\$ 110,810,609
Maximum debt limits as of July 1, 2016 ⁽²⁾	5,540,530
Less: Debt outstanding June 30, 2015	(1,082,910)
Less: Debt authorized but unissued as of June 30, 2015	(689,265)
Debt incurring capacity as of June 30, 2015	<u>\$ 3,768,355</u>
Add: Debt redeemed during fiscal year 2016	88,483
Less: City Council Authorizations during fiscal year 2016 ⁽³⁾	(145,442)
Less: Debt adjustments approved through June 30, 2016	(1,940)
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2016	—
Add: Premium per Issuance through June 30, 2016	20,929
Add: Refunded amounts	1,093
Debt incurring capacity as of June 30, 2016	<u><u>\$ 3,731,478</u></u>

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

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

(3) The debt authorized but unissued as of June 30, 2015 and City Council authorizations during fiscal year 2016 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

2011	2010	2009	2008	2007
\$ 5,301,711	\$ 5,293,826	\$ 4,387,466	\$ 4,387,466	\$ 3,814,054
1,345,702	1,257,207	369,724	1,187,532	524,358
<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>	<u>\$ 4,017,742</u>	<u>\$ 3,199,934</u>	<u>\$ 3,289,696</u>
25.38%	23.75%	8.43%	27.07%	13.75%

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⁾
2016	N/A	N/A	N/A	N/A
2015	669,469	\$ 25,334,046	37,842	4.6%
2014	656,051	23,899,232	36,429	5.2%
2013	644,710	22,393,343	34,734	6.1%
2012	637,516	21,329,440	32,884	6.0%
2011	624,969	21,030,468	33,074	6.6%
2010	621,383	21,470,976	34,170	7.6%
2009	645,187	24,159,957	36,805	7.5%
2008	613,411	22,090,962	35,396	5.3%
2007	613,117	21,710,500	34,803	4.5%

N/A = Information not available for this fiscal year

(1) Source: U.S. Census Bureau and BP&DA Research Analysis

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

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

Principal Employers

Current and Nine Years Ago

<u>Employer</u> ⁽¹⁾	2016			2007 ⁽²⁾		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Massachusetts General Hospital.....	16,485	1	2.18%	16,146	1	2.52%
Brigham and Women's Hospital.....	12,070	2	1.59%	11,225	2	1.75%
Boston University	9,980	3	1.32%	9,087	4	1.42%
Children's Hospital, Boston	7,910	4	1.04%	3,832	9	0.60%
State Street Bank & Trust Co.....	7,500	5	0.99%	—		—%
Beth Israel Deaconess Medical Ctr.....	7,355	6	0.97%	10,861	3	1.69%
Harvard University Graduate Schools ..	5,680	7	0.75%	—		—%
Northeastern University	5,295	8	0.70%	4,417	7	0.69%
Fidelity Investments.....	5,100	9	0.67%	8,000	5	1.25%
Boston Medical Center	4,395	10	0.58%	4,000	8	0.62%
New England Medical Center.....	—		—	5,508	6	0.86%
Harvard University	—		—	3,654	10	0.57%
Total	81,770		10.79%	76,730		11.97%

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

Note 2: No new survey data was made available in 2007. The figures shown are from 2006.

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

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

Last Ten Fiscal Years

	Fiscal Year				
	2016	2015	2014	2013	2012
CITY-FUNDED:					
Public safety ⁽²⁾	4,456	4,529	4,541	4,413	4,446
Public works	377	394	366	342	350
Other city departments ⁽³⁾	2,650	2,678	2,696	2,643	2,565
Boston Public Health Commission ⁽⁴⁾	777	770	762	798	803
Schools	8,746	8,789	8,664	8,381	8,052
Total city-funded	17,006	17,160	17,029	16,577	16,216
GRANT-FUNDED:					
Schools	656	601	698	796	759
All others ⁽⁶⁾	370	282	277	293	307
Total grant-funded	1,026	883	975	1,089	1,066
Total employees	18,032	18,043	18,004	17,666	17,282

- (1) All data are as of January 1 in the year stated. The methodology used in compiling these data was established jointly by the City and the Boston Municipal Research Bureau.
- (2) Public Safety includes both the Police Department and the Fire Department and starting in fiscal 2015 the Office of Emergency Management.
- (3) Includes Boston Retirement System employees. Since publication of the previous CAFR, the 2015 figure has been adjusted to decrease the total by 41 full-time equivalent employees.
- (4) Boston Public Health Commission employees are funded by the City, but are not employees of the City.
- (5) Prior years restated to include part-time school custodians.
- (6) Does not include grants managed by the Boston Public Health Commission.

