

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016**

Draft - 10.7.2016

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**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION  
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**JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board Members and Executive Director  
The Boston Public Health Commission  
Boston, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Boston Public Health Commission (the Commission), a component unit of the City of Boston, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2016, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that certain pension and other postemployment benefits information (located on pages 29 through 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenditures – budgetary basis (the supplementary information), located on page 32, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

Draft - 10.7.2016

**THE BOSTON PUBLIC HEALTH COMMISSION**  
**(A COMPONENT UNIT OF THE CITY OF BOSTON)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
**(IN THOUSANDS)**

**Assets:**

**Current:**

Cash and Cash Equivalents (Note 3)	\$ 30,228
Accounts Receivable:	
Billed and Unbilled Receivables:	
EMS and Other Third Party Billings (Note 4)	30,789
Grantors (Note 4)	15,567
Other	3,092
Allowance for Uncollectible Amounts and Contractual Adjustments	<u>(20,792)</u>
Accounts Receivable, Net	28,656
Prepaid Expenses	27
Due from City of Boston	<u>2,978</u>
Total Current Assets	<u>61,889</u>

**Noncurrent:**

Notes Receivable (Note 7)	42,214
Capital Assets (Note 8):	
Nondepreciable	12,047
Depreciable, Net	<u>14,433</u>
Total Noncurrent Assets	<u>68,694</u>
Total Assets	<u>130,583</u>

Deferred Outflows - Pension Related

28,572

**Liabilities:**

**Current:**

Accounts Payable and Accrued Expenses	19,185
Due to City of Boston - Operations	457
Capital Leases (Note 9)	945
Unearned Revenue	2,819
Other	<u>311</u>
Total Current Liabilities	<u>23,717</u>

**Noncurrent:**

Capital Leases (Note 9)	3,017
Other Postemployment Benefits Obligation (Note 10)	86,075
Net Pension Liability (Note 11)	150,750
Unearned Revenue	43,258
Other	<u>1,640</u>
Total Noncurrent Liabilities	<u>284,740</u>
Total Liabilities	<u>308,457</u>

Deferred Inflows - Pension Related

11,734

**Net Position:**

Net Investment in Capital Assets	22,518
Unrestricted (Deficit)	<u>(183,554)</u>
Total Net Position	<u>\$ (161,036)</u>

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

Operating Revenues:	
Grants	\$ 48,987
EMS and Other Third Party Revenue, Net (Note 5)	43,886
Leases and Rent	1,549
Other	2,867
Total Operating Revenues	<u>97,289</u>
Operating Expenses:	
Public Health Programs	128,065
Property Operations	7,027
Public Health Service Centers	15,804
Administration	3,793
Other Postemployment Benefits (Note 10)	11,358
Pension (Note 11)	19,220
Depreciation	3,917
Total Operating Expenses	<u>189,184</u>
Operating Loss	<u>(91,895)</u>
Nonoperating Income (Expense):	
City Appropriation	81,682
Nonemployer Contribution	1,618
Interest Income	44
Interest Expense	(9)
Total Nonoperating Income, Net	<u>83,335</u>
Loss Before Capital Contributions	<u>(8,560)</u>
Capital Contributions	<u>375</u>
Decrease in Net Position	<u>(8,185)</u>
Net Position (Deficit), Beginning of Year	<u>(152,851)</u>
Net Position (Deficit), End of Year	<u>\$ (161,036)</u>

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

Cash Flows from Operating Activities:	
Receipts from Grantors	\$ 46,639
Receipts from EMS and Other Third Party Billings	36,900
Receipts from Leases and Rent	1,549
Receipts from Other	2,196
Payments to Vendors	(92,336)
Payments to Employees	(72,998)
Net Cash Used in Operating Activities	<u>(78,050)</u>
Cash Flows from Noncapital Financing Activities:	
Receipts from City Appropriation	<u>81,682</u>
Cash Flows from Capital and Related Financing Activities:	
Receipts from Net Investment in Capital Lease	319
Payments on Capital Lease Obligations	(487)
Purchases and Construction of Capital Assets	(2,363)
Principal Payments on Due to City of Boston - Debt	(319)
Interest Paid	(9)
Receipts from City-Capital Contributions	375
Net Cash Used in Capital and Related Financing Activities	<u>(2,484)</u>
Cash Flows from Investing Activities:	
Interest Income	<u>44</u>
Net Increase in Cash and Cash Equivalents	1,192
Cash and Cash Equivalents, Beginning of Year	29,036
Cash and Cash Equivalents, End of Year	<u>\$ 30,228</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (91,895)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	3,917
Other Postemployment Benefit Expense	7,151
Net Pension Liability	4,255
Changes in Assets and Liabilities:	
Receivables, Net	5,731
Prepays	(12)
Accounts Payable and Accrued Expenses	(4,565)
Due to/from City of Boston	(2,112)
Unearned Revenue	(202)
Other	(318)
Net Cash Used in Operating Activities	<u>\$ (78,050)</u>

