

City of Boston
Massachusetts



***Comprehensive Annual
Financial Report***

Fiscal Year Ended June 30, 2014

Martin J. Walsh, Mayor

David Sweeney, Chief Financial Officer & Collector Treasurer

Sally D. Glora, City Auditor

Prepared by the City of Boston Auditing Department



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December 23, 2014

*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, 2014. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB), and meets all requirements of state finance law of the Commonwealth of Massachusetts, as well as the City Charter.

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

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

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected KPMG LLP to perform the June 30, 2014 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review to help assure a fair presentation of the City's financial position and results of operations.

The City also undergoes an annual audit of its federal grant funds as required by the *Single Audit Act* and *Office of Management and Budget Circular A-133*. KPMG LLP issues separate reports on the City's internal control systems and compliance with applicable laws and regulations that meet the requirements of the Single Audit Act. A substantial focus of the Single Audit is to evaluate the City's internal control structure. The evaluation includes testing a significant number of the major federal

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

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

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.

The City's Mayor, Martin J. Walsh, was elected to serve a 4 year-term from January 2014 through January 2018 and was sworn in on January 6, 2014 as the City's 54th Mayor. Prior to his service as Mayor, Mayor Walsh was a member of the Massachusetts House of Representatives, serving as the State Representative from the Thirteenth Suffolk District from 1997 through 2013. Mayor Walsh has worked tirelessly towards making Boston a city where everyone has the opportunity to succeed and is an accomplished advocate for working people; committed to community, equality and opportunity for every resident and neighborhood.

Mayor Walsh replaced the City's longest serving mayor, Thomas M. Menino, who was first elected in 1993 and retired after serving his fifth and final term. For more than two decades, Mayor Menino served the City of Boston and its residents with unparalleled vision and leadership. Through his final term, and for all of his years as Mayor, he remained 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 expenditures.

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

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

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

Local Economy

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

In 2013, Boston had a population of 645,966 as reported by the U.S. Census Bureau, and 686,239 jobs, as stated by the 2012 U.S. Bureau of Economic Analysis. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, the City's economy comprises approximately 16% of the Massachusetts economy and 7.4% of that of the six New England states.

As a government center, the City is the capital of the Commonwealth and is host to several other governmental agencies. According to the Boston Redevelopment Authority, there were an estimated 77,303 federal, state, and local government workers in the City in 2012. 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 institutions' 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 2012, there were an estimated 127,000 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 154,800 students, according to data from the City of Boston's University Accountability Ordinance report and the U.S. Department of Education.

Boston has successfully weathered the storm of the most recent recession. Employment in the City has stabilized and by December 2013, Boston's unemployment rate of 6.2% was better than the U.S. Rate of 6.7%, as well as the rates for Massachusetts and New England, which were 7.0% and 6.8%, respectively. The average wage for jobs in Boston in 2011 was 67.0% and 34.0% above the U.S. and State averages, respectively. In addition to falling unemployment and sustained high wages, Boston's

economic recovery shows in the recent spike in construction activity. For the year 2013, foreclosure deeds had declined to an annual total of 94, a total drop of 92.0% from 2008.

Financial markets have continued to express confidence in Boston's fiscal health during the past year. In March 2014, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa, while the rating service bureau Standard and Poor's increased the rating to AAA. The credit reports from both agencies highlighted Boston's strong management throughout economic cycles as well as having historically strong reserves while exhibiting positive financial performance.

Financial Overview

In fiscal year 2014, the GAAP General Fund equity increased to \$784.3 million, thus allowing the City to preserve its policy of maintaining a GAAP unassigned fund balance in the General Fund that is 15.0% or higher than the current fiscal year's GAAP General Fund operating expenditures. The GAAP unassigned fund balance at the end of fiscal year 2014 was \$532.9 million and \$251.4 million was assigned. The unassigned fund balance represents approximately 19.4% of GAAP General Fund operating expenditures.

The City is required to have a balanced budget in accordance with Massachusetts General Laws (M.G.L.), Chapter 59, Section 23. As part of the State Department of Revenue's tax rate certification process, the City must balance all appropriations, fixed costs, and prior year deficits with the approved property tax levy, estimated local revenues, and available prior year surpluses in order to obtain authorization to issue property tax bills. Approximately 67% of the City's revenues come from the property tax levy; however, the increase in the levy from year to year is limited by state law.

The City's second largest source of revenue, state aid, increased by \$19.1 million in fiscal year 2014. In fiscal year 2015, the state aid is expected to decrease slightly by 1.1%. Grant awards from the federal government and those passed through the Commonwealth continue to support personnel retention in Boston Public Schools. Please see the *Management's Discussion and Analysis* Section for additional information on financial trends.

Boston's health insurance costs have dramatically increased over the last decade, compared to other City costs over the same period. However, in FY13 and FY14 the City experienced a temporary reprieve from annual health cost increases, and an actual decrease in total costs, due to several efforts by the City, its unions, and the state legislature. A similar decrease is expected in FY15. Other Employee Benefits and Retirement Costs represented 15.0% of the General Fund budget and is the same as in fiscal year 2013. Boston Public Schools' employees are funded for healthcare in the Schools' budget and Boston Public Schools' teachers' pension is funded by the state, therefore these expenses are not included in the budget for Other Employee Benefits and Retirement Costs. Employees and retirees continue to contribute a larger portion of health care costs and Medicare is beginning to pay its full share of the City's health claims. This combined with statewide municipal healthcare reform legislation passed in fiscal year 2011 is expected to save the City \$70.0 million through fiscal year 2015.

In fiscal year 2014, in order to partially fund the annual required contribution associated with the other postemployment benefits (OPEB) liability, the City appropriated \$40.0 million from the General Fund into the OPEB Liability Trust Fund. The City's OPEB financing plan balances the duty to deliver valuable public services while acknowledging the cost of providing health benefits for our employees, both now and when they retire. More details and information on the OPEB liability can be found in note 12 to the Financial Statements.

Ninety-one percent of the City's workforce is represented by one of 40 different unions. Collectively, these unions represent approximately 18,700 employees. Thirty-nine of these unions have reached an agreement on a six year contract that began in 2010 or 2011 and will expire in 2016 or 2017. These settled contracts cover 99.0% of the City's unionized employees. Each agreement is six years in duration and the civilian unions contain the same general wage pattern, roughly 12% over the six years. The City and the Boston Police Patrolmen's Association received an arbitration award in September 2013 which included an increase of approximately 25.4% over six years. The City subsequently reached voluntary agreements with police superiors and superior detectives. The police award and agreements as well as the civilian settlements are in effect through 2016. The City is currently in mediation with the detectives union. The City and the fire union also agreed to a contract which increased salaries by 18.8% over six years through 2017. As a result, the Collective Bargaining Reserve decreased \$15.4 million, or 73.0%, as of June 30, 2014.

The FY2015 budget priorities represent *One Boston Moving Forward*. In his first budget, Mayor Walsh has identified several priorities: strengthening the economy and creating 21st century jobs along with 21st century workforce; improving public safety and combating gun violence; ensuring that Boston Public Schools enable every child from every neighborhood to succeed; creating a comprehensive plan for the development of housing that meets a range of needs; and increasing accountability and transparency in government. The budget represents his values and seeks to create an environment that promotes equity, builds community and helps fulfill Boston's great promise. Mayor Walsh put forward this budget, which balances the City's need to spend responsibly while also meeting essential current needs and building toward Boston's future, to ensure that Boston's next chapter is its best chapter.

Long Term Financial Planning

Boston's five-year \$1.9 billion capital plan, "Building a Better Boston," 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 vitality, 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 fiscal year 2015-2019 capital plan includes not only several large transformative projects but also large-scale planning efforts that will help frame and give context to future capital investments. All projects in the capital plan are categorized as Upkeep, New/Major Renovation, Upgrade, and Planning or Matching Funds. The Capital Budgeting Program of the Office of Budget Management (OBM) tracks the overall distribution of these categories to maintain a balance between the upkeep of existing assets and the expansion or introduction of new ones. The distribution of allocations for fiscal year 2015 – 42.0% for New/Major

Rehabilitations, 23.0% for Upgrades, 32.0% for Upkeep, 3.0% for planning and matching fund requirements – maintains the relative balance of these project categories.

Financing for the fiscal year 2015-2019 Capital Plan comes from General Obligation (G.O.) bonds, state and federal funds, trust funds, and other funds. G.O. bonds represent 69.4% of all project funding. The capital plan assumes \$700.0 million in new G.O. borrowings over the next five years to support ongoing capital needs. Effective debt management ensures that the City can meet its capital infrastructure and facility needs. The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market. More details and information on the Long-Term Obligations can be found in note 10 to the Financial Statements.

State and federal funds in the five-year capital plan are currently estimated at \$250.0 million and \$219.0 million, respectively. Two specific state financing programs include the School Building Assistance (SBA) program and the Massachusetts Highway Department's Chapter 90 funds. The SBA, which is administered by the Massachusetts School Building Authority (MSBA), provides an important revenue source for school renovation and construction. The MSBA reviews and prioritizes future project requests, and reimburses project costs at rates ranging between 40.0% and 80.0%. For the fiscal year 2015-2019 period, total payments from the MSBA are estimated at \$34.1 million to offset debt service costs for projects previously approved by the MSBA. Chapter 90 allocates funds by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. Based on recent allocations, the City expects an estimated \$14.0 million in Chapter 90 funds to be provided in fiscal year 2015.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boston for its CAFR for the fiscal year ended June 30, 2013. This was the nineteenth 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, 2013. 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 2014 are featured on the City's web page www.cityofboston.gov/auditing.

