

*City of Boston*

Massachusetts



# ***Comprehensive Annual Financial Report***

**Fiscal Year Ended June 30, 2012**

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*Thomas M. Menino, Mayor*

*Meredith Weenick, Chief Financial Officer & Collector Treasurer*

*Sally D. Glora, City Auditor*

*Prepared by the City of Boston Auditing Department*



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## City of Boston Auditing Department

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Boston • Massachusetts 02201  
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December 18, 2012

*The Honorable Mayor,  
Members of the City Council,  
and Citizens of Boston:*

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Boston (City) for the fiscal year ended June 30, 2012. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

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

The Auditing Department uses an integrated financial and human resources management system that is designed to track and control daily activities and report the financial position of the City. This cutting edge software allows management to directly evaluate the financial status of individual programs as well as the entire department, and also supports the rigorous monitoring and reporting requirements enforced by the City. The City implemented a major upgrade of its financial systems on July 5, 2012. This comprehensive initiative benefits both departments and vendors. The upgrade improves operational efficiency and effectiveness and introduces electronic procurement.

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected KPMG LLP to perform the June 30, 2012 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

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



internal control structure. The evaluation includes testing a significant number of the major federal program transactions that occurred during the fiscal year. The Single Audit also requires that the auditors determine whether the organization has complied with laws and regulations that may have a material effect on each of its major federal financial assistance programs. All of the City's major federal programs are evaluated for the adequacy of internal controls and compliance with laws and regulations. The report is publicly issued under a separate cover.

Management's Discussion and Analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

### Profile of the Government

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



#### *Boston: A City of Neighborhoods*

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

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

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

The City budgets and maintains its books and records on a statutory basis of accounting prescribed by the Massachusetts Division of Local Services, Bureau of Accounts. This basis of accounting differs from GAAP. The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues, and expenses. Included in the basic financial statements are governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and aggregate remaining fund information. Discretely presented component units are reported in a separate column to emphasize their operational and/or financial relationship with the City. The State-Boston Retirement System (SBRS) has been presented as a blended component unit because it provides services almost exclusively to the primary government. The notes to the financial statements further discuss the City as a financial reporting entity.

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year.

## **Local Economy**

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

In 2010 Boston had a population of 617,594 as reported by the U.S. Census Bureau, and an estimated 657,669 jobs, as stated by the U.S. Bureau of Economic Analysis. It ranks among the highest in concentrations of employment in the U.S., supplying one out of every six jobs in Massachusetts and one out of fourteen jobs in New England.

As a government center, the City is the capital of the Commonwealth and is host to several other governmental agencies. According to the Boston Redevelopment Authority, there were an estimated 77,737 federal, state, and local government workers in the City in 2010. Certain large state government offices, federal regional offices, U.S. Postal Service facilities, state-chartered authorities and commissions (such as the Massachusetts Port Authority and the Boston Water and Sewer Commission), and the City's local government agencies and departments are all located within the City.

Boston's medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and Metropolitan Boston. Expenditures by the institution's patients, students, and visitors are important to the City's trade and service sectors. Twenty-two inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel Deaconess Medical Center, Children's Hospital, Tufts New England Medical Center, and Boston Medical Center. The City is also the home of the medical and dental schools of Harvard, Tufts, and Boston Universities. In 2010, there were an estimated 120,000 jobs, or one in five of all Boston jobs, employed in health services in the City. Thirty five colleges and universities reside in Boston, accounting for over 152,000 students, according to the New England Board of Higher Education.

Despite continued deteriorating economic conditions across the country, Boston has been able to sustain better than average results. Currently, the U.S. unemployment rate is higher than Boston's, the nation's level of job loss has been greater, and although Boston's real estate markets have been experiencing rising vacancy rates, it is still outperforming most other major real estate markets in the U.S. Unemployment rates in Boston have steadily fallen to 6.5% as of June 2012, as compared to the unemployment rates of the U.S. and Massachusetts which were 8.2% and 6.0% respectively. For the year 2010, 821 foreclosure deeds were finalized in Boston. By comparison, the number declined to 409 in 2011.

Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 2012, rating service bureaus Moody's Investors Service and Standard and Poor's reaffirmed the City's bond ratings at Aaa and AA+ respectively. The credit reports from both agencies highlighted Boston's strong management throughout economic cycles as well as having historically strong reserves while exhibiting positive financial performance.



## Financial Overview

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. Please see the *Management's Discussion and Analysis* Section for additional information on financial trends.

In fiscal year 2012, Other Employee Benefits and Contributions to Retirement Funds, which does not include Boston Public Schools' employee benefits, represented 16.0% of the general fund budget. Other Employee Benefits costs, excluding OPEB, increased 4.7% from 2011. A decrease of 4.7% is projected for FY13. In FY12 the employee premium share for non-Medicare products increased by 1.25%, the same increase is expected in FY13. In FY12, in order to partially fund the annual required contribution associated with the OPEB liability, the City appropriated \$35.0 million from the General Fund into the OPEB Liability Trust Fund. The City's OPEB financing plan balances the duty to deliver valuable public services while acknowledging the cost of providing health benefits for our employees, both now and when they retire. More details and information on the OPEB liability can be found in Footnote 12 of the Basic Financial Statements.

The City's second largest source of revenue, state aid, decreased by \$4.73 million in FY12. In FY 13, the state aid is expected to increase slightly by 2.8%. American Recovery and Reinvestment Act grant awards from the federal government and those passed through the Commonwealth continue to support personnel retention in Boston Public Schools and the Police Department, in addition to targeted programming. In FY 12 the Police Department used \$4.0 million in ARRA funding, these grants will no longer be available.

The City has settled with ten of the fourteen civilian unions that cover City Departments, not including the School Department, placing over 2,500 unionized workers under contract. The City also settled with the Boston Teacher's Union, placing an additional 7,400 unionized workers under contract. Each agreement is six years in duration and contains the same general wage pattern, roughly 12% over the six years. As a result, the Collective Bargaining Reserve increased \$7.5 million or 87.4%. The City continues to negotiate with the unions with whom it has not completed negotiations to obtain agreement on the same policies and wage patterns. The City is currently at mediation at the Joint Labor Management Committee with all four public safety unions.

Building on the City's history of prudent financial planning, the City's FY13 budget reinvests in an old strength, relationships, both established and those the City seeks to cultivate. This is an intentional approach, one that puts people first. As strained budgets, resulting from rising costs of doing business, growing pension liabilities, and shrinking local aid, have provided pretext to overhype efficiency and undervalue engagement, it is more important than ever to invest in personal connections that build trust and serve as a foundation for a thriving City. The best way to leverage still-scarce resources is to

work hand in hand with our neighbors. The FY13 budget provides new and improved opportunities for residents to engage with each other and with City Hall for the betterment of their neighborhoods.

### **Long Term Financial Planning**

Boston's five-year \$1.8 billion capital plan, "Together, We CAN," is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to deliver necessary municipal services efficiently. The program name "Together, We CAN" reinforces the idea that "Cities Are Neighborhoods" and that the capital plan is a strategic tool shaped by many hands and designed to enhance the livability of a city that draws strength from its neighborhoods.

All projects in the capital plan are categorized as Upkeep, New/Major Renovation, Upgrade, and Planning or Matching Funds. The Capital Budgeting Program of the Office of Budget Management (OBM) tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the expansion or introduction of new ones. The distributions of allocations for FY13 – 26% for New/Major Rehabilitations, 31% for Upgrades, 42% for Upkeep, 1% for planning, and 1% for matching roadwork – maintains the relative balance of these project categories.

Financing for the FY13-FY17 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 66.0% of all project funding. The capital plan assumes \$715.0 million in new G.O. borrowings over the next five years to support ongoing capital needs. Effective debt management ensures that the City can meet its capital infrastructure and facility needs. The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market.

As the City recovers from recent economic stresses, the FY13-FY17 capital plan reflects both a need to catch up on deferred maintenance projects, and a desire to continue innovating in the design and delivery of neighborhood improvements. Having broken ground this past March, construction on the new \$115.0 million Dudley Square School Department Headquarters administrative office building is underway. This is just one piece in the larger transformation of the Dudley Square area, the single largest element in the capital project.

State and federal funds in the five year capital plan are currently estimated at \$222.5 million and \$327.3 million, respectively. Two specific programs are the School Building Assistance (SBA) program and the Massachusetts Department of Transportation's Chapter 90 program. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. The MSBA reviews and prioritizes future project requests, and reimburses at rates ranging between 40% and 80%. For the FY13-FY17 period, total

payments from the MSBA are estimated at \$39.5 million to offset debt service costs for projects previously approved by the MSBA. Chapter 90, which is administered by the Massachusetts Department of Transportation's Highway Division, allocates funds by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. Based on recent allocations, the City expects an estimated \$14.0 million in Chapter 90 funds to be provided in FY13.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, and actively manage its projects to ensure that spending does not exceed projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

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

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boston for its CAFR for the fiscal year ended June 30, 2011. This was the seventeenth 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, 2011. The City's budget document was judged to be proficient in several categories including policy documentation and financial planning.

## **Acknowledgements**

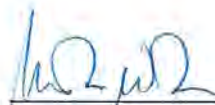
We would like to express our appreciation to the staff of the Accounting Program and all the members of the Auditing Department whose professionalism and dedication made the timely preparation of the CAFR possible. We also wish to thank the professional staff of KPMG LLP for their counsel, technical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

The CAFR for fiscal year 2005 through fiscal year 2012 are featured on the City's web page [www.cityofboston.gov/auditing](http://www.cityofboston.gov/auditing).

Respectfully submitted,



Sally D. Glora  
City Auditor



Meredith Weenick  
Chief Financial Officer & Collector Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Boston  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



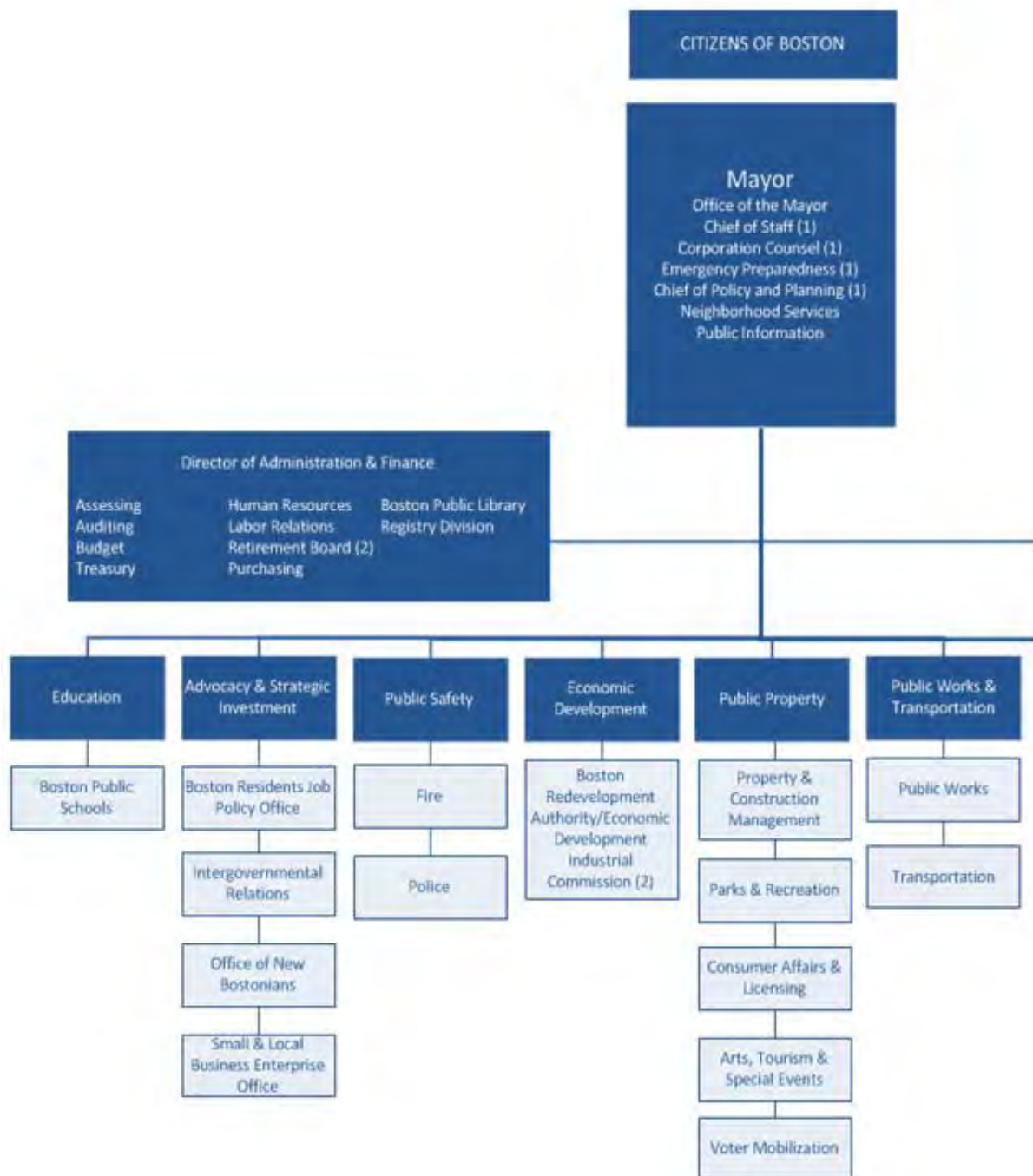
*Linda C. Dandson*

President

*Jeffrey R. Emer*

Executive Director

## ORGANIZATION OF



(1) Has cabinet rank.

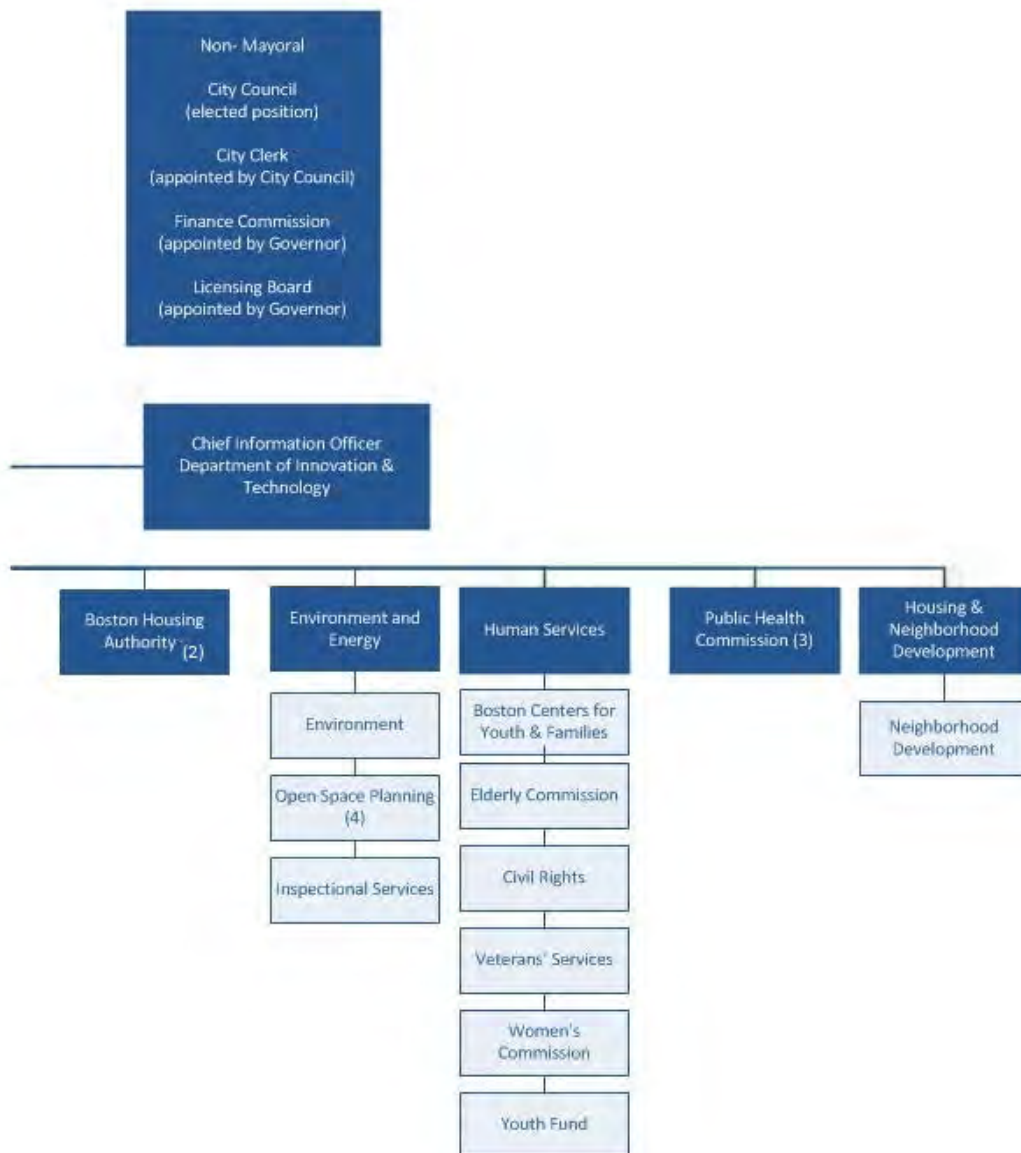
(2) Not in Operating Budget

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

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



## CITY GOVERNMENT



## **LIST OF ELECTED and APPOINTED OFFICIALS**

*(as of June 30, 2012)*

### **Mayor**

**Thomas M. Menino**

### **City Council Members**

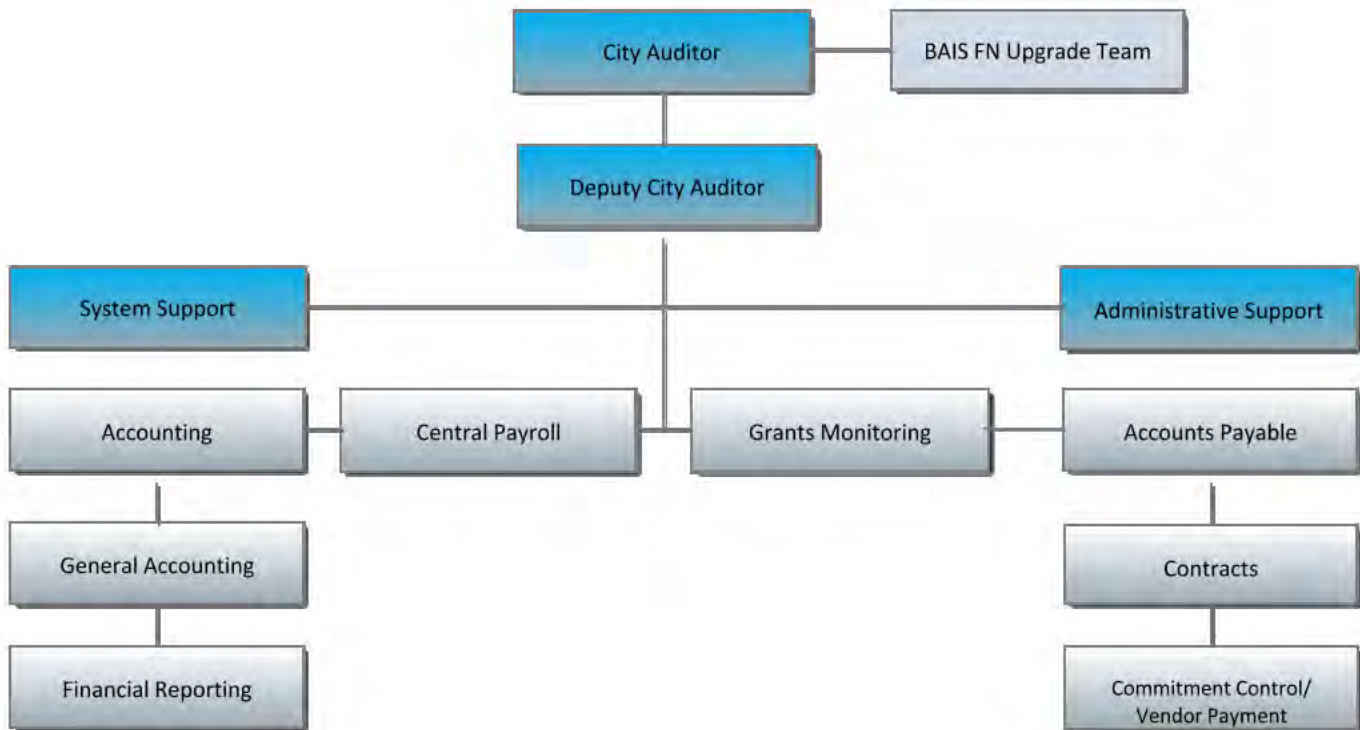
Stephen J. Murphy (President) .....	At-Large
Felix G. Arroyo .....	At-Large
John R. Connolly .....	At-Large
Ayanna Pressley .....	At-Large
Salvatore LaMattina .....	District 1
William Linehan .....	District 2
Frank Baker .....	District 3
Charles C. Yancey .....	District 4
Robert J. Consalvo .....	District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

### **Appointed City Executive Branch Members**

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

## Auditing Department

### Organizational Chart



## Auditing Department Personnel

Sally D. Glora, *City Auditor*

Dennis J. Coughlin, *Deputy City Auditor*

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

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



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

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2012, 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 the City's Permanent Funds, which represent 1.2% and 0.1% of the assets and revenues of the governmental activities, respectively, and 0.7% and 0.6% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 4.7% and 30.8% of the assets and revenues of the aggregate remaining fund information, respectively. Further, we did not audit the financial statements of the Trustees of the Public Library of the City of Boston and the Economic Development and Industrial Corporation of Boston, which represent 26.6% and 17.5% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for these funds and component units, are based on the reports of the other auditors. The prior year Budgetary Basis General Fund – Budget and Actual Statement of Revenues and Expenditures comparative information has been derived from the City's 2011 financial statements and, in our report dated December 21, 2011, we expressed an unqualified opinion on the Budgetary Basis General Fund – Budget and Actual Statement of Revenues and Expenditures.

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. 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the



respective budgetary comparison for the City's General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 – 15 and schedules of funding progress and schedules of employer contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining, individual fund statements and schedules 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 2012 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the 2012 combining, individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated December 21, 2011, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, based on our audit and the reports of other auditors. The 2011 combining, individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2011, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the 2011 combining, individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.





The introductory section and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

Boston, Massachusetts  
December 18, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(Unaudited)*

The City of Boston (the City) provides this Management's Discussion and Analysis to present additional information to the readers of the City's basic financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2012. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements include three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information regarding historical pension information and other postemployment benefit (OPEB) plan information. The components of the financial statements are described in the following sections.

#### Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the City – the *Government-wide Financial Statements* and the *Fund Financial Statements*. The *Notes to the Basic Financial Statements* supplement the financial statement information and clarify line-items that are part of the financial statements.

#### Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad view of the City's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The Government-wide Financial Statements include two statements:

- The *Statement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both the above financial statements have separate sections for the three different types of city programs or activities. These three types of activities are:

- *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with city government fall into this category, including general government, human services, public safety, public works, property and development, parks and recreation, library, schools, public health programs, state and district assessments, and debt service.
- *Business-type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include the activities related to the City's Hospital Bond Fund.
- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses and the business-type activities described above. The City's four discretely presented component units are the Boston Public Health Commission, the Boston Redevelopment Authority, the Economic Development Industrial Corporation, and the Trustees of the Boston Public Library.

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Additional information about the City's component units is presented in the Notes to the Financial Statements.

The Government-wide Financial Statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The *Fund Financial Statements* focus on individual parts of the City government, reporting the City's operations in more detail than the Government-wide Financial Statements. All of the funds of the City can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

**Governmental Funds** – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, the Governmental Fund Financial Statements focus on near term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual (i.e., measurable and available to liquidate liabilities of the current period). Expenditures are generally recorded when liabilities are incurred, except for those related to long-term liabilities, which are recorded when due and payable. These statements provide a detailed short term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City presents four columns in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's three major governmental funds are the General Fund, the Special Revenue Fund, and the Capital Projects Fund. All non-major governmental funds are combined in the "Other Governmental Funds" column on these statements. The Governmental Fund Financial Statements can be found immediately following the Government-wide Financial Statements.

Of the City's governmental funds, the General Fund is the only fund for which a budget is legally adopted. The *Statement of Revenues and Expenditures – Budgetary Basis* is presented after the governmental fund financial statements. This statement provides a comparison of the General Fund original and final budget and the actual expenditures for the current and prior year on a budgetary basis.