See accompanying notes to financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 REPORTING ENTITY**

The Boston Public Health Commission (Commission), a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts, was established by Chapter 147 of the Acts of 1995. The Commission was created to assume, and have transferred to, all rights and obligations of the Trustees of Health and Hospitals (THH) and the Department of Health and Hospitals of the City of Boston (DHH), which under separate charter, were abolished by the same Act, as part of the merger of the Boston City Hospital (BCH) with the Boston University Medical Center Hospital. The Commission is governed by a seven-member board, six of which are appointed by the Mayor of Boston and confirmed by the City Council and one of whom is the Chief Executive Officer of the Boston Medical Center (BMC). Some members of the board work with or for organizations that receive funding from the Commission.

The Commission is the Board of Health for the City of Boston (City) and is responsible for the implementation of public health programs in the City. Public service and access to quality health care are the cornerstones of the Commission's mission – to protect, preserve, and promote the health and well-being of all Boston residents, particularly those who are most vulnerable. The Commission's more than 40 programs are grouped into six bureaus: Child, Adolescent & Family Health; Community Health Initiatives; Homeless Services; Infectious Disease; Bureau of Recovery Services; and Emergency Medical Services, which offers a variety of specialized public health services such as operating a homeless shelter, public health nursing, substance abuse treatment and prevention programs and violence prevention efforts.

The Commission receives the majority of its funding from a City appropriation, EMS and other third party billings, and federal and state grants. The Commission expects that the City will continue to provide support for the public health programs of the Commission.

In 2001, the BPHC Mattapan Development Corp., Inc. was created for benevolent, civic, or charitable purposes within the meaning of Section 4 of Chapter 180 of the Massachusetts General Laws, more specifically to assist in the development, redevelopment, financing, operation, and management related to the revitalization of the Boston Specialty and Rehabilitation Hospital Campus located in the Mattapan section of the City of Boston, Massachusetts. The activities of this corporation are presented as a blended component unit in the accompanying financial statements due to its financial dependency on the Commission.

In 2013, the BPHC Northampton Development Corp., Inc. was created for benevolent, civic, or charitable purposes within the meaning of Section 4 of Chapter 180 of the Massachusetts General Laws, more specifically to assist in the development, redevelopment, financing, operation, and management related to the revitalization of the Northampton Square complex located in the South End neighborhood of the City of Boston, Massachusetts. The activities of this corporation are presented as a blended component unit in the accompanying financial statements due to its financial dependency on the Commission.

For financial reporting purposes, the Commission is considered a component unit of the City of Boston and its financial statements are included as part of the City's financial statements.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The Commission's financial statements are reported on an accrual basis of accounting as specified by the Governmental Accounting Standards Board (GASB) requirements for an enterprise fund. The accrual basis of accounting recognizes revenues when earned and recognizes expenses when the related liability is incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission considers the lease receipts (from BMC and Trinity), rent, grants, EMS program revenue and other fees for services as operating revenues. Other revenues not meeting this definition are considered nonoperating items. Operating expenses are those expenses related to grants and City-funded expenses. Nonoperating expenses are those not meeting this definition.

**Budget**

Under the legislation of the Commonwealth of Massachusetts that established the Commission, the Commission's Board must adopt its public health services budget for the ensuing fiscal year by the second Wednesday in June.

**Cash and Cash Equivalents**

The Commission considers cash and cash equivalents to be cash on hand and investments with a maturity date of three months or less from the date of purchase.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**Capital Assets**

Capital assets are defined by the Commission as assets with an initial, individual cost of 1) more than \$25,000 for buildings and building improvements or 2) more than \$5,000 for assets other than buildings and building improvements; and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

On July 1, 1996, the merger date, various capital assets of the former THH and the former DHH were transferred to the Commission at their depreciated values. These assets included the Boston Specialty and Rehabilitation Hospital (BSRH) and Northampton Square complex. On July 1, 1996, title to the property, plant, and equipment of the former BCH was transferred to the Commission, which was in turn leased to the BMC.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings	30
Buildings and Leasehold Improvements	10 – 30
Furniture and Fixtures	10
Computers and Technology	3 – 5
Vehicles	3
Equipment	3

**Net EMS and Other Third Party Revenue**

Net EMS and other third party revenue are recorded at standard billable rates from individuals (self-pay), third-party payers and others for services rendered. Contractual adjustments, which represent the difference between the standard billable rate and the allowable third party payer rate, are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined and are reflected in the financial statements as a contra-revenue adjustment and an increase in the allowance for uncollectible accounts. A provision for uncollectible accounts is recorded to reflect accounts receivable at its estimated net realizable value and the corresponding charge is recorded as bad debt in the financial statements.