Respectfully submitted,



Sally D. Glora
City Auditor



David Sweeney
Chief Financial Officer & Collector Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Boston
Massachusetts

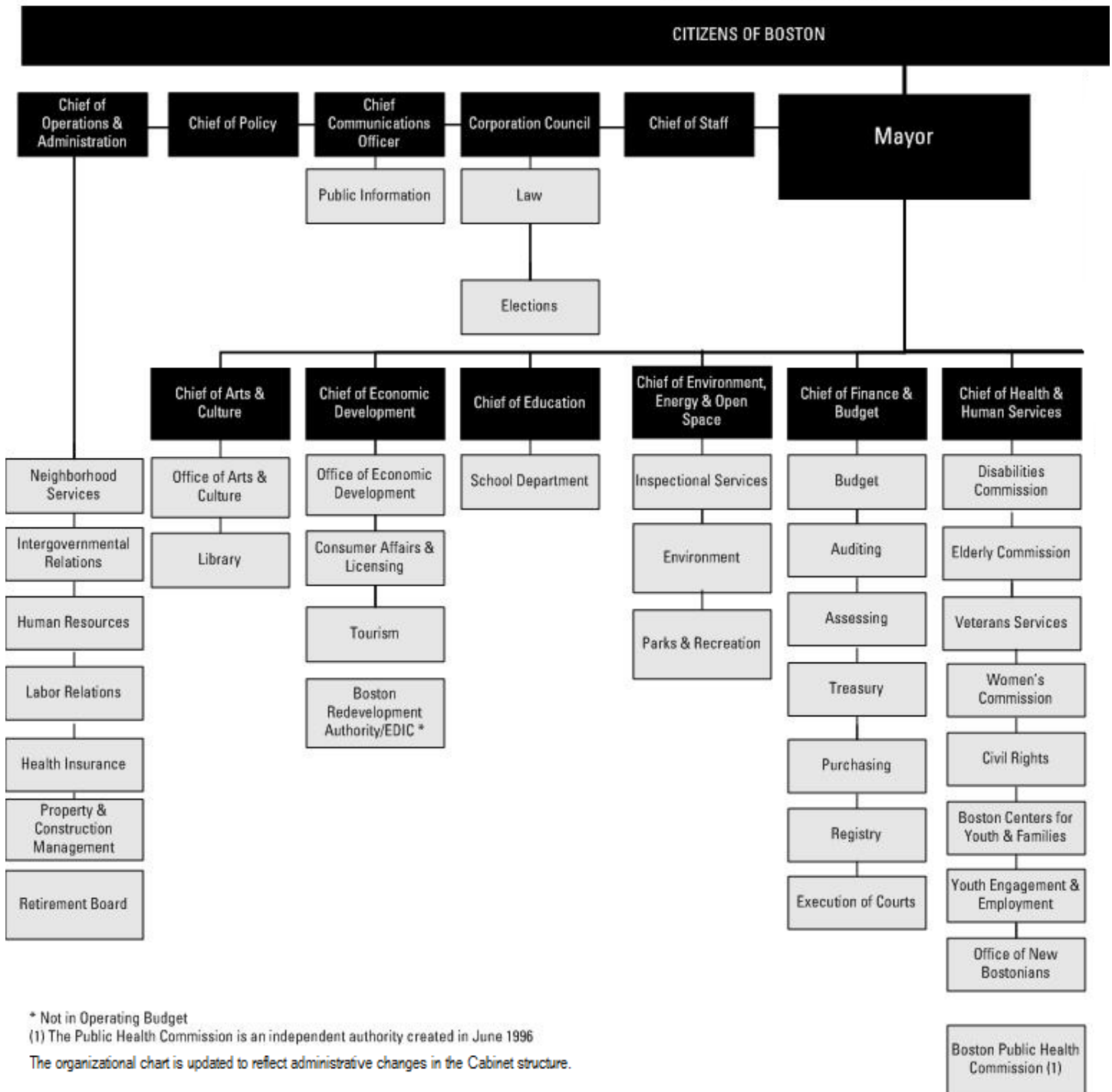
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Financial Report
for the Fiscal Year Ended

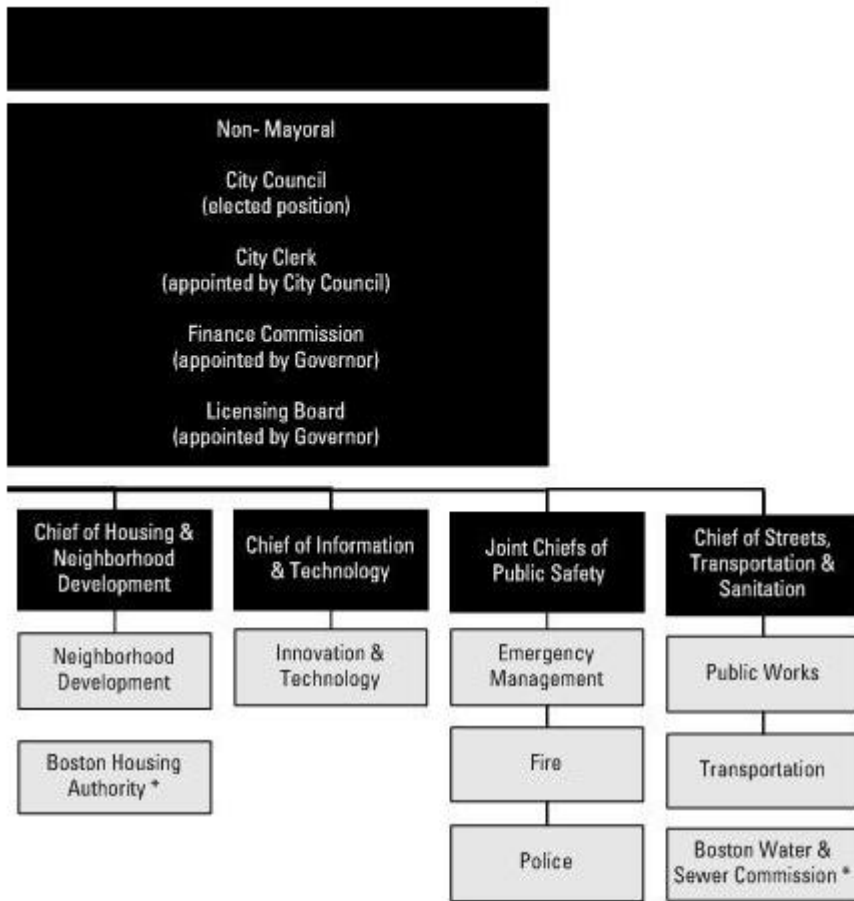
June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

ORGANIZATION OF CITY GOVERNMENT





LIST OF ELECTED and APPOINTED OFFICIALS

(as of June 30, 2014)

Mayor

Martin J. Walsh

City Council Members

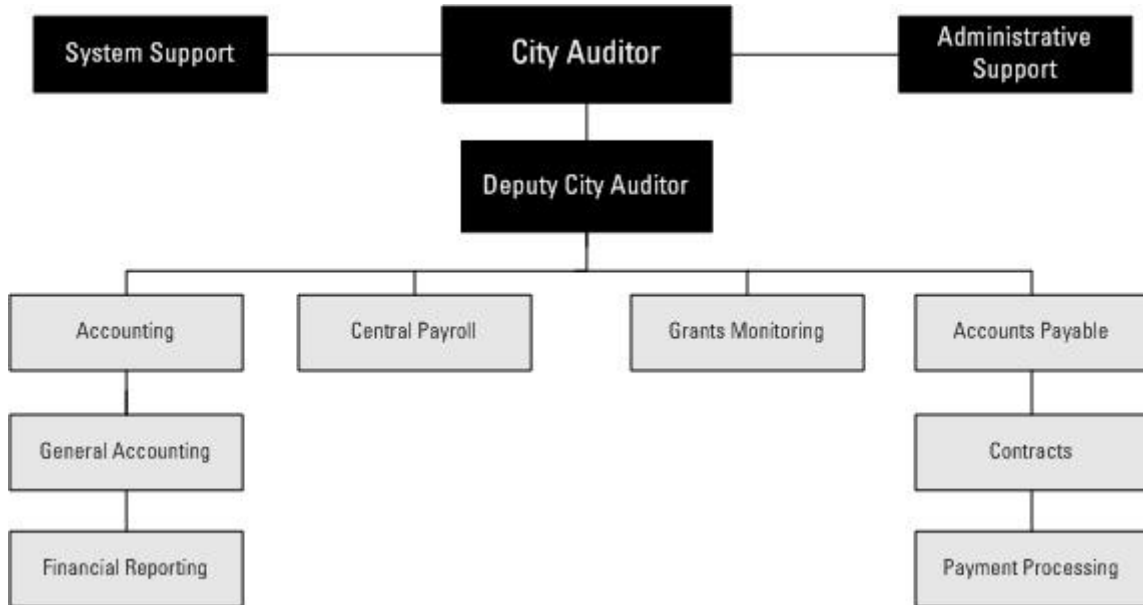
William P. Linehan (President)	District 2
Michael F. Flaherty	At-Large
Stephen J. Murphy	At-Large
Ayanna Pressley	At-Large
Michelle Wu	At-Large
Salvatore J. LaMattina	District 1
Frank Baker	District 3
Charles C. Yancey	District 4
Timothy McCarthy	District 5
Matthew J. O'Malley	District 6
Tito H. Jackson	District 7
Josh Zakim	District 8
Mark B. Ciommo	District 9

