

City of Boston

Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Thomas M. Menino, Mayor

Lisa C. Signori, Director of Administration and Finance

Sally D. Glora, City Auditor



Prepared by the City of Boston Auditing Department



Cover and divider production by the City of Boston Graphic Arts Department

Cover photo: City of Boston seal

City of Boston, Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Table of Contents

| | <u>Page</u> |
|--|-------------|
| INTRODUCTORY SECTION (Unaudited) | |
| Transmittal Letter | I |
| GFOA Certificate of Achievement | IX |
| Organizational Chart of City Government | X |
| List of Elected and Appointed Officials | XII |
| Organizational Chart of Auditing Department | XIII |
| List of Auditing Department Personnel | XIV |
| FINANCIAL SECTION | |
| <i>Independent Auditors' Report</i> | 1 |
| <i>Management's Discussion and Analysis (Unaudited)</i> | 3 |
| <i>Basic Financial Statements:</i> | |
| Governmentwide Financial Statements | |
| Statement of Net Assets | 17 |
| Statement of Activities | 18 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 20 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 22 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 23 |
| Statement of Revenues and Expenditures – Budgetary Basis, General Fund – Budget and Actual | 24 |
| Statement of Net Assets – Proprietary Funds | 25 |
| Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds | 26 |
| Statement of Cash Flows – Proprietary Fund Types | 27 |
| Statement of Fiduciary Net Assets – Fiduciary Funds | 28 |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Funds | 29 |
| Notes to Basic Financial Statements | 30 |
| <i>Required Supplementary Information (Unaudited)</i> | 70 |
| <i>Combining, Individual Fund Statements and Schedules (Unaudited):</i> | |
| General Fund | |
| Fund Description | 71 |
| Comparative Balance Sheets | 72 |
| Comparative Statement of Revenues, Expenditures and Changes in Fund Balance | 73 |
| Schedule of Revenues and Other Financing Sources Compared to Budget | 74 |
| Schedule of Expenditures Compared to Budget | 78 |

Table of Contents

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Special Revenue Fund | | |
| Fund Description | | 81 |
| Comparative Balance Sheets | B-1 | 82 |
| Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance | B-2 | 83 |
| Capital Projects Fund | | |
| Fund Description | | 85 |
| Comparative Balance Sheets | C-1 | 86 |
| Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance | C-2 | 87 |
| Other Governmental Funds | | |
| Funds Description | | 89 |
| Combining Balance Sheet | D-1 | 90 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance | D-2 | 91 |
| Internal Service Fund | | |
| Fund Description | | 93 |
| Comparative Statements of Net Assets | E-1 | 94 |
| Comparative Statements of Revenues, Expenses, and Changes in Net Assets | E-2 | 95 |
| Comparative Statements of Cash Flows | E-3 | 96 |
| Fiduciary Funds | | |
| Funds Descriptions | | 97 |
| Comparative Statement of Net Assets – State-Boston Retirement System | F-1 | 98 |
| Combining Statement of Net Assets – Private Purpose Trust Funds | F-2 | 100 |
| Comparative Statement of Net Assets – Agency Fund | F-3 | 102 |
| Comparative Statement of Changes in Plan Net Assets – State-Boston Retirement System | F-4 | 103 |
| Combining Statement of Revenues, Expenditures, and Changes in Net Assets – Private Purpose Trust Funds | F-5 | 104 |
| Combining Statement of Changes in Net Assets – Agency Fund | F-6 | 106 |

STATISTICAL SECTION (Unaudited)

| | <u>Table</u> | <u>Page</u> |
|--|--------------|-------------|
| Statistical Section Overview | | 107 |
| General Government Expenditures by Function (GAAP Basis) | 1 | 110 |
| General Government Revenues by Source (GAAP Basis) | 2 | 112 |
| Net Assets by Component | 3 | 114 |
| Changes in Net Assets | 4 | 116 |
| Fund Balances of Governmental Funds | 5 | 120 |
| Changes in Fund Balances of Governmental Funds | 6 | 122 |
| Assessed and Estimated Actual Value of All Taxable Property | 7 | 124 |
| Property Tax Rates – Direct and Overlapping Governments | 8 | 125 |
| Largest Principal Taxpayers | 9 | 126 |
| Property Tax Levies and Collections | 10 | 127 |
| Ratios of Outstanding Debt by Type | 11 | 128 |
| Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt per Capita | 12 | 130 |
| Legal Debt Margin Information | 13 | 132 |
| Demographic and Economic Statistics | 14 | 134 |
| Principal Employers | 15 | 136 |
| Full-Time Equivalent City Government Employees by Department | 16 | 138 |
| Operating Indicators by Function | 17 | 140 |
| Capital Asset Statistics by Department | 18 | 142 |



**City of Boston
Auditing Department**

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December 2, 2009

*The Honorable Mayor and
Members of the City Council:*

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, 2009. The financial position and results of operations of the various funds have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). All requirements of state finance law of the Commonwealth of Massachusetts and the City Charter have also been satisfied.

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 the firm of KPMG LLP to perform the June 30, 2009 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 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, 2009 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.

The City's management is 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. An integrated computerized financial accounting system is maintained by the Auditing Department to record transactions within these accounts. This system is an encumbrance accounting system, which monitors the City's purchase orders for goods, services, and other contractual commitments as well as automates the controls over the budgetary and general accounting processes.

Management believes this report is accurate in all material respects and all disclosures necessary have been included to fairly present the financial position of the City.

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

The CAFR is presented in three sections; introductory, financial, and statistical. The introductory section includes this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart, a list of Elected and Appointed Officials, the Auditing Department's organizational chart and a list of the Auditing Department personnel. The financial section includes the report of independent auditors on the basic financial statements, the management's discussion and analysis (MD&A), the basic financial statements, and required supplementary information. The MD&A, beginning on page 3, should be read in conjunction with this letter of transmittal as they are intended to compliment each other. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

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 as required by GASB Statement No. 14, *The Financial Reporting Entity*. 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 accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues, and expenses.

The City budgets and maintains its books and records on a statutory basis of accounting prescribed by the Commonwealth of Massachusetts. This basis of accounting differs from GAAP. As a part of its internal control structure, the City maintains budgetary controls. The objective of these controls is to ensure compliance with the legally mandated budget adopted by the City Council.

Profile of the Government

The City of Boston, incorporated as a town in 1630 and as a City in 1822, now 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.

Local Economy

The City is the economic hub of both the Commonwealth of Massachusetts and the New England region. Its deep and diverse economy serves as an anchor for the area, providing much needed stability in an otherwise turbulent fiscal environment. Boston's population in 2008 was 609,023, as estimated by the U.S. Department of Commerce Census Bureau, and the number of jobs totaled 657,838. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders.

The state's capitol is a center for higher education and medical services as well as technology, transportation, cultural, and entertainment activities. This provides the City with a diverse tax base and secure outlook, which enables the City to weather national economic downturns. Specifically, the education and healthcare industries are providing stability and helping to offset any slowdown in other sectors.

The financial markets continue to express their confidence in Boston's fiscal health. In March 2009, the rating service bureaus Moody's Investors Service and Standard & Poor's reaffirmed the City's bond ratings at Aa1 and AA+, respectively, in conjunction with the City's \$100 million general obligation Series A and \$8.9 million Series B refunding bond issues. The credit reports of the two rating agencies stated that their ratings reflect the City's strong financial position, historically strong reserves, and sound financial policies, managed by a seasoned and effective financial team.

Boston's economy had experienced moderate growth from 2004 through much of 2008, when approximately 44,000 jobs were added. In November 2008, the City began to experience rising unemployment and much of the same deteriorating economic conditions as the United States as a whole. However, conditions at the national level are worse than in Boston. The U.S. unemployment rate, 9.7% in July 2009, is higher than Boston's at 8.9%. Although Boston's real estate markets are experiencing rising vacancy rates and a correction in prices, it is still outperforming other major real estate markets in the US.

Much like the rest of the nation, Boston saw a more significant decline in residential home sales and median sales prices in fiscal year 2009. The greater Boston Metropolitan area experienced an 8.3% decline in the price of a single-family home during this past year. However, to place Boston's real estate performance in context, the United States as a whole saw a 15.6% decline during this same time period. Additionally, despite unprecedented foreclosure rates in some parts of the nation, Boston fared very favorably to the U.S. average. In fiscal year 2009 the City's percentage of foreclosure activity was 1.00% (foreclosures as a percentage of total census housing units). The U.S. rate of 1.70% paled in comparison.

Hotel and Convention Market

From 1996 through 2009, the City has experienced a boom in hotel development and occupancy, adding an additional 5,192 rooms (a 43% increase) during that time. Despite the state of the current economy, Boston's hotel and convention market has held relatively stable. At the close of fiscal year 2009, occupancy rates declined slightly to 75%; however, the average daily rate increased to \$210 and revenue per available room held steady at \$158. The relative weakness in the U.S. dollar has spurred an increase in European tourism, which, combined with

a steady stream of convention center activity, is driving the industry forward in an otherwise unfavorable economic climate. In 2008, the Hynes Convention Center and the Boston Convention and Exhibition Center (BCEC) hosted 239 events with 915,616 attendees, an 18% increase in attendance from the prior year. While many other cities are experiencing severe downturns in these markets, Boston remains an attractive group meeting, convention, and leisure destination, something that will undeniably help to mitigate the current recession.

Office Market and New Development

While Boston continues to be the driving force for economic activity in New England, its commercial real estate and office market has not been entirely immune to the effects of the slowdown in the overall economy. Job cuts in the financial and professional services firms have resulted in a decline in the demand for office space. In fiscal year 2009, The City saw a rise in office vacancy, closing the fiscal year with a rate of 11.7%, up 4.0% from last year. While this may seem like a dramatic increase, Boston outperformed most of the nation in this category, with fiscal year 2009 national office vacancy ending at a rate of 13.7%. In fact, as of the second quarter of 2009, Boston recorded the fourth best office market vacancy rate in the country.

Unlike past cycles of increased vacancy rates, overbuilding of office space is not the primary cause. Nationally, new office space is expected to total 51 million square feet, down from 58 million square feet in fiscal year 2008, a decrease of nearly 70% from construction levels in 2000 and 2001. Locally, Boston is expected to add 700,000 square feet of office space in fiscal year 2010, which would be a 36.6% decrease from the 1.1 million square feet added during fiscal year 2009.

Financial Overview

The City's management of its finances has resulted in a continuing upward trend in General Fund equity. The City strives to preserve its policy of maintaining a GAAP undesignated fund balance in the General Fund that is 10.0% or higher than the current fiscal year's GAAP General Fund operating expenditures, while maintaining a budgetary undesignated fund balance that is between 5.0% and 10.0% of budgetary operating expenses. The GAAP undesignated fund balance at the end of fiscal year 2009 was \$550 million, which represents approximately 24.5% 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. In fiscal year 2009, the City's second largest source of revenue – state aid – was decreased in the third and fourth quarters by \$23 million. The City received \$23.3 million in American Recovery and Reinvestment Act (ARRA) stabilization funds from the Commonwealth, which directly offset the decrease in state aid. In fiscal year 2010, property tax is expected to grow by 4.3% while state aid is expected to decrease by 9.8%. The City does expect to receive additional ARRA and stimulus funding for schools and neighborhood development to help offset the decrease in state aid.

Increases for employee benefits and mandatory expenses, along with decreased state aid, are forcing significant decreases in departmental spending. In fiscal year 2009, pension and health insurance costs represent 17.0% of the general fund budget, but are relatively contained due to controlled premium increases, an effort to reduce the number of employees enrolled in costly indemnity plans, and an increase of employee contribution rates. Approximately 35% of health insurance costs are for retirees. Since fiscal year 2008, the City has budgeted funds to reserve for the Other Postemployment Benefits (OPEB) liability. In fiscal year 2010 a trust fund was established, which will allow more aggressive investing of this reserve and in turn, show a commitment to the funding of the OPEB liability. Footnote 12 discusses the OPEB liability in more detail.

Long Term Financial Planning

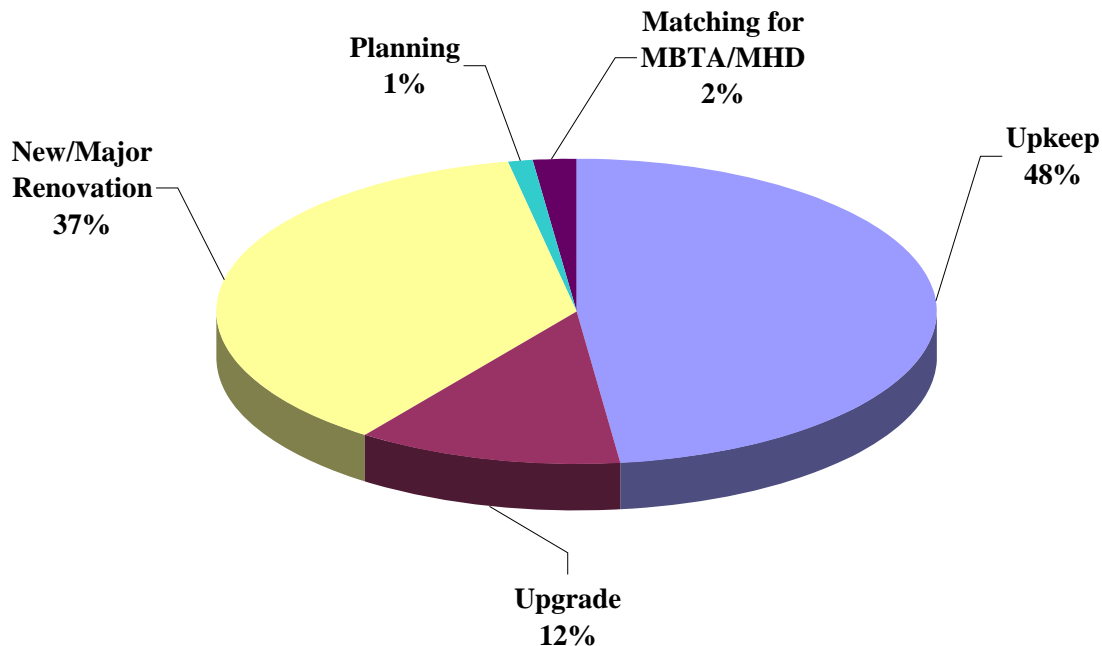
The Office of Capital Budgeting (OCB), a program of the Office of Budget Management, is responsible for managing the capital budget of the City. OCB's five-year, \$1.5 billion plan, "Together we CAN," is an investment program for the City's future. The program name "Together we CAN" emphasizes the ideas that **Cities Are Neighborhoods** and the capital plan is a strategic tool designed to enhance the livability of Boston, which draws strength from its neighborhoods. The plan has three major initiatives: (1) strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, healthcare, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to deliver necessary municipal services efficiently.

As part of the initiative to deliver municipal services efficiently, the City has committed to designing new buildings and selected major renovations to obtain U.S. Green Building Leadership in Energy and Environmental Design (LEED) certification. These projects will reduce utility costs through energy efficient systems, reduce building waste, and improve the air quality in the buildings. The City also became one of thirteen inaugural Solar City partners with the U.S. Department of Energy in 2007. By utilizing more renewable energy sources, the City hopes to reduce air emissions, reduce strain on the electricity grid, and ultimately generate significant savings in energy costs.

In fiscal year 2008, OCB implemented a new analytical tool for tracking the City's capital investments. Projects are categorized as Upkeep, New/Major renovations, Upgrade, Planning, or Matching Funds. The tool includes an online interactive mapping feature on the City's Web site (www.cityofboston.gov/maps), which displays parks and facilities within the five-year capital plan, searchable by neighborhood, department, or status.

The pie chart below indicates the \$132 million fiscal year 2009 spending allocation for the projects.

Fiscal Year 2009 Capital Allocation Summary



The distribution of allocations in fiscal year 2009 is a good balance between new and old. The Upkeep portion of the allocation is for ongoing roadway programs, which ensure the City's streets and sidewalks are safe. The New/Major renovations category represents new and rehabilitated facilities for schools, libraries, parks, and community centers to adapt to the needs of today's youth and improve the "green" performance of the buildings. The Hyde Park Community Center, Hemenway School, Burke High School, and Veronica Smith Senior Center reopened in fiscal year 2009 after major renovations. In addition, a new police station in Charlestown, a new fire department training simulator, and two new branch libraries were opened. This year's allocation to the Upgrade category is for artificial turf at a playground in East Boston and new technology for the Youth and Human Services area. All 20 of the City's indoor and outdoor pools have been upgraded in accordance with the federal Virginia Graeme Baker drain safety law.

The allocations for planning provide the groundwork for targeted investments in the categories of Upgrade and New/Major Renovations. In fiscal year 2010, these projects include improvements to the Brighton branch library for lighting and energy efficiency making this building the first U.S. Green Building Council LEED Silver Branch in Boston. Another major

initiative added to the five-year plan is the Pathways to Excellence program within the Boston Public Schools. Twelve schools will receive funding to create and expand K-8 programs. Solar panels will be installed on the roofs of four schools. Construction of a new police station is also in the fiscal year 2010 plan. This building is also designed to LEED Silver standards.

The City funds its capital plan primarily through the issuance of general obligation bonds. The sizing of the City's bond issues is consistent with the City's financial management policies regarding its level of debt and debt service. The City's debt service forecast assumes general obligation spending of \$120 million annually through fiscal year 2013. Additionally, the City chose to take advantage of Qualified School Construction Bonds (QSCBs), a new capital financing tool made available under the ARRA. QSCBs are an attractive option for both municipalities as well as investors, due to the unique benefits associated with this type of borrowing. In the first quarter of fiscal year 2010, the City successfully sold \$20 million of QSCBs, at a no interest cost, which will generate a net present value savings of \$3.6 million. This tax credit bond issue was purchased in a competitive process on October 28, 2009 by Guggenheim Partners, LLC, for which it will receive federal tax credits. The City will use these funds as a means to finance the planned Boston Public Schools portion of the City's fiscal year 2010 capital budget. By utilizing the QSCBs as opposed to General Obligation Bonds, the City will realize significant savings on the cost of interest payments. The City the first municipality in Massachusetts or New England to issue QSCBs.

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, 2008. This was the fourteenth 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, 2008. The City's budget document was judged to be proficient in several categories including policy documentation and financial planning.

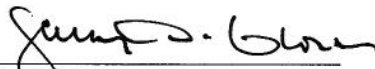
Acknowledgements

We would like to express our appreciation to the staff of the Accounting and Financial Reporting 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 encouragement 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, and for the planning and support necessary to conduct the City's financial operations in a responsible manner.

The City's Auditing and Management Information Services (MIS) departments have worked to produce the City's annual financial statements online. The basic financial statements and the CAFR for fiscal year 2005 through fiscal year 2009 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora
City Auditor



Lisa Calise Signori
Director of Administration
& Finance and 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, 2008

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.



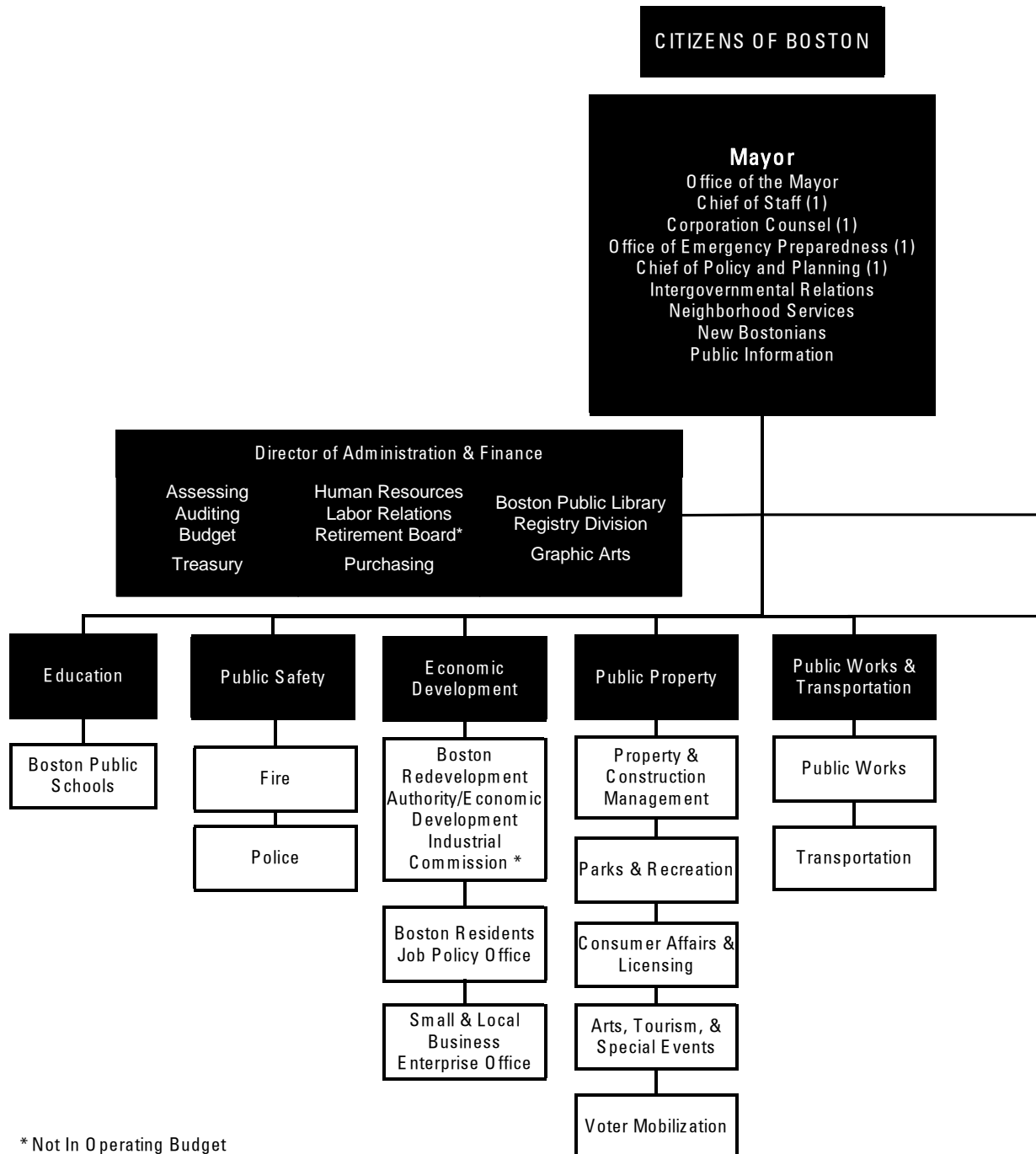
A handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

ORGANIZATIONAL CHART OF



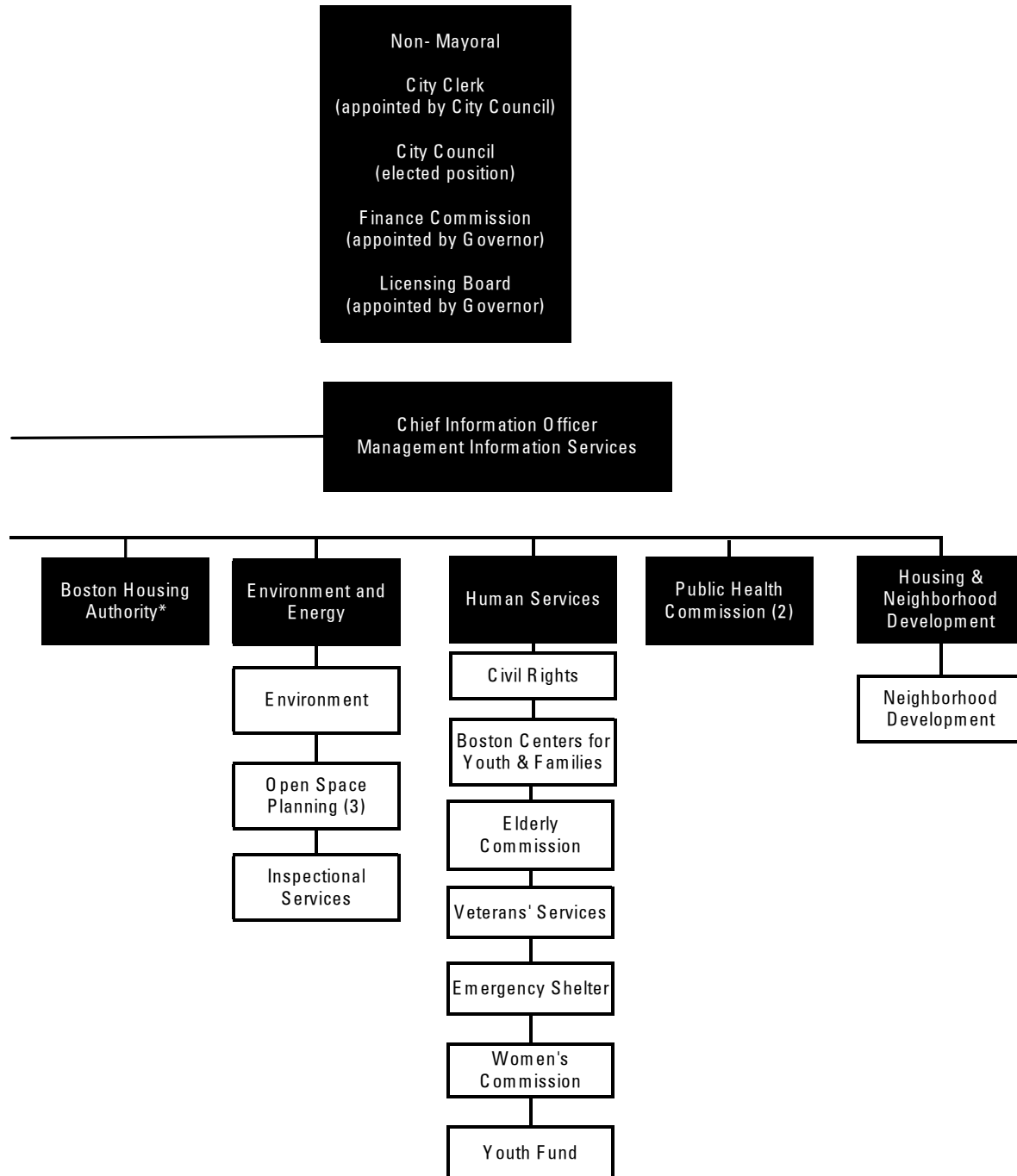
* Not In Operating Budget

(1) Has cabinet rank.

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

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

CITY GOVERNMENT



LIST OF ELECTED and APPOINTED OFFICIALS

Mayor

THOMAS M. MENINO

City Council Members

| | |
|-----------------------------|------------|
| Michael P. Ross (President) | District 8 |
| John R. Connolly | At-Large |
| Michael F. Flaherty, Jr. | At-Large |
| Stephen J. Murphy | At-Large |
| S.H. Samuel Yoon | 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 |
| John M. Tobin, Jr. | District 6 |
| Chuck Turner | District 7 |
| Mark S. Ciommo | District 9 |

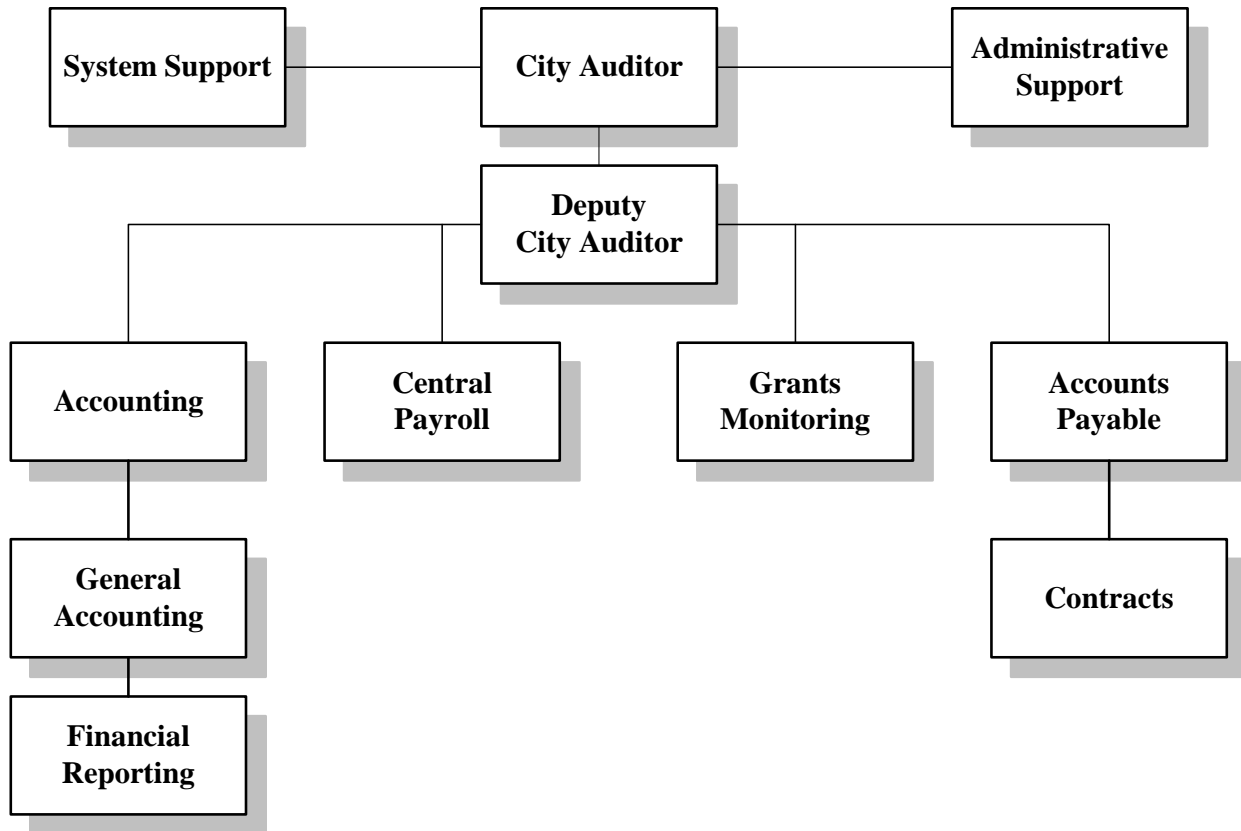
Suffolk County Officials

| | |
|------------------|-------------------|
| Andrea Cabral | Sheriff |
| Daniel F. Conley | District Attorney |

Appointed City Executive Branch Members

| | |
|-------------------------|---|
| Judith Kurland | Chief of Staff |
| Michael Kineavy | Chief of Policy and Planning |
| William Oates | Chief Information Officer |
| Lisa C. Signori | Director of Administration and Finance |
| John F. Palmieri | 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 McGough | Director of the Office of Emergency Preparedness |
| J. Larry Mayes | 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 |
| Bill McGonagle | Interim Chief of Public Housing |
| William F. Sinnott | Corporation Counsel |
| Dennis E. Royer | Chief of Public Works and Transportation Department |

**Auditing Department
Organizational Chart**



List of Auditing Department Personnel

Sally D. Glora, *City Auditor*
Dennis J. Coughlin, *Deputy City Auditor*

Ruth Agosto
Maria Beno
Domenica Cabral
Ann Carbone
Michelle E. Castillo
Natoya Castillo
Naveen Chinthakunta
Mattie Crouse
Stephen Flaherty
Allen Hurley
Cynthia Johnson
Kelli Lazar
Nelly Lopez
Medina Lucien
Luis Carlos Martinez
Mary Ann Mason
Hazel McAfee
Elvira Murphy
Michael O'Keefe
Diane O'Malley
Michelle Pacitta
Charles Panagopoulos
Mary L. Raysor
Magnolia Rojas
Christopher Sargeant
Donna Seel
Lisa Stone
Ming C. Su
Julie A. Tippet
Vandana Toreti
John Van Hagen
Stanley J. Wallace
Paul F. Waple



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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, 2009, 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 2.9% of the assets of the aggregate remaining fund information and 22.6% of the assets of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the financial statements, insofar as it relates to the aggregate remaining fund information and the discretely presented component units and their effects on the governmental and fiduciary activities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. The financial statements of the permanent funds and private-purpose trust funds were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, 2009, 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.