**Pension Benefits**

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 State-Boston Retirement System (SBRS) and additions to/deductions from SBRS's fiduciary net position have been determined on the same basis as they are reported by SBRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits**

In addition to providing pension benefits and as more fully described in Note 12, the Commission provides health and life insurance coverage for current and future retirees and their spouses.

**Compensated Absences**

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused vacation leave (subject to certain limitations) at their current rates of pay. Upon retirement, certain employees are compensated for varying portions of unused sick leave subject to certain limitations.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in the following categories:

Net investment in capital assets represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt (including capital leases) attributable to asset acquisitions, construction and improvements.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Unrestricted represents the remaining net position not considered invested in capital assets or restricted.

**Use of Estimates**

The preparation of 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.

**Implementation of New Accounting Principles**

For the year ended June 30, 2016, the Commission implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurements and Application*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The implementation of these statements had no reporting impact for the Commission.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk.

At June 30, 2016, cash and cash equivalents with a carrying value of \$30,227,805 included bank and money market deposits. Bank deposits of \$5,106,775 and money market deposits of \$25,103,536 were covered by federal depository insurance of \$500,000. The remaining bank and money market deposits in excess of federal depository insurance were collateralized by United States government and agency obligations.

**NOTE 4 ACCOUNTS RECEIVABLE**

**Emergency Medical Services and Other Third Party**

The Commission provides services primarily to the residents of the City of Boston. An allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experiences and a review of the current status of the existing receivables. The mix of receivables from patients and third-party payer's at June 30, 2016 is as follows (in thousands):

Individuals	\$ 9,977
Third-Party Payors	9,452
Medicare	3,007
Medicaid	8,353
Total EMS and Other Third Party Receivables	<u>30,789</u>
Less: Allowance for Uncollectible Accounts and Contractual Adjustments	<u>(20,483)</u>
EMS and Other Third Party Accounts Receivable, Net	<u><u>\$ 10,306</u></u>

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

**Grants**

The Commission receives grants from federal, state, city governments and private parties. The types of grants include fee for service, income, advance, and letter of credit. The mix of receivables from grantors at June 30, 2016 is as follows (in thousands):

Federal Billed	\$ 376
State Billed	988
City Billed	466
Unbilled	12,081
Other Billed	1,656
Total Grant Accounts Receivable	<u>15,567</u>
Less: Allowance for Uncollectible Accounts	(309)
Grant Accounts Receivable, Net	<u><u>\$ 15,258</u></u>

**NOTE 5 EMS AND OTHER THIRD PARTY REVENUE**

EMS and other third party revenue include a provision for adjustments to reflect the differences between billed charges and amounts recovered.

Components of EMS and other third party revenue for the year ended June 30, 2016 is as follows (in thousands):

Gross EMS and Other Third Party Revenue:	
Medicare	\$ 29,324
Medicaid	53,130
Individuals	6,027
Other Third Party Payors	22,539
Total Gross EMS and Other Third Party Revenue	<u>111,020</u>
Contractual Adjustments	(67,134)
EMS and Other Third Party Revenue, Net	<u><u>\$ 43,886</u></u>

**THE BOSTON PUBLIC HEALTH COMMISSION  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 LEASES (LESSOR)**

**BCH Campus**

As part of the merger described in note 1, the Commission retained title to all real property formerly held by THH and DHH, except for the Long Island Campus, which was transferred to the City's Public Facilities Department but continues to be operated by the Boston Public Health Commission. On July 1, 1996, the Commission leased the former BCH campus, except for certain identified sites, to BMC for an initial period of 50 years with four 10-year renewal options.

In accordance with the July 1, 1996 agreement, as amended, the payments received by the Commission under the lease were equal to (i) the debt service costs (principal, interest) on the note dated August 1, 2002 that secures the City's 2002 Special Obligation Refunding Bonds, Boston City Hospital issue (2002 Bonds), and (ii) the debt service on all City general obligation bonds allocable to BCH outstanding at June 30, 1996.