Appointed City Executive Branch Members

Daniel Arrigg Koh	Chief of Staff
Joyce Linehan	Chief of Policy
Joseph Rull	Chief of Operations and Administration
Eugene L. O'Flaherty	Corporation Counsel
Justin C. Holmes	Interim Chief of Information and Technology
David Sweeney	Chief of Finance and Budget
John Barros	Chief of Economic Development
John McDonough	Interim Superintendent of Boston Public Schools
William B. Evans	Chief of Public Safety and Police Commissioner
John Hassan	Chief of Public Safety and Fire Commissioner (Acting)
Rene Fielding	Director of the Office of Emergency Management
Brian Swett	Chief of Environmental, Energy and Open Space
Sheila Dillon	Chief of Housing and Neighborhood Dev.
Felix Arroyo	Chief of Health and Human Services
William McGonagle	Chief of Public Housing
Kenneth Brissette	Chief of Arts & Culture
Michael Dennehy	Interim Commissioner of Public Works
James Gillooly	Interim Commissioner of Transportation
Brian Golden	Acting Director Boston Redevelopment Authority/EDIC

Auditing Department

Organizational Chart



Auditing Department Personnel

Sally D. Glora, *City Auditor*

Dennis J. Coughlin, *Deputy City Auditor*

Prema Andrew
Domenica Cabral
Michelle E. Castillo
Natoya Castillo
Margaret Cummings
Mattie Crouse
Souleymane Diouf
Christina Gendrolius
Kourtney Hamilton
Allen Hurley
Sinthia Johnson
James Kelley
Jeffrey Kelley
Kelli Lazar
Licia Lima-Pires
Nelly Lopez
Nelida Lopez
Medina Lucien

Mary Ann Mason
Hazel McAfee
Elvira Murphy
Timothy Oates
Chivy Ok
Michael O'Keefe
Diane O'Malley
Christopher Radcliff
Mary L. Raysor
Magnolia Rojas
Lisa Stone
Ming C. Su
Julie A. Tippet
Robert Todd
Ashley Torregrosa
Stanley J. Wallace
Nadia Williams
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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Boston, Massachusetts (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dudley Square Realty Corporation, the Ferdinand Building Development Corporation, and the City's Permanent Funds, which represent 5.8% and .4% of the assets and revenues of the governmental activities, respectively, and 1.5% and .8% of the assets and revenues of the aggregate remaining fund information, respectively. We also did not audit the financial statements of the State-Boston Retirement System and the City's OPEB Trust Fund and Private-Purpose Trust Funds, which represent 96.6% and 80.6% 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 28.4% and 20.9% of the assets and revenues of the aggregate discretely presented component units, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the City's General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 2n to the financial statements, in 2014, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2n to the financial statements, the City has elected to change its application of the actuarial cost method used in its accounting and financial reporting of other post-employment benefits in 2014. Our opinions are not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information related to the budgetary comparison for the City's General Fund. Such information does not include all of the information required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2013, from which such partial information was derived.

Required Supplementary Information

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



Other Information

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the City's basic financial statements as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 19, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, based on our audit and the reports of other auditors. The 2013 combining and 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, 2013, 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 2013 combining and 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, 2013.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December __, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2014

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, 2014. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Comprehensive Annual Financial Report (CAFR).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

Both the above financial statements present two separate sections as described below.

- *Governmental Activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most services normally associated with city government fall into this category, including general government, human services, public safety, public works, property and development, parks and recreation, library, schools, public health programs, state and district assessments, and debt service.
- *Discretely Presented Component Units* – These are legally separate entities for which the City has financial accountability but function independent of the City. For the most part, these entities operate similar to private sector businesses. The City's four discretely presented component units are the Boston Public Health Commission, the Boston 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. There are two types of proprietary funds – enterprise funds and internal service funds. Enterprise funds charge fees for services provided to outside customers including local governments. Enterprise Funds provide the same type of information as the business-type activities of the Government-wide Financial Statements within governmental activities, only in more detail. Currently, the City does not have any enterprise funds. The Internal Service Fund provides health insurance services predominantly to other funds, departments or agencies of the City. Therefore, its activities are included in the Government-wide financial statements within governmental activities. The Proprietary Funds Financial Statements can be found immediately following the Governmental Fund Financial Statements.

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

The City's fiduciary funds are the Employee Retirement Fund (the State-Boston Retirement System), which accounts for the transactions, assets, liabilities, and net position of the City employees' pension plan; the OPEB Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the unfunded actuarial liability associated with

the City's obligation for other postemployment benefits; and the Private Purpose Trust and Agency Funds, which include money held and administered by the City on behalf of third parties.

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of funding progress and a schedule of employer contributions for the State-Boston Retirement System and the 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, 2013, estimated that the total OPEB unfunded actuarial accrued liability of the City decreased by \$860.0 million to \$2.05 billion. This decrease was largely as a result of changes to the discount rate based on the City's funding policy and a result of a change in the application of the Projected Unit Credit cost method to allocate benefits through an employee's expected retirement age. Refer to note 2n of the Financial Statements for more information.
- In fiscal year 2014, the City's contribution to the OPEB Trust Fund (\$153.6 million) for retiree health benefits includes \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability and also met the annual required contribution (ARC) of \$153.5 million. In fiscal year 2015, the City has also appropriated \$40.0 million in advance funding toward reducing the unfunded actuarial accrued liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Government-wide Highlights

Net Position – Primary Government – The total assets of the City exceeded its liabilities at fiscal year ended June 30, 2014 by \$603.1 million (presented as net position). At year end, the City had a surplus in governmental activities unrestricted net position in the amount of \$82.6 million.

Changes in Net Position – Primary Government – The City's total net position increased by \$2.8 million from fiscal year 2013, which includes a \$15.0 million decrease from changes in accounting principles.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position totaled \$603.1 million at the end of 2014, compared to \$600.3 million at the end of the previous year.

The components of net position comprise the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding – this amount is \$457.8 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 position, \$62.7 million or 10.4%, represents restricted net position, or resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. Unrestricted net position increased \$8.5 million from 2013.

Net Position – Primary Government

(In thousands)

	Governmental Activities	
	Total Primary Government	
	2014	2013
ASSETS:		
Current assets.....	\$ 1,598,640	\$ 1,578,018
Capital assets.....	1,746,054	1,628,051
Other assets.....	129,984	145,018
Total assets.....	3,474,678	3,351,087
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources.....	6,435	-
LIABILITIES:		
Current liabilities.....	677,495	663,160
Noncurrent liabilities.....	2,198,451	2,087,630
Total liabilities.....	2,875,946	2,750,790
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources.....	2,039	-
NET POSITION:		
Net investment in capital assets.....	457,789	450,322
Restricted	62,701	75,878
Unrestricted.....	82,638	74,097
Total net position.....	\$ 603,128	\$ 600,297

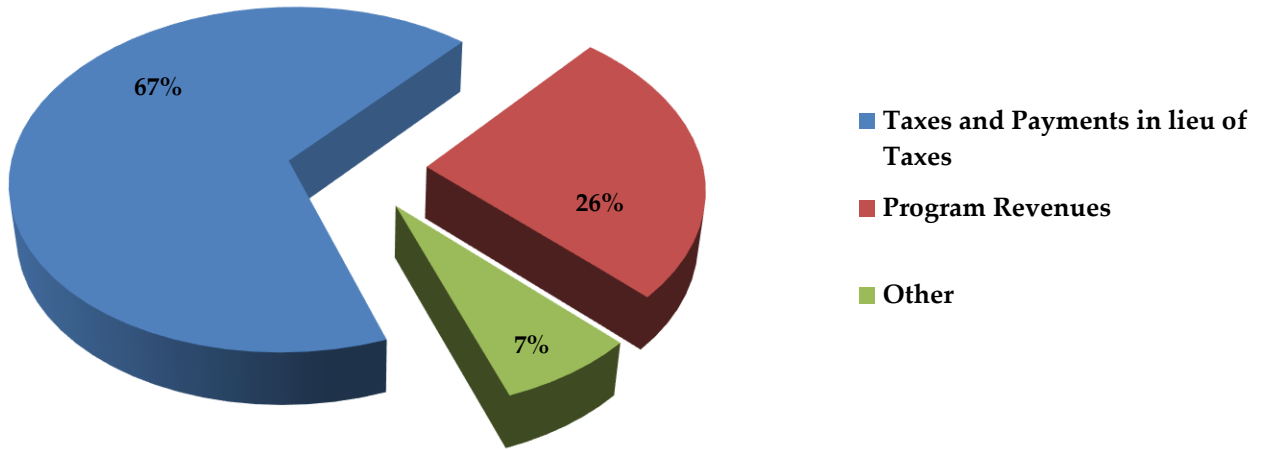
Changes in Net Position – Primary Government

