

City of Boston

Massachusetts



***Comprehensive Annual
Financial Report***

Fiscal Year Ended June 30, 2011

Thomas M. Menino, Mayor

Meredith Weenick, Chief Financial Officer & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



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City of Boston Auditing Department

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December 21, 2011

*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, 2011. 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 that 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 City will implement a major technological upgrade during the summer of 2012.

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, 2011 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 the *Single Audit Act and Office of Management and Budget Circular A-133*. 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 Single Audit Act. 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

Thomas M. Menino, Mayor
Sally D. Glora, City Auditor

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 City's Single Audit report for the year ended June 30, 2010 included no instances of material weaknesses in the internal control structure, nor were any significant violations of the applicable laws and regulations reported. The report is publicly issued under a separate cover.

Management's Discussion and Analysis (MD&A) follows the independent auditor's 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.

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.



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.

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.

Thomas M. Menino, Mayor of the City of Boston, was reelected in November 2009 to a historic fifth 4-year term, expiring in January 2014. The Mayor remains committed to promoting citywide initiatives in the areas of public education, public safety, housing, and neighborhood development as well as economic development. The City provides a wide range of governmental services in these areas as well as in the areas of social services, public health, transportation, human services, and basic city services.

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. Included in the basic financial statements are governmental activities, business-type 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 State-Boston Retirement System (SBRS) has been presented as a blended component unit because it provides services almost exclusively to the primary government. The notes to the financial statements further discuss the City as a financial reporting entity.

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 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.

Local Economy

Boston is the economic hub of both the Commonwealth of Massachusetts and the New England region. The economy of Boston is diverse and rests primarily on financial, governmental, business and professional services, as well as educational and medical sectors, which provides stability to the region in an otherwise turbulent fiscal environment.

In 2009 Boston had a population of 645,169 as estimated by the U.S. Census Bureau, and had 668,748 jobs, as stated by the U.S. Bureau of Economic Analysis. The ratio of jobs to population indicates that Boston provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, Boston's economy comprises approximately 16.2% of the Massachusetts economy and 7.4% of that of the six New England states.

As a government center, the City is the capital of the Commonwealth and is host to several other governmental agencies. According to the Boston Redevelopment Authority, there were an estimated 77,737 federal, state, and local government workers in the City in 2010. 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 the institution's patients, students, and visitors are important to the City's trade and service sectors. Twenty-two inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, 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. Health services represent 123,209 jobs, or nineteen out of every one hundred jobs within the City. Thirty three colleges and universities reside in Boston, accounting for 137,767 students, according to the New England Board of Higher Education. Boston, with only 10% of the state's population, has 30% of the statewide college student enrollment.

Despite continued deteriorating economic conditions across the country, Boston has been able to sustain better than average results. Currently, the U.S. unemployment rate is higher than Boston's, the nation's level of job loss has been greater, and although Boston's real estate markets have been experiencing rising vacancy rates, it is still outperforming most other major real estate markets in the U.S. Unemployment rates in Boston reached 7.9% in November 2010, as compared to the unemployment rates of the U.S. and Massachusetts which were 9.3% and 8.1% respectively. For the year 2010, foreclosure deeds were up from 2009 by 6.1%. However, foreclosure deeds in Boston in the 4th quarter of 2010 were at the lowest level in three years. By comparison, statewide foreclosure deeds as reported by the Warren Group were up 32% from 2009 to 2010.

Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 2011, rating service bureaus Moody's Investors Service and Standard and Poor's reaffirmed the City's bond ratings at Aaa and AA+ 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 FY10 and FY11, the City incurred its first decreases in General Fund equity in more than thirteen years. Despite this decrease in General Fund equity, the City preserved its policy of maintaining a GAAP

unassigned fund balance in the General Fund that is 10.0% or higher than the current fiscal year's GAAP General Fund operating expenditures. The GAAP unassigned fund balance at the end of fiscal year 2011 was \$511.0 million and \$141.9 million was assigned, which totals a fund balance of \$652.9 million. The unassigned fund balance represents approximately 20.8% 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 half 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 was granted its first new revenue stream in more than twenty years with the state's approval of a local option meals tax. This tax was approved by the Boston City Council in August 2009 and implemented October 1, 2009. The state also granted a local option for a 2 % increase to the City's existing 4 % room occupancy tax which was approved and implemented along with the meals tax. Due to the fact that this is the first year these taxes were fully budgeted, excises increased by 15% in fiscal year 2011. Please see the *Management's Discussion and Analysis* Section for additional information on financial trends.

In fiscal year 2011, employee pension and healthcare costs represented 16.7% of the general fund budget. Healthcare costs increased 1.6% from 2010, which was much less than the 4.9% increase from 2009 to 2010. The City has managed to contain these costly demands on the General Fund by adopting M.G.L., Chapter 32B, Section 18A. Prospectively, as of July 1, 2010, retirees, their spouses and dependents who are Medicare eligible were required to enroll in a Medicare supplement plan. This shifted Medicare eligible costs from the City to the federal government, thereby reducing health care costs while providing retirees with comparable health insurance. These costs were down 3.3% in fiscal year 2011. In FY10, the City established an irrevocable Other Postemployment Benefits (OPEB) Liability Trust Fund in accordance with the provisions of M.G.L., Chapter 32B, Section 20. In FY11, in order to partially fund the annual required contribution associated with the OPEB liability, the City appropriated \$35.0 million from the General Fund as well as the entire balance of \$50.1 million from the OPEB Stabilization 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 Footnote 12 of the Basic Financial Statements.

The City's second largest source of revenue, state aid, decreased by \$18.0 million in FY11. This decrease in state aid is expected to continue in the next fiscal year by 7.3%, prompting management to exhibit sound financial decision-making. Since FY09, the City has received \$179.5 million in American Recovery and Reinvestment Act grant awards from the federal government and the Commonwealth. In FY11, ARRA funds awarded were \$57.1 million, which was used for personnel retention in the Boston Public Schools and the Police Department, in addition to targeted programming.

Building on the City's history of prudent financial planning, the foundation of the City's FY12 budget is enhanced by internal and external partnerships to strengthen the City's personal connection with the people of Boston and produce new efficiencies in basic city service delivery. The collaborations across agencies and with the community are evident throughout the budget. This renewed emphasis on collaboration sets the City up for continued success as Boston emerges from the downturn, and in the years to come. Despite a challenging economic climate, the City has not only managed through these difficult times, but also set the stage for a strong recovery. In FY12, property tax is expected to grow by 4.4% due to an economically diverse tax base. The municipal budget for FY12 necessitates creative partnerships that deliver better than ever for Boston's residents: common goals, uncommon results.

Long Term Financial Planning

Boston's five-year \$1.7 billion capital plan, "Together, We CAN," is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to deliver necessary municipal services efficiently. The program name "Together, We CAN" reinforces the idea that "Cities Are Neighborhoods" and that the capital plan is a strategic tool shaped by many hands and designed to enhance the livability of a city that draws strength from its neighborhoods.

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 continual expansion and improvement of others. The distributions of allocations this year – 23% for New/Major Rehabilitations, 22% for Upgrades, 53% for Upkeep, 1% for Planning, and 2% for matching roadwork maintains the relative balance of these project categories.

In an effort to realign the City's administrative office space as well as revitalize City neighborhoods, design will begin on the new \$115.0 million Dudley Square BPS Headquarters administrative office building. Once the School Department relocates to the Dudley Square building, its current headquarters at 26 Court Street will be renovated and back-filled by other City departments, reducing the number of administrative office buildings from nine to four. This will provide significant efficiencies as well as cost savings.

Financing for the FY12-FY16 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 64.8% of all project funding. The capital plan assumes \$715.0 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.

State and federal funds in the five year capital plan are currently estimated at \$175.9 million and \$352.7 million respectively. Two specific programs included in these amounts are the School Building Assistance (SBA) program and the Massachusetts Department of Transportation's Chapter 90 program. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. The MSBA reviews and prioritizes future project requests, and reimburses at rates ranging between 40% and 80%. For the FY12-FY16 plan, total payments from the state are estimated at \$42.7 million to offset debt service costs for projects previously approved by the MSBA. Chapter 90, which is administered by the Massachusetts Department of Transportation's Highway Division, 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, \$14 million in Chapter 90 funds will be provided in FY12.

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.

For more information on ongoing and upcoming City projects, the Capital Planning division features a mapping section on the City of Boston's website (www.cityofboston.gov/maps). The parks and facilities within the five-year capital plan are now searchable by neighborhood, department, or status and displayed in an interactive map. OBM continues to increase its capacity to map other infrastructure projects, such as street lighting, for analysis based on location. Adding geographic information provides a new way of evaluating projects based on demographics, the relationship between projects, and a project's proximity to other programs or resources.

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, 2010. This was the sixteenth consecutive year that the City of Boston has received this prestigious award. 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, 2010. 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 2005 through fiscal year 2011 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora
City Auditor



Meredith Weenick
Chief Financial Officer & Collector Treasurer

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, 2010

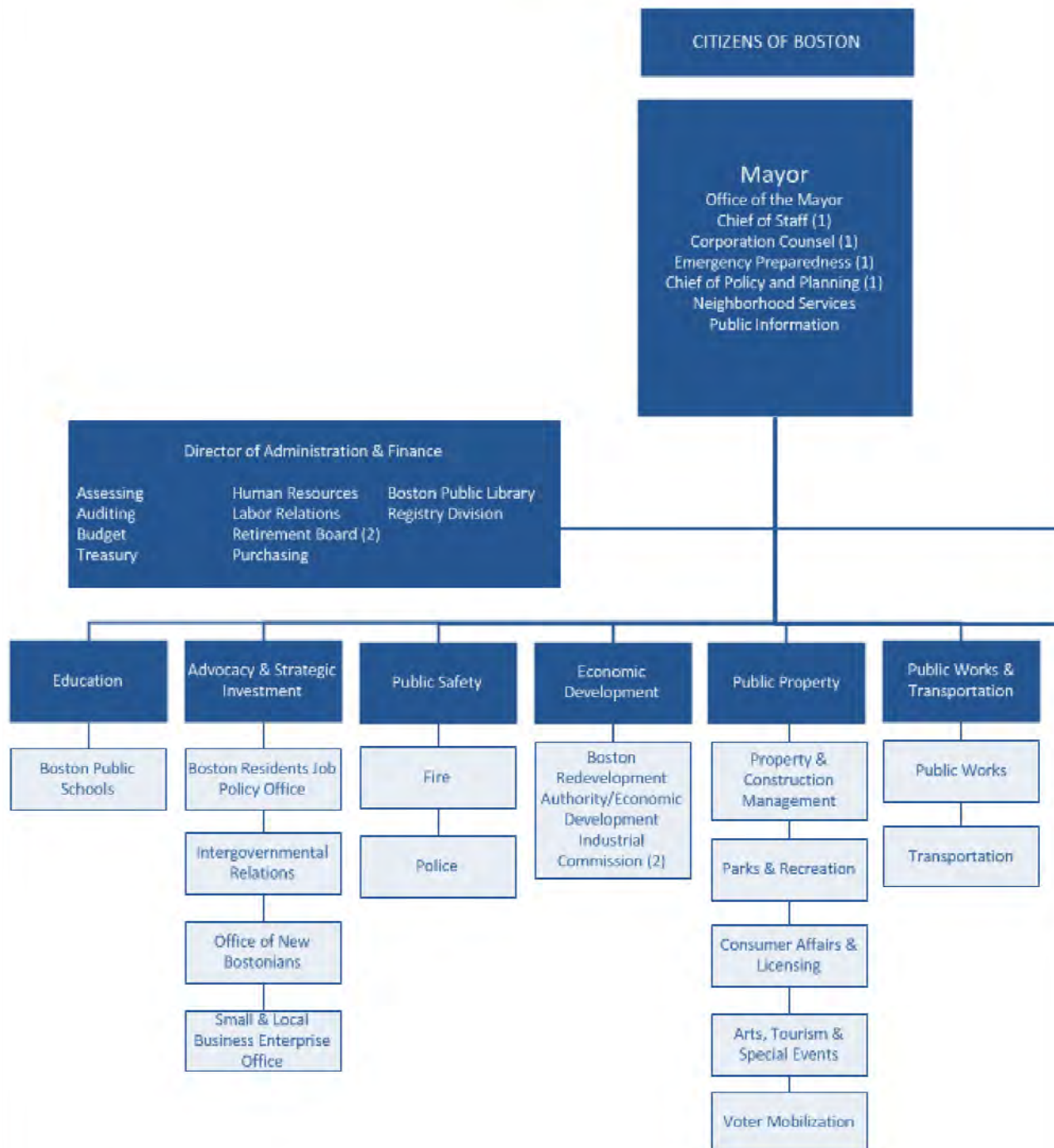
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATION OF



* As presented in the Adopted Fiscal Year 2012 Budget

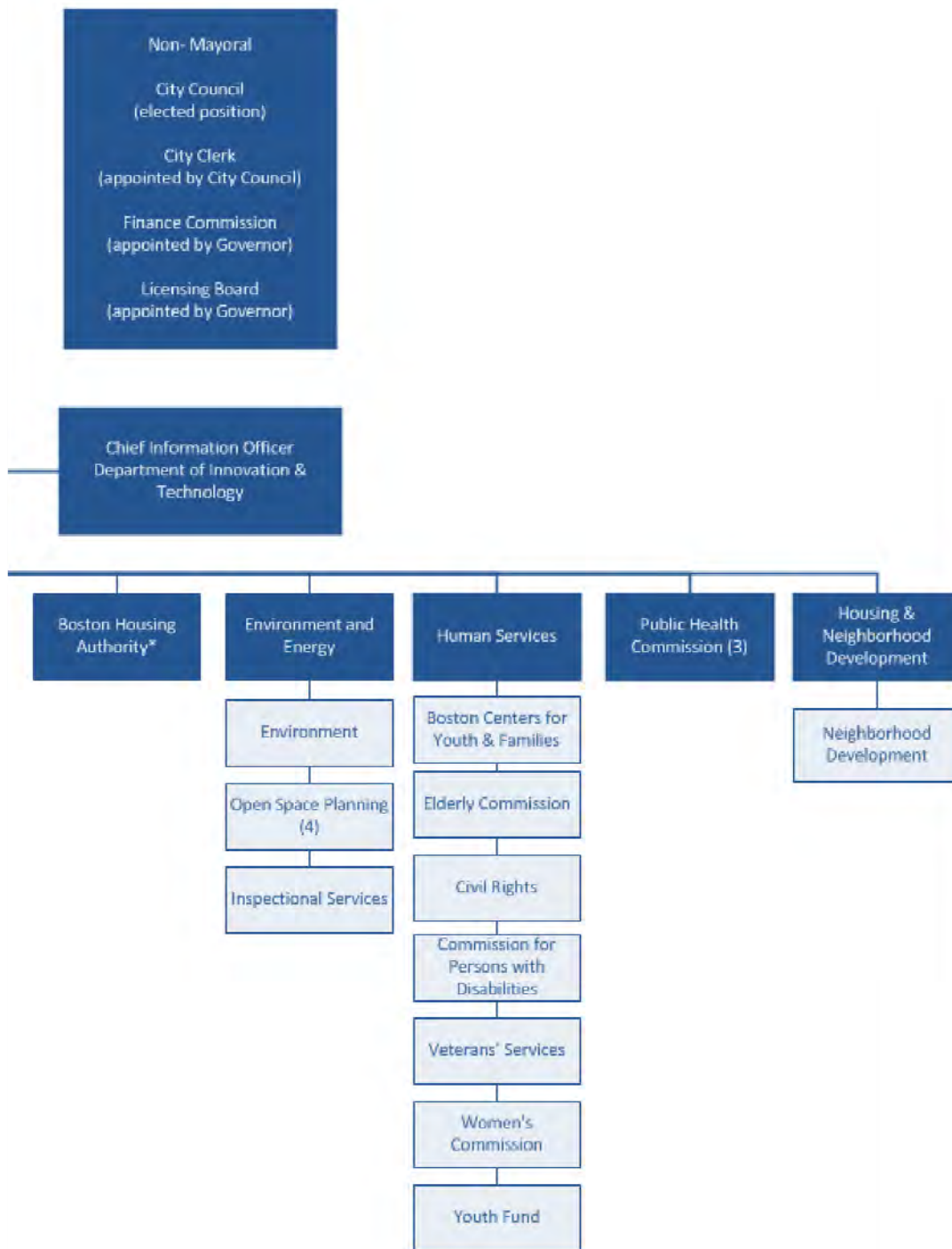
(1) Has cabinet rank.

(2) Not in Operating Budget

(3) The Boston Public Health Commission is an independent authority created in June 1996.

(4) Programmatically within this cabinet; financially in Parks & Recreation

CITY GOVERNMENT*



LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2011)

Mayor

Thomas M. Menino

City Council Members

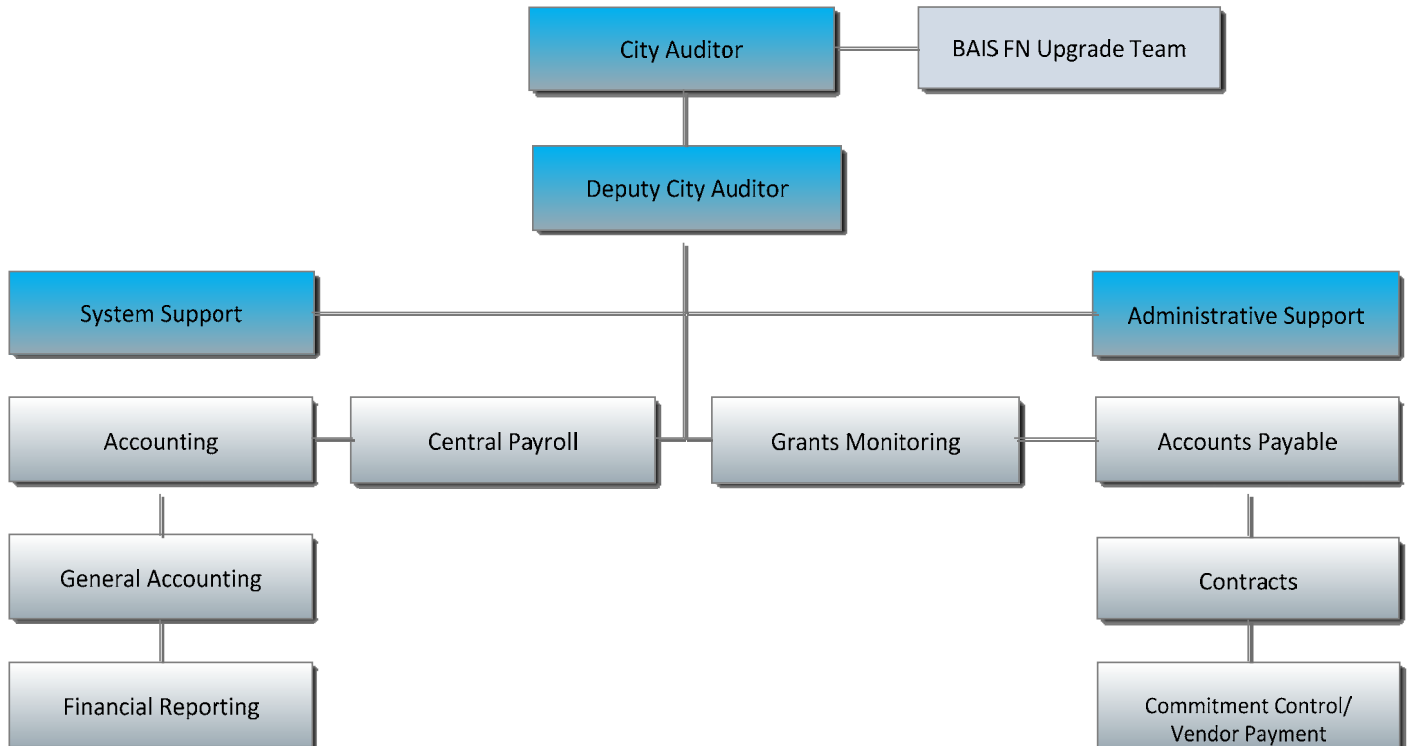
Stephen J. Murphy (President)	At-Large
Felix G. Arroyo	At-Large
John R. Connolly	At-Large
Ayanna Pressley	At-Large
Salvatore LaMattina	District 1
William Linehan	District 2
Maureen E. Feeney	District 3
Charles C. Yancey	District 4
Robert J. Consalvo	District 5
Matthew O'Malley	District 6
Tito Jackson	District 7
Michael P. Ross.....	District 8
Mark S. Ciommo	District 9

Appointed City Executive Branch Members

Mitchell Weiss	Chief of Staff
Michael Kineavy	Chief of Policy and Planning
William Oates	Chief Information Officer
Meredith Weenick	Chief Financial Officer & Collector Treasurer
Peter Meade	Chief Economic Development Officer
Dr. Carol R. Johnson	Chief of Education
Edward F. Davis III	Chief of Public Safety and Police Commissioner
Roderick J. Fraser, Jr.	Chief of Public Safety and Fire Commissioner
Donald E. McGough	Director of the Office of Emergency Preparedness
Howard Leibowitz	Chief of Programs and Partnerships
Daphne Griffin	Chief of Human Services
Dr. Barbara Ferrer	Chief of Public Health
Michael Galvin	Chief of Public Property
James W. Hunt III	Chief of Environmental and Energy Services
Evelyn Friedman	Chief of Housing and Neighborhood Development
William McGonagle	Chief of Public Housing
William F. Sinnott	Corporation Counsel
John Dunlap	Chief of Personnel and Labor Relations
Marie St. Fleur	Chief of Advocacy and Strategic Investment

Auditing Department

Organizational Chart



Auditing Department Personnel

Sally D. Glora, *City Auditor*

Dennis J. Coughlin, *Deputy City Auditor*

Prema Andrew
Scott Baker
Domenica Cabral
Michelle E. Castillo
Natoya Castillo
Thomas B. Compton
Susan Connelly
Margaret Cummings
Jordan Cupps
Mattie Crouse
Eric DeMarco
Christina Gendrolius
Michael Grant
Richard Gribaudo
Allen Hurley
Jeffrey Kelley
Kelli Lazar
Licia Lima-Pires
Craig Lloyd
Nelly Lopez

Medina Lucien
Mary Ann Mason
Hazel McAfee
Elvira Murphy
Aarati Nallamuthu
Michael O'Keefe
Diane O'Malley
Michelle Pacitta
Mary L. Raysor
Naveen Reddy
Magnolia Rojas
Christopher Sargeant
Donna Seel
Lisa Stone
Ming C. Su
Julie A. Tippet
Robert Todd
Stanley J. Wallace
Paul F. Waple



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

Independent Auditors' Report

The Honorable Mayor and City Council
City of Boston, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston (the City), Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities, which represent 1.4% and 0.4% of the assets and revenues of the governmental activities, respectively, 4.6% and 18.6% of the assets and revenues of the aggregate remaining fund information, respectively, and 23.6% and 16.4% of the assets and revenues of the discretely presented component units, respectively. 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 these entities, are based on the reports of the other auditors. The prior year Statement of Revenues and Expenditures Budgetary Basis General Fund – Budget and Actual partial comparative information has been derived from the City's 2010 financial statements and, in our report dated November 19, 2010, we expressed an unqualified opinion on the Statement of Revenues and Expenditures Budgetary Basis General Fund – Budget and Actual.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the permanent funds, private-purpose trust funds and OPEB trust fund were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 2(n) of the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

Management's Discussion and Analysis on pages 3 through 14 and the schedules of funding progress and employer contributions on page 64 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, the combining, individual fund statements and schedules and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2011 information included in the combining, individual fund statements and schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the City's basic financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated November 19, 2010, based on our audit and the reports of other auditors, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2010 information included in the combining, individual fund statements and schedules was subjected to auditing procedures applied in the audit of those basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole. 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 express no opinion on them.