As described in note 2(n), the City, in 2009, implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 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.

Management's Discussion and Analysis on pages 3 through 15 and the schedules of funding progress and employers' contributions on page 70 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 other supplementary information 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 other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report 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 2, 2009

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(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, 2009. 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) Governmentwide 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 are described below:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the City – the *Governmentwide Financial Statements* and the *Fund Financial Statements*. These financial statements also include the *Notes to the Financial Statements* that explain some of the information in the financial statements and provide more detail.

Governmentwide Financial Statements

The *Governmentwide 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 flow of 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 Governmentwide 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.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

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, county, 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 operations 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 major component units are:

Boston Public Health Commission
Boston Redevelopment Authority
Economic Development Industrial Corporation
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 Governmentwide 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 Governmentwide 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:

- 1. Governmental Fund Financial Statements** – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

same functions reported as governmental activities in the Governmentwide Financial Statements. However, unlike the Governmentwide 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 Governmentwide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmentwide 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 nonmajor governmental funds are combined in the "Other Governmental Funds" column on these statements. The Governmental Fund Financial Statements can be found immediately following the Governmentwide 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 on page 24. 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.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

- 2. Proprietary Funds Financial Statements** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary Funds provide the same type of information as the Governmentwide Financial Statements, only in more detail. Like the Governmentwide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. No reconciliation is needed between the Governmentwide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

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

- 3. Fiduciary Funds Financial Statements** – 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 Governmentwide 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 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, 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 Governmentwide 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 as well as the schedule of funding progress for the City's OPEB plan.

Governmentwide Financial Analysis

This analysis is based on the Statement of Net Assets found on page 17 and the Statement of Activities found on pages 18 and 19 of the financial statements.

Governmentwide Highlights

Net Assets – Primary Government – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2009 by \$780.1 million (presented as net assets). Of this amount, \$178.6 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Changes in Net Assets – Primary Government – The City's total net assets decreased by \$140.7 million in fiscal year 2009. Net assets of governmental activities decreased by \$148.9 million, while net assets of the business-type activities increased by \$8.2 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 \$780.1 million at the end of 2009, compared to \$924.3 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 \$384.4 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 (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. Part of the unrestricted net assets (approximately \$87.8 million) represents the receivable from the Massachusetts School Building Authority (MSBA) for the reimbursement of bonded school construction costs. The payments to be received from the MSBA coincide with the City's future debt service payments. In fiscal year 2010, the amount to be received by the City to pay debt service is approximately \$13.0 million. Although this receivable increases unrestricted net assets, it will not affect the City's free cash position.

At the end of the current fiscal year, the City is reporting a positive balance for the government as a whole. The negative balance reported for business-type activities is offset by the positive balance reported for governmental activities. The negative balance in business-type activities is a result of special obligation bonds outstanding at year-end. These costs are intended to be covered by user charges, grants, and lease receipts from third parties.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Net Assets – Primary Government
(In thousands)

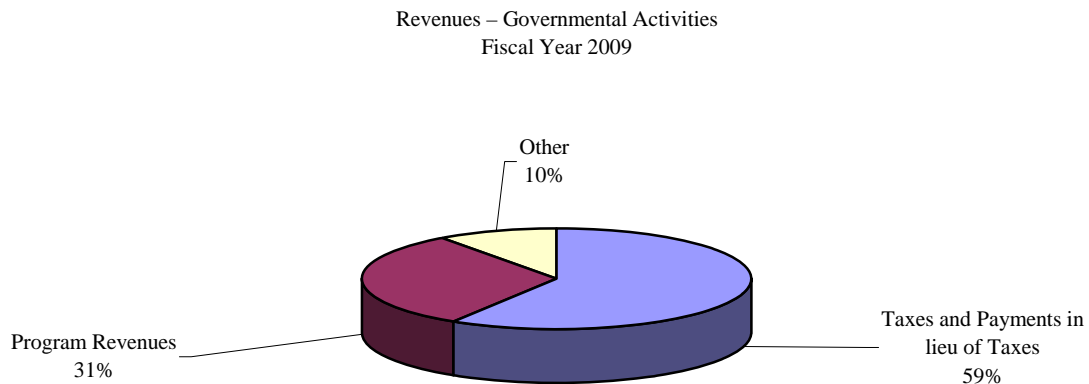
| | Governmental activities | | Business-type activities | | Total | |
|---|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current assets | \$ 1,472,556 | 1,445,085 | 64,289 | 59,398 | 1,536,845 | 1,504,483 |
| Capital assets | 1,285,270 | 1,221,717 | 0 | 0 | 1,285,270 | 1,221,717 |
| Other assets | 130,984 | 146,682 | 82,298 | 89,725 | 213,282 | 236,407 |
| Total assets | \$ 2,888,810 | 2,813,484 | 146,587 | 149,123 | 3,035,397 | 2,962,607 |
| Noncurrent liabilities | \$ 1,520,738 | 1,291,528 | 176,126 | 187,165 | 1,696,864 | 1,478,693 |
| Current liabilities | 545,195 | 546,709 | 13,264 | 12,955 | 558,459 | 559,664 |
| Total liabilities | \$ 2,065,933 | 1,838,237 | 189,390 | 200,120 | 2,255,323 | 2,038,357 |
| Invested in capital assets net of related debt | \$ 384,389 | 334,467 | 0 | 0 | 384,389 | 334,467 |
| Restricted | 217,070 | 234,902 | 0 | 0 | 217,070 | 234,902 |
| Unrestricted | 221,418 | 405,878 | (42,803) | (50,997) | 178,615 | 354,881 |
| Total net assets | \$ 822,877 | 975,247 | (42,803) | (50,997) | 780,074 | 924,250 |

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

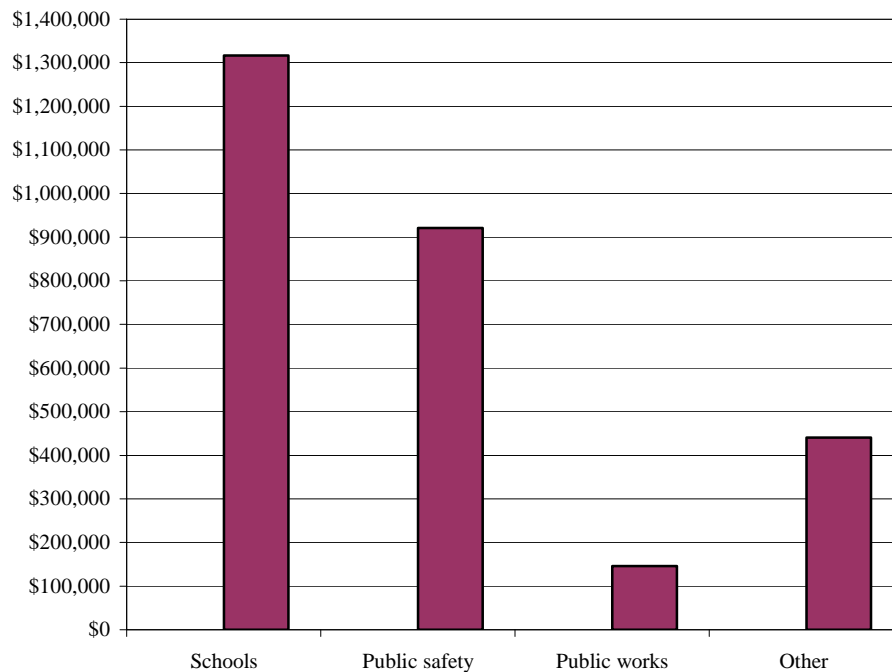
Changes in Net Assets – Primary Government
(In thousands)

| | Governmental activities | | Business-type activities | | Total | |
|--|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 169,826 | 180,069 | 0 | 0 | 169,826 | 180,069 |
| Operating grants and contributions | 594,914 | 593,767 | 1,116 | 1,196 | 596,030 | 594,963 |
| Capital grants and contributions | 56,517 | 18,267 | 0 | 0 | 56,517 | 18,267 |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes | 1,389,218 | 1,316,165 | 0 | 0 | 1,389,218 | 1,316,165 |
| Excises | 115,237 | 97,262 | 36,605 | 40,342 | 151,842 | 137,604 |
| Payment in lieu of taxes | 56,686 | 56,668 | 0 | 0 | 56,686 | 56,668 |
| Grants and contributions not restricted | 230,475 | 259,931 | 0 | 0 | 230,475 | 259,931 |
| Investment income | 22,584 | 47,072 | 6,299 | 9,796 | 28,883 | 56,868 |
| Miscellaneous | 12,107 | 1,531 | 0 | 0 | 12,107 | 1,531 |
| Total revenues | <u>2,647,564</u> | <u>2,570,732</u> | <u>44,020</u> | <u>51,334</u> | <u>2,691,584</u> | <u>2,622,066</u> |
| Program expenses: | | | | | | |
| General government | 103,420 | 109,121 | 0 | 0 | 103,420 | 109,121 |
| Human services | 48,896 | 50,827 | 0 | 0 | 48,896 | 50,827 |
| Public safety | 920,790 | 908,353 | 0 | 0 | 920,790 | 908,353 |
| Public works | 145,867 | 148,497 | 0 | 0 | 145,867 | 148,497 |
| Property and development | 105,581 | 110,272 | 0 | 0 | 105,581 | 110,272 |
| Parks and recreation | 30,026 | 30,134 | 0 | 0 | 30,026 | 30,134 |
| Library | 52,881 | 47,340 | 0 | 0 | 52,881 | 47,340 |
| Schools | 1,316,314 | 1,272,997 | 0 | 0 | 1,316,314 | 1,272,997 |
| Public health programs | 71,618 | 68,718 | 0 | 0 | 71,618 | 68,718 |
| Interest on long-term debt | 28,041 | 31,058 | 0 | 0 | 28,041 | 31,058 |
| Convention center | 0 | 0 | 4,902 | 5,122 | 4,902 | 5,122 |
| Hospital | 0 | 0 | 3,924 | 4,201 | 3,924 | 4,201 |
| Total program expenses | <u>2,823,434</u> | <u>2,777,317</u> | <u>8,826</u> | <u>9,323</u> | <u>2,832,260</u> | <u>2,786,640</u> |
| Excess (deficiency) before special items and transfers | (175,870) | (206,585) | 35,194 | 42,011 | (140,676) | (164,574) |
| Loss on disposal | 0 | (298) | 0 | 0 | 0 | (298) |
| Transfers | <u>27,000</u> | <u>23,000</u> | <u>(27,000)</u> | <u>(23,000)</u> | <u>0</u> | <u>0</u> |
| Change in net assets | (148,870) | (183,883) | 8,194 | 19,011 | (140,676) | (164,872) |
| Net assets (deficit) – beginning of year | 975,247 | 1,159,130 | (50,997) | (70,008) | 924,250 | 1,089,122 |
| Prior year adjustment – implementation of GASB49 | <u>(3,500)</u> | | | | <u>(3,500)</u> | |
| Net assets (deficit) – end of year | <u>\$ 822,877</u> | <u>975,247</u> | <u>(42,803)</u> | <u>(50,997)</u> | <u>780,074</u> | <u>924,250</u> |

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)



Expenses – Governmental Activities
Fiscal Year 2009
(In thousands)



Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Governmental Activities

The City's governmental activities net assets decreased by \$148.9 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2009: In the assets accounts, cash and investments increased by \$132.4 million, receivables increased by \$25.1 million, and capital assets increased by \$63.6 million. In the liability accounts, there were decreases in warrants and accounts payable of \$6.3 million and unearned revenue of \$37.0 million; and increases in current long-term debt of \$5.3 million and accrued liabilities of \$36.4 million. Additionally, an increase of \$218.0 million was recorded relative to the City's other postemployment obligation in 2009.

During fiscal year 2009, the City's revenues increased by 3.0%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$1.56 billion (59.0% of total revenue) and \$821.3 million of program revenues (31.0% of total revenue). The primary factors for the increase in tax revenue were an increase in property tax, aircraft fuel excise, and hotel room occupancy excise. The increase in program revenue is attributed to increase in Chapter 90 and MSBA reimbursements. Investment income and other miscellaneous revenues totaled \$34.7 million down \$13.9 million from fiscal year 2008. The primary factor for the decrease in investment income was lower investment returns.

The increase in revenues allowed for an increase in expense categories. The City's expenses cover a range of services. The largest expenses were for schools (\$1.32 billion), public safety (\$920.8 million), public works (\$145.9 million), property and development (\$105.6 million), general government (\$103.4 million), public health programs (\$71.6 million), and human services (\$48.9 million). Expenses increased only slightly (\$46.1 million) from 2008. The City was aggressive in containing costs in 2009 with the news of a decrease in state funding. All categories of government continue to experience an increase in expenses due to the recognition of the City's OPEB expense, which increased \$218.0 million in 2009.

In 2009, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.0 billion. This shortfall was covered primarily through taxes (\$1.56 billion) and unrestricted grants and contributions (\$230.5 million).

Comparative data on these revenues and expenses is itemized in the reporting of the *Changes in Net Assets – Primary Government* on page 9.

Business-type Activities

Net assets from business-type activities increased \$8.2 million during fiscal year 2009. This change in net assets resulted primarily from hotel/motel excise tax collections exceeding program expenses.

Financial Analysis of the City's Fund Statements

This analysis is based on the Governmental and Proprietary Fund Financial Statements on pages 20 through 27.

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

Fund Highlights

Governmental Funds – Fund Balances – As of the close of fiscal year 2009, the City's governmental funds reported a combined ending fund balance of \$1.08 billion, an increase of \$39.9 million from the prior year. Of this total amount, \$614.8 million represents the "unreserved and undesignated fund balances" with \$550.3 million of this amount in the General Fund. The increase in fund balance is largely due to an increase in tax receipts.

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, unreserved 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 undesignated fund balance in the General Fund that is 10%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP undesignated fund balance at the end of fiscal year 2009 was \$550.3 million, which represents approximately 24.5% of GAAP General Fund operating expenditures.

However, because the City is required to follow the statutory basis of accounting rather than GAAP for determining the amount of undesignated 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, that 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 undesignated 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 undesignated 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 legally restricted to expenditures for predefined purposes. The fiscal year 2009 Special Revenue Fund balance is reported at \$180.8 million, a \$9.3 million decrease from fiscal year 2008. This decrease is due to a reduction in federal 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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

funds and trust funds. The fiscal year 2009 Capital Projects Fund balance is \$30.1 million, a \$31.0 million increase from fiscal year 2008. The increase in fund balance is attributed to the City receiving reimbursement from the Commonwealth of Massachusetts for construction costs associated with the Burke School and the Mattapan Library, as well as 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 2009 Other Governmental Funds fund balance is \$36.3 million, an \$8.6 million decrease from fiscal year 2008. The trust funds experienced the same lower investment rates as the rest of the nation in fiscal year 09.

Proprietary Funds

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

The City's proprietary funds net deficit for fiscal year 2009 was \$42.8 million. The net deficit in the proprietary funds is a result of the convention center special obligation bonds outstanding at year-end.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2009 with a \$4.1 million surplus. This represents the City's 24th consecutive year with a balanced budget. Although the budgetary estimates for revenue exceeded actual receipts in fiscal year 2009, the revenue deficit is due to a large decrease in state aid, with the City receiving \$25.5 million or 4.25% less than in fiscal year 2008. This number is skewed by an increase in Boston Public School teachers' pension reimbursement. When the increase in pension reimbursement is taken into account, the City actually experienced a \$38.9 million net decrease in aid from the Commonwealth. However, it should be noted that the majority of the decrease in state aid is the result of a decision by the Commonwealth to reduce the General Fund education aid by \$23.3 million and replace it with a Special Revenue grant of the same amount. The source of the funding for the grant was the Commonwealth's ARRA Stabilization Fund. These funds are reported as Special Revenue Funds.

Favorable results were reported for other General Fund revenue sources. Excise taxes posted a favorable variance of \$17.8 million, primarily due to an increase in aircraft fuel excise and hotel room receipts. In addition, departmental and other revenue saw a favorable variance of \$11.6 million, due to an increase in Medicare Part D reimbursements and Affirmative Recovery revenue.

The overall expenditure surplus of \$21.7 million is also the result of the Commonwealth's decision to decrease General Fund education aid and replace it with a Special Revenue grant of the same amount. Fiscal year 2009 shows expenditures for schools are \$23.3 million lower than expected due to this General Fund state aid change. Expenditures of \$23.3 million which were budgeted as General Fund were funded with the state aid and were reported as Special Revenue expenditures. There was overspending in public safety, public works and judgments and claims. Public safety deficits of \$4.6 million are generally due to overtime spending. A severe winter in the region increased the demand for snow removal creating the unfavorable variance of \$7.4 million for public works. Judgments and claims saw a slight increase in settled claims creating a \$1.3 million deficit. As a result of the decrease in state

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

aid, actions were taken early in the second quarter of fiscal year 2009 to control spending. This resulted in favorable variances in all other expenditure categories.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2009, has a net book value of \$1.29 billion, made up of costs totaling \$2.56 billion less accumulated depreciation of \$1.28 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 5.2% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$135.3 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 \$71.6 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 \$916.8 million in General Obligations Bonds principal outstanding – an increase of \$13.6 million over last year.

The key factor in this increase was the issuance of the March 1, 2009 Series A general obligation bonds totaling \$100.0 million exceeding principal repayments and the net effect of refundings. Further, \$40.4 million (Series B and Series C) was issued for the purpose of refunding certain outstanding general obligations of the City. The Series A and B bonds were given a bond rating of Aa1 and AA+ by Moody's and Fitch, 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 \$219.0 million, or 39.6%, during the current fiscal year. As in 2008, the key factor for this increase is the recognition of additional OPEB of \$218.0 million.

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009
(Unaudited)

New Accounting Standards

In 2009, the City implemented the Governmental Accounting Standards Board Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*. This standard requires the City to report a liability in its financial statements related to cleaning up pollution or contamination. The statement also requires restatement of beginning net assets in fiscal year 2009 if an obligation exists and establishes a probability-weighted method that a government would be required to use to determine the established amount of pollution obligation liabilities to be reported in its financial statements.

In fiscal year 2009, beginning net assets were restated by \$3.5 million due to the implementation of GASB 49. The majority of this pollution remediation liability is the result of existing pollution on property the City acquired through a tax taking. The City is remediating the property to build a new police station on the site. The remaining liability is estimated to be \$2 million and will be expended by fiscal year 2012.

Future Accounting Pronouncements

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. Currently, fund balance is reported as restricted and unrestricted. 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.

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.



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Statement of Net Assets

June 30, 2009

(In thousands)

| | Primary government | | | Component units |
|--|----------------------------|-----------------------------|-----------|--------------------|
| | Governmental activities | Business-type activities | Total | |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 1,125,829 | 180 | 1,126,009 | 106,841 |
| Cash and investments held by trustees | 41,297 | 88,869 | 130,166 | 41,460 |
| Receivables, net: | | | | |
| Property taxes | 22,541 | 0 | 22,541 | 0 |
| Intergovernmental | 180,843 | 0 | 180,843 | 0 |
| Other | 61,948 | 0 | 61,948 | 26,045 |
| Other assets | 6,445 | 2,240 | 8,685 | 11,880 |
| Internal balances | 27,000 | (27,000) | 0 | 0 |
| Due from primary government | 0 | 0 | 0 | 292 |
| Due from component units | 6,653 | 0 | 6,653 | 0 |
| Total current assets | 1,472,556 | 64,289 | 1,536,845 | 186,518 |
| Noncurrent assets: | | | | |
| Intergovernmental receivables | 74,842 | 0 | 74,842 | 0 |
| Notes and other receivables | 56,142 | 0 | 56,142 | 90,678 |
| Other assets | 0 | 0 | 0 | 109,666 |
| Capital assets: | | | | |
| Nondepreciable | 60,627 | 0 | 60,627 | 31,982 |
| Depreciable, net | 1,224,643 | 0 | 1,224,643 | 52,670 |
| Due from component units | 0 | 82,298 | 82,298 | 0 |
| Total noncurrent assets | 1,416,254 | 82,298 | 1,498,552 | 284,996 |
| Total assets | 2,888,810 | 146,587 | 3,035,397 | 471,514 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Warrants and accounts payable | 95,491 | 0 | 95,491 | 22,521 |
| Accrued liabilities – current: | | | | |
| Tax abatement liability | 28,200 | 0 | 28,200 | 0 |
| Compensated absences | 46,625 | 0 | 46,625 | 0 |
| Judgments and claims | 7,307 | 0 | 7,307 | 0 |
| Payroll and related costs | 129,687 | 0 | 129,687 | 0 |
| Deposits and other | 111,377 | 2,449 | 113,826 | 2,306 |
| Current portion of long-term debt and leases | 106,973 | 10,815 | 117,788 | 1,201 |
| Due to component units | 292 | 0 | 292 | 0 |
| Due to BMC | 0 | 0 | 0 | 6,464 |
| Due to primary government | 0 | 0 | 0 | 9,535 |
| Unearned revenue | 19,243 | 0 | 19,243 | 5,336 |
| Total current liabilities | 545,195 | 13,264 | 558,459 | 47,363 |
| Noncurrent liabilities: | | | | |
| Bonds due in more than one year | 859,171 | 176,126 | 1,035,297 | 17,966 |
| Notes and leases payable due in more than one year | 56,324 | 0 | 56,324 | 0 |
| Other noncurrent liabilities | 174,449 | 0 | 174,449 | 158,391 |
| Other postemployment benefits obligation | 430,794 | 0 | 430,794 | 34,250 |
| Unearned revenue | 0 | 0 | 0 | 39,819 |
| Due to primary government | 0 | 0 | 0 | 79,416 |
| Total noncurrent liabilities | 1,520,738 | 176,126 | 1,696,864 | 329,842 |
| Total liabilities | 2,065,933 | 189,390 | 2,255,323 | 377,205 |
| Net assets: | | | | |
| Investment in capital assets, net of related debt | 384,389 | 0 | 384,389 | 55,392 |
| Restricted for: | | | | |
| Capital projects | 0 | 0 | 0 | 0 |
| Expendable trust | 36,270 | 0 | 36,270 | 49,794 |
| Federal and state grants | 180,800 | 0 | 180,800 | 0 |
| Unrestricted | 221,418 | (42,803) | 178,615 | (10,877) |
| Total net assets (deficit) | \$ 822,877 | (42,803) | 780,074 | 94,309 |

See accompanying notes to basic financial statements.

Statement of Activities
Year ended June 30, 2009
(In thousands)

| Functions/programs | Expenses | Program revenues | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 103,420 | 22,368 | 4,515 | 656 |
| Human services | 48,896 | 44 | 9,970 | 0 |
| Public safety | 920,790 | 115,013 | 154,133 | 681 |
| Public works | 145,867 | 10,174 | 51 | 14,053 |
| Property and development | 105,581 | 5,561 | 58,268 | 10 |
| Parks and recreation | 30,026 | 353 | 410 | 0 |
| Library | 52,881 | 236 | 5,380 | 9,513 |
| Schools | 1,316,314 | 16,077 | 362,187 | 31,604 |
| Public health programs | 71,618 | 0 | 0 | 0 |
| Interest on long-term debt | 28,041 | 0 | 0 | 0 |
| Total governmental activities | <u>2,823,434</u> | <u>169,826</u> | <u>594,914</u> | <u>56,517</u> |
| Business-type activities: | | | | |
| Convention Center | 4,902 | 0 | 1,116 | 0 |
| Hospital Bonds | 3,924 | 0 | 0 | 0 |
| Total business-type activities | <u>8,826</u> | <u>0</u> | <u>1,116</u> | <u>0</u> |
| Total primary government | <u>\$ 2,832,260</u> | <u>169,826</u> | <u>596,030</u> | <u>56,517</u> |
| Component units: | | | | |
| Boston Public Health Commission | \$ 144,954 | 8,884 | 47,381 | 5,776 |
| Boston Redevelopment Authority | 29,108 | 7,616 | 10,303 | 0 |
| Trustees of the Public Library of the City of Boston | 16,421 | 1,032 | 11,813 | 0 |
| Economic Development and Industrial Corporation of Boston | 37,125 | 14,710 | 15,906 | 0 |
| Total component units | <u>\$ 227,608</u> | <u>32,242</u> | <u>85,403</u> | <u>5,776</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 | | | | |
| Gain on disposal | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets (deficit) – beginning of year | | | | |
| Prior period adjustment | | | | |
| Net assets (deficit) – end of year | | | | |

See accompanying notes to basic financial statements.

| Net (expense) revenue and changes in net assets | | | |
|--|-----------------------------|-------------|--------------------|
| Primary government | | | |
| Governmental activities | Business-type activities | Total | Component units |
| (75,881) | 0 | (75,881) | 0 |
| (38,882) | 0 | (38,882) | 0 |
| (650,963) | 0 | (650,963) | 0 |
| (121,589) | 0 | (121,589) | 0 |
| (41,742) | 0 | (41,742) | 0 |
| (29,263) | 0 | (29,263) | 0 |
| (37,752) | 0 | (37,752) | 0 |
| (906,446) | 0 | (906,446) | 0 |
| (71,618) | 0 | (71,618) | 0 |
| (28,041) | 0 | (28,041) | 0 |
| (2,002,177) | 0 | (2,002,177) | 0 |
| 0 | (3,786) | (3,786) | 0 |
| 0 | (3,924) | (3,924) | 0 |
| 0 | (7,710) | (7,710) | 0 |
| 0 | 0 | (2,009,887) | 0 |
| 0 | 0 | 0 | (82,913) |
| 0 | 0 | 0 | (11,189) |
| 0 | 0 | 0 | (3,576) |
| 0 | 0 | 0 | (6,509) |
| 0 | 0 | 0 | (104,187) |
| \$ 1,389,218 | 0 | 1,389,218 | 0 |
| 115,237 | 36,605 | 151,842 | 0 |
| 56,686 | 0 | 56,686 | 0 |
| 230,475 | 0 | 230,475 | 0 |
| 22,584 | 6,299 | 28,883 | (4,893) |
| 0 | 0 | 0 | 69,446 |
| 12,107 | 0 | 12,107 | 6,398 |
| 0 | 0 | 0 | 6,905 |
| 27,000 | (27,000) | 0 | 0 |
| 1,853,307 | 15,904 | 1,869,211 | 77,856 |
| (148,870) | 8,194 | (140,676) | (26,331) |
| 975,247 | (50,997) | 924,250 | 120,684 |
| (3,500) | 0 | (3,500) | (44) |
| \$ 822,877 | (42,803) | 780,074 | 94,309 |

Balance Sheet – Governmental Funds**June 30, 2009**

(In thousands)

| Assets | General | Special revenue | Capital projects | Other governmental funds | Total governmental funds |
|---|----------------|----------------------------|-----------------------------|---|---|
| Cash and investments | \$ 863,606 | 168,216 | 38,017 | 229 | 1,070,068 |
| Cash and investments held by trustees | | | 4,914 | 36,383 | 41,297 |
| Receivables, net: | | | | | |
| Property taxes | 7,396 | 0 | 0 | 0 | 7,396 |
| Intergovernmental | 231,096 | 67,976 | 12,755 | 0 | 311,827 |
| Departmental and other | 15,256 | 61,528 | 0 | 140 | 76,924 |
| Total receivables | 253,748 | 129,504 | 12,755 | 140 | 396,147 |
| Due from other funds | 27,000 | 1,181 | 2,031 | 0 | 30,212 |
| Due from component units | 6,653 | 0 | 0 | 0 | 6,653 |
| Total assets | \$ 1,151,007 | 298,901 | 57,717 | 36,752 | 1,544,377 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Warrants and accounts payable | \$ 57,124 | 24,679 | 13,206 | 482 | 95,491 |
| Accrued liabilities: | | | | | |
| Payroll and related costs | 125,527 | 4,160 | 0 | 0 | 129,687 |
| Deposits and other | 23,655 | 33,120 | 1,693 | 0 | 58,468 |
| Deferred revenue | 112,047 | 56,142 | 12,754 | 0 | 180,943 |
| Due to other funds | 3,675 | 0 | 0 | 0 | 3,675 |
| Due to component unit | 292 | 0 | 0 | 0 | 292 |
| Total liabilities | 322,320 | 118,101 | 27,653 | 482 | 468,556 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 37,534 | 42,206 | 74,145 | 527 | 154,412 |
| Future appropriations | 0 | 0 | 30,087 | 0 | 30,087 |
| Unreserved: | | | | | |
| Designated for subsequent years' expenditures | 240,824 | 0 | 0 | 0 | 240,824 |
| Undesignated | 550,329 | 138,594 | (74,168) | 0 | 614,755 |
| Reported in permanent funds | 0 | 0 | 0 | 35,743 | 35,743 |
| Total fund balances | 828,687 | 180,800 | 30,064 | 36,270 | 1,075,821 |
| Total liabilities and fund balances | \$ 1,151,007 | 298,901 | 57,717 | 36,752 | 1,544,377 |

See accompanying notes to basic financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**June 30, 2009**

(In thousands)

| | |
|--|--------------------------|
| Total fund balance – governmental funds | \$ 1,075,821 |
| 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. These assets consist of: | |
| Land | 25,064 |
| Construction in progress | 35,563 |
| Land improvements | 151,266 |
| Buildings and improvements | 1,679,952 |
| Furniture and equipment | 236,152 |
| Infrastructure | 435,111 |
| Less accumulated depreciation | (1,277,838) |
| | <u>1,285,270</u> |
| Adjust deferred revenues and receivables to record revenues on an accrual basis | 160,195 |
| Internal service funds are included in the governmentwide statements | 51,390 |
| Bond issuance costs are capitalized in the governmentwide statements | 6,445 |
| 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 | (949,431) |
| Capital leases | (39,545) |
| Bond issue premiums | (43,447) |
| Deferred bond gains (losses) | 9,956 |
| Accrued interest on bonds | (11,992) |
| Compensated absences | (172,804) |
| Landfill | (8,919) |
| Judgments and claims | (79,068) |
| Other postemployment benefits | (430,794) |
| Tax abatements | (28,200) |
| Pollution Remediation | (2,000) |
| | <u>(1,756,244)</u> |
| Net assets of governmental activities | <u><u>\$ 822,877</u></u> |

See accompanying notes to basic financial statements.

**Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds**

Year ended June 30, 2009

(In thousands)

| | <u>General</u> | <u>Special revenue</u> | <u>Capital projects</u> | <u>Other governmental funds</u> | <u>Total governmental funds</u> |
|--|-------------------|----------------------------|-----------------------------|---|---|
| Revenues: | | | | | |
| Real and personal property taxes | \$ 1,393,371 | 0 | 0 | 0 | 1,393,371 |
| Excises | 115,454 | 0 | 0 | 0 | 115,454 |
| Payments in lieu of taxes | 56,686 | 0 | 0 | 0 | 56,686 |
| Fines | 69,711 | 12 | 0 | 0 | 69,723 |
| Investment income | 18,289 | 194 | 0 | (3,208) | 15,275 |
| Licenses and permits | 40,822 | 308 | 0 | 0 | 41,130 |
| Departmental and other | 82,087 | 21,931 | 0 | 190 | 104,208 |
| Intergovernmental | 454,252 | 365,102 | 56,558 | 0 | 875,912 |
| Total revenues | <u>2,230,672</u> | <u>387,547</u> | <u>56,558</u> | <u>(3,018)</u> | <u>2,671,759</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 69,524 | 9,021 | 0 | 3,360 | 81,905 |
| Human services | 29,722 | 7,585 | 0 | 0 | 37,307 |
| Public safety | 521,898 | 7,527 | 0 | 0 | 529,425 |
| Public works | 112,168 | 9,254 | 0 | 0 | 121,422 |
| Property and development | 28,959 | 64,449 | 0 | 0 | 93,408 |
| Parks and recreation | 17,571 | 624 | 0 | 0 | 18,195 |
| Library | 31,268 | 5,366 | 0 | 0 | 36,634 |
| Schools | 818,338 | 154,989 | 0 | 0 | 973,327 |
| Public health programs | 69,985 | 1,408 | 0 | 0 | 71,393 |
| County | 0 | 129,603 | 0 | 0 | 129,603 |
| Judgments and claims | 9,946 | 0 | 0 | 0 | 9,946 |
| Retirement costs | 82,332 | 0 | 0 | 0 | 82,332 |
| Other employee benefits | 191,597 | 0 | 0 | 0 | 191,597 |
| State and district assessments | 142,055 | 0 | 0 | 0 | 142,055 |
| Capital outlays | 566 | 1,151 | 139,592 | 0 | 141,309 |
| Debt service | 119,294 | 0 | 0 | 0 | 119,294 |
| Total expenditures | <u>2,245,223</u> | <u>390,977</u> | <u>139,592</u> | <u>3,360</u> | <u>2,779,152</u> |
| Deficiency of revenues under expenditures | <u>(14,551)</u> | <u>(3,430)</u> | <u>(83,034)</u> | <u>(6,378)</u> | <u>(107,393)</u> |
| Other financing sources (uses): | | | | | |
| Long-term debt and capital leases issued | 0 | 0 | 113,962 | 0 | 113,962 |
| Refunding bonds issued | 0 | 0 | 40,425 | 0 | 40,425 |
| Payments to escrow agent | 0 | (1,922) | (40,308) | 0 | (42,230) |
| Premiums on long-term debt issued | 0 | 8,087 | 0 | 0 | 8,087 |
| Transfers in (out) | 41,189 | (12,000) | 0 | (2,189) | 27,000 |
| Total other financing sources (uses) | <u>41,189</u> | <u>(5,835)</u> | <u>114,079</u> | <u>(2,189)</u> | <u>147,244</u> |
| Net change in fund balances | <u>26,638</u> | <u>(9,265)</u> | <u>31,045</u> | <u>(8,567)</u> | <u>39,851</u> |
| Fund balance (deficit) – beginning of year | <u>802,049</u> | <u>190,065</u> | <u>(981)</u> | <u>44,837</u> | <u>1,035,970</u> |
| Fund balance – end of year | <u>\$ 828,687</u> | <u>180,800</u> | <u>30,064</u> | <u>36,270</u> | <u>1,075,821</u> |

See accompanying notes to basic financial statements.

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

Year ended June 30, 2008

(In thousands)

| | |
|---|----------------------------|
| Net change in fund balances – total governmental funds | \$ 39,851 |
| 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 (\$135,260) exceeded depreciation expense (\$71,647) and disposals (\$60). | 63,553 |
| Tax revenues in the statement of activities that are not reported as revenues in the governmental funds | (4,371) |
| Proceeds of long-term debt (\$154,387) 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 (\$101,699) and payment to the escrow agent (\$42,230) 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. | (10,458) |
| Bond premiums net (\$4,505) 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 (\$2,090) 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 (\$1,164) 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. | (5,431) |
| Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds | (15,941) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the increase in liabilities for compensated absences (\$4,488) and other postemployment benefits (\$217,971) offset by a decrease in liabilities for judgements and claims (\$788), pollution remediation (\$1,500), interest payable (\$2,356), and the landfill liability (\$200). | (217,615) |
| Net income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds | 1,542 |
| Change in net assets of governmental activities | \$ <u><u>(148,870)</u></u> |

See accompanying notes to basic financial statements.

**Statement of Revenues and Expenditures – Budgetary Basis
General Fund – Budget and Actual**

**Year ended June 30, 2009
(with comparative actual amounts for 2008)**

(In thousands)

| | | 2009 | | Variance over (under) | 2008 Actual |
|--|----------------------------|-------------------------|------------------|--------------------------------------|------------------------|
| | Original budget | Final budget | Actual | | |
| Revenues and other available funds: | | | | | |
| Real and personal property taxes, net | \$ 1,364,580 | 1,364,580 | 1,365,272 | 692 | 1,295,460 |
| Excises | 131,995 | 131,995 | 149,776 | 17,781 | 131,558 |
| Commonwealth of Massachusetts | 610,018 | 610,018 | 573,278 | (36,740) | 598,747 |
| Departmental and other revenue | 64,051 | 64,051 | 75,661 | 11,610 | 67,379 |
| Fines | 75,075 | 75,075 | 70,053 | (5,022) | 67,391 |
| Payments in lieu of taxes | 56,100 | 56,100 | 56,493 | 393 | 56,667 |
| Investment income | 18,500 | 18,500 | 17,835 | (665) | 39,512 |
| Licenses and permits | 40,585 | 40,585 | 41,008 | 423 | 47,577 |
| Other available funds | 59,219 | 59,219 | 53,219 | (6,000) | 38,818 |
| Total revenues and other available funds | <u>2,420,123</u> | <u>2,420,123</u> | <u>2,402,595</u> | <u>(17,528)</u> | <u>2,343,109</u> |
| Expenditures: | | | | | |
| General government | 117,798 | 115,628 | 113,114 | 2,514 | 102,837 |
| Human services | 29,524 | 29,888 | 29,734 | 154 | 29,116 |
| Public safety | 497,089 | 500,058 | 504,717 | (4,659) | 495,425 |
| Public works | 104,943 | 105,027 | 112,420 | (7,393) | 107,629 |
| Property and development | 30,121 | 31,178 | 31,178 | 0 | 31,453 |
| Parks and recreation | 17,446 | 17,693 | 17,490 | 203 | 17,374 |
| Library | 31,230 | 31,230 | 31,211 | 19 | 29,601 |
| Schools | 833,105 | 833,299 | 810,006 | 23,293 | 795,488 |
| Boston Public Health Commission | 69,446 | 69,446 | 69,446 | 0 | 68,195 |
| Judgments and claims | 3,500 | 3,500 | 4,806 | (1,306) | 3,500 |
| Other employee benefits | 195,128 | 195,666 | 195,612 | 54 | 191,032 |
| Retirement costs | 217,430 | 217,430 | 217,378 | 52 | 207,049 |
| Debt requirements | 125,905 | 122,622 | 119,294 | 3,328 | 115,771 |
| State and district assessments | 147,458 | 147,458 | 142,055 | 5,403 | 132,792 |
| Total expenditures | <u>2,420,123</u> | <u>2,420,123</u> | <u>2,398,461</u> | <u>21,662</u> | <u>2,327,262</u> |
| Excess of revenues and other available funds over expenditures | \$ <u>0</u> | <u>0</u> | <u>4,134</u> | <u>4,134</u> | <u>15,847</u> |

See accompanying notes to basic financial statements.

Statement of Net Assets – Proprietary Funds

June 30, 2009

(In thousands)

| | Enterprise funds | | | |
|---------------------------------------|-------------------------------|------------------------------|----------|---------------------|
| | Convention center bonds | Hospital revenue bonds | Total | Internal service |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 180 | 0 | 180 | 55,761 |
| Cash and investments held by trustees | 65,795 | 23,074 | 88,869 | 0 |
| Receivables, net | 0 | 0 | 0 | 170 |
| Total current assets | 65,975 | 23,074 | 89,049 | 55,931 |
| Noncurrent assets: | | | | |
| Due from other funds | 0 | 0 | 0 | 463 |
| Due from component units | 0 | 82,298 | 82,298 | 0 |
| Other assets | 1,120 | 1,120 | 2,240 | 1,503 |
| Total noncurrent assets | 1,120 | 83,418 | 84,538 | 1,966 |
| Total assets | 67,095 | 106,492 | 173,587 | 57,897 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accrued liabilities | 0 | 0 | 0 | 6,507 |
| Due to other funds | 27,000 | 0 | 27,000 | 0 |
| Accrued interest payable | 782 | 1,667 | 2,449 | 0 |
| Current portion of long-term debt | 3,580 | 7,235 | 10,815 | 0 |
| Total current liabilities | 31,362 | 8,902 | 40,264 | 6,507 |
| Noncurrent liabilities: | | | | |
| Special obligation bonds | 93,505 | 0 | 93,505 | 0 |
| Revenue bonds | 0 | 82,621 | 82,621 | 0 |
| Total noncurrent liabilities | 93,505 | 82,621 | 176,126 | 0 |
| Total liabilities | 124,867 | 91,523 | 216,390 | 6,507 |
| Net assets: | | | | |
| Unrestricted | (57,772) | 14,969 | (42,803) | 51,390 |
| Total net assets | \$ (57,772) | 14,969 | (42,803) | 51,390 |

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds**Year ended June 30, 2009**

(In thousands)

| | Enterprise funds | | | |
|--|--|---------------------------------------|--------------|-----------------------------|
| | Convention center bonds | Hospital revenue bonds | Total | Internal service |
| Operating revenues: | | | | |
| Contributions | \$ 0 | 0 | 0 | 88,822 |
| State aid – pledged for debt service | 36,605 | 0 | 36,605 | 0 |
| Total operating revenues | 36,605 | 0 | 36,605 | 88,822 |
| Operating expenses: | | | | |
| Health benefits | 0 | 0 | 0 | 87,280 |
| Total operating expenses | 0 | 0 | 0 | 87,280 |
| Operating income | 36,605 | 0 | 36,605 | 1,542 |
| Nonoperating revenue (expense): | | | | |
| Intergovernmental – state grants | 1,116 | 0 | 1,116 | 0 |
| Investment earnings – pledged for debt service | 0 | 5,910 | 5,910 | 0 |
| Investment earnings – other | 389 | | 389 | 0 |
| Interest expense | (4,902) | (3,924) | (8,826) | 0 |
| Total nonoperating revenue (expense) | (3,397) | 1,986 | (1,411) | 0 |
| Income before transfers | 33,208 | 1,986 | 35,194 | 1,542 |
| Transfer to general fund | (27,000) | 0 | (27,000) | 0 |
| Change in net assets | 6,208 | 1,986 | 8,194 | 1,542 |
| Total net assets (deficit) – beginning of year | (63,980) | 12,983 | (50,997) | 49,848 |
| Total net assets (deficit) – end of year | \$ (57,772) | 14,969 | (42,803) | 51,390 |

See accompanying notes to basic financial statements.

Statement of Cash Flows – Proprietary Fund Types
Year ended June 30, 2009

(In thousands)

| | Enterprise funds | | | |
|--|--|---------------------------------------|----------------------|-----------------------------|
| | Convention center bonds | Hospital revenue bonds | Total | Internal service |
| Cash flows from operating activities: | | | | |
| Cash received from other governments | \$ 36,815 | 0 | 36,815 | 0 |
| Cash received from employees and employer | 0 | 0 | 0 | 88,999 |
| Cash paid to vendors | 0 | 0 | 0 | (84,878) |
| Net cash provided by operations | <u>36,815</u> | <u>0</u> | <u>36,815</u> | <u>4,121</u> |
| Cash flows from noncapital financing activities: | | | | |
| Grants received from state | 1,116 | 0 | 1,116 | 0 |
| Interest paid on debt | (4,870) | (4,139) | (9,009) | 0 |
| Transfers to other funds | (23,000) | 0 | (23,000) | 0 |
| Repayment of long-term debt | (3,400) | (6,960) | (10,360) | 0 |
| Net cash used in noncapital financing activities | <u>(30,154)</u> | <u>(11,099)</u> | <u>(41,253)</u> | <u>0</u> |
| Cash flows from investing activities: | | | | |
| Investment income | 389 | 2,587 | 2,976 | 0 |
| Principal received on note | 0 | 7,427 | 7,427 | 0 |
| Interest received on note | 0 | 3,323 | 3,323 | 0 |
| Net cash provided by investing activities | <u>389</u> | <u>13,337</u> | <u>13,726</u> | <u>0</u> |
| Increase in cash and cash equivalents | 7,050 | 2,238 | 9,288 | 4,121 |
| Cash and cash equivalents, beginning of year | <u>58,925</u> | <u>20,836</u> | <u>79,761</u> | <u>51,640</u> |
| Cash and cash equivalents, end of year | \$ <u><u>65,975</u></u> | <u><u>23,074</u></u> | <u><u>89,049</u></u> | <u><u>55,761</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 36,605 | 0 | 36,605 | 1,542 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 210 | 0 | 210 | 147 |
| Other assets | 0 | 0 | 0 | 3,353 |
| Due from component units | 0 | 0 | 0 | 30 |
| Accounts payable and accrued liabilities | 0 | 0 | 0 | (951) |
| Net cash provided by operating activities | \$ <u><u>36,815</u></u> | <u><u>0</u></u> | <u><u>36,815</u></u> | <u><u>4,121</u></u> |

See accompanying notes to basic financial statements.

Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2009
(Except for Employee Retirement Plan, which is as of December 31, 2008)
(In thousands)

| | Employee retirement plan | Private purpose trusts | Agency funds |
|---|---|---------------------------------------|-------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 28,309 | 80,765 | 5,700 |
| Receivables: | | | |
| Interest and dividends | 17,222 | 0 | 0 |
| Securities sold | 158,961 | 0 | 0 |
| Employer contributions | 106,540 | 0 | 0 |
| Other | 17,100 | 1,138 | 0 |
| Total receivables | 299,823 | 1,138 | 0 |
| Investments, at fair value: | | | |
| Short-term: | | | |
| Domestic | 31,333 | 0 | 0 |
| International | 8,500 | 0 | 0 |
| Equity: | | | |
| Domestic | 1,139,541 | 0 | 0 |
| International | 519,489 | 0 | 0 |
| Fixed-income: | | | |
| Domestic | 645,301 | 0 | 0 |
| International | 221,438 | 0 | 0 |
| Real estate | 364,262 | 0 | 0 |
| Venture capital funds | 395,883 | 0 | 0 |
| Total investments | 3,325,747 | 0 | 0 |
| Securities lending short-term collateral investment pool | 268,064 | 0 | 0 |
| Total assets | 3,921,943 | 81,903 | 5,700 |
| Liabilities: | | | |
| Accounts payable | 13,093 | 2,703 | 0 |
| Securities purchased | 223,647 | 0 | 0 |
| Collateral held on securities lending | 268,064 | 0 | 0 |
| Refunds payable and other | 250 | 0 | 5,700 |
| Total liabilities | 505,054 | 2,703 | \$ 5,700 |
| Net assets – held in trust for pension benefits and other purposes | \$ 3,416,889 | 79,200 | |

See accompanying notes to basic financial statements.

**Statement of Changes in Fiduciary Net Assets –
Fiduciary Funds**

Year ended June 30, 2009

(Except for Employee Retirement Plan, which is for the year ended December 31, 2008)

(In thousands)

| | Employee retirement plan | Private purpose trusts |
|---|---|---------------------------------------|
| Additions: | | |
| Contributions: | | |
| Employers | \$ 244,299 | 0 |
| Employees | 124,283 | 0 |
| Donations and other | 0 | 12,045 |
| Total contributions | <u>368,582</u> | <u>12,045</u> |
| Investment (loss) earnings: | | |
| Realized and unrealized losses on investments | (1,265,238) | 0 |
| Interest and dividends | 102,321 | 887 |
| Less investment expenses | <u>(13,506)</u> | <u>0</u> |
| Net investment (loss) earnings | <u>(1,176,423)</u> | <u>887</u> |
| Securities lending activities: | | |
| Securities lending income | 12,317 | 0 |
| Less borrower rebates and fees | <u>(8,216)</u> | <u>0</u> |
| Net income from securities lending activities | <u>4,101</u> | <u>0</u> |
| Total net investment (loss) income | <u>(1,172,322)</u> | <u>887</u> |
| Intergovernmental | <u>20,777</u> | <u>0</u> |
| Total additions | <u>(782,963)</u> | <u>12,932</u> |
| Deductions: | | |
| Benefits | 395,116 | 0 |
| Reimbursement to other systems | 9,673 | 0 |
| Refunds of contributions | 18,581 | 0 |
| Administrative expenses and other | <u>4,566</u> | <u>20,388</u> |
| Total deductions | <u>427,936</u> | <u>20,388</u> |
| Change in net assets | <u>(1,210,899)</u> | <u>(7,456)</u> |
| Net assets, beginning of year | <u>4,627,788</u> | <u>86,656</u> |
| Net assets, end of year | <u>\$ 3,416,889</u> | <u>79,200</u> |

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements**June 30, 2009****(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, Boston Public Health Commission, and the Suffolk County Sheriff Department 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.

A complete set of financial statements for SBRS for the fiscal year ended December 31, 2008 can be obtained through the City Auditor's office, Room M-4, City Hall Plaza, Boston, Massachusetts 02201. The SBRS is included in the City's Fiduciary Fund Financial Statements.

Notes to Basic Financial Statements

June 30, 2009

(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:

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.

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.

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.

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, 2009.

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 17.

(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

Notes to Basic Financial Statements**June 30, 2009**

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) Governmentwide and Fund Financial Statements

The Governmentwide 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 Governmentwide 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**Governmentwide Financial Statements**

The Governmentwide 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 to focus. 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 imposed by the provider have been met.

Notes to Basic Financial Statements

June 30, 2009

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as *program revenues*. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements

Governmental Fund Financial Statements are reported using the *current financial resources measurements 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 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. 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 taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end.

Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is mature and due.

Proprietary Fund, Fiduciary Fund, and Component Unit Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the Governmentwide 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 lease receipts and 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 the interest, administrative expenses, and vendor payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Notes to Basic Financial Statements**June 30, 2009**

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

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.

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.

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:

The *Convention Center Bond Fund* accounts for the City activities related to the financing for the construction of a new state-owned convention center. Revenue debt issued in connection with this fund is payable solely by specified local and state receipts.

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 – Additionally, the City reports the following fiduciary fund types:

The *Private-Purpose Trust Fund* is 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 commingled nontestamentary trusts.

The *Pension Trust Fund* accounts principally for the activities of the State-Boston Employees Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired City employees.

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 basic financial statements, it is not considered a major fund.

Notes to Basic Financial Statements

June 30, 2009

As a general rule, the effect of interfund activity has been eliminated from the Governmentwide Financial Statements. However, interfund services provided and used are not eliminated in the process of consolidation.

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.

(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 Governmentwide Financial Statements as "internal balances."

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(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, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Governmentwide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost

Notes to Basic Financial Statements**June 30, 2009**

of more than \$15,000 and an estimated useful life in excess of two years. 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.

Property, plant, and equipment 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 |
| 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, 2009 is recorded in the Governmental Fund 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 (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

Notes to Basic Financial Statements

June 30, 2009

(i) Long-Term Obligations and Related Costs

Premiums, Discounts, and Issue Costs – In the Governmentwide 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 Governmentwide Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types 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) Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(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. Other refunds have been recorded in the Governmentwide 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, 2009, 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, 2009.

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 Governmentwide Statement of Net Assets. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2009 were \$200 thousand.

Notes to Basic Financial Statements**June 30, 2009*****(m) Use of Estimates***

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

(n) Adoption of New Accounting Pronouncements and Restatements

During the fiscal year ended June 30, 2009, the City adopted GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care.

The provisions of GASB 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the City's beginning net assets have been restated. The following is a reconciliation of the total governmental activities net assets as previously reported as of June 30, 2008 to the beginning net assets balance (in thousands):

| | | |
|---|-----------|-----------------------|
| Net Assets at June 30, 2008 | \$ | 975,247 |
| Adoption of GASB 49 | | (3,500) |
| Total Net Assets at July 1, 2008 | \$ | <u>971,747</u> |

The adoption of GASB 49 is now reflected in the City's long-term obligations, which can be seen in footnote 10 (b).

(3) Short-Term Debt

During fiscal year 2009, 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.

Notes to Basic Financial Statements

June 30, 2009

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, other than the aforementioned transfers, for the fiscal year.

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

Notes to Basic Financial Statements

June 30, 2009

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:

(a) 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).

(b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

(c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the General Fund (budget).

(d) 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, 2009 (in thousands):

| | <u>Revenue</u> | <u>Expenditures</u> | <u>Other financing sources, net</u> | <u>Excess of revenue and other financing sources</u> |
|---|---------------------|---------------------|---|--|
| As reported on a budgetary basis | \$ 2,402,595 | 2,398,461 | 0 | 4,134 |
| Adjustments: | | | | |
| Revenues to modified accrual basis | (11,893) | 0 | 0 | (11,893) |
| Expenditures, encumbrances, and accruals, net | 0 | (34,397) | 0 | 34,397 |
| Reclassifications: | | | | |
| State-funded teachers' retirement costs | (118,841) | (118,841) | 0 | 0 |
| Convention Center fund revenue | (27,000) | 0 | 27,000 | 0 |
| Transfers | (14,189) | 0 | 14,189 | 0 |
| As reported on a GAAP basis | <u>\$ 2,230,672</u> | <u>2,245,223</u> | <u>41,189</u> | <u>26,638</u> |

Notes to Basic Financial Statements

June 30, 2009

(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 classifications for Moody's, Standard & Poor's (S&P), and Fitch are as follows:

| Commercial Paper Credit Ratings | | | |
|---------------------------------|---------|-----------|-----------|
| | Moody's | S&P | Fitch |
| Superior | P1 | A1+ or A1 | F1+ or F1 |
| Satisfactory | P2 | A2 | F2 |
| Adequate | P3 | A3 | F3 |

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 their value of the pool's shares.

The City and its blended component unit apply GASB No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments.

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 may not be returned. The City carries deposits that are fully insured by FDIC insurance, collateralized and deposits that are not collateralized and are uninsured. As of June 30, 2009, the bank balances of uninsured and uncollateralized deposits totaled approximately \$1.6 million. 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

Notes to Basic Financial Statements

June 30, 2009

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, 2009:

| Investment type | Fair value | Less than 1 | 1 – 5 |
|-------------------------------|-------------------|----------------|---------------|
| External investment pool | \$ 575,366 | 575,366 | 0 |
| Mutual funds | 130,977 | 130,977 | 0 |
| U.S. Treasury notes and bonds | 10,743 | 0 | 10,743 |
| Domestic corporate | 4,513 | 0 | 4,513 |
| | <u>\$ 721,599</u> | <u>706,343</u> | <u>15,256</u> |

(d) Credit Risk

The City's fixed income investments as of June 30, 2009 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 | Rating |
|--------------------------|-------------------|-------------|
| Mutual funds | \$ 130,977 | AAA |
| External investment pool | 575,366 | Not Rated |
| Domestic corporate | 4,513 | AAA to BBB+ |
| | <u>\$ 710,856</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. Pursuant to M.G.L. c. 44, sec. 55, cities and towns in the Commonwealth may deposit available fund balances in banks, trust companies, or banking companies, provided that the amounts deposited do not exceed 60% of the capital and surplus of an institution unless satisfactory security for the amount in excess of 60% is provided by the depository.

Notes to Basic Financial Statements

June 30, 2009

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. The System also carries deposits that are not collateralized and are uninsured. As of December 31, 2008, 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. 23(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, 2008:

| Investment type | Fair value | Less than 1 | 1 – 5 | 6 – 10 | More than 10 |
|----------------------------------|-------------------|----------------|----------------|----------------|-----------------|
| U.S. Treasury notes and bonds \$ | 35,920 | 0 | 132 | 13,485 | 22,303 |
| U.S. agencies | 39,155 | 0 | 16 | 7,611 | 31,528 |
| Domestic corporate | 290,070 | 26,954 | 102,679 | 119,906 | 40,531 |
| International corporate | 144,170 | 1,732 | 49,496 | 63,719 | 29,223 |
| International government | 77,268 | 8,559 | 16,779 | 31,139 | 20,791 |
| Short-term investment funds | 39,833 | 39,833 | 0 | 0 | 0 |
| Asset-backed: | | | | | |
| CMOs | 35,179 | 0 | 0 | 2,885 | 32,294 |
| Mortgage-backed | 155,126 | 0 | 483 | 11,962 | 142,681 |
| Other | 89,851 | 0 | 70,768 | 11,381 | 7,702 |
| | <u>\$ 906,572</u> | <u>77,078</u> | <u>240,353</u> | <u>262,088</u> | <u>327,053</u> |

Notes to Basic Financial Statements

June 30, 2009

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, 2008 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, 2008 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 | \$ 39,155 | 34,535 | 0 | 0 | 0 | 0 | 0 | 0 | 4,620 |
| Domestic corporate | 290,070 | 11,049 | 39,354 | 140,063 | 31,229 | 33,691 | 28,522 | 4,410 | 1,752 |
| International corp. | 144,170 | 56,322 | 9,436 | 23,238 | 30,566 | 11,774 | 2,340 | 175 | 10,319 |
| International gov't | 77,268 | 45,527 | 17,720 | 0 | 2,754 | 3,104 | 0 | 0 | 8,163 |
| Short-term investment funds | 39,833 | 39,833 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asset-backed: | | | | | | | | | |
| CMOs | 35,179 | 27,805 | 390 | 150 | 0 | 0 | 0 | 0 | 6,834 |
| Mortgage-backed | 155,126 | 99,921 | 0 | 0 | 0 | 0 | 0 | 0 | 55,205 |
| Other | 89,851 | 22,129 | 2,609 | 1,050 | 0 | 0 | 0 | 0 | 64,063 |
| | <u>\$ 870,652</u> | <u>337,121</u> | <u>69,509</u> | <u>164,501</u> | <u>64,549</u> | <u>48,569</u> | <u>30,862</u> | <u>4,585</u> | <u>150,956</u> |

In addition to the above schedule, the System has approximately \$35,919,712 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, that exceed 5% of the System's net assets held in trust for pension benefits as of December 31, 2008.

The System adheres to the provisions of M.G.L. c. 32, sec. 23(2) when managing concentration risk.