In accordance with state law and regulations, the City's legally adopted General Fund budget is prepared on a "budgetary" basis instead of U.S. generally accepted accounting principles (GAAP). Among the key differences between these two sets of accounting principles are that "budgetary" records property tax as it is levied, while GAAP records it as it becomes susceptible to accrual, "budgetary" records certain activities and transactions in the General Fund that GAAP records in separate funds, and "budgetary" records any amount raised that covers a prior year deficit as an expenditure and any available funds raised from prior year surpluses as a revenue, while GAAP ignores these impacts from prior years. The difference in accounting principles inevitably leads to varying results in excess or deficiency of revenues over expenditures. Additional information and a reconciliation of "budgetary" to GAAP statements is provided in note 4 to the financial statements.

**Proprietary Funds** – These funds are used to show activities that operate more like those of commercial enterprises. Like the Government-wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. No reconciliation is needed between the Government-wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds charge fees for services provided to outside customers including local governments. Enterprise Funds provide the same type of information as the Business-type activities of the Government-wide Financial Statements within governmental activities, only in more detail. The City's sole enterprise fund was the Hospital Bond Fund which was terminated during the fiscal year upon the defeasance of the City's Hospital Revenue Bonds. The internal service fund provides health insurance services predominantly to other funds, departments or agencies of the City. Therefore, its activities are included in the Government-wide financial statements within governmental activities. The Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

**Fiduciary Funds**— These funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the economic resources measurement focus and accrual basis of accounting.

The City's fiduciary funds are the Employee Retirement Fund (the State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net assets of the City employees' pension plan; the Other Postemployment Benefits (OPEB) Liability Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the unfunded actuarial liability associated with the City's obligation for other postemployment benefits; and the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties.

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

### Notes to the Financial Statements

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

### Required Supplementary Information

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

## CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the government-wide financial results. Each year, the City is required to recognize an additional portion of its unfunded actuarial accrued liability. The most recent valuation of the City's OPEB obligations as of June 30, 2011, estimated that the total OPEB unfunded actuarial accrued liability of the City decreased by \$1.64 billion to \$2.91 billion. This decrease was largely as a result of changes to the discount rate based on the City's funding policy.
- In FY12, the City's contribution to the OPEB Trust Fund (\$180.5 million) for retiree health benefits is close to the annual required contribution (ARC) of \$181.7 million. In FY13, the City has appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.
- The proceeds of the 2012 Series C bonds issued in May 2012, together with other funds available to the City, were applied to advance refund the City's outstanding \$73.1 million BCH Hospital bonds. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund, which was included in business-type activities. In 2012, the City has reported the final activity of the fund.
- In FY12, the City funded a total of \$16.0 million in the Collective Bargaining Reserve to reflect the wage pattern that has been accepted by several of the City's civilian unions and has been offered to all unions.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Government-wide Highlights

*Net Assets – Primary Government* – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2012 by \$524.6 million (presented as net assets). At year end, the City had a deficit in governmental activities unrestricted net assets in the amount of \$46.0 million. This represents the City's election to fund certain long-term liabilities as they come due, rather than as they are incurred.

*Changes in Net Assets – Primary Government* – The City's total net assets increased by \$58.9 million in fiscal year 2012. Net assets of governmental activities increased by \$73.7 million, while net assets of the business-type activities decreased by \$14.8 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 \$524.6 million at the end of 2012, compared to \$465.7 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 those assets that are still outstanding – this amount is \$442.8 million indicating that the net book value of the City's capital assets exceeds the amount of related capital debt outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's governmental activities net assets, \$127.8 million or 24.4%, represents restricted net assets, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of net assets represents the deficit in unrestricted net assets. The deficit in unrestricted net assets decreased \$62.8 million from 2011.



## Net Assets (Deficit) – Primary Government

*(In thousands)*

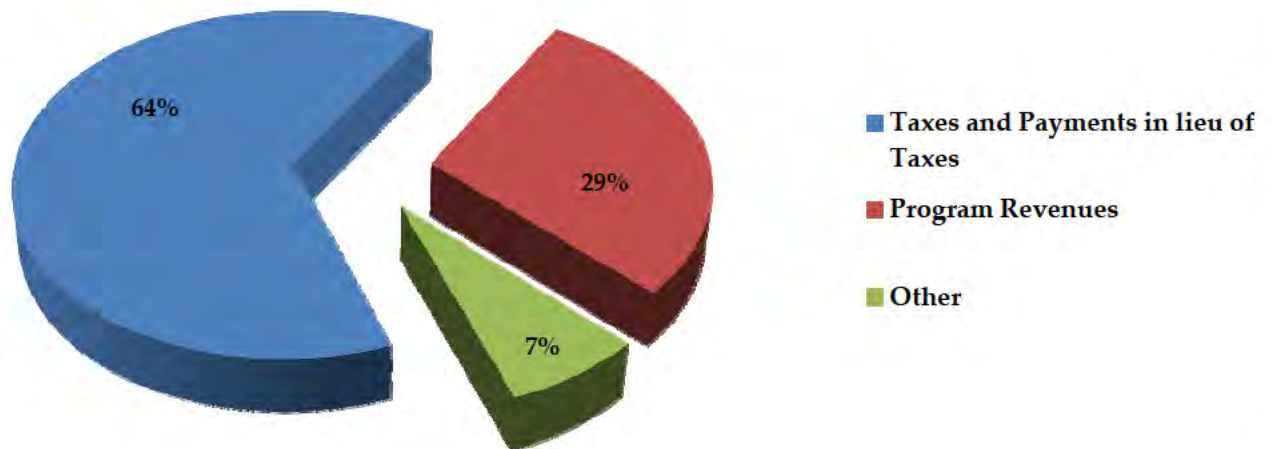
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>ASSETS:</b>						
Current assets.....	\$ 1,459,833	\$ 1,348,075	\$ -	\$ 31,807	\$ 1,459,833	\$ 1,379,882
Capital assets.....	1,479,237	1,364,414	-	-	1,479,237	1,364,414
Other assets.....	133,171	119,766	-	59,094	133,171	178,860
<b>Total assets.....</b>	<b>3,072,241</b>	<b>2,832,255</b>	<b>-</b>	<b>90,901</b>	<b>3,072,241</b>	<b>2,923,156</b>
<b>LIABILITIES:</b>						
Noncurrent liabilities.....	1,896,612	1,795,736	-	66,818	1,896,612	1,862,554
Current liabilities.....	651,032	585,664	-	9,251	651,032	594,915
<b>Total liabilities.....</b>	<b>2,547,644</b>	<b>2,381,400</b>	<b>-</b>	<b>76,069</b>	<b>2,547,644</b>	<b>2,457,469</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt.....	442,778	402,646	-	-	442,778	402,646
Restricted .....	127,843	156,989	-	14,832	127,843	171,821
Unrestricted.....	(46,024)	(108,780)	-	-	(46,024)	(108,780)
<b>Total net assets .....</b>	<b>\$ 524,597</b>	<b>\$ 450,855</b>	<b>\$ -</b>	<b>\$ 14,832</b>	<b>\$ 524,597</b>	<b>\$ 465,687</b>

## Changes in Net Assets (Deficit) – Primary Government

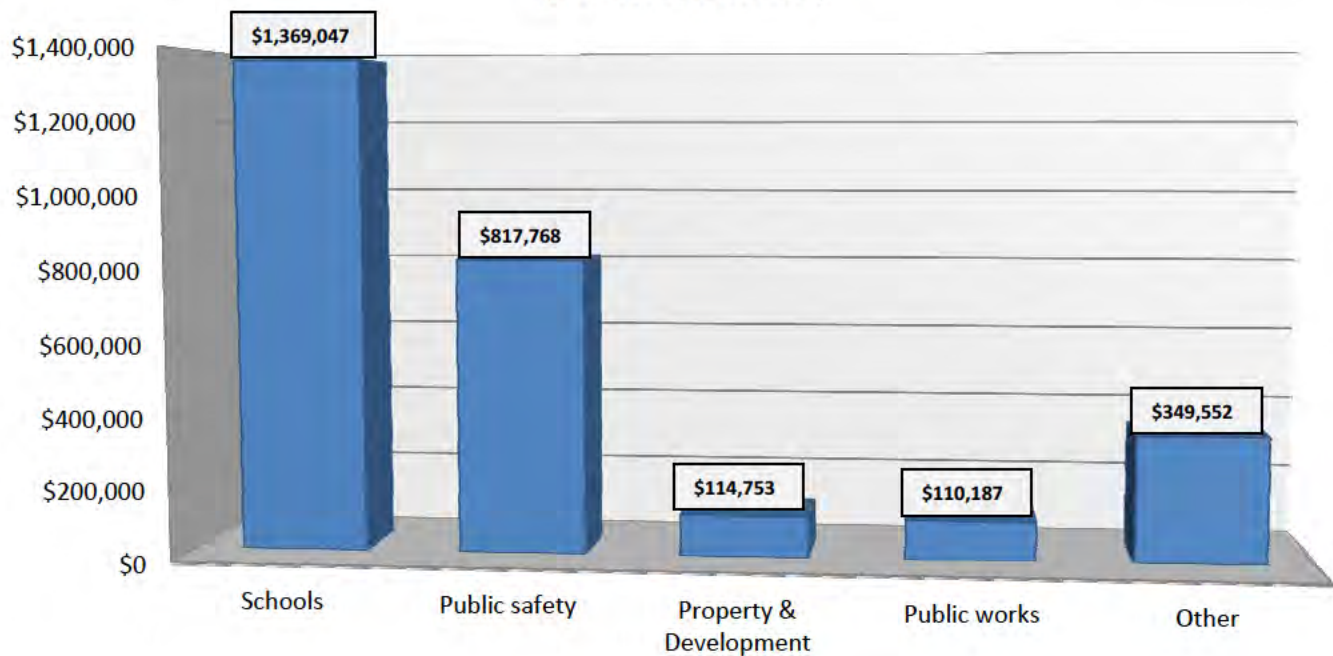
*(In thousands)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services.....	\$ 210,260	\$ 144,375	\$ -	\$ -	\$ 210,260	\$ 144,375
Operating grants and contributions.....	574,653	622,731	-	1,172	574,653	623,903
Capital grants and contributions.....	35,337	33,338	-	-	35,337	33,338
General revenues:						
Taxes.....	1,841,355	1,713,354	-	58,508	1,841,355	1,771,862
Grants and contributions not restricted.....	188,895	187,322	-	-	188,895	187,322
Investment income.....	10,887	21,724	2,688	3,561	13,575	25,285
Miscellaneous.....	7,084	23,195	-	-	7,084	23,195
<b>Total revenues.....</b>	<b>2,868,471</b>	<b>2,746,039</b>	<b>2,688</b>	<b>63,241</b>	<b>2,871,159</b>	<b>2,809,280</b>
<b>Program expenses:</b>						
General government.....	108,499	80,968	-	-	108,499	80,968
Human services.....	48,103	49,974	-	-	48,103	49,974
Public safety.....	817,768	875,111	-	-	817,768	875,111
Public works.....	110,187	133,830	-	-	110,187	133,830
Property and development.....	114,753	117,871	-	-	114,753	117,871
Parks and recreation.....	34,651	31,956	-	-	34,651	31,956
Library.....	44,526	47,320	-	-	44,526	47,320
Schools.....	1,369,047	1,438,398	-	-	1,369,047	1,438,398
Public health programs.....	73,975	70,619	-	-	73,975	70,619
Interest on long-term debt.....	39,798	40,329	-	-	39,798	40,329
Convention center.....	-	-	-	9,025	-	9,025
Hospital.....	-	-	2,523	3,336	2,523	3,336
<b>Total program expenses.....</b>	<b>2,761,307</b>	<b>2,886,376</b>	<b>2,523</b>	<b>12,361</b>	<b>2,763,830</b>	<b>2,898,737</b>
<b>Excess (deficiency) before transfers.....</b>	<b>107,164</b>	<b>(140,337)</b>	<b>165</b>	<b>50,880</b>	<b>107,329</b>	<b>(89,457)</b>
Transfers.....	(44,872)	(1,120)	44,872	1,120	-	-
Special item.....	11,450	-	(59,612)	-	(48,162)	-
Loss on extinguishment of debt.....	-	-	(257)	-	(257)	-
<b>Change in net assets.....</b>	<b>73,742</b>	<b>(141,457)</b>	<b>(14,832)</b>	<b>52,000</b>	<b>58,910</b>	<b>(89,457)</b>
<b>Net assets (deficit) – beginning of year.....</b>	<b>450,855</b>	<b>592,312</b>	<b>14,832</b>	<b>(37,168)</b>	<b>465,687</b>	<b>555,144</b>
<b>Net assets – end of year.....</b>	<b>\$ 524,597</b>	<b>\$ 450,855</b>	<b>\$ -</b>	<b>\$ 14,832</b>	<b>\$ 524,597</b>	<b>\$ 465,687</b>

## Revenues - Governmental Activities Fiscal Year 2012



## Expenses - Governmental Activities FY12 (in thousands)



## Governmental Activities

The City's governmental activities net assets increased by \$73.7 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2012: In the assets accounts, cash and investments increased by \$141.3 million, receivables decreased by \$30.4 million, and capital assets increased by \$114.8 million. In the liability accounts, there were increases in warrants and accounts payable of \$63.2 million and accrued liabilities of \$12.9 million. Additionally, an increase of \$15.7 million was recorded relative to the City's other postemployment obligation in 2012.

During fiscal year 2012, the City's revenues increased by 4.5%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$1.84 billion (64.2% of total revenues) and \$820.3 million of program revenues (28.6% of total revenues). Taxes increased by \$127.9 million from the previous year. Program revenues increased by \$19.8 million for fiscal year 2012. This is largely due to increases in building permits, aircraft fuel, parking meter revenues and hotel and motel excise taxes recorded in the general fund.

The City's expenses cover a range of services. The largest expenses were for schools (\$1.4 billion), public safety (\$817.8 million), property and development (\$114.8 million), public works (\$110.2 million), general government (\$108.5 million), public health programs (\$74.0 million), and human services (\$48.1 million). Expenditure surpluses in Snow Removal and State and District Assessments allowed for coverage of deficit spending in Public Safety and Judgments and Claims.

In 2012, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$1.94 billion. This shortfall was covered primarily through taxes (\$1.84 billion) and unrestricted grants and contributions (\$188.9 million).

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

## Business type Activities

Net assets from business-type activities decreased \$14.8 million during fiscal year 2012. This change in net assets resulted from the close-out of the Hospital Bond Fund subsequent to the defeasance of the City's Hospital Revenue Bonds.

## FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

This analysis is based on the Governmental and Proprietary Fund Financial Statements. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Fund Highlights

**Governmental Funds – Fund Balances** – As of the close of fiscal year 2012, the City's governmental funds reported a combined ending fund balance of \$970.9 million, an increase of \$36.7 million from the prior year. Of this total amount, \$511.8 million represents the unassigned fund balance. The increase in fund balance is largely due to the aforementioned increases in revenues.

## Governmental Funds

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

**General Fund – Fund Balance** – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 10%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2012 was \$511.8 million, which represents approximately 20.7% of GAAP General Fund operating expenditures.

However, because the City is required to follow the statutory basis of accounting rather than GAAP for determining the amount of unassigned fund balance that can be appropriated, it is the statutory (not the GAAP) fund balance that is used to calculate "free cash." Free cash is the amount of statutory fund balance in the General Fund, as certified by the Commonwealth of Massachusetts' Department of Revenue, which is available for appropriation and is generated when actual revenues, on a cash basis, exceed budgeted amounts and encumbrances are less than appropriations, or both.

The City has established the General Fund-Fund Balance Policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e., revenue shortfalls and unanticipated expenditures). The policy in full states that the City shall maintain a GAAP unassigned fund balance in the General Fund that is 10% or higher than the current fiscal year's GAAP General Fund operating expenditures; and that the City shall only consider the certification of free cash (as defined by the Commonwealth of Massachusetts' Department of Revenue) in years where the appropriation of free cash shall not cause the fiscal year's GAAP unassigned fund balance to go below 10% of the fiscal year's GAAP General Fund expenditures while maintaining a budgetary undesignated fund balance between 5% and 10% of budgetary operating expenditures.

The City shall only consider the appropriation of certified free cash to offset: (1) certain fixed costs such as pension contributions and related postemployment health benefits and/or (2) to fund extraordinary and nonrecurring events as determined and certified by the City Auditor.

**Special Revenue Fund – Fund Balance** – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal year 2012 Special Revenue Fund balance is reported at \$171.5 million, a \$808 thousand decrease from fiscal year 2011. This decrease is due to a slight reduction in intergovernmental revenue and an increase in spending in Public Safety and School grants.

**Capital Projects Fund – Fund Balance** – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The fiscal year 2012 Capital Projects Fund balance is \$69.7 million, a \$1.3 million increase from fiscal year 2011. The increase in fund balance is attributable to unspent bond proceeds.

**Other Governmental Funds – Fund Balance** – Other Governmental Funds account for assets held by the City in permanent trust funds. The fiscal year 2012 Other Governmental Funds fund balance is \$40.1 million, a \$546 thousand decrease from fiscal year 2011. The decrease in fund balance is largely due to investment returns during fiscal year 2012.

## Enterprise Funds

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

As of June 30, 2012, there are no Enterprise Fund net assets due to the close-out of the Hospital Bond Fund. For the year ended June 30, 2012, the Hospital Fund reported residual activity related to the Hospital Revenue Bond refunding.

## Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2012 with a \$12.0 million surplus. This represents the City's 27th consecutive year with a balanced budget. There were no significant variances between the original budget and final budget amounts. Significant unfavorable variances from the final budget to actual results were in the areas of judgments and claims and public safety. Public safety saw an unfavorable variance of \$17.6 million due to an increase in overtime expenditures.

Favorable results were reported for General Fund revenue sources, including \$29.2 million in excises, \$18.2 million in licenses and permits, and \$16.1 million in Departmental and other revenue. Other financing sources shows a revenue deficit of \$47.1 million, however, this is a result of not using one time revenue from fund balance and other revenue sources that were not needed.

## CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

### Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2012, has a net book value of \$1.48 billion, made up of costs totaling \$2.96 billion less accumulated depreciation of \$1.48 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 8.5% in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$197.2 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 \$80.7 million. Additional information on the City's capital assets can be found in note 8 of the Notes to the Financial Statements.

### Long Term Obligations

**Debt Administration** – The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt. At year end, the City had \$1.07 billion in General Obligations Bonds principal outstanding – an increase of \$44.4 million over last year.

The key factor in this increase was the issuance of the April 2, 2012 Series A general obligation bonds totaling \$122.0 million which were issued to finance various capital projects in the City. Further, \$83.1 million Series B were issued for the purpose of advance refunding prior debt. Additionally, \$26.9 million Series C were issued to refund the Boston City Hospital Special Obligation Bonds.



In March 2012, in conjunction with the City's annual bond offering, the rating service bureaus Moody's Investors Service and Standard & Poor's assigned the City's bond ratings at Aaa and AA+, respectively. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

**Notes and Leases Payable and Other Long Term Obligations** – The City's general long term notes and leases and other long term obligations increased \$31.9 million, or 3.3%, during the current fiscal year. Key factors for this increase are the increase in OPEB liability of \$15.7 million as well as an increase in the workers' compensation liability of \$7.3 million.

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

## NEW ACCOUNTING STANDARDS

There were no new accounting standards adopted for the fiscal year ending June 30, 2012.

## FUTURE PRONOUNCEMENTS

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 will be effective for the City's fiscal year ending June 30, 2015 and Statement No. 67 will be effective for the State-Boston Retirement System (SBRS) for its fiscal year ending December 31, 2014. The effects of such standards on the City's financial statements have not been determined.

## 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](mailto:CityAuditor@cityofboston.gov).



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# Statement of Net Assets

June 30, 2012

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS:</b>				
Current Assets:				
Cash and investments.....	\$ 1,235,972	\$ -	\$ 1,235,972	\$ 80,559
Cash and investments held by trustees.....	41,757	-	41,757	7,678
Receivables, net:				
Property and other taxes.....	24,398	-	24,398	-
Intergovernmental.....	130,809	-	130,809	-
Other.....	23,622	-	23,622	41,383
Other assets.....	-	-	-	7,650
Due from primary government.....	-	-	-	4
Due from component units.....	3,275	-	3,275	-
Total current assets.....	1,459,833	-	1,459,833	137,274
Noncurrent Assets:				
Intergovernmental receivables.....	45,003	-	45,003	-
Cash and investments held by Trustee.....	-	-	-	48,792
Notes and other receivables.....	64,004	-	64,004	151,090
Other assets.....	11,367	-	11,367	2,892
Capital assets:				
Nondepreciable.....	33,743	-	33,743	28,916
Depreciable, net.....	1,445,494	-	1,445,494	53,386
Due from component units.....	12,797	-	12,797	-
Total noncurrent assets.....	1,612,408	-	1,612,408	285,076
<b>Total assets</b>	<b>3,072,241</b>	<b>-</b>	<b>3,072,241</b>	<b>422,350</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Warrants and accounts payable.....	165,442	-	165,442	21,815
Accrued liabilities - current:				
Tax abatement liability.....	32,200	-	32,200	-
Compensated absences.....	50,512	-	50,512	-
Judgments and claims.....	62,384	-	62,384	-
Payroll and related costs.....	141,970	-	141,970	-
Deposits and other.....	77,141	-	77,141	6,139
Current portion of long-term debt and leases.....	114,128	-	114,128	1,435
Due to component units.....	4	-	4	-
Due to primary government.....	-	-	-	3,275
Unearned revenue.....	7,251	-	7,251	8,932
Total current liabilities.....	651,032	-	651,032	41,596
Noncurrent Liabilities:				
Bonds due in more than one year.....	1,040,365	-	1,040,365	-
Notes and leases payable due in more than one year.....	58,255	-	58,255	17,624
Other noncurrent liabilities.....	204,969	-	204,969	157,239
Other postemployment benefits obligation.....	593,023	-	593,023	68,143
Unearned revenue.....	-	-	-	38,667
Due to primary government.....	-	-	-	12,797
Total noncurrent liabilities.....	1,896,612	-	1,896,612	294,470
<b>Total liabilities</b> .....	<b>2,547,644</b>	<b>-</b>	<b>2,547,644</b>	<b>336,066</b>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt.....	442,778	-	442,778	52,341
Restricted for:				
Capital projects.....	26,371	-	26,371	-
Nonexpendable trust.....	4,974	-	4,974	58,706
Expendable trust.....	32,914	-	32,914	-
Debt service.....	2,182	-	2,182	-
Federal and state grants.....	61,402	-	61,402	-
Unrestricted.....	(46,024)	-	(46,024)	(24,763)
<b>Total net assets</b> .....	<b>\$ 524,597</b>	<b>\$ -</b>	<b>\$ 524,597</b>	<b>\$ 86,284</b>

See accompanying notes to the basic financial statements

## Statement of Activities

Year Ended June 30, 2012

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government.....	\$ 108,499	\$ 41,483	\$ 5,604	\$ 2,541
Human services.....	48,103	40	7,740	-
Public safety.....	817,768	134,384	27,920	1,207
Public works.....	110,187	19,515	26	25,754
Property and development.....	114,753	5,871	52,689	394
Parks and recreation.....	34,651	769	6,111	692
Library.....	44,526	359	360	-
Schools.....	1,369,047	7,839	474,203	4,749
Public health programs.....	73,975	-	-	-
Interest on long-term debt.....	39,798	-	-	-
Total governmental activities.....	<u>2,761,307</u>	<u>210,260</u>	<u>574,653</u>	<u>35,337</u>
Business-type activities:				
Hospital bonds.....	2,523	-	-	-
Total business-type activities.....	<u>2,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total primary government.....</b>	<b><u>\$ 2,763,830</u></b>	<b><u>\$ 210,260</u></b>	<b><u>\$ 574,653</u></b>	<b><u>\$ 35,337</u></b>
<b>Component Units:</b>				
Boston Public Health Commission.....	199,657	59,395	48,082	1,036
Boston Redevelopment Authority.....	20,357	8,836	4,428	-
Trustees of the Public Library of the City of Boston.....	8,465	1,777	5,492	-
Economic Development and Industrial Corporation of Boston.....	30,245	17,968	14,927	-
<b>Total component units .....</b>	<b><u>\$ 258,724</u></b>	<b><u>\$ 87,976</u></b>	<b><u>\$ 72,929</u></b>	<b><u>\$ 1,036</u></b>