KPMG LLP

Boston, Massachusetts
December 21, 2011

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, 2011. 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 Assets* presents all of the government's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 have separate sections for the three different types of city programs or activities. These three types of activities are:

- *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.
- *Business-type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the City include the activities related to the City's Convention Center Bond Fund and Hospital Bond Fund.
- *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 and the business-type activities described above. The City's four discretely presented component units are the Boston Public Health Commission, the Boston Redevelopment Authority, 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. Expenditures are recorded when liabilities are incurred and due. 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 original and final budget and the actual expenditures for the current and prior year.

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 that covers 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. No reconciliation is needed between the Government-wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. 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. 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 State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net assets of the City employees' pension plan; the Other Postemployment Benefits (OPEB) Liability 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 Funds, which includes 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 State-Boston Retirement System and the City's OPEB Trust Fund.

CURRENT YEAR FINANCIAL IMPACTS

- In fiscal year 2011, the City made an additional one-time payment totaling \$82.0 million to the Employee Retirement Fund. The decision to make the payment in FY11 was one of two pension decisions made with FY12 and beyond in mind. The City's legal requirement to update its pension schedule resulted in a new schedule that recognized the large asset losses that occurred in 2008. The additional payment in FY11, along with extending the schedule two years, helped lower the amounts required to fund the pension liability in FY12 and the years to follow. The additional payment was incorporated into the City's annual appropriation bill from the State-Boston Retirement System.
- 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, which will continue to add to the deficit in unrestricted net assets. In FY11, a payment of \$35.0 million was made to the OPEB Trust Fund along with the transfer of assets totaling \$50.1 million from the stabilization fund to the OPEB Trust Fund. This appropriation is a fraction of the FY11 \$262.9 million annual required contribution (ARC) to fund the City's total liability for retiree health benefits. The City anticipates appropriating an additional \$35.0 million toward reducing this liability in FY12.
- In March 2011, the City sold \$38.3 million of Convention Center Advance Refunding Bonds. These bonds, combined with the appropriation of \$45.0 million from the City's Room Occupancy Excise Funds and \$10.2 million in other available funds refunded all of the City's \$93.5 million outstanding 2002 Convention Center Bonds. The decision to refund the Convention Center Bonds will reduce the City's debt service costs in the future, providing a total savings of \$5.0 million for the life of the bond. The refunding of the Convention Center Bonds eliminates the Convention Center enterprise fund. In 2011, the City has reported the final activity of the fund.

- In FY2011, the City was ordered by the Commonwealth of Massachusetts Division of Labor Relations to allocate a damage payment totaling \$16.5 million for members of the Boston Police Patrolmen's Association (BPPA) who were employed from October 1994 to September 2003. The unfair labor practice filed with the Division of Labor Relations was for overtime wrongly assigned to employees outside of the BPPA.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Government-wide Highlights

Net Assets – Primary Government – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2011 by \$465.7 million (presented as net assets). At year end, the City had a deficit in governmental activities unrestricted net assets in the amount of \$110.5 million. This represents the City's election to fund certain long-term liabilities as they come due, rather than as they are incurred.

Changes in Net Assets – Primary Government – The City's total net assets decreased by \$89.5 million in fiscal year 2011. Net assets of governmental activities decreased by \$141.5 million, while net assets of the business-type activities increased by \$52.0 million.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (governmental and business type activities) totaled \$465.7 million at the end of 2011, compared to \$555.1 million at the end of the previous year.

The components of net assets 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 that asset that is still outstanding – this amount is \$402.6 million indicating that the net book value of the City's capital assets exceeds the amount of 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 assets, \$158.7 million or 35.2%, represents restricted net assets, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of net assets represents the deficit in unrestricted net assets. The deficit in unrestricted net assets increased \$41.4 million from 2010.

At the end of the current fiscal year, the City is reporting a positive net asset balance for the government as a whole. The positive balance in business-type activities is a result of the defeasance of Convention Center Bonds in part with general obligation bonds reported in governmental activities.

Net Assets (Deficit) – Primary Government

(In thousands)

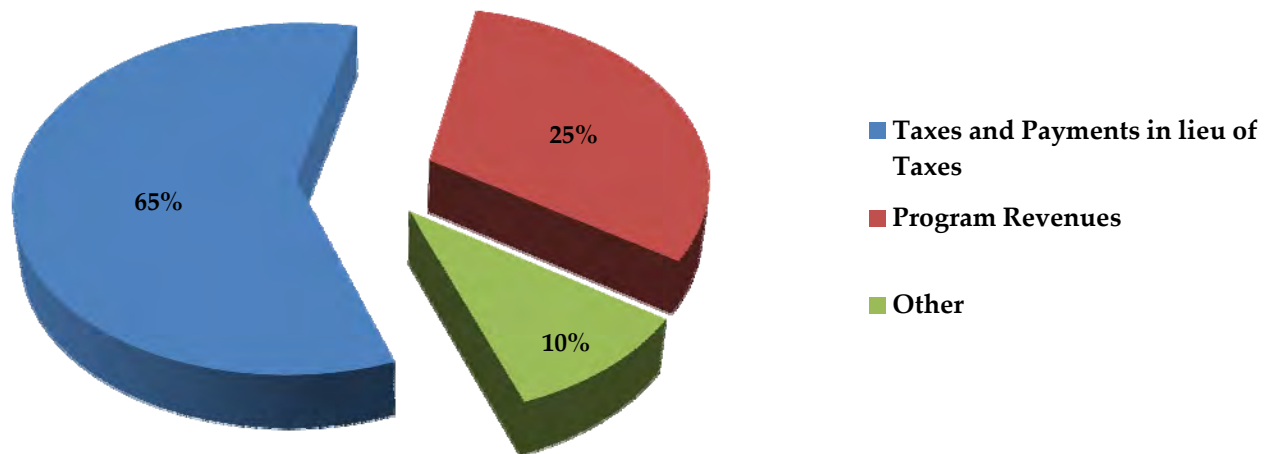
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
ASSETS:						
Current assets.....	\$ 1,348,075	\$ 1,423,188	\$ 31,807	\$ 66,457	\$ 1,379,882	\$ 1,489,645
Capital assets.....	1,364,414	1,348,199	-	-	1,364,414	1,348,199
Other assets.....	119,766	129,424	59,094	74,581	178,860	204,005
Total assets.....	2,832,255	2,900,811	90,901	141,038	2,923,156	3,041,849
LIABILITIES:						
Noncurrent liabilities.....	1,795,736	1,685,794	66,818	164,652	1,862,554	1,850,446
Current liabilities.....	585,664	622,705	9,251	13,554	594,915	636,259
Total liabilities.....	2,381,400	2,308,499	76,069	178,206	2,457,469	2,486,705
NET ASSETS:						
Invested in capital assets, net of related debt.....	402,646	427,097	-	-	402,646	427,097
Restricted	156,989	234,339	14,832	14,901	171,821	249,240
Unrestricted.....	(108,780)	(69,124)	-	(52,069)	(108,780)	(121,193)
Total net assets (deficit).....	\$ 450,855	\$ 592,312	\$ 14,832	\$ (37,168)	\$ 465,687	\$ 555,144

Changes in Net Assets (Deficit) – Primary Government

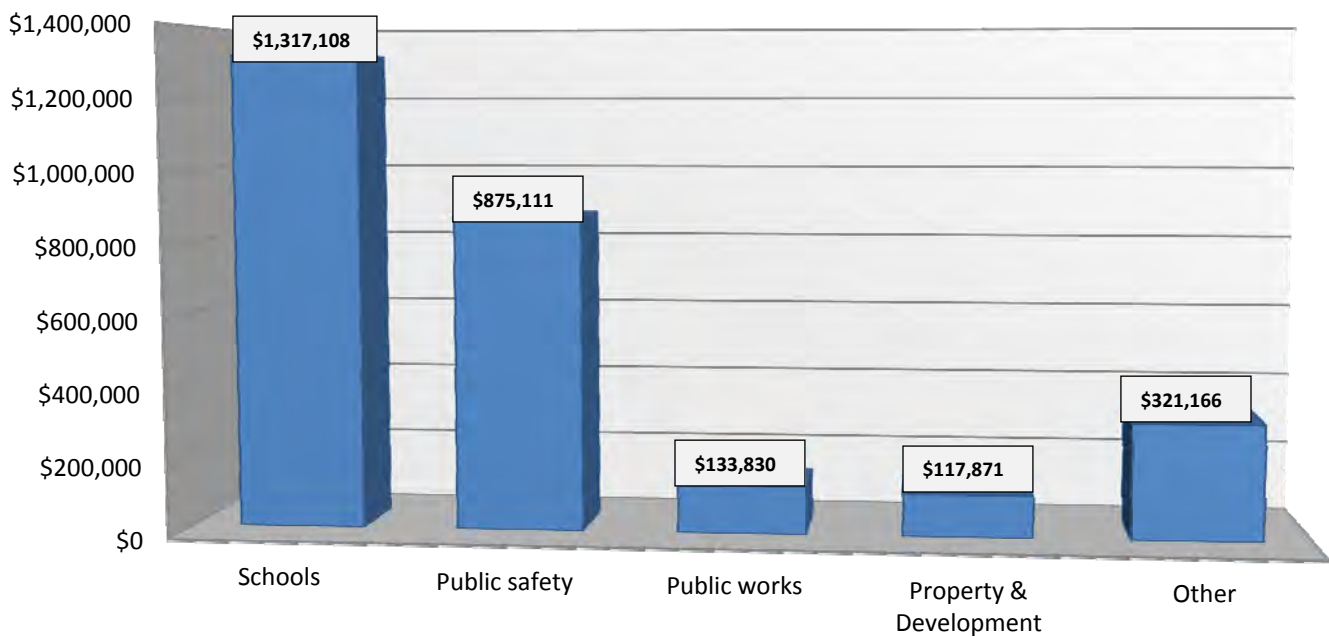
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services.....	\$ 144,375	\$ 157,049	\$ -	\$ -	\$ 144,375	\$ 157,049
Operating grants and contributions.....	501,441	547,812	1,172	5,567	502,613	553,379
Capital grants and contributions.....	33,338	12,555	-	-	33,338	12,555
General revenues:						
Taxes.....	1,713,354	1,658,726	58,508	43,887	1,771,862	1,702,613
Grants and contributions not restricted.....	187,322	171,174	-	-	187,322	171,174
Investment income.....	21,724	17,221	3,561	3,567	25,285	20,788
Miscellaneous.....	23,195	21,901	-	-	23,195	21,901
Total revenues.....	2,624,749	2,586,438	63,241	53,021	2,687,990	2,639,459
Program expenses:						
General government.....	80,968	106,435	-	-	80,968	106,435
Human services.....	49,974	52,310	-	-	49,974	52,310
Public safety.....	875,111	930,779	-	-	875,111	930,779
Public works.....	133,830	131,883	-	-	133,830	131,883
Property and development.....	117,871	118,456	-	-	117,871	118,456
Parks and recreation.....	31,956	31,204	-	-	31,956	31,204
Library.....	47,320	50,050	-	-	47,320	50,050
Schools.....	1,317,108	1,314,601	-	-	1,317,108	1,314,601
Public health programs.....	70,619	71,453	-	-	70,619	71,453
Interest on long-term debt.....	40,329	39,832	-	-	40,329	39,832
Convention center.....	-	-	9,025	13,751	9,025	13,751
Hospital.....	-	-	3,336	3,635	3,336	3,635
Total program expenses.....	2,765,086	2,847,003	12,361	17,386	2,777,447	2,864,389
Excess (deficiency) before transfers.....	(140,337)	(260,565)	50,880	35,635	(89,457)	(224,930)
Transfers.....	(1,120)	30,000	1,120	(30,000)	-	-
Change in net assets.....	(141,457)	(230,565)	52,000	5,635	(89,457)	(224,930)
Net assets (deficit) – beginning of year.....	592,312	822,877	(37,168)	(42,803)	555,144	780,074
Net assets (deficit) – end of year.....	\$ 450,855	\$ 592,312	\$ 14,832	\$ (37,168)	\$ 465,687	\$ 555,144

Revenues - Governmental Activities Fiscal Year 2011



Expenses - Governmental Activities FY11 (in thousands)



Governmental Activities

The City's governmental activities net assets decreased by \$141.5 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2011: In the assets accounts, cash and investments decreased by \$35.8 million, receivables increased by \$107.4 million, and capital assets increased by \$16.2 million. In the liability accounts, there were decreases in warrants and accounts payable of \$30.7 million, unearned revenue of \$5.4 million, and accrued liabilities of \$9.6 million. Additionally, an increase of \$40.9 million was recorded relative to the City's other postemployment obligation in 2011.

During fiscal year 2011, the City's revenues increased by 1.5%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$1.71 billion (65.3% of total revenue) and \$679.1 million of program revenues (25.8% of total revenue). Taxes increased by \$54.6 million from the previous year. Program revenues decreased by \$38.2 million for fiscal year 2011. This is largely due to decreases in MSBA reimbursements.

The City's expenses cover a range of services. The largest expenses were for schools (\$1.31 billion), public safety (\$875.1 million), public works (\$133.8 million), property and development (\$117.8 million), general government (\$81.0 million), public health programs (\$70.6 million), and human services (\$50.0 million). The City was aggressive in containing costs in 2011 as a result of decreases in state funding, cutting expenses by \$81.9 million.

In 2011, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.08 billion. This shortfall was covered primarily through taxes (\$1.71 billion) and unrestricted grants and contributions (\$187.3 million).

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

Business type Activities

Net assets from business-type activities increased \$52.0 million during fiscal year 2011. This change in net assets resulted primarily from the defeasance of Convention Center Bonds in part with general obligation bonds reported in governmental activities.

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 2011, the City's governmental funds reported a combined ending fund balance of \$934.2 million, a decrease of \$29.0 million from the prior year. Of this total amount, \$511.0 million represents the unassigned fund balance. This amount is comparable to the prior year's "unreserved and undesignated" fund balance of \$606.0 million. The decrease in fund balance is largely due to the one-time additional payment to the Employee Retirement Fund.

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 10%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2011 was \$511.0 million, which represents approximately 20.8% 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 10% or higher than the current fiscal year's GAAP General Fund operating expenditures; and that 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 10% of the fiscal year's GAAP General Fund expenditures while maintaining a budgetary undesignated fund balance between 5% and 10% 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 postemployment health benefits and/or (2) to fund extraordinary and nonrecurring 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 2011 Special Revenue Fund balance is reported at \$172.3 million, an \$864 thousand decrease from fiscal year 2010. This decrease is due to a decrease in state aid.

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 2011 Capital Projects Fund balance is \$68.4 million, a \$23.1 million increase from fiscal year 2010. The increase in fund balance is attributable to the excess balance of unspent bond proceeds from the issuance of general obligation bonds to fund capital projects.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds. The fiscal year 2011 Other Governmental Funds fund balance is \$40.6 million, a \$3.0 million increase from fiscal year 2010. The increase in fund balance is largely due to investment returns during fiscal year 2011.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the Government-wide Financial Statements for business-type activities. This information is presented on the same basis of accounting, but in more detail.

The City's enterprise funds net surplus for fiscal year 2011 was \$14.8 million. The net surplus in the enterprise funds is a result of the defeasance of the Convention Center Bonds in part with general obligation bonds reported in governmental activities.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2011 with a \$5.9 million surplus. This represents the City's 26th consecutive year with a balanced budget. One significant change from the final budget to actual budget was in the area of judgments and claims. The final amended budget reflects additional amounts reserved to fund a possible positive judgment on a lawsuit filed by the City's police unions.

Favorable results were reported for General Fund revenue sources, including an \$18.7 million increase in excises, \$14.7 million in Pilots, \$7.3 million in Departmental and other revenue, and \$7.4 million in licenses and permits.

The overall expenditure deficit of \$14.2 million is a result of a reserve for anticipated settlements in judgments and claims. Additionally, public works and public safety saw deficits of \$5.2 million and \$5.5 million, respectively. The deficit in public safety was a result of the expense for educational benefits for uniformed police officers.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2011, has a net book value of \$1.36 billion, made up of costs totaling \$2.8 billion less accumulated depreciation of \$1.4 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 1.2% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$92.4 million for the year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements. Depreciation charges for the year totaled \$75.3 million. Additional information on the City's capital assets can be found in note 8 of the Notes 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 \$1.03 billion in General Obligations Bonds principal outstanding – an increase of \$73.5 million over last year.

The key factor in this increase was the issuance of the April 1, 2011 Series A general obligation bonds totaling \$86.1 million which were issued to finance various capital projects in the City. Further, \$38.3 million Series B were issued for the purpose of advance refunding the City's Convention Center Bonds. Additionally, the City took advantage of Federal programs made available by the American Recovery and Reinvestment Act (ARRA) of 2009, by issuing the 2011 QSCB

Series C bonds. Also, \$14.4 million Series D Bonds were issued for the purpose of currently refunding certain outstanding general obligation bonds of the City.

In March 2011, in conjunction with the City's annual bond offering, the rating service bureaus Moody's Investors Service and Standard & Poor's assigned the City's bond ratings at Aaa and AA+, respectively. 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 the 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 by \$31.9 million, or 3.5%, during the current fiscal year. As in 2010, the key factor for this increase is the recognition of additional OPEB liability of \$40.9 million.

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

NEW ACCOUNTING STANDARDS

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this pronouncement is to enhance the usefulness of fund balance information and provide clearer fund balance classifications. Previously, fund balance was reported as reserved, unreserved – designated and unreserved – undesignated. Effective for fiscal year 2011 reporting, fund balance will be reported as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional information on GASB Statement No. 54 can be found in the notes to the financial statements.

FUTURE PRONOUNCEMENTS

GASB has issued Statement No. 64, which is effective for the City's fiscal year ending June 30, 2012. The City does not anticipate this statement to impact the City's financial statements.

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@cityofboston.gov.

Statement of Net Assets

June 30, 2011

(Amounts in thousands)

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Units
ASSETS:				
Current Assets:				
Cash and investments.....	\$ 1,094,675	\$ -	\$ 1,094,675	\$ 81,711
Cash and investments held by trustees.....	42,251	23,472	65,723	52,322
Receivables, net:				
Property and other taxes.....	23,261	-	23,261	-
Intergovernmental.....	138,414	-	138,414	-
Other.....	36,750	-	36,750	57,002
Other assets.....	9,742	-	9,742	12,929
Due from primary government.....	-	-	-	195
Due from component units.....	2,982	8,335	11,317	-
Total current assets.....	1,348,075	31,807	1,379,882	204,159
Noncurrent Assets:				
Intergovernmental receivables.....	53,836	-	53,836	-
Notes and other receivables.....	63,463	-	63,463	99,169
Other assets.....	-	871	871	86,708
Capital assets:				
Nondepreciable.....	84,501	-	84,501	30,468
Depreciable, net.....	1,279,913	-	1,279,913	52,263
Due from component units.....	2,467	58,223	60,690	-
Total noncurrent assets.....	1,484,180	59,094	1,543,274	268,608
Total assets	2,832,255	90,901	2,923,156	472,767
LIABILITIES:				
Current Liabilities:				
Warrants and accounts payable.....	94,469	-	94,469	24,039
Accrued liabilities - current:				
Tax abatement liability.....	28,000	-	28,000	-
Compensated absences.....	49,745	-	49,745	-
Judgments and claims.....	64,244	-	64,244	-
Payroll and related costs.....	128,093	-	128,093	-
Deposits and other.....	80,496	1,421	81,917	3,807
Current portion of long-term debt and leases.....	111,330	7,830	119,160	1,429
Due to component units.....	195	-	195	-
Due to BMC.....	-	-	-	2,099
Due to primary government.....	-	-	-	11,317
Unearned revenue.....	29,092	-	29,092	8,185
Total current liabilities.....	585,664	9,251	594,915	50,876
Noncurrent Liabilities:				
Bonds due in more than one year.....	972,540	66,818	1,039,358	19,606
Notes and leases payable due in more than one year.....	49,980	-	49,980	-
Other noncurrent liabilities.....	195,922	-	195,922	141,526
Other postemployment benefits obligation.....	577,294	-	577,294	56,851
Unearned revenue.....	-	-	-	40,648
Due to primary government.....	-	-	-	60,690
Total noncurrent liabilities.....	1,795,736	66,818	1,862,554	319,321
Total liabilities.....	2,381,400	76,069	2,457,469	370,197
NET ASSETS:				
Investment in capital assets, net of related debt.....	402,646	-	402,646	51,873
Restricted for:				
Capital projects.....	25,080	-	25,080	-
Nonexpendable trust.....	4,974	-	4,974	-
Expendable trust.....	34,915	-	34,915	59,226
Debt service.....	727	14,832	15,559	-
Federal and state grants.....	91,293	-	91,293	-
Unrestricted.....	(108,780)	-	(108,780)	(8,529)
Total net assets.....	\$ 450,855	\$ 14,832	\$ 465,687	\$ 102,570

See accompanying notes to the basic financial statements

Statement of Activities

Year Ended June 30, 2011

(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.....	\$ 80,968	\$ 26,784	\$ 2,155	\$ 15,691
Human services.....	49,974	45	8,369	-
Public safety.....	875,111	89,485	26,741	1,697
Public works.....	133,830	12,029	115	12,811
Property and development.....	117,871	5,471	79,537	494
Parks and recreation.....	31,956	756	2,561	1,549
Library.....	47,320	354	2,312	-
Schools.....	1,317,108	9,451	379,651	1,096
Public health programs.....	70,619	-	-	-
Interest on long-term debt.....	40,329	-	-	-
Total governmental activities.....	<u>2,765,086</u>	<u>144,375</u>	<u>501,441</u>	<u>33,338</u>
Business-type activities:				
Convention center.....	1,516	-	1,172	-
Hospital bonds.....	3,336	-	-	-
Total business-type activities.....	<u>4,852</u>	<u>-</u>	<u>1,172</u>	<u>-</u>
Total primary government.....	<u>\$ 2,769,938</u>	<u>\$ 144,375</u>	<u>\$ 502,613</u>	<u>\$ 33,338</u>
Component Units:				
Boston Public Health Commission.....	201,008	79,136	45,408	429
Boston Redevelopment Authority.....	19,654	7,696	4,852	-
Trustees of the Public Library of the City of Boston.....	9,355	1,452	4,285	-
Economic Development and Industrial Corporation of Boston.....	31,637	15,960	14,651	-
Total component units	<u>\$ 261,654</u>	<u>\$ 104,244</u>	<u>\$ 69,196</u>	<u>\$ 429</u>

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.....	
Loss on extinguishment of debt.....	
Transfers.....	
Total general revenues and transfers.....	
Change in net assets.....	
Net assets (deficit) - beginning of year.....	
Net assets - end of year.....	