Notes to Basic Financial Statements

June 30, 2009

(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 | Short-term | Fixed income | Equity | Alternative | Total |
|--|------------|--------------|---------|-------------|---------|
| Australian dollar | \$ 239 | 647 | 17,614 | 0 | 18,500 |
| Brazilian real | 1 | 0 | 6,181 | 0 | 6,182 |
| Canadian dollar | 222 | 2,256 | 5,000 | 0 | 7,478 |
| Chilean pesa | 0 | 0 | 26 | 0 | 26 |
| Columbian peso | 0 | 0 | 0 | 0 | 0 |
| Danish krone | 0 | 0 | 4,038 | 0 | 4,038 |
| Egyptian pound | 0 | 0 | 0 | 0 | 0 |
| Euro currency | 7,645 | 83,554 | 155,311 | 5,560 | 252,070 |
| Hong Kong dollar | 94 | 0 | 11,416 | 0 | 11,510 |
| Indian rupee | 74 | 0 | 6,194 | 0 | 6,268 |
| Indonesian rupiah | 8 | 1,023 | 890 | 0 | 1,921 |
| Israeli shekel | 26 | 0 | 633 | 0 | 659 |
| Japanese yen | 1,075 | 68,476 | 102,796 | 0 | 172,347 |
| Malaysian ringgit | 138 | 0 | 2,466 | 0 | 2,604 |
| Mexican peso | 36 | 0 | 1,238 | 0 | 1,274 |
| New Taiwan dollar | 567 | 0 | 777 | 0 | 1,344 |
| New Zealand dollar | 23 | 0 | 117 | 0 | 140 |
| Norwegian krone | 25 | 5,364 | 3,075 | 0 | 8,464 |
| Polish zloty | 2 | 0 | 358 | 0 | 360 |
| Pound sterling | 821 | 9,493 | 74,935 | 0 | 85,249 |
| Singapore dollar | 292 | 404 | 6,439 | 0 | 7,135 |
| South African rand | 76 | 0 | 3,417 | 0 | 3,493 |
| South Korean won | 29 | 0 | 6,211 | 0 | 6,240 |
| Swedish krona | 234 | 0 | 6,411 | 0 | 6,645 |
| Swiss franc | 629 | 0 | 38,197 | 0 | 38,826 |
| Thailand baht | 9 | 0 | 892 | 0 | 901 |
| Uruguayan peso | 0 | 1,580 | 0 | 0 | 1,580 |
| International equity pooled funds (various currencies) | 0 | 0 | 43,636 | 0 | 43,636 |
| Total securities subject to foreign currency risk | 12,265 | 172,797 | 498,268 | 5,560 | 688,890 |
| U.S. dollars (securities held by international investment managers)* | 8,530 | 48,641 | 21,221 | 0 | 78,392 |
| Total international investment securities | \$ 20,795 | 221,438 | 519,489 | 5,560 | 767,282 |

* Short-term investments include cash of approximately \$30.

Notes to Basic Financial Statements

June 30, 2009

(g) 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. Forward foreign currency contracts open at December 31, 2008 were as follows (in thousands):

| | <u>Fair value</u> | <u>Aggregate face value</u> | <u>Delivery date(s)</u> | <u>Unrealized gains</u> | <u>Unrealized losses</u> |
|---|-----------------------|---------------------------------|-----------------------------|-----------------------------|------------------------------|
| Forward foreign currency contracts purchased: | | | | | |
| Canadian dollar | \$ 547 | 536 | 1/22/09 | \$ 0 | (10) |
| Euro | 147 | 146 | 1/2/09 | 0 | (1) |
| Indian rupee | 1,636 | 1,698 | 3/16/09 | 62 | 0 |
| Mexican peso | 796 | 931 | 3/3/09 | 135 | 0 |
| Pound sterling | 1,134 | 1,303 | 1/2/09-3/3/09 | 169 | 0 |
| Singapore dollar | 2,935 | 2,933 | 1/15/09-2/27/09 | 0 | (2) |
| South African rand | 2,950 | 3,102 | 3/9/09-5/29/09 | 152 | 0 |
| South Korean won | 2,090 | 2,243 | 2/27/09 | 153 | 0 |
| Swiss franc | 172 | 173 | 1/5/09 | 1 | 0 |
| Thailand baht | 70 | 69 | 3/5/08 | 0 | (1) |
| Forward foreign currency contracts sold: | | | | | |
| Brazilian real | 34 | 34 | 1/2/09-1/5/09 | 0 | 0 |
| Cambodian riel | 2,431,244 | 2,431,020 | 2/27/09 | 224 | 0 |
| Hong Kong dollar | 140 | 140 | 1/5/09 | 0 | 0 |
| Indian rupee | 77,186 | 77,157 | 3/16/09 | 29 | 0 |
| Indonesian rupiah | 1,566 | 1,566 | 1/6/09 | 0 | 0 |
| Malaysian ringgit | 40 | 40 | 1/2/09-1/5/09 | 0 | 0 |
| Mexican peso | 5,861 | 5,913 | 3/3/09 | 0 | (52) |
| Pound sterling | 512 | 695 | 3/3/09 | 0 | (183) |
| Singapore dollar | 3,789 | 3,746 | 1/15/09-2/27/09 | 43 | 0 |
| South African rand | 26,594 | 26,382 | 1/2/09-5/29/09 | 212 | 0 |
| Swiss franc | 207 | 208 | 1/5/09 | 0 | (1) |
| Total | | | | \$ 1,180 | (250) |

(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 modified accrual basis of accounting, described in note 2.

Notes to Basic Financial Statements

June 30, 2009

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 16, 2008, all properties with unpaid fiscal year 2008 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):

| | General | Special revenue | Capital projects | Other nonmajor funds | Internal service | Total |
|--------------------------------------|------------|--------------------|---------------------|----------------------------|---------------------|-----------|
| Receivables: | | | | | | |
| Property taxes | \$ 17,724 | 0 | 0 | 0 | 0 | 17,724 |
| Other taxes | 147,467 | 0 | 0 | 0 | 0 | 147,467 |
| Intergovernmental | 231,096 | 67,976 | 12,755 | 0 | 0 | 311,827 |
| Other | 15,256 | 61,528 | 0 | 140 | 170 | 77,094 |
| Gross receivables | 411,543 | 129,504 | 12,755 | 140 | 170 | 554,112 |
| Less allowance for uncollectibles | (157,795) | 0 | 0 | 0 | 0 | (157,795) |
| Net total receivables | \$ 253,748 | 129,504 | 12,755 | 140 | 170 | 396,317 |

(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

Notes to Basic Financial Statements

June 30, 2009

schools. As of June 30, 2009, under this program, the City was due funds totaling \$87.8 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, 2009 through 2014, and in five-year increments thereafter:

| | <u>Anticipated revenue</u> |
|-----------------|--------------------------------|
| Fiscal year(s): | |
| 2010 | \$ 12,956 |
| 2011 | 11,158 |
| 2012 | 9,848 |
| 2013 | 8,833 |
| 2014 | 8,475 |
| 2015 – 2019 | 34,067 |
| 2020 | <u>2,461</u> |
| Total | \$ <u><u>87,798</u></u> |

(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, 2009, under this program, the City determined that \$56.1 million was collectible.

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):

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|---|--------------------------|----------------------|-----------------------|
| Delinquent taxes receivable (General Fund) | \$ 17,760 | 0 | 17,760 |
| Due from component units | 0 | 5,933 | 5,933 |
| Section 108 receivable | 56,142 | 0 | 56,142 |
| School building assistance receivable | 87,798 | 3,611 | 91,409 |
| Chapter 90 | 0 | 9,143 | 9,143 |
| Other | <u>0</u> | <u>556</u> | <u>556</u> |
| Total deferred/unearned revenue for governmental funds | \$ <u><u>161,700</u></u> | <u><u>19,243</u></u> | <u><u>180,943</u></u> |

Notes to Basic Financial Statements

June 30, 2009

(8) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

Primary Government

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 25,060 | 4 | 0 | 25,064 |
| Construction in progress | 4,038 | 104,927 | (73,402) | 35,563 |
| Total capital assets not being depreciated | <u>29,098</u> | <u>104,931</u> | <u>(73,402)</u> | <u>60,627</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 141,675 | 9,591 | 0 | 151,266 |
| Buildings and improvements | 1,632,231 | 47,721 | 0 | 1,679,952 |
| Furniture and equipment | 225,564 | 19,291 | (8,703) | 236,152 |
| Infrastructure | 407,983 | 27,128 | 0 | 435,111 |
| Total capital assets being depreciated | <u>2,407,453</u> | <u>103,731</u> | <u>(8,703)</u> | <u>2,502,481</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 23,405 | 7,379 | 0 | 30,784 |
| Buildings and improvements | 881,713 | 29,558 | 0 | 911,271 |
| Furniture and equipment | 172,417 | 20,859 | (8,643) | 184,633 |
| Infrastructure | 137,299 | 13,851 | 0 | 151,150 |
| Total accumulated depreciation | <u>1,214,834</u> | <u>71,647</u> | <u>(8,643)</u> | <u>1,277,838</u> |
| Total capital assets being depreciated, net | <u>1,192,619</u> | <u>32,084</u> | <u>(60)</u> | <u>1,224,643</u> |
| Governmental activities capital assets, net | <u>\$ 1,221,717</u> | <u>137,015</u> | <u>(73,462)</u> | <u>1,285,270</u> |

Notes to Basic Financial Statements**June 30, 2009**

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

| | | |
|---|----|---------------|
| Governmental activities: | | |
| General government | \$ | 1,165 |
| Human services | | 1,584 |
| Public safety | | 12,283 |
| Public works, including depreciation of general infrastructure assets | | 15,158 |
| Property and development | | 3,399 |
| Parks and recreation | | 6,401 |
| Library | | 3,273 |
| Schools | | 28,145 |
| Public health | | 239 |
| Total depreciation expense – governmental activities | \$ | <u>71,647</u> |

(9) Interfund Receivable and Payable Balances

Individual fund and discrete component unit receivable and payable balances at June 30, 2009 are as follows (in thousands):

| <u>Interfund balances</u> | <u>Receivable</u> | <u>Payable</u> |
|---------------------------|-------------------|----------------|
| General | \$ 27,000 | 3,675 |
| Special revenue | 1,181 | 0 |
| Capital projects | 2,031 | 0 |
| Convention Center | 0 | 27,000 |
| Internal service | 463 | 0 |
| Balances at June 30, 2009 | \$ <u>30,675</u> | <u>30,675</u> |

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements (in thousands):

| <u>Discrete component unit balances</u> | <u>Receivable</u> | <u>Payable</u> |
|---|-------------------|----------------|
| Primary government: | | |
| General | \$ 6,653 | 292 |
| Hospital revenue bond | 82,298 | 0 |
| | <u>88,951</u> | <u>292</u> |
| Discretely presented component units: | | |
| TPL | 0 | 352 |
| PHC | 292 | 88,599 |
| | <u>292</u> | <u>88,951</u> |
| Balances at June 30, 2009 | \$ <u>89,243</u> | <u>89,243</u> |

Notes to Basic Financial Statements

June 30, 2009

(10) Long-Term Obligations

(a) Governmental Activity Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2009 (in thousands):

| | Interest rates | Outstanding, beginning of year | Additions | Reductions | Outstanding, end of year | Due within one year |
|--|-------------------|--------------------------------------|-----------|------------|-----------------------------|------------------------|
| Bonds and notes payable: | | | | | | |
| General obligation refunding bonds dated 5/27/09 | 2.25% - 3.5% | \$ 0 | 31,485 | 0 | 31,485 | 530 |
| General obligation refunding bonds dated 3/1/09 | 2.00 - 4.00 | 0 | 8,940 | 0 | 8,940 | 5 |
| General obligation bonds dated 3/1/09 | 2.00 - 4.75 | 0 | 100,000 | 0 | 100,000 | 5,755 |
| General obligation refunding bonds dated 3/1/08 | 3.25 - 4.00 | 28,155 | 0 | 1,040 | 27,115 | 5,180 |
| General obligation bonds dated 3/1/08 | 5.0 | 126,185 | 0 | 6,360 | 119,825 | 6,875 |
| General obligation refunding bonds dated 3/1/07 | 0.125 - 5.0 | 85,030 | 0 | 310 | 84,720 | 320 |
| General obligation bonds dated 3/1/07 | 3.0 - 5.0 | 94,375 | 0 | 5,585 | 88,790 | 5,835 |
| General obligation bonds dated 1/31/06 | 4.0 - 5.0 | 67,530 | 0 | 6,235 | 61,295 | 6,235 |
| General obligation refunding bonds dated 2/1/05 | 2.5 - 5.0 | 112,400 | 0 | 5,125 | 107,275 | 10,315 |
| General obligation refunding bonds dated 4/1/04 | 2.0 - 5.0 | 18,640 | 0 | 5,995 | 12,645 | 5,875 |
| General obligation refunding bonds dated 2/1/04 | 3.0 - 5.0 | 72,920 | 0 | 9,755 | 63,165 | 9,595 |
| General obligation refunding bonds dated 2/1/03 | 2.25 - 5.0 | 97,570 | 0 | 16,060 | 81,510 | 9,440 |
| General obligation refunding bonds dated 11/15/02 | 4.0 - 5.0 | 6,295 | 0 | 6,295 | 0 | 0 |
| General obligation refunding bonds dated 8/15/02 | 2.875 - 5.0 | 46,670 | 0 | 310 | 46,360 | 320 |
| General obligation bonds dated 2/1/02 | 3.0 - 5.0 | 40,580 | 0 | 14,645 | 25,935 | 5,645 |
| General obligation refunding bonds dated 4/11/01 | 3.50 - 5.0 | 39,550 | 0 | 6,250 | 33,300 | 6,300 |
| General obligation bonds dated 2/1/01 | 4.25 - 5.0 | 39,290 | 0 | 20,855 | 18,435 | 6,890 |
| General obligation bonds dated 2/1/00 | 5.0 - 5.75 | 12,050 | 0 | 6,025 | 6,025 | 6,025 |
| General obligation bonds dated 10/15/98 | 3.25 - 5.0 | 15,975 | 0 | 15,975 | 0 | 0 |
| Total governmental obligation bonds payable | | \$ 903,215 | 140,425 | 126,820 | 916,820 | 91,140 |
| Add (deduct): | | | | | | |
| Unamortized bond premiums | | | | | 43,447 | |
| Unamortized excess of reacquisition price over net carrying amount of defeased bonds | | | | | (9,956) | |
| Current portion of long-term debt | | | | | (91,140) | |
| | | | | | \$ 859,171 | |

Notes to Basic Financial Statements

June 30, 2009

(b) Notes and Leases Payable and Other Long-Term Obligations

Following is a summary of the notes payable and other long-term obligations of the City as of June 30, 2009 (in thousands):

| | Interest rates | Outstanding, beginning of year | Additions | Reductions | Outstanding, end of year | Due within one year |
|--|-------------------|--------------------------------------|-----------|------------|-----------------------------|------------------------|
| Notes and leases payable: | | | | | | |
| Massachusetts Water Pollution Abatement Trust note payable | 4.25% – 5.75% | \$ 6,186 | 0 | 444 | 5,742 | 451 |
| Notes payable – Section 108 | 5.44 – 7.18 | 29,235 | 0 | 2,366 | 26,869 | 3,235 |
| Leases | | 36,773 | 13,962 | 11,190 | 39,545 | 12,147 |
| Total notes and leases payable | | 72,194 | 13,962 | 14,000 | 72,156 | 15,833 |
| Other long-term obligations: | | | | | | |
| Judgments and claims | | 6,005 | 4,077 | 7,157 | 2,925 | 600 |
| Workers' compensation | | 73,851 | 36,569 | 34,277 | 76,143 | 39,617 |
| Health and life claims | | 7,436 | 86,351 | 87,280 | 6,507 | 6,507 |
| Compensated absences | | 168,316 | 68,339 | 63,851 | 172,804 | 46,625 |
| Landfill closure and postclosure care costs | | 9,119 | 0 | 200 | 8,919 | 200 |
| Pollution remediation | | 3,500 | 0 | 1,500 | 2,000 | 1,300 |
| Other postemployment benefits | | 212,823 | 346,425 | 128,454 | 430,794 | 0 |
| Total other long-term obligations | | 481,050 | 541,761 | 322,719 | 700,092 | 94,849 |
| Total notes, leases, and other long-term obligations | | \$ 553,244 | 555,723 | 336,719 | 772,248 | 110,682 |

The payment of liabilities for judgments and claims, compensated absences, landfill closure and postclosure costs, and other postemployment benefits is primarily the responsibility of the City's General Fund.

(c) Business-Type Activity Obligations

Following is a summary of the business-type long-term obligations of the City as of June 30, 2009 (in thousands):

| | 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% | \$ 100,485 | 0 | 3,400 | 97,085 | 3,580 |
| Hospital Bond Fund: | | | | | | |
| Special Obligation Refunding Bonds, Boston City Hospital, dated 8/1/02 | 2.0 – 5.0 | 94,800 | 0 | 6,960 | 87,840 | 7,235 |
| Total business-type obligations | | \$ 195,285 | 0 | 10,360 | 184,925 | 10,815 |
| Add (deduct): | | | | | | |
| Unamortized bond premiums | | | | | 2,322 | |
| Unamortized excess of reacquisition price over net carrying amount of defeased bonds | | | | | (306) | |
| Current portion of long-term debt | | | | | (10,815) | |
| | | | | | \$ 176,126 | |

Notes to Basic Financial Statements

June 30, 2009

A. General Obligation Bonds

The annual debt service requirements of the City's general obligation governmental bonds outstanding as of June 30, 2009 are as follows (in thousands):

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|-------------------|-----------------|------------------|
| Year(s) ending June 30: | | | |
| 2010 | \$ 91,140 | 40,870 | 132,010 |
| 2011 | 86,445 | 37,084 | 123,529 |
| 2012 | 83,460 | 33,132 | 116,592 |
| 2013 | 78,020 | 29,468 | 107,488 |
| 2014 | 69,490 | 26,024 | 95,514 |
| 2015-2019 | 277,605 | 86,547 | 364,152 |
| 2020-2024 | 162,465 | 33,484 | 195,949 |
| 2025-2029 | 68,195 | 7,730 | 75,925 |
| | <u>\$ 916,820</u> | <u>294,339</u> | <u>1,211,159</u> |

On April 1, 2009, the City issued \$108,940,000 of general obligation and refunding bonds, \$100,000,000 for various municipal capital projects, and \$8,940,000 for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$9,290,000. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2029 and 2019, respectively.

On May 27, 2009, the City issued \$31,485,000 of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$29,830,000. Interest on these bonds are payable semiannually each August 1 and February 1 until maturity in fiscal year 2019.

The cash flow difference and economic gain (the difference between the present values of the debt service payments on old and new debt) obtained from the April 1, 2009 Series B refunding were \$615,965 and \$579,515, respectively. For the May 27, 2009 Series C refunding, the cash flow difference and economic gain were \$1,437,461 and \$1,345,680, respectively.

On October 28, 2009, the City issued \$20,000,000 of Qualified School Construction Bonds (QSCBs). QSCBs are offered under the American Recovery and Reinvestment Act (ARRA), which allows the City to issue the bonds at no interest cost. The principal of the bonds are payable quarterly, until maturity in fiscal year 2024.

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

Notes to Basic Financial Statements**June 30, 2009**

are not charged against its general credit. This aggregate amount is immaterial to the financial statements.

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 Emergency Finance Board. 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, 2009, the City may issue \$4.0 billion of additional general obligation debt under the debt limit. General obligation debt of \$538.1 million, subject to the debt limit, and \$82.0 million, exempt from the debt limit, are authorized but unissued as of June 30, 2009.

B. Notes Payable

At June 30, 2009, the City had various notes outstanding totaling \$32.6 million.

The annual debt of the City's notes payable as of June 30, 2009 is as follows (in thousands):

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------|------------------|-----------------|---------------|
| Year(s) ending June 30: | | | |
| 2010 | \$ 3,686 | 1,539 | 5,225 |
| 2011 | 3,683 | 1,368 | 5,051 |
| 2012 | 3,206 | 1,209 | 4,415 |
| 2013 | 3,720 | 1,020 | 4,740 |
| 2014 | 3,991 | 827 | 4,818 |
| 2015-2019 | 11,202 | 2,171 | 13,373 |
| 2020-2024 | 3,123 | 409 | 3,532 |
| | <u>\$ 32,611</u> | <u>8,543</u> | <u>41,154</u> |

C. Proprietary Fund Obligations

The annual debt service requirements of the City's special obligation bonds and Boston City Hospital, Series B, revenue bonds outstanding as of June 30, 2009 are as follows (in thousands):

Notes to Basic Financial Statements

June 30, 2009

| | Principal | Interest | Total |
|-------------------------|-------------------|---------------|----------------|
| Year(s) ending June 30: | | | |
| 2010 | \$ 10,815 | 8,546 | 19,361 |
| 2011 | 11,250 | 8,108 | 19,358 |
| 2012 | 11,700 | 7,652 | 19,352 |
| 2013 | 12,170 | 7,173 | 19,343 |
| 2014 | 12,665 | 6,669 | 19,334 |
| 2015-2019 | 72,875 | 23,432 | 96,307 |
| 2020-2024 | 30,930 | 10,420 | 41,350 |
| 2025-2029 | 22,520 | 2,289 | 24,809 |
| | <u>\$ 184,925</u> | <u>74,289</u> | <u>259,214</u> |

The revenue refunding bonds of 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 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.

Pledged Revenues

The City has pledged future mortgage note payments from the PHC, to repay \$127.8 million in special obligation refunding bonds issued in August 2002. Proceeds from the bonds originally provided financing for the construction of Boston City Hospital. The bonds are payable solely from mortgage note payments received from the PHC and are payable through 2019. 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 \$110.3 million. Principal and interest paid for the current year and mortgage note repayments received were \$10.9 million and \$13.3, respectively.

The City has pledged future taxi medallion sales and state hotel/motel excise tax receipts (pledged revenues) to repay \$116.9 million in special obligation bonds issued in April 2002. Proceeds from the bonds provided financing for the City's activities related to the financing for the construction of the state-owned convention center. The bonds are payable solely from the pledged revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require 25 percent of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$148.9 million. Principal and interest paid for the current year and pledged revenue receipts received, net of the \$27.0 million transfer to the general fund, were \$7.5 million and \$9.6 million, respectively.

Notes to Basic Financial Statements

June 30, 2009

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions and still outstanding at June 30, 2009 was approximately \$139.3 million.

D. Lease Obligations

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. Activity in capital lease agreements during fiscal year 2009 was as follows (in thousands):

| Date of issuance | Outstanding, beginning of year | Additions | Reductions | Outstanding, end of year |
|-------------------------|---|------------------|-------------------|-------------------------------------|
| April 21, 2004 | \$ 225 | 0 | 225 | 0 |
| November 5, 2004 | 1,276 | 0 | 536 | 740 |
| March 11, 2005 | 146 | 0 | 135 | 11 |
| November 10, 2005 | 3,455 | 0 | 1,062 | 2,393 |
| April 13, 2006 | 1,372 | 0 | 1,087 | 285 |
| November 22, 2006 | 10,447 | 0 | 3,167 | 7,280 |
| October 25, 2007 | 19,852 | 0 | 4,978 | 14,874 |
| March 31, 2009 | 0 | 13,962 | 0 | 13,962 |
| | <u>\$ 36,773</u> | <u>13,962</u> | <u>11,190</u> | <u>39,545</u> |

Assets acquired under capital leases are included in equipment under capital assets.

Future minimum payments under capital leases and installment sales as of June 30, 2009 are as follows (in thousands):

| | |
|--|------------------|
| 2010 | \$ 13,315 |
| 2011 | 11,188 |
| 2012 | 8,630 |
| 2013 | 4,119 |
| 2014 | 2,921 |
| 2015-2016 | <u>2,279</u> |
| Total minimum lease payments | 42,452 |
| Less amount representing interest | <u>(2,907)</u> |
| Total minimum principal lease payments | 39,545 |
| Less current portion | <u>(12,147)</u> |
| Long-term portion | <u>\$ 27,398</u> |

The City's commitment under operating leases is not significant.

Notes to Basic Financial Statements

June 30, 2009

(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 Sherriff Department

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.

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

Notes to Basic Financial Statements**June 30, 2009*****(c) Membership***

Membership in the System consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

| | |
|--|--------|
| Retirees and beneficiaries receiving benefits | 13,752 |
| Terminated plan members entitled to but not receiving benefits | 9,815 |
| Active plan members | 21,613 |
| Total membership | 45,180 |
| 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 December 31, 1978 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 Systemwide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The Commonwealth reimburses the City for benefits paid to school teachers. The Commonwealth also reimbursed the System for a portion of benefit payments for cost-of-living increases granted before July 1, 1998. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. The City's required and actual contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$213 million, \$ 203 million, \$193 million, or \$108 million, \$ 105 million, and \$99 million, net of teachers' retirement, respectively.

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.

Notes to Basic Financial Statements

June 30, 2009

(e) Legally Required Reserve Accounts

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2008 is as follows (in thousands):

| Description | Amount | Purpose |
|-------------------------|---------------------|---|
| Annuity savings fund | \$ 1,329,052 | Active members' contribution balance |
| Annuity reserve fund | 410,870 | Retired members' contribution account |
| Military service credit | 49 | Members' contribution account while on military leave |
| Pension reserve fund | 1,409,389 | Amounts appropriated to fund future retirement benefits |
| Pension fund | 267,529 | Remaining net assets |
| | <u>\$ 3,416,889</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, 2008. 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, 2008, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the

Notes to Basic Financial Statements**June 30, 2009**

amounts owed to the System. Borrower rebates and fees paid to the custodian during the year ended December 31, 2008 totaled \$137,557.

At December 31, 2008, the fair value of securities loaned by the System amounted to \$284.9 million, against which was held collateral of \$292.2 million as follows (in thousands):

| | | |
|---------------------------------------|----|----------------|
| Short-term collateral investment pool | \$ | 268,064 |
| Noncash collateral | | 24,095 |
| Total | \$ | <u>292,159</u> |

(g) Commitments

At December 31, 2008, the System had contractual commitments to provide approximately \$63 million of additional funding to venture capital funds.

(h) Funded Status and Funding Progress

The funded status of the System as of January 1, 2008, the most recent actuarial valuation date, is as follows (in thousands):

| | | |
|---|----|------------------|
| Actuarially accrued liability (AAL) | \$ | 6,596,148 |
| Actuarial value of plan assets | | <u>4,458,002</u> |
| Unfunded AAL (UAAL) | \$ | <u>2,138,146</u> |
| Funded ratio (actuarial value of plan assets/AAL) | | 67.6% |
| Covered payroll (active plan members) | \$ | 1,299,112 |
| UAAL as a percentage of covered payroll | | 164.6% |

In the January 1, 2008 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 \$360 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, 2008 was 16 years.

The schedule of funding progress, presented as Requires 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.

Notes to Basic Financial Statements

June 30, 2009

(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 Governmentwide 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 Governmentwide Statement of Net Assets over time.

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, 2007, the valuation date, approximately 14,000 retirees and 16,000 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 OPEB plan is administered by the City and does not issue a stand-alone financial report. GASB Statement No. 45 requires the City to report their OPEB plan as an agency fund in their Fiduciary Financial Statements. However, the City has determined that activity in this fund is immaterial to the City's financial statements and does not present the fund within the Fiduciary Financial Statements.

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 both 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 City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2007, 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 City contributes the balance of the premium cost.

Notes to Basic Financial Statements**June 30, 2009*****(b) 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, 2009, 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, 2007 (in thousands):

| | | |
|---|----|-----------------------|
| ARC | \$ | 344,100 |
| Interest on net OPEB obligation | | 9,577 |
| Adjustment to ARC | | (7,252) |
| Annual OPEB cost | | <u>346,425</u> |
| Contributions made | | <u>(128,454)</u> |
| Change in net OPEB obligation | | <u>217,971</u> |
| Net OPEB obligation – beginning of year | | <u>212,823</u> |
| Net OPEB obligation – end of year | \$ | <u><u>430,794</u></u> |

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

| Fiscal Year Ended | | Annual OPEB Cost | Percentage of OPEB Cost Contributed | | Net OPEB Obligation |
|------------------------------|----|-----------------------------|--|----|--------------------------------|
| 2009 | \$ | 346,425 | 37% | \$ | 430,794 |
| 2008 | | 327,752 | 35% | | 212,823 |

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, based on an actuarial valuation as of June 30, 2007, was as follows (in thousands):

Notes to Basic Financial Statements

June 30, 2009

| | | |
|---|----|------------------|
| AAL | \$ | 5,490,836 |
| Actuarial value of plan assets | | 0 |
| UAAL | \$ | <u>5,490,836</u> |
| Funded ratio (actuarial value of plan assets/AAL) | | 0% |
| Covered payroll (active plan members) | \$ | 669,802 |
| UAAL as a percentage of covered payroll | | 820% |

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 the 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 revocable OPEB trust fund and appropriated \$20 million to the fund.

(d) Actuarial Methods and Assumptions

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

In the June 30, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% 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 actuarial value of assets was determined using the market value of investments. The City's UAAL is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2007 was 30 years.

Notes to Basic Financial Statements**June 30, 2009****(13) Transfers**

Transfers and their purposes during the year ended June 30, 2009 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 \$ | 27,000 | 0 | 0 | 0 | (27,000) |
| Cemetery fees/fund appropriation | 2,189 | 0 | 0 | (2,189) | 0 |
| Parking meter fees/fund appropriation | | | | | |
| payment | 12,000 | (12,000) | 0 | 0 | 0 |
| Sale of surplus property | 0 | 0 | 0 | 0 | 0 |
| Total | <u>\$ 41,189</u> | <u>(12,000)</u> | <u>0</u> | <u>(2,189)</u> | <u>(27,000)</u> |

(14) Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2009 in the following categories (in thousands):

| | |
|----------------------|------------------|
| Public safety: | |
| Police Department | \$ 3,752 |
| Fire Department | 3,731 |
| Public Works: | |
| Snow Removal | 8,494 |
| Execution of Courts: | |
| Execution of Courts | 1,306 |
| | <u>\$ 17,283</u> |

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

(15) 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.

Notes to Basic Financial Statements

June 30, 2009

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC, and a City appropriation. During fiscal year 2009, the City appropriated \$69.4 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 \$70.0 million for the PHC for fiscal year 2010.

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 2009, the City received \$7.4 million in principal and \$3.4 million in interest for a total of \$10.8 million from PHC in payments for this note. These general obligation bonds were issued by the City between December 1967 and October 1995 and total \$7.2 million at June 30, 2009. 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.

(16) Risk Management

The City is self-insured for general liability, property, and casualty (except for boiler and machinery losses up to \$10.0 million), worker injury, unemployment, and certain employee health claims. The City's Corporation Counsel defends the City in any lawsuits that arise from the normal course of operations, with exposure limited by a state tort cap under Chapter 258 of the M.G.L. Except for certain healthcare costs described below, judgments and claims are charged to the General Fund.

The City's health insurance program, administered by the Health Insurance and Benefits Division, a program within Human Resources, provides coverage to the City's employees and retirees through a number of Health Maintenance Organizations (HMO) and Blue Cross Blue

Notes to Basic Financial Statements

June 30, 2009

Shield of Massachusetts (BCBS). Costs to the City for the HMOs, which varies from 90.0% to 78.0% of total premium after employee contributions, are accounted for in the General Fund and are capped at a defined premium payment per employee.