### General Revenues:

Taxes:	
Property taxes, levied for general purposes.....	
Excises.....	
Payments in lieu of taxes.....	
Grants and contributions not restricted.....	
Investment income.....	
City Appropriation.....	
Miscellaneous.....	
Special item - gain on sale of land.....	
Special item - loss on forgiveness of Note.....	
Loss on extinguishment of debt.....	
Transfers.....	
<b>Total general revenues and transfers.....</b>	
<b>Change in net assets.....</b>	
<b>Net assets (deficit) - beginning of year.....</b>	
<b>Net assets - end of year.....</b>	

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (58,871)	\$ -	\$ (58,871)	\$ -
(40,323)	-	(40,323)	-
(654,257)	-	(654,257)	-
(64,892)	-	(64,892)	-
(55,799)	-	(55,799)	-
(27,079)	-	(27,079)	-
(43,807)	-	(43,807)	-
(882,256)	-	(882,256)	-
(73,975)	-	(73,975)	-
(39,798)	-	(39,798)	-
<u>(1,941,057)</u>	<u>-</u>	<u>(1,941,057)</u>	<u>-</u>
-	(2,523)	(2,523)	-
-	(2,523)	(2,523)	-
<b>(1,941,057)</b>	<b>(2,523)</b>	<b>(1,943,580)</b>	<b>-</b>
-	-	-	(91,144)
-	-	-	(7,093)
-	-	-	(1,196)
-	-	-	-
-	-	-	2,650
-	-	-	<b>(96,783)</b>
1,586,988	-	1,586,988	-
191,301	-	191,301	-
63,066	-	63,066	-
188,895	-	188,895	-
10,887	2,688	13,575	1,232
-	-	-	71,111
7,084	-	7,084	8,154
11,450	-	11,450	-
-	(59,612)	(59,612)	-
-	(257)	(257)	-
(44,872)	44,872	-	-
<b>2,014,799</b>	<b>(12,309)</b>	<b>2,002,490</b>	<b>80,497</b>
<b>73,742</b>	<b>(14,832)</b>	<b>58,910</b>	<b>(16,286)</b>
<b>450,855</b>	<b>14,832</b>	<b>465,687</b>	<b>102,570</b>
<b>\$ 524,597</b>	<b>\$ -</b>	<b>\$ 524,597</b>	<b>\$ 86,284</b>

See accompanying notes to the basic financial statements

## Balance Sheet

### Governmental Funds

June 30, 2012

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments.....	\$ 923,199	\$ 159,581	\$ 96,472	\$ 3,128	\$ 1,182,380
Cash and investments held by trustees.....	2,438	-	2,253	37,066	41,757
Receivables, net:					
Property and other taxes.....	24,398	-	-	-	24,398
Intergovernmental.....	58,086	107,892	9,834	-	175,812
Departmental and other.....	23,417	64,048	-	108	87,573
Total receivables.....	105,901	171,940	9,834	108	287,783
Due from other funds.....	27	1,855	67	-	1,949
Due from component units.....	16,072	-	-	-	16,072
<b>Total assets.....</b>	<b>\$ 1,047,637</b>	<b>\$ 333,376</b>	<b>\$ 108,626</b>	<b>\$ 40,302</b>	<b>\$ 1,529,941</b>
<b>LIABILITIES</b>					
Warrants and accounts payable.....	\$ 102,736	\$ 25,863	\$ 28,843	\$ 232	\$ 157,674
Accrued liabilities:					
Payroll and related costs.....	139,022	2,938	10	-	141,970
Deposits and other.....	19,561	46,329	406	-	66,296
Deferred revenue.....	94,695	86,786	9,654	-	191,135
Due to other funds.....	1,922	-	27	-	1,949
Due to component unit.....	4	-	-	-	4
<b>Total liabilities.....</b>	<b>357,940</b>	<b>161,916</b>	<b>38,940</b>	<b>232</b>	<b>559,028</b>
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	4,974	4,974
Restricted.....	-	72,903	69,686	35,096	177,685
Assigned.....	177,942	98,557	-	-	276,499
Unassigned.....	511,755	-	-	-	511,755
<b>Total fund balances.....</b>	<b>689,697</b>	<b>171,460</b>	<b>69,686</b>	<b>40,070</b>	<b>970,913</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 1,047,637</b>	<b>\$ 333,376</b>	<b>\$ 108,626</b>	<b>\$ 40,302</b>	<b>\$ 1,529,941</b>

## Reconciliation of the Balance Sheet

### Governmental Funds to the Statement of Net Assets

#### June 30, 2012

(Amounts in thousands)

<b>Total fund balance - governmental funds.....</b>	<b>\$ 970,913</b>
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 governmental fund financial statements.....	1,479,237
Adjust deferred revenues to record revenues on an accrual basis.....	183,937
Internal service funds are included in the government-wide financial statements.....	42,060
Bond issuance costs are capitalized in the government-wide financial statements.....	9,517
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Those liabilities consist of:	
General obligation bonds and notes.....	(1,111,042)
Capital leases.....	(32,566)
Bond issue premiums/discounts, net.....	(76,654)
Deferred bond refunding losses.....	7,514
Accrued interest on bonds.....	(10,645)
Compensated absences.....	(178,582)
Landfill.....	(8,408)
Judgments and claims.....	(124,961)
Other postemployment benefits.....	(593,023)
Tax abatements.....	(32,200)
Pollution remediation.....	(500)
	<u>(2,161,067)</u>
<b>Net assets of governmental activities.....</b>	<b><u>\$ 524,597</u></b>

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds Year Ended June 30, 2012

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real and personal property taxes.....	\$ 1,591,998	\$ -	\$ -	\$ -	\$ 1,591,998
Excises.....	187,572	-	-	-	187,572
Payments in lieu of taxes.....	63,066	-	-	-	63,066
Fines.....	64,566	27	-	-	64,593
Investment income.....	982	26	-	3,129	4,137
Licenses and permits.....	48,753	85	-	-	48,838
Departmental and other.....	78,438	43,871	156	577	123,042
Intergovernmental.....	486,379	263,223	22,889	-	772,491
<b>Total revenues.....</b>	<b>2,521,754</b>	<b>307,232</b>	<b>23,045</b>	<b>3,706</b>	<b>2,855,737</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	68,828	10,689	-	6,434	85,951
Human services.....	28,604	6,802	-	-	35,406
Public safety.....	524,476	28,309	-	-	552,785
Public works.....	84,727	5,487	-	-	90,214
Property and development.....	30,089	79,618	-	-	109,707
Parks and recreation.....	16,653	6,142	-	-	22,795
Library.....	30,069	1,730	-	-	31,799
Schools.....	830,839	173,329	-	-	1,004,168
Public health programs.....	73,455	281	-	-	73,736
Judgments and claims.....	3,871	-	-	-	3,871
Retirement costs.....	220,340	-	-	-	220,340
Other employee benefits.....	251,194	-	-	-	251,194
State and district assessments.....	160,547	-	-	-	160,547
Capital outlays.....	6,950	3,239	178,188	-	188,377
Debt service.....	138,210	9	-	-	138,219
<b>Total expenditures.....</b>	<b>2,468,852</b>	<b>315,635</b>	<b>178,188</b>	<b>6,434</b>	<b>2,969,109</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>52,902</b>	<b>(8,403)</b>	<b>(155,143)</b>	<b>(2,728)</b>	<b>(113,372)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Long-term debt and capital leases issued.....	-	7,010	139,825	-	146,835
Refunding bonds issued.....	-	-	110,100	-	110,100
Payments to escrow agents.....	-	(12,857)	(83,019)	-	(95,876)
Premiums on long-term debt issued.....	-	17,415	16,470	-	33,885
Transfers in (out).....	(16,136)	(3,973)	(26,945)	2,182	(44,872)
<b>Total other financing sources (uses)...</b>	<b>(16,136)</b>	<b>7,595</b>	<b>156,431</b>	<b>2,182</b>	<b>150,072</b>
<b>Net change in fund balances.....</b>	<b>36,766</b>	<b>(808)</b>	<b>1,288</b>	<b>(546)</b>	<b>36,700</b>
<b>Fund balance - beginning of year.....</b>	<b>652,931</b>	<b>172,268</b>	<b>68,398</b>	<b>40,616</b>	<b>934,213</b>
<b>Fund balance - end of year.....</b>	<b>\$ 689,697</b>	<b>\$ 171,460</b>	<b>\$ 69,686</b>	<b>\$ 40,070</b>	<b>\$ 970,913</b>

See accompanying notes to the basic financial statements



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

### Governmental Funds to the Statement of Activities Year Ended June 30, 2012

(Amounts in thousands)

<b>Net change in fund balances - total governmental funds.....</b>	<b>\$</b>	<b>36,700</b>
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 (\$197,205) exceeded depreciation expense (\$80,724)		
and loss on disposals (\$1,658).....		114,824
Certain revenues in the statement of activities that are not reported as revenues in the		
governmental funds.....		41,187
Issuances of long-term debt (\$256,935) 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 (\$113,223) and		
payment to the escrow agent (\$95,876) are expenditures in the governmental		
funds, but reduce long-term liabilities in the statement of net assets. This is the		
amount by which issuances exceed repayments and escrow payments.....		(47,836)
Bond premiums net (\$29,486) increase the long-term liabilities in the statement of		
net assets, but are included in the operating statement of the governmental		
funds. Deferred gain on refunding (\$2,251) increase long-term liabilities in the		
statement of net assets, but are included in the operating statement of the		
governmental funds. Bond issuance costs, net (\$504) 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.....		(31,233)
Intergovernmental revenues decrease receivables on the statement of net assets,		
but are included in the operating statement of governmental funds.....		(7,567)
Some expenses reported in the statement of activities do not require the use of		
current financial resources and therefore are not reported as expenditures in the		
governmental funds. This amount represents the increase in liabilities for		
judgments and claims (\$7,266), compensated absences (\$1,909), other		
postemployment benefits (\$15,729) offset by a decrease in liabilities for Landfill		
closure and post closure costs (\$285) and interest payable (\$197). ....		(24,422)
Net loss from the internal service fund, which is presented in the statement		
of activities, but not in the governmental funds.....		(7,911)
<b>Change in net assets of governmental activities.....</b>	<b>\$</b>	<b>73,742</b>

## Statement of Revenues and Expenditures

### Budgetary Basis

#### General Fund – Budget and Actual

#### Year Ended June 30, 2012 (with comparative actual amounts for 2011)

(Amounts in thousands)

	2012				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2011 Actual
<b>REVENUES AND OTHER AVAILABLE FUNDS:</b>					
Real and personal property taxes, net.....	\$ 1,575,373	\$ 1,575,373	\$ 1,577,253	\$ 1,880	\$ 1,504,566
Excises.....	163,925	163,925	193,126	29,201	159,041
Commonwealth of Massachusetts.....	385,877	385,877	390,475	4,598	395,201
Departmental and other revenue.....	52,740	53,298	69,369	16,071	144,438
Fines.....	64,155	64,155	64,338	183	65,051
Payments in lieu of taxes.....	66,620	66,620	62,902	(3,718)	71,999
Investment income.....	1,150	1,150	982	(168)	1,392
Licenses and permits.....	33,750	33,750	51,932	18,182	39,887
Other available funds.....	51,096	51,096	4,030	(47,066)	48,139
<b>Total revenues and other available funds.....</b>	<b>2,394,686</b>	<b>2,395,244</b>	<b>2,414,407</b>	<b>19,163</b>	<b>2,429,714</b>
<b>EXPENDITURES:</b>					
General government.....	81,287	90,500	88,998	1,502	75,879
Human services.....	30,062	29,391	29,350	41	29,377
Public safety.....	502,786	503,088	520,723	(17,635)	504,759
Public works.....	100,699	103,933	92,152	11,781	106,239
Property and development.....	27,359	30,426	30,302	124	30,145
Parks and recreation.....	16,429	17,184	17,121	63	16,747
Library.....	30,139	30,157	30,152	5	30,378
Schools.....	830,908	831,467	831,343	124	821,375
Boston Public Health Commission.....	72,903	72,903	72,903	-	69,808
Judgments and claims.....	3,500	3,500	14,500	(11,000)	21,022
Other employee benefits.....	264,341	254,376	253,592	784	243,624
Retirement costs.....	130,746	130,680	130,530	150	195,998
Debt requirements.....	137,042	131,154	130,227	927	126,410
State and district assessments.....	166,485	166,485	160,547	5,938	152,043
<b>Total expenditures.....</b>	<b>2,394,686</b>	<b>2,395,244</b>	<b>2,402,440</b>	<b>(7,196)</b>	<b>2,423,804</b>
<b>Excess of revenues and other available funds over expenditures.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,967</b>	<b>\$ 11,967</b>	<b>\$ 5,910</b>

## Statement of Net Assets

### Proprietary Funds

June 30, 2012

(Amounts in thousands)

#### Enterprise Fund

	Hospital Revenue Bonds	Internal Service
<b>ASSETS:</b>		
Current assets:		
Cash and investments.....	\$ -	\$ 53,592
Receivables, net.....	-	53
<b>Total current assets.....</b>	<b>-</b>	<b>53,645</b>
Noncurrent assets:		
Other assets.....	-	1,797
<b>Total noncurrent assets.....</b>	<b>-</b>	<b>1,797</b>
<b>Total assets.....</b>	<b>-</b>	<b>55,442</b>
<b>LIABILITIES:</b>		
Current liabilities:		
Warrants and accounts payable.....	-	7,768
Accrued liabilities .....	-	5,614
<b>Total current liabilities.....</b>	<b>-</b>	<b>13,382</b>
<b>NET ASSETS:</b>		
Unrestricted.....	-	42,060
<b>Total net assets.....</b>	<b>\$ -</b>	<b>\$ 42,060</b>

## Statement of Revenues, Expenses and Changes in Net Assets

### Proprietary Funds

Year Ended June 30, 2012

(Amounts in thousands)

	<b>Enterprise Fund</b>	
	<b>Hospital Revenue Bonds</b>	<b>Internal Service</b>
<b>OPERATING REVENUES:</b>		
Contributions.....	\$ -	\$ 78,666
<b>Total operating revenues.....</b>	<b>-</b>	<b>78,666</b>
<b>OPERATING EXPENSES:</b>		
Health benefits.....	-	86,577
<b>Total operating expenses.....</b>	<b>-</b>	<b>86,577</b>
<b>Operating loss.....</b>	<b>-</b>	<b>(7,911)</b>
<b>NONOPERATING REVENUE (EXPENSE):</b>		
Investment earnings - pledged for debt service.....	2,688	-
Interest expense.....	(2,523)	-
Loss on extinguishment of debt.....	(257)	-
<b>Total nonoperating revenue (expense).....</b>	<b>(92)</b>	<b>-</b>
<b>Loss before transfers and special item.....</b>	<b>(92)</b>	<b>(7,911)</b>
Transfer from general fund.....	13,954	-
Transfer from capital projects.....	26,945	-
Transfer from special revenue.....	3,973	-
Special item - forgiveness of note receivable.....	(59,612)	-
<b>Change in net assets.....</b>	<b>(14,832)</b>	<b>(7,911)</b>
<b>Total net assets - beginning of year.....</b>	<b>14,832</b>	<b>49,971</b>
<b>Total net assets - end of year.....</b>	<b>\$ -</b>	<b>\$ 42,060</b>

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2012

(Amounts in thousands)

	<u>Enterprise Fund</u>	
	<u>Hospital Revenue</u>	
	<u>Bonds</u>	<u>Internal Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from employees and employer.....	\$ -	\$ 79,295
Cash paid to vendors.....	-	(79,745)
<b>Net cash used in operating activities.....</b>	<b>-</b>	<b>(450)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Interest paid on debt.....	(4,898)	-
Transfers from other funds.....	44,872	-
Repayment of long-term debt.....	(73,080)	-
<b>Net cash used in noncapital financing activities.....</b>	<b>(33,106)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income.....	624	-
Principal received on note.....	6,946	-
Interest received on note.....	2,064	-
<b>Net cash provided by investing activities.....</b>	<b>9,634</b>	<b>-</b>
<b>Decrease in cash and cash equivalents.....</b>	<b>(23,472)</b>	<b>(450)</b>
<b>Cash and cash equivalents - beginning of year.....</b>	<b>23,472</b>	<b>54,042</b>
<b>Cash and cash equivalents - end of year.....</b>	<b>\$ -</b>	<b>\$ 53,592</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>		
<b>USED IN OPERATING ACTIVITIES:</b>		
Operating loss.....	\$ -	\$ (7,911)
Adjustments to reconcile operating loss to		
net cash used in operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable .....	-	164
Other assets.....	-	88
Due from other funds.....	-	377
Accounts payable and accrued liabilities.....	-	6,832
<b>Net cash used in operating activities.....</b>	<b>\$ -</b>	<b>\$ (450)</b>

Non-cash investing activity: Forgiveness of note receivable totaling \$59,612.

## Statement of Fiduciary Net Assets

### Fiduciary Funds

Year Ended June 30, 2012

(Except Employee Retirement Plan, which is year ended December 31, 2011)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
<b>ASSETS:</b>				
Cash and cash equivalents.....	\$ 145,025	\$ 6,705	\$ 90,797	\$ 6,308
Receivables:				
Interest and dividends.....	15,323	-	-	-
Securities sold.....	83,407	-	-	-
Employer contributions.....	1,961	-	-	-
Other.....	12,999	-	1,881	-
Total receivables.....	113,690	-	1,881	-
Investments, at fair value:				
Short-term:				
Domestic.....	80,840	-	-	-
International.....	5,633	-	-	-
Equity:				
Domestic.....	962,403	-	-	-
International.....	606,523	-	-	-
Fixed-income:				
Domestic.....	568,579	-	-	-
International.....	245,035	-	-	-
PRIT Pooled Fund.....	1,171,056	-	-	-
Real estate.....	321,249	-	-	-
Venture capital funds.....	378,056	-	-	-
Common/Co-mingled funds.....	-	142,973	-	-
Total investments.....	4,339,374	142,973	-	-
Securities lending short-term collateral investment pool.....	230,145	-	-	-
Other assets.....	-	-	30	-
<b>Total assets.....</b>	<b>4,828,234</b>	<b>149,678</b>	<b>92,708</b>	<b>6,308</b>
<b>LIABILITIES:</b>				
Accounts payable, accrued expenses and other liabilities.....	12,655	60	1,058	6,308
Securities purchased.....	112,519	-	-	-
Collateral held on securities lending.....	231,460	-	-	-
<b>Total liabilities.....</b>	<b>356,634</b>	<b>60</b>	<b>1,058</b>	<b>6,308</b>
<b>NET ASSETS</b>				
Held in trust for pension benefits and other purposes.....	<b>\$ 4,471,600</b>	<b>\$ 149,618</b>	<b>\$ 91,650</b>	<b>\$ -</b>

See accompanying notes to the basic financial statements

## Statement of Changes in Fiduciary Net Assets

### Fiduciary Funds

Year Ended June 30, 2012

(Except Employee Retirement Plan, which is year ended December 31, 2011)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
<b>ADDITIONS:</b>			
<b>Contributions:</b>			
Employers.....	\$ 154,880	\$ 182,205	\$ -
Commonwealth of Massachusetts.....	90,400	-	-
Employees.....	123,481	-	-
Donations and other.....	-	-	19,236
<b>Total contributions.....</b>	<b>368,761</b>	<b>182,205</b>	<b>19,236</b>
<b>Investment earnings:</b>			
Realized and unrealized gains on investments.....	-	(79)	1,390
Investment income.....	(114,461)	4,127	107
Interest and dividends.....	128,927	-	-
Less investment expenses.....	(17,877)	(463)	-
<b>Net investment earnings.....</b>	<b>(3,411)</b>	<b>3,585</b>	<b>1,497</b>
<b>Securities lending activities:</b>			
Securities lending income.....	1,665	-	-
Less borrower rebates and fees.....	(483)	-	-
<b>Net income from securities lending activities.....</b>	<b>1,182</b>	<b>-</b>	<b>-</b>
<b>Total net investment income.....</b>	<b>(2,229)</b>	<b>3,585</b>	<b>1,497</b>
Intergovernmental.....	14,567	-	-
<b>Total additions.....</b>	<b>381,099</b>	<b>185,790</b>	<b>20,733</b>
<b>DEDUCTIONS:</b>			
Benefits.....	469,900	147,205	-
Reimbursements.....	10,459	-	-
Refunds of contributions.....	43,760	-	-
Administrative expenses and other.....	6,100	5	16,309
<b>Total deductions.....</b>	<b>530,219</b>	<b>147,210</b>	<b>16,309</b>
<b>Change in net assets.....</b>	<b>(149,120)</b>	<b>38,580</b>	<b>4,424</b>
<b>Net assets - beginning of year.....</b>	<b>4,620,720</b>	<b>111,038</b>	<b>87,226</b>
<b>Net assets - end of year.....</b>	<b>\$ 4,471,600</b>	<b>\$ 149,618</b>	<b>\$ 91,650</b>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

*June 30, 2012*

### 1. The Financial Reporting Entity

#### *a. Primary Government*

The City of Boston (the City), incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Act of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth of Massachusetts (the Commonwealth), which, as amended, constitute the City's Charter. The Mayor is elected to a four-year term and serves as chief executive officer of the City. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The legislative body of the City is the City Council, which consists of 13 elected members serving two-year terms.

The accompanying basic financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### *b. Retirement System*

The State-Boston Retirement System (SBRS) is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprising five members: the City Auditor, who serves *ex officio*; two individuals elected by participants in the system; a fourth member appointed by the Mayor; and a fifth member chosen by the other members. The SBRS provides pension benefits to retired City, Boston Redevelopment Authority, Boston Housing Authority, Boston Water and Sewer Commission, and the Boston Public Health Commission employees. Although legally separate, the SBRS provides services entirely, or almost entirely, to the City and thus has been reported as if it were part of the primary government; a method of inclusion known as blending. The financial statements of SBRS are included for its fiscal year end which is December 31, 2011.

#### *c. Discretely Presented Component Units Disclosure*

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

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



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

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2012.

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

#### **d. Related Organizations**

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

## **2. Summary of Significant Accounting Policies**

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

### **a. Government-wide and Fund Financial Statements**

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

**i. Government-wide Financial Statements**

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

**ii. Governmental Fund Financial Statements**

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

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

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

**iii. Proprietary Fund Financial Statements**

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

activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the collection of revenue pledged to repay debt. The principal operating revenues of the City's internal service funds are receipts from employer and employees for health insurance premiums. Operating expenses for enterprise funds and internal service funds include administrative expenses, vendor payments, and health benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### iv. Description of Major Funds

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

1. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Special Revenue Fund* accounts principally for the activities funded by federal and state grant revenue sources and certain other revenues that are legally restricted to expenditures for specified purposes.
3. The *Capital Projects Fund* accounts for bond proceeds and grant revenues used for the acquisition or construction of the City's capital facilities.

*Proprietary Fund* – The City reports the following major Proprietary Fund:

4. 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. In 2012, the City refunded the Hospital debt, thereby eliminating the Hospital Revenue Bond Fund. As of the end of 2012, the fund has no net assets.

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

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

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

**c. *Cash Equivalents***

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

**d. *Basis of Investment Valuation***

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

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

**e. *Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as “internal balances.”

**f. *Uncollectible Tax and Other Receivables***

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

**g. *Capital Assets***

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

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

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

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

**h. Compensated Absences**

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2012 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

**i. Long-Term Obligations and Related Costs**

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

The Governmental Fund Financial Statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**j. Net Assets and Fund Balance**

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

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

*Restricted:* Net assets the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

*Unrestricted:* Remaining net assets not considered invested in capital assets, net of related debt or restricted.

For purposes of net asset classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the Governmental Fund Financial Statements, fund balance is reported in the following categories:

*Nonspendable:* Amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

*Restricted:* Amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation.

*Committed:* Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.

*Assigned:* Amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted or committed. Under M.G.L. Chapter 190, Acts of 1982, the City Auditor has the authority to assign amounts to be used for specific purposes on behalf of the City.

*Unassigned:* Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City. The City maintains a formal policy that unassigned fund balance in the General Fund be at least 10 percent of the current year's General Fund GAAP basis operating expenditures.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

#### **k. Tax Abatement Refunds**

Matured tax abatement refunds that are due and payable at June 30 have been recorded as a liability in the General Fund. A liability for estimated future tax abatement refunds have been recorded in the Government-wide Statement of Net Assets.

### ***l. Landfill Closure and Postclosure Care Costs***

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2012, 100% of the Gardner Street landfill site had been used and has not accepted solid waste for several years. While most of the landfill closure construction was completed in prior years, there still remains 12 acres of the landfill to be capped as of June 30, 2012.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Assets. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2012 were \$285 thousand.