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total	Component Units
\$ (36,338)	\$ -	\$ (36,338)	\$ -
(41,560)	-	(41,560)	-
(757,188)	-	(757,188)	-
(108,875)	-	(108,875)	-
(32,369)	-	(32,369)	-
(27,090)	-	(27,090)	-
(44,654)	-	(44,654)	-
(926,910)	-	(926,910)	-
(70,619)	-	(70,619)	-
(40,329)	-	(40,329)	-
<u>(2,085,932)</u>	<u>-</u>	<u>(2,085,932)</u>	<u>-</u>
-	(344)	(344)	-
-	(3,336)	(3,336)	-
-	(3,680)	(3,680)	-
<u>(2,085,932)</u>	<u>(3,680)</u>	<u>(2,089,612)</u>	<u>-</u>
-	-	-	(76,035)
-	-	-	(7,106)
-	-	-	(3,618)
-	-	-	(1,026)
-	-	-	<u>(87,785)</u>
1,525,494	-	1,525,494	-
122,399	58,508	180,907	-
65,461	-	65,461	-
187,322	-	187,322	-
21,724	3,561	25,285	12,331
-	-	-	69,808
23,195	-	23,195	19,809
-	-	-	4,250
-	(7,509)	(7,509)	-
(1,120)	1,120	-	-
<u>1,944,475</u>	<u>55,680</u>	<u>2,000,155</u>	<u>106,198</u>
<u>(141,457)</u>	<u>52,000</u>	<u>(89,457)</u>	<u>18,413</u>
<u>592,312</u>	<u>(37,168)</u>	<u>555,144</u>	<u>84,157</u>
<u>\$ 450,855</u>	<u>\$ 14,832</u>	<u>\$ 465,687</u>	<u>\$ 102,570</u>

See accompanying notes to the basic financial statements

Balance Sheet

Governmental Funds

June 30, 2011

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental funds	Total Governmental Funds
ASSETS					
Cash and investments.....	\$ 823,210	\$ 128,083	\$ 88,394	\$ 946	\$ 1,040,633
Cash and investments held by trustees.....	-	-	1,838	40,413	42,251
Receivables, net:					
Property and other taxes.....	23,261	-	-	-	23,261
Intergovernmental.....	63,689	117,942	10,619	-	192,250
Departmental and other.....	26,172	73,752	-	125	100,049
Total Receivables.....	113,122	191,694	10,619	125	315,560
Due from other funds.....	1,973	6,709	1,457	-	10,139
Due from component units.....	5,449	-	-	-	5,449
Total Assets.....	\$ 943,754	\$ 326,486	\$ 102,308	\$ 41,484	\$ 1,414,032
LIABILITIES					
Warrants and accounts payable.....	\$ 51,773	\$ 20,921	\$ 20,907	\$ 868	\$ 94,469
Accrued liabilities:					
Payroll and related costs.....	126,222	1,871	-	-	128,093
Deposits and other.....	20,133	45,129	2,827	-	68,089
Deferred revenue.....	86,477	81,751	10,176	-	178,404
Due to other funds.....	6,023	4,546	-	-	10,569
Due to component unit.....	195	-	-	-	195
Total liabilities.....	290,823	154,218	33,910	868	479,819
FUND BALANCES					
Nonspendable.....	-	-	-	4,974	4,974
Restricted.....	-	91,293	68,398	35,642	195,333
Assigned.....	141,891	80,975	-	-	222,866
Unassigned.....	511,040	-	-	-	511,040
Total fund balances.....	652,931	172,268	68,398	40,616	934,213
Total liabilities and fund balances.....	\$ 943,754	\$ 326,486	\$ 102,308	\$ 41,484	\$ 1,414,032

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Assets

June 30, 2011

(Amounts in thousands)

Total fund balance - governmental funds.....	\$ 934,213
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....	1,364,414
Adjust deferred revenues to record revenues on an accrual basis.....	146,062
Internal service funds are included in the government-wide statements.....	49,971
Bond issuance costs are capitalized in the government-wide statements.....	9,742
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.....	(1,062,907)
Capital leases.....	(28,123)
Bond issue premiums/discounts, net.....	(55,032)
Deferred bond gains (losses).....	12,212
Accrued interest on bonds.....	(10,842)
Compensated absences.....	(176,673)
Landfill.....	(8,693)
Judgments and claims.....	(117,695)
Other postemployment benefits.....	(577,294)
Tax abatements.....	(28,000)
Pollution remediation.....	(500)
	<u>(2,053,547)</u>
Net assets of governmental activities.....	<u>\$ 450,855</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds Year Ended June 30, 2011 (Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes.....	\$ 1,526,361	\$ -	\$ -	\$ -	\$ 1,526,361
Excises.....	124,214	-	-	-	124,214
Payments in lieu of taxes.....	65,461	-	-	-	65,461
Fines.....	64,751	21	-	-	64,772
Investment income.....	4,733	33	-	7,190	11,956
Licenses and permits.....	41,676	74	-	-	41,750
Departmental and other.....	65,498	34,659	-	2,846	103,003
Intergovernmental.....	395,374	283,658	28,722	-	707,754
Total revenues.....	2,288,068	318,445	28,722	10,036	2,645,271
EXPENDITURES:					
Current:					
General government.....	65,459	7,492	-	5,622	78,573
Human services.....	29,233	6,775	-	-	36,008
Public safety.....	516,725	9,607	-	-	526,332
Public works.....	105,318	4,317	-	-	109,635
Property and development.....	35,138	76,469	-	-	111,607
Parks and recreation.....	16,634	3,132	-	-	19,766
Library.....	30,532	3,024	-	-	33,556
Schools.....	812,949	161,883	-	-	974,832
Public health programs.....	70,092	288	-	-	70,380
Judgments and claims.....	811	-	-	-	811
Retirement costs.....	195,976	-	-	-	195,976
Other employee benefits.....	294,200	-	-	-	294,200
State and district assessments.....	152,042	-	-	-	152,042
Capital outlays.....	2,588	2,383	135,434	-	140,405
Debt service.....	132,156	1,626	-	-	133,782
Total expenditures.....	2,459,853	276,996	135,434	5,622	2,877,905
Excess (deficiency) of revenues over (under) expenditures.....	(171,785)	41,449	(106,712)	4,414	(232,634)
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	1,366	154,743	-	156,109
Refunding bonds issued.....	-	-	52,720	-	52,720
Payments to escrow agents.....	-	(1,118)	(14,372)	-	(15,490)
Premiums on long-term debt issued.....	-	11,401	-	-	11,401
Transfers in (out).....	117,523	(53,962)	(63,299)	(1,382)	(1,120)
Total other financing sources (uses).....	117,523	(42,313)	129,792	(1,382)	203,620
Net change in fund balances.....	(54,262)	(864)	23,080	3,032	(29,014)
Fund balance - beginning of year.....	707,193	173,132	45,318	37,584	963,227
Fund balance - end of year.....	\$ 652,931	\$ 172,268	\$ 68,398	\$ 40,616	\$ 934,213

See accompanying notes to the basic financial statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Governmental Funds Year Ended June 30, 2011

(Amounts in thousands)

Net change in fund balances - total governmental funds.....	\$ (29,014)
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 (\$92,395) exceeded depreciation expense (\$75,296) and disposals (\$884).....	16,215
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds.....	(4,909)
Proceeds of long-term debt (\$207,464) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond, note, and lease principal (\$129,563) and payment to the escrow agent (\$15,490) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net assets. This is the amount by which proceeds exceed repayments and escrow payments.....	(62,411)
Bond premiums net (\$7,135) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Deferred losses on refunding (\$2,222) decrease long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs, net (\$542) are expenditures in the governmental funds, but are deferred assets in the statement of assets. This is the amount by which premiums and deferred losses on refundings exceeded issuance costs.....	(8,815)
Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds.....	(8,882)
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 judgments and claims (\$1,957), compensated absences (\$193), other postemployment benefits (\$40,942) offset by a decrease in liabilities for Landfill closure and post closure costs (\$102) and interest payable (\$1,151).	(41,839)
Net loss from the internal service fund, which is presented in the statement of activities, but not in the governmental funds.....	(1,802)
Change in net assets of governmental activities.....	\$ (141,457)

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2011 (with comparative actual amounts for 2010)

(Amounts in thousands)

	2011				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2010 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net.....	\$ 1,502,324	\$ 1,502,324	\$ 1,504,566	\$ 2,242	\$ 1,440,193
Excises.....	140,345	140,345	159,041	18,696	144,034
Commonwealth of Massachusetts.....	395,700	395,700	395,201	(499)	413,209
Departmental and other revenue.....	137,094	137,094	144,438	7,344	68,706
Fines.....	70,133	70,133	65,051	(5,082)	70,376
Payments in lieu of taxes.....	57,303	57,303	71,999	14,696	60,920
Investment income.....	2,000	2,000	1,392	(608)	3,182
Licenses and permits.....	32,490	32,490	39,887	7,397	30,558
Other available funds.....	72,139	72,139	48,139	(24,000)	72,088
Total revenues and other available funds.....	2,409,528	2,409,528	2,429,714	20,186	2,303,266
EXPENDITURES:					
General government.....	77,442	77,806	75,879	1,927	70,932
Human services.....	29,304	29,670	29,377	293	29,466
Public safety.....	498,541	499,243	504,759	(5,516)	507,558
Public works.....	100,567	101,032	106,239	(5,207)	97,138
Property and development.....	27,676	30,205	30,145	60	29,485
Parks and recreation.....	16,517	16,838	16,747	91	16,916
Library.....	30,369	30,378	30,378	-	29,862
Schools.....	821,383	821,382	821,375	7	817,830
Boston Public Health Commission.....	69,793	69,808	69,808	-	70,000
Judgments and claims.....	3,500	3,500	21,022	(17,522)	15,970
Other employee benefits.....	252,784	249,481	243,624	5,857	225,242
Retirement costs.....	196,207	196,207	195,998	209	112,608
Debt requirements.....	132,412	130,930	126,410	4,520	124,848
State and district assessments.....	153,033	153,048	152,043	1,005	146,323
Total expenditures.....	2,409,528	2,409,528	2,423,804	(14,276)	2,294,178
Excess of revenues and other available funds over expenditures.....	\$ -	\$ -	\$ 5,910	\$ 5,910	\$ 9,088

Statement of Net Assets

Proprietary Funds

June 30, 2011

(Amounts in thousands)

	Enterprise Fund			
	Convention Center Bonds	Hospital Revenue Bonds	Total	Internal Service
ASSETS:				
Current assets:				
Cash and investments.....	\$ -	\$ -	\$ -	\$ 54,042
Cash and investments held by trustees – restricted.....	-	23,472	23,472	-
Receivables, net.....	-	-	-	164
Due from component units – restricted.....	-	8,335	8,335	-
Total current assets.....	-	31,807	31,807	54,206
Noncurrent assets:				
Due from other funds.....	-	-	-	430
Due from component units – restricted.....	-	58,223	58,223	-
Other assets – restricted.....	-	871	871	1,885
Total noncurrent assets.....	-	59,094	59,094	2,315
Total assets.....	-	90,901	90,901	56,521
LIABILITIES:				
Current liabilities:				
Accrued liabilities	-	-	-	6,550
Accrued interest payable.....	-	1,421	1,421	-
Current portion of long-term debt.....	-	7,830	7,830	-
Total current liabilities.....	-	9,251	9,251	6,550
Noncurrent liabilities:				
Revenue bonds.....	-	66,818	66,818	-
Total noncurrent liabilities.....	-	66,818	66,818	-
Total liabilities.....	-	76,069	76,069	6,550
NET ASSETS:				
Restricted for debt service.....	-	14,832	14,832	-
Unrestricted.....	-	-	-	49,971
Total net assets.....	\$ -	\$ 14,832	\$ 14,832	\$ 49,971

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2011

(Amounts in thousands)

	Enterprise Funds			
	Convention Center Bonds	Hospital Revenue Bonds	Total	Internal Service
OPERATING REVENUES:				
Contributions.....	\$ -	\$ -	\$ -	\$ 83,249
State aid - pledged for debt service.....	58,508	-	58,508	-
Total operating revenues.....	58,508	-	58,508	83,249
OPERATING EXPENSES:				
Health benefits.....	-	-	-	85,051
Total operating expenses.....	-	-	-	85,051
Operating income (loss).....	58,508	-	58,508	(1,802)
NONOPERATING REVENUE (EXPENSE):				
Intergovernmental - state grants.....	1,172	-	1,172	-
Investment earnings - pledged for debt service.....	294	3,267	3,561	-
Interest expense.....	(1,516)	(3,336)	(4,852)	-
Loss on extinguishment of debt.....	(7,509)	-	(7,509)	-
Total nonoperating revenue (expense).....	(7,559)	(69)	(7,628)	-
Income (loss) before transfers.....	50,949	(69)	50,880	(1,802)
Transfer to general fund.....	(39,569)	-	(39,569)	-
Transfer from capital projects.....	38,219	-	38,219	-
Transfer from special revenue.....	2,470	-	2,470	-
Change in net assets.....	52,069	(69)	52,000	(1,802)
Total net assets (deficit) - beginning of year.....	(52,069)	14,901	(37,168)	51,773
Total net assets - end of year.....	\$ -	\$ 14,832	\$ 14,832	\$ 49,971

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2011

(Amounts in thousands)

Enterprise Funds

	Convention Center Bonds	Hospital Revenue Bonds	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other governments.....	\$ 58,508	\$ -	\$ 58,508	\$ -
Cash received from employees and employer.....	-	-	-	83,210
Cash paid to vendors.....	-	-	-	(85,876)
Net cash provided by (used in) operations.....	58,508	-	58,508	(2,666)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants received from state.....	1,172	-	1,172	-
Interest paid on debt.....	(1,216)	(3,560)	(4,776)	-
Transfers from other funds.....	40,689	-	40,689	-
Transfers to other funds.....	(69,569)	-	(69,569)	-
Repayment of long-term debt.....	(101,014)	(7,525)	(108,539)	-
Net cash used in noncapital financing activities.....	(129,938)	(11,085)	(141,023)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	294	538	832	-
Principal received on note.....	-	8,021	8,021	-
Interest received on note.....	-	2,729	2,729	-
Net cash provided by investing activities.....	294	11,288	11,582	-
Increase (decrease) in cash and cash equivalents.....	(71,136)	203	(70,933)	(2,666)
Cash and cash equivalents - beginning of year.....	71,136	23,269	94,405	56,708
Cash and cash equivalents - end of year.....	\$ -	\$ 23,472	\$ 23,472	\$ 54,042
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 58,508	\$ -	\$ 58,508	\$ (1,802)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable	-	-	-	(30)
Other assets.....	-	-	-	(843)
Due from component units.....	-	-	-	(9)
Accounts payable and accrued liabilities.....	-	-	-	18
Net cash provided by (used in) operating activities.....	\$ 58,508	\$ -	\$ 58,508	\$ (2,666)

Statement of Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2011

(Except Employee Retirement Plan, which is year ended December 31, 2010)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents.....	\$ 114,716	\$ -	\$ 89,384	\$ 5,801
Receivables:				
Interest and dividends.....	20,624	-	-	-
Securities sold.....	90,340	-	-	-
Employer contributions.....	140,642	-	-	-
Other.....	-	-	1,358	-
Total receivables.....	251,606	-	1,358	-
Investments, at fair value:				
Short-term:				
Domestic.....	67,958	-	-	-
International.....	7,577	-	-	-
Equity:				
Domestic.....	1,037,245	60,024	-	-
International.....	742,532	13,031	-	-
Fixed-income:				
Domestic.....	504,879	38,023	-	-
International.....	178,939	-	-	-
PRIT Pooled Fund.....	1,145,318	-	-	-
Real estate.....	272,659	-	-	-
Venture capital funds.....	440,475	-	-	-
Total investments.....	4,397,582	111,078	-	-
Securities lending short-term collateral investment pool.....	214,410	-	-	-
Other assets.....	-	-	30	-
Total assets.....	4,978,314	111,078	90,772	5,801
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities.....	26,754	40	3,546	5,801
Securities purchased.....	114,507	-	-	-
Collateral held on securities lending.....	216,333	-	-	-
Total liabilities.....	357,594	40	3,546	\$ 5,801
NET ASSETS				
Held in trust for pension benefits and other purposes.....	<u>\$ 4,620,720</u>	<u>\$ 111,038</u>	<u>\$ 87,226</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2011

(Except Employee Retirement Plan, which is year ended December 31, 2010)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
ADDITIONS:			
Contributions:			
Employers.....	\$ 463,656	\$ 232,667	\$ -
Employees.....	126,450	-	-
Donations and other.....	-	-	20,084
Total contributions.....	590,106	232,667	20,084
Investment earnings:			
Realized and unrealized gains on investments.....	440,862	5,696	6,684
Investment income.....	-	2,689	1,140
Interest and dividends.....	94,165	-	-
Less investment expenses.....	(15,648)	(300)	-
Net investment earnings.....	519,379	8,085	7,824
Securities lending activities:			
Securities lending income.....	1,814	-	-
Less borrower rebates and fees.....	(685)	-	-
Net income from securities lending activities.....	1,129	-	-
Total net investment income.....	520,508	8,085	7,824
Intergovernmental.....	12,850	-	-
Total additions.....	1,123,464	240,752	27,908
DEDUCTIONS:			
Benefits.....	444,535	149,674	-
Reimbursements.....	9,533	-	-
Refunds of contributions.....	42,627	-	-
Administrative expenses and other.....	5,835	-	24,107
Total deductions.....	502,530	149,674	24,107
Change in net assets.....	620,934	91,078	3,801
Net assets - beginning of year.....	3,999,786	19,960	83,425
Net assets - end of year.....	\$ 4,620,720	\$ 111,038	\$ 87,226

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

1. The Financial Reporting Entity

The accounting policies followed in preparing the accompanying basic financial statements are as follows:

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. Retirement System

The State-Boston Retirement System (SBRS) 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. The SBRS provides pension benefits to retired City, Boston Redevelopment Authority, Boston Housing Authority, Boston Water and Sewer Commission, and the Boston Public Health Commission employees. Although legally separate, the SBRS provides services entirely, or almost entirely, to the City and thus has been reported as if it were part of the primary government; a method of inclusion known as blending. The financial statements of SBRS are included for its fiscal year end which is December 31, 2010.

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 and is able to impose its will on 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 Redevelopment Authority (BRA)** – The BRA is a public body politic and corporate constituting the City's redevelopment authority and exercising the powers of a planning board for the City. The BRA is governed by a five-member board, four of whom are appointed by the Mayor. Its purpose is to provide planning support for major construction and redevelopment activity in the City.
- ii. **Economic Development and Industrial Corporation of Boston (EDIC)** – The EDIC is a body politic and corporate and an instrumentality of the Commonwealth. It is governed by the same persons appointed as members of the BRA board. The EDIC has various powers to assist industrial

development projects in the City and, together with the BRA, assists the City with its economic development function.

- iii. **Boston Public Health Commission (PHC)** – The PHC is a body politic and corporate and public instrumentality of the Commonwealth, established by Chapter 147 of the Acts of 1995. PHC 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 (BMC). The PHC is responsible for the implementation of public health programs in the City.
- iv. **Trustees of the Public Library of the City of Boston (TPL)** – The TPL is a nonprofit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Trustees of TPL are appointed by the Mayor. The TPL was established to benefit the public library system of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2011.

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 19.

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 Assets and the Statement of Changes in Net Assets) 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 business-type activities, which rely to a significant extent on fees and charges for support. 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 and major individual Enterprise 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 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 revenue.

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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the collection of revenue pledged to repay debt. The principal operating revenues of the City's enterprise funds are excise taxes. The principal operating revenues of the City's internal service funds are receipts from employer and employee for health insurance premiums. Operating expenses for enterprise funds and internal service funds include administrative expenses, vendor payments, and health benefits. All 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 principally for the activities funded by federal and state grant revenue sources and certain other revenues that are legally restricted to expenditures for specified purposes.
3. The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City capital facilities.

Proprietary Funds – The City reports the following major Proprietary Funds:

4. The *Convention Center Bond Fund* accounted for the City activities related to the financing for the construction of a state-owned convention center. In 2011, the City refunded the Convention Center debt, thereby eliminating the Convention Center Bond Fund. As of the end of 2011, the fund had no net assets.
5. The *Hospital Revenue Bond Fund* accounts for the activities related to the Boston City Hospital Revenue Bonds. These Bonds are payable solely from the mortgage note payments received from the PHC. These Bonds are repaid from a pledged revenue source from PHC.

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

6. 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.
7. The *Pension Trust Fund* accounts principally for the activities of the State-Boston Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired employees of the City and other entities.
8. 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 of health care and other postemployment benefits. The assets of the trust are currently not used for direct payments of benefits.

9. 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 from property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

The City also 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.

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 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 SBRS, 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), which is an external investment pool and is not SEC-registered. The fund is state-regulated and is valued at current share price.

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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as “internal balances.”

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 applicable governmental or business-type activities columns 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 estimated fair market value at the date of donation. Any significant construction commitments are encumbered at year-end in the City’s Capital Project Fund.

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2011 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

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The unamortized portion is presented in the Government-wide and Proprietary Fund Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

The Governmental Fund Financial Statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 Assets and Fund Balance

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

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

Restricted: Net assets 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 assets not considered invested in capital assets, net of related debt or restricted.

For purposes of net asset 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 10 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 have been recorded in the Government-wide Statement of Net Assets.

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, 2011, 100% of the Gardner Street landfill site had been used and had 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, 2011.

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 Assets. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2011 were \$102 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. Fund Balance Classification Policies and Procedures

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the government is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2(j). GASB 54 also clarified the definitions of the governmental fund types. The effect of implementation of GASB 54 on the City's financial statements was limited to the use of the new fund balance classifications. Implementation did not result in a change in beginning fund balances nor did it affect the types of governmental funds reported by the City.

3. Short-Term Debt

During fiscal year 2011, 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 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. There were no supplemental appropriations in fiscal year 2011.

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 nonproperty 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, 2011 (in thousands):

	Revenue	Expenditures	Other financing sources, net	Excess (deficiency) of revenue and other financing sources
As reported on a budgetary basis	\$ 2,429,714	2,423,804	-	5,910
Adjustments:				
Revenues to modified accrual basis	(24,123)	-	-	(24,123)
Expenditures, encumbrances, and accruals, net	-	36,049	-	(36,049)
Reclassifications:				
Convention Center fund transfer	(39,569)	-	39,569	-
Other transfers	(77,954)	-	77,954	-
As reported on a GAAP basis	\$ 2,288,068	2,459,853	117,523	(54,262)

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 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. The 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

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents the value of the pool's shares.