BCBS acts as a third-party agent for the City in the payment of the various claim plans used by the City. City costs incurred for the operation of the BCBS plans, totaling 75% of premium after employee contributions, are accounted for in a separate health insurance internal service fund.

The City has implemented a comprehensive risk financing strategy that includes establishing a catastrophic risk reserve, currently with a \$12.5 million balance available for future losses. The City's property insurance was renewed – a one-year, all-risk catastrophic property insurance policy covering all City property assets up to \$100.0 million, after a \$10.0 million retention. Any boiler and machinery-related property loss is additionally insured, after a \$50,000 deductible, for up to \$10.0 million.

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, 2009 and 2008 are as follows (in thousands):

| | Internal service fund | |
|---|------------------------------|-------------|
| | 2009 | 2008 |
| Health and life claims, beginning of year | \$ 7,436 | 6,827 |
| Incurred claims | 86,351 | 89,392 |
| Payments of claims attributable to events of both the current and prior fiscal years: | | |
| Health and life | (87,280) | (88,783) |
| Health and life claims, end of year | \$ 6,507 | 7,436 |
| Government-wide statements | | |
| | 2009 | 2008 |
| | | |
| Judgments and claims, beginning of year | \$ 79,856 | 71,224 |
| Incurred claims | 44,190 | 51,354 |
| Payments of claims attributable to events of both the current and prior fiscal years: | | |
| Workers' compensation | (34,277) | (37,369) |
| Unemployment compensation | (3,544) | (3,386) |
| Court judgments | (7,157) | (1,967) |
| Judgments and claims, end of year | \$ 79,068 | 79,856 |

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.

Notes to Basic Financial Statements

June 30, 2009

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.

(17) 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, 2009 | | | | | |
| (In thousands) | | | | | |
| | PHC | BRA | TPL | EDIC | Total |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 43,458 | 43,896 | 11,168 | 8,319 | 106,841 |
| Cash and investments held by trustee | 0 | 0 | 39,606 | 1,854 | 41,460 |
| Receivables, net: | | | | | |
| Other | 11,780 | 4,993 | 1,097 | 8,175 | 26,045 |
| Other assets | 9,465 | 110 | 1,620 | 685 | 11,880 |
| Due from primary government | 292 | 0 | 0 | 0 | 292 |
| Total current assets | <u>64,995</u> | <u>48,999</u> | <u>53,491</u> | <u>19,033</u> | <u>186,518</u> |
| Noncurrent assets: | | | | | |
| Notes receivable | 5,206 | 85,472 | 0 | 0 | 90,678 |
| Other assets | 77,768 | 31,898 | 0 | 0 | 109,666 |
| Capital assets: | | | | | |
| Nondepreciable | 15,561 | 15,001 | 0 | 1,420 | 31,982 |
| Depreciable | 16,482 | 3,582 | 724 | 31,882 | 52,670 |
| Total noncurrent assets | <u>115,017</u> | <u>135,953</u> | <u>724</u> | <u>33,302</u> | <u>284,996</u> |
| Total assets | <u>\$ 180,012</u> | <u>184,952</u> | <u>54,215</u> | <u>52,335</u> | <u>471,514</u> |

Notes to Basic Financial Statements**June 30, 2009**

Condensed Statements of Net Assets

June 30, 2009

(In thousands)

| | PHC | BRA | TPL | EDIC | Total |
|--|------------------|----------------|---------------|---------------|----------------|
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Warrants and accounts payable | \$ 14,056 | 3,218 | 1,839 | 3,408 | 22,521 |
| Accrued liabilities: | | | | | |
| Other | 0 | 0 | 225 | 2,081 | 2,306 |
| Current portion of long-term debt and leases | 0 | 0 | 0 | 1,201 | 1,201 |
| Due to BMC | 6,464 | 0 | 0 | 0 | 6,464 |
| Due to primary government | 9,183 | 0 | 352 | 0 | 9,535 |
| Deferred revenue | 1,988 | 2,629 | 0 | 719 | 5,336 |
| Total current liabilities | 31,691 | 5,847 | 2,416 | 7,409 | 47,363 |
| Noncurrent liabilities: | | | | | |
| Bonds notes and leases due in more than one year | 0 | 1,475 | 0 | 16,491 | 17,966 |
| Other noncurrent liabilities | 17,314 | 140,291 | 0 | 786 | 158,391 |
| OPEB | 32,180 | 2,070 | 0 | 0 | 34,250 |
| Deferred revenue | 6,374 | 33,445 | 0 | 0 | 39,819 |
| Due to primary government | 79,416 | 0 | 0 | 0 | 79,416 |
| Total noncurrent liabilities | 135,284 | 177,281 | 0 | 17,277 | 329,842 |
| Total liabilities | 166,975 | 183,128 | 2,416 | 24,686 | 377,205 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 30,590 | 6,613 | 724 | 17,465 | 55,392 |
| Restricted | 0 | 0 | 49,794 | 0 | 49,794 |
| Unrestricted | (17,553) | (4,789) | 1,281 | 10,184 | (10,877) |
| Total net assets | \$ 13,037 | 1,824 | 51,799 | 27,649 | 94,309 |

Notes to Basic Financial Statements

June 30, 2009

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

(In thousands)

| | PHC | BRA | TPL | EDIC | Total |
|------------------------------------|------------|------------|------------|-------------|--------------|
| Expenses | \$ 144,954 | 29,108 | 16,421 | 37,125 | 227,608 |
| Program revenues: | | | | | |
| Charges for services | 8,884 | 7,616 | 1,032 | 14,710 | 32,242 |
| Operating grants and contributions | 47,381 | 10,303 | 11,813 | 15,906 | 85,403 |
| Capital grants and contributions | 5,776 | 0 | 0 | 0 | 5,776 |
| Total program revenues | 62,041 | 17,919 | 12,845 | 30,616 | 123,421 |
| Net expenses | (82,913) | (11,189) | (3,576) | (6,509) | (104,187) |
| General revenues: | | | | | |
| Investment income (loss) | 756 | 1,480 | (7,258) | 129 | (4,893) |
| Sale of property | 0 | 6,905 | 0 | 0 | 6,905 |
| City appropriation | 69,446 | 0 | 0 | 0 | 69,446 |
| Miscellaneous income | 3,427 | 897 | 0 | 2,074 | 6,398 |
| Total general revenues | 73,629 | 9,282 | (7,258) | 2,203 | 77,856 |
| Change in net assets | (9,284) | (1,907) | (10,834) | (4,306) | (26,331) |
| Net assets – beginning of year | 22,321 | 3,731 | 62,677 | 31,955 | 120,684 |
| Prior period adjustment | 0 | 0 | (44) | 0 | (44) |
| Net assets – end of year | \$ 13,037 | 1,824 | 51,799 | 27,649 | 94,309 |

Schedule 1**Required Supplementary Information
(Unaudited)****(Dollar amounts in thousands)****Schedules of Funding Progress**

| Pension | | | | | | | |
|---|----|--|--|--|-----------------------------------|--------------------------------|--|
| 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) |
| 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 |
| 01/01/05 | | 3,587,118 | 5,664,288 | 2,077,170 | 63.3 | 1,115,529 | 186.2 |
| 01/01/04 | | 3,384,814 | 5,420,842 | 2,036,028 | 62.4 | 1,067,492 | 190.7 |
| 01/01/03 | | 3,204,893 | 5,121,319 | 1,916,426 | 62.6 | 1,099,779 | 174.3 |
| Other Postemployment Benefits | | | | | | | |
| 06/30/07 | \$ | 0 | 5,490,836 | 5,490,836 | 0.0% | \$ 669,802 | 819.8% |

Schedule of Employers' Contributions – Pension

| | Annual required contribution | Percentage contributed |
|-------------------------|---|-----------------------------------|
| Year ended December 31: | | |
| 2008 | \$ 244,299 | 100% |
| 2007 | 227,822 | 100 |
| 2006 | 217,088 | 100 |
| 2005 | 191,132 | 100 |
| 2004 | 164,069 | 100 |
| 2003 | 157,064 | 100 |

See accompanying independent auditor's report

GENERAL FUND

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

Exhibit A-1

GENERAL FUND
Comparative Balance Sheets
June 30, 2009 and 2008
(in thousands)

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|-------------------------|
| ASSETS | | |
| Cash and investments..... | \$ 863,606 | 756,652 |
| Receivables: | | |
| Property taxes..... | 17,724 | 19,774 |
| Motor vehicle / boat excise..... | 62,415 | 63,706 |
| Intergovernmental..... | 231,096 | 237,443 |
| Departmental and other..... | 15,256 | 66,398 |
| Tax title and possession..... | 85,052 | 81,437 |
| Total receivables..... | <u>411,543</u> | <u>468,758</u> |
| Allowance: | | |
| Property Tax..... | 0 | 0 |
| Tax title and possession..... | (85,034) | (81,437) |
| Motor vehicle / boat excise..... | (57,617) | (58,690) |
| Other..... | (15,144) | (19,151) |
| Total allowances..... | <u>(157,795)</u> | <u>(159,278)</u> |
| Net receivable..... | 253,748 | 309,480 |
| Due from other funds..... | 27,000 | 27,703 |
| Due from component units..... | 6,653 | 7,829 |
| Total assets..... | \$ <u><u>1,151,007</u></u> | <u><u>1,101,664</u></u> |
| LIABILITIES | | |
| Warrants and accounts payable..... | \$ 57,124 | 48,356 |
| Accrued liabilities: | | |
| Payroll and related costs..... | 125,527 | 103,737 |
| Deposits and other..... | 23,655 | 15,073 |
| Deferred revenue..... | 112,047 | 127,817 |
| Due to other funds..... | 3,675 | 4,382 |
| Due to component units..... | 292 | 250 |
| Total liabilities..... | <u>322,320</u> | <u>299,615</u> |
| FUND BALANCE | | |
| Reserved for: | | |
| Encumbrances..... | 37,534 | 32,519 |
| Unreserved: | | |
| Designated for subsequent year expenditures..... | 240,824 | 215,929 |
| Undesignated..... | 550,329 | 553,601 |
| Total fund balance..... | <u>828,687</u> | <u>802,049</u> |
| Total liabilities and fund balance..... | \$ <u><u>1,151,007</u></u> | <u><u>1,101,664</u></u> |

See accompanying independent auditor's report.

Exhibit A-2

GENERAL FUND

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance

Years Ended June 30, 2009 and 2008

(in thousands)

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|------------------|
| REVENUES: | | |
| Local: | | |
| Real and personal property taxes..... | \$ 1,393,371 | 1,316,734 |
| Excises..... | 115,454 | 115,809 |
| Payments in lieu of taxes..... | 56,686 | 56,667 |
| Fines..... | 69,711 | 67,940 |
| Investment income..... | 18,289 | 37,822 |
| Licenses and permits..... | 40,822 | 45,989 |
| Departmental and other | 82,087 | 79,030 |
| Total local revenues..... | <u>1,776,420</u> | <u>1,719,991</u> |
| Intergovernmental: | | |
| Intergovernmental..... | <u>454,252</u> | <u>493,227</u> |
| Total intergovernmental revenues..... | <u>454,252</u> | <u>493,227</u> |
| Total revenues..... | <u>2,230,672</u> | <u>2,213,218</u> |
| EXPENDITURES: | | |
| Current: | | |
| General government..... | 69,524 | 66,927 |
| Human services..... | 29,722 | 29,093 |
| Public safety..... | 521,898 | 509,293 |
| Public works..... | 112,168 | 108,831 |
| Property and development..... | 28,959 | 29,876 |
| Parks and recreation..... | 17,571 | 17,418 |
| Library..... | 31,268 | 27,089 |
| Schools..... | 818,338 | 782,500 |
| Public health programs..... | 69,985 | 67,694 |
| Judgments and claims..... | 9,946 | 1,967 |
| Retirement costs..... | 82,332 | 95,193 |
| Other employee benefits..... | 191,597 | 190,167 |
| State and district assessments..... | 142,055 | 132,792 |
| Capital outlays..... | 566 | 9,417 |
| Debt service..... | 119,294 | 115,771 |
| Total expenditures..... | <u>2,245,223</u> | <u>2,184,028</u> |
| Excess (deficiencies) of revenues over (under) expenditures..... | (14,551) | 29,190 |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers in..... | <u>41,189</u> | <u>40,810</u> |
| Total other financing sources..... | <u>41,189</u> | <u>40,810</u> |
| Net change in fund balances..... | 26,638 | 70,000 |
| Fund balance – beginning..... | <u>802,049</u> | <u>732,049</u> |
| Fund balance – ending..... | <u>\$ 828,687</u> | <u>802,049</u> |

See accompanying independent auditor's report.

Exhibit A-3**GENERAL FUND**

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

Year Ended June 30, 2009

(with comparative actual amounts for 2008)

(in thousands)

| Classification | 2009 | | | | 2008 Actual |
|--|--------------------|-----------------|-----------|--|----------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | |
| PROPERTY TAXES | | | | | |
| Real Estate Taxes..... | \$ 1,258,469 | 1,258,469 | 1,259,000 | 531 | 1,197,159 |
| Real and Personal Property Taxes..... | 106,111 | 106,111 | 106,272 | 161 | 98,301 |
| Revenue class total | 1,364,580 | 1,364,580 | 1,365,272 | 692 | 1,295,460 |
| MOTOR VEHICLE EXCISE | | | | | |
| Motor Vehicle Excise – Current..... | 39,500 | 39,500 | 29,103 | (10,397) | 33,390 |
| Motor Vehicle Excise – Prior Years..... | 0 | 0 | 15,504 | 15,504 | 16,189 |
| Boat Excise – Current and Prior Years..... | 45 | 45 | 69 | 24 | 53 |
| Revenue class total | 39,545 | 39,545 | 44,676 | 5,131 | 49,632 |
| OTHER EXCISE TAXES | | | | | |
| Hotel / Motel Room Excise..... | 27,000 | 27,000 | 27,000 | 0 | 23,000 |
| Aircraft Fuel Excise..... | 24,500 | 24,500 | 34,472 | 9,972 | 18,787 |
| Condominium Conv. Excise..... | 450 | 450 | 705 | 255 | 847 |
| Urban Redevelopment Ch.121A..... | 40,500 | 40,500 | 42,923 | 2,423 | 39,292 |
| Revenue class total | 92,450 | 92,450 | 105,100 | 12,650 | 81,926 |
| COMMONWEALTH OF MASSACHUSETTS | | | | | |
| State Owned Lands..... | 272 | 272 | 272 | 0 | 254 |
| Exemption – Elderly..... | 720 | 720 | 1,416 | 696 | 639 |
| Exemption – Other..... | 639 | 639 | 616 | (23) | 720 |
| Lottery..... | 71,585 | 71,585 | 64,609 | (6,976) | 71,585 |
| Veterans Services – Local Aid..... | 2,921 | 2,921 | 2,840 | (81) | 2,521 |
| Pensions – Retired Teachers..... | 105,420 | 105,420 | 118,841 | 13,421 | 105,420 |
| Additional Assistance..... | 164,211 | 164,211 | 148,209 | (16,002) | 164,211 |
| Police Career Incentive..... | 9,942 | 9,942 | 9,329 | (613) | 9,468 |
| Local Share of Racing Taxes..... | 537 | 537 | 451 | (86) | 521 |
| Municipal Relief Aid..... | 0 | 0 | 0 | 0 | 0 |
| School Construction – State..... | 13,199 | 13,199 | 13,199 | 0 | 13,712 |
| Charter School Reimbursement..... | 19,150 | 19,150 | 15,359 | (3,791) | 13,888 |
| Chapter 70 Education Aid..... | 221,422 | 221,422 | 198,137 | (23,285) | 215,808 |
| Revenue class total | 610,018 | 610,018 | 573,278 | (36,740) | 598,747 |
| (continued) | | | | | |

(continued)

Exhibit A-3 (continued)

GENERAL FUND

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

Year Ended June 30, 2009

(with comparative actual amounts for 2008)

(in thousands)

| | 2009 | | | | | |
|---|----------------------------|-------------------------|---------------|---|------------------------|--|
| <u>Classification</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>2008 Actual</u> | |
| DEPARTMENTAL & OTHER REVENUE | | | | | | |
| Penalties & Interest – Property Taxes..... \$ | 2,750 | 2,750 | 2,272 | (478) | 2,742 | |
| Penalties & Interest – Motor Vehicle..... | 3,000 | 3,000 | 2,966 | (34) | 2,628 | |
| Penalties & Interest – Tax Title..... | 2,750 | 2,750 | 2,531 | (219) | 3,138 | |
| Penalties & Interest – Boat Excise..... | 8 | 8 | 6 | (2) | 6 | |
| Penalties & Interest – 121A..... | 8 | 8 | 0 | (8) | 3 | |
| Sidewalk Paid in Advance..... | 0 | 0 | 1 | 1 | 0 | |
| Unapportioned Assessments..... | 20 | 20 | 102 | 82 | 20 | |
| Other Departmental Fees & Charges..... | 850 | 850 | 2,490 | 1,640 | 1,505 | |
| Registry Division Fees..... | 1,625 | 1,625 | 1,489 | (136) | 1,606 | |
| Liens..... | 700 | 700 | 570 | (130) | 635 | |
| Other Departmental..... | 4,586 | 4,586 | 4,908 | 322 | 4,571 | |
| City Clerk Fees..... | 550 | 550 | 414 | (136) | 459 | |
| Muni Medicaid Reimbursement..... | 17,950 | 17,950 | 18,975 | 1,025 | 15,834 | |
| Police Services..... | 950 | 950 | 726 | (224) | 928 | |
| Fire Services..... | 3,250 | 3,250 | 3,614 | 364 | 3,624 | |
| Parking Facilities..... | 1,250 | 1,250 | 1,761 | 511 | 1,235 | |
| Street Occupancy..... | 0 | 0 | 2,973 | 2,973 | 3,139 | |
| Street, Sidewalk Permit/A..... | 2,400 | 2,400 | 695 | (1,705) | 423 | |
| Administrative Fees..... | 500 | 500 | 4,109 | 3,609 | 1,208 | |
| Demolition of Abandoned Structures..... | 1,000 | 1,000 | 36 | (964) | 17 | |
| Property Mgmt – Building Rents..... | 30 | 30 | 1,794 | 1,764 | 1,890 | |
| St.Furniture Program Fixed Fees..... | 1,800 | 1,800 | 750 | (1,050) | 750 | |
| St.Furniture Program Adm Fees..... | 750 | 750 | 825 | 75 | 769 | |
| Fiber Optics Access Fees..... | 750 | 750 | 492 | (258) | 436 | |
| Public Works – Other Charges..... | 200 | 200 | | (200) | 1 | |
| Tuition and Transportation - Schools..... | 0 | 0 | 1,320 | 1,320 | 883 | |
| Library Fees..... | 885 | 885 | 350 | (535) | 334 | |
| Other Penalties & Interest..... | 325 | 325 | (3) | (328) | 0 | |
| Cobra/self-pay..... | (3) | (3) | 1,214 | 1,217 | 1,191 | |
| Affirmative Recovery Unit..... | 1,150 | 1,150 | 5,302 | 4,152 | 346 | |
| Fringe-Retirement..... | 600 | 600 | 5,123 | 4,523 | 5,688 | |
| Pensions and Annuities..... | 5,691 | 5,691 | 3,424 | (2,267) | 5,877 | |
| Indirect Costs Reimbursement | 3,250 | 3,250 | 951 | (2,299) | 1,265 | |
| Third-Party payments..... | 900 | 900 | 33 | (867) | | |
| Prior Year Reimbursements..... | 10 | 10 | 186 | 176 | 764 | |
| Police Detail Admin. Fee..... | 246 | 246 | 3,254 | 3,008 | 3,413 | |
| Rental Income..... | 3,300 | 3,300 | 9 | (3,291) | 31 | |
| Adm. Fee 3rd Party Payments..... | 10 | 10 | 0 | (10) | 24 | |
| Tellers Adjustment Account..... | 10 | 10 | (1) | (11) | (4) | |
| Revenue class total | 64,051 | 64,051 | 75,661 | 11,610 | 67,379 | |
| FINES | | | | | | |
| Parking Fines..... | 71,000 | 71,000 | 65,950 | (5,050) | 63,275 | |
| Court Fines..... | 100 | 100 | 103 | 3 | 113 | |
| Moving Violation Fines – Court..... | 3,510 | 3,510 | 3,360 | (150) | 3,501 | |
| Fire Safety Fines..... | 5 | 5 | 7 | 2 | 1 | |
| ISD – Fines..... | 0 | 0 | 0 | 0 | 0 | |
| Code Enforcement..... | 460 | 460 | 633 | 173 | 501 | |
| Revenue class total | 75,075 | 75,075 | 70,053 | (5,022) | 67,391 | |

(continued)

See accompanying independent auditor's report.

Exhibit A-3 (continued)**GENERAL FUND**

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

Year Ended June 30, 2009

(with comparative actual amounts for 2008)

(in thousands)

| | 2009 | | | | | |
|--|----------------------------|-------------------------|---------------|---|------------------------|--|
| <u>Classification</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>2008 Actual</u> | |
| PAYMENTS IN LIEU OF TAXES | | | | | | |
| Mass Port Authority..... | \$ 16,076 | 16,076 | 16,160 | 84 | 15,608 | |
| Misc PILOTS..... | 16,424 | 16,424 | 17,792 | 1,368 | 15,810 | |
| Misc Chapter 121B Section 16..... | 850 | 850 | 1,100 | 250 | 840 | |
| Misc Chapter 121A Section 6A..... | 22,750 | 22,750 | 21,441 | (1,309) | 24,409 | |
| Revenue class total | <u>56,100</u> | <u>56,100</u> | <u>56,493</u> | <u>393</u> | <u>56,667</u> | |
| INVESTMENT INCOME | | | | | | |
| Interest on Investments..... | 18,500 | 18,500 | 17,835 | (665) | 39,512 | |
| Revenue class total | <u>18,500</u> | <u>18,500</u> | <u>17,835</u> | <u>(665)</u> | <u>39,512</u> | |
| LICENSES AND PERMITS | | | | | | |
| Building Structures and Permits..... | 24,870 | 24,870 | 26,966 | 2,096 | 31,754 | |
| Weights and Measures..... | 230 | 230 | 272 | 42 | 231 | |
| Street and Curb Permits..... | 2,000 | 2,000 | 1,837 | (163) | 1,920 | |
| Prerental Inspections..... | 116 | 116 | 134 | 18 | 117 | |
| Other Dept Licenses & Permits..... | 825 | 825 | 769 | (56) | 842 | |
| Health Inspections..... | 1,500 | 1,500 | 1,642 | 142 | 1,493 | |
| Alcoholic Beverages and Licenses..... | 3,300 | 3,300 | 3,339 | 39 | 3,313 | |
| Entertainment Licenses..... | 1,600 | 1,600 | 1,719 | 119 | 1,693 | |
| Police Firearm Permits..... | 34 | 34 | 44 | 10 | 24 | |
| Other Business Licenses and Permits..... | 110 | 110 | 131 | 21 | 132 | |
| Cable Television..... | 6,000 | 6,000 | 4,155 | (1,845) | 6,058 | |
| Revenue class total | <u>40,585</u> | <u>40,585</u> | <u>41,008</u> | <u>423</u> | <u>47,577</u> | |
| TRANSFERS AND OTHER AVAILABLE FUNDS | | | | | | |
| Sale of Property..... | 4,030 | 4,030 | 4,030 | 0 | 0 | |
| Surplus Property Fund..... | 6,000 | 6,000 | 0 | (6,000) | 6,677 | |
| Appropriated Cemetery Trustee..... | 2,189 | 2,189 | 2,189 | 0 | 2,141 | |
| Appropriated Parking Meter Receipts..... | 12,000 | 12,000 | 12,000 | 0 | 10,000 | |
| Appropriated Fund Balance..... | 35,000 | 35,000 | 35,000 | 0 | 20,000 | |
| Revenue class total | <u>59,219</u> | <u>59,219</u> | <u>53,219</u> | <u>(6,000)</u> | <u>38,818</u> | |
| Total Revenues and Other Financing Sources | \$ 2,420,123 | 2,420,123 | 2,402,595 | (17,528) | 2,343,109 | |

See accompanying independent auditor's report.



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Exhibit A-4

GENERAL FUND

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2009

(with comparative actual amounts for 2008)

(in thousands)

| 2009 | | | | | |
|--|--------------------|-----------------|---------|--|----------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | 2008 Actual |
| GENERAL GOVERNMENT | | | | | |
| Costs of Issuance – RANS..... | \$ 500 | 500 | 120 | 380 | 150 |
| Annual Audit Costs..... | 600 | 600 | 531 | 69 | 600 |
| Mayor's Office..... | 2,304 | 2,304 | 2,142 | 162 | 2,256 |
| City Council..... | 4,877 | 4,877 | 4,549 | 328 | 4,568 |
| Office of New Bostonians..... | 357 | 357 | 349 | 8 | 337 |
| Consumer Affairs and Licensing..... | 470 | 477 | 466 | 11 | 415 |
| Election Department – Election Division..... | 2,646 | 2,840 | 2,646 | 194 | 2,769 |
| Election Department – Listing Board..... | 430 | 467 | 449 | 18 | 472 |
| Auditing Department..... | 2,406 | 2,406 | 2,285 | 121 | 2,259 |
| Assessing Department..... | 6,560 | 6,635 | 6,479 | 156 | 6,413 |
| Treasury Department – Collecting Division..... | 2,475 | 2,475 | 2,432 | 43 | 2,476 |
| Treasury Department – Treasury Division..... | 2,052 | 2,052 | 1,962 | 90 | 2,089 |
| Office of Budget Management..... | 2,670 | 3,189 | 3,188 | 1 | 2,833 |
| Human Resources..... | 2,786 | 2,669 | 2,647 | 22 | 2,558 |
| Purchasing Division..... | 1,400 | 1,378 | 1,366 | 12 | 1,341 |
| Office of Administration & Finance..... | 908 | 915 | 915 | - | 624 |
| Graphic Arts..... | 1,602 | 1,519 | 1,515 | 4 | 1,515 |
| Office Labor Relations..... | 1,468 | 1,538 | 1,507 | 31 | 1,349 |
| Management Information System..... | 19,234 | 19,518 | 19,517 | 1 | 18,408 |
| Intergovernmental Relations..... | 1,062 | 995 | 950 | 45 | 956 |
| Small & Local Business..... | 598 | 598 | 595 | 3 | 576 |
| Office of Boston Residents Job Policy..... | 532 | 532 | 462 | 70 | 490 |
| Risk Retention Reserve..... | 1,000 | 1,000 | 1,000 | - | 1,000 |
| Law Department..... | 5,941 | 5,941 | 5,580 | 361 | 6,142 |
| City Clerk..... | 972 | 1,007 | 998 | 9 | 913 |
| Registry Division..... | 970 | 970 | 946 | 24 | 912 |
| Finance Commission..... | 197 | 197 | 193 | 4 | 189 |
| Office of Civil Rights..... | 331 | 331 | 324 | 7 | 316 |
| Emergency Shelter Commission..... | 604 | 604 | 568 | 36 | 544 |
| Public Information..... | 1,286 | 1,286 | 1,092 | 194 | 1,014 |
| Neighborhood Services..... | 1,342 | 1,342 | 1,261 | 81 | 1,265 |
| Arts & Cultural Development..... | 1,728 | 1,736 | 1,715 | 21 | 1,642 |
| Women's Commission..... | 160 | 160 | 157 | 3 | 158 |
| OPEB Stabilization Fund..... | 25,000 | 25,000 | 25,000 | - | 20,000 |
| Housing Trust Fund..... | 330 | 330 | 325 | 5 | 333 |
| Tregor Reserve Fund..... | - | 21 | 21 | - | 1,125 |
| Reserve For Collective Bargaining..... | 20,000 | 16,862 | 16,862 | - | 11,830 |
| Function total | 117,798 | 115,628 | 113,114 | 2,514 | 102,837 |

(continued)

(continued)

Exhibit A-4 (continued)

GENERAL FUND
Schedule of Expenditures Compared to Budget (Budgetary Basis)
Year Ended June 30, 2009
(with comparative actual amounts for 2008)
(in thousands)

| | 2009 | | | | |
|---|--------------------|-----------------|---------|--|----------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | 2008 Actual |
| HUMAN SERVICES | | | | | |
| Boston Center/Youth & Families..... \$ | 22,196 | 22,196 | 22,087 | 109 | 21,759 |
| Elderly Commission..... | 3,037 | 3,056 | 3,012 | 44 | 2,905 |
| Veterans Services Department..... | 4,291 | 4,636 | 4,635 | 1 | 4,452 |
| Function total | 29,524 | 29,888 | 29,734 | 154 | 29,116 |
| PUBLIC SAFETY | | | | | |
| Police Department..... | 281,936 | 284,880 | 288,632 | (3,752) | 281,611 |
| Fire Department..... | 161,569 | 161,569 | 165,300 | (3,731) | 165,736 |
| Mayor's Office – Homeland Security..... | 347 | 347 | 313 | 34 | 257 |
| Transportation – Traffic Division..... | 21,506 | 21,506 | 19,852 | 1,654 | 18,793 |
| Transportation – Parking Clerk..... | 10,413 | 10,413 | 737 | 9,676 | 8,874 |
| Licensing Board..... | 725 | 750 | 9,478 | (8,728) | 616 |
| Inspectional Services Department..... | 15,955 | 15,955 | 15,783 | 172 | 15,277 |
| Youth Fund..... | 4,638 | 4,638 | 4,622 | 16 | 4,261 |
| Function total | 497,089 | 500,058 | 504,717 | (4,659) | 495,425 |
| PUBLIC WORKS | | | | | |
| Public Works Department..... | 87,673 | 87,673 | 86,879 | 794 | 86,687 |
| Chief of PWD – Transportation..... | 1,790 | 1,790 | 1,483 | 307 | 1,752 |
| Central Maintenance Facility..... | 2,412 | 2,496 | 2,496 | - | 2,026 |
| Snow Removal..... | 13,068 | 13,068 | 21,562 | (8,494) | 17,164 |
| Function total | 104,943 | 105,027 | 112,420 | (7,393) | 107,629 |
| PROPERTY AND DEVELOPMENT | | | | | |
| Property Management..... | 21,342 | 22,399 | 22,399 | - | 22,688 |
| Neighborhood Development..... | 3,779 | 3,779 | 3,779 | - | 3,096 |
| Leading the Way..... | 5,000 | 5,000 | 5,000 | - | 5,669 |
| Function total | 30,121 | 31,178 | 31,178 | - | 31,453 |
| PARKS AND RECREATION | | | | | |
| Parks and Recreation Department..... | 13,844 | 14,091 | 14,091 | - | 13,943 |
| Environment Department..... | 1,406 | 1,406 | 1,352 | 54 | 1,326 |
| Cemetery Division..... | 2,196 | 2,196 | 2,047 | 149 | 2,105 |
| Function total | 17,446 | 17,693 | 17,490 | 203 | 17,374 |
| LIBRARY | | | | | |
| Library Department..... | 31,230 | 31,230 | 31,211 | 19 | 29,601 |
| Function total | 31,230 | 31,230 | 31,211 | 19 | 29,601 |
| SCHOOLS | | | | | |
| Boston Public Schools..... | 833,105 | 833,299 | 810,006 | 23,293 | 795,488 |
| Function total | 833,105 | 833,299 | 810,006 | 23,293 | 795,488 |