### ***m. Use of Estimates***

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

## **3. Short-Term Debt**

During fiscal year 2012, the City had no short-term debt issued or outstanding.

## **4. Budgetary Data**

The General Fund is the only fund for which a budget is legally adopted. The budgets for all departments included in the General Fund of the City, except the School Department, are prepared under the direction of the Mayor and City Council. The School Department budget is prepared under the direction of the School Committee.

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the City Auditor may, with the approval of the Mayor, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year. There was one supplemental appropriation in the amount of \$558 thousand required to fund the collective bargaining reserve for Schools.

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

In accordance with the 1986 amendments to the Funding Loan Act of 1982, the City has established two reserve funds. The first is a budget reserve fund, which is required to be funded in stages to a final level of 2-1/2% of the prior year's overall departmental appropriations, except the School Department, by the beginning of fiscal year 1990. It is available to be applied to extraordinary and unforeseen expenditures. The second is a separate reserve fund of 1% to 2-1/2% of the current year appropriation of the School Department to be applied to over expenditures in that department.

The City's General Fund budget is prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column in the Statement of Revenues and Expenditures – Budgetary Basis – General Fund is presented on a "budgetary basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- i. Revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- ii. Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) but have no effect on GAAP expenditures.
- iii. Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the General Fund (budget).
- iv. Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures, and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2012 (in thousands):

	Revenue	Expenditures	Other financing sources, net	Excess (deficiency) of revenue and other financing sources
As reported on a budgetary basis	\$ 2,414,407	2,402,440	-	11,967
Adjustments:				
Revenues to modified accrual basis	812	-	-	812
Expenditures, encumbrances, and accruals, net	-	(23,987)	-	23,987
On-behalf contribution for teachers pension	90,399	90,399	-	-
Reclassifications:				
Hospital fund transfer	13,954	-	(13,954)	-
Other transfers	2,182	-	(2,182)	-
As reported on a GAAP basis	<u>\$ 2,521,754</u>	<u>2,468,852</u>	<u>(16,136)</u>	<u>36,766</u>



## 5. Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets, and certificates of deposit in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the financial institution involved. Investments from operating cash in the general fund may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the MMDT. The highest commercial paper classifications for Moody's and Standard & Poor's (S&P) are as follows:

Commercial Paper Credit Ratings		
	Moody's	S&P
Superior	P1	A1+ or A1
Satisfactory	P2	A2
Adequate	P3	A3

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

### Primary Government (except the pension trust fund)

#### a. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits or investments may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized in the City's name. As of June 30, 2012, there are no uncollateralized or uninsured cash accounts. All of the City's investments are held by third parties in the City's name.

#### b. Investment Policy

The City's primary concern in connection with its investment activities is a concern shared by all municipal governments: the preservation of capital. The City's investment policy establishes a domain in which all of the City's investment activities may be safely conducted while it strives to use its capital resources as efficiently as possible. The frontiers of that domain are fixed by Massachusetts General Laws (M.G.L.) c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limits the amount of the City's bank deposits in any one financial institution; and establishes qualifying criteria for banking institutions. Further, all investments held by third parties are to be held in the City's name.

**c. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to no more than seven years. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2012:

<b>Investment type</b>	<b>Fair value</b>	<b>Less than 1</b>	<b>1 – 5</b>
External investment pool	\$ 381,169	381,169	-
Bond mutual funds	59,851	59,851	-
U.S. Treasury notes and bonds	3,374	-	3,374
Domestic corporate	6,950	-	6,950
	<u>\$ 451,344</u>	<u>441,020</u>	<u>10,324</u>

**d. Credit Risk**

It is the City of Boston Trust Funds' policy that there shall be no specific limitation in regard to credit worthiness of securities, except the overall average quality of each fixed income portfolio shall be AA or better. The City's fixed income investments as of June 30, 2012 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

<b>Investment type</b>	<b>Fair value</b>	<b>Rating</b>
Bond mutual funds	\$ 59,851	Not Rated
External investment pool	381,169	Not Rated
Domestic corporate	6,950	AAA to B
	<u>\$ 447,970</u>	

**e. Concentration Risk**

The City adheres to the provisions of M.G.L. c. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the City may deposit its funds. No investments in a single issuer exceeded 5% of the City's investment portfolio.

**f. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2012 the City held one international equity mutual fund valued at \$23.4 million. Although this investment is not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

**State-Boston Retirement System (SBRS or the System)****a. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the System or the System's agent in the System's name. As of December 31, 2011, all of the System's deposits were insured or collateralized.

### b. Investment Policy

The provisions of M.G.L. C. 32, Sec 23(2) govern the System's investment practice. Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. C. 32, Sec. 3(3), the "Prudent Person" rule.

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

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

### c. Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2011:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Treasury notes and bonds	\$ 51,039	-	25,263	7,989	17,787
U.S. agencies	15,792	-	951	3,106	11,735
Domestic corporate	388,254	19,603	203,199	138,705	26,747
Municipal	2,689	-	116	203	2,370
International corporate	122,709	-	83,068	17,572	22,069
International government	122,326	-	58,421	40,728	23,177
Short-term investment funds	86,473	86,473	-	-	-
Asset-backed:					
CMOs	44,737	408	-	7,080	37,249
Mortgage-backed	51,798	-	-	-	51,798
Other	14,270	-	5,111	2,083	7,076
	<u>\$ 900,087</u>	<u>106,484</u>	<u>376,129</u>	<u>217,466</u>	<u>200,008</u>

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

The collateralized mortgage obligations (CMOs) held by the System as of December 31, 2011 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, 2011 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	\$ 15,792	-	13,260	1,702	175	-	-	-	655
Domestic corporate	388,254	441	19,467	92,608	37,025	70,433	70,711	1,313	96,256
Municipal	2,689	-	680	2,009	-	-	-	-	-
International corp.	122,709	17,955	197	8,684	18,545	6,843	6,653	-	63,832
International gov't	122,326	8,592	10,582	11,758	-	1,199	-	-	90,195
Short-term investment funds	86,473	86,473	-	-	-	-	-	-	-
Asset-backed:									
CMOs	44,737	18,844	14,158	2,757	-	-	-	18	8,960
Mortgage-backed	51,798	-	49,822	-	-	-	-	-	1,976
Other	14,270	7,185	3,331	-	-	-	30	-	3,724
	<u>\$ 849,048</u>	<u>139,490</u>	<u>111,497</u>	<u>119,518</u>	<u>55,745</u>	<u>78,475</u>	<u>77,394</u>	<u>1,331</u>	<u>265,598</u>

In addition to the above schedule, the System has approximately \$51.0 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

**e. Concentration Risk**

The System has no investments, at fair value, except for pooled funds, that exceed 5% of the System's total investments as of December 31, 2011.

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

**f. Foreign Currency Risk**

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

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

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Australian dollar	\$ 203	1,483	25,343	-	27,029
Brazilian real	1,364	476	12,156	-	13,996
Canadian dollar	314	5,607	7,540	-	13,461
Danish krone	327	851	5,841	-	7,019
Euro currency	6,839	37,463	139,855	5,800	189,957
Hong Kong dollar	72	-	25,721	-	25,793
Indian rupee	1,763	762	7,262	-	9,787
Indonesian rupiah	24	1,889	2,528	-	4,441
Israeli Shekel	273	-	2,733	-	3,006
Japanese yen	475	54,128	85,909	-	140,512
Malaysian ringgit	547	2,596	2,561	-	5,704
Mexican peso	398	4,738	5,029	-	10,165
New Taiwan dollar	850	-	819	-	1,669
New Zealand dollar	71	1,093	-	-	1,164
Norwegian krone	1,089	5,246	6,151	-	12,486
Pakistan rupee	1	-	-	-	1
Philippine Peso	-	878	-	-	878
Polish zloty	84	-	-	-	84
Pound sterling	445	11,889	86,963	-	99,297
Singapore dollar	276	9,156	9,293	-	18,725
South African rand	271	-	8,623	-	8,894
South Korean won	261	3,213	6,084	-	9,558
Swedish krona	7	-	13,323	-	13,330
Swiss franc	130	771	35,972	-	36,873
Thailand Baht	-	-	733	-	733
Turkish Lira	21	-	1,260	-	1,281
Uruguayan peso	-	1,052	-	-	1,052
Total securities subject to foreign currency risk	\$ 16,105	143,291	491,699	5,800	656,895
U.S. dollars (securities held by international investment managers)*	5,668	101,744	114,824	-	222,236
Total international investment securities	\$ 21,773	245,035	606,523	5,800	879,131

#### g. PRIT Pooled Fund

The Commonwealth enacted Chapter 112, Section 17 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the Pension Reserves Investment Trust (PRIT) fund. The PRIT fund is an external investment pool that is not registered with the Securities Exchange Commission.

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

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT Fund. As of December 31, 2011, the System had \$1.2 billion invested in the PRIT pooled fund.

#### h. Derivatives

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

## 6. Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting as described in note 2.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. On December 13, 2011, all properties with unpaid fiscal year 2011 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	\$ 18,736	-	-	-	-	18,736
Other taxes	144,815	-	-	-	-	144,815
Intergovernmental	58,086	107,892	9,834	-	-	175,812
Other	23,417	64,048	-	108	53	87,626
Gross receivables	245,054	171,940	9,834	108	53	426,989
Less allowance for uncollectibles	(139,153)	-	-	-	-	(139,153)
Net total receivables \$	<u>105,901</u>	<u>171,940</u>	<u>9,834</u>	<u>108</u>	<u>53</u>	<u>287,836</u>

### a. Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the MSBA. The MSBA provides financial assistance (up to 80% of total costs) to the City to build and/or renovate schools. As of June 30, 2012, under this program, the City was due funds totaling \$55.6 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, 2013 through 2017, and in five-year increments thereafter:

	<u>Anticipated revenue</u>
Fiscal year(s):	
2013	\$ 10,573
2014	8,475
2015	8,176
2016	7,344
2017	6,720
2018 – 2022	<u>14,288</u>
Total	<u>\$ 55,576</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, 2012, under this program, the City determined that \$64.0 million was collectible. This amount is recorded in the City's Special Revenue fund.

**c. Deferred Revenue**

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent taxes receivable (General Fund)	\$ 21,835	-	21,835
Due from component units	11,450	2,468	13,918
Section 108 receivable	64,004	-	64,004
School building assistance receivable	55,576	1,418	56,994
Chapter 90	8,236	-	8,236
Other	<u>22,783</u>	<u>3,365</u>	<u>26,148</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 183,884</u>	<u>7,251</u>	<u>191,135</u>

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

### a. Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,128	88	-	25,216
Construction in progress	59,373	128,382	(179,228)	8,527
Total capital assets not being depreciated	<u>84,501</u>	<u>128,470</u>	<u>(179,228)</u>	<u>33,743</u>
Capital assets being depreciated:				
Land improvements	165,384	14,256	(228)	179,412
Buildings and improvements	1,759,822	106,768	-	1,866,590
Furniture and equipment	272,269	50,586	(14,506)	308,349
Infrastructure	495,487	76,353	-	571,840
Total capital assets being depreciated	<u>2,692,962</u>	<u>247,963</u>	<u>(14,734)</u>	<u>2,926,191</u>
Less accumulated depreciation for:				
Land improvements	47,020	8,702	(15)	55,707
Buildings and improvements	973,802	33,205	-	1,007,007
Furniture and equipment	210,897	21,535	(13,061)	219,371
Infrastructure	181,330	17,282	-	198,612
Total accumulated depreciation	<u>1,413,049</u>	<u>80,724</u>	<u>(13,076)</u>	<u>1,480,697</u>
Total capital assets being depreciated, net	<u>1,279,913</u>	<u>167,239</u>	<u>(1,658)</u>	<u>1,445,494</u>
Governmental activities capital assets, net	<u>\$ 1,364,414</u>	<u>295,709</u>	<u>(180,886)</u>	<u>1,479,237</u>

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

Governmental activities:	
General government	\$ 3,804
Human services	1,908
Public safety	15,206
Public works, including depreciation of general infrastructure assets	17,698
Property and development	4,119
Parks and recreation	7,469
Library	3,609
Schools	26,672
Public health	239
Total depreciation expense – governmental activities	<u>\$ 80,724</u>



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

Individual fund receivable and payable balances at June 30, 2012 are as follows (in thousands):

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 27	1,922
Special revenue	1,855	0
Capital projects	67	27
Balances at June 30, 2012	<u>\$ 1,949</u>	<u>1,949</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements.

Amounts due to and from discrete component units at June 30, 2012 are as follows (in thousands):

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 16,072	4
Balances at June 30, 2012	<u>16,072</u>	<u>4</u>
Discretely presented component units:		
TPL	—	102
PHC	4	4,520
BRA	—	11,450
	<u>4</u>	<u>16,072</u>
Balances at June 30, 2012	<u>\$ 16,076</u>	<u>16,076</u>

## 10. Long-Term Obligations

### Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2012 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
<b>Bonds Payable:</b>						
General Obligation Bonds	2.0 - 5.75%	\$ 555,500	121,975	50,285	627,190	43,020
General Obligation Refunding Bonds	.125-5.0%	470,805	110,100	137,435	443,470	56,415
Total governmental general obligation bonds payable		\$ 1,026,305	232,075	187,720	1,070,660	99,435
Add (deduct):						
Unamortized bond premiums/discounts net					76,654	
Unamortized excess of reacquisition price over net carrying amount of defeased bonds					(7,514)	
Current portion of long-term debt					(99,435)	
					<u>\$ 1,040,365</u>	
<b>Notes, Leases and Other long-term obligations:</b>						
Notes payable	4.25-7.18%	\$ 36,602	7,010	3,230	40,382	3,780
Leases payable		28,123	17,850	13,407	32,566	10,913
Judgments and claims		15,235	-	55	15,180	14,135
Workers' compensation		102,460	36,253	28,932	109,781	42,635
Health and life claims		6,550	85,641	86,577	5,614	5,614
Compensated absences		176,673	56,959	55,050	178,582	50,512
Landfill closure and postclosure care costs		8,693	-	285	8,408	200
Pollution remediation		500	-	-	500	-
Other postemployment benefits		577,294	223,586	207,857	593,023	-
Total notes, leases, and other long-term obligations		\$ 952,130	427,299	395,393	984,036	127,789

The payment of long term obligations of the governmental activities, except for health and life claims, is the responsibility of the City's General Fund. Health and life claims are the responsibility of the City's Internal Service Fund.

The annual debt service requirements of the City's general obligation bonds, notes and leases payable as of June 30, 2012, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General obligation bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2013	\$ 99,435	47,199	(3,527)	143,107
2014	95,225	44,202	(3,527)	135,900
2015	90,010	40,111	(3,527)	126,594
2016	86,080	35,898	(3,527)	118,451
2017	81,680	31,694	(3,495)	109,879
2018-2022	324,660	104,306	(16,321)	412,645
2023-2027	235,990	39,078	(7,147)	267,921
2028-2032	57,580	5,725	(421)	62,884
	<u>\$ 1,070,660</u>	<u>348,213</u>	<u>(41,492)</u>	<u>1,377,381</u>

Notes Payable:

Year(s) ending June 30:				
2013	\$ 3,780	1,667	-	5,447
2014	4,151	1,474	-	5,625
2015	2,310	1,306	-	3,616
2016	2,288	1,206	-	3,494
2017	1,991	1,120	-	3,111
2018-2022	10,912	3,763	-	14,675
2023-2027	5,115	2,404	-	7,519
2028-2030	9,835	1,067	-	10,902
	<u>\$ 40,382</u>	<u>14,007</u>	<u>-</u>	<u>54,389</u>

Leases Payable:

Year(s) ending June 30:				
2013	\$ 10,913	465	-	11,378
2014	8,256	311	-	8,567
2015	5,233	197	-	5,430
2016	3,537	121	-	3,658
2017	2,427	62	-	2,489
2018-2019	2,200	30	-	2,230
	<u>\$ 32,566</u>	<u>1,186</u>	<u>-</u>	<u>33,752</u>

On April 2, 2012, the City issued \$205.1 million of general obligation and refunding bonds, \$122.0 million for various municipal capital projects, and \$83.1 million of refunding bonds for the purpose of refunding certain outstanding general obligation bonds of the City totaling \$91.1 million. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal years 2032 and 2024, respectively.

On May 4, 2012, the City issued \$26.9 million of refunding bonds to defease the Hospital Bond Fund Special Obligation Refunding Bonds (along with other funds available to the City) totaling \$65.2 million. Interest on these bonds are payable semiannually each April 1 and October 1 until maturity in fiscal year 2019.

The cash flow difference and economic gain (the difference between the present value of the debt service payments on old and new debt) obtained from the April 2, 2012 refunding were \$7.9 million and \$7.2 million, respectively. For the May 4, 2012 refunding, the cash flow difference and economic gain were \$9.3 million and \$6.8 million, respectively.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt limit calculations. The remaining principal payments for these leases as of June 30, 2012 are \$32.6 million. The gross amount of assets acquired under the equipment lease agreements totals \$17.9 million as of June 30, 2012. The City's commitment under operating leases is not significant.

### *Business-type activities*

The following is a summary of the long-term obligations of the business-type activities of the City as of June 30, 2012 (in thousands):

Bonds payable:	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Hospital Bond Fund:						
Special Obligation Refunding Bonds, Boston City						
Hospital, dated 8/1/02	2.0 – 5.0	\$ 73,080	-	73,080	-	-
Total business-type obligations		\$ 73,080	-	73,080	-	-

The proceeds of the 2012 Series C bonds issued in May 2012, together with other funds available to the City, were applied to advance refund the City's outstanding Hospital Bond Fund Special Obligation Refunding Bonds. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund.

### *No Obligation Debt*

The City has outstanding industrial, commercial, and housing development bonds payable solely from revenues of the respective enterprises that do not constitute an indebtedness of the City and are not charged against its general credit. This aggregate amount is immaterial to the financial statements.

### *Defeased Debt*

The principal amount of debt refunded through in-substance defeasance transactions for both governmental and business-type activities and still outstanding at June 30, 2012 was approximately \$140.1 million.

### *Debt Capacity*

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Secretary of Administration and Finance. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2012, the City may issue \$3.9 billion of additional general obligation debt under the debt limit. General obligation debt of \$517.8 million, subject to the debt limit, and \$85.9 million, exempt from the debt limit, are authorized but unissued as of June 30, 2012.

## 11. Retirement Plans

### a. Plan Description

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

- (1) City of Boston
- (2) Boston Redevelopment Authority
- (3) Boston Housing Authority
- (4) Boston Water and Sewer Commission
- (5) Boston Public Health Commission
- (6) Suffolk County Sheriff Department

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

The System is administered by a five person Board of Retirement consisting of the City Auditor, who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor, and a fifth member chosen by the other members. A complete set of financial statements for SBRS for the fiscal year ended December 31, 2011 can be obtained through the SBRS, Boston City Hall, Room 816, Boston, MA 02201.

Participation in the System is mandatory for all permanent, full time employees immediately upon the commencement of employment. Participants who resign from employment and who are not eligible to receive a retirement allowance or who are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending on the number of years of creditable service, such participants are entitled to receive either none, 50%, or 100% of the regular interest which has accrued on those deductions.

Employees with 10 or more years of service are entitled to pension benefits beginning at retirement age 55; an earlier retirement is allowed upon completion of 20 years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification. Participants become vested after 10 years of creditable service. Effective July 1, 1998, Chapter 32 of the M.G.L. assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost of living increases.

If a member in service dies, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions, age, and the cause of death. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including whether or

not the disability is work related, the participant's age, years of creditable service, level of compensation, veteran status, and group classification.

**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 the plan.

Investments of the System are stated as follows:

- (1) Marketable bonds and equity securities are stated at quoted market value.
- (2) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (3) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (4) Cash is stated at carrying amount, which is reconciled book balance.
- (5) Pooled funds are stated at unit values reported by the investment manager.

**c. Membership**

Membership in the System consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	14,104
Terminated plan members entitled to but not receiving benefits	16,470
Active plan members	19,418
	<hr/>
Total membership	49,992
	<hr/>
Total number of participating employers	6
	<hr/>

**d. Contributions**

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 9% of their regular gross compensation. Members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended December 31, 2011, the System was due \$245.3 million from all employers and received \$245.3 million in employer contributions. For the years ended June 30, 2010, June 30, 2011 and 2012, exclusive of contributions related to the City's teachers, the City's required and actual contributions were \$118.3 million, \$190.9 million and \$123.6 million, respectively.

The Commonwealth of Massachusetts is statutorily required to fund the contributions required for the City's teachers. For the years ended June 30, 2010, 2011 and 2012, the Commonwealth's required and

actual contributions were \$116.0 million, \$121.3 million and \$90.4 million, respectively. The 2012 amount is reported as intergovernmental revenue and retirement cost expenditures in the General Fund.

**e. Legally Required Reserve Accounts**

The balance in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2011 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 1,420,685	Active members' contribution balance
Annuity reserve fund	454,109	Retired members' contribution account
Military service credit	50	Members' contribution account while on military leave
Pension reserve fund	2,445,574	Amounts appropriated to fund future retirement benefits
Pension fund	151,182	Remaining net assets
	<u>\$ 4,471,600</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, 2011. 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, 2011, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System.

At December 31, 2011, the fair value of securities loaned by the System amounted to \$243.5 million, against which was held collateral of \$249.8 million as follows (in thousands):

Short-term collateral investment pool	\$	230,145
Noncash collateral		<u>19,643</u>
Total	\$	<u><u>249,788</u></u>

#### g. Commitments

At December 31, 2011, the System had contractual commitments to provide \$84.0 million of additional funding to private equity funds, and \$76.0 million to real estate funds.

#### h. Funded Status and Funding Progress

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

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

In the January 1, 2011 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, an inflation rate of 4.5%, projected salary increases of 5.0%, and cost-of-living adjustments of 3.0% up to \$12,000 annually. The actuarial value of assets was determined using the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2011 was 15 years.

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

## 12. Other Postemployment Benefits (OPEB)

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



In addition to the pension benefits described in note 11, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. Participating retirees are City retirees. As of June 30, 2011, the most recent actuarial valuation date, approximately 14,000 retirees and 14,500 active members meet the eligibility requirements as put forth in Chapter 32B of M.G.L. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

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

**a. Funding Policy**

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB Plan is currently funded on a pay-as-you-go basis plus periodic advance funding contributions as amounts are available. The employers and plan members share the cost of benefits. As of June 30, 2011, the valuation date, the plan members contribute 10% to 26.25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

**b. Basis of Accounting**

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

Investments of the OPEB Trust fund are stated as follows:

- (1) Comingling funds are reported at net asset value.
- (2) Cash is stated at carrying amount, which is reconciled book balance.

**c. Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, 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, 2011 (in thousands):

ARC	\$	181,732
Interest on net OPEB obligation		41,854
Adjustment to ARC		(27,348)
Annual OPEB cost		196,238
Contributions made		(180,509)
Change in net OPEB obligation		15,729
Net OPEB obligation – beginning of year		577,294
Net OPEB obligation – end of year	\$	593,023

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
2012	\$ 196,238	92%	\$ 593,023
2011	270,749	85%	577,294
2010	258,991	59%	536,352

**d. Funded Status and Funding Progress of the Plan**

The funded status of the OPEB plan in the aggregate and the City's individual OPEB Plan as of June 30, 2012, based on an actuarial valuation as of June 30, 2011, was as follows (in thousands):

	Plan	City
AAL	\$ 3,171,670	3,018,252
Actuarial value of plan assets	111,038	109,736
UAAL	\$ 3,060,632	2,908,516
Funded ratio (actuarial value of plan assets/AAL)	3.50%	3.64%
Covered payroll (active plan members)	\$ 1,102,402	1,045,488
UAAL as a percentage of covered payroll	278%	278%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to

continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Basic Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**e. Actuarial Methods and Assumptions**

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

The most recent actuarial valuation was performed as of June 30, 2011. The projected unit credit cost method was used. The actuarial assumptions included a 7.25% investment rate of return, an inflation rate of 4.5% and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 – 6 years. The actuarial value of assets was determined using the fair value of investments. The healthcare cost trend rate differs between the master medical and other healthcare plans. The City's UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at July 1, 2011 was 30 years.