(In thousands)

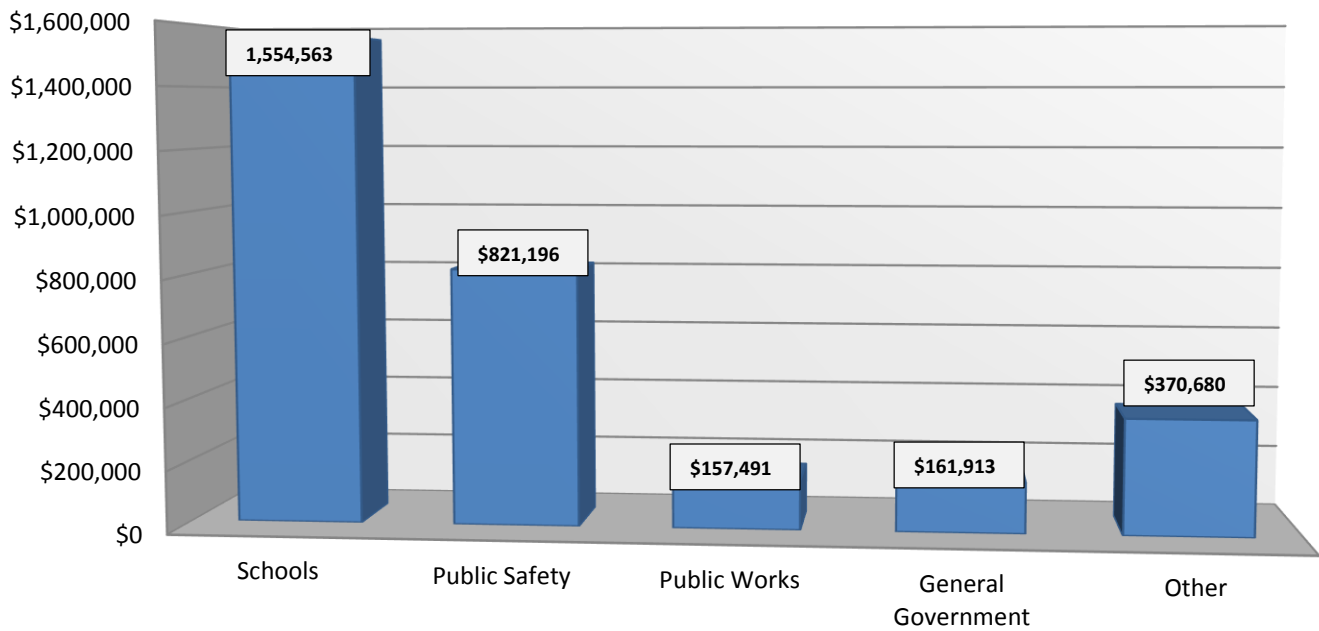
	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services.....	\$ 203,239	\$ 205,938
Operating grants and contributions.....	583,480	549,596
Capital grants and contributions.....	11,972	37,256
General revenues:		
Taxes.....	2,065,251	1,979,180
Grants and contributions not restricted.....	199,007	185,827
Investment income.....	16,713	14,732
Miscellaneous.....	4,012	7,820
Total revenues.....	3,083,674	2,980,349
Program expenses:		
General government.....	161,913	127,882
Human services.....	49,291	50,690
Public safety.....	821,196	826,700
Public works.....	157,491	132,506
Property and development.....	118,816	114,673
Parks and recreation.....	32,297	32,242
Library.....	52,192	51,875
Schools.....	1,554,563	1,455,300
Public health programs.....	69,896	69,978
Interest on long-term debt.....	48,188	41,900
Total program expenses.....	3,065,843	2,903,746
Excess before transfers and other items.....	17,831	76,603
Loss on disposal of capital assets.....	-	(903)
Change in net position.....	17,831	75,700
Cumulative effect of changes in accounting		
principle (note 2n).....	(15,000)	-
Net position – beginning of year.....	600,297	524,597
Net position – end of year.....	\$ 603,128	\$ 600,297

Note that the 2013 Financial Statements above have not been restated to reflect the implementation of GASB Statement No. 65. “Items Previously Reported as Assets and Liabilities”, and the change in accounting principle related to the City’s OPEB actuarial valuation described in note 2n to the Financial Statements.

Revenues - Governmental Activities Fiscal Year 2014



Expenses - Governmental Activities FY14 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$2.8 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2014: In the assets accounts, cash and investments increased by \$80.0 million, receivables decreased by \$62.6 million, and capital assets increased by \$118.0 million. In the liability accounts, there was a decrease in warrants and accounts payable of \$4.3 million and an increase in accrued liabilities of \$28.9 million. Additionally, an increase of \$16.6 million was recorded relative to the City's other postemployment benefit obligation in 2014.

During fiscal year 2014, the City's revenues increased by 3.5%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$2.06 billion (67.0% of total revenues) and \$798.7 million of program revenues (25.9% of total revenues). Taxes increased by \$86.1 million from the previous year. Program revenues increased by \$5.9 million for fiscal year 2014. This is largely due to increases in parking meter revenues and increases in operating grant reimbursements. The City's expenses cover a range of services. The largest expenses were for schools (\$1.55 billion), public safety (\$821.2 million), general government (\$162.0 million), public works (\$157.5 million), property and development (\$118.8 million), public health programs (\$69.9 million), and human services (\$49.3 million). In 2014, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$2.27 billion. This shortfall was covered primarily through taxes (\$2.06 billion) and unrestricted grants and contributions (\$199.0 million).

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

FINANCIAL ANALYSIS OF THE CITY'S FUND STATEMENTS

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

Fund Highlights

Governmental Funds – Fund Balances – as of the close of fiscal year 2014, the City's governmental funds reported a combined ending fund balance of \$1.14 billion, an increase of \$87.3 million from the prior year. Of this total amount, \$532.9 million represents the unassigned fund balance. The increase in fund balance is largely due to an increase in property and excise taxes and a \$59.5 million change in beginning fund balance related to the elimination of Section 108 receivables from deferred revenue from the implementation of GASB 65. Please refer to note 2n to the Financial Statements.

Governmental Funds

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

General Fund – Fund Balance – The General Fund is the chief operating fund of the City. The City's General Fund – Fund Balance Policy states in part to maintain a GAAP unassigned fund balance in the General Fund that is 15%, or higher, of GAAP General Fund operating expenditures for the fiscal year. The GAAP unassigned fund balance at the end of fiscal year 2014 was \$532.9 million, which represents approximately 19.4% of GAAP General Fund operating expenditures.

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

The City has established the General Fund-Fund Balance Policy to ensure that the City maintains adequate levels of fund balance to mitigate current and future risks (i.e., revenue shortfalls and unanticipated expenditures). The policy in full states that the City shall maintain a GAAP Unassigned Fund Balance in the General Fund that is 15% or higher than the current fiscal year's GAAP General Fund Operating Expenditures. The City shall only consider the certification of Free Cash (as defined by the Commonwealth of Massachusetts' Department of Revenue) in years where the appropriation of Free Cash shall not cause the fiscal year's GAAP Unassigned Fund Balance to go below 15% of the fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Unassigned Fund Balance at 10% or higher of Budgetary Operating Expenditures. The City shall only consider the appropriation of Certified Free Cash to offset: (1) certain fixed costs such as pension contributions and related post-retirement health benefits; and/or (2) to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

Special Revenue Fund – Fund Balance – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for predefined purposes. The fiscal year 2014 Special Revenue Fund balance is reported at \$214.7 million, a \$81.8 million increase from fiscal year 2013. This increase is due to an increase in intergovernmental revenues from reimbursable grants as well as a \$59.5 million change in beginning fund balance related to the elimination of Section 108 receivables from deferred revenue from the implementation of GASB 65.

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 2014 Capital Projects Fund balance is \$68.4 million, a \$27.2 million decrease from fiscal year 2013.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent trust funds, as well as the activities related to DSRC and FBDC. The fiscal year 2014 Other Governmental Funds fund balance is \$76.3 million, a \$132 thousand decrease from fiscal year 2013.

Internal Service Fund

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

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2014 with a \$9.5 million surplus. This represents the City's 29th consecutive year with a balanced budget. There were no material variances between the original budget and final budget amounts. Significant unfavorable variances from the final budget to actual results were in the areas of judgments and claims, public safety, public works, and snow removal. Public safety saw an unfavorable variance of \$20.7 million due to an increase in overtime expenditures in the Police Department. Also, public works saw an unfavorable variance of \$4.3 million in snow removal.