(continued)

Exhibit A-4 (continued)**GENERAL FUND**

Schedule of Expenditures Compared to Budget (Budgetary Basis)

Year Ended June 30, 2009

(with comparative actual amounts for 2008)

(in thousands)

| | 2009 | | | | |
|---|----------------------------|-------------------------|------------------|---|------------------------|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | 2008 Actual |
| PUBLIC HEALTH | | | | | |
| Public Health Commission..... | 69,446 | 69,446 | 69,446 | 0 | 68,195 |
| Function total | <u>69,446</u> | <u>69,446</u> | <u>69,446</u> | <u>0</u> | <u>68,195</u> |
| JUDGMENTS AND CLAIMS | | | | | |
| Execution of Courts..... | 3,500 | 3,500 | 4,806 | (1,306) | 3,500 |
| Function total | <u>3,500</u> | <u>3,500</u> | <u>4,806</u> | <u>(1,306)</u> | <u>3,500</u> |
| OTHER EMPLOYEE BENEFITS | | | | | |
| Medicare Payments..... | 6,141 | 6,170 | 6,170 | 0 | 5,719 |
| Human Resources-Health Insurance..... | 556 | 556 | 538 | 18 | 518 |
| Health Benefits & Insurance..... | 186,481 | 186,481 | 186,481 | 0 | 182,583 |
| Unemployment Compensation..... | 50 | 50 | 14 | 36 | 12 |
| Workers' Compensation Fund..... | 1,900 | 2,409 | 2,409 | 0 | 2,200 |
| Function total | <u>195,128</u> | <u>195,666</u> | <u>195,612</u> | <u>54</u> | <u>191,032</u> |
| PENSION COSTS | | | | | |
| State - Boston Retirement System..... | 213,230 | 213,230 | 213,230 | 0 | 202,905 |
| Pensions and Annuities – City..... | 4,100 | 4,100 | 4,100 | 0 | 4,100 |
| Pensions and Annuities – County..... | 100 | 100 | 48 | 52 | 44 |
| Function total | <u>217,430</u> | <u>217,430</u> | <u>217,378</u> | <u>52</u> | <u>207,049</u> |
| DEBT REQUIREMENTS | | | | | |
| Redemption of City Loans..... | 78,786 | 78,786 | 78,775 | 11 | 78,140 |
| City Debt and Interest Payments..... | 39,434 | 39,434 | 39,434 | 0 | 37,045 |
| Temporary Notes..... | 6,600 | 3,317 | 0 | 3,317 | 0 |
| MWPAT Principal..... | 445 | 445 | 445 | 0 | 454 |
| MWPAT Interest..... | 135 | 135 | 135 | 0 | 132 |
| Section 108 - Dudley Sq. Modern..... | 505 | 505 | 505 | 0 | 0 |
| Function total | <u>125,905</u> | <u>122,622</u> | <u>119,294</u> | <u>3,328</u> | <u>115,771</u> |
| STATE & DISTRICT ASSESSMENTS | | | | | |
| Health Insurance/Retirement..... | 223 | 223 | 223 | 0 | 178 |
| Parking Surcharge..... | 3,607 | 3,607 | 3,302 | 305 | 3,605 |
| Mosquito Control Projects..... | 229 | 229 | 229 | 0 | 223 |
| Special Education Chapter 766..... | 717 | 717 | 676 | 41 | 687 |
| Metropolitan Air Pollution Center..... | 166 | 166 | 166 | 0 | 158 |
| Metropolitan Area Planning..... | 172 | 172 | 172 | 0 | 161 |
| M.B.T.A. Assessments..... | 71,437 | 71,437 | 71,436 | 1 | 67,532 |
| School Choice..... | 263 | 263 | 239 | 24 | 254 |
| Charter School Sending Tuition..... | 66,290 | 66,290 | 61,258 | 5,032 | 55,466 |
| M.D.C. Assessments..... | 11 | 11 | 11 | 0 | 11 |
| Suffolk County Jail..... | 4,343 | 4,343 | 4,343 | 0 | 4,517 |
| Function total | <u>147,458</u> | <u>147,458</u> | <u>142,055</u> | <u>5,403</u> | <u>132,792</u> |
| Total Expenditures \$ | <u>2,420,123</u> | <u>2,420,123</u> | <u>2,398,461</u> | <u>21,662</u> | <u>2,327,262</u> |

See accompanying independent auditor's report.

SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for the proceeds of specific revenue sources, other than debt service, trust funds, or capital projects that are legally restricted for specific purposes. This fund accounts for a number of federal and state grants administered by the City's individual departments. This fund provides additional support to department programs and also accounts for money that has been set aside, generally by state statute, that may be used to support the City's General Fund operations. This fund is directly linked to a specific activity and is available without further City Council Appropriation.

Exhibit B-1**SPECIAL REVENUE FUND**

Comparative Balance Sheets

June 30, 2009 and 2008

(in thousands)

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|----------------|
| ASSETS | | |
| Cash and investments..... | \$ 168,216 | 157,774 |
| Receivables (net): | | |
| Intergovernmental..... | 67,976 | 95,246 |
| Departmental and other..... | 61,528 | 59,167 |
| Total receivables..... | <u>129,504</u> | <u>154,413</u> |
| Due from other funds..... | 1,181 | 2,510 |
| Total assets..... | <u>\$ 298,901</u> | <u>314,697</u> |
| LIABILITIES | | |
| Warrants and accounts payable..... | \$ 24,679 | 22,802 |
| Accrued liabilities: | | |
| Payroll and related costs..... | 4,160 | 7,586 |
| Deposits and other..... | 33,120 | 30,757 |
| Deferred revenue..... | 56,142 | 58,884 |
| Due to other funds..... | 0 | 4,603 |
| Total liabilities..... | <u>118,101</u> | <u>124,632</u> |
| FUND BALANCE | | |
| Reserved for: | | |
| Encumbrances..... | 42,206 | 46,022 |
| Unreserved: | | |
| Undesignated..... | <u>138,594</u> | <u>144,043</u> |
| Total fund balance..... | <u>180,800</u> | <u>190,065</u> |
| Total liabilities and fund balance..... | <u>\$ 298,901</u> | <u>314,697</u> |

Exhibit B-2

SPECIAL REVENUE FUND

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance
 Years Ended June 30, 2009 and 2008
 (in thousands)

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|----------------|
| REVENUES: | | |
| Fines..... | \$ 12 | 150 |
| Investment income..... | 194 | 545 |
| Licenses and permits..... | 308 | 60 |
| Departmental and other | 21,931 | 29,596 |
| Intergovernmental | 365,102 | 342,464 |
| Total revenues..... | <u>387,547</u> | <u>372,815</u> |
| EXPENDITURES: | | |
| Current operations: | | |
| General government..... | 9,021 | 10,084 |
| Human services..... | 7,585 | 9,482 |
| Public safety..... | 7,527 | 21,086 |
| Public works..... | 9,254 | 13,207 |
| Property & development..... | 64,449 | 72,806 |
| Parks and recreation..... | 624 | 510 |
| Library..... | 5,366 | 4,962 |
| Schools..... | 154,989 | 149,069 |
| Public health programs..... | 1,408 | 700 |
| County..... | 129,603 | 121,180 |
| Capital outlays..... | 1,151 | 2,993 |
| Total expenditures..... | <u>390,977</u> | <u>406,079</u> |
| Excess (deficiency) of revenues over expenditures..... | (3,430) | (33,264) |
| OTHER FINANCING SOURCES (USES): | | |
| Long-term debt and capital leases issued..... | 0 | 5,050 |
| Payments to refunded bonds escrow agent..... | (1,922) | (455) |
| Premiums on long-term debt issued..... | 8,087 | 8,402 |
| Transfers out..... | (12,000) | (10,000) |
| Total other financing sources..... | <u>(5,835)</u> | <u>2,997</u> |
| Net change in fund balances..... | (9,265) | (30,267) |
| Fund balance – beginning..... | 190,065 | 220,332 |
| Fund balance – ending..... | <u>\$ 180,800</u> | <u>190,065</u> |

See accompanying independent auditor's report.



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CAPITAL PROJECTS FUND

This 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. The use of the Capital Projects Fund is especially common for major capital acquisition or construction activities financed through borrowings or contributions. Unless there is a legal requirement to use the Capital Projects Fund, the use of the capital projects fund type is permitted rather than required.

Exhibit C-1**CAPITAL PROJECTS FUND**

Comparative Balance Sheets

June 30, 2009 and 2008

(in thousands)

| | <u>2009</u> | <u>2008</u> |
|--|------------------|---------------|
| ASSETS | | |
| Cash and investments..... | \$ 38,017 | 20,979 |
| Cash and investments held by trustees..... | 4,914 | 2,346 |
| Intergovernmental receivables..... | 12,755 | 53,482 |
| Due from other funds..... | 2,031 | 1,379 |
| Total assets..... | <u>\$ 57,717</u> | <u>78,186</u> |
| LIABILITIES | | |
| Warrants and accounts payable..... | \$ 13,206 | 30,001 |
| Accrued liabilities: | | |
| Deposits and other..... | 1,693 | 192 |
| Deferred revenue..... | 12,754 | 48,974 |
| Total liabilities..... | <u>27,653</u> | <u>79,167</u> |
| FUND BALANCE | | |
| Reserved for: | | |
| Encumbrances..... | 74,145 | 79,677 |
| Future appropriations..... | 30,087 | 30,087 |
| Unreserved: | | |
| Undesignated deficit..... | (74,168) | (110,745) |
| Total fund balance..... | <u>30,064</u> | <u>(981)</u> |
| Total liabilities and fund balance..... | <u>\$ 57,717</u> | <u>78,186</u> |

Exhibit C-2**CAPITAL PROJECTS FUND**

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balance

Years Ended June 30, 2009 and 2008

(in thousands)

| | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| REVENUES: | | |
| Intergovernmental..... | \$ 56,558 | 14,701 |
| Total revenues..... | <u>56,558</u> | <u>14,701</u> |
| EXPENDITURES: | | |
| Capital outlays..... | 139,592 | 170,834 |
| Total expenditures..... | <u>139,592</u> | <u>170,834</u> |
| Deficiency of revenues under expenditures..... | <u>(83,034)</u> | <u>(156,133)</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Long-term debt and capital leases issued..... | 113,962 | 148,460 |
| Refunding bonds issued..... | 40,425 | 28,155 |
| Payments to refunded bonds escrow agent..... | (40,308) | (28,110) |
| Operating transfers out..... | <u>0</u> | <u>(5,669)</u> |
| Total other financing sources..... | <u>114,079</u> | <u>142,836</u> |
| Net change in fund balances..... | 31,045 | (13,297) |
| Fund balance (deficit) – beginning..... | <u>(981)</u> | <u>12,316</u> |
| Fund balance (deficit) – ending..... | <u>\$ 30,064</u> | <u>(981)</u> |



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OTHER GOVERNMENTAL FUNDS

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

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

The permanent fund is composed of the following pools:

Pool#1 is 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 commingled investment fund of various nontestamentary trust funds of the. 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.

Exhibit D-1**OTHER GOVERNMENTAL FUNDS**

Combining Balance Sheet

June 30, 2009

(with comparative totals for 2008)

(in thousands)

| | Permanent Funds | | | Total Other Governmental Funds | |
|--|------------------------|---------------|---------------|---------------------------------------|---------------|
| | Pool 1 | Pool 2 | Pool 7 | 2009 | 2008 |
| ASSETS | | | | | |
| Cash and investments..... | \$ 229 | 0 | 0 | 229 | 229 |
| Cash and investments held by trustees..... | 34,924 | 524 | 935 | 36,383 | 45,106 |
| Receivables, net..... | 136 | 2 | 2 | 140 | 208 |
| Total assets..... | <u>\$ 35,289</u> | <u>526</u> | <u>937</u> | <u>36,752</u> | <u>45,543</u> |
| LIABILITIES | | | | | |
| Warrants and accounts payable..... | \$ 436 | 24 | 22 | 482 | 706 |
| Total liabilities..... | <u>436</u> | <u>24</u> | <u>22</u> | <u>482</u> | <u>706</u> |
| FUND BALANCE | | | | | |
| Reserved for encumbrances..... | 265 | 0 | 262 | 527 | 159 |
| Unreserved, reported in permanent funds..... | <u>34,588</u> | <u>502</u> | <u>653</u> | <u>35,743</u> | <u>44,678</u> |
| Total fund balance..... | <u>34,853</u> | <u>502</u> | <u>915</u> | <u>36,270</u> | <u>44,837</u> |
| Total liabilities and fund balance..... | <u>\$ 35,289</u> | <u>526</u> | <u>937</u> | <u>36,752</u> | <u>45,543</u> |

See accompanying independent auditor's report.

Exhibit D-2

OTHER GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Year Ended June 30, 2009
(with comparative totals for 2008)
(in thousands)

| | Permanent Funds | | | Total Other Governmental Funds | |
|--|------------------|-------------|--------------|--------------------------------|----------------|
| | Pool 1 | Pool 2 | Pool 7 | 2009 | 2008 |
| REVENUES: | | | | | |
| Investment income..... | \$ (4,148) | (32) | 972 | (3,208) | 187 |
| Departmental and other..... | 190 | 0 | 0 | 190 | 3,356 |
| Total revenues..... | <u>(3,958)</u> | <u>(32)</u> | <u>972</u> | <u>(3,018)</u> | <u>3,543</u> |
| EXPENDITURES: | | | | | |
| General government..... | <u>2,214</u> | <u>49</u> | <u>1,097</u> | <u>3,360</u> | <u>4,866</u> |
| Total expenditures..... | <u>2,214</u> | <u>49</u> | <u>1,097</u> | <u>3,360</u> | <u>4,866</u> |
| Deficiency of revenue under expenditures..... | (6,172) | (81) | (125) | (6,378) | (1,323) |
| OTHER FINANCING USES: | | | | | |
| Transfers out..... | <u>(2,189)</u> | <u>0</u> | <u>0</u> | <u>(2,189)</u> | <u>(2,141)</u> |
| Total other financing uses..... | <u>(2,189)</u> | <u>0</u> | <u>0</u> | <u>(2,189)</u> | <u>(2,141)</u> |
| Deficiency of revenues and other financing sources under expenditures and other financing uses..... | (8,361) | (81) | (125) | (8,567) | (3,464) |
| Fund balance – beginning..... | 43,214 | 583 | 1,040 | 44,837 | 48,301 |
| Fund balance – ending..... | <u>\$ 34,853</u> | <u>502</u> | <u>915</u> | <u>36,270</u> | <u>44,837</u> |



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INTERNAL SERVICE FUND

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

Exhibit E-1

INTERNAL SERVICE FUND
 Comparative Statements of Net Assets
 June 30, 2009 and 2008
 (in thousands)

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|------------------|---------------|
| ASSETS | | |
| Cash and investments..... | \$ 55,761 | 51,640 |
| Receivables, net..... | 170 | 317 |
| Due from other funds..... | 463 | 493 |
| Other assets..... | 1,503 | 4,856 |
| Total assets..... | \$ <u>57,897</u> | <u>57,306</u> |
| LIABILITIES | | |
| Warrants and accounts payable..... | \$ 0 | 22 |
| Accrued liabilities..... | 6,507 | 7,436 |
| Total liabilities..... | <u>6,507</u> | <u>7,458</u> |
| NET ASSETS | | |
| Unrestricted..... | 51,390 | 49,848 |
| Total net assets..... | \$ <u>51,390</u> | <u>49,848</u> |

See accompanying independent auditor's report.

Exhibit E-2**INTERNAL SERVICE FUND**

Comparative Statements of Revenues, Expenses, and Changes in Net Assets
 Years Ended June 30, 2009 and 2008
 (in thousands)

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|------------------|---------------|
| REVENUES: | | |
| Employer contributions..... | \$ 65,874 | 72,204 |
| Employee contributions..... | <u>22,948</u> | <u>25,021</u> |
| Total operating revenues..... | <u>88,822</u> | <u>97,225</u> |
| EXPENSES: | | |
| Health benefits..... | <u>87,280</u> | <u>88,783</u> |
| Total operating expenses..... | <u>87,280</u> | <u>88,783</u> |
| Changes in net assets..... | 1,542 | 8,442 |
| Net assets, beginning..... | <u>49,848</u> | <u>41,406</u> |
| Net assets, ending..... | <u>\$ 51,390</u> | <u>49,848</u> |

See accompanying independent auditor's report.

Exhibit E-3

INTERNAL SERVICE FUND
Comparative Statements of Cash Flows
Year Ended June 30, 2009 and 2008
(in thousands)

| | 2009 | 2008 |
|--|-------------|-------------|
| Cash Flows From Operating Activities: | | |
| Cash received from employees and employer..... | \$ 88,999 | 97,367 |
| Cash paid to vendors..... | (84,878) | (89,144) |
| Net cash provided by operating activities..... | 4,121 | 8,223 |
| Cash and cash equivalents, beginning of year..... | 51,640 | 43,417 |
| Cash and cash equivalents, end of year..... | \$ 55,761 | 51,640 |
| Cash Flows From Operating Activities: | | |
| Operating income..... | \$ 1,542 | 8,442 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable..... | 147 | (34) |
| Other assets..... | 3,353 | (946) |
| Due from component units..... | 30 | 176 |
| Accounts payable and accrued liabilities..... | (951) | 585 |
| Net cash provided by operating activities..... | \$ 4,121 | 8,223 |

See accompanying independent auditor's report.

FIDUCIARY FUNDS

EMPLOYEE RETIREMENT PLANS

State-Boston Retirement System is a defined benefit contributory retirement plan covering employees of the City of Boston and 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.

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 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, as directed by the donors’ restrictions.

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 commingled investment fund of various nontestamentary 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.

Exhibit F-1**STATE-BOSTON RETIREMENT SYSTEM**

Comparative Statement of Net Assets

December 31, 2008

(with comparative totals for 2007)

(in thousands)

| | Total | |
|---|---------------------------------------|-------------|
| | State-Boston Retirement System | |
| | 2008 | 2007 |
| ASSETS | | |
| Cash and investments..... | \$ 3,622,120 | 4,913,826 |
| Receivables: | | |
| Interest and dividends..... | 17,222 | 16,587 |
| Securities sold..... | 158,961 | 49,756 |
| Other..... | 123,640 | 117,418 |
| Total receivables..... | 299,823 | 183,761 |
| Total assets..... | \$ 3,921,943 | 5,097,587 |
| LIABILITIES | | |
| Accounts payable..... | \$ 13,093 | 12,372 |
| Securities purchased..... | 223,647 | 74,718 |
| Collateral held on securities lending..... | 268,064 | 382,515 |
| Refunds payable and other..... | 250 | 194 |
| Total liabilities..... | 505,054 | 469,799 |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes..... | \$ 3,416,889 | 4,627,788 |

See accompanying independent auditor's report.



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Exhibit F-2**PRIVATE PURPOSE TRUST FUNDS**

Combining Statement of Net Assets

June 30, 2009

(with comparative totals for 2008)

(in thousands)

| | <u>Pool 1</u> | <u>Pool 2</u> |
|---|------------------|---------------|
| ASSETS | | |
| Cash and investments..... | \$ 20,447 | 415 |
| Receivables: | | |
| Other..... | <u>63</u> | <u>1</u> |
| Total receivables..... | 63 | 1 |
| Capital assets, net of accumulated depreciation..... | <u>0</u> | <u>0</u> |
| Total assets..... | <u>\$ 20,510</u> | <u>416</u> |
| LIABILITIES | | |
| Accounts payable..... | <u>\$ 190</u> | <u>16</u> |
| Total liabilities..... | <u>190</u> | <u>16</u> |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes..... | <u>\$ 20,320</u> | <u>400</u> |

See accompanying independent auditor's report.

| Pool 5 | Pool 7 | Total Private Purpose Trust Funds | |
|--------|--------|---|--------|
| | | 2009 | 2008 |
| 19,974 | 39,929 | 80,765 | 86,099 |
| 80 | 964 | 1,108 | 2,249 |
| 80 | 964 | 1,108 | 2,249 |
| 30 | 0 | 30 | 30 |
| 20,084 | 40,893 | 81,903 | 88,378 |
| 87 | 2,410 | 2,703 | 1,722 |
| 87 | 2,410 | 2,703 | 1,722 |
| 19,997 | 38,483 | 79,200 | 86,656 |

Exhibit F-3**AGENCY FUND**

Comparative Statement of Net Assets

June 30, 2009

(with comparative totals for 2008)

(in thousands)

| | | Law Enforcement Trust Fund | |
|--------------------------------|----|---|--------------|
| | | 2009 | 2008 |
| ASSETS | | | |
| Cash and investments..... | \$ | 5,700 | 5,834 |
| Total assets..... | | <u>5,700</u> | <u>5,834</u> |
| LIABILITIES | | | |
| Refunds payable and other..... | | 5,700 | 5,834 |
| Total liabilities..... | \$ | <u>5,700</u> | <u>5,834</u> |

See accompanying independent auditor's report.

Exhibit F-4

STATE-BOSTON RETIREMENT SYSTEM
Comparative Statement of Changes in Plan Net Assets
Year Ended December 31, 2008
(with comparative totals for 2007)
(in thousands)

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|--------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employers..... | \$ 244,299 | 233,897 |
| Employees..... | 124,283 | 118,332 |
| Net appreciation (depreciation) in fair value of investments..... | (1,265,238) | 328,256 |
| Interest and dividends..... | 102,321 | 99,481 |
| Management and related fees..... | (13,506) | (18,319) |
| Securities lending income..... | 12,317 | 23,975 |
| Borrower rebates and fees..... | (8,216) | (22,154) |
| Intergovernmental..... | 20,777 | 10,608 |
| Total additions..... | <u>(782,963)</u> | <u>774,076</u> |
| DEDUCTIONS: | | |
| Benefits..... | 395,116 | 381,962 |
| Reimbursements to other systems..... | 9,673 | 8,443 |
| Refunds of contributions..... | 18,581 | 17,132 |
| Administration..... | 4,566 | 4,746 |
| Total deductions..... | <u>427,936</u> | <u>412,283</u> |
| Changes in net assets..... | (1,210,899) | 361,793 |
| Net assets, beginning of year..... | 4,627,788 | 4,265,995 |
| Net assets, end of year..... | <u>\$ 3,416,889</u> | <u>4,627,788</u> |

Exhibit F-5**PRIVATE PURPOSE TRUST FUNDS**

Combining Statement of Revenues, Expenditures, and Changes in Net Assets

Year Ended June 30, 2009

(with comparative totals for 2008)

(in thousands)

| | Pool 1 | Pool 2 |
|-------------------------------------|---------------|---------------|
| ADDITIONS: | | |
| Investment income..... | \$ 27 | 2 |
| Departmental and other revenue..... | (2,237) | (24) |
| Total operating revenues..... | (2,210) | (22) |
| DEDUCTIONS: | | |
| Administrative and general | 1,401 | 27 |
| Total operating expenses..... | 1,401 | 27 |
| Net decrease in net assets..... | (3,611) | (49) |
| Net assets, beginning of year..... | 23,931 | 449 |
| Net assets, end of year..... | \$ 20,320 | \$ 400 |

See accompanying independent auditor's report.

| Pool 5 | Pool 7 | Total Private Purpose Trust Funds | |
|-----------|--------|---|--------|
| | | 2009 | 2008 |
| 31 | 827 | 887 | 1,883 |
| (2,580) | 16,886 | 12,045 | 20,025 |
| (2,549) | 17,713 | 12,932 | 21,908 |
| 1,030 | 17,930 | 20,388 | 22,343 |
| 1,030 | 17,930 | 20,388 | 22,343 |
| (3,579) | (217) | (7,456) | (435) |
| 23,576 | 38,700 | 86,656 | 87,091 |
| \$ 19,997 | 38,483 | 79,200 | 86,656 |

Exhibit F-6**AGENCY FUND**

Combining Statement of Changes in Net Assets
 Year Ended June 30, 2009
 (in thousands)

| | Law Enforcement Trust Fund | | | |
|-----------------------------------|---|------------------|------------------|----------------------------------|
| | Balance July 1, 2008 | Additions | Deletions | Balance June 30, 2009 |
| ASSETS | | | | |
| Cash and investments..... \$ | 5,834 | 1,331 | 1,465 | 5,700 |
| LIABILITIES | | | | |
| Refunds payable and other..... \$ | 5,834 | 1,331 | 1,465 | 5,700 |

See accompanying independent auditor's report.

STATISTICAL SECTION (Unaudited)

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

| Contents | Page |
|--|------------|
| Financial Trends | 110 |
| <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 on Pages 3, 17, and 18, respectively.):</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 | 124 |
| <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 | |
| Largest Principal Taxpayers – Current Year and Nine Years Ago - Last Ten Fiscal Years | |
| Property Tax Levies and Collections – Last Ten Fiscal Years | |
| Debt Capacity | 128 |
| <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 beginning on page 51.):</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

134

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:

Demographic and Economic Statistics – Last Ten Fiscal Years
Principal Employers – Fiscal Year 2006 and Nine Years Before

Operating Information

138

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:

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.



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Table-1

General Government Expenditures by Function (GAAP Basis) ⁽¹⁾
Last Ten Fiscal Years
(in thousands)

| <u>Function</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| General Government | \$ 69,524 | \$ 66,927 | \$ 65,223 | \$ 57,262 | \$ 57,471 |
| % of Total | 3.1 | 3.1 | 3.2 | 2.9 | 3.0 |
| % Change | 3.9 | 2.6 | 13.9 | (0.4) | 91.2 |
| Public Safety | \$ 521,898 | \$ 509,293 | \$ 477,403 | \$ 446,784 | \$ 457,541 |
| % of Total | 23.2 | 23.3 | 23.1 | 22.5 | 24.1 |
| % Change | 2.5 | 6.7 | 6.9 | (2.4) | 17.1 |
| Public Works | \$ 112,168 | \$ 108,831 | \$ 97,897 | \$ 101,441 | \$ 106,749 |
| % of Total | 5.0 | 5.0 | 4.7 | 5.1 | 5.6 |
| % Change | 3.1 | 11.2 | (3.5) | (5.0) | 22.6 |
| Library | \$ 31,268 | \$ 27,089 | \$ 31,225 | \$ 28,365 | \$ 27,594 |
| % of Total | 1.4 | 1.2 | 1.5 | 1.4 | 1.5 |
| % Change | 15.4 | (13.2) | 10.1 | 2.8 | 14.6 |
| Schools | \$ 818,338 | \$ 782,500 | \$ 743,848 | \$ 719,715 | \$ 673,009 |
| % of Total | 36.4 | 35.8 | 36.0 | 36.2 | 35.5 |
| % Change | 4.6 | 5.2 | 3.4 | 6.9 | 2.5 |
| Retirement Costs | \$ 82,332 | \$ 95,193 | \$ 92,873 | \$ 96,853 | \$ 59,419 |
| % of Total | 3.7 | 4.4 | 4.5 | 4.9 | 3.1 |
| % Change | (13.5) | 2.5 | (4.1) | 63.0 | (32.4) |
| Employee Benefits | \$ 191,597 | \$ 190,167 | \$ 175,862 | \$ 157,885 | \$ 142,721 |
| % of Total | 8.5 | 8.7 | 8.5 | 7.9 | 7.5 |
| % Change | 0.8 | 8.1 | 11.4 | 10.6 | 9.8 |
| State & District Assessments | \$ 142,055 | \$ 132,792 | \$ 124,243 | \$ 118,817 | \$ 115,894 |
| % of Total | 6.3 | 6.1 | 6.0 | 6.0 | 6.1 |
| % Change | 7.0 | 6.9 | 4.6 | 2.5 | 4.4 |
| County | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| % 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 | \$ 28,959 | \$ 29,876 | \$ 35,506 | \$ 33,322 | \$ 29,836 |
| % of Total | 1.3 | 1.4 | 1.7 | 1.7 | 1.6 |
| % Change | (3.1) | (15.9) | 6.6 | 11.7 | (4.0) |
| Other ⁽²⁾ | \$ 247,084 | \$ 241,360 | \$ 224,703 | \$ 226,885 | \$ 225,187 |
| % of Total | 11.0 | 11.1 | 10.9 | 11.4 | 11.9 |
| % Change | 2.4 | 7.4 | (1.0) | 0.8 | 7.0 |
| Total Expenditures ⁽³⁾ | \$ 2,245,223 | \$ 2,184,028 | \$ 2,068,783 | \$ 1,987,329 | \$ 1,895,421 |
| % of Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| % Change | 2.8 | 5.6 | 4.1 | 4.8 | 7.8 |

(1) Includes General Fund expenditures only. Operating Transfers Out have been excluded from all years.

(2) Includes: Parks and Recreation, Human Services, Judgments and Claims, Public Health Programs, Capital Outlays and Debt Service.