### 13. Transfers

Transfers and their purposes during the year ended June 30, 2012 were as follows (in thousands):

	Governmental funds				Proprietary fund
	General	Special revenue	Capital projects	Other governmental	Hospital bond
Primary government:					
Hospital Defeasance	\$ (13,954)	(3,973)	(26,945)	-	44,872
Debt Service	(2,182)	-	-	2,182	-
Total	<u>\$ (16,136)</u>	<u>(3,973)</u>	<u>(26,945)</u>	<u>2,182</u>	<u>44,872</u>

### 14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2012 in the following categories (in thousands):

Public safety:	
Police Department	\$ 13,696
Fire Department	4,994
Judgments and Claims:	
Execution of Courts	11,000
	<u>\$ 29,690</u>

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

## 15. Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2012 are as follows (in thousands):

	<b>General</b>	<b>Special revenue</b>	<b>Capital projects</b>	<b>Other governmental funds</b>
Fund Balances				
Nonspendable				
Permanent fund principal	\$ -	-	-	4,974
Restricted for:				
General Government	-	7,325	19,461	430
Human Services	-	1,386	-	-
Public Safety	-	6,831	27,324	-
Public Works	-	-	12,280	-
Property and development	-	26,147	2,114	-
Parks and recreation	-	-	2,871	31,209
Library	-	452	5,636	-
Schools	-	30,762	-	3,457
Subtotal	-	72,903	69,686	35,096
Assigned to:				
General Government	57,228	16,581	-	-
Human Services	103	200	-	-
Public Safety	307	55,796	-	-
Public Works	421	22,937	-	-
Property and development	382	455	-	-
Parks and recreation	55	954	-	-
Library	2	84	-	-
Schools	10,728	1,550	-	-
Catastrophic Loss	15,522	-	-	-
Housing Initiative	30,401	-	-	-
Debt Service	1,868	-	-	-
Employee related costs	50,000	-	-	-
Designated for subsequent year expense	10,925	-	-	-
Subtotal	177,942	98,557	-	-
Unassigned	511,755	-	-	-
Total fund balances	\$ 689,697	171,460	69,686	40,070

## 16. Commitments and Contingencies

The City has committed \$245.7 million in encumbrances for purchase orders and contracts.

## 17. Public Health System

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

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

The PHC receives the majority of its funding from federal and state grants, lease agreements with BMC, and a City appropriation. During fiscal year 2012, the City appropriated \$72.9 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 \$66.2 million for the PHC for fiscal year 2013.

#### *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 2012, the City received \$6.9 million in principal and \$2.1 million in interest for a total of \$9.0 million from PHC in payments for this note. In May 2012, the Special Obligation Refunding Bonds were defeased through the proceeds of the 2012 Series C General Obligation bonds and other available funds. At this time, the remaining balance of the notes receivable from PHC (\$59.6 million) was forgiven by the City. The forgiveness of the receivable has been reported as a special item in the Government-wide and Hospital Bond Fund financial statements. The defeasance of the Hospital Fund bonds also resulted in the close-out of the Hospital Bond Fund.

General obligation bonds issued by the City between December 1967 and October 1995 total \$2.7 million as of June 30, 2012. 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 is also responsible for reimbursing the City for health insurance, equipment lease payments, workers' compensation, and other miscellaneous expenses paid for by the City.

## **18. Risk Management**

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

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

The City purchases health insurance coverage for employees and retirees through a variety of health maintenance organizations (HMO's), in addition to offering three self-insured indemnity plans, which are administered by Blue Cross and Blue Shield of Massachusetts (BC/BS). HMO costs are funded through the General Fund, and the self-insured plans are financially managed through an internal service fund established in compliance with M.G.L. Chapter 32B Section 3A. In FY12, a guiding policy for the more prudent management of the City of Boston Health Claims Trust Fund was established. This policy states that accounting for the fund will be in accordance with generally accepted accounting principles, and will ensure

that all contributions and actual costs are shared between employers and their subscribers according to predetermined ratios.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$15.5 million at the end of fiscal 2012. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$10.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorney's estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2012 and 2011 are as follows (in thousands):

	<b>Internal service fund</b>	
	<b>2012</b>	<b>2011</b>
Health and life claims, beginning of year	\$ 6,550	6,527
Incurred claims	85,641	85,074
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(86,577)	(85,051)
Health and life claims, end of year	\$ 5,614	6,550
<b>Government-wide statements</b>		
	<b>2012</b>	<b>2011</b>
Judgments and claims, beginning of year	\$ 117,695	115,738
Incurred claims	41,622	36,610
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(28,932)	(25,816)
Unemployment compensation	(5,369)	(5,607)
Court judgments	(55)	(3,230)
Judgments and claims, end of year	\$ 124,961	117,695

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

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

## 19. Subsequent Events

On October 12, 2012, the City issued \$28.9 million of general obligation bonds for the purpose of funding the Dudley Street Capital Project. Interest on the bonds are payable semiannually each April 1 and October 1 until maturity in fiscal year 2033.

## 20. Discretely Presented Component Units

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

<b>Condensed Statements of Net Assets</b>					
<b>June 30, 2012</b>					
<b>(In thousands)</b>					
	<b>PHC</b>	<b>BRA</b>	<b>TPL</b>	<b>EDIC</b>	<b>Total</b>
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments	\$ 25,563	41,566	2,303	11,127	80,559
Cash and investments held by trustee	-	-	7,678	-	7,678
Receivables, net:					
Other	30,593	4,525	807	5,458	41,383
Other assets	7,102	124	47	377	7,650
Due from primary government	4	-	-	-	4
Total current assets	<u>63,262</u>	<u>46,215</u>	<u>10,835</u>	<u>16,962</u>	<u>137,274</u>
<b>Noncurrent assets:</b>					
Cash and investments held by trustee	-	-	48,792	-	48,792
Notes receivable	6,032	145,058			151,090
Other assets	974		1,831	87	2,892
<b>Capital assets:</b>					
Nondepreciable	13,785	14,981	150	-	28,916
Depreciable	16,381	3,129	543	33,333	53,386
Total noncurrent assets	<u>37,172</u>	<u>163,168</u>	<u>51,316</u>	<u>33,420</u>	<u>285,076</u>
Total assets	<u>\$ 100,434</u>	<u>209,383</u>	<u>62,151</u>	<u>50,382</u>	<u>422,350</u>

**Condensed Statements of Net Assets****June 30, 2012****(In thousands)**

	<b>PHC</b>	<b>BRA</b>	<b>TPL</b>	<b>EDIC</b>	<b>Total</b>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Warrants and accounts payable	\$ 17,913	1,090	538	2,274	21,815
Accrued liabilities:					
Other	2,831	272	428	2,608	6,139
Current portion of long-term debt and leases	301	-	-	1,134	1,435
Due to primary government	3,173	-	102	-	3,275
Deferred revenue	6,574	2,223	-	135	8,932
<b>Total current liabilities</b>	<b>30,792</b>	<b>3,585</b>	<b>1,068</b>	<b>6,151</b>	<b>41,596</b>
<b>Noncurrent liabilities:</b>					
Bonds notes and leases due in more than one year	363	1,475	-	15,786	17,624
Other noncurrent liabilities	3,638	152,900	-	701	157,239
OPEB	63,036	5,107	-	-	68,143
Deferred Revenue	7,147	31,520	-	-	38,667
Due to primary government	1,347	11,450	-	-	12,797
<b>Total noncurrent liabilities</b>	<b>75,531</b>	<b>202,452</b>	<b>-</b>	<b>16,487</b>	<b>294,470</b>
<b>Total liabilities</b>	<b>106,323</b>	<b>206,037</b>	<b>1,068</b>	<b>22,638</b>	<b>336,066</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	28,640	6,139	693	16,869	52,341
Restricted	-	-	58,002	704	58,706
Unrestricted	(34,529)	(2,793)	2,388	10,171	(24,763)
<b>Total net assets</b>	<b>\$ (5,889)</b>	<b>3,346</b>	<b>61,083</b>	<b>27,744</b>	<b>86,284</b>



**Condensed Statements of Revenues, Expenses, and Changes in Net Assets****Year ended June 30, 2012****(In thousands)**

	<b>PHC</b>	<b>BRA</b>	<b>TPL</b>	<b>EDIC</b>	<b>Total</b>
Expenses	\$ 199,657	20,357	8,465	30,245	258,724
Program revenues:					
Charges for services	59,395	8,836	1,777	17,968	87,976
Operating grants and contributions	48,082	4,428	5,492	14,927	72,929
Capital grants and contributions	1,036	-	-	-	1,036
Total program revenues	108,513	13,264	7,269	32,895	161,941
Net expenses	(91,144)	(7,093)	(1,196)	2,650	(96,783)
General revenues:					
Investment income	58	1,192	(35)	17	1,232
Sale of property	-	4,790	-	-	4,790
City appropriation	71,111	-	-	-	71,111
Miscellaneous income	-	1,141	1,949	274	3,364
Total general revenues	71,169	7,123	1,914	291	80,497
Change in net assets	(19,975)	30	718	2,941	(16,286)
Net assets – beginning of year	14,086	3,316	60,365	24,803	102,570
Net assets – end of year	\$ (5,889)	3,346	61,083	27,744	86,284

**Required Supplementary Information****(Unaudited)**

(Amounts in thousands)

Schedules of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
<b>Pension - Plan</b>						
01/01/11*	\$ 4,592,675	7,382,907	2,790,232	62.2%	\$ 1,371,363	203.5%
01/01/10	4,292,504	7,212,669	2,920,165	59.5	1,425,451	204.9
01/01/09*	4,089,989	6,900,229	2,810,240	59.3	1,364,068	206.0
01/01/08	4,458,002	6,596,148	2,138,146	67.6	1,299,112	164.6
01/01/07*	4,138,146	6,223,154	2,085,008	66.5	1,221,404	170.7
01/01/06	3,836,807	5,957,373	2,120,566	64.4	1,168,808	181.4
<b>OPEB - City</b>						
06/30/11	109,736	3,018,252	2,908,516	3.64	1,045,488	278.2%
06/30/09	—	4,553,816	4,553,816	—	1,008,004	451.8
06/30/07	—	5,490,836	5,490,836	—	919,662	597.0
<b>OPEB - Plan</b>						
06/30/11	111,038	3,171,670	3,060,632	3.50	1,102,402	277.6%
06/30/09	—	4,684,972	4,684,972	—	1,060,919	441.6
06/30/07	—	5,654,817	5,654,817	—	967,584	584.4

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

Schedules of Employer Contributions

	Annual required contribution	Percentage contributed
<b>Pension Plan</b>		
December 31, 2011	\$ 245,280	100 %
December 31, 2010	336,784	138
December 31, 2009	253,996	100
December 31, 2008	239,039	100
December 31, 2007	221,865	100
December 31, 2006	217,088	100
<b>OPEB - Plan</b>		
June 30, 2012	194,045	95 %
June 30, 2011	275,101	85
June 30, 2010	264,105	59
<b>OPEB - City</b>		
June 30, 2012	181,732	99 %
June 30, 2011	262,898	87
June 30, 2010	252,685	61

## General Fund



**“Make Way for Ducklings” – Boston Public Garden**

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



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## General Fund Comparative Balance Sheets

### June 30, 2012 and 2011(Amounts in thousands)

	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 925,637	\$ 823,210
Receivables:		
Property taxes.....	18,736	18,277
Motor vehicle / boat excise.....	53,978	49,994
Intergovernmental.....	58,086	63,689
Departmental and other.....	23,417	33,253
Tax title and possession.....	90,837	90,950
Total Receivables.....	245,054	256,163
Allowance:		
Motor vehicle / boat excise.....	(45,265)	(45,010)
Tax title and possession.....	(90,810)	(90,950)
Other.....	(3,078)	(7,081)
Total Allowance.....	(139,153)	(143,041)
Net receivable.....	105,901	113,122
Due from other funds.....	27	1,973
Due from component units.....	16,072	5,449
<b>Total assets.....</b>	<b>\$ 1,047,637</b>	<b>\$ 943,754</b>
<b>LIABILITIES:</b>		
Warrants and accounts payable.....	\$ 102,736	\$ 51,773
Accrued liabilities:		
Payroll and related costs.....	139,022	126,222
Deposits and other.....	19,561	20,133
Deferred revenue.....	94,695	86,477
Due to other funds.....	1,922	6,023
Due to component units.....	4	195
<b>Total liabilities.....</b>	<b>357,940</b>	<b>290,823</b>
<b>FUND BALANCE:</b>		
Assigned.....	177,942	141,891
Unassigned.....	511,755	511,040
<b>Total fund balance.....</b>	<b>689,697</b>	<b>652,931</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 1,047,637</b>	<b>\$ 943,754</b>

## General Fund

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

June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>REVENUES:</b>		
Real and personal property taxes.....	\$ 1,591,998	\$ 1,526,361
Excises.....	187,572	124,214
Payments in lieu of taxes.....	63,066	65,461
Fines.....	64,566	64,751
Investment income.....	982	4,733
Licenses and permits.....	48,753	41,676
Departmental and other.....	78,438	65,498
Intergovernmental.....	486,379	395,374
<b>Total Revenues.....</b>	<b>2,521,754</b>	<b>2,288,068</b>
<b>EXPENDITURES:</b>		
Current:		
General government.....	68,828	65,459
Human services.....	28,604	29,233
Public safety.....	524,476	516,725
Public works.....	84,727	105,318
Property and development.....	30,089	35,138
Parks and recreation.....	16,653	16,634
Library.....	30,069	30,532
Schools.....	830,839	812,949
Public health programs.....	73,455	70,092
Judgments and claims.....	3,871	811
Retirement costs.....	220,340	195,976
Other employee benefits.....	251,194	294,200
State and district assessments.....	160,547	152,042
<b>Total current expenditures.....</b>	<b>2,323,692</b>	<b>2,325,109</b>
Capital outlays.....	6,950	2,588
Debt service.....	138,210	132,156
<b>Total Expenditures.....</b>	<b>2,468,852</b>	<b>2,459,853</b>
<b>Excess / (deficiency) of revenues over / (under) expenditures..</b>	<b>52,902</b>	<b>(171,785)</b>
<b>OTHER FINANCING SOURCES:</b>		
Transfers in.....	-	118,250
Transfers out.....	(16,136)	(727)
<b>Total other financing sources.....</b>	<b>(16,136)</b>	<b>117,523</b>
<b>Net change in fund balances.....</b>	<b>36,766</b>	<b>(54,262)</b>
<b>Fund balance - beginning.....</b>	<b>652,931</b>	<b>707,193</b>
<b>Fund balance - ending.....</b>	<b>\$ 689,697</b>	<b>\$ 652,931</b>

See accompanying independent auditor's report.

## General Fund

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

June 30, 2012 and 2011

(Amounts in thousands)

Classification	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>PROPERTY TAXES</b>					
Real Estate Taxes .....	\$ 1,431,207	\$ 1,431,207	\$ 1,432,015	\$ 808	\$ 1,366,860
Real and Personal Property Taxes .....	144,166	144,166	145,238	1,072	137,706
<b>Revenue class total</b>	<b>1,575,373</b>	<b>1,575,373</b>	<b>1,577,253</b>	<b>1,880</b>	<b>1,504,566</b>
<b>MOTOR VEHICLE EXCISE</b>					
Motor Vehicle Excise - Current .....	40,000	40,000	31,672	(8,328)	34,859
Motor Vehicle Excise - Prior Years .....	-	-	8,764	8,764	12,059
Boat Excise - Current and Prior Years .....	75	75	71	(4)	59
<b>Revenue class total</b>	<b>40,075</b>	<b>40,075</b>	<b>40,507</b>	<b>432</b>	<b>46,977</b>
<b>OTHER EXCISE TAXES</b>					
Hotel / Motel Room Excise .....	51,000	51,000	60,139	9,139	34,500
Aircraft Fuel Excise .....	22,500	22,500	32,644	10,144	23,253
Condominium Conversion Excise .....	350	350	266	(84)	259
Meals Tax Excise .....	18,000	18,000	21,991	3,991	20,244
Urban Redevelopment Ch. 121A .....	32,000	32,000	37,579	5,579	33,808
<b>Revenue class total</b>	<b>123,850</b>	<b>123,850</b>	<b>152,619</b>	<b>28,769</b>	<b>112,064</b>
<b>COMMONWEALTH OF MASSACHUSETTS</b>					
State Owned Lands .....	272	272	272	-	262
Exemption - Elderly .....	1,212	1,212	501	(711)	-
Exemption - Other .....	-	-	-	-	1,888
Lottery .....	-	-	-	-	-
Veterans Services - Local Aid .....	3,377	3,377	3,151	(226)	2,832
Police Career Incentive .....	-	-	-	-	832
Unrestricted General Government Aid .....	148,662	148,662	160,248	11,586	160,247
Local Share of Racing Taxes .....	509	509	650	141	427
School Construction .....	9,848	9,848	8,108	(1,740)	11,158
Charter School Reimbursement .....	16,583	16,583	12,131	(4,452)	13,237
Chapter 70 Education Aid .....	205,414	205,414	205,414	-	204,318
<b>Revenue class total</b>	<b>385,877</b>	<b>385,877</b>	<b>390,475</b>	<b>4,598</b>	<b>395,201</b>

(continued)

## General Fund

### Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) June 30, 2012 and 2011

(Amounts in thousands)

Classification	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>DEPARTMENTAL &amp; OTHER</b>					
Penalties & Interest - Property Taxes.....	\$ 2,300	\$ 2,300	\$ 2,427	\$ 127	\$ 2,534
Penalties & Interest - Motor Vehicle.....	2,950	2,950	2,877	(73)	2,807
Penalties & Interest - Tax Title.....	2,500	2,500	3,268	768	3,846
Penalties & Interest - Boat Excise.....	-	-	6	6	5
Penalties & Interest - Ch. 121A.....	5	5	-	(5)	-
Sidewalk Paid in Advance.....	-	-	-	-	-
Unapportioned Assessments.....	20	20	11	(9)	20
Other Departmental Fees & Charges.....	1,500	1,500	786	(714)	1,767
Registry Division Fees.....	1,400	1,400	1,542	142	1,451
Liens.....	550	550	651	101	579
Other Departmental.....	4,084	4,084	5,045	961	5,080
City Clerk Fees.....	450	450	454	4	554
Muni Medicaid Reimbursement.....	6,675	6,675	8,076	1,401	11,889
Medicaid Part D.....	3,000	3,000	4,412	1,412	-
Police Services.....	675	675	605	(70)	693
Fire Services.....	3,700	3,700	4,790	1,090	3,698
Parking Facilities.....	1,250	1,250	1,010	(240)	1,283
Street Occupancy.....	2,000	2,000	3,663	1,663	2,251
Street and Sidewalk Permits.....	700	700	882	182	780
Administrative Fees.....	225	225	316	91	1,212
Demolition of Abandoned Structures.....	15	15	13	(2)	15
Property Mgmt - Building Rents.....	1,350	1,350	1,768	418	1,450
St. Furniture Program Fixed Fees.....	1,500	1,500	1,500	-	1,500
St. Furniture Program Adm Fees.....	700	700	906	206	863
Fiber Optics Access Fees.....	200	200	59	(141)	299
Public Works - Other Charges.....	-	-	-	-	-
Tuition and Transportation - Schools.....	1,500	1,500	791	(709)	1,587
Library Fees.....	285	285	358	73	287
Other Penalties & Interest.....	-	-	-	-	-
Cobra / Self-pay.....	1,200	1,200	1,450	250	1,514
Affirmative Recovery Unit.....	526	1,084	1,635	551	532
Fringe-Retirement.....	4,100	4,100	6,496	2,396	5,259
Pensions and Annuities.....	3,100	3,100	3,373	273	3,234
Indirect Costs Reimbursement.....	725	725	527	(198)	737
Third-Party Payments.....	15	15	2,839	2,824	1,200
Prior Year Reimbursements.....	500	500	3,482	2,982	82,537
Police Detail Administration Fee.....	3,000	3,000	3,149	149	2,914
Rental Income.....	10	10	12	2	18
Administrative Fee 3rd Party Payments.....	30	30	190	160	43
Tellers Adjustment Account.....	-	-	-	-	-
<b>Revenue class total</b>	<b>52,740</b>	<b>53,298</b>	<b>69,369</b>	<b>16,071</b>	<b>144,438</b>

(continued)



## General Fund

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

June 30, 2012 and 2011

(Amounts in thousands)

Classification	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>FINES</b>					
Parking Fines.....	\$ 60,300	\$ 60,300	\$ 60,991	\$ 691	\$ 61,147
Court Fines.....	125	125	199	74	160
Moving Violation Fines - Court.....	3,000	3,000	2,699	(301)	3,007
Fire Safety Fines.....	5	5	23	18	8
ISD - Fines.....	-	-	-	-	-
Code Enforcement .....	725	725	426	(299)	729
<b>Revenue class total</b>	<b>64,155</b>	<b>64,155</b>	<b>64,338</b>	<b>183</b>	<b>65,051</b>
<b>PAYMENTS IN LIEU OF TAXES</b>					
Massport.....	16,750	16,750	17,406	656	17,085
Miscellaneous PILOT's.....	23,509	23,509	18,579	(4,930)	18,417
Miscellaneous Ch 121B Section 16.....	5,361	5,361	2,283	(3,078)	5,879
Miscellaneous Ch 121A Section 6A.....	21,000	21,000	24,634	3,634	30,618
<b>Revenue class total</b>	<b>66,620</b>	<b>66,620</b>	<b>62,902</b>	<b>(3,718)</b>	<b>71,999</b>
<b>INVESTMENT INCOME</b>					
Interest on Investments.....	1,150	1,150	982	(168)	1,392
<b>Revenue class total</b>	<b>1,150</b>	<b>1,150</b>	<b>982</b>	<b>(168)</b>	<b>1,392</b>
<b>LICENSES AND PERMITS</b>					
Building Structures and Permits.....	18,000	18,000	32,565	14,565	23,461
Weights and Measures.....	250	250	301	51	254
Street and Curb Permits.....	2,200	2,200	3,145	945	2,207
Pre-rental Inspections.....	105	105	150	45	105
Other Departmental Licenses & Permits.....	735	735	720	(15)	733
Health Inspections.....	1,600	1,600	1,784	184	1,591
Alcoholic Beverages and Licenses.....	3,350	3,350	3,445	95	3,388
Entertainment Licenses.....	1,850	1,850	2,115	265	1,996
Police Firearm Permits.....	25	25	8	(17)	77
Other Business Licenses and Permits.....	135	135	194	59	153
Cable Television.....	5,500	5,500	7,505	2,005	5,922
<b>Revenue class total</b>	<b>33,750</b>	<b>33,750</b>	<b>51,932</b>	<b>18,182</b>	<b>39,887</b>
<b>TRANSFERS AND OTHER AVAILABLE FUNDS</b>					
Sale of Property.....	4,030	4,030	4,030	-	4,030
Surplus Property Fund.....	-	-	-	-	-
Appropriated Cemetery Trustee.....	2,066	2,066	-	(2,066)	2,109
Appropriated Parking Meter Receipts.....	15,000	15,000	-	(15,000)	15,000
Appropriated Funds Balance.....	30,000	30,000	-	(30,000)	27,000
<b>Revenue class total</b>	<b>51,096</b>	<b>51,096</b>	<b>4,030</b>	<b>(47,066)</b>	<b>48,139</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 2,394,686</b>	<b>\$ 2,395,244</b>	<b>\$ 2,414,407</b>	<b>\$ 19,163</b>	<b>\$ 2,429,714</b>

See accompanying independent auditor's report.