Effective May 1, 2012, the Commission and the Boston Medical Center Corporation amended the lease dated July 1, 1996, as amended, to reflect the City of Boston's issuance of the 2012 Series C General Obligation Bonds, the proceeds of which were used to refund the 2002 Bonds. Upon issuance of the 2012 Bonds, the Commission and the Boston Medical Center Corporation amended the existing lease to reflect the refunding of the 2002 Bonds. The amended lease dated May 1, 2012 stipulates that the rent payments to be made to the Commission will be equal to the debt service on the City's general obligation bonds allocable to BCH.

On or after July 1, 2016, the lease provides for the Commission and BMC to set lease payments at fair market value for the property for the remainder of the lease term.

The Commission and BMC are currently negotiating the applicable fair market value for the lease.

**Mallory Building**

On December 7, 2006 the Commission (lessor) entered into a lease agreement with the Boston Health Care for the Homeless Program, Inc. (lessee) which allowed the lessee to renovate the Mallory Building (located at 774 Albany Street) for the sole purpose of operating a health care facility for the homeless. The lease agreement provides for an initial term of forty-two years with two (2) twenty-four year options. Base rent for the initial term is \$1.6 million payable in installments of \$160,000 upon execution, \$640,000 received in June 2008; and \$800,000 on the first anniversary of occupancy. Base rent for each option is \$1 per year. The Commission is accounting for the lease as an operating lease and is recognizing prepaid rental income over the lease term of 90 years at approximately \$18,000 per year. The cash received to date has been recorded as unearned revenue of \$1,429,624 of which \$17,778 is reflected as current.

**THE BOSTON PUBLIC HEALTH COMMISSION  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 LEASES (LESSOR) (CONTINUED)**

**Northampton Square (NHS)**

On September 24, 2013, BPHC Northampton Development Corp. (lessor), a fully controlled nonprofit entity of the Commission, entered into a lease agreement with Trinity Northampton Phase I Limited Partnership (lessee) for the property located at 35 Northampton Street. The lease term is 98 years and will expire on December 31, 2111. The lease stipulates annual rent payments of \$1,014,451 for the term of the lease, payable quarterly in arrears in the amount of \$253,613. Furthermore, additional rent will be payable to cover any operating costs of the premises paid by the landlord. The Commission is accounting for the lease as an operating lease and recognizing income as earned.

On December 31, 2014, BPHC Northampton Development Corp. (lessor) entered into a lease agreement with Trinity Northampton Phase II Limited Partnership (lessee) for the property located at 860 Harrison Avenue. The lease term is 98 years and will expire on December 31, 2112. The lease stipulates annual rent payments of \$485,549 for the term of the lease, payable quarterly in arrears in the amount of \$121,387. Furthermore, additional rent will be payable to cover any operating costs of the premises paid by the landlord. The Commission is accounting for the lease as an operating lease and recognizing income as earned.

Future minimum lease payments to be received under the above operating leases are as follows:

	<b><u>NHS Phase 1</u></b>	<b><u>NHS Phase 2</u></b>	<b><u>Total</u></b>
2017	\$ 1,014	\$ 486	\$ 1,500
2018	1,014	486	1,500
2019	1,014	486	1,500
2020	1,014	486	1,500
2021	1,014	486	1,500
Thereafter	91,808	44,428	136,236
	<b><u>\$ 96,878</u></b>	<b><u>\$ 46,858</u></b>	<b><u>\$ 143,736</u></b>

**THE BOSTON PUBLIC HEALTH COMMISSION  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 NOTES RECEIVABLE**

**Mattapan Heights**

**Phase I**

During fiscal year 2002, BPHC Mattapan Development Corp., a fully controlled nonprofit entity of the Commission, sold the Foley and E Buildings on the Mattapan Campus to a developer for \$2,955,000. BPHC Development Corp. holds two notes receivable for the entire purchase price of the buildings – \$2,805,000 at 5.5% compounded interest and \$150,000 at 0.01% simple interest. The principal of the notes and the accrued unpaid interest are payable in a balloon payment in fiscal 2042, which is secured by a mortgage on the property. The accrued unpaid interest is \$3,348,277 as of June 30, 2016.

**Phase II**

During fiscal year 2005, the Commission and the BPHC Mattapan Development Corp. completed Phase II by selling Mattapan buildings A, B, C, D, and I to Trinity Mattapan Heights Limited Partnership for \$582,000. The Commission holds a note receivable of \$162,000, with simple interest of 0.01% per annum. BPHC Mattapan Development Corp. holds a note receivable of \$420,000 with interest compounding annually at 5.21%. The principal of the notes and the accrued unpaid interest are payable in a balloon payment in fiscal 2045, which is secured by mortgages on the property. The accrued unpaid interest is \$349,567 as of June 30, 2016.