(3) The total expenditures for fiscal 2001 were restated for GASB purposes.

| <u>2004</u> | | <u>2003</u> | | <u>2002</u> | | <u>2001</u> | | <u>2000</u> | | <u>Function</u> |
|-------------|----|-------------|----|-------------|----|-------------|----|-------------|--|---|
| 30,061 | \$ | 53,343 | \$ | 77,019 | \$ | 67,913 | \$ | 65,132 | | General Government |
| 1.7 | | 3.1 | | 4.4 | | 4.1 | | 4.2 | | % of Total |
| (43.6) | | (30.7) | | 13.4 | | 4.3 | | 20.0 | | % Change |
| 390,854 | \$ | 394,692 | \$ | 405,844 | \$ | 373,362 | \$ | 358,855 | | Public Safety |
| 22.2 | | 22.7 | | 23.4 | | 22.4 | | 23.4 | | % of Total |
| (1.0) | | (2.7) | | 8.7 | | 4.0 | | 1.6 | | % Change |
| 87,045 | \$ | 86,819 | \$ | 74,651 | \$ | 77,241 | \$ | 69,689 | | Public Works |
| 4.9 | | 5.0 | | 4.3 | | 4.6 | | 4.5 | | % of Total |
| 0.3 | | 16.3 | | (3.4) | | 10.8 | | (0.5) | | % Change |
| 24,089 | \$ | 27,715 | \$ | 28,695 | \$ | 30,360 | \$ | 27,792 | | Libraries |
| 1.4 | | 1.6 | | 1.7 | | 1.8 | | 1.8 | | % of Total |
| (13.1) | | (3.4) | | (5.5) | | 9.2 | | 1.3 | | % Change |
| 656,291 | \$ | 654,958 | \$ | 627,653 | \$ | 611,368 | \$ | 578,583 | | Schools |
| 37.3 | | 37.6 | | 36.2 | | 36.7 | | 37.7 | | % of Total |
| 0.2 | | 4.4 | | 2.7 | | 5.7 | | 7.6 | | % Change |
| 87,934 | \$ | 74,720 | \$ | 82,034 | \$ | 84,970 | \$ | 96,019 | | Retirement Cost |
| 5.0 | | 4.3 | | 4.7 | | 5.1 | | 6.3 | | % of Total |
| 17.7 | | (8.9) | | (3.5) | | (11.5) | | 15.2 | | % Change |
| 129,937 | \$ | 114,512 | \$ | 107,701 | \$ | 90,501 | \$ | 86,221 | | Employee Benefits |
| 7.4 | | 6.6 | | 6.2 | | 5.4 | | 5.6 | | % of Total |
| 13.5 | | 6.3 | | 19.0 | | 5.0 | | 2.0 | | % Change |
| 111,061 | \$ | 69,009 | \$ | 67,769 | \$ | 66,788 | \$ | 66,995 | | State & District Assessments |
| 6.3 | | 4.0 | | 3.9 | | 4.0 | | 4.4 | | % of Total |
| 60.9 | | 1.8 | | 1.5 | | (0.3) | | 2.2 | | % Change |
| 0 | \$ | 4,539 | \$ | 4,537 | \$ | 6,030 | \$ | 5,861 | | County |
| 0.0 | | 0.3 | | 0.3 | | 0.4 | | 0.4 | | % of Total |
| 0.0 | | 0.0 | | (24.8) | | 2.9 | | (20.4) | | % Change |
| 31,088 | \$ | 29,260 | \$ | 48,774 | \$ | 41,300 | \$ | 35,230 | | Property & Development |
| 1.8 | | 1.7 | | 2.8 | | 2.5 | | 2.3 | | % of Total |
| 6.2 | | (40.0) | | 18.1 | | 17.2 | | 10.8 | | % Change |
| 210,451 | \$ | 230,292 | \$ | 210,468 | \$ | 216,532 | \$ | 145,881 | | Other ⁽²⁾ |
| 12.0 | | 13.1 | | 12.1 | | 13.0 | | 9.4 | | % of Total |
| (8.6) | | 9.4 | | (2.8) | | 48.4 | | 0.9 | | % Change |
| 1,758,811 | \$ | 1,739,859 | \$ | 1,735,145 | \$ | 1,666,365 | \$ | 1,536,258 | | Total Expenditures |
| 100.0 | | 100.0 | | 100.0 | | 100.0 | | 100.0 | | % of Total |
| 1.1 | | 0.3 | | 4.1 | | 8.5 | | 5.3 | | % Change |

Table-2

General Government Revenues by Source (GAAP Basis) ⁽¹⁾
Last Ten Fiscal Years
(in thousands)

| <u>Source</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Property Taxes | \$ 1,393,371 | \$ 1,316,734 | \$ 1,258,878 | \$ 1,190,347 | \$ 1,138,254 |
| % of Total | 62.5 | 59.5 | 59.5 | 56.5 | 59.5 |
| % Change | 5.8 | 4.6 | 5.8 | 4.6 | 5.1 |
| Motor Vehicle Excises | \$ 37,354 | \$ 56,883 | \$ 34,082 | \$ 62,328 | \$ 73,855 |
| % of Total | 1.7 | 2.6 | 1.6 | 3.0 | 3.9 |
| % Change | (34.3) | 66.9 | (45.3) | (15.6) | 93.7 |
| Other Excises ⁽²⁾ | \$ 78,100 | \$ 58,926 | \$ 65,734 | \$ 45,033 | \$ 20,051 |
| % of Total | 3.5 | 2.7 | 3.1 | 2.1 | 1.0 |
| % Change | 32.5 | (10.4) | 46.0 | 124.6 | (57.5) |
| Departmental & Other | \$ 82,087 | \$ 79,030 | \$ 65,661 | \$ 51,992 | \$ 60,704 |
| % of Total | 3.7 | 3.6 | 3.1 | 2.5 | 3.2 |
| % Change | 3.9 | 20.4 | 26.3 | (14.4) | 33.3 |
| State Distributions | \$ 454,252 | \$ 493,227 | \$ 484,510 | \$ 557,418 | \$ 460,898 |
| % of Total | 20.4 | 22.3 | 22.9 | 26.4 | 24.1 |
| % Change | (7.9) | 1.8 | (13.1) | 20.9 | 0.2 |
| Payment in Lieu of Taxes | \$ 56,686 | \$ 56,667 | \$ 56,146 | \$ 60,584 | \$ 42,218 |
| % of Total | 2.5 | 2.6 | 2.7 | 2.9 | 2.2 |
| % Change | 0.0 | 0.9 | (7.3) | 43.5 | (0.4) |
| Fines | \$ 69,711 | \$ 67,940 | \$ 67,546 | \$ 67,876 | \$ 65,280 |
| % of Total | 3.1 | 3.1 | 3.2 | 3.2 | 3.4 |
| % Change | 2.6 | 0.6 | (0.5) | 4.0 | (1.6) |
| Investment Income | \$ 18,289 | \$ 37,822 | \$ 43,068 | \$ 32,351 | \$ 17,970 |
| % of Total | 0.8 | 1.7 | 2.0 | 1.5 | 0.9 |
| % Change | (51.6) | (12.2) | 33.1 | 80.0 | 117.7 |
| Licenses & Permits | \$ 40,822 | \$ 45,989 | \$ 40,694 | \$ 40,353 | \$ 33,491 |
| % of Total | 1.8 | 2.1 | 1.9 | 1.9 | 1.8 |
| % Change | (11.2) | 13.0 | 0.8 | 20.5 | (1.2) |
| Total Revenues | \$ 2,230,672 | \$ 2,213,218 | \$ 2,116,319 | \$ 2,108,282 | \$ 1,912,721 |
| % of Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| % Change | 0.8 | 4.6 | 0.4 | 10.2 | 4.9 |

(1) Includes General Fund revenues only. Operating Transfers In have been excluded from all years.

(2) Other excise taxes are composed of Hotel/Motel Excises, Aircraft Fuel Excises, Condominium Conversion Excise, and Chapter 121A Section 10 taxes.

| <u>2004</u> | | <u>2003</u> | | <u>2002</u> | | <u>2001</u> | | <u>2000</u> | <u>Source</u> |
|-------------|----|-------------|----|-------------|----|-------------|----|-------------|-------------------------------------|
| 1,082,574 | \$ | 1,053,945 | \$ | 990,848 | \$ | 874,868 | \$ | 869,295 | Property Taxes |
| 59.3 | | 58.7 | | 55.0 | | 51.7 | | 53.6 | % of Total |
| 2.7 | | 6.4 | | 13.3 | | 0.6 | | 9.7 | % Change |
| 38,135 | \$ | 58,263 | \$ | 42,776 | \$ | 41,822 | \$ | 36,700 | Motor Vehicle Excises |
| 2.1 | | 3.2 | | 2.4 | | 2.5 | | 2.3 | % of Total |
| (34.5) | | 36.2 | | 2.3 | | 14.0 | | 10.9 | % Change |
| 47,219 | \$ | 35,870 | \$ | 68,338 | \$ | 30,823 | \$ | 31,956 | Other Excises ⁽²⁾ |
| 2.6 | | 2.0 | | 3.8 | | 1.8 | | 2.0 | % of Total |
| 31.6 | | (47.5) | | 121.7 | | (3.5) | | (9.1) | % Change |
| 45,556 | \$ | 62,373 | \$ | 62,200 | \$ | 58,306 | \$ | 45,490 | Departmental & Other |
| 2.5 | | 3.5 | | 3.5 | | 3.4 | | 2.8 | % of Total |
| (27.0) | | 0.3 | | 6.7 | | 28.2 | | (19.4) | % Change |
| 459,836 | \$ | 444,751 | \$ | 492,299 | \$ | 493,278 | \$ | 475,813 | State Distributions |
| 25.2 | | 24.8 | | 27.3 | | 29.1 | | 29.3 | % of Total |
| 3.4 | | (9.7) | | (0.2) | | 3.7 | | 0.1 | % Change |
| 42,373 | \$ | 40,910 | \$ | 36,332 | \$ | 72,720 | \$ | 56,423 | Payment in Lieu of Taxes |
| 2.3 | | 2.3 | | 2.0 | | 4.3 | | 3.5 | % of Total |
| 3.6 | | 12.6 | | (50.0) | | 28.9 | | (10.5) | % Change |
| 66,342 | \$ | 59,187 | \$ | 60,601 | \$ | 57,840 | \$ | 57,709 | Fines |
| 3.6 | | 3.3 | | 3.4 | | 3.4 | | 3.6 | % of Total |
| 12.1 | | (2.3) | | 4.8 | | 0.2 | | 21.0 | % Change |
| 8,253 | \$ | 8,951 | \$ | 14,596 | \$ | 26,289 | \$ | 19,255 | Investment Income |
| 0.5 | | 0.5 | | 0.8 | | 1.6 | | 1.2 | % of Total |
| (7.8) | | (38.7) | | (44.5) | | 36.5 | | 7.7 | % Change |
| 33,900 | \$ | 30,217 | \$ | 33,325 | \$ | 36,795 | \$ | 28,892 | Licenses & Permits |
| 1.9 | | 1.7 | | 1.8 | | 2.2 | | 1.7 | % of Total |
| 12.2 | | (9.3) | | (9.4) | | 27.4 | | 20.3 | % Change |
| 1,824,188 | \$ | 1,794,467 | \$ | 1,801,315 | \$ | 1,692,741 | \$ | 1,621,533 | Total Revenues |
| 100.0 | | 100.0 | | 100.0 | | 100.0 | | 100.0 | % of Total |
| 1.7 | | (0.4) | | 6.4 | | 4.4 | | 6.2 | % Change |

Table-3

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

| | 2009 | 2008 | 2007 | 2006 |
|---|--------------------|--------------------|---------------------|---------------------|
| Governmental activities: | | | | |
| Invested in capital assets, net of related debt | \$ 384,389 | \$ 334,467 | \$ 285,756 | \$ 230,636 |
| Restricted | 217,070 | 234,902 | 280,949 | 276,769 |
| Unrestricted | <u>221,418</u> | <u>405,878</u> | <u>592,425</u> | <u>545,940</u> |
| Total governmental activities net assets | <u>\$ 822,877</u> | <u>\$ 975,247</u> | <u>\$ 1,159,130</u> | <u>\$ 1,053,345</u> |
| Business-type activities: | | | | |
| Invested in capital assets, net of related debt | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Restricted | 0 | 0 | 0 | 0 |
| Unrestricted | <u>(42,803)</u> | <u>(50,997)</u> | <u>(70,008)</u> | <u>(78,251)</u> |
| Total business-type activities net assets | <u>\$ (42,803)</u> | <u>\$ (50,997)</u> | <u>\$ (70,008)</u> | <u>\$ (78,251)</u> |
| Primary government: | | | | |
| Invested in capital assets, net of related debt | \$ 384,389 | \$ 334,467 | \$ 285,756 | \$ 230,636 |
| Restricted | 217,070 | 234,902 | 280,949 | 276,769 |
| Unrestricted | <u>178,615</u> | <u>354,881</u> | <u>522,417</u> | <u>467,689</u> |
| Total primary government net assets | <u>\$ 780,074</u> | <u>\$ 924,250</u> | <u>\$ 1,089,122</u> | <u>\$ 975,094</u> |

Due to the City of Boston implementing GASB No. 34 in fiscal year 2002, there is no information reported in prior years.

| <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--------------------|--------------------|--------------------|--------------------|-------------|-------------|
| \$ 108,924 | \$ 92,802 | \$ (6,784) | \$ (92,711) | \$ 0 | \$ 0 |
| 294,453 | 258,940 | 210,077 | 266,999 | 0 | 0 |
| <u>556,773</u> | <u>155,816</u> | <u>120,009</u> | <u>82,442</u> | <u>0</u> | <u>0</u> |
| <u>\$ 960,150</u> | <u>\$ 507,558</u> | <u>\$ 323,302</u> | <u>\$ 256,730</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>(84,482)</u> | <u>(89,654)</u> | <u>(82,582)</u> | <u>(59,517)</u> | <u>0</u> | <u>0</u> |
| <u>\$ (84,482)</u> | <u>\$ (89,654)</u> | <u>\$ (82,582)</u> | <u>\$ (59,517)</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 108,924 | \$ 92,802 | \$ (6,784) | \$ (92,711) | \$ 0 | \$ 0 |
| 294,453 | 258,940 | 210,077 | 266,999 | 0 | 0 |
| <u>472,291</u> | <u>66,162</u> | <u>37,427</u> | <u>22,925</u> | <u>0</u> | <u>0</u> |
| <u>\$ 875,668</u> | <u>\$ 417,904</u> | <u>\$ 240,720</u> | <u>\$ 197,213</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Table-4

**Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|---------------------|
| Expenses | | | |
| Governmental activities: | | | |
| General government | \$ 103,420 | \$ 109,121 | \$ 82,793 |
| Human services | 48,896 | 50,827 | 41,697 |
| Public safety | 920,790 | 908,353 | 730,627 |
| Public works | 145,867 | 148,497 | 125,228 |
| Property and development | 105,581 | 110,272 | 112,857 |
| Parks and recreation | 30,026 | 30,134 | 20,371 |
| Library | 52,881 | 47,340 | 45,498 |
| Schools | 1,316,314 | 1,272,997 | 1,187,826 |
| Public health programs | 71,618 | 68,718 | 65,439 |
| Interest on long-term debt | 28,041 | 31,058 | 28,725 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> |
| Total governmental activities expenses | <u>2,823,434</u> | <u>2,777,317</u> | <u>2,441,061</u> |
| Business-type activities: | | | |
| Convention Center | 4,902 | 5,122 | 5,202 |
| Hospital | <u>3,924</u> | <u>4,201</u> | <u>4,979</u> |
| Total business-type activities expenses | <u>8,826</u> | <u>9,323</u> | <u>10,181</u> |
| Total primary government expenses | <u>\$ 2,832,260</u> | <u>\$ 2,786,640</u> | <u>\$ 2,451,242</u> |
| Program Revenues | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| Public safety | \$ 115,013 | \$ 127,460 | \$ 120,887 |
| Public works | 10,174 | 2,564 | 16,748 |
| Schools | 16,077 | 16,910 | 25,562 |
| Other | 28,562 | 33,135 | 25,717 |
| Operating grants and contributions | 594,914 | 593,767 | 594,457 |
| Capital grants and contributions | <u>56,517</u> | <u>18,267</u> | <u>19,306</u> |
| Total governmental activities program revenues | <u>821,257</u> | <u>792,103</u> | <u>802,677</u> |
| Business-type activities: | | | |
| Operating grants and contributions | <u>1,116</u> | <u>1,196</u> | <u>1,152</u> |
| Total business-type activities program revenues | <u>1,116</u> | <u>1,196</u> | <u>1,152</u> |
| Total primary government program revenues | <u>\$ 822,373</u> | <u>\$ 793,299</u> | <u>\$ 803,829</u> |

Due to the City of Boston implementing GASB No. 34 in fiscal year 2002, there is no information reported in prior years.

| <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|-------------|
| \$ 82,387 | \$ 113,636 | \$ 77,547 | \$ 60,703 | \$ 84,930 | \$ 0 | \$ 0 |
| 39,956 | 36,413 | 32,180 | 32,357 | 11,730 | 0 | 0 |
| 767,403 | 724,716 | 590,357 | 588,149 | 604,605 | 0 | 0 |
| 127,379 | 121,513 | 95,104 | 94,316 | 82,891 | 0 | 0 |
| 112,875 | 89,213 | 118,764 | 93,265 | 112,787 | 0 | 0 |
| 22,485 | 20,310 | 14,170 | 20,269 | 18,987 | 0 | 0 |
| 41,665 | 37,878 | 30,479 | 33,938 | 38,112 | 0 | 0 |
| 1,061,634 | 963,928 | 824,277 | 792,159 | 769,085 | 0 | 0 |
| 63,604 | 62,296 | 58,848 | 63,897 | 64,537 | 0 | 0 |
| 33,312 | 35,877 | 39,042 | 48,397 | 38,514 | 0 | 0 |
| 0 | 10,134 | 214,474 | 213,738 | 185,817 | 0 | 0 |
| <u>2,352,700</u> | <u>2,215,914</u> | <u>2,095,242</u> | <u>2,041,188</u> | <u>2,011,995</u> | <u>0</u> | <u>0</u> |
| 10,814 | 6,165 | 38,541 | 40,786 | 19,035 | 0 | 0 |
| 4,915 | 5,104 | 5,285 | 8,881 | 8,232 | 0 | 0 |
| <u>15,729</u> | <u>11,269</u> | <u>43,826</u> | <u>49,667</u> | <u>27,267</u> | <u>0</u> | <u>0</u> |
| <u>\$ 2,368,429</u> | <u>\$ 2,227,183</u> | <u>\$ 2,139,068</u> | <u>\$ 2,090,855</u> | <u>\$ 2,039,262</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 121,090 | \$ 112,585 | \$ 105,405 | \$ 89,480 | \$ 90,498 | \$ 0 | \$ 0 |
| 13,670 | 15,114 | 3,806 | 4,196 | 3,412 | 0 | 0 |
| 15,105 | 15,308 | 12,868 | 18,223 | 17,278 | 0 | 0 |
| 17,731 | 15,506 | 18,339 | 15,468 | 19,666 | 0 | 0 |
| 614,685 | 581,220 | 644,429 | 503,696 | 541,589 | 0 | 0 |
| 24,746 | 21,079 | 38,595 | 30,327 | 30,946 | 0 | 0 |
| <u>807,027</u> | <u>760,812</u> | <u>823,442</u> | <u>661,390</u> | <u>703,389</u> | <u>0</u> | <u>0</u> |
| 3,537 | 297 | 24,256 | 12,877 | 38,695 | 0 | 0 |
| <u>3,537</u> | <u>297</u> | <u>24,256</u> | <u>12,877</u> | <u>38,695</u> | <u>0</u> | <u>0</u> |
| <u>\$ 810,564</u> | <u>\$ 761,109</u> | <u>\$ 847,698</u> | <u>\$ 674,267</u> | <u>\$ 742,084</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Table-4 (continued)
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

| | 2009 | 2008 | 2007 |
|---|------------------------------|------------------------------|------------------------------|
| Net Expense | | | |
| Governmental activities | \$ (2,002,177) | \$ (1,985,214) | \$ (1,638,384) |
| Business-type activities | <u>(7,710)</u> | <u>(8,127)</u> | <u>(9,029)</u> |
| Total primary government net expense | <u><u>\$ (2,009,887)</u></u> | <u><u>\$ (1,993,341)</u></u> | <u><u>\$ (1,647,413)</u></u> |
| General Revenues and Other Changes in Net Assets | | | |
| Governmental Activities: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | \$ 1,389,218 | \$ 1,316,165 | \$ 1,261,159 |
| Excises | 115,237 | 97,262 | 111,079 |
| Payment in lieu of taxes | 56,686 | 56,668 | 56,146 |
| Grants and contributions not restricted | 230,475 | 259,931 | 246,538 |
| Investment income | 22,584 | 47,072 | 52,528 |
| Miscellaneous | 12,107 | 1,531 | 539 |
| Special items | 0 | (298) | (3,820) |
| Transfers | <u>27,000</u> | <u>23,000</u> | <u>20,000</u> |
| Total governmental activities | <u>1,853,307</u> | <u>1,801,331</u> | <u>1,744,169</u> |
| Business-type activities: | | | |
| Taxes: | | | |
| Excises | 36,605 | 40,342 | 35,092 |
| Investment income | 6,299 | 9,796 | 2,180 |
| Miscellaneous | 0 | 0 | 0 |
| Transfers | <u>(27,000)</u> | <u>(23,000)</u> | <u>(20,000)</u> |
| Total business-type activities | <u>15,904</u> | <u>27,138</u> | <u>17,272</u> |
| Total primary government | <u><u>\$ 1,869,211</u></u> | <u><u>\$ 1,828,469</u></u> | <u><u>\$ 1,761,441</u></u> |
| Changes in Net Assets | | | |
| Governmental activities | \$ (148,870) | \$ (183,883) | \$ 105,785 |
| Business-type activities | <u>8,194</u> | <u>19,011</u> | <u>8,243</u> |
| Total primary government | <u><u>\$ (140,676)</u></u> | <u><u>\$ (164,872)</u></u> | <u><u>\$ 114,028</u></u> |

| 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|-------------|
| \$ (1,545,673) | \$ (1,455,102) | \$ (1,271,800) | \$ (1,379,798) | \$ (1,308,606) | \$ 0 | \$ 0 |
| <u>(12,192)</u> | <u>(10,972)</u> | <u>(19,570)</u> | <u>(36,790)</u> | <u>11,428</u> | <u>0</u> | <u>0</u> |
| <u>\$ (1,557,865)</u> | <u>\$ (1,466,074)</u> | <u>\$ (1,291,370)</u> | <u>\$ (1,416,588)</u> | <u>\$ (1,297,178)</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| | | | | | | |
| \$ 1,195,564 | \$ 1,136,487 | \$ 1,103,003 | \$ 1,005,684 | \$ 967,762 | \$ 0 | \$ 0 |
| 94,743 | 100,888 | 91,551 | 95,157 | 109,503 | 0 | 0 |
| 60,584 | 42,218 | 42,373 | 40,910 | 36,332 | 0 | 0 |
| 225,731 | 231,258 | 171,976 | 234,719 | 272,150 | 0 | 0 |
| 42,082 | 28,072 | 18,304 | 18,655 | 23,097 | 0 | 0 |
| 2,164 | 2,344 | 11,849 | 33,245 | 33,568 | 0 | 0 |
| 0 | 348,427 | 0 | 0 | 13,300 | 0 | 0 |
| <u>18,000</u> | <u>18,000</u> | <u>17,000</u> | <u>18,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>1,638,868</u> | <u>1,907,694</u> | <u>1,456,056</u> | <u>1,446,370</u> | <u>1,455,712</u> | <u>0</u> | <u>0</u> |
| | | | | | | |
| 30,503 | 28,028 | 23,845 | 23,348 | 5,079 | 0 | 0 |
| 5,920 | 6,116 | 5,653 | 8,377 | 8,594 | 0 | 0 |
| 0 | 0 | 0 | 0 | 7,303 | 0 | 0 |
| <u>(18,000)</u> | <u>(18,000)</u> | <u>(17,000)</u> | <u>(18,000)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>18,423</u> | <u>16,144</u> | <u>12,498</u> | <u>13,725</u> | <u>20,976</u> | <u>0</u> | <u>0</u> |
| <u>\$ 1,657,291</u> | <u>\$ 1,923,838</u> | <u>\$ 1,468,554</u> | <u>\$ 1,460,095</u> | <u>\$ 1,476,688</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| | | | | | | |
| \$ 93,195 | \$ 452,592 | \$ 184,256 | \$ 66,572 | \$ 147,106 | \$ 0 | \$ 0 |
| <u>6,231</u> | <u>5,172</u> | <u>(7,072)</u> | <u>(23,065)</u> | <u>32,404</u> | <u>0</u> | <u>0</u> |
| <u>\$ 99,426</u> | <u>\$ 457,764</u> | <u>\$ 177,184</u> | <u>\$ 43,507</u> | <u>\$ 179,510</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Table-5

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)**

| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|----------------------------|-------------------------|-------------------------|-----------------------|
| General Fund | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ 37,534 | 32,519 | 38,617 | 44,573 |
| Debt service | 0 | 0 | 0 | 0 |
| Unreserved: | | | | |
| Designated for subsequent years expenditures | 240,824 | 215,929 | 198,098 | 178,157 |
| Undesignated | <u>550,329</u> | <u>553,601</u> | <u>495,334</u> | <u>438,667</u> |
| Total general fund | <u>\$ 828,687</u> | <u>802,049</u> | <u>732,049</u> | <u>661,397</u> |
| All other governmental funds | | | | |
| Reserved for: | | | | |
| Encumbrances | \$ 116,878 | 125,858 | 187,565 | 138,992 |
| Debt service | 0 | 0 | 0 | 0 |
| Future appropriations | 30,087 | 30,087 | 35,756 | 43,756 |
| Unreserved: | | | | |
| Undesignated: | | | | |
| Special revenue | 138,594 | 144,043 | 154,404 | 149,791 |
| Capital projects | (74,168) | (110,745) | (144,877) | (100,639) |
| Reported in permanent funds | <u>35,743</u> | <u>44,678</u> | <u>48,101</u> | <u>44,869</u> |
| Total all other governmental funds | <u>\$ 247,134</u> | <u>233,921</u> | <u>280,949</u> | <u>276,769</u> |
| Total all governmental funds | <u><u>\$ 1,075,821</u></u> | <u><u>1,035,970</u></u> | <u><u>1,012,998</u></u> | <u><u>938,166</u></u> |

| <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--------------------------------|-------------------------------|------------------------------|------------------------------|---------------------------|---------------------------|
| \$ 33,155 0 | \$ 56,132 0 | \$ 20,787 0 | \$ 20,262 0 | \$ 38,169 16,280 | \$ 41,157 16,280 |
| 164,621 415,248 | 139,986 377,102 | 139,028 331,539 | 36,000 345,847 | 30,000 182,011 | 0 163,263 |
| <u>\$ 613,024</u> | <u>\$ 573,220</u> | <u>\$ 491,354</u> | <u>\$ 402,109</u> | <u>\$ 266,460</u> | <u>\$ 220,700</u> |
| \$ 136,023 0 43,724 | \$ 85,643 0 50,374 | \$ 133,379 0 42,875 | \$ 156,131 0 55,874 | \$ 236,443 52,873 0 | \$ 204,460 37,630 0 |
| 130,236 (109,563) 43,837 | 124,127 (45,918) 44,714 | 62,493 (70,289) 41,619 | 76,600 (93,240) 43,773 | 53,011 (151,126) 0 | 7,217 (163,689) 0 |
| <u>\$ 244,257</u> | <u>\$ 258,940</u> | <u>\$ 210,077</u> | <u>\$ 239,138</u> | <u>\$ 191,201</u> | <u>\$ 85,618</u> |
| <u><u>\$ 857,281</u></u> | <u><u>\$ 832,160</u></u> | <u><u>\$ 701,431</u></u> | <u><u>\$ 641,247</u></u> | <u><u>\$ 457,661</u></u> | <u><u>\$ 306,318</u></u> |

Table-6

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

| | 2009 | 2008 | 2007 | 2006 |
|--|--------------|--------------|--------------|--------------|
| Revenues: | | | | |
| Real and personal property taxes | \$ 1,393,371 | \$ 1,316,734 | \$ 1,258,878 | \$ 1,190,347 |
| Excises | 115,454 | 115,809 | 99,816 | 107,361 |
| Payments in lieu of taxes | 56,686 | 56,667 | 56,146 | 60,584 |
| Fines | 69,723 | 68,090 | 67,557 | 67,894 |
| Investment income | 15,275 | 38,554 | 43,818 | 32,892 |
| Liscenses and permits | 41,130 | 46,049 | 40,759 | 40,424 |
| Departmental and other | 104,208 | 111,982 | 124,369 | 109,768 |
| Intergovernmental | 875,912 | 850,392 | 843,503 | 944,427 |
| Total revenues | \$ 2,671,759 | \$ 2,604,277 | \$ 2,534,846 | \$ 2,553,697 |
| Expenditures: | | | | |
| General government | \$ 81,905 | \$ 81,877 | \$ 77,390 | \$ 67,325 |
| Human services | 37,307 | 38,575 | 35,031 | 34,884 |
| Public safety | 529,425 | 530,379 | 505,981 | 476,788 |
| Public works | 121,422 | 122,038 | 106,939 | 110,402 |
| Property and development | 93,408 | 102,682 | 102,399 | 105,071 |
| Parks and recreation | 18,195 | 17,928 | 17,354 | 16,107 |
| Library | 36,634 | 32,051 | 36,391 | 34,035 |
| Schools | 973,327 | 931,569 | 898,622 | 869,400 |
| Public health programs | 71,393 | 68,394 | 65,333 | 63,267 |
| County | 129,603 | 121,180 | 114,218 | 106,270 |
| Judgments and claims | 9,946 | 1,967 | 2,257 | 11,590 |
| Retirement costs | 82,332 | 95,193 | 92,873 | 96,853 |
| Other employee benefits | 191,597 | 190,167 | 175,862 | 157,885 |
| State and district assessments | 142,055 | 132,792 | 124,243 | 118,817 |
| Community development | 0 | 0 | 0 | 0 |
| Capital outlays | 141,309 | 183,244 | 131,413 | 105,815 |
| Debt service: | | | | |
| Principal | 87,700 | 83,460 | 82,280 | 76,565 |
| Interest | 31,594 | 32,311 | 30,932 | 133,481 |
| Total expenditures | \$ 2,779,152 | \$ 2,765,807 | \$ 2,599,518 | \$ 2,584,555 |
| Excess (deficiency) of revenues over (under) expenditures | (107,393) | (161,530) | (64,672) | (30,858) |
| Other Financing Sources (Uses) and Special Items: | | | | |
| Long-term debt and capital leases issued | \$ 113,962 | \$ 153,510 | \$ 115,051 | \$ 89,871 |
| Issuance of refunding bonds | 40,425 | 28,155 | 85,425 | 0 |
| Payments to refunded bonds escrow agent | (42,230) | (28,565) | (85,350) | 0 |
| Premiums on long-term debt issued | 8,087 | 8,402 | 4,378 | 3,872 |
| Transfers in | 27,000 | 23,000 | 20,000 | 18,000 |
| Transfers from component units | 0 | 0 | 0 | 0 |
| Transfers to component units | 0 | 0 | 0 | 0 |
| Proceeds from sale of capital assets | 0 | 0 | 0 | 0 |
| Total other financing sources and special items | \$ 147,244 | 184,502 | 139,504 | 111,743 |
| Net change in fund balances | \$ 39,851 | 22,972 | 74,832 | 80,885 |
| Debt service as a percentage of noncapital expenditures | 4.51% | 4.44% | 4.58% | 8.44% |