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, and deposits that are not collateralized and are uninsured. As of June 30, 2011, the bank balances of uninsured and uncollateralized deposits totaled approximately \$237 thousand. All of the City's investments are held by third parties in the City's name.

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 domain 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 frontiers of that domain are 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. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2011:

Investment type	Fair value	Less than 1	1 – 5
External investment pool	\$ 507,520	507,520	-
Mutual funds	65,034	65,034	-
U.S. Treasury notes and bonds	6,861	-	6,861
Domestic corporate	3,809	-	3,809
Repurchase agreements	423,538	423,538	-
	<u>\$ 1,006,762</u>	<u>996,092</u>	<u>10,670</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, 2011 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
Mutual funds	\$ 65,034	Not Rated
External investment pool	507,520	Not Rated
Domestic corporate	3,809	AAA to B
	<u>\$ 576,363</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.

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, 2011 the City held one international equity mutual fund valued at \$13.0 million. Although this investment is not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

State-Boston Retirement System (SBRS 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, 2010, all of the System's deposits were insured or collateralized.

b. Investment Policy

The provisions of M.G.L. C. 32, Sec 23(2) 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, 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, 2010:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes and bonds	\$ 29,742	-	9,700	4,410	15,632
U.S. agencies	26,657	-	2,459	4,872	19,326
Domestic corporate	340,434	13,873	146,814	147,635	32,112
Municipal	2,134				2,134
International corporate	56,066	1,234	18,995	15,056	20,781
International government	122,873	-	60,818	43,314	18,741
Short-term investment funds	75,535	75,535	-	-	-
Asset-backed:					
CMOs	31,689	-	525	362	30,802
Mortgage-backed	57,660	1	-	2,849	54,810
Other	16,563	-	7,426	4,637	4,500
	<u>\$ 759,353</u>	<u>90,643</u>	<u>246,737</u>	<u>223,135</u>	<u>198,838</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, 2010 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, 2010 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	\$ 26,657	19,353	1,057	1,144	391	-	-	-	4,712
Domestic corporate	340,434	3,928	23,775	93,002	32,831	43,485	70,616	748	72,049
Municipal	2,134	-	688	1,446	-	-	-	-	-
International corp.	56,066	21,525	477	3,961	12,787	6,243	4,592	-	6,481
International gov’t	122,873	64,363	31,329	11,488	2,348	1,623	953	-	10,769
Short-term investment funds	75,535	75,535	-	-	-	-	-	-	-
Asset-backed:									
CMOs	31,689	22,655	1,856	1,341	36	-	-	-	5,801
Mortgage-backed	57,660	49,691	-	-	-	-	-	-	7,969
Other	16,563	15,446	-	-	-	38	55	-	1,024
	<u>\$ 729,611</u>	<u>272,496</u>	<u>59,182</u>	<u>112,382</u>	<u>48,393</u>	<u>51,389</u>	<u>76,216</u>	<u>748</u>	<u>108,805</u>

In addition to the above schedule, the System has approximately \$29.7 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, 2010.

The System adheres to the provisions of M.G.L. c. 32, sec. 23(2) 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	\$ 322	1,205	35,078	-	36,605
Brazilian real	1,066	428	15,081	-	16,575
Canadian dollar	765	6,463	9,048	-	16,276
Danish krone	121	3,279	3,287	-	6,687
Euro currency	589	40,412	181,193	5,732	227,926
Hong Kong dollar	279	-	26,254	-	26,533
Indian rupee	3	657	13,850	-	14,510
Indonesian rupiah	18	2,495	4,687	-	7,200
Israeli Shekel	8	-	706	-	714
Japanese yen	1,313	45,080	115,192	-	161,585
Malaysian ringgit	223	1,693	2,921	-	4,837
Mexican peso	91	2,232	4,549	-	6,872
New Taiwan dollar	275	-	1,663	-	1,938
New Zealand dollar	30	1,029	250	-	1,309
Norwegian krone	392	3,233	6,452	-	10,077
Pakistan rupee	1	-	913	-	914
Peruvian Nouveau Sol	-	855	-	-	855
Philippine Peso	-	893	-	-	893
Polish zloty	3	1,894	467	-	2,364
Pound sterling	354	11,212	94,274	-	105,840
Singapore dollar	292	8,760	12,515	-	21,567
South African rand	57	-	8,728	-	8,785
South Korean won	88	3,327	9,481	-	12,896
Swedish krona	614	4,007	19,186	-	23,807
Swiss franc	46	2,052	38,529	-	40,627
Turkish Lira	-	-	3,213	-	3,213
Total securities subject to foreign currency risk	\$ 6,950	141,206	607,517	5,732	761,405
U.S. dollars (securities held by international investment managers)*	7,563	37,733	135,015	-	180,311
Total international investment securities	\$ 14,513	178,939	742,532	5,732	941,716

* Short-term investments include cash of approximately (\$14).

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.

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.

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT Fund. As of December 31, 2010, the System had \$1.1 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.

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, 2010, all properties with unpaid fiscal year 2010 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 government's individual major funds, nonmajor funds, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other nonmajor funds</u>	<u>Internal service</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 18,277	-	-	-	-	18,277
Other taxes	140,944	-	-	-	-	140,944
Intergovernmental	63,684	117,942	10,619	-	-	192,245
Other	<u>33,258</u>	<u>73,752</u>	<u>-</u>	<u>125</u>	<u>164</u>	<u>107,299</u>
Gross receivables	256,163	191,694	10,619	125	164	458,765
Less allowance for uncollectibles	<u>(143,041)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,041)</u>
Net total receivables	<u>\$ 113,122</u>	<u>191,694</u>	<u>10,619</u>	<u>125</u>	<u>164</u>	<u>315,724</u>

a. Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (up to 90% of total costs) to the City to build and/or renovate schools. As of June 30, 2011, under this program, the City was due funds totaling \$63.7 million.

In the General Fund, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the five-year paydown (in thousands) as of June 30, 2012 through 2016, and in five-year increments thereafter:

Fiscal year(s):	Anticipated revenue
2012	\$ 9,848
2013	8,833
2014	8,475
2015	8,176
2016	7,344
2017 – 2020	21,008
Total	\$ 63,684

b. 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 to local governments, which in turn provides loans to developers. As of June 30, 2011, under this program, the City determined that \$63.4 million was collectible. This amount is recorded in the City's Special Revenue fund.

c. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows (in thousands):

	Unavailable	Unearned	Total
Delinquent taxes receivable (General Fund)	\$ 17,612	-	17,612
Due from component units	-	3,693	3,693
Section 108 receivable	63,463	-	63,463
School building assistance receivable	63,684	1,233	64,917
Chapter 90	-	8,943	8,943
Other	4,553	15,223	19,776
Total unavailable/unearned revenue for governmental funds	\$ 149,312	29,092	178,404

8. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

a. Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,128	-	-	25,128
Construction in progress	50,969	79,258	(70,854)	59,373
Total capital assets not being depreciated	<u>76,097</u>	<u>79,258</u>	<u>(70,854)</u>	<u>84,501</u>
Capital assets being depreciated:				
Land improvements	159,016	6,368	-	165,384
Buildings and improvements	1,720,283	39,539	-	1,759,822
Furniture and equipment	257,865	18,164	(3,760)	272,269
Infrastructure	475,567	19,920	-	495,487
Total capital assets being depreciated	<u>2,612,731</u>	<u>83,991</u>	<u>(3,760)</u>	<u>2,692,962</u>
Less accumulated depreciation for:				
Land improvements	38,697	8,323	-	47,020
Buildings and improvements	941,895	31,907	-	973,802
Furniture and equipment	194,142	19,631	(2,876)	210,897
Infrastructure	165,895	15,435	-	181,330
Total accumulated depreciation	<u>1,340,629</u>	<u>75,296</u>	<u>(2,876)</u>	<u>1,413,049</u>
Total capital assets being depreciated, net	<u>1,272,102</u>	<u>8,695</u>	<u>(884)</u>	<u>1,279,913</u>
Governmental activities capital assets, net	<u>\$ 1,348,199</u>	<u>87,953</u>	<u>(71,738)</u>	<u>1,364,414</u>

Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental activities:	
General government	\$ 3,162
Human services	1,859
Public safety	14,576
Public works, including depreciation of general infrastructure assets	15,954
Property and development	3,949
Parks and recreation	7,273
Library	3,526
Schools	24,758
Public health	239
Total depreciation expense – governmental activities	<u>\$ 75,296</u>

9. Interfund Receivable and Payable Balances

Individual fund and discrete component unit receivable and payable balances at June 30, 2011 are as follows (in thousands):

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 1,973	6,023
Special revenue	6,709	4,546
Capital projects	1,457	-
Internal service	430	-
Balances at June 30, 2011	<u>\$ 10,569</u>	<u>10,569</u>

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 5,449	195
Hospital revenue bond	66,558	-
	<u>72,007</u>	<u>195</u>
Discretely presented component units:		
TPL	-	878
PHC	195	71,129
	<u>195</u>	<u>72,007</u>
Balances at June 30, 2011	<u>\$ 72,202</u>	<u>72,202</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements and to record the amount due from PHC for the hospital revenue bond debt service.

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, 2011 (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%	\$ 470,835	127,810	43,145	555,500	45,785
General Obligation Refunding Bonds	.125-5.0%	481,995	52,720	63,910	470,805	50,800
Total governmental general obligation bonds payable		\$ 952,830	180,530	107,055	1,026,305	96,585
Add (deduct):						
Unamortized bond premiums/discounts net					55,032	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(12,212)	
Current portion of long-term debt					(96,585)	
					\$ 972,540	
Notes, Leases and Other long-term obligations:						
Notes payable	4.25-7.18%	\$ 40,285	-	3,683	36,602	3,231
Leases payable		35,504	26,934	34,315	28,123	11,514
Judgments and claims		18,465	-	3,230	15,235	14,445
Workers' compensation		97,273	31,003	25,816	102,460	43,249
Health and life claims		6,527	85,074	85,051	6,550	6,550
Compensated absences		176,480	67,516	67,323	176,673	49,745
Landfill closure and postclosure care costs		8,795	-	102	8,693	200
Pollution remediation		500	-	-	500	-
Other postemployment benefits		536,352	291,056	250,114	577,294	-
Total notes, leases, and other long-term obligations		\$ 920,181	501,583	469,634	952,130	128,934

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, 2011, 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:				
2012	\$ 96,585	43,923	(3,527)	136,981
2013	91,315	40,091	(3,527)	127,879
2014	83,310	36,128	(3,527)	115,911
2015	77,815	32,414	(3,527)	106,702
2016	73,300	28,944	(3,527)	98,717
2017-2021	296,000	98,576	(16,738)	377,838
2022-2026	244,215	41,610	(9,956)	275,869
2027-2031	63,765	6,364	(690)	69,439
	<u>\$ 1,026,305</u>	<u>328,050</u>	<u>(45,019)</u>	<u>1,309,336</u>
Notes Payable:				
Year(s) ending June 30:				
2012	\$ 3,231	1,667	-	4,898
2013	3,745	1,477	-	5,222
2014	4,016	1,285	-	5,301
2015	2,110	1,117	-	3,227
2016	2,038	1,019	-	3,057
2017-2021	10,213	3,372	-	13,585
2022-2026	4,355	1,913	-	6,268
2027-2030	6,894	881	-	7,775
	<u>\$ 36,602</u>	<u>12,731</u>	<u>-</u>	<u>49,333</u>
Leases Payable:				
Year(s) ending June 30:				
2012	\$ 11,514	422	-	11,936
2013	7,218	275	-	7,493
2014	4,501	166	-	4,667
2015	2,419	97	-	2,516
2016	1,697	51	-	1,748
2017	774	17	-	791
	<u>\$ 28,123</u>	<u>1,028</u>	<u>-</u>	<u>29,151</u>

On April 1, 2011, the City issued \$166.1 million of general obligation and refunding bonds, \$127.8 million for various municipal capital projects, and \$38.3 million for the purpose of refunding the Convention Center Fund Special Obligation Bonds (along with other funds available to the City) totaling \$93.5 million. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2031, 2027 and 2018, respectively.

Included in the \$127.8 million issuance noted above, are \$41.6 million of Qualified School Construction Bonds (QSCBs) offered under the American Recovery and Reinvestment Act (ARRA), which allows the City to issue the bonds at reduced net interest rates. In this program, the City receives reimbursement from the federal government for some or all of the interest expense.

On May 4, 2011, the City issued \$14.4 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$15.4 million. Interest on these bonds are payable semiannually each April 1 and October 1 until maturity in fiscal year 2026.

The cash flow difference and economic gain (the difference between the present value of the debt service payments on old and new debt) obtained from the April 1, 2011 refunding were \$26.2 million and \$6.5 million, respectively. For the May 4, 2011 Series D refunding, the cash flow difference and economic gain were \$1.3 million and \$1.3 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 remaining principal payments for these leases as of June 30, 2011 are \$28.1 million. The gross amount of assets acquired under the equipment lease agreements totals \$102.7 million as of June 30, 2011. The City's commitment under operating leases is not significant.

Business-type activities

The following is a summary of the long-term obligations of the business-type activities of the City as of June 30, 2011 (in thousands):

Bonds payable:	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Convention Center Fund:						
Special Obligation Bonds dated 4/1/02 4.0% – 5.25%		\$ 93,505	-	93,505	-	-
Hospital Bond Fund:						
Special Obligation Refunding Bonds, Boston City Hospital, dated 8/1/02	2.0 – 5.0	80,605	-	7,525	73,080	7,830
Total business-type obligations		<u>\$ 174,110</u>	<u>-</u>	<u>101,030</u>	<u>73,080</u>	<u>7,830</u>
Add (deduct):						
Unamortized bond premiums					1,806	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(238)	
Current portion of long-term debt					(7,830)	
					<u>\$ 66,818</u>	

The annual debt service requirements of the Boston City Hospital, Series B, revenue bonds outstanding as of June 30, 2011 are as follows (in thousands):

Year(s) ending June 30:	Principal	Interest	Total
2012	\$ 7,830	3,253	11,083
2013	8,140	2,934	11,074
2014	8,465	2,602	11,067
2015	8,805	2,212	11,017
2016	9,245	1,761	11,006
2017-2021	30,595	2,344	32,939
	<u>\$ 73,080</u>	<u>15,106</u>	<u>88,186</u>

The revenue refunding bonds for the Boston City Hospital (BCH) do not constitute general obligations of the City and the annual debt service of these bonds has been assumed by PHC. PHC expects to meet its obligation on the bonds through application of a portion of the rent payable to the PHC by the Boston

Medical Center (BMC) for its lease of the former BCH. Under certain circumstances, including a default by BMC under the lease, City revenues may be required to satisfy the debt service requirements on the Series B bonds.

The City has pledged future mortgage note payments from the PHC, to repay the principal and interest on the revenue refunding bonds for BCH. Annual principal and interest payments on the bonds are expected to require 100 percent of the mortgage note repayments. The total principal and interest remaining to be paid on the bonds is \$88.2 million. Principal and interest paid for the current year and mortgage note repayments received from PHC were \$11.1 million and \$11.3, respectively.

The proceeds of the 2011 Series B bonds issued in April 2011, together with other funds available to the City, were applied to advance refund the City's outstanding \$93.5 million Convention Center loan. The defeasance of the Convention Center Fund bonds also resulted in the close-out of the Convention Center Fund, which was included in business-type activities.

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 both governmental and business-type activities and still outstanding at June 30, 2011 was approximately \$227.1 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 State 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, 2011, the City may issue \$3.96 billion of additional general obligation debt under the debt limit. General obligation debt of \$480.4 million, subject to the debt limit, and \$79.5 million, exempt from the debt limit, are authorized but unissued as of June 30, 2011.

11. Retirement Plans

a. Plan Description

The City contributes to the SBRS, a cost sharing multiple employer defined benefit 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 Redevelopment Authority
- (3) Boston Housing Authority
- (4) Boston Water and Sewer Commission

- (5) Boston Public Health Commission
- (6) Suffolk County Sheriff Department

On January 1, 2010, in accordance with Chapter 61 of the Acts of 2009, the Suffolk County Sheriff's Department and their respective retirement annuity savings funds were transitioned to the Commonwealth. Furthermore, retirees who retired as employees of the Suffolk County Sheriff's Department prior to January 1, 2010, will remain members of the System and the respective pension liability will remain the obligation of the City. Due to a collective bargaining agreement, a limited number of employees retain the ability to retire as members of the System until November 1, 2010.

Chapter 32 of the M.G.L assigns authority to establish and amend benefit provisions of the plan to the state legislature.

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 SBRS for the fiscal year ended December 31, 2010 can be obtained through the SBRS, Boston City Hall, Room 816, Boston, MA 02201.

b. 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 to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments of the System are stated as follows:

- (1) Bonds are stated at quoted market value.
- (1) Equity securities are stated at quoted market value.
- (2) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (3) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (4) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (5) Cash is stated at carrying amount, which is reconciled book balance.

c. Membership

Membership in the System consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	14,067
Terminated plan members entitled to but not receiving benefits	14,551
Active plan members	19,663
Total membership	48,281
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% – 9% of their regular gross compensation. 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 active covered payroll. 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, 2010, the System was due \$336.8 million from all employers but received \$463.7 million in employer contributions. The excess of \$126.8 million was a one-time contribution from the City to help reduce the unfunded liability of the System. For year ended June 30, 2009 the City's required and actual contribution was \$213.0 million, or \$108.0 million, net of teachers' retirement. For the years ended June 30, 2010 and 2011, the City's required and actual contributions were \$116.0 million and 190.9 million, respectively.

On May 22, 2010, the Commonwealth enacted Chapter 112 of the Acts of 2010 which resulted in significant changes in the funding of pension benefits and related assets held for the benefit of City of Boston Teachers (Boston Teachers) employee group and how that group is administered. The Legislation stipulated that the Commonwealth is now responsible for the Boston Teachers pension liability and the funding requirements thereto required. Further, the Legislation stipulated that the System was to continue administering the membership and retiree activities related to the Boston Teachers.

The Legislation also stipulated that the assets attributable to the Boston teachers would be invested in the Commonwealths Pension Reserves Investment Trust (PRIT) Fund. However, that investment would be considered an asset of the System. In order to fund this asset, the System was required to liquidate certain positions, rebalance the portfolio as necessary, and remit approximately \$1.1 billion to PRIT.

During the fall of 1997, the System's Retirement Board, the City Council, and the Mayor approved the option for local funding of cost-of-living adjustments. As a result, a locally funded cost-of-living adjustment of 3.0% on the first \$12,000 of a retiree's annual payment was awarded first in fiscal year 2001 and each year following. These cost-of-living adjustments will be awarded by the Retirement Board each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

e. Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2010 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,396,967	Active members' contribution balance
Annuity reserve fund	451,582	Retired members' contribution account
Military service credit	50	Members' contribution account while on military leave
Pension reserve fund	2,445,990	Amounts appropriated to fund future retirement benefits
Pension fund	326,131	Remaining net assets
	<u>\$ 4,620,720</u>	

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

f. 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, 2010. 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, 2010, 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, 2010, the fair value of securities loaned by the System amounted to \$255.0 million, against which was held collateral of \$262.0 million as follows (in thousands):

Short-term collateral investment pool	\$	216,307
Noncash collateral		<u>45,721</u>
Total	\$	<u><u>262,028</u></u>

g. Commitments

At December 31, 2010, the System had contractual commitments to provide \$58.0 million of additional funding to private equity funds, and \$56.0 million to real estate funds.

h. Funded Status and Funding Progress

The funded status of the System as of January 1, 2011 is as follows (in thousands):

Actuarially accrued liability (AAL)	\$	7,382,907
Actuarial value of plan assets		<u>4,592,675</u>
Unfunded AAL (UAAL)	\$	<u><u>2,790,232</u></u>
Funded ratio (actuarial value of plan assets/AAL)		62.2%
Covered payroll (active plan members)	\$	1,371,363
UAAL as a percentage of covered payroll		203.5%

In the January 1, 2011 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 5.0%, and cost-of-living adjustments of 3.0% up to \$12,000 annually. The actuarial value of assets was determined using the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2011 was 15 years.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 Assets 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, 2009, the most recent actuarial valuation date, approximately 14,000 retirees and 15,000 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, 2009, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The plan members contribute 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 of the OPEB Trust fund are stated as follows:

- (1) Bonds are stated at quoted market value.
- (2) Equity securities are stated at quoted market value.
- (3) Comingling funds are reported at net asset value.
- (4) Cash is stated at carrying amount, which is reconciled book balance.

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, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2009 (in thousands):

ARC	\$	262,899
Interest on net OPEB obligation		28,157
Adjustment to ARC		(20,307)
Annual OPEB cost		270,749
Contributions made		(229,807)
Change in net OPEB obligation		40,942
Net OPEB obligation – beginning of year		536,352
Net OPEB obligation – end of year	\$	577,294

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
2011	\$ 270,749	85%	\$ 577,294
2010	258,991	59%	536,352
2009	346,425	37%	430,794

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 June 30, 2011, based on an actuarial valuation as of June 30, 2009, was as follows (in thousands):

	Plan	City
AAL	\$ 4,684,972	4,553,816
Actuarial value of plan assets	-	-
UAAL	\$ 4,684,972	4,553,816
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 1,060,919	1,008,004
UAAL as a percentage of covered payroll	442%	452%

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 Basic 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.

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 a irrevocable OPEB trust fund and \$20.0 million was transferred to the fund. In FY11, the City Council approved the transfer of the stabilization fund totaling \$50.1 million from the General Fund to the OPEB trust fund and an additional appropriation of \$35.0 million for a total of \$85.1 million.

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 City also adopted M.G.L. Chapter 32B, Section 18A for future retirees effective July 1, 2010. This provision requires Medicare eligible retirees to enroll in a Medicare supplement plan upon reaching age 65. As a result, the actuarial assumptions for participation and coverage election changed, as presented in the following table, reducing the City's OPEB AAL by \$937.0 million from the previous actuarial valuation.

Participation and Coverage Election Assumptions					
	Medicare Plans			Non-Medicare Plans	
	BCBS Master Medical Carveout Plan	Medicare Supplement Plan	Medicare Advantage Plan	Non-Medicare plan	Non-Medicare Master Medical
<u>June 30, 2009 Valuation</u>					
future retirees hired prior to 1986 and current retirees under age 65	65.0%	7.5%	7.5%	15.0%	5.0%
future retirees hired after 1986	80.0%	10.0%	10.0%	0.0%	0.0%
<u>June 30, 2007 Valuation</u>					
all future retirees and current retirees under age 65	50.0%	5.0%	5.0%	30.0%	10.0%

The most recent actuarial valuation was performed as of June 30, 2009. The projected unit credit cost method was used. The actuarial assumptions included a 5.25% investment rate of return and an annual healthcare cost trend rate of 10.0% to 11.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 – 6 years. 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, 2009 was 30 years.