**Phase III**

During fiscal year 2007, the Commission and the BPHC Mattapan Development Corp. completed Phase III by selling Mattapan Building F to Trinity Mattapan Heights Three Limited Partnership for \$400,000. BPHC Mattapan Development Corp. holds a note receivable (Acquisition Loan) for \$400,000 with interest compounding annually at 5.5%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$268,416 as of June 30, 2016.

BPHC Mattapan Development Corp. also holds a note receivable (State Tax Credits and Development Fee) for \$3,493,660 from Trinity Mattapan Heights Three Limited Partnership, with interest compounding annually at 3.0%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$1,144,546 as of June 30, 2016.

In addition, BPHC Mattapan Development Corp. holds a note receivable for \$250,000 from Trinity Mattapan Heights Three Limited Partnership, with interest compounding annually at 3.0%. The principal and interest are payable in a balloon payment in fiscal 2047, which is secured by a mortgage on the property. The accrued unpaid interest is \$167,760 as of June 30, 2016.

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**NOTE 7 NOTES RECEIVABLE (CONTINUED)**

*Phase V*

During fiscal year 2012, the Commission and the BPHC Mattapan Development Corp. completed Phase V by selling Land Parcel G to Trinity Mattapan Heights Five Limited Partnership for \$9,724,000, a State Tax Credit Loan (Note). BPHC Mattapan Development Corp. holds a note receivable (State Tax Credit Loan) for \$9,724,000, without interest. The principal is payable in fiscal 2053, which is secured by a mortgage on the property.

**Northampton Square (NHS):**

*Phase I*

During fiscal year 2014, BPHC Northampton Development Corp. leased the property located at 35 Northampton Street on NHS to the developer and provided a loan in the amount of \$11,251,646 for the development of the property. BPHC Northampton Development Corp. holds a note receivable in the amount of \$11,251,646 with interest compounding annually at 1.0%. The principal of the note and the accrued unpaid interest are payable in a balloon payment in fiscal 2044, which is secured by a mortgage on the property. The accrued unpaid interest is \$312,241 as of June 30, 2016.

*Phase II*

During fiscal year 2015, BPHC Northampton Development Corp. leased the property located at 860 Harrison Avenue on NHS to the developer and provided a loan in the amount of \$7,725,748 for the development of the property. BPHC Northampton Development Corp. holds a note receivable in the amount of \$7,725,748 with interest compounding annually at 1.0%. The principal of the notes and the accrued unpaid interest are payable in fiscal 2065, which is secured by a mortgage on the property. The accrued unpaid interest is \$116,272 as of June 30, 2016.

Because of the structure of the Mattapan Heights and NHS transactions, the Commission has deferred gains until certain criteria for income recognition are met.

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**NOTE 8 CAPITAL ASSETS**

The following is a summary of the activity in capital assets for the year ended June 30, 2016 (in thousands):

	Balance, June 30, 2015	Additions	Disposals or Adjustments	Balance, June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 11,741	\$ -	\$ -	\$ 11,741
Construction In Progress	255	306	(255)	306
Total Capital Assets Not Being Depreciated	<u>11,996</u>	<u>306</u>	<u>(255)</u>	<u>12,047</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	40,624	117	-	40,741
Leasehold Improvements	8,770	702	-	9,472
Vehicles	19,726	2,492	-	22,218
Computers and Technology	6,241	127	-	6,368
Equipment	2,797	1,013	255	4,065
Furniture and Fixtures	425	-	-	425
Total Capital Assets Being Depreciated	<u>78,583</u>	<u>4,451</u>	<u>255</u>	<u>83,289</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	32,862	1,077	-	33,939
Leasehold improvements	6,413	917	-	7,330
Vehicles	16,898	1,330	-	18,228
Computers and technology	5,960	134	-	6,094
Equipment	2,396	455	-	2,851
Furniture and fixtures	411	3	-	414
Total Accumulated Depreciation	<u>64,940</u>	<u>3,916</u>	<u>-</u>	<u>68,856</u>
Total Capital Assets Being Depreciated, Net	<u>13,643</u>	<u>535</u>	<u>255</u>	<u>14,433</u>
Total Capital Assets, Net	<u>\$ 25,639</u>	<u>\$ 841</u>	<u>\$ -</u>	<u>\$ 26,480</u>

**THE BOSTON PUBLIC HEALTH COMMISSION  
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**NOTE 9 LEASES (LESSEE)**

**Operating Leases**

The Commission leases building space to house its operations as a tenant at will. The Commission also has lease commitments with various vendors to lease real estate and equipment used in its operations. These leases are treated as operating leases with related rents charged to operations as incurred. The lease between the City of Boston and the Commission for the space at 1010 Massachusetts Avenue expired on December 31, 2009. Both parties continue to honor the expired agreement.