Favorable results were reported for General Fund revenue sources, including \$18.7 million in licenses and permits, \$16.9 million in departmental and other revenue, \$13.2 million in Commonwealth of Massachusetts funds and \$38.0 million in excises, predominantly in motor vehicle and room occupancy excise taxes. Other available funds shows a revenue deficit of \$57.3 million, however, this is a result of not transferring \$16.5 million of parking meter receipts from the special revenue fund, \$807 thousand of cemetery funds and \$40.0 million of free cash from the general fund.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The City's investment in capital assets for its governmental activities, as of June 30, 2014, has a net book value of \$1.75 billion, made up of costs totaling \$3.40 billion less accumulated depreciation of \$1.65 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 \$118.0 million in terms of net book value. However, actual expenditures to purchase or construct capital assets were \$219.4 million for the fiscal year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements. Depreciation charges for the year totaled \$101.5 million. Additional information on the City's capital assets can be found in note 8 to the Financial Statements.

Long Term Obligations

Debt Administration – The authority of the City to incur debt is governed by federal and state laws that restrict the amounts and purposes for which a municipality can incur debt. At year end, the City had \$1.19 billion in General Obligations Bonds principal outstanding – an increase of \$49.3 million over last year.

There was one bond issuance that took place in fiscal year 2014. The March 12, 2014 \$153.0 million Series A general obligation bond issuance, used to finance various capital projects in the City. In March 2014, in conjunction with the City's annual bond offering, the rating service bureau Moody's Investors Service reaffirmed the City's bond ratings at Aaa and the rating service bureau Standard & Poor's increase the bond rating to a AAA. General Obligation Bonds are backed by the full faith and credit of the City, including the City's power to levy additional taxes to ensure repayment of 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 \$34.9 million, or 3.09%, during the current fiscal year. Key factors for this increase are the increase in the net OPEB obligation of \$16.6 million and an increase in the workers' compensation liability of \$13.6 million.

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

NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." This Statement specifies items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this

Statement were implemented effective July 1, 2013 for financial statements resulting in a restatement of beginning equity for the governmental activities and special revenue fund and the reclassification of certain items reported within liabilities as deferred inflows of resources and deferred outflows of resources. Refer to note 2n to the Financial Statements for more information.

FUTURE PRONOUNCEMENTS

The GASB has issued Statement No. 67, "*Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25.*" This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.*" This Statement replaces the requirements of Statements No. 27 and No. 50 for employers' provision of pension benefits related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.*" The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, "*Accounting and Financial Reporting for Pensions*". The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUESTS FOR INFORMATION

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



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Statement of Net Position

June 30, 2014

(Amounts in thousands)

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS:		
Current Assets:		
Cash and investments.....	\$ 1,360,267	\$ 98,481
Cash and investments held by trustees.....	69,539	2,571
Receivables, net:		
Property and other taxes.....	22,709	-
Intergovernmental.....	117,098	-
Other.....	25,921	53,638
Other assets.....	1,414	1,004
Due from primary government.....	-	252
Due from component units.....	1,692	-
Total current assets.....	<u>1,598,640</u>	<u>155,946</u>
Noncurrent Assets:		
Intergovernmental receivables.....	28,353	-
Cash and investments held by Trustee.....	-	58,321
Notes and other receivables.....	89,325	167,692
Other assets.....	-	320
Capital assets:		
Nondepreciable.....	214,864	30,404
Depreciable, net.....	1,531,190	51,183
Due from component units.....	12,306	-
Total noncurrent assets.....	<u>1,876,038</u>	<u>307,920</u>
Total assets.....	<u>3,474,678</u>	<u>463,866</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount from debt refunding.....	6,435	-
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable.....	139,019	25,621
Accrued liabilities - current:		
Compensated absences.....	53,871	-
Judgments and claims.....	82,196	-
Payroll and related costs.....	181,812	-
Deposits and other.....	86,671	10,892
Unearned revenue.....	8,959	4,801
Current portion of long-term debt and leases.....	124,715	1,769
Due to component units.....	252	-
Due to primary government.....	-	1,692
Total current liabilities.....	<u>677,495</u>	<u>44,775</u>
Noncurrent Liabilities:		
Bonds due in more than one year.....	1,189,238	15,363
Notes and leases payable due in more than one year.....	103,767	-
Other noncurrent liabilities.....	249,103	148,825
Other postemployment benefits obligation.....	656,343	79,372
Unearned revenue.....	-	61,754
Due to primary government.....	-	12,306
Total noncurrent liabilities.....	<u>2,198,451</u>	<u>317,620</u>
Total liabilities.....	<u>2,875,946</u>	<u>362,395</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount from debt refunding.....	2,039	-
NET POSITION:		
Net investment in capital assets.....	457,789	54,284
Restricted for:		
Nonexpendable trust.....	4,974	67,795
Expendable trust.....	39,897	-
Capital projects.....	17,830	-
Unrestricted.....	82,638	(20,608)
Total net position.....	<u>\$ 603,128</u>	<u>\$ 101,471</u>

See accompanying notes to the basic financial statements

Statement of Activities

Year Ended June 30, 2014

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 161,913	\$ 33,649	\$ 9,020	\$ 2,440
Human services.....	49,291	9	10,164	3
Public safety.....	821,196	139,431	35,493	114
Public works.....	157,491	19,165	4,944	4,271
Property and development.....	118,816	6,858	61,680	3,892
Parks and recreation.....	32,297	437	1,199	20
Library.....	52,192	805	2,046	76
Schools.....	1,554,563	2,832	458,793	1,156
Public health programs.....	69,896	53	141	-
Interest on long-term debt.....	48,188	-	-	-
Total primary government.....	\$ 3,065,843	\$ 203,239	\$ 583,480	\$ 11,972
Component Units:				
Boston Public Health Commission.....	170,048	44,206	45,267	280
Boston Redevelopment Authority.....	23,273	9,406	8,788	-
Trustees of the Public Library of the City of Boston.....	9,838	1,725	13,036	-
Economic Development and Industrial Corporation of Boston.....	31,101	18,725	16,457	-
Total component units	\$ 234,260	\$ 74,062	\$ 83,548	\$ 280

General Revenues:

Taxes:	
Property taxes, levied for general purposes.....	
Excises.....	
Payments in lieu of taxes.....	
Grants and contributions not restricted.....	
Investment income.....	
City appropriation.....	
Miscellaneous.....	
Special item - gain on sale of land.....	
Total general revenues.....	
Change in net position.....	
Net position - beginning of year, as restated (Note 2n).....	
Net position - end of year.....	

**Net (Expense) Revenue and Changes in
Net Position**

Governmental Activities	Component Units
\$ (116,804)	\$ -
(39,115)	-
(646,158)	-
(129,111)	-
(46,386)	-
(30,641)	-
(49,265)	-
(1,091,782)	-
(69,702)	-
(48,188)	-
(2,267,152)	-
-	(80,295)
-	(5,079)
-	4,923
-	4,081
-	(76,370)
1,771,166	-
220,761	-
73,324	-
199,007	-
16,713	968
-	66,757
4,012	9,548
-	4,260
2,284,983	81,533
17,831	5,163
585,297	96,308
\$ 603,128	\$ 101,471

See accompanying notes to the basic financial statements

Balance Sheet

Governmental Funds

June 30, 2014

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments.....	\$ 1,005,420	\$ 163,496	\$ 86,084	\$ 5,591	\$ 1,260,591
Cash and investments held by trustees.....	1,325		7,244	60,970	69,539
Receivables, net:					
Property and other taxes.....	22,709	-	-	-	22,709
Intergovernmental.....	50,216	77,040	18,195	-	145,451
Departmental and other.....	25,139	60,084	611	29,412	115,246
Total receivables.....	98,064	137,124	18,806	29,412	283,406
Due from other funds.....	1,259	2,963	14,059	7,298	25,579
Due from component units.....	13,998	-	-	-	13,998
Total assets.....	\$ 1,120,066	\$ 303,583	\$ 126,193	\$ 103,271	\$ 1,653,113
LIABILITIES					
Warrants and accounts payable.....	\$ 59,800	\$ 32,379	\$ 35,569	\$ 9,659	\$ 137,407
Accrued liabilities:					
Payroll and related costs.....	178,308	3,504	-	-	181,812
Deposits and other.....	26,868	41,539	-	-	68,407
Unearned revenue.....	-	8,959	-	-	8,959
Due to other funds.....	1,799	2,423	4,075	17,282	25,579
Due to component unit.....	252	-	-	-	252
Total liabilities.....	\$ 267,027	\$ 88,804	\$ 39,644	\$ 26,941	\$ 422,416
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available.....	68,731	119	18,195	-	87,045
Total deferred inflows of resources.....	\$ 68,731	\$ 119	\$ 18,195	\$ -	\$ 87,045
FUND BALANCES					
Nonspendable.....	-	-	-	4,974	4,974
Restricted.....	-	59,993	68,354	71,356	199,703
Assigned.....	251,353	154,667	-	-	406,020
Unassigned.....	532,955	-	-	-	532,955
Total fund balances.....	784,308	214,660	68,354	76,330	1,143,652
Total liabilities, deferred inflows of resources and fund balances.....	\$ 1,120,066	\$ 303,583	\$ 126,193	\$ 103,271	\$ 1,653,113

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2014

(Amounts in thousands)