13. Transfers

Transfers and their purposes during the year ended June 30, 2011 were as follows (in thousands):

	Governmental funds				Proprietary fund
	General	Special revenue	Capital projects	Other governmental	Convention center
Primary government:					
Excess hotel/motel excise taxes	\$ 39,569	-	-	-	(39,569)
Cemetery fees/fund appropriation	2,109	-	-	(2,109)	-
Parking meter fees/fund appropriation payment	15,000	(15,000)	-	-	-
Retirement Costs	22,437	(22,437)	-	-	-
Unrestricted amounts	14,055	(14,055)	-	-	-
Sale of surplus property balance	25,080	-	(25,080)	-	-
Convention Center Defeasance	-	(2,470)	(38,219)	-	40,689
Debt Service	(727)	-	-	727	-
Total	\$ 117,523	(53,962)	(63,299)	(1,382)	1,120

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2011 in the following categories (in thousands):

Public safety:	
Police Department	\$ 4,904
Fire Department	1,589
Public Works:	
Snow Removal	5,517
Judgments and Claims:	
Execution of Courts	17,522
	\$ 29,532

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, 2011 are as follows (in thousands):

	General	Special revenue	Capital projects	Other governmental funds
Fund Balances				
Nonspendable				
Permanent fund principal	\$ -	-	-	4,974
Restricted for:				
General Government	-	5,223	2,872	691
Human Services	-	2,590	-	-
Property and development	-	28,198	25,372	-
Parks and recreation	-	330	1,804	33,671
Library	-	-	2,659	-
Schools	-	54,952	35,691	1,280
Subtotal	-	91,293	68,398	35,642
Assigned to:				
General Government	28,543	5,548	-	-
Human Services	403	274	-	-
Public Safety	11,621	46,749	-	-
Public Works	1,108	24,121	-	-
Property and development	736	676	-	-
Parks and recreation	172	1,331	-	-
Library	1,178	117	-	-
Schools	11,520	2,159	-	-
Catastrophic Loss	13,410	-	-	-
Housing Initiative	25,080	-	-	-
Debt Service	6,938	-	-	-
Designated for subsequent year expense	41,182	-	-	-
Subtotal	141,891	80,975	-	-
Unassigned	511,040	-	-	-
Total fund balances	\$ 652,931	172,268	68,398	40,616

16. Commitments and Contingencies

The City has committed \$220.6 million in encumbrances for purchase orders and contracts.

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 PHC.

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 PHC receives the majority of its funding from federal and state grants, lease agreements with BMC, and a City appropriation. During fiscal year 2011, the City appropriated \$69.8 million to the PHC. As described below, the PHC uses the appropriation to pay debt service on certain general obligation bonds and base assistance grant payments to BMC. The remainder of the appropriation is used for administrative purposes.

and to support the various public health programs run by the PHC. The City has budgeted \$72.9 million for the PHC for fiscal year 2012.

Due from PHC/BMC

On July 1, 1996, in connection with the consolidation transaction described above, the PHC assumed a liability of \$149.8 million for a mortgage note due to the City. In August 2002, this note was refinanced such that the stream of payments made by the PHC on the new note will be used to pay the outstanding balance of \$122.9 million of the City's Special Obligation Refunding Bonds dated August 2002. The PHC receives funding for the note payments from the BMC under a lease agreement whereby the BMC leases portions of the former BCH for an initial period of 50 years. Rental payments received under this lease are equal to the debt service costs on the new note and on all City general obligation bonds allocable to BCH. In fiscal year 2011, the City received \$7.5 million in principal and \$3.6 million in interest for a total of \$11.1 million from PHC in payments for this note.

General obligation bonds issued by the City between December 1967 and October 1995 total \$4.1 million as of June 30, 2011. These bonds pertain 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 PHC and BMC are also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

Payments to BMC

PHC is obligated to make future base assistance grant payments to BMC of \$10.8 million each year through fiscal year 2019.

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 purchases health insurance coverage for employees and retirees through a variety of health maintenance organizations (HMO's), in addition to offering three self-insured indemnity plans, which are administered by Blue Cross and Blue Shield of Massachusetts (BC/BS). HMO costs are funded through the General Fund, and the self-insured plans are financially managed through an internal service fund established in compliance with M.G.L Chapter 32B Section 3A.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$13.4 million at the end of fiscal 2011. 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 \$10.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorney's 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, 2011 and 2010 are as follows (in thousands):

Internal service fund			
	2011	2010	
Health and life claims, beginning of year	\$ 6,527	6,507	
Incurred claims	85,074	86,140	
Payments of claims attributable to events of both the current and prior fiscal years:			
Health and life	(85,051)	(86,120)	
Health and life claims, end of year	<u>\$ 6,550</u>	<u>6,527</u>	
Government-wide statements			
	2011	2010	
Judgments and claims, beginning of year	\$ 115,738	79,068	
Incurred claims	36,610	88,263	
Payments of claims attributable to events of both the current and prior fiscal years:			
Workers' compensation	(25,816)	(32,023)	
Unemployment compensation	(5,607)	(6,666)	
Court judgments	(3,230)	(12,904)	
Judgments and claims, end of year	<u>\$ 117,695</u>	<u>115,738</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. Discretely Presented Component Units

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

Condensed Statements of Net Assets					
June 30, 2011					
(In thousands)					
	PHC	BRA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 23,151	41,193	8,162	9,205	81,711
Cash and investments held by trustee	-	-	50,902	1,420	52,322
Receivables, net:					
Other	46,459	4,146	1,430	4,967	57,002
Other assets	10,256	163	2,026	484	12,929
Due from primary government	195	-	-	-	195
Total current assets	<u>80,061</u>	<u>45,502</u>	<u>62,520</u>	<u>16,076</u>	<u>204,159</u>
Noncurrent assets:					
Notes receivable	5,742	93,427	-	-	99,169
Other assets	60,023	26,685	-	-	86,708
Capital assets:					
Nondepreciable	13,448	14,919	-	2,101	30,468
Depreciable	17,725	3,499	620	30,419	52,263
Total noncurrent assets	<u>96,938</u>	<u>138,530</u>	<u>620</u>	<u>32,520</u>	<u>268,608</u>
Total assets	<u>\$ 176,999</u>	<u>184,032</u>	<u>63,140</u>	<u>48,596</u>	<u>472,767</u>

Condensed Statements of Net Assets**June 30, 2011****(In thousands)**

	PHC	BRA	TPL	EDIC	Total
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 18,514	1,893	1,250	2,382	24,039
Accrued liabilities:					
Other	1,098	-	647	2,062	3,807
Current portion of long-term debt and leases	274	-	-	1,155	1,429
Due to BMC	2,099	-	-	-	2,099
Due to primary government	10,439	-	878	-	11,317
Deferred revenue	5,903	2,175	-	107	8,185
Total current liabilities	38,327	4,068	2,775	5,706	50,876
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	664	1,475	-	17,467	19,606
Other noncurrent liabilities	3,641	137,265	-	620	141,526
OPEB	52,716	4,135	-	-	56,851
Deferred Revenue	6,875	33,773	-	-	40,648
Due to primary government	60,690	-	-	-	60,690
Total noncurrent liabilities	124,586	176,648	-	18,087	319,321
Total liabilities	162,913	180,716	2,775	23,793	370,197
Net assets:					
Invested in capital assets, net of related debt	29,486	6,448	620	15,319	51,873
Restricted	-	-	58,522	704	59,226
Unrestricted	(15,400)	(3,132)	1,223	8,780	(8,529)
Total net assets	\$ 14,086	3,316	60,365	24,803	102,570

Condensed Statements of Revenues, Expenses, and Changes in Net Assets**Year ended June 30, 2011****(In thousands)**

	PHC	BRA	TPL	EDIC	Total
Expenses	\$ 201,008	19,654	9,355	31,637	261,654
Program revenues:					
Charges for services	79,136	7,696	1,452	15,960	104,244
Operating grants and contributions	45,408	4,852	4,285	14,651	69,196
Capital grants and contributions	429	-	-	-	429
Total program revenues	124,973	12,548	5,737	30,611	173,869
Net expenses	(76,035)	(7,106)	(3,618)	(1,026)	(87,785)
General revenues:					
Investment income	160	2,873	9,258	40	12,331
Sale of property	-	3,936	-	-	3,936
City appropriation	69,808	-	-	-	69,808
Miscellaneous income	13,540	1,924	-	409	15,873
Special item	4,250	-	-	-	4,250
Total general revenues	87,758	8,733	9,258	449	106,198
Change in net assets	11,723	1,627	5,640	(577)	18,413
Net assets – beginning of year	2,363	1,689	54,725	25,380	84,157
Net assets – end of year	\$ 14,086	3,316	60,365	24,803	102,570

Schedule 1**Required Supplementary Information****(Unaudited)**

(Amounts in thousands)

Schedules of Funding Progress

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)
Pension - Plan						
01/01/11*	\$ 4,592,675	7,382,907	2,790,232	62.2%	\$ 1,371,363	203.5%
01/01/10	4,292,504	7,212,669	2,920,165	59.5	1,425,451	204.9
01/01/09*	4,089,989	6,900,229	2,810,240	59.3	1,364,068	206.0
01/01/08	4,458,002	6,596,148	2,138,146	67.6	1,299,112	164.6
01/01/07*	4,138,146	6,223,154	2,085,008	66.5	1,221,404	170.7
01/01/06	3,836,807	5,957,373	2,120,566	64.4	1,168,808	181.4
OPEB - City						
06/30/09	—	4,553,816	4,553,816	—	1,008,004	451.8%
06/30/07	—	5,490,836	5,490,836	—	919,662	597.0
OPEB - Plan						
06/30/09	—	4,684,972	4,684,972	—	1,060,919	441.6%
06/30/07	—	5,654,817	5,654,817	—	967,584	584.4

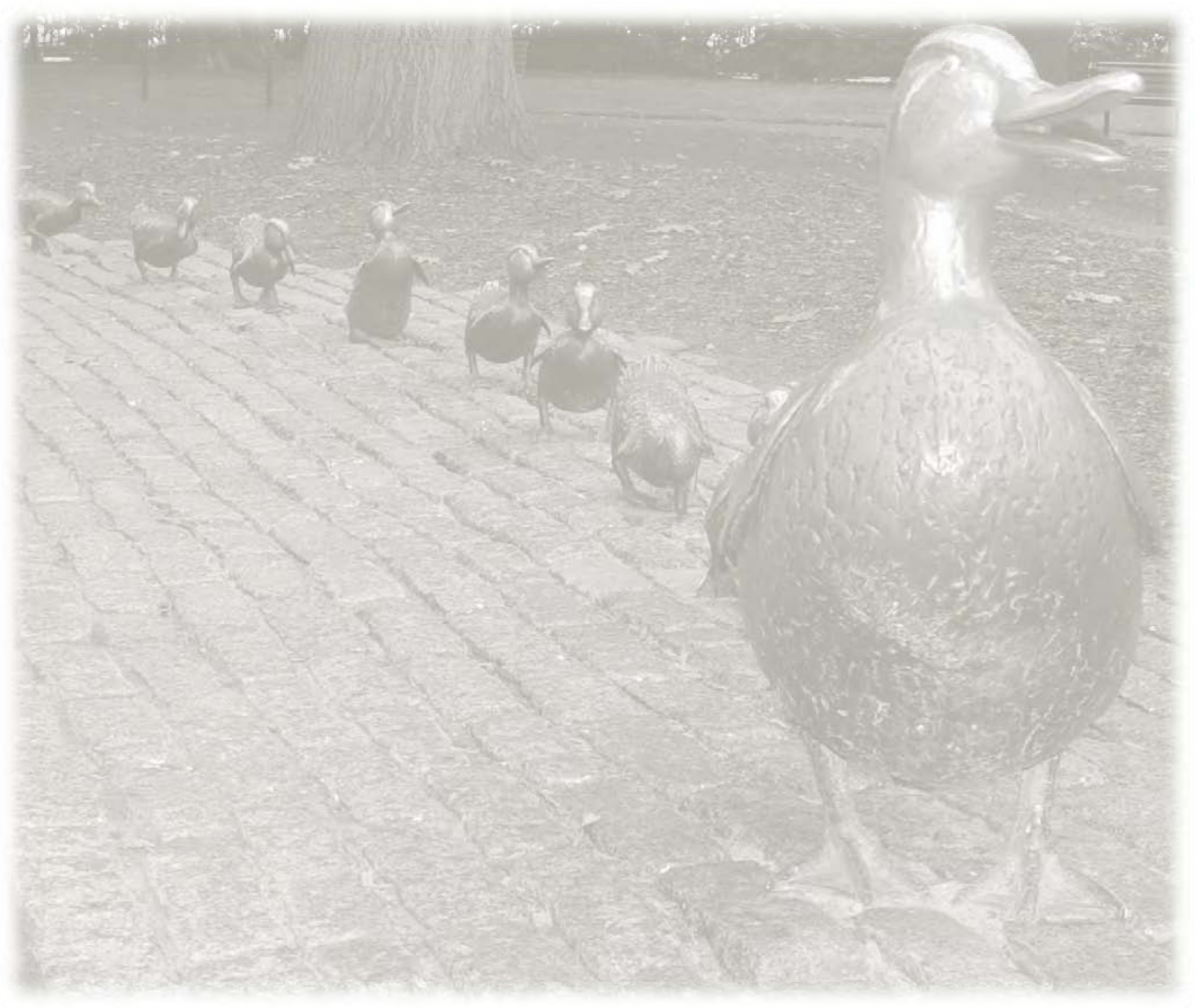
*Liability and payroll estimated from prior year's valuations.

Schedule of Employer Contributions

	Annual required contribution	Percentage contributed
Pension Plan		
December 31, 2010	\$ 336,784	138 %
December 31, 2009	253,996	100
December 31, 2008	239,039	100
December 31, 2007	221,865	100
December 31, 2006	217,088	100
December 31, 2005	191,132	100
OPEB - Plan		
June 30, 2011	283,577	82 %
June 30, 2010	270,882	57
June 30, 2009	364,303	36
OPEB - City		
June 30, 2011	270,749	85 %
June 30, 2010	258,991	59
June 30, 2009	346,425	37

See accompanying independent auditor's report.

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, 2011 and 2010 (Amounts in thousands)

	2011	2010
ASSETS:		
Cash and investments.....	\$ 823,210	\$ 880,912
Receivables:		
Property taxes.....	18,277	18,550
Motor vehicle / boat excise.....	49,994	64,446
Intergovernmental.....	63,689	86,549
Departmental and other.....	33,253	34,039
Tax title and possession.....	90,950	87,869
Total Receivables.....	256,163	291,453
Allowance:		
Motor vehicle / boat excise.....	(45,010)	(57,647)
Tax title and possession.....	(90,950)	(87,869)
Other.....	(7,081)	(11,158)
Total Allowance.....	(143,041)	(156,674)
Net receivable.....	113,122	134,779
Due from other funds.....	1,973	30,000
Due from component units.....	5,449	5,909
Total assets.....	\$ 943,754	\$ 1,051,600
LIABILITIES:		
Warrants and accounts payable.....	\$ 51,773	\$ 63,593
Accrued liabilities:		
Payroll and related costs.....	126,222	151,554
Deposits and other.....	20,133	22,468
Deferred revenue.....	86,477	100,196
Due to other funds.....	6,023	6,054
Due to component units.....	195	542
Total liabilities.....	290,823	344,407
FUND BALANCE:		
Assigned.....	141,891	-
Unassigned.....	511,040	-
Reserved for:		
Encumbrances.....	-	36,808
Unreserved:		
Designated for subsequent year expenditures.....	-	123,103
Undesignated.....	-	547,282
Total fund balance.....	652,931	707,193
Total liabilities and fund balance.....	\$ 943,754	\$ 1,051,600

See accompanying independent auditor's report.

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
REVENUES:		
Real and personal property taxes.....	\$ 1,526,361	\$ 1,467,605
Excises.....	124,214	121,120
Payments in lieu of taxes.....	65,461	67,265
Fines.....	64,751	70,627
Investment income.....	4,733	3,246
Licenses and permits.....	41,676	32,907
Departmental and other.....	65,498	74,861
Intergovernmental.....	395,374	404,619
Total Revenues.....	2,288,068	2,242,250
EXPENDITURES:		
Current:		
General government.....	65,459	70,514
Human services.....	29,233	29,324
Public safety.....	516,725	511,365
Public works.....	105,318	96,641
Property and development.....	35,138	30,247
Parks and recreation.....	16,634	16,818
Library.....	30,532	29,853
Schools.....	812,949	815,694
Public health programs.....	70,092	70,000
Judgments and claims.....	811	10,181
Retirement costs.....	195,976	235,282
Other employee benefits.....	294,200	224,156
State and district assessments.....	152,042	146,323
Total current expenditures.....	2,325,109	2,286,398
Capital outlays.....	2,588	734
Debt service.....	132,156	129,670
Total Expenditures.....	2,459,853	2,416,802
Deficiencies of revenues under expenditures.....	(171,785)	(174,552)
OTHER FINANCING SOURCES:		
Transfers in.....	118,250	53,058
Transfers out.....	(727)	-
Total other financing sources.....	117,523	53,058
Net change in fund balances.....	(54,262)	(121,494)
Fund balance - beginning.....	707,193	828,687
Fund balance - ending.....	\$ 652,931	\$ 707,193

See accompanying independent auditor's report.

General Fund

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

June 30, 2011 and 2010

(Amounts in thousands)

	2011				
Classification	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2010 Actual
PROPERTY TAXES					
Real Estate Taxes.....	\$ 1,366,162	\$ 1,366,162	\$ 1,366,860	\$ 698	\$ 1,304,982
Real and Personal Property Taxes.....	136,162	136,162	137,706	1,544	135,211
Revenue class total	1,502,324	1,502,324	1,504,566	2,242	1,440,193
MOTOR VEHICLE EXCISE					
Motor Vehicle Excise - Current.....	33,500	33,500	34,859	1,359	28,691
Motor Vehicle Excise - Prior Years.....	-	-	12,059	12,059	11,361
Boat Excise - Current and Prior Years.....	70	70	59	(11)	82
Revenue class total	33,570	33,570	46,977	13,407	40,134
OTHER EXCISE TAXES					
Hotel / Motel Room Excise.....	34,500	34,500	34,500	-	30,000
Aircraft Fuel Excise.....	20,500	20,500	23,253	2,753	22,898
Condominium Conversion Excise.....	400	400	259	(141)	414
Meals Tax Excise.....	16,375	16,375	20,244	3,869	9,972
Urban Redevelopment Ch. 121A.....	35,000	35,000	33,808	(1,192)	40,616
Revenue class total	106,775	106,775	112,064	5,289	103,900
COMMONWEALTH OF MASSACHUSETTS					
State Owned Lands.....	262	262	262	-	244
Exemption - Elderly.....				-	-
Exemption - Other.....	1,248	1,248	1,888	640	1,230
Lottery.....				-	-
Veterans Services - Local Aid.....	3,360	3,360	2,832	(528)	1,714
Police Career Incentive.....	959	959	832	(127)	1,896
Unrestricted General Government Aid.....	160,247	160,247	160,247	-	166,924
Local Share of Racing Taxes.....	426	426	427	1	261
School Construction	11,158	11,158	11,158	-	12,957
Charter School Reimbursement.....	13,722	13,722	13,237	(485)	10,988
Chapter 70 Education Aid.....	204,318	204,318	204,318	-	216,995
Revenue class total	395,700	395,700	395,201	(499)	413,209
(continued)					

(continued)

General Fund

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

June 30, 2011 and 2010

(Amounts in thousands)

Classification	2011				2010 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes.....	\$ 2,300	\$ 2,300	\$ 2,534	\$ 234	\$ 2,428
Penalties & Interest - Motor Vehicle.....	2,900	2,900	2,807	(93)	2,962
Penalties & Interest - Tax Title.....	2,500	2,500	3,846	1,346	2,561
Penalties & Interest - Boat Excise.....	10	10	5	(5)	11
Penalties & Interest - Ch. 121A.....	-	-	-	-	-
Sidewalk Paid in Advance.....	-	-	-	-	-
Unapportioned Assessments.....	-	-	20	20	1
Other Departmental Fees & Charges.....	2,000	2,000	1,767	(233)	2,220
Registry Division Fees.....	1,425	1,425	1,451	26	1,438
Liens.....	550	550	579	29	552
Other Departmental.....	4,001	4,001	5,080	1,079	5,960
City Clerk Fees.....	450	450	554	104	494
Muni Medicaid Reimbursement.....	12,000	12,000	11,889	(111)	23,066
Police Services.....	675	675	693	18	674
Fire Services.....	3,275	3,275	3,698	423	3,474
Parking Facilities.....	1,200	1,200	1,283	83	1,193
Street Occupancy.....	1,900	1,900	2,251	351	1,912
Street and Sidewalk Permits.....	700	700	780	80	698
Administrative Fees.....	275	275	1,212	937	271
Demolition of Abandoned Structures.....	35	35	15	(20)	78
Property Mgmt - Building Rents.....	1,500	1,500	1,450	(50)	1,994
St. Furniture Program Fixed Fees.....	750	750	1,500	750	750
St. Furniture Program Adm Fees.....	700	700	863	163	701
Fiber Optics Access Fees.....	300	300	299	(1)	353
Public Works - Other Charges.....	-	-	-	-	3
Tuition and Transportation - Schools.....	1,300	1,300	1,587	287	1,508
Library Fees.....	275	275	287	12	295
Other Penalties & Interest.....	-	-	-	-	-
Cobra / Self-pay.....	1,200	1,200	1,514	314	1,335
Affirmative Recovery Unit.....	700	700	532	(168)	805
Fringe-Retirement.....	5,000	5,000	5,259	259	5,162
Pensions and Annuities.....	3,100	3,100	3,234	134	3,090
Indirect Costs Reimbursement.....	850	850	737	(113)	889
Third-Party Payments.....	-	-	1,200	1,200	-
Prior Year Reimbursements.....	81,987	81,987	82,537	550	(1,380)
Police Detail Administration Fee.....	3,200	3,200	2,914	(286)	3,169
Rental Income.....	6	6	18	12	6
Administrative Fee 3rd Party Payments.....	30	30	43	13	35
Tellers Adjustment Account.....	-	-	-	-	(2)
Revenue class total	137,094	137,094	144,438	7,344	68,706

(continued)

General Fund

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

June 30, 2011 and 2010

(Amounts in thousands)

Classification	2011				2010 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
FINES					
Parking Fines.....	\$ 66,000	\$ 66,000	\$ 61,147	\$ (4,853)	\$ 66,327
Court Fines.....	125	125	160	35	153
Moving Violation Fines - Court.....	3,350	3,350	3,007	(343)	3,388
Fire Safety Fines.....	8	8	8	-	12
ISD - Fines.....	-	-	-	-	-
Code Enforcement	650	650	729	79	496
Revenue class total	70,133	70,133	65,051	(5,082)	70,376
PAYMENTS IN LIEU OF TAXES					
Massport.....	16,616	16,616	17,085	469	18,595
Miscellaneous PILOT's.....	19,087	19,087	18,417	(670)	16,347
Miscellaneous Ch 121B Section 16.....	1,100	1,100	5,879	4,779	1,150
Miscellaneous Ch 121A Section 6A.....	20,500	20,500	30,618	10,118	24,828
Revenue class total	57,303	57,303	71,999	14,696	60,920
INVESTMENT INCOME					
Interest on Investments.....	2,000	2,000	1,392	(608)	3,182
Revenue class total	2,000	2,000	1,392	(608)	3,182
LICENSES AND PERMITS					
Building Structures and Permits.....	16,750	16,750	23,461	6,711	14,765
Weights and Measures.....	330	330	254	(76)	211
Street and Curb Permits.....	2,200	2,200	2,207	7	2,406
Pre-rental Inspections.....	120	120	105	(15)	118
Other Departmental Licenses & Permits.....	785	785	733	(52)	786
Health Inspections.....	1,650	1,650	1,591	(59)	1,493
Alcoholic Beverages and Licenses.....	3,350	3,350	3,388	38	3,352
Entertainment Licenses.....	1,750	1,750	1,996	246	1,891
Police Firearm Permits.....	25	25	77	52	29
Other Business Licenses and Permits.....	130	130	153	23	138
Cable Television.....	5,400	5,400	5,922	522	5,369
Revenue class total	32,490	32,490	39,887	7,397	30,558
TRANSFERS AND OTHER AVAILABLE FUNDS					
Sale of Property.....	4,030	4,030	4,030	-	4,030
Surplus Property Fund.....	6,000	6,000	-	(6,000)	5,979
Appropriated Cemetery Trustee.....	2,109	2,109	2,109	-	2,079
Appropriated Parking Meter Receipts.....	15,000	15,000	15,000	-	15,000
Appropriated Funds Balance.....	45,000	45,000	27,000	(18,000)	45,000
Revenue class total	72,139	72,139	48,139	(24,000)	72,088
Total Revenues and Other Financing Sources	\$ 2,409,528	\$ 2,409,528	\$ 2,429,714	\$ 20,186	\$ 2,303,266

See accompanying independent auditor's report.