Fiscal Year				
2011	2010	2009	2008 ⁽⁵⁾	2007 ⁽⁵⁾
4,476	4,431	4,685	4,737	4,554
359	378	388	404	418
2,596	2,712	2,841	2,771	2,747
794	797	820	752	750
8,047	8,211	8,572	8,476	8,300
16,272	16,529	17,306	17,140	16,769
792	754	755	912	963
292	378	1,433	1,391	1,429
1,084	1,132	2,188	2,303	2,392
17,356	17,661	19,494	19,443	19,161

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Service calls answered	408,144	421,573	566,297	579,704	598,280
Moving/traffic violations	107,204	110,254	90,180	95,454	108,520
Parking violations as of June 30	1,346,400	1,272,107	1,326,235	1,309,406	1,424,098
Fire					
Calls answered	82,438	80,079	73,443	73,971	72,511
Inspections conducted	25,819	23,019	23,896	23,744	25,112
Library					
Personnel full-time	413	417	408	401	384
Personnel part-time	50	58	59	66	49
Central and branch libraries	24	24	25	26	26
Books, audio and video materials, newspapers, and magazines in circulation	3,707,607	3,715,079	3,732,000	3,694,546	3,796,679
Library cards in force	268,275	323,789	361,939	383,931	524,054
Schools					
Student enrollment as of June 30	56,531	57,102	56,975	56,801	56,535
Streets, sidewalks, and bridges					
Streets in miles	988	988	988	988	988
Hospitals					
Births as of June 30	20,968	19,586	20,392	21,480	20,540
Deaths as of June 30	7,383	7,438	7,330	7,051	7,090

Fiscal Year				
2011	2010	2009	2008	2007
543,424	621,794	577,126	577,163	538,330
107,822	138,441	137,217	132,546	136,263
1,435,022	1,571,688	1,591,832	1,529,537	1,527,061
71,244	69,859	71,247	70,176	72,071
24,297	23,900	22,093	23,810	23,500
385	431	464	518	476
54	57	96	158	117
26	26	27	27	27
3,534,413	3,587,136	3,403,538	3,116,540	2,848,813
510,966	543,628	518,080	552,797	1,621,133
56,789	56,219	56,144	56,074	56,369
987.5	968	810	809	808.5
21,568	21,064	21,387	8,430	22,107
7,572	6,987	7,185	3,043	7,615

Capital Asset Statistics by Department

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Officers and personnel	2,895	2,907	2,933	2,925	2,913
Stations	11	11	11	11	11
Fire					
Officers and personnel	1,618	1,604	1,604	1,597	1,559
Stations	35	35	35	35	35
Parks and Recreation					
Personnel (Parks Division)	251	306	233	220	219
Neighborhood (city) parks	251	251	262	262	251
Neighborhood (city) playgrounds – Tot Lots	129	127	129	129	128
Community Centers – (BCYF operated)	29	29	29	35	38
Golf courses	2	2	2	2	2
Swimming pools (BCYF operated)	18	17	18	17	17
Tennis courts	65	65	66	66	78
Public Education					
Total number of Boston Public Schools employees.....	9,634	9,530	9,374	9,467	9,806
Total number of schools	125	128	128	127	128
Public Works					
Traffic signals (signalized intersections)	854	849	841	846	837
Parking meters (approximately)	7,626	7,699	7,614	6,810	7,861
Bridges	40	36	37	4	4
Hospitals					
Number of hospitals	20	20	21	21	22
Patient beds	5,227	6,049	5,402	5,437	5,618

Fiscal Year				
2011	2010	2009	2008	2007
2,948	2,885	3,011	3,085	3,048
11	11	11	11	11
1,559	1,557	1,573	1,525	1,511
35	35	35	35	34
218	212	224	224	207
251	251	257	257	266
128	128	132	129	121
38	45	46	46	46
2	2	2	2	2
17	21	23	20	21
78	78	67	67	66
9,982	9,240	9,188	9,754	7,774
135	135	135	144	145
833	823	813	800	822
7,195	7,304	7,038	6,300	6,449
4	4	4	4	4
20	20	22	22	22
5,584	5,564	5,629	5,618	5,692