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2016 (in thousands):

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 319	\$ 156	\$ 475
2018	322	156	478
2019	258	-	258
2020	45	-	45
Totals	<u>\$ 944</u>	<u>\$ 312</u>	<u>\$ 1,256</u>

Total rent expense for the year ended June 30, 2016 was \$1,527,183 and \$147,327 for real estate and equipment, respectively.

**Capital Leases**

The Commission has entered into various capital lease agreements to finance the purchase of ambulances. Capital assets acquired through capital lease has a cost and net book value of \$4,485,794 and \$3,719,028, respectively. The following is a schedule, by year, of future minimum lease payments under capital leases as of June 30, 2016 (in thousands):

2016	\$ 1,054
2017	965
2018	965
2019	746
2020	528
Sub-Total	<u>4,258</u>
Less Amounts Representing Interest	<u>(296)</u>
Total	<u>\$ 3,962</u>

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**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses and changes in net position when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the statement of net position over time.

In addition to the pension benefits described in Note 11, the Commission provides postemployment health care and life insurance benefits, in accordance with State statute and City ordinance, to participating retirees and their beneficiaries under the City of Boston's health insurance plan. As of June 30, 2015, the valuation date, approximately 209 retirees, beneficiaries and dependents and 896 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The Commission participates in an agent multi-employer defined benefit OPEB plan (Plan) sponsored by the City. The 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 ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

**Funding Policy**

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The Commission provides health insurance to its employees under the City's health insurance plans. The City currently funds the Plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2015, the valuation date, the Plan members contribute 10% to 26.25% of the monthly premium cost, depending on the Plan in which they are enrolled. The Commission contributes the balance of the premium cost.

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**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation**

The Commission'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 thirty years. The following table identifies the components of the Commission's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the Plan, and the change in the Commission's net OPEB obligation based on an actuarial valuation as of June 30, 2015 (in thousands):

Annual Required Contribution (ARC)	\$ 10,027
Interest on Net OPEB Obligation	4,341
Adjustment to ARC	<u>(3,010)</u>
Annual OPEB cost	11,358
Contributions	<u>4,207</u>
Increase in Net OPEB Obligation	7,151
Net OPEB Obligation – Beginning of Year	<u>78,925</u>
Net OPEB obligation – End of Year	<u><u>\$ 86,076</u></u>

The Commission'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	\$ 11,358	37.00%	\$ 86,076
2015	11,198	38.04%	78,925
2014	10,513	37.50%	71,987

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**NOTE 10 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress**

The funded status of the Plan as of June 30, 2016, based on an actuarial valuation as of June 30, 2015, was as follows (in thousands):

Actuarially Accrued Liability (AAL)	\$ 108,524
Actuarial Value of Plan Assets	10,945
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 97,579</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	10.09%
Covered Payroll (Active Plan Members)	\$ 61,716
UAAL as a Percentage of Covered Payroll	158.1%

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 Commission are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund. On October 1, 2009, the City Council approved the establishment of an irrevocable OPEB trust. Since October 1, 2009, the Commission has contributed \$11.47 million to the Plan.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Commission 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 Commission and its employees 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 June 30, 2015 actuarial valuation, (the most recent valuation) utilized the projected unit credit cost method. The actuarial assumptions included a 5.5% investment rate of return, an inflation rate of 4.5%, and annual healthcare cost trend rates of 7% (nonMedicare plans) and 8% (Medicare plans) initially, decreasing by 0.50% per year to an ultimate rate of 5.0%. The actuarial value of assets was determined using the fair value of investments. The Commission's unfunded actuarial accrued liability (UAAL) is being amortized as level percentage of pay on an open basis. The remaining amortization period at July 1, 2015 was 30 years.

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**NOTE 11 PENSION PLANS**

**General Information about the Pension Plan**

*Plan description.* Pensions are provided to eligible Commission employees through the State-Boston Retirement System (SBRS or System), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The board of trustees are primarily responsible for the administration of the System and, consists of five members as follows: the City Auditor (who serves as an ex officio member), a second member appointed by the Mayor, a third and fourth member elected by active and retired members, and a fifth member chosen by the other four members (or appointed by the Mayor if the other four members do not agree on a selection within 30 days of a vacancy). Participation in the SBRS is mandatory for all permanent, full-time, and certain part-time employees immediately upon the commencement of employment.

*Benefits provided.* MGL establishes uniform benefit and contribution requirements for all contributory PERS. Employees with ten or more years of serving having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 20 years of service. The Plan provides for retirement allowance benefits up to a maximum of 80% of a participants highest three-year average annual rate of regular compensation (highest consecutive five-year average for those members who joined SBRS 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 System to the Boston Retirement Board (BRB).