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2011 and 2010

(Amounts in thousands)

2011

Classification	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2010 Actual
GENERAL GOVERNMENT					
Costs of Issuance - RANS.....	\$ 750	\$ 750	\$ 248	\$ 502	\$ 648
Annual Audit Costs.....	750	808	808	-	563
Mayor's Office.....	2,126	2,126	2,055	71	2,019
City Council.....	4,676	4,676	4,509	167	4,458
Office of New Bostonians.....	334	334	319	15	309
Consumer Affairs and Licensing	436	436	423	13	424
Election Department - Election Division.....	2,641	2,756	2,756	-	3,296
Election Department - Listing Board.....	501	480	480	-	512
Auditing Department.....	2,270	2,270	2,153	117	2,254
Assessing Department.....	6,393	6,393	6,324	69	6,492
Treasury Department - Collecting Division.....	2,529	2,558	2,497	61	2,438
Treasury Department - Treasury Division.....	1,777	1,748	1,711	37	1,789
Office of Budget Management.....	2,694	2,813	2,813	-	3,007
Human Resources.....	2,654	2,654	2,553	101	2,534
Purchasing Division.....	1,720	1,720	1,621	99	1,306
Office of Administration & Finance.....	836	716	666	50	744
Graphic Arts.....	-	-	-	-	1,517
Office of Labor Relations.....	1,411	1,411	1,324	87	1,371
Department of Innovation & Technology.....	18,615	18,615	18,576	39	19,338
Intergovernmental Relations.....	1,137	1,137	1,071	66	1,006
Law Department.....	5,477	5,477	5,448	29	5,331
Small & Local Business.....	600	621	618	3	594
Office of Boston Residents Job Policy.....	461	461	440	21	443
Risk Retention Reserved.....	1,000	1,000	1,000	-	1,000
Housing Trust Fund.....	330	330	295	35	311
City Clerk.....	1,006	1,006	969	37	975
Registry Division.....	996	996	965	31	933
Finance Commission.....	178	178	174	4	220
Tregor Reserve Fund.....	-	192	192	-	69
Office of Civil Rights.....	321	321	318	3	315
Emergency Shelter Commission.....	-	-	-	-	565
Public Information.....	1,202	1,202	1,093	109	1,127
Neighborhood Services.....	1,280	1,280	1,182	98	1,258
Arts & Cultural Develop.....	1,631	1,631	1,570	61	1,608
Women's Commission.....	160	160	158	2	158
Reserve for Collective Bargaining.....	8,550	8,550	8,550	-	-
Function total	77,442	77,806	75,879	1,927	70,932
HUMAN SERVICES					
Boston Centers for Youth & Families.....	21,674	21,674	21,383	291	21,811
Elderly Commission.....	2,820	2,820	2,818	2	2,847
Veterans Services Department.....	4,810	5,176	5,176	-	4,808
Function total	\$ 29,304	\$ 29,670	\$ 29,377	\$ 293	\$ 29,466

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2011 and 2010

(Amounts in thousands)

Classification	2011				2010 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PUBLIC SAFETY					
Police Department.....	\$ 270,875	\$ 270,875	\$ 275,779	\$ (4,904)	\$ 282,413
Fire Department.....	175,970	176,432	178,021	(1,589)	173,632
Mayor's Office - Emergency Preparedness.....	311	311	308	3	284
Transportation - Traffic Division.....	21,716	22,096	21,956	140	21,014
Transportation - Parking Clerk.....	719	8,421	7,914	507	649
Licensing Board.....	8,801	719	599	120	9,315
Inspectional Services Department.....	15,511	15,751	15,545	206	15,614
Youth Fund.....	4,638	4,638	4,637	1	4,637
Function total	498,541	499,243	504,759	(5,516)	507,558
PUBLIC WORKS					
Public Works Department.....	81,246	81,246	81,050	196	1,271
Chief of PWD - Transportation.....	1,385	1,385	1,271	114	81,495
Central Maintenance Facility.....	1,992	2,457	2,457	-	2,404
Snow Removal.....	15,944	15,944	21,461	(5,517)	11,968
Function total	100,567	101,032	106,239	(5,207)	97,138
PROPERTY AND DEVELOPMENT					
Property Management.....	19,433	21,812	21,812	-	21,095
Neighborhood Development.....	3,243	3,393	3,333	60	3,411
Leading the Way.....	5,000	5,000	5,000	-	4,979
Function total	27,676	30,205	30,145	60	29,485
PARKS AND RECREATION					
Parks and Recreation Department.....	13,087	13,408	13,408	-	13,545
Environment Department.....	1,321	1,321	1,252	69	1,304
Cemetery Division.....	2,109	2,109	2,087	22	2,067
Function total	16,517	16,838	16,747	91	16,916
LIBRARY					
Library Department.....	30,369	30,378	30,378	-	29,862
Function total	30,369	30,378	30,378	-	29,862
SCHOOLS					
Boston Public Schools.....	821,383	821,382	821,375	7	817,830
Function total	821,383	821,382	821,375	7	817,830
PUBLIC HEALTH					
Public Health Commission.....	69,793	69,808	69,808	-	70,000
Function total	\$ 69,793	\$ 69,808	\$ 69,808	\$ -	\$ 70,000

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2011 and 2010

(Amounts in thousands)

Classification	2011				2010 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
JUDGMENTS AND CLAIMS					
Execution of Courts.....	\$ 3,500	\$ 3,500	\$ 21,022	\$ (17,522)	\$ 15,970
Function total	3,500	3,500	21,022	(17,522)	15,970
OTHER EMPLOYEE BENEFITS					
Medicare Payments.....	7,250	7,047	5,697	1,350	6,595
Human Resources - Health Insurance.....	569	569	542	27	532
Health Benefits & Insurance.....	242,415	239,315	235,780	3,535	216,077
Unemployment Compensation.....	350	350	160	190	16
Workers' Compensation Fund.....	2,200	2,200	1,445	755	2,022
Function total	252,784	249,481	243,624	5,857	225,242
PENSION COSTS					
State-Boston Retirement System.....	192,007	192,007	191,856	151	108,459
Pensions and Annuities - City.....	4,100	4,100	4,100	-	4,100
Pensions and Annuities - County.....	100	100	42	58	49
Function total	196,207	196,207	195,998	209	112,608
DEBT REQUIREMENTS					
Redemption of City Loans.....	86,549	86,550	86,547	3	84,396
City Debt and Interest Payments.....	38,796	38,796	38,796	-	39,359
Temporary Notes.....	6,000	4,517	-	4,517	-
MWPAT Principal.....	436	436	436	-	451
MWPAT Interest.....	126	126	126	-	137
Section 108 - Dudley Square.....	505	505	505	-	505
Function total	132,412	130,930	126,410	4,520	124,848
STATE & DISTRICT ASSESSMENTS					
Heath Insurance/Retirement.....	186	186	186	-	201
Parking Surcharge.....	3,360	3,360	3,187	173	3,360
Mosquito Control Projects.....	225	225	225	-	227
Special Education Chapter 766.....	725	725	635	90	725
Metropolitan Air Pollution Center.....	187	187	187	-	181
Metropolitan Area Planning.....	187	187	187	-	180
M.B.T.A. Assessments.....	74,532	74,532	74,532	-	74,729
M.D.C. Assessments.....	11	11	11	-	12
School Choice.....	242	257	257	-	237
Charter School Sending Tuition.....	69,035	69,035	68,293	742	62,020
Suffolk County Jail.....	4,343	4,343	4,343	-	4,451
Function total	153,033	153,048	152,043	1,005	146,323
Total Expenditures	\$ 2,409,528	\$ 2,409,528	\$ 2,423,804	\$ (14,276)	\$ 2,294,178

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. The Special Revenue Fund also includes funds received through the American Reinvestment and Recovery Act (ARRA).



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Special Revenue Fund

Comparative Balance Sheets

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
ASSETS:		
Cash and investments.....	\$ 128,083	\$ 132,917
Receivables, net		
Intergovernmental.....	117,942	119,160
Departmental and other.....	73,752	65,831
Total receivables.....	191,694	184,991
Due from other funds.....	6,709	3,787
Total Assets.....	\$ 326,486	\$ 321,695
LIABILITIES:		
Warrants and accounts payable.....	\$ 20,921	\$ 32,203
Accrued liabilities:		
Payroll and related costs.....	1,871	1,941
Deposits and other.....	45,129	34,716
Deferred revenue.....	81,751	79,703
Due to other funds.....	4,546	-
Total liabilities.....	154,218	148,563
FUND BALANCE:		
Restricted	91,293	-
Assigned.....	80,975	-
Reserved for:		
Encumbrances.....	-	49,418
Unreserved:		
Undesignated.....	-	123,714
Total fund balance.....	172,268	173,132
Total liabilities and fund balance.....	\$ 326,486	\$ 321,695

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
REVENUES:		
Fines.....	\$ 21	\$ 22
Investment income.....	33	25
Licenses and permits.....	74	-
Departmental and other.....	34,659	14,381
Intergovernmental.....	283,658	327,213
Total revenues	318,445	341,641
EXPENDITURES:		
Current:		
General government.....	7,492	3,165
Human services.....	6,775	8,690
Public safety.....	9,607	12,150
Public works.....	4,317	8,482
Property & development.....	76,469	87,147
Parks and recreation.....	3,132	716
Library.....	3,024	3,578
Schools.....	161,883	147,009
Public health programs.....	288	1,214
County.....	-	69,040
Total current expenditures.....	272,987	341,191
Capital outlays.....	2,383	5,485
Debt service.....	1,626	3,414
Total expenditures.....	276,996	350,090
Excess (deficiency) of revenues over (under) expenditures.....	41,449	(8,449)
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued.....	1,366	11,360
Payments to refunded bonds escrow agent.....	(1,118)	(5,384)
Premiums on long-term debt issued.....	11,401	9,805
Transfers out.....	(53,962)	(15,000)
Total other financing sources (uses).....	(42,313)	781
Net change in fund balances.....	(864)	(7,668)
Fund balance - beginning.....	173,132	180,800
Fund balance - ending.....	\$ 172,268	\$ 173,132

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, 2011 and 2010

(Amounts in thousands)

	2011	2010
ASSETS:		
Cash and investments.....	\$ 88,394	\$ 62,006
Cash and investments held by trustees.....	1,838	2,341
Intergovernmental receivables.....	10,619	11,674
Due from other funds.....	1,457	1,846
Total assets.....	\$ 102,308	\$ 77,867
LIABILITIES:		
Warrants and accounts payable.....	\$ 20,907	\$ 18,948
Accrued Liabilities:		
Deposits and other.....	2,827	2,427
Deferred revenue.....	10,176	11,174
Total liabilities.....	33,910	32,549
FUND BALANCE:		
Restricted	68,398	-
Reserved for:		
Encumbrances.....	-	86,234
Future appropriations.....	-	24,108
Unreserved:		
Undesignated deficit.....	-	(65,024)
Total fund balance.....	68,398	45,318
Total liabilities and fund balance.....	\$ 102,308	\$ 77,867

Capital Projects Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
REVENUES:		
Intergovernmental.....	\$ 28,722	\$ 10,632
Total Revenues.....	28,722	10,632
EXPENDITURES:		
Capital outlays.....	135,434	120,449
Total expenditures.....	135,434	120,449
Deficiency of revenues under expenditures.....	(106,712)	(109,817)
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued.....	154,743	133,132
Refunding bonds issued.....	52,720	68,345
Payments to refunded bonds escrow agent.....	(14,372)	(68,256)
Premiums/discounts on long-term debt issued.....	-	(2,171)
Operating transfers out.....	(63,299)	(5,979)
Total other financing sources (uses).....	129,792	125,071
Net change in fund balances.....	23,080	15,254
Fund balance - beginning.....	45,318	30,064
Fund balance - ending.....	\$ 68,398	\$ 45,318

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.



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Other Governmental Funds

Combining Balance Sheet

June 30, 2011 and 2010

(Amounts in thousands)

	Permanent Funds			Debt Service Fund	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7		2011	2010
ASSETS:						
Cash and investments.....	\$ 219	\$ -	\$ -	727	\$ 946	\$ 229
Cash and investments held by trustees.....	39,138	576	699	-	40,413	37,619
Receivables, net.....	124	1	-	-	125	153
Total assets.....	\$ 39,481	\$ 577	\$ 699	\$ 727	\$ 41,484	\$ 38,001
LIABILITIES:						
Warrants and accounts payable.....	\$ 836	\$ 24	8	\$ -	868	\$ 417
Due to other funds.....	-	-	-	-	-	\$ -
Total liabilities.....	836	24	8	-	868	417
FUND BALANCE:						
Nonspendable.....	4,138	145	691	-	4,974	-
Restricted.....	34,507	408	-	727	35,642	-
Reserved for encumbrances.....	-	-	-	-	-	486
Unreserved, reported in permanent funds.....	-	-	-	-	-	37,098
Total fund balance.....	38,645	553	691	727	40,616	37,584
Total liabilities and fund balance.....	\$ 39,481	\$ 577	\$ 699	\$ 727	\$ 41,484	\$ 38,001

See accompanying independent auditor's report.

Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

June 30, 2011 and 2010

(Amounts in thousands)

	Permanent Funds			Debt Service Fund	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7		2011	2010
REVENUES:						
Investment income.....	\$ 7,104	\$ 86	\$ -	\$ -	\$ 7,190	\$ 5,636
Departmental and other.....	2,224	25	597	-	2,846	2,226
Total revenues.....	\$ 9,328	\$ 111	\$ 597	\$ -	\$ 10,036	\$ 7,862
EXPENDITURES:						
General government.....	\$ 4,765	\$ 52	\$ 805	\$ -	\$ 5,622	\$ 4,469
Total expenditures.....	4,765	52	805	-	5,622	4,469
Excess (deficiency) of revenues over (under) expenditures.....	4,563	59	(208)	-	4,414	3,393
OTHER FINANCING USES:						
Transfers in.....	-	-	-	727	727	
Transfers out.....	(2,109)	-	-	-	(2,109)	(2,079)
Total other financing uses.....	(2,109)	-	-	727	(1,382)	(2,079)
Excess (deficiency) of revenues over (under) expenditures and other financing uses.....	2,454	59	(208)	727	3,032	1,314
Fund balance - beginning.....	36,191	494	899	-	37,584	36,270
Fund balance - ending.....	\$ 38,645	\$ 553	\$ 691	\$ 727	\$ 40,616	\$ 37,584

See accompanying independent auditor's report.

Internal Service Fund



Boston Public Library – Copley Square

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



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Internal Service Fund

Comparative Statement of Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
ASSETS:		
Cash and investments.....	\$ 54,042	\$ 56,708
Receivables, net.....	164	134
Due from other funds.....	430	421
Other assets.....	1,885	1,042
Total assets.....	\$ 56,521	\$ 58,305
LIABILITIES:		
Accrued liabilities.....	\$ 6,550	\$ 6,532
Total liabilities.....	6,550	6,532
NET ASSETS:		
Unrestricted.....	49,971	51,773
Total net assets.....	\$ 49,971	\$ 51,773

Internal Service Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Balance June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
REVENUES:		
Employer contributions.....	\$ 61,845	\$ 64,655
Employee contributions.....	21,404	21,849
Total revenues.....	\$ 83,249	\$ 86,504
EXPENSES:		
Health benefits.....	\$ 85,051	\$ 86,121
Total expenses.....	85,051	86,121
Changes in net assts.....	(1,802)	383
Net assets - beginning.....	51,773	51,390
Net assets - ending.....	49,971	51,773

See accompanying independent auditor's report.

Internal Service Fund

Comparative Statements of Cash Flows

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer.....	\$ 83,210	\$ 86,582
Cash paid to vendors.....	(85,876)	(85,635)
Net cash (used in) provided by operating activities.....	(2,666)	947
Cash and cash equivalents, beginning of year.....	56,708	55,761
Cash and cash equivalents, end of year.....	\$ 54,042	\$ 56,708
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income.....	\$ (1,802)	\$ 383
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable.....	(30)	36
Other assets.....	(843)	461
Due from component units.....	(9)	42
Accounts payable and accrued liabilities.....	18	25
Net cash provided by (used in) operating activities.....	\$ (2,666)	\$ 947



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Fiduciary Funds



Leonard P. Zakim Bridge

EMPLOYEE RETIREMENT PLAN

State-Boston Retirement System is a defined benefit contributory retirement plan covering employees of the City of Boston, Suffolk County, 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

OPEB Trust Fund is a co-mingled investment fund of various non-testamentary trust funds of the City of Boston. The pool enables the City to maximize their return on investments by providing for a City administered fund where monies can be co-mingled for investment purposes in order to realize the economics of large-scale investing and professional fund management.

PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds are used to report any trust arrangement not otherwise classified as pension 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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State-Boston Retirement System
Comparative Statement of Plan Net Assets
December 31, 2010 and 2009
(Amounts in thousands)

	Total State-Boston Retirement System	
	2010	2009
ASSETS:		
Cash and investments.....	\$ 4,512,298	\$ 3,872,774
Receivables:		
Interest and dividends.....	20,624	21,347
Securities sold.....	90,340	8,253
Other.....	140,642	126,633
Total receivables.....	251,606	156,233
Securities lending short-term collateral investment pool.....	214,410	299,975
Total assets.....	4,978,314	4,328,982
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities.....	26,754	20,355
Securities purchased.....	114,507	8,866
Collateral held on securities lending.....	216,333	299,975
Total liabilities.....	357,594	329,196
NET ASSETS:		
Held in trust for pension benefits and other purposes.....	<u>\$ 4,620,720</u>	<u>\$ 3,999,786</u>

OPEB Trust Fund

Comparative Statement of Plan Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	2011	2010
ASSETS:		
Cash and investments.....	\$ 111,078	\$ 19,960
Receivables:		
Interest and dividends.....	-	5
Other.....	-	2
Total receivables.....	-	7
Total assets.....	111,078	19,967
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities.....	40	7
Total liabilities.....	40	7
NET ASSETS:		
Held in trust for pension benefits and other purposes.....	<u>\$ 111,038</u>	<u>\$ 19,960</u>

See accompanying independent auditor's report.



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Private Purpose Trust Funds
Combining Statement of Net Assets
June 30, 2011 and 2010
(Amounts in thousands)

	Pool 1	Pool 2
ASSETS:		
Cash and investments.....	\$ 24,907	\$ 470
Receivables:		
Other.....	346	1
Total receivables.....	346	1
Capital assets, net of accumulated depreciation	-	-
Total assets.....	25,253	471
LIABILITIES:		
Accounts payable.....	249	18
Total liabilities.....	249	18
NET ASSETS:		
Held in trust for pension benefits and other purposes.....	<u>\$ 25,004</u>	<u>\$ 453</u>

Total Private Purpose Trust Funds			
Pool 5	Pool 7	2011	2010
\$ 25,559	\$ 38,448	\$ 89,384	\$ 82,639
33	978	1,358	1,891
33	978	1,358	1,891
30	-	30	30
25,622	39,426	90,772	84,560
120	3,159	3,546	1,135
120	3,159	3,546	1,135
\$ 25,502	\$ 36,267	\$ 87,226	\$ 83,425

Agency Fund

Comparative Statement of Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	Law Enforcement Trust Fund	
	2011	2010
ASSETS:		
Cash and investments.....	\$ 5,801	\$ 5,834
Total assets.....	5,801	5,834
LIABILITIES:		
Refunds payable and other.....	5,801	5,834
Total liabilities.....	\$ 5,801	\$ 5,834

See accompanying independent auditor's report.

State-Boston Retirement System

Comparative Statement of Changes in Plan Net Assets December 31, 2010 and 2009

(Amounts in thousands)

	2010	2009
ADDITIONS:		
Contributions:		
Employers.....	\$ 463,656	\$ 257,348
Employees.....	126,450	127,528
Net appreciation (depreciation) in fair value of investments.....	440,862	550,551
Interest and dividends.....	94,165	85,921
Management and related fees.....	(15,648)	(10,972)
Securities lending income.....	1,814	3,456
Borrower rebates and fees.....	(685)	(1,278)
Intergovernmental.....	12,850	14,914
Total Additions.....	1,123,464	1,027,468
DEDUCTIONS:		
Benefits.....	444,535	415,756
Reimbursements to other systems.....	9,533	9,203
Refunds of contributions.....	42,627	14,098
Administration.....	5,835	5,514
Total deductions.....	502,530	444,571
Changes in net assets.....	620,934	582,897
Net assets - beginning of year.....	3,999,786	3,416,889
Net assets - end of year.....	\$ 4,620,720	\$ 3,999,786

OPEB Trust Fund

Comparative Statement of Changes in Plan Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	<u>2011</u>	<u>2010</u>
ADDITIONS:		
Contributions:		
Employers.....	\$ 232,667	\$ 19,992
Net appreciation (depreciation) in fair value of investments.....	5,696	(194)
Interest and dividends.....	2,689	192
Management and related fees.....	(300)	(30)
Total Additions.....	<u>240,752</u>	<u>19,960</u>
DEDUCTIONS:		
Benefits.....	149,674	-
Total deductions.....	<u>149,674</u>	<u>-</u>
Changes in net assets.....	91,078	19,960
Net assets - beginning of year.....	<u>19,960</u>	<u>-</u>
Net assets - end of year.....	<u>\$ 111,038</u>	<u>\$ 19,960</u>



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Private Purpose Trust Funds

Combining Statement of Changes in Net Assets

June 30, 2011 and 2010

(Amounts in thousands)

	Pool 1	Pool 2
ADDITIONS:		
Investment income.....	\$ 3,577	\$ 60
Departmental and other revenue.....	1,640	18
Total additions.....	5,217	78
DEDUCTIONS:		
Accounts payable.....	1,984	37
Total operating expenses.....	1,984	37
Net changes in net assets.....	3,233	41
Other Financing Uses (Sources)		
Transfers In.....	260	-
Transfers Out.....	-	-
Net assets - beginning of year.....	21,511	412
Net assets - end of year.....	\$ 25,004	\$ 453

Pool 5	Pool 7	Total 2011	Total 2010
\$ 4,058	\$ 129	7,824	\$ 4,636
1,230	17,196	20,084	19,071
5,288	17,325	27,908	23,707
		-	
		-	
1,596	20,490	24,107	19,482
1,596	20,490	24,107	19,482
3,692	(3,165)	3,801	4,225
		-	
		-	
-	-	260	-
-	(260)	(260)	-
21,810	39,692	83,425	79,200
\$ 25,502	\$ 36,267	87,226	\$ 83,425

See accompanying independent auditor's report.