Total fund balance - governmental funds.....	\$ 1,143,652
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.....	1,746,054
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental funds and are, therefore, reported as deferred inflows of resources.....	87,045
Internal service funds are included in the government-wide financial statements.....	75,163
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.....	(1,269,535)
Capital leases.....	(45,887)
Bond issue premiums/discounts, net.....	(102,298)
Deferred bond refunding losses/gain, net.....	4,396
Accrued interest on bonds.....	(18,261)
Compensated absences.....	(190,369)
Landfill.....	(7,951)
Judgments and claims.....	(162,038)
Other postemployment benefits.....	(656,343)
Pollution remediation.....	(500)
	<u>(2,448,786)</u>
Net position of governmental activities.....	<u>\$ 603,128</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds Year Ended June 30, 2014

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes.....	\$ 1,767,783	\$ -	\$ -	\$ -	\$ 1,767,783
Excises.....	223,133	-	-	-	223,133
Payments in lieu of taxes.....	73,324	-	-	-	73,324
Fines.....	59,922	30	-	-	59,952
Investment income.....	57	17	-	6,434	6,508
Licenses and permits.....	62,257	68	-	-	62,325
Departmental and other.....	84,385	46,626	45	6,310	137,366
Intergovernmental.....	509,199	276,837	18,253	-	804,289
Total revenues.....	2,780,060	323,578	18,298	12,744	3,134,680
EXPENDITURES:					
Current:					
General government.....	102,786	5,244	-	5,713	113,743
Human services.....	31,358	7,847	-	-	39,205
Public safety.....	558,802	37,437	-	-	596,239
Public works.....	113,239	14,464	-	-	127,703
Property and development.....	33,376	74,395	-	-	107,771
Parks and recreation.....	19,792	1,145	-	-	20,937
Library.....	33,978	2,048	-	-	36,026
Schools.....	940,276	151,623	-	-	1,091,899
Public health programs.....	65,953	2,744	-	-	68,697
Judgments and claims.....	9,493	-	-	-	9,493
Retirement costs.....	255,647	-	-	-	255,647
Other employee benefits.....	234,400	-	-	-	234,400
State and district assessments.....	197,939	-	-	-	197,939
Capital outlays.....	1,106	1,380	177,991	68,387	248,864
Debt service.....	147,548	6,367	-	-	153,915
Total expenditures.....	2,745,693	304,694	177,991	74,100	3,302,478
Excess (deficiency) of revenues over (under) expenditures.....	34,367	18,884	(159,693)	(61,356)	(167,798)
OTHER FINANCING SOURCES (USES):					
Long-term debt and capital leases issued.....	-	3,200	175,244	-	178,444
Premiums on long-term debt issued.....	-	172	17,000	-	17,172
Transfers in	-	-	-	61,224	61,224
Transfers out.....	(1,455)	-	(59,769)	-	(61,224)
Total other financing sources (uses).....	(1,455)	3,372	132,475	61,224	195,616
Net change in fund balances.....	32,912	22,256	(27,218)	(132)	27,818
Fund balance - beginning of year, as restated (Note 2n)	751,396	192,404	95,572	76,462	1,115,834
Fund balance - end of year.....	\$ 784,308	\$ 214,660	\$ 68,354	\$ 76,330	\$ 1,143,652

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, 2014

(Amounts in thousands)

Net change in fund balances - total governmental funds.....	\$ 27,818
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 (\$219,438) and gain on disposals (\$109) exceeded depreciation expense (\$101,544).....	118,003
Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available.....	(36,486)
Issuances of long-term debt (\$175,244) and notes (\$3,200) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond, note, and lease principal (\$123,499) are expenditures in the governmental funds, but reduce long-term liabilities in the statement of net position. This is the amount by which issuances exceed repayments and escrow payments.....	(54,945)
Bond premiums net (\$7,577) increase the long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Deferred loss on refunding, net (\$1,635) increase deferred outflows, net statement of net position, but are included in the operating statement of the governmental funds.....	(9,212)
Certain intergovernmental revenues decrease receivables on the statement of net position, but are included in the operating statement of governmental funds.....	(8,571)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the increase in liabilities for compensated absences (\$9,086), other postemployment benefits (\$16,610) workers compensation (\$13,613), and interest payable (\$7,854) offset by a decrease in liabilities for landfill closure and post closure costs (\$167) and judgments and claims (\$20,042).....	(26,954)
Net income from the internal service fund, which is presented in the statement of activities, but not in the governmental funds.....	8,178
Change in net position of governmental activities.....	\$ 17,831

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2014 (with comparative actual amounts for 2013)

(Amounts in thousands)

	2014					2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
REVENUES AND OTHER AVAILABLE FUNDS:						
Real and personal property taxes, net.....	\$ 1,743,923	\$ 1,743,923	\$ 1,744,904	\$ 981	\$ 1,643,367	
Excises.....	180,822	180,822	218,863	38,041	209,580	
Commonwealth of Massachusetts.....	409,211	409,211	422,403	13,192	403,275	
Departmental and other revenue.....	58,675	58,675	75,525	16,850	68,502	
Fines.....	58,955	58,955	59,604	649	59,475	
Payments in lieu of taxes.....	63,269	63,269	73,837	10,568	71,372	
Investment income.....	175	175	57	(118)	179	
Licenses and permits.....	40,460	40,460	59,162	18,702	45,574	
Other available funds.....	57,307	57,307	-	(57,307)	3,023	
Total revenues and other available funds.....	2,612,797	2,612,797	2,654,355	41,558	2,504,347	
EXPENDITURES:						
General government.....	103,809	92,337	90,039	2,298	105,764	
Human services.....	32,008	31,183	31,134	49	30,667	
Public safety.....	537,236	555,939	576,618	(20,679)	531,682	
Public works.....	107,173	108,275	112,615	(4,340)	103,926	
Property and development.....	30,614	33,889	33,843	46	32,981	
Parks and recreation.....	19,194	19,958	19,796	162	19,301	
Library.....	32,460	33,076	33,076	-	31,069	
Schools.....	937,413	937,962	937,949	13	881,203	
Boston Public Health Commission.....	66,504	66,757	66,757	-	67,041	
Judgments and claims.....	3,500	3,500	13,470	(9,970)	11,976	
Other employee benefits.....	244,677	240,900	240,825	75	233,985	
Retirement costs.....	157,115	153,180	153,115	65	141,111	
Debt requirements.....	144,783	137,902	137,706	196	129,122	
State and district assessments.....	196,311	197,939	197,939	-	176,300	
Total expenditures.....	2,612,797	2,612,797	2,644,882	(32,085)	2,496,128	
Excess of revenues and other available funds over expenditures.....	\$ -	\$ -	\$ 9,473	\$ 9,473	\$ 8,219	

Statement of Net Position

Proprietary Fund

June 30, 2014,

(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents.....	\$ 99,676
Total current assets.....	99,676
Noncurrent assets:	
Other assets.....	1,414
Total noncurrent assets.....	1,414
Total assets.....	101,090
LIABILITIES:	
Current liabilities:	
Warrants and accounts payable.....	1,615
Accrued liabilities	24,312
Total current liabilities.....	25,927
NET POSITION:	
Unrestricted.....	75,163
Total net position.....	\$ 75,163

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund Year Ended June 30, 2014

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions.....	\$ 57,932
Employer contributions.....	<u>253,122</u>
Total operating revenues.....	<u>311,054</u>
OPERATING EXPENSES:	
Health benefits.....	<u>302,876</u>
Total operating expenses.....	<u>302,876</u>
Operating income.....	<u>8,178</u>
Change in net position.....	8,178
Net position - beginning of year.....	66,985
Net position - end of year.....	<u>\$ 75,163</u>

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer.....	\$ 323,409
Cash paid to vendors.....	(301,886)
Net cash provided by operating activities.....	<u>21,523</u>
Increase in cash and cash equivalents.....	21,523
Cash and cash equivalents - beginning of year.....	78,153
Cash and cash equivalents - end of year.....	<u>\$ 99,676</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 8,178
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	7,351
Other assets.....	3,430
Due from other funds and component units.....	5,004
Accounts payable and accrued liabilities.....	(2,440)
Net cash provided by operating activities.....	<u>\$ 21,523</u>

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

(Except Employee Retirement Plan, which is year ended December 31, 2013)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts	Agency Funds
ASSETS:				
Cash and cash equivalents.....	\$ 174,657	\$ 2,218	\$ 99,117	\$ 8,656
Receivables:				
Interest and dividends.....	6,971	-	-	-
Securities sold.....	25,154	-	-	-
Employer contributions.....	11,844	-	-	-
Other.....	7,592	-	1,275	-
Total receivables.....	51,561	-	1,275	-
Investments, at fair value:				
Short-term:				
Domestic.....	58,289	-	-	-
International.....	8,770	-	-	-
Equity:				
Domestic.....	1,116,781	101,092	-	-
International.....	1,008,692	36,129	-	-
Fixed-income:				
Domestic.....	694,066	92,339	-	-
International.....	230,413	-	-	-
PRIT Pooled Fund.....	1,346,939	-	-	-
Real estate.....	346,517	-	-	-
Venture capital funds.....	521,093	-	-	-
All asset fund.....	-	56,137	-	-
Total investments.....	5,331,560	285,697	-	-
Securities lending short-term collateral investment pool.....	185,269	-	-	-
Total assets.....	5,743,047	287,915	100,392	8,656
LIABILITIES:				
Accounts payable, accrued expenses and other liabilities.....	14,745	98	918	8,656
Securities purchased.....	51,466	-	-	-
Collateral held on securities lending.....	185,639	-	-	-
Total liabilities.....	251,850	98	918	8,656
NET POSITION				
Held in trust for pension benefits and other purposes.....	\$ 5,491,197	\$ 287,817	\$ 99,474	\$ -