## General Fund

### Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2012 and 2011

(Amounts in thousands)

2012

Classification	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2011 Actual
<b>GENERAL GOVERNMENT</b>					
Costs of Issuance - RANS.....	\$ 750	\$ 500	\$ 365	\$ 135	\$ 248
Annual Audit Costs.....	500	750	750	-	808
Mayor's Office.....	2,108	2,173	2,113	60	2,055
City Council.....	4,676	4,676	4,518	158	4,509
Office of New Bostonians.....	337	337	327	10	319
Consumer Affairs and Licensing .....	436	442	418	24	423
Election Department - Election Division.....	3,127	3,094	2,800	294	2,756
Election Department - Listing Board.....	452	488	454	34	480
Auditing Department.....	2,291	2,293	2,230	63	2,153
Assessing Department.....	6,330	6,348	6,266	82	6,324
Treasury Department - Collecting Division..	2,529	2,533	2,463	70	2,497
Treasury Department - Treasury Division....	1,777	1,780	1,780	-	1,711
Office of Budget Management.....	2,639	2,640	2,619	21	2,813
Human Resources.....	2,675	2,730	2,699	31	2,553
Purchasing Division.....	1,646	1,650	1,519	131	1,621
Office of Administration & Finance.....	834	834	795	39	666
Graphic Arts.....	-	-	-	-	-
Office of Labor Relations.....	1,413	1,180	1,092	88	1,324
Department of Innovation & Technology.....	20,053	21,231	21,230	1	18,576
Intergovernmental Relations.....	1,141	1,164	1,161	3	1,071
Law Department.....	5,449	5,863	5,814	49	5,448
Small & Local Business.....	621	622	613	9	618
Office of Boston Residents Job Policy.....	469	480	472	8	440
Risk Retention Reserved.....	1,000	2,933	2,933	-	1,000
Housing Trust Fund.....	330	330	285	45	295
City Clerk.....	1,007	1,008	984	24	969
Registry Division.....	1,009	1,047	1,033	14	965
Finance Commission.....	184	185	179	6	174
Tregor Reserve Fund.....	13	613	613	-	192
Office of Civil Rights.....	126	126	125	1	318
Emergency Shelter Commission.....	288	315	311	4	-
Public Information.....	1,306	1,155	1,153	2	1,093
Neighborhood Services.....	1,280	1,167	1,152	15	1,182
Arts & Cultural Develop.....	1,631	1,631	1,551	80	1,570
Women's Commission.....	160	160	159	1	158
Reserve for Collective Bargaining.....	10,700	16,022	16,022	-	8,550
<b>Function total</b>	<b>81,287</b>	<b>90,500</b>	<b>88,998</b>	<b>1,502</b>	<b>75,879</b>
<b>HUMAN SERVICES</b>					
Boston Centers for Youth & Families.....	21,743	21,373	21,338	35	21,383
Elderly Commission.....	2,783	2,818	2,818	-	2,818
Veterans Services Department.....	5,536	5,200	5,194	6	5,176
<b>Function total</b>	<b>\$ 30,062</b>	<b>\$ 29,391</b>	<b>\$ 29,350</b>	<b>\$ 41</b>	<b>\$ 29,377</b>

(continued)

## General Fund

### Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2012 and 2011

(Amounts in thousands)

Classification	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>PUBLIC SAFETY</b>					
Police Department.....	\$ 269,230	\$ 269,342	\$ 283,038	\$ (13,696)	\$ 275,779
Fire Department.....	181,935	181,951	186,945	(4,994)	178,021
Mayor's Office - Emergency Preparedness...	311	311	286	25	308
Transportation - Traffic Division.....	21,595	21,702	21,550	152	21,956
Transportation - Parking Clerk.....	8,431	8,442	8,077	365	7,914
Licensing Board.....	719	720	621	99	599
Inspectional Services Department.....	15,926	15,981	15,576	405	15,545
Youth Fund.....	4,639	4,639	4,630	9	4,637
<b>Function total</b>	<b>502,786</b>	<b>503,088</b>	<b>520,723</b>	<b>(17,635)</b>	<b>504,759</b>
<b>PUBLIC WORKS</b>					
Public Works Department.....	80,254	83,472	83,472	-	81,050
Chief of PWD - Transportation.....	1,386	1,388	1,318	70	1,271
Central Maintenance Facility.....	1,999	2,014	1,996	18	2,457
Snow Removal.....	17,060	17,059	5,366	11,693	21,461
<b>Function total</b>	<b>100,699</b>	<b>103,933</b>	<b>92,152</b>	<b>11,781</b>	<b>106,239</b>
<b>PROPERTY AND DEVELOPMENT</b>					
Property Management.....	18,964	21,685	21,669	16	21,812
Neighborhood Development.....	3,395	3,741	3,633	108	3,333
Leading the Way.....	5,000	5,000	5,000	-	5,000
<b>Function total</b>	<b>27,359</b>	<b>30,426</b>	<b>30,302</b>	<b>124</b>	<b>30,145</b>
<b>PARKS AND RECREATION</b>					
Parks and Recreation Department.....	13,042	13,588	13,581	7	13,408
Environment Department.....	1,321	1,523	1,499	24	1,252
Cemetery Division.....	2,066	2,073	2,041	32	2,087
<b>Function total</b>	<b>16,429</b>	<b>17,184</b>	<b>17,121</b>	<b>63</b>	<b>16,747</b>
<b>LIBRARY</b>					
Library Department.....	30,139	30,157	30,152	5	30,378
<b>Function total</b>	<b>30,139</b>	<b>30,157</b>	<b>30,152</b>	<b>5</b>	<b>30,378</b>
<b>SCHOOLS</b>					
Boston Public Schools.....	830,908	831,467	831,343	124	821,375
<b>Function total</b>	<b>830,908</b>	<b>831,467</b>	<b>831,343</b>	<b>124</b>	<b>821,375</b>
<b>PUBLIC HEALTH</b>					
Public Health Commission.....	72,903	72,903	72,903	-	69,808
<b>Function total</b>	<b>\$ 72,903</b>	<b>\$ 72,903</b>	<b>\$ 72,903</b>	<b>\$ -</b>	<b>\$ 69,808</b>

(continued)

## General Fund

### Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2012 and 2011

(Amounts in thousands)

Classification	2012				2011 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
<b>JUDGMENTS AND CLAIMS</b>					
Execution of Courts.....	\$ 3,500	\$ 3,500	\$ 14,500	\$ (11,000)	\$ 21,022
<b>Function total</b>	<b>3,500</b>	<b>3,500</b>	<b>14,500</b>	<b>(11,000)</b>	<b>21,022</b>
<b>OTHER EMPLOYEE BENEFITS</b>					
Medicare Payments.....	7,924	7,924	7,924	-	5,697
Human Resources - Health Insurance.....	218,283	207,882	207,406	476	542
Health Benefits & Insurance.....	584	622	622	-	235,780
Unemployment Compensation.....	350	350	43	307	160
Workers' Compensation Fund.....	2,200	2,598	2,597	1	1,445
OPEB Stabilization Fund.....	35,000	35,000	35,000	-	
<b>Function total</b>	<b>264,341</b>	<b>254,376</b>	<b>253,592</b>	<b>784</b>	<b>243,624</b>
<b>PENSION COSTS</b>					
State-Boston Retirement System.....	126,546	126,546	126,396	150	191,856
Pensions and Annuities - City.....	4,100	4,100	4,100	-	4,100
Pensions and Annuities - County.....	100	34	34	-	42
<b>Function total</b>	<b>130,746</b>	<b>130,680</b>	<b>130,530</b>	<b>150</b>	<b>195,998</b>
<b>DEBT REQUIREMENTS</b>					
Redemption of City Loans.....	90,165	90,357	90,357	-	86,547
City Debt and Interest Payments.....	37,339	37,339	37,332	7	38,796
Temporary Notes.....	7,000	920	-	920	-
MWPAT Principal.....	451	451	451	-	436
MWPAT Interest.....	127	127	127	-	126
Section 108 - Dudley Square.....	505	505	505	-	505
Debt Service Sinking Funds.....	1,455	1,455	1,455	-	
<b>Function total</b>	<b>137,042</b>	<b>131,154</b>	<b>130,227</b>	<b>927</b>	<b>126,410</b>
<b>STATE &amp; DISTRICT ASSESSMENTS</b>					
Heath Insurance/Retirement.....	180	180	180	-	186
Parking Surcharge.....	3,187	3,187	2,907	280	3,187
Mosquito Control Projects.....	227	227	227	-	225
Special Education Chapter 766.....	642	642	607	35	635
Metropolitan Air Pollution Center.....	199	199	199	-	187
Metropolitan Area Planning.....	196	196	196	-	187
M.B.T.A. Assessments.....	77,760	77,760	77,760	-	74,532
M.D.C. Assessments.....	11	11	11	-	11
School Choice.....	450	450	450	-	257
Charter School Sending Tuition.....	79,709	79,709	74,086	5,623	68,293
Suffolk County Jail.....	3,924	3,924	3,924	-	4,343
<b>Function total</b>	<b>166,485</b>	<b>166,485</b>	<b>160,547</b>	<b>5,938</b>	<b>152,043</b>
<b>Total Expenditures</b>	<b>\$ 2,394,686</b>	<b>\$ 2,395,244</b>	<b>\$ 2,402,440</b>	<b>\$ (7,196)</b>	<b>\$ 2,423,804</b>

See accompanying independent auditor's report.

## Special Revenue Fund



### Commonwealth Avenue

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

This fund accounts for a number of federal and state grants administered by the City's individual departments. The Special Revenue Fund also includes funds received through the American Reinvestment and Recovery Act (ARRA).



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## Special Revenue Fund

### Comparative Balance Sheets

#### June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 159,581	\$ 128,083
Receivables, net		
Intergovernmental.....	107,892	117,942
Departmental and other.....	64,048	73,752
Total receivables.....	171,940	191,694
Due from other funds.....	1,855	6,709
<b>Total Assets.....</b>	<b>\$ 333,376</b>	<b>\$ 326,486</b>
<b>LIABILITIES:</b>		
Warrants and accounts payable.....	\$ 25,863	\$ 20,921
Accrued liabilities:		
Payroll and related costs.....	2,938	1,871
Deposits and other.....	46,329	45,129
Deferred revenue.....	86,786	81,751
Due to other funds.....	-	4,546
<b>Total liabilities.....</b>	<b>161,916</b>	<b>154,218</b>
<b>FUND BALANCE:</b>		
Restricted .....	72,903	91,293
Assigned.....	98,557	80,975
<b>Total fund balance.....</b>	<b>171,460</b>	<b>172,268</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 333,376</b>	<b>\$ 326,486</b>



## Special Revenue Fund

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

June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>REVENUES:</b>		
Fines.....	\$ 27	\$ 21
Investment income.....	26	33
Licenses and permits.....	85	74
Departmental and other.....	43,871	34,659
Intergovernmental.....	263,223	283,658
<b>Total revenues</b>	<b>307,232</b>	<b>318,445</b>
<b>EXPENDITURES:</b>		
Current:		
General government.....	10,689	7,492
Human services.....	6,802	6,775
Public safety.....	28,309	9,607
Public works.....	5,487	4,317
Property & development.....	79,618	76,469
Parks and recreation.....	6,142	3,132
Library.....	1,730	3,024
Schools.....	173,329	161,883
Public health programs.....	281	288
Total current expenditures.....	312,387	272,987
Capital outlays.....	3,239	2,383
Debt service.....	9	1,626
<b>Total expenditures.....</b>	<b>315,635</b>	<b>276,996</b>
<b>Excess (deficiency) of revenues over (under) expenditures.</b>	<b>(8,403)</b>	<b>41,449</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Long-term debt and capital leases issued.....	7,010	1,366
Payments to refunded bonds escrow agent.....	(12,857)	(1,118)
Premiums on long-term debt issued.....	17,415	11,401
Transfers out.....	(3,973)	(53,962)
<b>Total other financing sources (uses).....</b>	<b>7,595</b>	<b>(42,313)</b>
<b>Net change in fund balances.....</b>	<b>(808)</b>	<b>(864)</b>
<b>Fund balance - beginning.....</b>	<b>172,268</b>	<b>173,132</b>
<b>Fund balance - ending.....</b>	<b>\$ 171,460</b>	<b>\$ 172,268</b>



## Capital Projects Fund



**Boston skyline from Boston Harbor**

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



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## Capital Projects Fund

### Comparative Balance Sheets

#### June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 96,472	\$ 88,394
Cash and investments held by trustees.....	2,253	1,838
Intergovernmental receivables.....	9,834	10,619
Due from other funds.....	67	1,457
<b>Total assets.....</b>	<b>\$ 108,626</b>	<b>\$ 102,308</b>
<b>LIABILITIES:</b>		
Warrants and accounts payable.....	\$ 28,843	\$ 20,907
Accrued Liabilities:		
Deposits and other.....	416	2,827
Deferred revenue.....	9,654	10,176
Due to other funds.....	27	-
<b>Total liabilities.....</b>	<b>38,940</b>	<b>33,910</b>
<b>FUND BALANCE:</b>		
Restricted .....	69,686	68,398
<b>Total fund balance.....</b>	<b>69,686</b>	<b>68,398</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 108,626</b>	<b>\$ 102,308</b>

## Capital Projects Fund

### Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>REVENUES:</b>		
Intergovernmental.....	\$ 22,889	\$ 28,722
Departmental and other.....	156	-
<b>Total revenues.....</b>	<b>23,045</b>	<b>28,722</b>
<b>EXPENDITURES:</b>		
Capital outlays.....	178,188	135,434
<b>Total expenditures.....</b>	<b>178,188</b>	<b>135,434</b>
<b>Deficiency of revenues under expenditures.....</b>	<b>(155,143)</b>	<b>(106,712)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Long-term debt and capital leases issued.....	139,825	154,743
Refunding bonds issued.....	110,100	52,720
Payments to refunded bonds escrow agent.....	(83,019)	(14,372)
Premiums/discounts on long-term debt issued.....	16,470	-
Operating transfers out.....	(26,945)	(63,299)
<b>Total other financing sources (uses).....</b>	<b>156,431</b>	<b>129,792</b>
<b>Net change in fund balances.....</b>	<b>1,288</b>	<b>23,080</b>
<b>Fund balance - beginning.....</b>	<b>68,398</b>	<b>45,318</b>
<b>Fund balance - ending.....</b>	<b>\$ 69,686</b>	<b>\$ 68,398</b>

## Other Governmental Funds



**Prudential Center**

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

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

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

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

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

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



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## Other Governmental Funds

### Combining Balance Sheet

June 30, 2012 and 2011

(Amounts in thousands)

	Permanent Funds			Debt Service	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Fund	2012	2011
<b>ASSETS:</b>						
Cash and investments.....	\$ 219	\$ -	\$ -	\$ 2,909	\$ 3,128	\$ 946
Cash and investments held by trustees.....	36,034	565	467	-	37,066	40,413
Receivables, net.....	107	1	-	-	108	125
<b>Total assets.....</b>	<b>\$ 36,360</b>	<b>\$ 566</b>	<b>\$ 467</b>	<b>\$ 2,909</b>	<b>\$ 40,302</b>	<b>\$ 41,484</b>
<b>LIABILITIES:</b>						
Warrants and accounts payable.....	\$ 176	\$ 19	37	\$ -	232	\$ 868
<b>Total liabilities.....</b>	<b>176</b>	<b>19</b>	<b>37</b>	<b>-</b>	<b>232</b>	<b>868</b>
<b>FUND BALANCE:</b>						
Nonspendable.....	4,829	145	-	-	4,974	4,974
Restricted.....	31,355	402	430	2,909	35,096	35,642
<b>Total fund balance.....</b>	<b>36,184</b>	<b>547</b>	<b>430</b>	<b>2,909</b>	<b>40,070</b>	<b>40,616</b>
<b>Total liabilities and fund balance.....</b>	<b>\$ 36,360</b>	<b>\$ 566</b>	<b>\$ 467</b>	<b>\$ 2,909</b>	<b>\$ 40,302</b>	<b>\$ 41,484</b>



## Other Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balance June 30, 2012 and 2011

(Amounts in thousands)

	Permanent Funds			Debt Service	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7	Fund	2012	2011
<b>REVENUES:</b>						
Investment income.....	\$ 3,084	\$ 43	\$ 2	\$ -	\$ 3,129	\$ 7,190
Departmental and other.....	179	-	398	-	577	2,846
<b>Total revenues.....</b>	<b>\$ 3,263</b>	<b>\$ 43</b>	<b>\$ 400</b>	<b>\$ -</b>	<b>\$ 3,706</b>	<b>\$ 10,036</b>
<b>EXPENDITURES:</b>						
General government.....	\$ 5,724	\$ 49	\$ 661	\$ -	\$ 6,434	\$ 5,622
<b>Total expenditures.....</b>	<b>5,724</b>	<b>49</b>	<b>661</b>	<b>-</b>	<b>6,434</b>	<b>5,622</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>(2,461)</b>	<b>(6)</b>	<b>(261)</b>	<b>-</b>	<b>(2,728)</b>	<b>4,414</b>
<b>OTHER FINANCING USES:</b>						
Transfers in.....	-	-	-	2,182	2,182	727
Transfers out.....	-	-	-	-	-	(2,109)
<b>Total other financing uses.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,182</b>	<b>2,182</b>	<b>(1,382)</b>
<b>Excess (deficiency) of revenues over (under) expenditures and other financing uses.....</b>	<b>(2,461)</b>	<b>(6)</b>	<b>(261)</b>	<b>2,182</b>	<b>(546)</b>	<b>3,032</b>
<b>Fund balance - beginning.....</b>	<b>38,645</b>	<b>553</b>	<b>691</b>	<b>727</b>	<b>40,616</b>	<b>37,584</b>
<b>Fund balance - ending.....</b>	<b>\$ 36,184</b>	<b>\$ 547</b>	<b>\$ 430</b>	<b>\$ 2,909</b>	<b>\$ 40,070</b>	<b>\$ 40,616</b>

See accompanying independent auditor's report.



## Internal Service Fund



**Boston Public Library – Copley Square**

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



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## Internal Service Fund

### Comparative Statements of Net Assets

June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 53,592	\$ 54,042
Receivables, net.....	53	164
Due from other funds.....	-	430
Other assets.....	1,797	1,885
<b>Total assets.....</b>	<b>\$ 55,442</b>	<b>\$ 56,521</b>
<b>LIABILITIES:</b>		
Warrants and accounts payable.....	\$ 7,768	\$ -
Accrued liabilities.....	5,614	6,550
<b>Total liabilities.....</b>	<b>13,382</b>	<b>6,550</b>
<b>NET ASSETS:</b>		
Unrestricted.....	42,060	49,971
<b>Total net assets.....</b>	<b>\$ 42,060</b>	<b>\$ 49,971</b>

## Internal Service Fund

### Comparative Statements of Revenues, Expenses and Changes in Fund Balance June 30, 2012 and 2011

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
<b>REVENUES:</b>		
Employer contributions.....	\$ 58,543	\$ 61,845
Employee contributions.....	<u>20,123</u>	<u>21,404</u>
<b>Total revenues.....</b>	<b><u>\$ 78,666</u></b>	<b><u>\$ 83,249</u></b>
<b>EXPENSES:</b>		
Health benefits.....	\$ 86,577	\$ 85,051
<b>Total expenses.....</b>	<b><u>86,577</u></b>	<b><u>85,051</u></b>
<b>Changes in net assets.....</b>	<b><u>(7,911)</u></b>	<b><u>(1,802)</u></b>
<b>Net assets - beginning.....</b>	<b><u>49,971</u></b>	<b><u>51,773</u></b>
<b>Net assets - ending.....</b>	<b><u><u>42,060</u></u></b>	<b><u><u>49,971</u></u></b>

## Internal Service Fund

### Comparative Statements of Cash Flows

June 30, 2012 and 2011

(Amounts in thousands)

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from employees and employer.....	\$ 79,295	\$ 83,210
Cash paid to vendors.....	(79,745)	(85,876)
<b>Net cash used in operating activities.....</b>	<b>(450)</b>	<b>(2,666)</b>
<b>Cash and cash equivalents, beginning of year.....</b>	<b>54,042</b>	<b>56,708</b>
<b>Cash and cash equivalents, end of year.....</b>	<b>\$ 53,592</b>	<b>\$ 54,042</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss.....	\$ (7,911)	\$ (1,802)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable.....	164	(30)
Other assets.....	88	(843)
Due from component units.....	377	(9)
Accounts payable and accrued liabilities.....	6,832	18
<b>Net cash used in operating activities.....</b>	<b>\$ (450)</b>	<b>\$ (2,666)</b>



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## Fiduciary Funds



Leonard P. Zakim Bridge

### EMPLOYEE RETIREMENT PLAN

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

### OPEB TRUST FUND

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

### PRIVATE PURPOSE TRUST FUNDS

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

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

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

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

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

### AGENCY FUND

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



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**State-Boston Retirement System**  
**Comparative Statements of Plan Net Assets**  
**December 31, 2011 and 2010**  
(Amounts in thousands)

	<b>Total State-Boston Retirement System</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS:</b>		
Cash and investments.....	\$ 4,484,399	\$ 4,512,298
Receivables:		
Interest and dividends.....	15,323	20,624
Securities sold.....	83,407	90,340
Other.....	14,960	140,642
Total receivables.....	113,690	251,606
Securities lending short-term collateral investment pool.....	230,145	214,410
<b>Total assets.....</b>	<b>4,828,234</b>	<b>4,978,314</b>
<b>LIABILITIES:</b>		
Accounts payable, accrued expenses and other liabilities.....	12,655	26,754
Securities purchased.....	112,519	114,507
Collateral held on securities lending.....	231,460	216,333
<b>Total liabilities.....</b>	<b>356,634</b>	<b>357,594</b>
<b>NET ASSETS:</b>		
Held in trust for pension benefits and other purposes.....	<b>\$ 4,471,600</b>	<b>\$ 4,620,720</b>

## OPEB Trust Fund

### Comparative Statements of Plan Net Assets

June 30, 2012 and 2011

(Amounts in thousands)

	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 149,678	\$ 111,078
<b>Total assets.....</b>	<b>149,678</b>	<b>111,078</b>
<b>LIABILITIES:</b>		
Accounts payable, accrued expenses and other liabilities.....	60	40
<b>Total liabilities.....</b>	<b>60</b>	<b>40</b>
<b>NET ASSETS:</b>		
Held in trust for pension benefits and other purposes.....	<u>\$ 149,618</u>	<u>\$ 111,038</u>



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**Private Purpose Trust Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012 and 2011**  
(Amounts in thousands)

	<b>Pool 1</b>	<b>Pool 2</b>
<b>ASSETS:</b>		
Cash and investments.....	\$ 23,667	\$ 462
Receivables:		
Other.....	57	1
Total receivables.....	57	1
Capital assets, net of accumulated depreciation .....	-	-
<b>Total assets.....</b>	<b>23,724</b>	<b>463</b>
<b>LIABILITIES:</b>		
Accounts payable.....	362	15
<b>Total liabilities.....</b>	<b>362</b>	<b>15</b>
<b>NET ASSETS:</b>		
Held in trust for pension benefits and other purposes.....	<u>\$ 23,362</u>	<u>\$ 448</u>

Total Private Purpose Trust Funds			
Pool 5	Pool 7	2012	2011
\$ 25,642	\$ 41,026	\$ 90,797	\$ 89,384
40	1,783	1,881	1,358
40	1,783	1,881	1,358
30	-	30	30
<b>25,712</b>	<b>42,809</b>	<b>92,708</b>	<b>90,772</b>
102	579	1,058	3,546
<b>102</b>	<b>579</b>	<b>1,058</b>	<b>3,546</b>
<b>\$ 25,610</b>	<b>\$ 42,230</b>	<b>\$ 91,650</b>	<b>\$ 87,226</b>

## Agency Fund

### Comparative Statements of Net Assets

June 30, 2012 and 2011

(Amounts in thousands)

	Law Enforcement Trust Fund	
	2012	2011
<b>ASSETS:</b>		
Cash and investments.....	\$ 6,308	\$ 5,801
<b>Total assets.....</b>	<b>6,308</b>	<b>5,801</b>
<b>LIABILITIES:</b>		
Refunds payable and other.....	6,308	5,801
<b>Total liabilities.....</b>	<b>\$ 6,308</b>	<b>\$ 5,801</b>

**State-Boston Retirement System**  
**Comparative Statements of Changes in Plan Net Assets**  
**December 31, 2011 and 2010**  
(Amounts in thousands)

	<b>2011</b>	<b>2010</b>
<b>ADDITIONS:</b>		
Contributions:		
Employers.....	\$ 154,880	\$ 342,366
Employees.....	123,481	126,450
Commonwealth of Massachusetts.....	90,400	121,290
Net appreciation (depreciation) in fair value of investments.....	(114,461)	440,862
Interest and dividends.....	128,927	94,165
Management and related fees.....	(17,877)	(15,648)
Securities lending income.....	1,665	1,814
Borrower rebates and fees.....	(483)	(685)
Intergovernmental.....	14,567	12,850
<b>Total Additions.....</b>	<b>381,099</b>	<b>1,123,464</b>
<b>DEDUCTIONS:</b>		
Benefits.....	469,900	444,535
Reimbursements to other systems.....	10,459	9,533
Refunds of contributions.....	43,760	42,627
Administration.....	6,100	5,835
<b>Total deductions.....</b>	<b>530,219</b>	<b>502,530</b>
<b>Changes in net assets.....</b>	<b>(149,120)</b>	<b>620,934</b>
<b>Net assets - beginning of year.....</b>	<b>4,620,720</b>	<b>3,999,786</b>
<b>Net assets - end of year.....</b>	<b>\$ 4,471,600</b>	<b>\$ 4,620,720</b>

## OPEB Trust Fund

### Comparative Statements of Changes in Plan Net Assets

June 30, 2012 and 2011

(Amounts in thousands)