Agency Fund

Combining Statement of Changes in Net Assets

June 30, 2011

(Amounts in thousands)

		Law Enforcement Trust Fund		
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and investments.....	\$ 5,834	1,081	1,114	\$ 5,801
LIABILITIES:				
Refunds payable and other.....	\$ 5,834	1,081	1,114	\$ 5,801

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	108
<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 Assets, 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 Assets by Component – Last Ten Fiscal Years	
Changes in Net Assets – 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	122
<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 Five Years Ago	
Property Tax Levies and Collections – Last Ten Fiscal Years	
Debt Capacity	126
<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	132
<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 – Fiscal Year 2011 and Five Years Before	
Operating Information	134
<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 information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

General Government Expenditures by Function

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2011	2010	2009	2008	2007
General Government	\$ 65,459	\$ 70,514	\$ 69,524	\$ 66,927	\$ 65,223
% of Total	2.7	2.9	3.1	3.1	3.2
% Change	(7.2)	1.4	3.9	2.6	13.9
Public Safety	\$ 516,725	\$ 511,365	\$ 521,898	\$ 509,293	\$ 477,403
% of Total	21.0	21.2	23.2	23.3	23.1
% Change	1.0	(2.0)	2.5	6.7	6.9
Public Works	\$ 105,318	\$ 96,641	\$ 112,168	\$ 108,831	\$ 97,897
% of Total	4.3	4.0	5.0	5.0	4.7
% Change	9.0	(13.8)	3.1	11.2	(3.5)
Library	\$ 30,532	\$ 29,853	\$ 31,268	\$ 27,089	\$ 31,225
% of Total	1.2	1.2	1.4	1.2	1.5
% Change	2.3	(4.5)	15.4	(13.2)	10.1
Schools	\$ 812,949	\$ 815,694	\$ 818,338	\$ 782,500	\$ 743,848
% of Total	33.0	33.8	36.4	35.8	36.0
% Change	(0.3)	(0.3)	4.6	5.2	3.4
Retirement Costs	\$ 195,976	\$ 235,282	\$ 82,332	\$ 95,193	\$ 92,873
% of Total	8.0	9.7	3.7	4.4	4.5
% Change	(16.7)	185.8	(13.5)	2.5	(4.1)
Employee Benefits	\$ 294,200	\$ 224,156	\$ 191,597	\$ 190,167	\$ 175,862
% of Total	12.0	9.3	8.5	8.7	8.5
% Change	31.2	17.0	0.8	8.1	11.4
State & District Assessments	\$ 152,042	\$ 146,323	\$ 142,055	\$ 132,792	\$ 124,243
% of Total	6.2	6.1	6.3	6.1	6.0
% Change	3.9	3.0	7.0	6.9	4.6
County	\$ -	\$ -	\$ -	\$ -	\$ -
% of Total	0.0	0.0	0.0	0.0	0.0
% Change	0.0	0.0	0.0	0.0	0.0
Property & Development	\$ 35,138	\$ 30,247	\$ 28,959	\$ 29,876	\$ 35,506
% of Total	1.4	1.3	1.3	1.4	1.7
% Change	16.2	4.4	(3.1)	(15.9)	6.6
Other	\$ 251,514	\$ 256,727	\$ 247,084	\$ 241,360	\$ 224,703
% of Total	10.2	10.6	11.0	11.1	10.9
% Change	(2.0)	3.9	2.4	7.4	(1.0)
Total Expenditures	\$ 2,459,853	\$ 2,416,802	\$ 2,245,223	\$ 2,184,028	\$ 2,068,783
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	1.8	7.6	2.8	5.6	4.1

*General fund only

See accompanying independent auditor's report.

Fiscal Year						FUNCTION
2006	2005	2004	2003	2002		
\$ 57,262	\$ 57,471	\$ 30,061	\$ 53,343	\$ 77,019	General Government	
2.9	3.0	1.7	3.1	4.4	% of Total	
(0.4)	91.2	(43.6)	(30.7)	13.4	% Change	
\$ 446,784	\$ 457,541	\$ 390,854	\$ 394,692	\$ 405,844	Public Safety	
22.5	24.1	22.2	22.7	23.4	% of Total	
(2.4)	17.1	(1.0)	(2.7)	8.7	% Change	
\$ 101,441	\$ 106,749	\$ 87,045	\$ 86,819	\$ 74,651	Public Works	
5.1	5.6	4.9	5.0	4.3	% of Total	
(5.0)	22.6	0.3	16.3	(3.4)	% Change	
\$ 28,365	\$ 27,594	\$ 24,089	\$ 27,715	\$ 28,695	Library	
1.4	1.5	1.4	1.6	1.7	% of Total	
2.8	14.6	(13.1)	(3.4)	(5.5)	% Change	
\$ 719,715	\$ 673,009	\$ 656,291	\$ 654,958	\$ 627,653	Schools	
36.2	35.5	37.3	37.6	36.2	% of Total	
6.9	2.5	0.2	4.4	2.7	% Change	
\$ 96,853	\$ 59,419	\$ 87,934	\$ 74,720	\$ 82,034	Retirement Costs	
4.9	3.1	5.0	4.3	4.7	% of Total	
63.0	(32.4)	17.7	(8.9)	(3.5)	% Change	
\$ 157,885	\$ 142,721	\$ 129,937	\$ 114,512	\$ 107,701	Employee Benefits	
7.9	7.5	7.4	6.6	6.2	% of Total	
10.6	9.8	13.5	6.3	19.0	% Change	
\$ 118,817	\$ 115,894	\$ 111,061	\$ 69,009	\$ 67,769	State & District Assessments	
6.0	6.1	6.3	4.0	3.9	% of Total	
2.5	4.4	60.9	1.8	1.5	% Change	
\$ -	\$ -	\$ -	\$ 4,539	\$ 4,537	County	
0.0	0.0	0.0	0.3	0.3	% of Total	
0.0	0.0	0.0	0.0	(24.8)	% Change	
\$ 33,322	\$ 29,836	\$ 31,088	\$ 29,260	\$ 48,774	Property & Development	
1.7	1.6	1.8	1.7	2.8	% of Total	
11.7	(4.0)	6.2	(40.0)	18.1	% Change	
\$ 226,885	\$ 225,187	\$ 210,451	\$ 230,292	\$ 210,468	Other	
11.4	11.9	12.0	13.2	12.1	% of Total	
0.8	7.0	(8.6)	9.4	(2.8)	% Change	
\$ 1,987,329	\$ 1,895,421	\$ 1,758,811	\$ 1,739,859	\$ 1,735,145	Total Expenditures	
100.0	100.0	100.0	100.0	100.0	% of Total	
4.8	7.8	1.1	0.3	4.1	% Change	

General Government Revenues by Source

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2011	2010	2009	2008	2007
Property Taxes	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734	\$ 1,258,878
% of Total	66.7	65.5	62.5	59.5	59.5
% Change	4.0	5.3	5.8	4.6	5.8
Motor Vehicle Excises	\$ 46,977	\$ 40,134	\$ 37,354	\$ 56,883	\$ 34,082
% of Total	2.1	1.8	1.7	2.6	1.6
% Change	17.1	7.4	(34.3)	66.9	(45.3)
Other Excises	\$ 77,237	\$ 80,986	\$ 78,100	\$ 58,926	\$ 65,734
% of Total	3.4	3.6	3.5	2.7	3.1
% Change	(4.6)	3.7	32.5	(10.4)	46.0
Departmental & Other	\$ 65,498	\$ 74,861	\$ 82,087	\$ 79,030	\$ 65,661
% of Total	2.9	3.3	3.7	3.6	3.1
% Change	(12.5)	(8.8)	3.9	20.4	26.3
State Distributions	\$ 395,374	\$ 404,619	\$ 454,252	\$ 493,227	\$ 484,510
% of Total	17.3	18.0	20.4	22.3	22.9
% Change	(2.3)	(10.9)	(7.9)	1.8	(13.1)
Payment in Lieu of Taxes	\$ 65,461	\$ 67,265	\$ 56,686	\$ 56,667	\$ 56,146
% of Total	2.9	3.0	2.5	2.6	2.7
% Change	(2.7)	18.7	0.0	0.9	(7.3)
Fines	\$ 64,751	\$ 70,627	\$ 69,711	\$ 67,940	\$ 67,546
% of Total	2.8	3.1	3.1	3.1	3.2
% Change	(8.3)	1.3	2.6	0.6	(0.5)
Investment Income	\$ 4,733	\$ 3,246	\$ 18,289	\$ 37,822	\$ 43,068
% of Total	0.2	0.1	0.8	1.7	2.0
% Change	45.8	(82.3)	(51.6)	(12.2)	33.1
Licenses & Permits	\$ 41,676	\$ 32,907	\$ 40,822	\$ 45,989	\$ 40,694
% of Total	1.8	1.5	1.8	2.1	1.9
% Change	26.6	(19.4)	(11.2)	13.0	0.8
Total Revenues	\$ 2,288,068	\$ 2,242,250	\$ 2,230,672	\$ 2,213,218	\$ 2,116,319
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	2.0	0.5	0.8	4.6	0.4

*General fund only

See accompanying independent auditor's report.

Fiscal Year						SOURCE
2006	2005	2004	2003	2002		
\$ 1,190,347	\$ 1,138,254	\$ 1,082,574	\$ 1,053,945	\$ 990,848	Property Taxes	
56.5	59.5	59.3	58.7	55.0	% of Total	
4.6	5.1	2.7	6.4	13.3	% Change	
\$ 62,328	\$ 73,855	\$ 38,135	\$ 58,263	\$ 42,776	Motor Vehicle Excises	
3.0	3.9	2.1	3.2	2.4	% of Total	
(15.6)	93.7	(34.5)	36.2	2.3	% Change	
\$ 45,033	\$ 20,051	\$ 47,219	\$ 35,870	\$ 68,338	Other Excises	
2.1	1.0	2.6	2.0	3.8	% of Total	
124.6	(57.5)	31.6	(47.5)	121.7	% Change	
\$ 51,992	\$ 60,704	\$ 45,556	\$ 62,373	\$ 62,200	Departmental & Other	
2.5	3.2	2.5	3.5	3.5	% of Total	
(14.4)	33.3	(27.0)	0.3	6.7	% Change	
\$ 557,418	\$ 460,898	\$ 459,836	\$ 444,751	\$ 492,299	State Distributions	
26.4	24.1	25.2	24.8	27.3	% of Total	
20.9	0.2	3.4	(9.7)	(0.2)	% Change	
\$ 60,584	\$ 42,218	\$ 42,373	\$ 40,910	\$ 36,332	Payment in Lieu of Taxes	
2.9	2.2	2.3	2.3	2.0	% of Total	
43.5	(0.4)	3.6	12.6	(50.0)	% Change	
\$ 67,876	\$ 65,280	\$ 66,342	\$ 59,187	\$ 60,601	Fines	
3.2	3.4	3.6	3.3	3.4	% of Total	
4.0	(1.6)	12.1	(2.3)	4.8	% Change	
\$ 32,351	\$ 17,970	\$ 8,253	\$ 8,951	\$ 14,596	Investment Income	
1.5	0.9	0.5	0.5	0.8	% of Total	
80.0	117.7	(7.8)	(38.7)	(44.5)	% Change	
\$ 40,353	\$ 33,491	\$ 33,900	\$ 30,217	\$ 33,325	Licenses & Permits	
1.9	1.8	1.9	1.7	1.9	% of Total	
20.5	(1.2)	12.2	(9.3)	(9.4)	% Change	
\$ 2,108,282	\$ 1,912,721	\$ 1,824,188	\$ 1,794,467	\$ 1,801,315	Total Revenues	
100.0	100.0	100.0	100.0	100.0	% of Total	
10.2	4.9	1.7	(0.4)	6.4	% Change	

Net Assets by Component
(Accrual basis of accounting)
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year			
	2011	2010	2009	2008
Governmental activities:				
Invested in capital assets, net of related debt.....	\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467
Restricted	156,989	234,339	217,070	234,902
Unrestricted.....	(108,780)	(69,124)	221,418	405,878
Total governmental activities net assets.....	\$ 450,855	\$ 592,312	\$ 822,877	\$ 975,247
Business-type activities:				
Invested in capital assets, net of related debt.....	\$ -	\$ -	\$ -	\$ -
Restricted	14,832	14,901	-	-
Unrestricted.....	-	(52,069)	(42,803)	(50,997)
Total business-type activities net assets.....	\$ 14,832	\$ (37,168)	\$ (42,803)	\$ (50,997)
Primary government:				
Invested in capital assets, net of related debt.....	\$ 402,646	\$ 427,097	\$ 384,389	\$ 334,467
Restricted	171,821	249,240	217,070	234,902
Unrestricted.....	(108,780)	(121,193)	178,615	354,881
Total primary government net assets.....	\$ 465,687	\$ 555,144	\$ 780,074	\$ 924,250

See accompanying independent auditor's report.

Fiscal Year

2007	2006	2005	2004	2003	2002
\$ 285,756	\$ 230,636	\$ 108,924	\$ 92,802	\$ (6,784)	\$ (92,711)
280,949	276,769	294,453	258,940	210,077	266,999
592,425	545,940	556,773	155,816	120,009	82,442
\$ 1,159,130	\$ 1,053,345	\$ 960,150	\$ 507,558	\$ 323,302	\$ 256,730
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
(70,008)	(78,251)	(84,482)	(89,654)	(82,582)	(59,517)
\$ (70,008)	\$ (78,251)	\$ (84,482)	\$ (89,654)	\$ (82,582)	\$ (59,517)
\$ 285,756	\$ 230,636	\$ 108,924	\$ 92,802	\$ (6,784)	\$ (92,711)
280,949	276,769	294,453	258,940	210,077	266,999
522,417	467,689	472,291	66,162	37,427	22,925
\$ 1,089,122	\$ 975,094	\$ 875,668	\$ 417,904	\$ 240,720	\$ 197,213

Changes in Net Assets
(Accrual basis of accounting)
Last Ten Fiscal Years
(Amounts in thousands)

	Fiscal Year		
	2011	2010	2009
EXPENSES:			
Governmental activities:			
General government.....	\$ 80,968	\$ 106,435	\$ 103,420
Human services.....	49,974	52,310	48,896
Public safety.....	875,111	930,779	920,790
Public works.....	133,830	131,883	145,867
Property and development.....	117,871	118,456	105,581
Parks and recreation.....	31,956	31,204	30,026
Library.....	47,320	50,050	52,881
Schools.....	1,317,108	1,314,601	1,316,314
Public health programs.....	70,619	71,453	71,618
Interest on long-term debt.....	40,329	39,832	28,041
Other.....	-	-	-
Total governmental activities expenses.....	<u>2,765,086</u>	<u>2,847,003</u>	<u>2,823,434</u>
Business-type activities:			
Convention center.....	1,516	13,751	4,902
Hospital.....	3,336	3,635	3,924
Total business-type activities.....	<u>4,852</u>	<u>17,386</u>	<u>8,826</u>
Total primary government expenses.....	<u>\$ 2,769,938</u>	<u>\$ 2,864,389</u>	<u>\$ 2,832,260</u>
PROGRAM REVENUES:			
Governmental activities:			
Charges for services:			
Public safety.....	89,485	85,305	115,013
Public works.....	12,029	12,190	10,174
Schools.....	9,451	20,318	16,077
Other.....	33,410	39,236	28,562
Operating grants and contributions.....	501,441	547,812	594,914
Capital grants and contributions.....	33,338	12,555	56,517
Total governmental activities program revenues.....	<u>679,154</u>	<u>717,416</u>	<u>821,257</u>
Business-type activities:			
Operating grants and contributions.....	1,172	5,567	1,116
Total business-type activities program revenues.....	<u>1,172</u>	<u>5,567</u>	<u>1,116</u>
Total primary government program revenues.....	<u>\$ 680,326</u>	<u>\$ 722,983</u>	<u>\$ 822,373</u>

See accompanying independent auditor's report.

Fiscal Year						
2008	2007	2006	2005	2004	2003	2002
\$ 109,121	\$ 82,793	\$ 82,387	\$ 113,636	\$ 77,547	\$ 60,703	\$ 84,930
50,827	41,697	39,956	36,413	32,180	32,357	11,730
908,353	730,627	767,403	724,716	590,357	588,149	604,605
148,497	125,228	127,379	121,513	95,104	94,316	82,891
110,272	112,857	112,875	89,213	118,764	93,265	112,787
30,134	20,371	22,485	20,310	14,170	20,269	18,987
47,340	45,498	41,665	37,878	30,479	33,938	38,112
1,272,997	1,187,826	1,061,634	963,928	824,277	792,159	769,085
68,718	65,439	63,604	62,296	58,848	63,897	64,537
31,058	28,725	33,312	35,877	39,042	48,397	38,514
-	-	-	10,134	214,474	213,738	185,817
2,777,317	2,441,061	2,352,700	2,215,914	2,095,242	2,041,188	2,011,995
5,122	5,202	10,814	6,165	38,541	40,786	19,035
4,201	4,979	4,915	5,104	5,285	8,881	8,232
9,323	10,181	15,729	11,269	43,826	49,667	27,267
\$ 2,786,640	\$ 2,451,242	\$ 2,368,429	\$ 2,227,183	\$ 2,139,068	\$ 2,090,855	\$ 2,039,262
127,460	120,887	121,090	112,585	105,405	89,480	90,498
2,564	16,748	13,670	15,114	3,806	4,196	3,412
16,910	25,562	15,105	15,308	12,868	18,223	17,278
33,135	25,717	17,731	15,506	18,339	15,468	19,666
593,767	594,457	614,685	581,220	644,429	503,696	541,589
18,267	19,306	24,746	21,079	38,595	30,327	30,946
792,103	802,677	807,027	760,812	823,442	661,390	703,389
1,196	1,152	3,537	297	24,256	12,877	38,695
1,196	1,152	3,537	297	24,256	12,877	38,695
\$ 793,299	\$ 803,829	\$ 810,564	\$ 761,109	\$ 847,698	\$ 674,267	\$ 742,084

Changes in Net Assets (continued)

(Accrual basis of accounting)

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year		
	2011	2010	2009
NET EXPENSE:			
Governmental activities.....	\$ (2,085,932)	\$ (2,129,587)	\$ (2,002,177)
Business-type activities.....	(3,680)	(11,819)	(7,710)
Total primary government net expense.....	\$ (2,089,612)	\$ (2,141,406)	\$ (2,009,887)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes.....	\$ 1,525,494	\$ 1,468,340	\$ 1,389,218
Excises.....	122,399	123,121	115,237
Payment in lieu of taxes.....	65,461	67,265	56,686
Grants and contributions not restricted.....	187,322	171,174	230,475
Investment income.....	21,724	17,221	22,584
Miscellaneous.....	23,195	21,901	12,107
Special items.....	-	-	-
Transfers.....	(1,120)	30,000	27,000
Total governmental activities.....	1,944,475	1,899,022	1,853,307
Business-type activities:			
Taxes:			
Excises.....	58,508	43,887	36,605
Investment income.....	3,561	3,567	6,299
Miscellaneous.....	(7,509)	-	-
Transfers.....	1,120	(30,000)	(27,000)
Total business-type activities.....	55,680	17,454	15,904
Total primary government.....	\$ 2,000,155	\$ 1,916,476	\$ 1,869,211
CHANGES IN NET ASSETS:			
Governmental activities.....	\$ (141,457)	\$ (230,565)	\$ (148,870)
Business-type activities.....	52,000	5,635	8,194
Total primary government.....	\$ (89,457)	\$ (224,930)	\$ (140,676)

Fiscal Year						
2008	2007	2006	2005	2004	2003	2002
\$ (1,985,214)	\$ (1,638,384)	\$ (1,545,673)	\$ (1,455,102)	\$ (1,271,800)	\$ (1,379,798)	\$ (1,308,606)
(8,127)	(9,029)	(12,192)	(10,972)	(19,570)	(36,790)	11,428
\$ (1,993,341)	\$ (1,647,413)	\$ (1,557,865)	\$ (1,466,074)	\$ (1,291,370)	\$ (1,416,588)	\$ (1,297,178)
\$ 1,316,165	\$ 1,261,159	\$ 1,195,564	\$ 1,136,487	\$ 1,103,003	\$ 1,005,684	\$ 967,762
97,262	111,079	94,743	100,888	91,551	95,157	109,503
56,668	56,146	60,584	42,218	42,373	40,910	36,332
259,931	246,538	225,731	231,258	171,976	234,719	272,150
47,072	52,528	42,082	28,072	18,304	18,655	23,097
1,531	539	2,164	2,344	11,849	33,245	33,568
(298)	(3,820)	-	348,427	-	-	13,300
23,000	20,000	18,000	18,000	17,000	18,000	-
1,801,331	1,744,169	1,638,868	1,907,694	1,456,056	1,446,370	1,455,712
40,342	35,092	30,503	28,028	23,845	23,348	5,079
9,796	2,180	5,920	6,116	5,653	8,377	8,594
-	-	-	-	-	-	7,303
(23,000)	(20,000)	(18,000)	(18,000)	(17,000)	(18,000)	-
27,138	17,272	18,423	16,144	12,498	13,725	20,976
\$ 1,828,469	\$ 1,761,441	\$ 1,657,291	\$ 1,923,838	\$ 1,468,554	\$ 1,460,095	\$ 1,476,688
\$ (183,883)	\$ 105,785	\$ 93,195	\$ 452,592	\$ 184,256	\$ 66,572	\$ 147,106
19,011	8,243	6,231	5,172	(7,072)	(23,065)	32,404
\$ (164,872)	\$ 114,028	\$ 99,426	\$ 457,764	\$ 177,184	\$ 43,507	\$ 179,510

Fund Balances of Governmental Funds

(Accrual basis of accounting)

Last Ten Fiscal Years

(Amounts in thousands)

	2011		
General Fund			
Assigned.....	141,891		
Unassigned.....	511,040		
Total general fund.....	\$ 652,931		
All other Governmental Funds			
Nonspendable.....	4,974		
Restricted.....	195,333		
Assigned.....	80,975		
Total all other governmental funds.....	\$ 281,282		
		2010	2009
General Fund			
Reserved for:			
Encumbrances.....		\$ 36,808	\$ 37,534
Debt service.....		-	-
Unreserved:			
Designated for subsequent years expenditures.....		123,103	240,824
Undesignated.....		547,282	550,329
Total general fund.....		\$ 707,193	\$ 828,687
All Other Governmental Funds			
Reserved for:			
Encumbrances.....		\$ 136,138	\$ 116,878
Debt service.....		-	-
Future appropriations.....		24,108	30,087
Unreserved:			
Undesignated:			
Special revenue.....		123,714	138,594
Capital projects.....		(65,024)	(74,168)
Reported in permanent funds.....		37,098	35,743
Total all other governmental funds.....		\$ 256,034	\$ 247,134

See accompanying independent auditor's report.