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2014

(Except Employee Retirement Plan, which is year ended December 31, 2013)

(Amounts in thousands)

	Employee Retirement Plan	OPEB Trust Fund	Private- Purpose Trusts
ADDITIONS:			
Contributions:			
Employers.....	\$ 188,926	\$ 157,585	\$ -
Commonwealth of Massachusetts.....	99,532	-	-
Employees.....	136,612	-	-
Donations and other.....	-	-	15,636
Total contributions.....	425,070	157,585	15,636
Investment earnings:			
Realized and unrealized gains on investments.....	112,225	31,360	5,830
Investment income.....	599,794	4,886	5,822
Less investment expenses.....	(21,060)	(452)	-
Net investment earnings.....	690,959	35,794	11,652
Securities lending activities:			
Securities lending income.....	1,590	-	-
Less borrower rebates and fees.....	(423)	-	-
Net income from securities lending activities.....	1,167	-	-
Total net investment income.....	692,126	35,794	11,652
Intergovernmental.....	9,258	-	-
Total additions.....	1,126,454	193,379	27,288
DEDUCTIONS:			
Benefits.....	508,689	115,335	-
Reimbursements.....	10,946	-	-
Refunds of contributions.....	18,132	-	-
Administrative expenses and other.....	8,001	6	25,351
Total deductions.....	545,768	115,341	25,351
Change in net assets.....	580,686	78,038	1,937
Net position - beginning of year.....	4,910,511	209,779	97,537
Net position - end of year.....	\$ 5,491,197	\$ 287,817	\$ 99,474

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

1. The Financial Reporting Entity

a. Primary Government

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

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

b. Blended Component Units Disclosure

- i. **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 a blended component unit among the City's fiduciary funds. The financial statements of SBRS are included for its fiscal year end which is December 31, 2013.
- ii. **Dudley Square Realty Corporation (DSRC) and Ferdinand Building Development Corporation (FBDC)** – The DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. Upon completion of the Dudley Municipal Center, FBDC will lease the property from DSRC and the City will sublease the property from FBDC. The DSRC and FBDC are non-profit organizations qualified as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code. Both entities are instrumentalities of the City, as the Mayor has full control of appointments to their boards of directors. Although legally separate, both DSRC and FBDC provide services entirely, or almost entirely, to the City and thus have been reported as blended component units. These funds are presented as non-major funds within the other governmental funds as of their fiscal year end, which is June 30, 2014.

c. Discretely Presented Component Units Disclosure

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

- i. **Boston 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, 2014.

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

d. Related Organizations

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

2. Summary of Significant Accounting Policies

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

a. Government-wide and Fund Financial Statements

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

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

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

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

i. Government-wide Financial Statements

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

ii. Governmental Fund Financial Statements

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

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

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

iii. Proprietary Fund Financial Statements

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

iv. Description of Major Funds

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

1. The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *Special Revenue Fund* accounts 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 proprietary fund:

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

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

5. The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments. The City operates four pools used for the improvement of the City's parks and cemeteries, educational scholarships and sporting equipment, creation of public utility and beauty, and co-mingled nontestamentary trusts.

6. The *Pension Trust Fund* accounts principally for the activities of the 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 for health care and other postemployment benefits. The assets of the trust are currently not used for direct payments of benefits.
8. The *Agency Funds* are used to report funds held by the City in a purely custodial capacity. The City currently operates a drug evidence account for proceeds of property seized from illegal drug-related activities. These funds are then used to offset the costs of technical equipment or expertise and investigations.

c. Cash Equivalents

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

d. Basis of Investment Valuation

Investments 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.”

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

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

h. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2014 is recorded in the Governmental Fund Financial Statements. The entire amount of the liability is reported in governmental activities in the Government-wide Financial Statements. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date that would be paid upon termination (vesting method). The liability for both amounts is calculated based on the pay or salary rates in effect at the balance sheet date.

i. Long-Term Obligations and Related Costs

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the Government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred.

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

j. Net Position and Fund Balance

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

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

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

Unrestricted: Remaining net position not considered net investment in capital assets or restricted.

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

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

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

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

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

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

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City. The City maintains a formal policy that unassigned fund balance in the General Fund be at least 15 percent of the current year's General Fund GAAP basis operating expenditures.

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

k. *Tax Abatement Refunds*

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

l. Landfill Closure and Postclosure Care Costs

State and federal regulations require the City to place a final cover on its Gardner Street landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2014, 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, 2014.

The total current cost of landfill closure and postclosure care is an estimate, subject to changes resulting from inflation, deflation, technology, or other changes in applicable laws or regulations. Such costs are recognized as expenditures in the General Fund to the extent that they are due or matured and are expected to be paid with expendable available financial resources. The total liability is reported in the Government-wide Statement of Net Position. Expenditures related to the Gardner Street landfill site postclosure care in fiscal year 2014 were \$167 thousand.

m. Use of Estimates

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

n. n. Restatements

Implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

Effective July 1, 2013, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires reclassification, as deferred outflows of resources or deferred inflows of resources, of certain items that were previously reported as assets and liabilities and recognition, as current period outflows of resources or inflows of resources, of certain items that were previously reported as assets or liabilities. The City has restated net position of the governmental activities at July 1, 2013 to reflect the retrospective recognition of bond issuance costs as outflows of resources that were previously reported as other assets and restated beginning fund balance of the Special Revenue Fund at July 1, 2013 to reflect the elimination of loans receivable from deferred revenue.

Change in Accounting Principle

In fiscal 2014, as part of the June 30, 2013 actuarial valuation, the City changed the manner in which the projected unit credit actuarial cost method was applied to estimate the other postemployment benefit (OPEB) liability. Under the current application, the City accrues OPEB benefits earned over the estimated working life of the employee. Previously, the benefits earned were accrued through the date of initial benefit eligibility. Such change was made to achieve greater comparability with other municipalities within the Commonwealth. The change in methodology was retroactively applied to past actuarial valuations to re-estimate the net OPEB obligation of the City and PHC, a participating employer in the OPEB plan, at June 30, 2013. The net positions of the governmental activities and PHC (aggregate discretely presented component units) at July 1, 2013 have been restated to reflect this change.

The following represents the effect of the restatements described above (in thousands):

	Governmental Activities	Special Revenue Fund	Boston Public Health Commission	Economic Development Industrial Corp.
Beginning Net Position/Fund Balance, as previously reported	600,297	132,889	(12,262)	31,349
Implementation of GASB Statement No. 65	(7,275)	59,515	-	-
Change in accounting for other postemployment benefits	(7,725)	-	7,811	-
Other prior period adjustments	-	-	-	(939)
Beginning Net Position/Fund Balance, as restated	<u>585,297</u>	<u>192,404</u>	<u>(4,451)</u>	<u>30,410</u>

3. Short-Term Debt

During fiscal year 2014, the City had no short-term debt issued or outstanding.

4. Budgetary Data

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

Original and supplemental appropriations are submitted by the Mayor, approved by the City Council, and lapse at year-end unless encumbered. The legal level of control over appropriations is at the department level. Amendments to the original budget must be approved by the City Council, except for a reallocation of appropriations of up to \$3.0 million, which the Mayor may approve. Further, the City Auditor, with the approval of the Mayor, may make transfers from any appropriation to any other appropriation for purposes of eliminating deficits before closing the books for the fiscal year. After the close of the fiscal year, the City Auditor may, with the approval of the Mayor, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose of closing the accounts for the fiscal year.