Participants who resigned 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 that has accrued on their cumulative deductions at the regular interest rate (.01% at December 31, 2014).

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 retirement allowance 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.

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**NOTE 11 PENSION PLANS (CONTINUED)**

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.

*Contributions.* Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the Plan. Active plan members contribute between 5 and 11% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. The Commission is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. Contributions to the System from the Commission were \$16,582,658 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Although the System administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contributions rates by group for the participating employers of the Plan excluding the Sheriff of Suffolk County (Group A), the Sheriff of Suffolk County (Group B) and the Commonwealth of Massachusetts (Group C). The measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, excluding that attributable to employer-paid member contributions are determined separately for each group. The commission is included in Group A and therefore the following disclosures pertain only to those attributable to that group.

At June 30, 2016, the Commission reported a liability of \$150,750,374 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 for which update procedures were used to roll forward the total pension liability to the measurement date. The Commission's proportion of the net pension liability is based on actual contributions. At December 31, 2015, the Commission's proportion was 7.7151%, which compared to a proportion of 7.7130% at December 31, 2014.

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**NOTE 11 PENSION PLANS (CONTINUED)**

For the year ended June 30, 2016, the Commission recognized pension expense of \$19,220,441. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 28,077	\$ -
Changes in Assumptions	468	5,908
Changes in Proportion	27	5,826
	<u>\$ 28,572</u>	<u>\$ 11,734</u>

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

<u>Year Ended June 30</u>	
2017	\$ 5,021
2018	5,021
2019	5,022
2020	2,949
2021	(1,175)
Total	<u>\$ 16,838</u>

*Actuarial assumptions.* The total pension liability was determined by performing update procedures to roll the liability forward from the January 1, 2014 actuarial valuation to the December 31, 2015 measurement date. The following actuarial assumptions, applied to all periods included in the measurement:

- Inflation – 3.25%
- Salary increases are based on analyses of past experience but range from 4.0% to 4.5% depending on group and length of service
- Investment Rate of Return (net of investment expenses, including inflation) – 7.75%
- Cost of Living Adjustments – 3% of first \$13,000
- Mortality rates were as follows:
  - Healthy - RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009
  - Disabled - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015

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**NOTE 11 PENSION PLANS (CONTINUED)**

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2013.

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 rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash		1.11%
Domestic Equity	23%	6.49%
International Developed Markets Equity	16%	7.16%
International Emerging Markets Equity		9.46%
Core Fixed Income	10%	1.68%
High Yield Fixed Income	14%	4.76%
Real Estate	10%	4.37%
Commodities	3%	4.13%
Hedge Fund, GTAA, Risk Parity	8%	3.60%
Private Equity	7%	11.04%
Totals	<u>91%</u>	

**THE BOSTON PUBLIC HEALTH COMMISSION  
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**NOTE 11 PENSION PLANS (CONTINUED)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan'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.

*Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Commission's proportionate share of the 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's Proportionate Share of the Net Pension Liability	\$ 203,675,548	\$ 150,750,374	\$ 105,985,105

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued SBRS financial report.

**Defined Contribution Retirement Plan**

The Commission has a closed defined contribution retirement plan. Employer contributions are 4% of the gross wages of participating employees. Employees may make additional voluntary contributions. Payments made by the Commission under this plan amounted to \$155,088 during the year ended June 30, 2016.

**Deferred Compensation Plan**

Benefit eligible employees of the Commission are eligible to participate in a deferred compensation plan. All contributions to the Plan are made by the employees as pre-taxed and subject to \$18,000 maximum.

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**NOTE 12 RELATED PARTY TRANSACTIONS**

**Leases**

The Commission leases office space (tenant-at-will) from the City to house its operations at 1010 Massachusetts Avenue. Rent expense for fiscal year 2016 totaled \$938,367 and management services expenses paid to the City were \$307,342 for this location.

During fiscal years 2015 and 2016, the Commission purchased ambulances for which the costs were subsequently reimbursed by the City. The Commission subsequently entered into capital leases with the City for repayment. Total lease payments made for fiscal year 2016 totaled \$437,925.

**Grant Administration Agreement**

Under the terms of an agreement with BMC, the Commission assumed responsibility for all fiscal, grant management and management operations of the Commission, including Boston EMS. The agreement calls for BMC to continue to provide certain services to the Commission regarding the TB clinic, School Based Health Centers, Occupational Health Services, certain professional staffing provided through Boston University's Faculty Practice Foundation, utilities to the Woods Mullen, Finland and 727 Massachusetts Avenue properties and pharmaceutical supplies and services to Boston EMS. The Commission reimburses the BMC for the actual cost of goods and services provided under the terms of the agreement. Reimbursements for fiscal 2016 totaled \$1,914,959.