	<u>2012</u>	<u>2011</u>
<b>ADDITIONS:</b>		
Contributions:		
Employers.....	\$ 182,205	\$ 232,667
Net appreciation (depreciation) in fair value of investments.....	4,048	5,696
Interest and dividends.....	-	2,689
Management and related fees.....	(463)	(300)
<b>Total additions.....</b>	<b><u>185,790</u></b>	<b><u>240,752</u></b>
<b>DEDUCTIONS:</b>		
Benefits.....	147,205	149,674
Administrative expenses and other.....	5	-
<b>Total deductions.....</b>	<b><u>147,210</u></b>	<b><u>149,674</u></b>
<b>Changes in net assets.....</b>	<b><u>38,580</u></b>	<b><u>91,078</u></b>
<b>Net assets - beginning of year.....</b>	<b><u>111,038</u></b>	<b><u>19,960</u></b>
<b>Net assets - end of year.....</b>	<b><u>\$ 149,618</u></b>	<b><u>\$ 111,038</u></b>





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## Private Purpose Trust Funds

### Combining Statements of Changes in Net Assets

June 30, 2012 and 2011

(Amounts in thousands)

	<b>Pool 1</b>	<b>Pool 2</b>
<b>ADDITIONS:</b>		
Investment income.....	\$ 1,230	\$ -
Departmental and other revenue.....	246	30
<b>Total additions.....</b>	<b>1,476</b>	<b>30</b>
<b>DEDUCTIONS:</b>		
Administrative expenses and other.....	3,118	35
<b>Total operating expenses.....</b>	<b>3,118</b>	<b>35</b>
<b>Net changes in net assets.....</b>	<b>(1,642)</b>	<b>(5)</b>
<b>Other Financing Uses (Sources)</b>		
Transfers In.....	-	-
Transfers Out.....	-	-
<b>Net assets - beginning of year.....</b>	<b>25,004</b>	<b>453</b>
<b>Net assets - end of year.....</b>	<b>\$ 23,362</b>	<b>\$ 448</b>

<b>Pool 5</b>	<b>Pool 7</b>	<b>Total 2012</b>	<b>Total 2011</b>
\$ 173	\$ 94	\$ 1,497	\$ 7,824
189	18,771	19,236	20,084
<b>362</b>	<b>18,865</b>	<b>20,733</b>	<b>27,908</b>
254	12,902	16,309	24,107
<b>254</b>	<b>12,902</b>	<b>16,309</b>	<b>24,107</b>
<b>108</b>	<b>5,963</b>	<b>4,424</b>	<b>3,801</b>
-	-	-	260
-	-	-	(260)
<b>25,502</b>	<b>36,267</b>	<b>87,226</b>	<b>83,425</b>
<b>\$ 25,610</b>	<b>\$ 42,230</b>	<b>91,650</b>	<b>\$ 87,226</b>

## Agency Fund

### Statement of Changes in Net Assets

June 30, 2012

(Amounts in thousands)

	Law Enforcement Trust Fund		
	Balance July 1, 2011	Additions	Deletions
	Balance June 30, 2012		
<b>ASSETS:</b>			
Cash and investments.....	\$ 5,801	1,509	1,002
	\$ 6,308		
<b>LIABILITIES:</b>			
Refunds payable and other....	\$ 5,801	1,509	1,002
	\$ 6,308		

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
<b>Financial Trends</b>	<b>108</b>
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time (See accompanying Management's Discussion and Analysis, Statement of Net Assets, and Statement of Activities):</i>	
General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
Net Assets by Component – Last Ten Fiscal Years	
Changes in Net Assets – Last Ten Fiscal Years	
Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	
<b>Revenue Capacity</b>	<b>122</b>
<i>These schedules contain information to help the reader assess the government's most significant revenue source, the property tax:</i>	
Assessed and Estimated Actual Value of All Taxable Property – Last Ten Fiscal Years	
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	
Largest Principal Taxpayers – Current Year and Five Years Ago	
Property Tax Levies and Collections – Last Ten Fiscal Years	
<b>Debt Capacity</b>	<b>126</b>
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future (See accompanying note 10 of the basic financial statements):</i>	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	
Legal Debt Margin Information – Last Ten Fiscal Years	
<b>Demographic and Economic Information</b>	<b>132</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:</i>	
Demographic and Economic Statistics – Last Ten Fiscal Years	
Principal Employers – Fiscal Year 2012 and Five Years Before	
<b>Operating Information</b>	<b>134</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:</i>	
Full-time Equivalent City Government Employees by Department – Last Ten Fiscal Years	
Operating Indicators by Function – Last Ten Fiscal Years	
Capital Asset Statistics by Department – Last Ten Fiscal Years	
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

## General Government Expenditures by Function

(GAAP Basis)\*

Last Ten Fiscal Years

(Amounts in thousands)

FUNCTION	Fiscal Year				
	2012	2011	2010	2009	2008
<b>General Government</b>	\$ 68,828	\$ 65,459	\$ 70,514	\$ 69,524	\$ 66,927
% of Total	2.8	2.7	2.9	3.1	3.1
% Change	5.1	(7.2)	1.4	3.9	2.6
<b>Public Safety</b>	\$ 524,476	\$ 516,725	\$ 511,365	\$ 521,898	\$ 509,293
% of Total	21.3	21.0	21.2	23.2	23.3
% Change	1.5	1.0	(2.0)	2.5	6.7
<b>Public Works</b>	\$ 84,727	\$ 105,318	\$ 96,641	\$ 112,168	\$ 108,831
% of Total	3.4	4.3	4.0	5.0	5.0
% Change	(19.6)	9.0	(13.8)	3.1	11.2
<b>Library</b>	\$ 30,069	\$ 30,532	\$ 29,853	\$ 31,268	\$ 27,089
% of Total	1.2	1.2	1.2	1.4	1.2
% Change	(1.5)	2.3	(4.5)	15.4	(13.2)
<b>Schools</b>	\$ 830,839	\$ 812,949	\$ 815,694	\$ 818,338	\$ 782,500
% of Total	33.8	33.0	33.8	36.4	35.8
% Change	2.2	(0.3)	(0.3)	4.6	5.2
<b>Retirement Costs</b>	\$ 220,340	\$ 195,976	\$ 235,282	\$ 82,332	\$ 95,193
% of Total	9.0	8.0	9.7	3.7	4.4
% Change	12.4	(16.7)	185.8	(13.5)	2.5
<b>Employee Benefits</b>	\$ 251,194	\$ 294,200	\$ 224,156	\$ 191,597	\$ 190,167
% of Total	10.2	12.0	9.3	8.5	8.7
% Change	(14.6)	31.2	17.0	0.8	8.1
<b>State &amp; District Assessments</b>	\$ 160,547	\$ 152,042	\$ 146,323	\$ 142,055	\$ 132,792
% of Total	6.5	6.2	6.1	6.3	6.1
% Change	5.6	3.9	3.0	7.0	6.9
<b>County</b>	\$ -	\$ -	\$ -	\$ -	\$ -
% of Total	0.0	0.0	0.0	0.0	0.0
% Change	0.0	0.0	0.0	0.0	0.0
<b>Property &amp; Development</b>	\$ 30,089	\$ 35,138	\$ 30,247	\$ 28,959	\$ 29,876
% of Total	1.2	1.4	1.3	1.3	1.4
% Change	(14.4)	16.2	4.4	(3.1)	(15.9)
<b>Other</b>	\$ 267,743	\$ 251,514	\$ 256,727	\$ 247,084	\$ 241,360
% of Total	10.9	10.2	10.6	11.0	11.1
% Change	6.5	(2.0)	3.9	2.4	7.4
<b>Total Expenditures</b>	\$ 2,468,852	\$ 2,459,853	\$ 2,416,802	\$ 2,245,223	\$ 2,184,028
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	0.4	1.8	7.6	2.8	5.6

\*General fund only

See accompanying independent auditor's report.

Fiscal Year					FUNCTION
2007	2006	2005	2004	2003	
\$ 65,223	\$ 57,262	\$ 57,471	\$ 30,061	\$ 53,343	<b>General Government</b>
3.3	2.9	3.0	1.7	3.1	% of Total
13.9	(0.4)	91.2	(43.6)	(30.7)	% Change
\$ 477,403	\$ 446,784	\$ 457,541	\$ 390,854	\$ 394,692	<b>Public Safety</b>
24.0	22.5	24.1	22.2	22.7	% of Total
6.9	(2.4)	17.1	(1.0)	(2.7)	% Change
\$ 97,897	\$ 101,441	\$ 106,749	\$ 87,045	\$ 86,819	<b>Public Works</b>
4.9	5.1	5.6	4.9	5.0	% of Total
(3.5)	(5.0)	22.6	0.3	16.3	% Change
\$ 31,225	\$ 28,365	\$ 27,594	\$ 24,089	\$ 27,715	<b>Library</b>
1.6	1.4	1.5	1.4	1.6	% of Total
10.1	2.8	14.6	(13.1)	(3.4)	% Change
\$ 743,848	\$ 719,715	\$ 673,009	\$ 656,291	\$ 654,958	<b>Schools</b>
37.4	36.2	35.5	37.3	37.6	% of Total
3.4	6.9	2.5	0.2	4.4	% Change
\$ 92,873	\$ 96,853	\$ 59,419	\$ 87,934	\$ 74,720	<b>Retirement Costs</b>
4.7	4.9	3.1	5.0	4.3	% of Total
(4.1)	63.0	(32.4)	17.7	(8.9)	% Change
\$ 175,862	\$ 157,885	\$ 142,721	\$ 129,937	\$ 114,512	<b>Employee Benefits</b>
8.8	7.9	7.5	7.4	6.6	% of Total
11.4	10.6	9.8	13.5	6.3	% Change
\$ 124,243	\$ 118,817	\$ 115,894	\$ 111,061	\$ 69,009	<b>State &amp; District Assessments</b>
6.3	6.0	6.1	6.3	4.0	% of Total
4.6	2.5	4.4	60.9	1.8	% Change
\$ -	\$ -	\$ -	\$ -	\$ 4,539	<b>County</b>
0.0	0.0	0.0	0.0	0.3	% of Total
0.0	0.0	0.0	0.0	0.0	% Change
\$ 35,506	\$ 33,322	\$ 29,836	\$ 31,088	\$ 29,260	<b>Property &amp; Development</b>
1.8	1.7	1.6	1.8	1.7	% of Total
6.6	11.7	(4.0)	6.2	(40.0)	% Change
\$ 224,703	\$ 226,885	\$ 225,187	\$ 210,451	\$ 230,292	<b>Other</b>
11.3	11.4	11.9	12.0	13.2	% of Total
(1.0)	0.8	7.0	(8.6)	9.4	% Change
\$ 2,068,783	\$ 1,987,329	\$ 1,895,421	\$ 1,758,811	\$ 1,739,859	<b>Total Expenditures</b>
104.1	100.0	100.0	100.0	100.0	% of Total
4.1	4.8	7.8	1.1	0.3	% Change

## General Government Revenues by Source

(GAAP Basis)\*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Property Taxes</b>	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371	\$ 1,316,734
% of Total	63.1	66.7	65.5	62.5	59.5
% Change	4.3	4.0	5.3	5.8	4.6
<b>Motor Vehicle Excises</b>	\$ 40,507	\$ 46,977	\$ 40,134	\$ 37,354	\$ 56,883
% of Total	1.6	2.1	1.8	1.7	2.6
% Change	(13.8)	17.1	7.4	(34.3)	66.9
<b>Other Excises</b>	\$ 147,065	\$ 77,237	\$ 80,986	\$ 78,100	\$ 58,926
% of Total	5.8	3.4	3.6	3.5	2.7
% Change	90.4	(4.6)	3.7	32.5	(10.4)
<b>Departmental &amp; Other</b>	\$ 78,438	\$ 65,498	\$ 74,861	\$ 82,087	\$ 79,030
% of Total	3.1	2.9	3.3	3.7	3.6
% Change	19.8	(12.5)	(8.8)	3.9	20.4
<b>State Distributions</b>	\$ 486,379	\$ 395,374	\$ 404,619	\$ 454,252	\$ 493,227
% of Total	19.3	17.3	18.0	20.4	22.3
% Change	23.0	(2.3)	(10.9)	(7.9)	1.8
<b>Payment in Lieu of Taxes</b>	\$ 63,066	\$ 65,461	\$ 67,265	\$ 56,686	\$ 56,667
% of Total	2.5	2.9	3.0	2.5	2.6
% Change	(3.7)	(2.7)	18.7	0.0	0.9
<b>Fines</b>	\$ 64,566	\$ 64,751	\$ 70,627	\$ 69,711	\$ 67,940
% of Total	2.6	2.8	3.1	3.1	3.1
% Change	(0.3)	(8.3)	1.3	2.6	0.6
<b>Investment Income</b>	\$ 982	\$ 4,733	\$ 3,246	\$ 18,289	\$ 37,822
% of Total	0.0	0.2	0.1	0.8	1.7
% Change	(79.3)	45.8	(82.3)	(51.6)	(12.2)
<b>Licenses &amp; Permits</b>	\$ 48,753	\$ 41,676	\$ 32,907	\$ 40,822	\$ 45,989
% of Total	1.9	1.8	1.5	1.8	2.1
% Change	17.0	26.6	(19.4)	(11.2)	13.0
<b>Total Revenues</b>	\$ 2,521,754	\$ 2,288,068	\$ 2,242,250	\$ 2,230,672	\$ 2,213,218
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	10.2	2.0	0.5	0.8	4.6

\*General fund only



		Fiscal Year								
2007		2006		2005		2004		2003		SOURCE
\$	1,258,878	\$	1,190,347	\$	1,138,254	\$	1,082,574	\$	1,053,945	Property Taxes
	59.5		56.5		59.5		59.3		58.7	% of Total
	5.8		4.6		5.1		2.7		6.4	% Change
\$	34,082	\$	62,328	\$	73,855	\$	38,135	\$	58,263	Motor Vehicle Excises
	1.6		3.0		3.9		2.1		3.2	% of Total
	(45.3)		(15.6)		93.7		(34.5)		36.2	% Change
\$	65,734	\$	45,033	\$	20,051	\$	47,219	\$	35,870	Other Excises
	3.1		2.1		1.0		2.6		2.0	% of Total
	46.0		124.6		(57.5)		31.6		(47.5)	% Change
\$	65,661	\$	51,992	\$	60,704	\$	45,556	\$	62,373	Departmental & Other
	3.1		2.5		3.2		2.5		3.5	% of Total
	26.3		(14.4)		33.3		(27.0)		0.3	% Change
\$	484,510	\$	557,418	\$	460,898	\$	459,836	\$	444,751	State Distributions
	22.9		26.4		24.1		25.2		24.8	% of Total
	(13.1)		20.9		0.2		3.4		(9.7)	% Change
\$	56,146	\$	60,584	\$	42,218	\$	42,373	\$	40,910	Payment in Lieu of Taxes
	2.7		2.9		2.2		2.3		2.3	% of Total
	(7.3)		43.5		(0.4)		3.6		12.6	% Change
\$	67,546	\$	67,876	\$	65,280	\$	66,342	\$	59,187	Fines
	3.2		3.2		3.4		3.6		3.3	% of Total
	(0.5)		4.0		(1.6)		12.1		(2.3)	% Change
\$	43,068	\$	32,351	\$	17,970	\$	8,253	\$	8,951	Investment Income
	2.0		1.5		0.9		0.5		0.5	% of Total
	33.1		80.0		117.7		(7.8)		(38.7)	% Change
\$	40,694	\$	40,353	\$	33,491	\$	33,900	\$	30,217	Licenses & Permits
	1.9		1.9		1.8		1.9		1.7	% of Total
	0.8		20.5		(1.2)		12.2		(9.3)	% Change
\$	2,116,319	\$	2,108,282	\$	1,912,721	\$	1,824,188	\$	1,794,467	Total Revenues
	100.0		100.0		100.0		100.0		100.0	% of Total
	0.4		10.2		4.9		1.7		(0.4)	% Change

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

	<b>Fiscal Year</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Governmental activities:</b>				
Invested in capital assets, net of related debt.....	\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389
Restricted .....	127,843	156,989	234,339	217,070
Unrestricted.....	(46,024)	(108,780)	(69,124)	221,418
<b>Total governmental activities net assets.....</b>	<b>\$ 524,597</b>	<b>\$ 450,855</b>	<b>\$ 592,312</b>	<b>\$ 822,877</b>
<b>Business-type activities:</b>				
Invested in capital assets, net of related debt.....	\$ -	\$ -	\$ -	\$ -
Restricted .....	-	14,832	14,901	-
Unrestricted.....	-	-	(52,069)	(42,803)
<b>Total business-type activities net assets.....</b>	<b>\$ -</b>	<b>\$ 14,832</b>	<b>\$ (37,168)</b>	<b>\$ (42,803)</b>
<b>Primary government:</b>				
Invested in capital assets, net of related debt.....	\$ 442,778	\$ 402,646	\$ 427,097	\$ 384,389
Restricted .....	127,843	171,821	249,240	217,070
Unrestricted.....	(46,024)	(108,780)	(121,193)	178,615
<b>Total primary government net assets.....</b>	<b>\$ 524,597</b>	<b>\$ 465,687</b>	<b>\$ 555,144</b>	<b>\$ 780,074</b>

See accompanying independent auditor's report.

## Fiscal Year

2008	2007	2006	2005	2004	2003
\$ 334,467	\$ 285,756	\$ 230,636	\$ 108,924	\$ 92,802	\$ (6,784)
234,902	280,949	276,769	294,453	258,940	210,077
405,878	592,425	545,940	556,773	155,816	120,009
<b>\$ 975,247</b>	<b>\$ 1,159,130</b>	<b>\$ 1,053,345</b>	<b>\$ 960,150</b>	<b>\$ 507,558</b>	<b>\$ 323,302</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
(50,997)	(70,008)	(78,251)	(84,482)	(89,654)	(82,582)
<b>\$ (50,997)</b>	<b>\$ (70,008)</b>	<b>\$ (78,251)</b>	<b>\$ (84,482)</b>	<b>\$ (89,654)</b>	<b>\$ (82,582)</b>
\$ 334,467	\$ 285,756	\$ 230,636	\$ 108,924	\$ 92,802	\$ (6,784)
234,902	280,949	276,769	294,453	258,940	210,077
354,881	522,417	467,689	472,291	66,162	37,427
<b>\$ 924,250</b>	<b>\$ 1,089,122</b>	<b>\$ 975,094</b>	<b>\$ 875,668</b>	<b>\$ 417,904</b>	<b>\$ 240,720</b>

## Changes in Net Assets

### Government-wide Financial Statements Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2012	2011	2010	2009
<b>EXPENSES:</b>				
Governmental activities:				
General government.....	\$ 108,499	\$ 80,968	\$ 106,435	\$ 103,420
Human services.....	48,103	49,974	52,310	48,896
Public safety.....	817,768	875,111	930,779	920,790
Public works.....	110,187	133,830	131,883	145,867
Property and development.....	114,753	117,871	118,456	105,581
Parks and recreation.....	34,651	31,956	31,204	30,026
Library.....	44,526	47,320	50,050	52,881
Schools.....	1,369,047	1,317,108	1,314,601	1,316,314
Public health programs.....	73,975	70,619	71,453	71,618
Interest on long-term debt.....	39,798	40,329	39,832	28,041
Other.....	-	-	-	-
Total governmental activities expenses.....	<u>2,761,307</u>	<u>2,765,086</u>	<u>2,847,003</u>	<u>2,823,434</u>
Business-type activities:				
Convention center.....	-	1,516	13,751	4,902
Hospital.....	2,523	3,336	3,635	3,924
Total business-type activities.....	<u>2,523</u>	<u>4,852</u>	<u>17,386</u>	<u>8,826</u>
<b>Total primary government expenses.....</b>	<b><u>\$ 2,763,830</u></b>	<b><u>\$ 2,769,938</u></b>	<b><u>\$ 2,864,389</u></b>	<b><u>\$ 2,832,260</u></b>
<b>PROGRAM REVENUES:</b>				
Governmental activities:				
Charges for services:				
Public safety.....	134,384	89,485	85,305	115,013
Public works.....	19,515	12,029	12,190	10,174
Schools.....	7,839	9,451	20,318	16,077
Other.....	48,522	33,410	39,236	28,562
Operating grants and contributions.....	574,653	501,441	547,812	594,914
Capital grants and contributions.....	35,337	33,338	12,555	56,517
Total governmental activities program revenues.....	<u>820,250</u>	<u>679,154</u>	<u>717,416</u>	<u>821,257</u>
Business-type activities:				
Operating grants and contributions.....	-	1,172	5,567	1,116
Total business-type activities program revenues.....	<u>-</u>	<u>1,172</u>	<u>5,567</u>	<u>1,116</u>
<b>Total primary government program revenues.....</b>	<b><u>\$ 820,250</u></b>	<b><u>\$ 680,326</u></b>	<b><u>\$ 722,983</u></b>	<b><u>\$ 822,373</u></b>

See accompanying independent auditor's report.