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,138,254 | \$ 1,082,574 | \$ 1,053,945 | \$ 990,848 | \$ 874,868 | \$ 869,295 |
| 93,906 | 85,354 | 94,133 | 111,114 | 72,645 | 68,656 |
| 42,218 | 42,373 | 40,910 | 36,332 | 72,720 | 56,423 |
| 65,297 | 66,361 | 59,206 | 60,645 | 57,840 | 57,709 |
| 18,322 | 8,480 | 9,490 | 14,868 | 26,289 | 19,255 |
| 33,565 | 33,970 | 30,274 | 33,577 | 36,795 | 28,892 |
| 122,600 | 89,451 | 79,679 | 82,943 | 184,119 | 111,953 |
| 802,029 | 827,308 | 769,193 | 840,869 | 825,192 | 741,063 |
| <u>\$ 2,316,191</u> | <u>\$ 2,235,871</u> | <u>\$ 2,136,830</u> | <u>\$ 2,171,196</u> | <u>\$ 2,150,468</u> | <u>\$ 1,953,246</u> |
| \$ 84,508 | \$ 39,788 | \$ 66,053 | \$ 90,434 | \$ 77,225 | \$ 72,317 |
| 32,499 | 31,979 | 31,969 | 11,724 | 10,420 | 8,673 |
| 481,879 | 411,906 | 417,811 | 427,732 | 393,918 | 381,915 |
| 109,468 | 87,331 | 87,005 | 75,058 | 77,830 | 70,303 |
| 86,990 | 117,687 | 93,111 | 111,855 | 41,300 | 35,230 |
| 16,709 | 12,490 | 15,453 | 16,626 | 16,212 | 15,847 |
| 33,173 | 29,498 | 32,901 | 33,956 | 31,598 | 28,881 |
| 808,001 | 780,647 | 786,341 | 757,815 | 726,948 | 669,641 |
| 62,296 | 58,848 | 63,897 | 64,537 | 0 | 0 |
| 101,832 | 102,044 | 100,991 | 109,291 | 93,492 | 89,835 |
| 6,620 | (3,544) | 2,880 | 2,724 | 5,011 | 6,911 |
| 59,419 | 87,934 | 74,720 | 82,034 | 84,970 | 96,019 |
| 142,721 | 129,937 | 114,512 | 107,701 | 90,501 | 86,221 |
| 115,894 | 111,061 | 69,009 | 67,769 | 66,788 | 66,995 |
| 0 | 0 | 0 | 0 | 69,026 | 60,875 |
| 91,462 | 134,879 | 167,862 | 144,770 | 193,531 | 265,396 |
| 84,855 | 85,930 | 86,060 | 81,470 | 82,690 | 67,140 |
| 34,793 | 38,062 | 73,965 | 37,790 | 52,267 | 75,460 |
| <u>\$ 2,353,119</u> | <u>\$ 2,256,477</u> | <u>\$ 2,284,540</u> | <u>\$ 2,223,286</u> | <u>\$ 2,113,727</u> | <u>\$ 2,097,659</u> |
| <u>(36,928)</u> | <u>(20,606)</u> | <u>(147,710)</u> | <u>(52,090)</u> | <u>36,741</u> | <u>(144,413)</u> |
| \$ 84,609 | \$ 84,786 | \$ 216,824 | \$ 174,754 | \$ 209,719 | \$ 147,120 |
| 52,775 | 78,200 | 91,710 | 0 | 0 | 0 |
| (103,744) | (40,426) | (130,740) | 0 | (52,025) | 0 |
| 10,409 | 11,775 | 12,100 | 0 | 0 | 0 |
| 18,000 | 17,000 | 18,000 | 0 | 1,678 | 1,636 |
| 0 | 0 | 0 | 0 | 17,706 | 18,026 |
| 0 | 0 | 0 | 0 | (62,476) | (58,213) |
| 0 | 0 | 0 | 13,300 | - | - |
| <u>\$ 62,049</u> | <u>\$ 151,335</u> | <u>\$ 207,894</u> | <u>\$ 188,054</u> | <u>\$ 114,602</u> | <u>\$ 108,569</u> |
| <u>\$ 25,121</u> | <u>\$ 130,729</u> | <u>\$ 60,184</u> | <u>\$ 135,964</u> | <u>\$ 151,343</u> | <u>\$ (35,844)</u> |
| 5.27% | 5.81% | 7.48% | 5.74% | 7.86% | 8.75% |

Table-7

**Assessed and Estimated Actual Value of All Taxable Property
Last Ten Fiscal Years
(in thousands)**

| Fiscal Year | Real Property | | | Personal Property | Total | Total Direct Tax Rate ^(b) |
|----------------|-------------------------------------|---------------------|---------------------|-------------------|----------------------------------|---|
| | Residential ^(a) Value | Commercial Value | Industrial Value | Assessed Value | Assessed Value ⁽¹⁾ | |
| 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 |
| 2001 | 29,227,208 | 17,937,637 | 633,441 | 2,696,228 | 50,494,514 | 18.83 |
| 2000 | 22,235,713 | 14,414,358 | 633,403 | 2,647,445 | 39,930,919 | 22.48 |

(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 of assessed value and are reported in whole dollars in the above table.

Source: City of Boston Assessing Department

Table-8
Property Tax Rates
Direct and Overlapping Governments ⁽¹⁾
Last Ten Fiscal Years

| Fiscal Year | Class | City General | Total | % Change |
|------------------------|-----------------------|-------------------------|----------------|----------------------|
| 2009 | Residential C.I.P. | \$ 10.63 27.11 | 10.63 27.11 | (3.1) % 4.6 % |
| 2008 | Residential C.I.P. | 10.97 25.92 | 10.97 25.92 | (0.2) % (3.5) % |
| 2007 | Residential C.I.P. | 10.99 26.87 | 10.99 26.87 | (1.2) % (12.5) % |
| 2006 | Residential C.I.P. | 11.12 30.70 | 11.12 30.70 | 3.6 % (6.1) % |
| 2005 | Residential C.I.P. | 10.73 32.68 | 10.73 32.68 | 5.7 % (1.2) % |
| 2004 | Residential C.I.P. | 10.15 33.08 | 10.15 33.08 | (10.1) % 5.0 % |
| 2003 | Residential C.I.P. | 11.29 31.49 | 11.29 31.49 | 2.5 % 3.8 % |
| 2002 | Residential C.I.P. | 11.01 30.33 | 11.01 30.33 | 4.1 % 0.5 % |
| 2001 | Residential C.I.P. | 10.58 30.17 | 10.58 30.17 | (19.5) % (11.8) % |
| 2000 | Residential C.I.P. | 13.15 34.21 | 13.15 34.21 | (2.2) % (7.6) % |

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

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

Source: City of Boston Assessing Department

Table-9

**Largest Principal Taxpayers ⁽¹⁾
Current Year and Nine Years Ago**

| <u>Taxpayer</u> | <u>2009</u> | | | <u>2000</u> | | |
|--|--|--------------------|--|--|--------------------|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total Taxable Assessed Value</u> |
| Blackstone Real Estate Partners | \$ 2,209,444,210 | 1 | 2.45% | \$ 0 | | 0.00% |
| NSTAR/ Boston Edison Company | 1,558,927,801 | 2 | 1.73% | 1,297,094 | 1 | 0.00% |
| Boston Properties | 1,537,316,480 | 3 | 1.71% | 0 | | 0.00% |
| Tishman Speyer Properties | 1,083,675,880 | 4 | 1.20% | 0 | | 0.00% |
| Fort Hill Associates | 832,472,170 | 5 | 0.92% | 522,092 | 5 | 0.00% |
| Brookfield Properties Corporation | 817,811,670 | 6 | 0.91% | 0 | | 0.00% |
| Broadway Real Estate Partners | 766,417,200 | 7 | 0.85% | 0 | | 0.00% |
| Beacon Properties | 649,869,990 | 8 | 0.72% | 0 | | 0.00% |
| John Hancock Mutual Life Insurance Company | 523,181,070 | 9 | 0.58% | 560,159,000 | 3 | 1.66% |
| UIDC of Massachusetts, Inc. | 508,612,690 | 10 | 0.56% | 357,418,500 | 8 | 1.06% |
| Equity Office Properties | 0 | | 0.00% | 1,455,080 | 2 | 0.00% |
| Prudential Insurance Company | 0 | | 0.00% | 831,550 | 4 | 0.00% |
| Verizon | 0 | | 0.00% | 413,752,700 | 6 | 1.22% |
| Massport | 0 | | 0.00% | 0 | 7 | 0.00% |
| One Twenty Five High Street | 0 | | 0.00% | 355,688 | 9 | 0.00% |
| Dewey Square Tower Associates | 0 | | 0.00% | 299,786 | 10 | 0.00% |
| Total | \$ 10,487,729,161 | | 11.64% | \$ 1,336,091,490 | | 3.95% |

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

Table-10

**Property Tax Levies and Collections
Last Ten Fiscal Years
(in millions)**

| Fiscal Year Ended 30-Jun | Taxes Levied for the Fiscal Year ⁽¹⁾ | Collected Within the Fiscal Year of the Levy – Net | | Collections in Subsequent Years | Total Net Collections to Date | |
|-----------------------------------|---|---|-----------------------|--|-------------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2009 | \$ 1,398.9 | 1,382.3 | 98.6% | \$ 0 | 1,382.3 | 98.81% |
| 2008 | 1,334.6 | 1,317.2 | 98.7% | 7.2 | 1,324.4 | 99.24% |
| 2007 | 1,270.8 | 1,245.2 | 98.0% | 13.3 | 1,258.5 | 99.03% |
| 2006 | 1,208.2 | 1,184.5 | 98.0% | 11.3 | 1,195.8 | 98.97% |
| 2005 | 1,150.1 | 1,127.2 | 98.0% | 13.2 | 1,140.4 | 99.16% |
| 2004 | 1,094.2 | 1,071.1 | 97.9% | 19.6 | 1,090.7 | 99.68% |
| 2003 | 1,035.9 | 1,016.3 | 98.1% | 8.9 | 1,025.2 | 98.97% |
| 2002 | 972.7 | 958.8 | 98.6% | 6.9 | 965.7 | 99.28% |
| 2001 | 915.8 | 902.9 | 98.6% | 8.7 | 911.6 | 99.54% |
| 2000 | 866.2 | 851.5 | 98.3% | 7.1 | 858.6 | 99.12% |

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

Source: City of Boston Treasury Department

Table-11

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands, except per capita amount)**

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | |
|----------------|--------------------------------|---------------------------------|--------------------------------|-----------------------------|------------------------------------|--|
| | General Obligation Bonds | Notes Payable ⁽¹⁾ | Capital Lease Agreements | Convention Center | | Boston City Hospital Special Obligation Bonds |
| | | | | Special Obligation Bonds | Bond Anticipation Notes Payable | |
| 2009 | \$ 916,820 | 32,611 | 39,545 | 97,085 | 0 | 87,840 |
| 2008 | 903,215 | 35,421 | 36,773 | 100,485 | 0 | 94,800 |
| 2007 | 860,915 | 34,170 | 24,386 | 103,715 | 0 | 101,490 |
| 2006 | 839,125 | 51,400 | 17,620 | 106,785 | 0 | 107,985 |
| 2005 | 835,690 | 149,603 | 13,413 | 109,700 | 0 | 114,290 |
| 2004 | 893,485 | 150,676 | 12,600 | 112,480 | 0 | 120,415 |
| 2003 | 873,875 | 137,589 | 17,492 | 114,790 | 0 | 127,800 |
| 2002 | 829,465 | 127,279 | 26,036 | 116,890 | 0 | 141,095 |
| 2001 | 810,935 | 42,870 | 27,907 | 0 | 157,800 | 145,580 |
| 2000 | 763,880 | 39,425 | 26,140 | 0 | 157,800 | 149,975 |

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.

Source: City of Boston Auditing Department

| Total Primary Government | Percentage of Total Assessed Value ⁽²⁾ | Per Capita ⁽³⁾ |
|--------------------------------|--|------------------------------|
| 1,133,507 | 1.26% | \$ 1.86 |
| 1,170,694 | 1.30% | 1.92 |
| 1,124,676 | 1.30% | 2.05 |
| 1,122,915 | 1.50% | 1.89 |
| 1,222,696 | 1.77% | 2.05 |
| 1,289,656 | 1.95% | 2.17 |
| 1,271,546 | 2.21% | 2.15 |
| 1,240,765 | 2.29% | 2.10 |
| 1,185,092 | 2.35% | 2.01 |
| 1,137,220 | 2.85% | 1.93 |

Table-12

**Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(in thousands, except per capita)**

| <u>Fiscal Year</u> | <u>Gross Bonded Debt ⁽³⁾</u> | <u>Less: Self- Supporting Debt</u> | <u>Net Bonded Debt</u> | <u>Assessed Value ⁽²⁾</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt per Capita ⁽¹⁾</u> |
|------------------------|---|--|----------------------------|--|---|--|
| 2009 | \$ 916,820 | 0 | 916,820 | 90,387,171 | 1.0% | 1.51 |
| 2008 | 903,215 | 0 | 903,215 | 90,067,298 | 1.0% | 1.48 |
| 2007 | 860,915 | 0 | 860,915 | 86,516,105 | 1.0% | 1.42 |
| 2006 | 839,125 | 0 | 839,125 | 74,738,001 | 1.1% | 1.41 |
| 2005 | 835,690 | 0 | 835,690 | 69,253,529 | 1.2% | 1.40 |
| 2004 | 893,485 | 0 | 893,485 | 66,141,730 | 1.4% | 1.51 |
| 2003 | 873,875 | 0 | 873,875 | 57,533,345 | 1.5% | 1.48 |
| 2002 | 829,465 | 0 | 829,465 | 54,189,299 | 1.5% | 1.41 |
| 2001 | 810,935 | 0 | 810,935 | 50,494,514 | 1.6% | 1.38 |
| 2000 | 763,880 | 0 | 763,880 | 39,930,919 | 1.9% | 1.30 |

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

(2) See Table 7 for the City's total assessed value of property.

(3) Self-supporting proprietary debt and certain notes payable are not included.



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Table-13

**Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands)**

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---------------------|------------------|------------------|------------------|------------------|
| Debt limit | \$ 4,387,466 | 4,387,466 | 3,814,054 | 3,814,054 | 3,287,567 |
| Total net debt applicable to limit | <u>369,724</u> | <u>1,187,532</u> | <u>524,358</u> | <u>1,043,419</u> | <u>480,943</u> |
| Legal debt margin | <u>\$ 4,017,742</u> | <u>3,199,934</u> | <u>3,289,696</u> | <u>2,770,635</u> | <u>2,806,624</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 8.43% | 27.07% | 13.75% | 27.36% | 14.63% |

Legal Debt Margin Calculation for Fiscal Year 2009

| | |
|---|-------------------------|
| Equalized valuation as of January 1, 2009 ⁽¹⁾ | 87,749,318 |
| Maximum debt limits as of July 1, 2009 | 4,387,466 |
| Less: Debt outstanding June 30, 2008 ⁽²⁾ | (709,610) |
| Less: Debt authorized but unissued as of June 30, 2008 ⁽³⁾ | <u>(477,922)</u> |
| Debt incurring capacity as of June 30, 2008 | 3,199,934 |
| Add: Debt redeemed during fiscal year 2009 | 68,142 |
| Less: City Council Authorizations during fiscal year 2009 | (155,230) |
| Debt Adjustments approved through fiscal year 2009 | (322) |
| Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2009 | 906,360 |
| Add: Refunded amounts | <u>(1,142)</u> |
| Debt incurring capacity as of June 30, 2009 | <u><u>4,017,742</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 Emergency Finance Board

(3) The debt authorized but unissued as of June 30, 2008 and City Council authorizations during fiscal year 2009 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

| <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 3,187,567 | 1,743,783 | 1,246,458 | 1,246,458 | 996,334 |
| <u>882,198</u> | <u>977,123</u> | <u>899,487</u> | <u>846,328</u> | <u>818,445</u> |
| <u><u>2,305,369</u></u> | <u><u>766,660</u></u> | <u><u>346,971</u></u> | <u><u>400,130</u></u> | <u><u>177,889</u></u> |
| 27.68% | 56.03% | 72.16% | 67.90% | 82.15% |

Table-14

**Demographic and Economic Statistics
Last Ten Calendar Years**

| Fiscal Year | Population ⁽¹⁾ | | Total Personal Income (in thousands) Suffolk County (2) | Per Capita Personal Income ⁽³⁾ Boston (Suffolk County) |
|----------------|---------------------------|-----------------------------------|--|---|
| | City of Boston | Change from Prior Period | | |
| 2009 | N/A | N/A | \$ N/A | N/A |
| 2008 | 609,023 | 0.11% | N/A | N/A |
| 2007 | 608,352 | 2.12% | 37,132,814 | 51,038 |
| 2006 | 595,698 | -0.16% | 34,678,849 | 48,471 |
| 2005 | 596,638 | -0.22% | 32,328,100 | 45,447 |
| 2004 | 597,947 | -0.67% | 30,404,387 | 42,825 |
| 2003 | 601,997 | -0.33% | 28,484,904 | 40,044 |
| 2002 | 603,982 | 0.50% | 27,835,281 | 39,168 |
| 2001 | 600,974 | 2.01% | 28,104,184 | 39,865 |
| 2000 | 589,141 | 0.25% | 26,313,971 | 38,096 |

N/A = Information Not Available for this fiscal year.

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

(2) Suffolk County's population is 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.

| Civilian Labor Force | | | | |
|--|------------------------------------|----------------------------------|----------------------------------|-----------------------------|
| Employment Trends by Industry ⁽⁴⁾ (4a) | | | | Direct Office Vacancy Rates |
| Finance, Insurance, Real Estate, Rental, & Leasing | Professional and Business Services | Healthcare and Social Assistance | Unemployment Rate ⁽⁵⁾ | |
| N/A | N/A | N/A | 8.90% | 9.30% |
| 103,524 | 128,179 | 117,325 | 5.10% | 6.90% |
| 104,059 | 128,031 | 116,165 | 4.40% | 6.04% |
| 101,645 | 123,409 | 111,007 | 5.00% | 8.50% |
| 98,271 | 119,985 | 108,023 | 5.20% | 10.70% |
| 95,203 | 118,362 | 106,293 | 5.60% | 10.80% |
| 95,458 | 116,463 | 103,753 | 6.40% | 11.10% |
| 101,243 | 120,396 | 102,232 | 5.90% | 9.20% |
| 104,306 | 125,327 | 97,977 | 4.10% | 5.40% |
| 103,022 | 126,143 | 96,461 | 3.00% | 1.50% |

(4) The above figures represent the total full and part-time (payroll and nonpayroll) in Boston. The figures incorporate city level data from the ES202 series of the DWD (Department of Workforce Development) and County (Suffolk) level data from the BEA (Bureau of Economic Analysis) to derive an equivalent BEA series for Boston.

(4a) Employment shown is for the three largest industry sectors in the city.

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

Note: The average monthly rate is for the January through July period of 2009.

Note: Second quarter 2009 rate from Jones Lang LaSalle. This is the direct vacancy rate not including any available space for subleasing.

Sources: Population is from the U.S. Census Bureau; Total Personal Income and Per Capita Personal Income are from the U.S. Bureau of Economic Analysis; Employment data derivation is shown in footnote 4; Unemployment rate is from the Massachusetts Division of Workforce Development; and Office Direct Vacancy Rates are from Jones Lang LaSalle.

Compiled by: City of Boston Auditing Department and the Boston Redevelopment Authority.

Table-15

**Principal Employers
Current Year and Nine Years Ago**

| <u>Employer</u> | 2006 | | | 1997 | | |
|--|-------------------------|--------------------|---|-------------------------|--------------------|---|
| | <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 | 16,146 | 1 | 2.52% | 11,415 | 1 | 1.80% |
| Brigham and Women's Hospital | 11,225 | 2 | 1.75% | 8,661 | 2 | 1.36% |
| Beth Israel Deaconess Medical Center | 10,861 | 3 | 1.69% | 6,205 | 5 | 0.98% |
| Boston University | 9,087 | 4 | 1.42% | 7,410 | 4 | 1.17% |
| Fidelity Investments | 8,000 | 5 | 1.25% | 8,000 | 3 | 1.26% |
| New England Medical Center | 5,508 | 6 | 0.86% | 4,955 | 7 | 0.78% |
| Northeastern University | 4,417 | 7 | 0.69% | 0 | | 0.00% |
| Boston Medical Center Corp. | 4,000 | 8 | 0.62% | 0 | | 0.00% |
| Children's Hospital Corporation | 3,832 | 9 | 0.60% | 4,729 | 8 | 0.74% |
| Harvard University | 3,654 | 10 | 0.57% | 0 | | 0.00% |
| BankBoston | 0 | | 0.00% | 5,429 | 6 | 0.85% |
| Liberty Mutual | 0 | | 0.00% | 4,657 | 9 | 0.73% |
| John Hancock Mutual Life Insurance Co. | 0 | | 0.00% | 4,494 | 10 | 0.71% |
| Total | 76,730 | | 11.97% | 65,955 | | 10.38% |

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

Note 2: Table remains unchanged from the previous three years due to no new survey data.

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



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Table-16

**Full-Time Equivalent City Government Employees by Department ⁽¹⁾
Last Ten Fiscal Years**

| <u>Department</u> | <u>Full-time Equivalent Employees as of January 1</u> | | | |
|--|---|----------------------------|----------------------------|---------------|
| | <u>2009</u> | <u>2008 ⁽⁵⁾</u> | <u>2007 ⁽⁵⁾</u> | <u>2006</u> |
| City-Funded: | | | | |
| Public Safety ⁽²⁾ | 4,685 | 4,737 | 4,554 | 4,421 |
| Public Works | 388 | 404 | 418 | 415 |
| Other City Departments ⁽³⁾ | 2,841 | 2,771 | 2,747 | 2,772 |
| Boston Public Health Commission ⁽⁴⁾ | 820 | 752 | 750 | 738 |
| Subtotal | <u>8,734</u> | <u>8,664</u> | <u>8,469</u> | <u>8,346</u> |
| Schools | <u>8,572</u> | <u>8,476</u> | <u>8,300</u> | <u>8,087</u> |
| Total City-Funded | <u>17,306</u> | <u>17,140</u> | <u>16,769</u> | <u>16,433</u> |
| Grant-Funded: | | | | |
| Schools | 755 | 912 | 963 | 954 |
| All Others ⁽⁶⁾ | <u>1,433</u> | <u>1,391</u> | <u>1,429</u> | <u>1,491</u> |
| Total | <u>19,494</u> | <u>19,443</u> | <u>19,161</u> | <u>18,878</u> |

(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 Boston State 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.

Source: City of Boston, Office of Budget Management

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--------|--------|--------|--------|--------|--------|
| 4,451 | 4,393 | 4,608 | 4,662 | 4,690 | 4,735 |
| 424 | 409 | 426 | 451 | 437 | 455 |
| 2,739 | 2,762 | 2,913 | 3,221 | 3,204 | 3,191 |
| 743 | 728 | 745 | 768 | 756 | 732 |
| 8,357 | 8,292 | 8,692 | 9,102 | 9,087 | 9,113 |
| 8,009 | 7,792 | 8,440 | 8,510 | 8,438 | 8,235 |
| 16,366 | 16,084 | 17,132 | 17,612 | 17,525 | 17,348 |
| | | | | | |
| 924 | 866 | 934 | 925 | 820 | 827 |
| 1,449 | 1,468 | 1,480 | 1,640 | 1,529 | 1,505 |
| 18,739 | 18,418 | 19,546 | 20,177 | 19,874 | 19,680 |

Table-17**Operating Indicators by Function
Last Ten Fiscal Years**

| Function | 2009 | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|-------------|
| Police | | | | |
| Service calls answered | 577,126 | 577,163 | 538,330 | 512,437 |
| Moving/traffic violations | 137,217 | 132,546 | 136,263 | 136,297 |
| Parking violations as of June 30 | 1,591,832 | 1,529,537 | 1,527,061 | 1,606,863 |
| Fire | | | | |
| Calls answered | 71,247 | 70,176 | 72,071 | 71,632 |
| Inspections conducted | 22,093 | 23,810 | 23,500 | 28,321 |
| Library | | | | |
| Personnel full-time | 464 | 518 | 476 | 464 |
| Personnel part-time | 96 | 158 | 117 | 119 |
| Central and branch libraries | 27 | 27 | 27 | 27 |
| Books, audio and video materials, newspapers, and magazines in circulation | 3,403,538 | 3,116,540 | 2,848,813 | 2,593,476 |
| Library cards in force | 518,080 | 552,797 | 1,621,133 | 2,690,461 |
| Schools | | | | |
| Student enrollment as of June 30 | 56,144 | 56,074 | 56,369 | 57,139 |
| Streets, sidewalks, and bridges | | | | |
| Streets in miles | 810 | 809 | 809 | 730 |
| Hospitals | | | | |
| Births as of June 30 | 21,387 | 8,430 | 22,107 | 21,673 |
| Deaths as of June 30 | 7,185 | 3,043 | 7,615 | 7,702 |

Sources: Various city departments

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 499,580 | 480,349 | 454,150 | 489,951 | 496,079 | 502,528 |
| 122,185 | 126,361 | 159,211 | 202,521 | 196,455 | 161,894 |
| 1,549,559 | 1,683,673 | 1,683,573 | 1,769,376 | 1,752,197 | 1,284,982 |
| 70,463 | 73,218 | 75,542 | 78,826 | 77,573 | 64,423 |
| 29,124 | 32,244 | 35,115 | 34,930 | 8,908 | 9,324 |
| 458 | 478 | 482 | 565 | 559 | 498 |
| 119 | 117 | 104 | 110 | 135 | 148 |
| 27 | 27 | 27 | 27 | 27 | 26 |
| 2,431,222 | 2,392,554 | 2,407,309 | 2,476,715 | 2,468,754 | 6,100,000 |
| 1,476,334 | 1,314,167 | 1,350,231 | 1,115,481 | 1,063,616 | 500,000 |
| 57,457 | 60,300 | 60,491 | 62,315 | 62,075 | 63,804 |
| 785 | 785 | 785 | 785 | 784 | 784 |
| 22,315 | 23,200 | 23,165 | 23,318 | 23,973 | 18,604 |
| 7,538 | 8,837 | 8,201 | 8,477 | 8,775 | 6,575 |

Table-18**Capital Asset Statistics by Department
Last Ten Fiscal Years**

| | 2009 | 2008 | 2007 | 2006 |
|---|-------|-------|-------|-------|
| Police | | | | |
| Officers and personnel | 3,011 | 3,085 | 3,048 | 2,868 |
| Stations | 11 | 11 | 11 | 11 |
| Fire | | | | |
| Officers and personnel | 1,573 | 1,525 | 1,511 | 1,467 |
| Stations | 35 | 35 | 34 | 34 |
| Parks and Recreation | | | | |
| Personnel (Parks Division) | 224 | 224 | 207 | 191 |
| Neighborhood (city) parks | 257 | 257 | 266 | 246 |
| Neighborhood (city) playgrounds – Tot Lots | 132 | 129 | 121 | 125 |
| Community Centers – (BCYF operated) | 46 | 46 | 46 | 46 |
| Golf courses | 2 | 2 | 2 | 2 |
| Swimming pools (BCYF operated) | 23 | 20 | 21 | 18 |
| Tennis courts | 67 | 67 | 66 | 78 |
| Public Education | | | | |
| Total number of Boston Public Schools employees | 9,188 | 9,754 | 7,774 | 7,819 |
| Total number of schools | 135 | 144 | 145 | 145 |
| Public Works | | | | |
| Traffic signals (signalized intersections) | 813 | 800 | 822 | 814 |
| Parking meters (approximately) | 7,038 | 6,300 | 6,449 | 6,676 |
| Bridges | 4 | 4 | 4 | 4 |
| Hospitals | | | | |
| Number of hospitals | 22 | 22 | 22 | 20 |
| Patient beds | 5,629 | 5,618 | 5,692 | 5,181 |

Sources: Various city departments

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--------------|--------------|--------------|---------------|---------------|--------------|
| 2,887 11 | 2,855 11 | 2,925 11 | 3,079 11 | 3,028 11 | 3,024 11 |
| 1,486 34 | 1,468 34 | 1,511 34 | 1,541 34 | 1,711 34 | 1,733 34 |
| 203 | 225 | 204 | 244 | 235 | 235 |
| 246 | 225 | 225 | 215 | 215 | 215 |
| 125 | 164 | 164 | 192 | 192 | 192 |
| 39 | 37 | 37 | 43 | 42 | 42 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 21 | 20 | 20 | 20 | 26 | 26 |
| 78 | 107 | 107 | 75 | 60 | 60 |
| 7,695 144 | 7,950 139 | 9,035 139 | 10,348 131 | 10,348 130 | 8,230 125 |
| 885 | 885 | 885 | 784 | 792 | 792 |
| 7,000 4 | 7,000 4 | 7,000 4 | 6,800 4 | 7,135 4 | 7,263 4 |
| 21 | 19 | 19 | 19 | 12 | 12 |
| 4,876 | 5,860 | 5,899 | 5,847 | 3,919 | 3,919 |



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