Fiscal Year

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 32,519	\$ 38,617	\$ 44,573	\$ 33,155	\$ 56,132	\$ 20,787	\$ 20,262
-	-	-	-	-	-	-
216,429	198,098	178,157	164,621	139,986	139,028	36,000
553,101	495,334	438,667	415,248	377,102	331,539	345,847
<u>\$ 802,049</u>	<u>\$ 732,049</u>	<u>\$ 661,397</u>	<u>\$ 613,024</u>	<u>\$ 573,220</u>	<u>\$ 491,354</u>	<u>\$ 402,109</u>
\$ 125,858	\$ 187,565	\$ 138,992	\$ 136,023	\$ 85,643	\$ 133,379	\$ 156,131
-	-	-	-	-	-	-
30,087	35,756	43,756	43,724	50,374	42,875	55,874
144,043	154,404	149,791	130,236	124,127	62,493	76,600
(110,745)	(144,877)	(100,639)	(109,563)	(45,918)	(70,289)	(93,240)
44,678	48,101	44,869	43,837	44,714	41,619	43,773
<u>\$ 233,921</u>	<u>\$ 280,949</u>	<u>\$ 276,769</u>	<u>\$ 244,257</u>	<u>\$ 258,940</u>	<u>\$ 210,077</u>	<u>\$ 239,138</u>

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2011	2010	2009	2008
REVENUES:				
Real and personal property taxes.....	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734
Excises.....	124,214	121,120	115,454	115,809
Payments in lieu of taxes.....	65,461	67,265	56,686	56,667
Fines.....	64,772	70,649	69,723	68,090
Investment Income.....	11,956	8,907	15,275	38,554
Licenses and permits.....	41,750	32,907	41,130	46,049
Departmental and other.....	103,003	91,468	104,208	111,982
Intergovernmental.....	707,754	742,464	875,912	850,392
Total revenues.....	2,645,271	2,602,385	2,671,759	2,604,277
EXPENDITURES:				
General government.....	78,573	78,148	81,905	81,877
Human services.....	36,008	38,014	37,307	38,575
Public safety.....	526,332	523,515	529,425	530,379
Public works.....	109,635	105,123	121,422	122,038
Property and development.....	111,607	117,394	93,408	102,682
Parks and recreation.....	19,766	17,534	18,195	17,928
Library.....	33,556	33,431	36,634	32,051
Schools.....	974,832	962,703	973,327	931,569
Public health programs.....	70,380	71,214	71,393	68,394
County.....	-	69,040	129,603	121,180
Judgments and claims.....	811	10,181	9,946	1,967
Retirement costs.....	195,976	235,282	82,332	95,193
Other employee benefits.....	294,200	224,156	191,597	190,167
State and district assessments.....	152,042	146,323	142,055	132,792
Capital outlays.....	140,405	126,668	141,309	183,244
Debt service:				
Principal	91,690	91,784	87,700	83,460
Interest.....	42,092	41,300	31,594	32,311
Total Expenditures.....	2,877,905	2,891,810	2,779,152	2,765,807
Deficiency of revenues under expenditures.....	(232,634)	(289,425)	(107,393)	(161,530)
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS:				
Long-term debt and capital leases issued.....	156,109	144,492	113,962	153,510
Issuance of refunding bonds.....	52,720	68,345	40,425	28,155
Payments to refunded bonds escrow agent.....	(15,490)	(73,640)	(42,230)	(28,565)
Premiums on long-term debt issued.....	11,401	7,634	8,087	8,402
Transfers, net.....	(1,120)	30,000	27,000	23,000
Proceeds from sale of capital assets.....	-	-	-	-
Total other financing sources (uses) and special items.....	203,620	176,831	147,244	184,502
Net change in fund balances.....	\$ (29,014)	\$ (112,594)	\$ 39,851	\$ 22,972
Debt Service as a percentage of noncapital expenditures.....	4.80%	4.83%	4.51%	4.44%

See accompanying independent auditor's report.

Fiscal Year

2007	2006	2005	2004	2003	2002
\$ 1,258,878	\$ 1,190,347	\$ 1,138,254	\$ 1,082,574	\$ 1,053,945	\$ 990,848
99,816	107,361	93,906	85,354	94,133	111,114
56,146	60,584	42,218	42,373	40,910	36,332
67,557	67,894	65,297	66,361	59,206	60,645
43,818	32,892	18,322	8,480	9,490	14,868
40,759	40,424	33,565	33,970	30,274	33,577
124,369	109,768	122,600	89,451	79,679	82,943
843,503	944,427	802,029	827,308	769,193	840,869
2,534,846	2,553,697	2,316,191	2,235,871	2,136,830	2,171,196
77,390	67,325	84,508	39,788	66,053	90,434
35,031	34,884	32,499	31,979	31,969	11,724
505,981	476,788	481,879	411,906	417,811	427,732
106,939	110,402	109,468	87,331	87,005	75,058
102,399	105,071	86,990	117,687	93,111	111,855
17,354	16,107	16,709	12,490	15,453	16,626
36,391	34,035	33,173	29,498	32,901	33,956
898,622	869,400	808,001	780,647	786,341	757,815
65,333	63,267	62,296	58,848	63,897	64,537
114,218	106,270	101,832	102,044	100,991	109,291
2,257	11,590	6,620	(3,544)	2,880	2,724
92,873	96,853	59,419	87,934	74,720	82,034
175,862	157,885	142,721	129,937	114,512	107,701
124,243	118,817	115,894	111,061	69,009	67,769
131,413	105,815	91,462	134,879	167,862	144,770
82,280	76,565	84,855	85,930	86,060	81,470
30,932	133,481	34,793	38,062	73,965	37,790
2,599,518	2,584,555	2,353,119	2,256,477	2,284,540	2,223,286
(64,672)	(30,858)	(36,928)	(20,606)	(147,710)	(52,090)
115,051	89,871	84,609	84,786	216,824	174,754
85,425	-	52,775	78,200	91,710	-
(85,350)	-	(103,744)	(40,426)	(130,740)	-
4,378	3,872	10,409	11,775	12,100	-
20,000	18,000	18,000	17,000	18,000	-
-	-	-	-	-	13,300
139,504	111,743	62,049	151,335	207,894	188,054
\$ 74,832	\$ 80,885	\$ 25,121	\$ 130,729	\$ 60,184	\$ 135,964
4.58%	8.44%	5.27%	5.81%	7.48%	5.74%

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		
2011	\$ 56,563,231	\$ 25,171,149	\$ 679,520	\$ 4,386,681	\$ 86,800,582	\$ 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
2006	50,688,907	20,041,911	679,680	3,327,503	74,738,001	17.42
2005	46,816,633	18,663,279	640,350	3,133,267	69,253,529	17.84
2004	44,313,799	17,761,725	642,201	3,424,005	66,141,730	17.72
2003	35,147,998	18,640,038	602,730	3,142,579	57,533,345	19.15
2002	31,774,558	18,905,256	619,670	2,889,815	54,189,299	19.00

(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 ⁽¹⁾
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%)	
2006	Residential	11.12	11.12	3.6%	17.42
	C.I.P.	30.70	30.70	(6.1%)	
2005	Residential	10.73	10.73	5.7%	17.84
	C.I.P.	32.68	32.68	(1.2%)	
2004	Residential	10.15	10.15	(10.1%)	17.72
	C.I.P.	33.08	33.08	5.0%	
2003	Residential	11.29	11.29	2.5%	19.15
	C.I.P.	31.49	31.49	3.8%	
2002	Residential	11.01	11.01	4.1%	19.00
	C.I.P.	30.33	30.33	0.5%	

(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.

C.I.P. = Commercial, Industrial, and Personal Property.

Largest Principal Taxpayers ⁽¹⁾

Current and Nine Years Ago

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Blackstone Real Estate Partners.....	\$ 2,608,421,220	1	3.01%	\$ -	-	-
NSTAR/ Boston Edison Company	1,674,541,170	2	1.93%	1,213,096,630	2	2.24%
Boston Properties	1,307,575,720	3	1.51%	-	-	-
Tishman Speyer Properties	899,789,970	4	1.04%	-	-	-
Normandy Real Estate Partners (2).....	701,985,766	5	0.81%	-	-	-
Fort Hill Associates.....	693,356,670	6	0.80%	644,366,512	5	1.19%
Brookfield Properties Corporation.....	673,566,390	7	0.78%	-	-	-
Teacher's Insurance and Annuity Association	577,598,000	8	0.67%	-	-	-
National Grid Inc.....	443,608,710	9	0.51%	-	-	-
One Hundred Federal Street, LPS	436,892,360	10	0.50%	-	-	-
UIDC of Massachusetts, Inc.	429,196,810	11	0.49%	418,987,496	9	0.77%
Fortis Property Group	395,482,680	12	0.46%	-	-	-
Dewey Square Tower Associates	393,935,800	13	0.45%	-	-	-
John Hancock Financial.....	388,601,550	14	0.45%	749,271,684	3	1.38%
Equity Office Properties	-	-	-	1,908,194,000	1	3.52%
BP Prudential.....	-	-	-	705,203,900	4	1.30%
World Financial Partners.....	-	-	-	630,495,008	6	1.16%
TST (One Twenty Five High Street).....	-	-	-	503,178,484	7	0.93%
Verizon.....	-	-	-	420,400,647	8	0.78%
Equitable Federal Street Realty Co.....	-	-	-	387,936,000	10	0.72%
	<u>\$ 11,624,552,816</u>		<u>13.39%</u>	<u>\$ 7,581,130,361</u>		<u>13.99%</u>

(1) The methodology used in creating the table involves the search of the title holder, or holders, of all major parcels in the City. This methodology does not necessarily locate all parcels owned by affiliates nor does it differentiate between percentage ownership in a particular parcel.

(2) Normandy Real Estate Partners acquired the Hancock Tower at auction in March 2009 (previously owned by Broadway Partners). Normandy Real Estate Partners, in turn, sold the Hancock Tower to Boston Properties in December 2010. The Hancock Tower is reflected in Normandy's real estate figure since they were owner of record as of the FY 2011 assessment date of January 1, 2010.

Source: City of Boston Assessing and Treasury Departments

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts in millions)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ⁽¹⁾	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 1,541.1	\$ 1,523.5	98.86%	-	\$ 1,523.5	98.86%
2010	1,465.5	1,447.2	98.75%	7.7	1,454.9	99.28%
2009	1,398.9	1,382.3	98.81%	7.9	1,390.2	99.38%
2008	1,334.6	1,317.2	98.70%	7.2	1,324.4	99.24%
2007	1,270.8	1,245.2	97.99%	13.3	1,258.5	99.03%
2006	1,208.2	1,184.5	98.04%	11.3	1,195.8	98.97%
2005	1,150.1	1,127.2	98.01%	13.2	1,140.4	99.16%
2004	1,094.2	1,071.1	97.89%	19.6	1,090.7	99.68%
2003	1,035.9	1,016.3	98.11%	8.9	1,025.2	98.97%
2002	972.7	958.8	98.57%	6.9	965.7	99.28%

(1) Includes omitted assessments billed in June of each fiscal year and subsequently reduced 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
2011	\$ 1,026,305	\$ 36,602	\$ 28,123	\$ -	\$ 73,080
2010	952,830	40,285	35,504	93,505	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	860,915	34,170	24,386	103,715	101,490
2006	839,125	51,400	17,620	106,785	107,985
2005	835,690	149,603	13,413	109,700	114,290
2004	893,485	150,676	12,600	112,480	120,415
2003	873,875	137,589	17,492	114,790	127,800
2002	829,465	127,279	26,036	116,890	141,095

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 Table 7 for the City's total assessed value of property.

(3) See Table 14 for the City's population data.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Total Primary Government		% of Total Assessed Value ⁽²⁾	Per Capita ⁽³⁾	
\$	1,164,110	1.34%	\$	1.80
	1,202,729	1.38%		1.86
	1,173,901	1.30%		1.82
	1,170,694	1.30%		1.84
	1,124,676	1.30%		1.81
	1,122,915	1.50%		1.83
	1,222,696	1.77%		2.01
	1,289,656	1.95%		2.12
	1,271,546	2.21%		2.09
	1,240,765	2.29%		2.04

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)

Fiscal Year	General Bonded Debt Outstanding	Assessed Value (1)	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita (2)
2011	1,026,305	86,800,582	1.2%	1.59
2010	952,830	87,256,531	1.1%	1.48
2009	916,820	90,387,171	1.0%	1.42
2008	903,215	90,067,298	1.0%	1.42
2007	860,915	86,516,105	1.0%	1.38
2006	839,125	74,738,001	1.1%	1.37
2005	835,690	69,253,529	1.2%	1.37
2004	893,485	66,141,730	1.4%	1.47
2003	873,875	57,533,345	1.5%	1.44
2002	829,465	54,189,299	1.5%	1.36

(1) See table 7 for the City's total assessed value of property.

(2) See Table 14 for the City's population data.



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Legal Debt Margin Information

Last Ten Fiscal Years

(Amounts in thousands)

	2011	2010	2009	2008
Debt limit.....	\$ 5,301,711	\$ 5,293,826	\$ 4,387,466	\$ 4,387,466
Total net debt applicable to limit.....	1,345,702	1,257,207	369,724	1,187,532
Legal debt margin.....	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>	<u>\$ 4,017,742</u>	<u>\$ 3,199,934</u>
Total net debt applicable to the limit as a percentage of debt limit.....	25.38%	23.75%	8.43%	27.07%

Legal Debt margin Calculation for Fiscal Year 2011

Equalized valuation as of January 31, 2011 (1).....	\$ 106,034,217
Maximum debt limits as of July 1, 2011 (2).....	5,301,711
Less: Debt outstanding June 30, 2010	(792,646)
Less: Debt authorized but unissued as of June 30, 2010 (3).....	<u>(467,711)</u>
Debt incurring capacity as of June 30, 2010.....	4,041,354
 Add: Debt redeemed during fiscal year 2011.....	52,270
Less: City Council Authorizations during fiscal year 2011.....	(138,231)
Debt Adjustments approved through fiscal year 2011.....	-
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2011.....	-
Add: Refunded amounts.....	616
Debt incurring capacity as of June 30, 2011.....	<u><u>\$ 3,956,009</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, 2011 and City Council authorizations during fiscal year 2011 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

2007	2006	2005	2004	2003	2002
\$ 3,814,054	\$ 3,814,054	\$ 3,287,567	\$ 3,187,567	\$ 1,743,783	\$ 1,246,458
524,358	1,043,419	480,943	882,198	977,123	899,487
<u>\$ 3,289,696</u>	<u>\$ 2,770,635</u>	<u>\$ 2,806,624</u>	<u>\$ 2,305,369</u>	<u>\$ 766,660</u>	<u>\$ 346,971</u>
13.75%	27.36%	14.63%	27.68%	56.03%	72.16%

Demographic and Economic Statistics

Last Ten Calendar Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾
2011	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	9.0%/8.7%
2009	645,169	N/A	N/A	8.1%
2008	636,748	\$ 38,826,315	\$ 60,976	5.2%
2007	622,748	37,704,838	60,546	4.4%
2006	612,192	35,062,332	57,273	4.9%
2005	609,690	32,313,638	53,000	5.2%
2004	607,367	30,633,188	50,436	5.6%
2003	607,871	28,780,755	47,347	6.4%
2002	607,931	28,060,850	46,158	5.9%

N/A = Information not available for this fiscal year

(1) See Debt Ratios table in the City's Official Statement for population data.

(2) Suffolk County's population comprises 87% for Boston and 13% for Revere, Chelsea, and Winthrop. Take 87% of the number shown to get the Boston estimate.

(3) According to the 2000 census, Boston's 1999 per capita income was 2.58% greater than that for Suffolk County. Numbers shown are the official Suffolk data. To get Boston's per capita number, assuming the ratio of Boston to Suffolk has not changed, multiply numbers by 1.0258.

(4) Most recent unemployment rates are preliminary and subject to revision.

Principal Employers

Current and Nine Years Ago

<u>Employer</u>	<u>2011</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Massachusetts General Hospital.....	14,207	1	2.15%	16,146	1	2.52%
Brigham and Women's Hospital.....	11,607	2	1.76%	11,225	2	1.75%
Boston University.....	9,301	3	1.41%	9,087	4	1.42%
Children's Hospital, Boston.....	7,603	4	1.15%	3,832	9	0.60%
Beth Israel Deaconess Medical Center.....	7,192	5	1.09%	10,861	3	1.69%
Liberty Mutual Holding Company Inc.....	7,125	6	1.08%			
State Street Bank & Trust Co.....	5,600	7	0.85%			
Fidelity.....	5,457	8	0.83%	8,000	5	1.25%
Boston Medical Center Corporation.....	4,875	9	0.74%	4,000	8	0.62%
Tufts Medical Center.....	3,915	10	0.59%			
New England Medical Center.....				5,508	6	0.86%
Northeastern University.....				4,417	7	0.69%
Harvard University.....				3,654	10	0.57%
Total	<u>76,882</u>		<u>11.64%</u>	<u>76,730</u>		<u>11.97%</u>

Note 1: This list does not include large public sector agencies or nonprofit firms except for some hospitals, colleges, and media companies.

Note 2: Used previous data from 2006 due to specific number of employees known for each employer

Source: Dun and Bradstreet, Info USA, New England Board of Higher Education, American Hospital Association, and BRA

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

Last Ten Fiscal Years

	Fiscal Year			
	2011	2010	2009	2008 ⁽⁵⁾
CITY-FUNDED:				
Public safety (2).....	4,476	4,431	4,685	4,737
Public works.....	359	378	388	404
Other city departments (3).....	2,596	2,712	2,841	2,771
Boston Public Health Commission (4)	794	797	820	752
Schools.....	8,047	8,211	8,572	8,476
Total city-funded.....	16,272	16,529	17,306	17,140
GRANT-FUNDED:				
Schools.....	792	754	755	912
All others (6).....	292	378	1,433	1,391
Total grant-funded.....	1,084	1,132	2,188	2,303
Total employees.....	17,356	17,661	19,494	19,443

(1) 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

(3) Includes State - Boston Retirement System funded solely from the investment income account of the system

(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

2007 ⁽⁵⁾	2006	2005	2004	2003	2002
4,554	4,421	4,451	4,393	4,608	4,662
418	415	424	409	426	451
2,747	2,772	2,739	2,762	2,913	3,221
750	738	743	728	745	768
8,300	8,087	8,009	7,792	8,440	8,510
16,769	16,433	16,366	16,084	17,132	17,612
963	954	924	866	934	925
1,429	1,491	1,449	1,468	1,480	1,640
2,392	2,445	2,373	2,334	2,414	2,565
19,161	18,878	18,739	18,418	19,546	20,177

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Police				
Service calls answered.....	543,424	621,794	577,126	577,163
Moving/traffic violations	107,822	138,441	137,217	132,546
Parking violations as of June 30.....	1,435,022	1,571,688	1,591,832	1,529,537
Fire				
Calls answered.....	71,244	69,859	71,247	70,176
Inspections conducted.....	24,297	23,900	22,093	23,810
Library				
Personnel full-time.....	385	431	464	518
Personnel part-time.....	54	57	96	158
Central and branch libraries.....	26	26	27	27
Books, audio and video materials, newspapers, and magazines in circulation.....	3,534,413	3,587,136	3,403,538	3,116,540
Library cards in force.....	639,700	610,352	518,080	552,797
Schools				
Student enrollment as of June 30.....	56,789	56,219	56,144	56,074
Streets, sidewalks, and bridges				
Streets in miles.....	988	968	810	809
Hospitals				
Births as of June 30.....	21,568	21,064	21,387	8,430
Deaths as of June 30.....	7,572	6,987	7,185	3,043

Fiscal Year

2007	2006	2005	2004	2003	2002
538,330	512,437	499,580	480,349	454,150	489,951
136,263	136,297	122,185	126,361	159,211	202,521
1,527,061	1,606,863	1,549,559	1,683,673	1,683,573	1,769,376
72,071	71,632	70,463	73,218	75,542	78,826
23,500	28,321	29,124	32,244	35,115	34,930
476	464	458	478	482	565
117	119	119	117	104	110
27	27	27	27	27	27
2,848,813	2,593,476	2,431,222	2,392,554	2,407,309	2,476,715
1,621,133	2,690,461	1,476,334	1,314,167	1,350,231	1,115,481
56,369	57,139	57,457	60,300	60,491	62,315
809	730	785	785	785	785
22,107	21,673	22,315	23,200	23,165	23,318
7,615	7,702	7,538	8,837	8,201	8,477

Capital Asset Statistics by Department

Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Police				
Officers and personnel.....	2,948	2,885	3,011	3,085
Stations.....	11	11	11	11
Fire				
Officers and personnel.....	1,559	1,557	1,573	1,525
Stations.....	35	35	35	35
Parks and Recreation				
Personnel (Parks Division).....	218	212	224	224
Neighborhood (city) parks.....	251	251	257	257
Neighborhood (city) playgrounds – Tot Lots.....	128	128	132	129
Community Centers – (BCYF operated).....	38	45	46	46
Golf courses.....	2	2	2	2
Swimming pools (BCYF operated).....	17	21	23	20
Tennis courts.....	78	78	67	67
Public Education				
Total number of Boston Public Schools employees.....	9,982	9,240	9,188	9,754
Total number of schools.....	135	135	135	144
Public Works				
Traffic signals (signalized intersections).....	833	823	813	800
Parking meters (approximately).....	7,195	7,304	7,038	6,300
Bridges.....	4	4	4	4
Hospitals				
Number of hospitals.....	20	20	22	22
Patient beds.....	5,584	5,564	5,629	5,618

Fiscal Year

2007	2006	2005	2004	2003	2002
3,048	2,868	2,887	2,855	2,925	3,079
11	11	11	11	11	11
1,511	1,467	1,486	1,468	1,511	1,541
34	34	34	34	34	34
207	191	203	225	204	244
266	246	246	225	225	215
121	125	125	164	164	192
46	46	39	37	37	43
2	2	2	2	2	2
21	18	21	20	20	20
66	78	78	107	107	75
7,774	7,819	7,695	7,950	9,035	10,348
145	145	144	139	139	131
822	814	885	885	885	784
6,449	6,676	7,000	7,000	7,000	6,800
4	4	4	4	4	4
22	20	21	19	19	19
5,692	5,181	4,876	5,860	5,899	5,847