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

## Changes in Net Assets (continued)

### Government-wide Financial Statements

#### Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year		
	2012	2011	2010
<b>NET EXPENSE:</b>			
Governmental activities.....	\$ (1,941,057)	\$ (2,085,932)	\$ (2,129,587)
Business-type activities.....	(2,523)	(3,680)	(11,819)
<b>Total primary government net expense.....</b>	<b>\$ (1,943,580)</b>	<b>\$ (2,089,612)</b>	<b>\$ (2,141,406)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes.....	\$ 1,586,988	\$ 1,525,494	\$ 1,468,340
Excises.....	191,301	122,399	123,121
Payment in lieu of taxes.....	63,066	65,461	67,265
Grants and contributions not restricted.....	188,895	187,322	171,174
Investment income.....	10,887	21,724	17,221
Miscellaneous.....	7,084	23,195	21,901
Special items.....	11,450	-	-
Transfers.....	(44,872)	(1,120)	30,000
<b>Total governmental activities.....</b>	<b>2,014,799</b>	<b>1,944,475</b>	<b>1,899,022</b>
Business-type activities:			
Taxes:			
Excises.....	-	58,508	43,887
Investment income.....	2,688	3,561	3,567
Miscellaneous.....	(257)	(7,509)	-
Special items.....	(59,612)	-	-
Transfers.....	44,872	1,120	(30,000)
<b>Total business-type activities.....</b>	<b>(12,309)</b>	<b>55,680</b>	<b>17,454</b>
<b>Total primary government.....</b>	<b>\$ 2,002,490</b>	<b>\$ 2,000,155</b>	<b>\$ 1,916,476</b>
<b>CHANGES IN NET ASSETS:</b>			
Governmental activities.....	\$ 73,742	\$ (141,457)	\$ (230,565)
Business-type activities.....	(14,832)	52,000	5,635
<b>Total primary government.....</b>	<b>\$ 58,910</b>	<b>\$ (89,457)</b>	<b>\$ (224,930)</b>

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ (2,002,177)	\$ (1,985,214)	\$ (1,638,384)	\$ (1,545,673)	\$ (1,455,102)	\$ (1,271,800)	\$ (1,379,798)
(7,710)	(8,127)	(9,029)	(12,192)	(10,972)	(19,570)	(36,790)
<b>\$ (2,009,887)</b>	<b>\$ (1,993,341)</b>	<b>\$ (1,647,413)</b>	<b>\$ (1,557,865)</b>	<b>\$ (1,466,074)</b>	<b>\$ (1,291,370)</b>	<b>\$ (1,416,588)</b>
\$ 1,389,218	\$ 1,316,165	\$ 1,261,159	\$ 1,195,564	\$ 1,136,487	\$ 1,103,003	\$ 1,005,684
115,237	97,262	111,079	94,743	100,888	91,551	95,157
56,686	56,668	56,146	60,584	42,218	42,373	40,910
230,475	259,931	246,538	225,731	231,258	171,976	234,719
22,584	47,072	52,528	42,082	28,072	18,304	18,655
12,107	1,531	539	2,164	2,344	11,849	33,245
-	(298)	(3,820)	-	348,427	-	-
27,000	23,000	20,000	18,000	18,000	17,000	18,000
1,853,307	1,801,331	1,744,169	1,638,868	1,907,694	1,456,056	1,446,370
36,605	40,342	35,092	30,503	28,028	23,845	23,348
6,299	9,796	2,180	5,920	6,116	5,653	8,377
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(27,000)	(23,000)	(20,000)	(18,000)	(18,000)	(17,000)	(18,000)
15,904	27,138	17,272	18,423	16,144	12,498	13,725
<b>\$ 1,869,211</b>	<b>\$ 1,828,469</b>	<b>\$ 1,761,441</b>	<b>\$ 1,657,291</b>	<b>\$ 1,923,838</b>	<b>\$ 1,468,554</b>	<b>\$ 1,460,095</b>
\$ (148,870)	\$ (183,883)	\$ 105,785	\$ 93,195	\$ 452,592	\$ 184,256	\$ 66,572
8,194	19,011	8,243	6,231	5,172	(7,072)	(23,065)
<b>\$ (140,676)</b>	<b>\$ (164,872)</b>	<b>\$ 114,028</b>	<b>\$ 99,426</b>	<b>\$ 457,764</b>	<b>\$ 177,184</b>	<b>\$ 43,507</b>

## Fund Balances of Governmental Funds

### Last Ten Fiscal Years

(Amounts in thousands)

	2012	2011
<b>General Fund</b>		
Assigned.....	177,942	141,891
Unassigned.....	511,755	511,040
<b>Total general fund.....</b>	<b>\$ 689,697</b>	<b>\$ 652,931</b>
<b>All other Governmental Funds</b>		
Nonspendable.....	4,974	4,974
Restricted.....	177,685	195,333
Assigned.....	98,557	80,975
<b>Total all other governmental funds.....</b>	<b>\$ 281,216</b>	<b>\$ 281,282</b>

	2010	2009
<b>General Fund</b>		
Reserved for:		
Encumbrances.....	\$ 36,808	\$ 37,534
Debt service.....	-	-
Unreserved:		
Designated for subsequent years expenditures.....	123,103	240,824
Undesignated.....	547,282	550,329
<b>Total general fund.....</b>	<b>\$ 707,193</b>	<b>\$ 828,687</b>
<b>All Other Governmental Funds</b>		
Reserved for:		
Encumbrances.....	\$ 136,138	\$ 116,878
Debt service.....	-	-
Future appropriations.....	24,108	30,087
Unreserved:		
Undesignated:		
Special revenue.....	123,714	138,594
Capital projects.....	(65,024)	(74,168)
Reported in permanent funds.....	37,098	35,743
<b>Total all other governmental funds.....</b>	<b>\$ 256,034</b>	<b>\$ 247,134</b>



Fiscal Year

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

## Changes in Fund Balances of Governmental Funds

### Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2012	2011	2010	2009
<b>REVENUES:</b>				
Real and personal property taxes.....	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605	\$ 1,393,371
Excises.....	187,572	124,214	121,120	115,454
Payments in lieu of taxes.....	63,066	65,461	67,265	56,686
Fines.....	64,593	64,772	70,649	69,723
Investment Income.....	4,137	11,956	8,907	15,275
Licenses and permits.....	48,838	41,750	32,907	41,130
Departmental and other.....	123,042	103,003	91,468	104,208
Intergovernmental.....	772,491	707,754	742,464	875,912
<b>Total revenues.....</b>	<b>2,855,737</b>	<b>2,645,271</b>	<b>2,602,385</b>	<b>2,671,759</b>
<b>EXPENDITURES:</b>				
General government.....	85,951	78,573	78,148	81,905
Human services.....	35,406	36,008	38,014	37,307
Public safety.....	552,785	526,332	523,515	529,425
Public works.....	90,214	109,635	105,123	121,422
Property and development.....	109,707	111,607	117,394	93,408
Parks and recreation.....	22,795	19,766	17,534	18,195
Library.....	31,799	33,556	33,431	36,634
Schools.....	1,004,168	974,832	962,703	973,327
Public health programs.....	73,736	70,380	71,214	71,393
County.....	-	-	69,040	129,603
Judgments and claims.....	3,871	811	10,181	9,946
Retirement costs.....	220,340	195,976	235,282	82,332
Other employee benefits.....	251,194	294,200	224,156	191,597
State and district assessments.....	160,547	152,042	146,323	142,055
Capital outlays.....	188,377	140,405	126,668	141,309
Debt service:				
Principal .....	99,435	91,690	91,784	87,700
Interest.....	38,784	42,092	41,300	31,594
<b>Total Expenditures.....</b>	<b>2,969,109</b>	<b>2,877,905</b>	<b>2,891,810</b>	<b>2,779,152</b>
<b>Deficiency of revenues under expenditures.....</b>	<b>(113,372)</b>	<b>(232,634)</b>	<b>(289,425)</b>	<b>(107,393)</b>
<b>OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS:</b>				
Long-term debt and capital leases issued.....	146,835	156,109	144,492	113,962
Issuance of refunding bonds.....	110,100	52,720	68,345	40,425
Payments to refunded bonds escrow agent.....	(95,876)	(15,490)	(73,640)	(42,230)
Premiums on long-term debt issued.....	33,885	11,401	7,634	8,087
Transfers, net.....	(44,872)	(1,120)	30,000	27,000
<b>Total other financing sources (uses) and special items.....</b>	<b>150,072</b>	<b>203,620</b>	<b>176,831</b>	<b>147,244</b>
<b>Net change in fund balances.....</b>	<b>\$ 36,700</b>	<b>\$ (29,014)</b>	<b>\$ (112,594)</b>	<b>\$ 39,851</b>
<b>Debt Service as a percentage of noncapital expenditures.....</b>	<b>4.99%</b>	<b>4.80%</b>	<b>4.83%</b>	<b>4.51%</b>

See accompanying independent auditor's report.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 1,316,734	\$ 1,258,878	\$ 1,190,347	\$ 1,138,254	\$ 1,082,574	\$ 1,053,945
115,809	99,816	107,361	93,906	85,354	94,133
56,667	56,146	60,584	42,218	42,373	40,910
68,090	67,557	67,894	65,297	66,361	59,206
38,554	43,818	32,892	18,322	8,480	9,490
46,049	40,759	40,424	33,565	33,970	30,274
111,982	124,369	109,768	122,600	89,451	79,679
850,392	843,503	944,427	802,029	827,308	769,193
<b>2,604,277</b>	<b>2,534,846</b>	<b>2,553,697</b>	<b>2,316,191</b>	<b>2,235,871</b>	<b>2,136,830</b>
81,877	77,390	67,325	84,508	39,788	66,053
38,575	35,031	34,884	32,499	31,979	31,969
530,379	505,981	476,788	481,879	411,906	417,811
122,038	106,939	110,402	109,468	87,331	87,005
102,682	102,399	105,071	86,990	117,687	93,111
17,928	17,354	16,107	16,709	12,490	15,453
32,051	36,391	34,035	33,173	29,498	32,901
931,569	898,622	869,400	808,001	780,647	786,341
68,394	65,333	63,267	62,296	58,848	63,897
121,180	114,218	106,270	101,832	102,044	100,991
1,967	2,257	11,590	6,620	(3,544)	2,880
95,193	92,873	96,853	59,419	87,934	74,720
190,167	175,862	157,885	142,721	129,937	114,512
132,792	124,243	118,817	115,894	111,061	69,009
183,244	131,413	105,815	91,462	134,879	167,862
83,460	82,280	76,565	84,855	85,930	86,060
32,311	30,932	133,481	34,793	38,062	73,965
<b>2,765,807</b>	<b>2,599,518</b>	<b>2,584,555</b>	<b>2,353,119</b>	<b>2,256,477</b>	<b>2,284,540</b>
<b>(161,530)</b>	<b>(64,672)</b>	<b>(30,858)</b>	<b>(36,928)</b>	<b>(20,606)</b>	<b>(147,710)</b>
153,510	115,051	89,871	84,609	84,786	216,824
28,155	85,425	-	52,775	78,200	91,710
(28,565)	(85,350)	-	(103,744)	(40,426)	(130,740)
8,402	4,378	3,872	10,409	11,775	12,100
23,000	20,000	18,000	18,000	17,000	18,000
-	-	-	-	-	-
<b>184,502</b>	<b>139,504</b>	<b>111,743</b>	<b>62,049</b>	<b>151,335</b>	<b>207,894</b>
<b>\$ 22,972</b>	<b>\$ 74,832</b>	<b>\$ 80,885</b>	<b>\$ 25,121</b>	<b>\$ 130,729</b>	<b>\$ 60,184</b>
4.44%	4.58%	8.44%	5.27%	5.81%	7.48%

## Assessed and Estimated Actual Value of All Taxable Property

### Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Real Property			Personal Property	Total Assessed Value <sup>(1)</sup>	Total Direct Tax Rate <sup>(b) (c)</sup>
	Residential Value <sup>(a)</sup>	Commercial Value	Industrial Value	Assessed Value		
2012	\$ 57,517,785	\$ 25,790,869	\$ 675,290	\$ 4,516,466	\$ 88,500,410	\$ 19.18
2011	56,563,231	25,171,149	679,520	4,386,681	86,800,581	19.15
2010	56,279,025	25,931,406	798,982	4,247,118	87,256,531	18.09
2009	57,465,174	28,198,212	809,682	3,914,103	90,387,171	16.63
2008	59,387,385	26,011,520	875,894	3,792,499	90,067,298	16.06
2007	59,293,474	22,937,239	769,744	3,515,648	86,516,105	15.99
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

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

(a) Exempt residential properties not included.

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

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

Source: City of Boston Assessing Department

## Property Tax Rates Direct and Overlapping Governments <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

### Last Ten Fiscal Years

Fiscal Year	Class	City General	Total	% Change	Total Direct <sup>(1)</sup>
2012	Residential	\$ 13.04	\$ 13.04	2.0%	19.18
	C.I.P.	31.92	31.92	2.8%	
2011	Residential	12.79	12.79	7.7%	19.15
	C.I.P.	31.04	31.04	5.7%	
2010	Residential	11.88	11.88	11.8%	18.09
	C.I.P.	29.38	29.38	8.4%	
2009	Residential	10.63	10.63	(3.1%)	16.63
	C.I.P.	27.11	27.11	4.6%	
2008	Residential	10.97	10.97	(0.2%)	16.06
	C.I.P.	25.92	25.92	(3.5%)	
2007	Residential	10.99	10.99	(1.2%)	15.99
	C.I.P.	26.87	26.87	(12.5%)	
2006	Residential	11.12	11.12	3.6%	17.42
	C.I.P.	30.70	30.70	(6.1%)	
2005	Residential	10.73	10.73	5.7%	17.84
	C.I.P.	32.68	32.68	(1.2%)	
2004	Residential	10.15	10.15	(10.1%)	17.72
	C.I.P.	33.08	33.08	5.0%	
2003	Residential	11.29	11.29	2.5%	19.15
	C.I.P.	31.49	31.49	3.8%	

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

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

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

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

See accompanying independent auditor's report.

## Largest Principal Taxpayers <sup>(1)</sup>

### Current and Nine Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Blackstone Real Estate Partners.....	\$ 2,619,952,700	1	2.96%	\$ -	-	-
Boston Properties (2).....	2,117,084,330	2	2.39%	-	-	-
NSTAR/Boston Edison Company.....	1,683,367,421	3	1.90%	1,279,225,784	2	2.22%
Tishman Speyer Properties .....	872,827,900	4	0.99%	-	-	-
Fort Hill Associates.....	665,163,090	5	0.75%	611,018,000	5	1.06%
Brookfield Properties Corporation.....	633,315,510	6	0.72%	-	-	-
Teacher's Insurance and Annuity Association .....	588,725,000	7	0.67%	-	-	-
National Grid Inc.....	457,759,220	8	0.52%	-	-	-
UIDC of Massachusetts, Inc. ....	438,455,100	9	0.50%	398,065,500	9	0.69%
One Hundred Federal Street, LPS .....	415,874,110	10	0.47%	-	-	-
Fortis Property Group .....	398,635,480	11	0.45%	-	-	-
John Hancock Financial.....	395,647,060	12	0.45%	719,749,600	4	1.25%
Dewey Square Tower Associates .....	390,262,060	13	0.44%	-	-	-
Mass Joint Venture.....	-	-	-	380,302,488	10	0.66%
Equity Office Properties .....	-	-	-	2,016,224,000	1	3.50%
BP Prudential.....	-	-	-	815,565,200	3	1.42%
World Financial Partners.....	-	-	-	587,902,000	6	1.02%
TST (One Twenty Five High Street).....	-	-	-	483,259,500	7	0.84%
Verizon.....	-	-	-	437,468,747	8	0.76%
	<u>\$ 11,677,068,981</u>		<u>13.19%</u>	<u>\$ 7,728,780,819</u>		<u>13.43%</u>

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

(2) Boston Properties purchased the Hancock Tower from Normandy Real Estate in December, 2010. The Hancock Tower was reflected in Normandy's real estate figure last year since they were the owner of record as of the fiscal 2011 assessment date of January 1, 2010. For fiscal 2012, the Hancock Tower is reflected in Boston Properties' real estate figure. This move lowered Normandy's fiscal 2012 tax liability below \$10.0 million.

Source: City of Boston Assessing and Treasury Departments

## Property Tax Levies and Collections

### Last Ten Fiscal Years

(amounts in millions)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 1,615.9	\$ 1,597.8	98.88%	-	\$ 1,597.8	98.88%
2011	1,541.1	1,523.5	98.86%	7.3	1,530.8	99.33%
2010	1,465.5	1,447.2	98.75%	7.7	1,454.9	99.28%
2009	1,398.9	1,382.3	98.81%	7.9	1,390.2	99.38%
2008	1,334.6	1,317.2	98.70%	7.2	1,324.4	99.24%
2007	1,270.8	1,245.2	97.99%	13.3	1,258.5	99.03%
2006	1,208.2	1,184.5	98.04%	11.3	1,195.8	98.97%
2005	1,150.1	1,127.2	98.01%	13.2	1,140.4	99.16%
2004	1,094.2	1,071.1	97.89%	19.6	1,090.7	99.68%
2003	1,035.9	1,016.3	98.11%	8.9	1,025.2	98.97%
2002	972.7	958.8	98.57%	6.9	965.7	99.28%

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

Source: City of Boston Treasury Department

## Ratios of Outstanding Debt by Type

### Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Notes Payable (1)	Capital Lease Agreements	Convention Center Special Obligation Bonds	Boston City Hospital Special Obligation Bonds
2012	\$ 1,070,660	\$ 40,382	\$ 32,566	\$ -	\$ -
2011	1,026,305	36,602	28,123	-	73,080
2010	952,830	40,285	35,504	93,505	80,605
2009	916,820	32,611	39,545	97,085	87,840
2008	903,215	35,421	36,773	100,485	94,800
2007	860,915	34,170	24,386	103,715	101,490
2006	839,125	51,400	17,620	106,785	107,985
2005	835,690	149,603	13,413	109,700	114,290
2004	893,485	150,676	12,600	112,480	120,415
2003	873,875	137,589	17,492	114,790	127,800
2002	829,465	127,279	26,036	116,890	141,095

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Includes Bond Anticipation Notes, MWPAT Notes, and Other Notes.

(2) See page 132 for the City's total personal income data.

(3) See page 132 for the City's population data.



		<b>% of Total</b>	
<b>Total Primary</b>		<b>Personal Income</b>	
<b>Government</b>		<b>(2)</b>	
		<b>Per Capita <sup>(3)</sup></b>	
\$	1,143,608	3.04%	\$ 1.83
	1,164,110	3.09%	1.80
	1,202,729	3.19%	1.86
	1,173,901	2.98%	1.82
	1,170,694	3.02%	1.84
	1,124,676	2.98%	1.81
	1,122,915	3.20%	1.83
	1,222,696	3.78%	2.01
	1,289,656	4.21%	2.12
	1,271,546	4.42%	2.09
	1,240,765	4.42%	2.04

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

### Last Ten Fiscal Years

(Amounts in thousands, except per capita amount)

Fiscal Year	General Bonded Debt Outstanding	Assessed Value ( <sup>1</sup> )	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita ( <sup>2</sup> )
2012	1,070,660	88,500,410	1.2%	1.71
2011	1,026,305	86,800,582	1.2%	1.59
2010	952,830	87,256,531	1.1%	1.48
2009	916,820	90,387,171	1.0%	1.42
2008	903,215	90,067,298	1.0%	1.42
2007	860,915	86,516,105	1.0%	1.38
2006	839,125	74,738,001	1.1%	1.37
2005	835,690	69,253,529	1.2%	1.37
2004	893,485	66,141,730	1.4%	1.47
2003	873,875	57,533,345	1.5%	1.44
2002	829,465	54,189,299	1.5%	1.36

(1) See page 122 for the City's total assessed value of property.

(2) See page 132 for the City's population data.



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## Legal Debt Margin Information

### Last Ten Fiscal Years

(Amounts in thousands)

	2012	2011	2010	2009	2008
Debt limit.....	\$ 5,301,711	\$ 5,301,711	\$ 5,293,826	\$ 4,387,466	\$ 4,387,466
Total net debt applicable to limit.....	1,399,004	1,345,702	1,257,207	369,724	1,187,532
Legal debt margin.....	<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>	<u>\$ 4,017,742</u>	<u>\$ 3,199,934</u>
Total net debt applicable to the limit as a percentage of debt limit.....	26.39%	25.38%	23.75%	8.43%	27.07%

### Legal Debt margin Calculation for Fiscal Year 2012

Equalized valuation as of January 31, 2011 (1).....	\$ 106,034,217
Maximum debt limits as of July 1, 2012 (2).....	5,301,711
Less: Debt outstanding June 30, 2011 .....	(844,578)
Less: Debt authorized but unissued as of June 30, 2011 (3).....	<u>(480,421)</u>
Debt incurring capacity as of June 30, 2011.....	3,976,712
 Add: Debt redeemed during fiscal year 2012.....	76,917
Less: City Council Authorizations during fiscal year 2012 (3).....	(172,814)
Debt Adjustments approved through fiscal year 2012.....	-
Add: Increase in normal debt limit based on new equalized valuation effective January 31, 2012.....	-
Add: Refunded amounts.....	<u>5,422</u>
Debt incurring capacity as of June 30, 2012.....	<u><u>\$ 3,886,237</u></u>

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

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

(3) The debt authorized but unissued as of June 30, 2011 and City Council authorizations during fiscal year 2012 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

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

## Demographic and Economic Statistics

### Last Ten Calendar Years

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Total Personal Income (in thousands) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
2012	N/A	N/A	N/A	N/A
2011	625,087	N/A	N/A	7.1%
2010	617,594	\$ 37,658,412	\$ 60,976	8.0%
2009	645,169	39,339,825	60,976	7.6%
2008	636,748	38,826,315	60,976	5.2%
2007	622,748	37,704,838	60,546	4.4%
2006	612,192	35,062,332	57,273	4.9%
2005	609,690	32,313,638	53,000	5.2%
2004	607,367	30,633,188	50,436	5.6%
2003	607,871	28,780,755	47,347	6.4%
2002	607,931	28,060,850	46,158	5.9%

N/A = Information not available for this fiscal year

(1) Source: The City's Official Statement dated September .

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

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

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

## Principal Employers

### Current and Nine Years Ago

<u>Employer</u>	<u>2012</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Massachusetts General Hospital.....	14,207	1	2.15%	16,146	1	2.52%
Brigham and Women's Hospital.....	11,607	2	1.76%	11,225	2	1.75%
Boston University.....	9,301	3	1.41%	9,087	4	1.42%
Children's Hospital, Boston.....	7,603	4	1.15%	3,832	9	0.60%
Beth Israel Deaconess Medical Center.	7,192	5	1.09%	10,861	3	1.69%
Liberty Mutual Holding Company Inc...	7,125	6	1.08%			
State Street Bank & Trust Co.....	5,600	7	0.85%			
Fidelity.....	5,457	8	0.83%	8,000	5	1.25%
Boston Medical Center Corporation.....	4,875	9	0.74%	4,000	8	0.62%
Tufts Medical Center.....	3,915	10	0.59%			
New England Medical Center.....				5,508	6	0.86%
Northeastern University.....				4,417	7	0.69%
Harvard University.....				3,654	10	0.57%
Total	<u>76,882</u>		<u>11.64%</u>	<u>76,730</u>		<u>11.97%</u>

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

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

Note 3: Most recent data from this table is from 2011.

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

## Full-Time Equivalent City Government Employees by Department <sup>(1)</sup>

### Last Ten Fiscal Years

	Fiscal Year				
	2012	2011	2010	2009	2008 <sup>(5)</sup>
<b>CITY-FUNDED:</b>					
Public safety (2).....	4,446	4,476	4,431	4,685	4,737
Public works.....	350	359	378	388	404
Other city departments (3).....	2,565	2,596	2,712	2,841	2,771
Boston Public Health Commission (4) .....	803	794	797	820	752
Schools.....	8,052	8,047	8,211	8,572	8,476
<b>Total city-funded.....</b>	<b>16,216</b>	<b>16,272</b>	<b>16,529</b>	<b>17,306</b>	<b>17,140</b>
<b>GRANT-FUNDED:</b>					
Schools.....	759	792	754	755	912
All others (6).....	307	292	378	1,433	1,391
<b>Total grant-funded.....</b>	<b>1,066</b>	<b>1,084</b>	<b>1,132</b>	<b>2,188</b>	<b>2,303</b>
<b>Total employees.....</b>	<b>17,282</b>	<b>17,356</b>	<b>17,661</b>	<b>19,494</b>	<b>19,443</b>

(1) The methodology used in compiling this data was established jointly by the City and the Boston Municipal Research Bureau.

(2) Public Safety includes both the Police Department and the Fire Department

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

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

(5) Prior years restated to include part-time school custodians.

(6) Does not include grants managed by the Boston Public Health Commission.



## Fiscal Year

2007 <sup>(5)</sup>	2006	2005	2004	2003
4,554	4,421	4,451	4,393	4,608
418	415	424	409	426
2,747	2,772	2,739	2,762	2,913
750	738	743	728	745
8,300	8,087	8,009	7,792	8,440
<b>16,769</b>	<b>16,433</b>	<b>16,366</b>	<b>16,084</b>	<b>17,132</b>
963	954	924	866	934
1,429	1,491	1,449	1,468	1,480
<b>2,392</b>	<b>2,445</b>	<b>2,373</b>	<b>2,334</b>	<b>2,414</b>
<b>19,161</b>	<b>18,878</b>	<b>18,739</b>	<b>18,418</b>	<b>19,546</b>

## Operating Indicators by Function

### Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Police</b>					
Service calls answered.....	598,280	543,424	621,794	577,126	577,163
Moving/traffic violations .....	108,520	107,822	138,441	137,217	132,546
Parking violations as of June 30.....	1,424,098	1,435,022	1,571,688	1,591,832	1,529,537
<b>Fire</b>					
Calls answered.....	72,511	71,244	69,859	71,247	70,176
Inspections conducted.....	25,112	24,297	23,900	22,093	23,810
<b>Library</b>					
Personnel full-time.....	384	385	431	464	518
Personnel part-time.....	49	54	57	96	158
Central and branch libraries.....	26	26	26	27	27
Books, audio and video materials, newspapers, and magazines in circulation.....	3,796,679	3,534,413	3,587,136	3,403,538	3,116,540
Library cards in force.....	524,054	510,966	543,628	518,080	552,797
<b>Schools</b>					
Student enrollment as of June 30.....	56,535	56,789	56,219	56,144	56,074
<b>Streets, sidewalks, and bridges</b>					
Streets in miles.....	988	988	968	810	809
<b>Hospitals</b>					
Births as of June 30.....	20,540	21,568	21,064	21,387	8,430
Deaths as of June 30.....	7,090	7,572	6,987	7,185	3,043

## Fiscal Year

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

## Capital Asset Statistics by Department

### Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Police</b>					
Officers and personnel.....	2,913	2,948	2,885	3,011	3,085
Stations.....	11	11	11	11	11
<b>Fire</b>					
Officers and personnel.....	1,559	1,559	1,557	1,573	1,525
Stations.....	35	35	35	35	35
<b>Parks and Recreation</b>					
Personnel (Parks Division).....	219	218	212	224	224
Neighborhood (city) parks.....	251	251	251	257	257
Neighborhood (city) playgrounds – Tot Lots.....	128	128	128	132	129
Community Centers – (BCYF operated).....	38	38	45	46	46
Golf courses.....	2	2	2	2	2
Swimming pools (BCYF operated).....	17	17	21	23	20
Tennis courts.....	78	78	78	67	67
<b>Public Education</b>					
Total number of Boston Public Schools employees.....	9,806	9,982	9,240	9,188	9,754
Total number of schools.....	128	135	135	135	144
<b>Public Works</b>					
Traffic signals (signalized intersections).....	837	833	823	813	800
Parking meters (approximately).....	7,861	7,195	7,304	7,038	6,300
Bridges.....	4	4	4	4	4
<b>Hospitals</b>					
Number of hospitals.....	22	20	20	22	22
Patient beds.....	5,618	5,584	5,564	5,629	5,618

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