**NOTE 13 RISK MANAGEMENT**

The Commission receives management services from the City for health insurance and workers' compensation. Although the City pays for these claims on behalf of the Commission, the City charges back the Commission for these costs. Therefore, the claims cost ultimately resides with the Commission. However, the liability associated with these claims is recorded in full by the City. The Commission provides its own legal defense for legal claims.

The Commission makes available life insurance to its employees and utilizes an outside agency for cost control measures regarding unemployment insurance claims, and is under a self-insured arrangement with the Commonwealth of Massachusetts.

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**NOTE 14 LONG ISLAND CAMPUS**

During 2015, the City closed the Long Island Bridge and, as a result, the Commission has closed all programming on the Long Island Campus. The Commission continues to maintain staff on the Island to provide building upkeep, maintenance and security.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

Various federal and state programs and research activities administered by the Commission are subject to post-performance review and adjustment. The Commission currently records adjustments to reflect costs incurred in excess of grant funds available and differences between provisional and final indirect cost reimbursement rate. Other adjustments resulting from grantor reviews are recorded during the period in which they occur.

**NOTE 16 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented during fiscal year 2017. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2018. The implementation of the Statement, among other things, will require the Authority, for the first time, to record the entire other postemployment benefits liability in the statement of net position.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73*, which is required to be implemented during fiscal year 2017. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**THE BOSTON PUBLIC HEALTH COMMISSION  
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REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (1) (2)**

	2016	2015
Commission's proportion of the net pension liability	7.7151%	7.7130%
Commission's proportionate share of the net pension liability	\$ 150,750,374	\$ 132,868,440
Commission's covered-employee payroll	\$ 64,890,699	\$ 67,274,011
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.31%	197.50%
Plan fiduciary net position as a percentage of the total pension liability	55.76%	59.59%

(1) Amounts presented were determined as of December 31<sup>st</sup> six months prior, the measurement date.

(2) Data is being accumulated annually to present 10 years of the reported information.

*See accompanying independent auditors' report.*

**THE BOSTON PUBLIC HEALTH COMMISSION  
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YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF COMMISSION CONTRIBUTIONS (1)**

	2016	2015
Actuarially Required Contribution	\$ 16,582,658	\$ 15,364,391
Contributions in Relation to the Actuarially Required Contribution	(16,582,658)	(15,364,391)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered-Employee Payroll	\$ 64,890,699	\$ 67,274,011
Contributions as a Percentage of Covered Employee Payroll	25.55%	22.84%

(1) Data is being accumulated annually to present 10 years of the reported information.

*See accompanying independent auditors' report.*

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(A COMPONENT UNIT OF THE CITY OF BOSTON)  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**OTHER POST EMPLOYMENT BENEFITS – SCHEDULES OF FUNDING PROGRESS**

The following schedule provides information related to the Commission's other post-employment benefits plan (in thousands):

<b>Actuarial Valuation Date*</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>(Overfunded) Unfunded AAL (UAALS) (b – a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
June 30, 2015	\$ 10,945	\$ 108,524	\$ 97,579	10.09%	\$ 61,716	158.1%
June 30, 2013	5,212	94,402	89,190	5.52%	59,756	149.3%
June 30, 2011	1,302	108,258	106,956	1.20%	56,914	187.9%

See accompanying independent auditors' report.

**THE BOSTON PUBLIC HEALTH COMMISSION  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGETARY BASIS  
YEAR ENDED JUNE 30, 2016  
(IN THOUSANDS)**

	<b>Original Budget</b>	<b>Supplemental and Reallocations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable) to Final Budget</b>
Revenues:					
Leases and Rent	\$ 2,324	\$ -	\$ 2,324	\$ 2,230	\$ (94)
Interest	51	-	51	44	(7)
City appropriation	73,950	3,982	77,932	77,932	-
Other	35,202	-	35,202	36,409	1,207
Total Revenues	111,527	3,982	115,509	116,615	1,106
Expenditures:					
Administration	8,626	-	8,626	6,774	1,852
Public Health Programs	79,913	-	79,913	81,499	(1,586)
Property Operations	6,078	-	6,078	6,837	(759)
Public Health Service Centers	14,660	-	14,660	14,302	358
OPEB Expense	2,250	-	2,250	2,250	-
Total Expenditures	111,527	-	111,527	111,662	(135)
Excess Revenue Over Expenses	\$ -	\$ 3,982	\$ 3,982	\$ 4,953	\$ 971