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 (note 6). The tax levy must equal the sum of (a) the aggregate of all annual appropriations for expenditures; plus (b) the reserve accounts described in the following paragraph; plus (c) provision for the prior fiscal years' deficits, if any; less (d) the aggregate of all 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, 2014 (in thousands):

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing uses, net</u>	<u>Excess (deficiency) of revenue and other financing sources</u>
As reported on a budgetary basis	\$ 2,654,355	2,644,882	-	9,473
Adjustments:				
Revenues to modified accrual basis	26,173	-	-	26,173
Expenditures, encumbrances, and accruals, net	-	2,734	-	(2,734)
On-behalf contribution for teachers pension	99,532	99,532	-	-
Reclassifications:				
Debt Service	-	(1,455)	1,455	-
As reported on a GAAP basis	<u>\$ 2,780,060</u>	<u>2,745,693</u>	<u>1,455</u>	<u>32,912</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, 2014, 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 discipline in which all of the City's investment activities may be safely conducted while it strives to use its capital resources as efficiently as possible. The foundation of that discipline is fixed by Massachusetts General Laws (M.G.L.) c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limits the amount of the City's bank deposits in any one financial institution; and establishes qualifying criteria for banking institutions. Further, all investments held by third parties are to be held in the City's name.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the City of Boston Trust Funds' policy to limit the average duration of an actively managed fixed income portfolio to no more than seven years. The following is a listing of the City's fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2014:

Investment type	Fair value	Less than 1	1 – 5
External investment pool	\$ 65,619	65,619	-
Money market mutual funds	220,689	220,689	-
U.S. Treasury notes and bonds	6,198	-	6,198
Domestic corporate	4,187	-	4,187
	\$ 296,693	286,308	10,385

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, 2014 were rated by S & P and/or an equivalent national rating organization, and the ratings are presented below using the S & P rating scale (in thousands):

Investment type	Fair value	Rating
Money market mutual funds	\$ 220,689	Not Rated
External investment pool	65,519	Not Rated
Domestic corporate	4,187	AAA to B
	\$ 290,395	

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, 2014 the City of Boston Trust Funds held international equity mutual funds valued at \$46.6 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, 2013, 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, 2013:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury notes and bonds	\$ 77,139	7,130	42,444	10,317	17,248
U.S. agencies	61,495	-	745	836	59,914
Domestic corporate	466,434	18,251	57,775	148,075	242,333
Municipal	2,445	-	119	104	2,222
International corporate	196,440	2,014	12,366	17,209	164,851
International government	51,866	1,655	16,460	23,439	10,312
Asset-backed:					
CMOs	35,688	-	749	4,412	30,527
Other	32,972	27	15,041	8,971	8,933
	<u>\$ 924,479</u>	<u>29,077</u>	<u>145,699</u>	<u>213,363</u>	<u>536,340</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, 2013 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, 2013 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								Not rated
	value	AAA	AA	A	BBB	BB	B	CCC	
U.S. agencies	\$ 61,495	-	-	427	-	-	-	-	61,068
Domestic corporate	466,434	955	13,387	78,197	45,078	48,523	59,210	1,746	219,338
Municipal	2,445	-	746	1,699	-	-	-	-	-
International corp.	196,440	1,052	2,866	11,293	9,468	6,438	3,210	-	162,113
International gov't	51,866	6,495	1,749	6,183	4,095	-	-	-	33,344
Asset-backed:									
CMOs	35,688	13,113	1,399	385	1,153	-	-	-	19,639
Other	32,972	18,150	3,991	2,273	-	-	12	-	8,545
	<u>\$ 847,340</u>	<u>39,765</u>	<u>24,138</u>	<u>100,457</u>	<u>59,794</u>	<u>54,961</u>	<u>62,432</u>	<u>1,746</u>	<u>504,047</u>

In addition to the above schedule, the System has approximately \$77.1 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, 2013.

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				Total
	investments	Fixed income	Equity	Alternative	
Australian dollar	\$ 150	1,712	30,264	1,557	33,683
Brazilian real	-	581	-	-	581
Canadian dollar	203	2,546	3,719	-	6,468
Danish krone	-	-	11,753	-	11,753
Euro currency	7,637	21,782	213,531	7,399	250,349
Hong Kong dollar	116	-	24,069	-	24,185
Indonesian rupiah	12	-	519	-	531
Israeli Shekel	1	-	1,408	-	1,409
Japanese yen	432	10,745	117,149	304	128,630
Malaysian ringgit	280	1,116	726	-	2,122
Mexican peso	566	2,529	-	-	3,095
New Taiwan dollar	117	-	2,215	-	2,332
New Zealand dollar	193	-	-	-	193
Norwegian krone	139	2,846	4,027	-	7,012
Philippine Peso	-	703	-	-	703
Polish zloty	197	626	-	-	823
Pound sterling	195	6,071	142,360	685	149,311
Singapore dollar	71	785	8,437	-	9,293
South African rand	75	513	1,041	-	1,629
South Korean won	101	2,348	9,810	-	12,259
Swedish krona	97	159	15,587	-	15,843
Swiss franc	23	826	61,333	-	62,182
Thailand Baht	49	489	972	-	1,510
Turkish Lira	54	510	1,228	-	1,792
Total securities subject to foreign currency risk	\$ 10,708	56,887	650,148	9,945	727,688
U.S. dollars (securities held by international investment managers)	-	34,161	36,614	-	70,775
Total international investment securities	\$ 10,708	91,048	686,762	9,945	798,463

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.

As of December 31, 2013, the System had \$1.4 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 10, 2013, all properties with unpaid fiscal year 2013 property taxes were liened. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

7. Receivables

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

	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other nonmajor funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 13,989	-	-	-	13,989
Other taxes	142,396	-	-	-	142,396
Intergovernmental	50,216	77,040	18,195	-	145,451
Other	25,139	60,084	611	29,412	115,246
Gross receivables	231,740	137,124	18,806	29,412	417,082
Less allowance for uncollectibles	(133,676)	-	-	-	(133,676)
Net total receivables	<u>\$ 98,064</u>	<u>137,124</u>	<u>18,806</u>	<u>29,412</u>	<u>283,406</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, 2014, under this program, the City was due funds totaling \$36.5 million.

In the General Fund, the receivable is offset by deferred inflows of resources because the revenue is not considered available. The following is a schedule of the five-year paydown (in thousands) as of June 30, 2015 through 2019, and in five-year increments thereafter:

Fiscal year(s):	<u>Anticipated revenue</u>
2015	\$ 8,176
2016	7,344
2017	6,720
2018	6,720
2019	5,107
2020 – 2023	<u>2,462</u>
Total	\$ <u><u>36,529</u></u>

b. Notes Receivable

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Housing and Urban Development (HUD) provides grants or loans to local governments, which in turn provides loans to developers. As of June 30, 2014, under this program, the City determined that \$60.0 million was collectible. This amount is recorded in the City's Special Revenue fund.

8. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,369	306	-	25,675
Construction in progress	86,029	190,235	(87,075)	189,189
Total capital assets not being depreciated	<u>111,398</u>	<u>190,541</u>	<u>(87,075)</u>	<u>214,864</u>
Capital assets being depreciated:				
Land improvements	187,373	15,789	-	203,162
Buildings and improvements	1,928,031	35,591	(135)	1,963,487
Furniture and equipment	338,660	28,494	(8,319)	358,835
Infrastructure	622,248	36,098	-	658,346
Total capital assets being depreciated	<u>3,076,312</u>	<u>115,972</u>	<u>(8,454)</u>	<u>3,183,830</u>
Less accumulated depreciation for:				
Land improvements	65,317	10,110	-	75,427
Buildings and improvements	1,043,766	38,774	(135)	1,082,405
Furniture and equipment	240,582	32,437	(8,428)	264,591
Infrastructure	209,994	20,223	-	230,217
Total accumulated depreciation	<u>1,559,659</u>	<u>101,544</u>	<u>(8,563)</u>	<u>1,652,640</u>
Total capital assets being depreciated, net	<u>1,516,653</u>	<u>14,428</u>	<u>109</u>	<u>1,531,190</u>
Governmental activities capital assets, net	<u>\$ 1,628,051</u>	<u>204,969</u>	<u>(86,966)</u>	<u>1,746,054</u>

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

General government	\$ 10,174
Human services	2,583
Public safety	16,218
Public works, including depreciation of general infrastructure assets	21,472
Property and development	4,433
Parks and recreation	9,022
Library	3,766
Schools	33,629
Public health	247
Total depreciation expense – governmental activities	<u>\$ 101,544</u>

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

Individual fund receivable and payable balances at June 30, 2014 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,259	1,799
Special revenue	2,963	2,423
Capital projects	14,059	4,075
Non-major governmental funds	7,298	17,282
Balances at June 30, 2014	\$ 25,579	25,579

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

Amounts due to and from discretely presented component units at June 30, 2014 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 13,998	252
Balances at June 30, 2014	13,998	252
Discretely presented component units:		
TPL	-	1,233
PHC	252	779
BRA	-	11,986
Balances at June 30, 2014	\$ 252	13,998
	14,250	14,250

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, 2014 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds Payable:						
General Obligation Bonds	2.0 - 5.75%	\$ 742,135	153,000	50,370	844,765	58,360
General Obligation Refunding Bonds	0.125-5.0%	402,390	0	53,300	349,090	48,555
Total governmental general obligation bonds payable		\$ 1,144,525	153,000	103,670	1,193,855	106,915
Add (deduct):						
Unamortized bond premiums/discounts net					102,298	
Current portion of long-term debt					(106,915)	
					\$ 1,189,238	
Notes, Leases and Other long-term obligations:						
Notes payable	4.25-7.18%	\$ 76,587	3,200	4,107	75,680	2,275
Leases payable		39,365	22,244	15,722	45,887	15,525
Judgments and claims		42,038	-	20,042	21,996	6,485
Workers' compensation		126,429	34,961	21,348	140,042	51,199
Health and life claims		21,862	305,326	302,876	24,312	24,312
Compensated absences		181,283	76,886	67,800	190,369	53,871
Landfill closure and postclosure care costs		8,118	-	167	7,951	200
Pollution remediation		500	-	-	500	-
Other postemployment benefits		639,733	170,249	153,639	656,343	-
Total notes, leases, and other long-term obligations		\$ 1,135,915	612,866	585,701	1,163,080	153,867

The other postemployment benefit liability as of the beginning of the year was restated. See note 2(n) for further explanation.

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, 2014, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General obligation bonds:	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
Year(s) ending June 30:				
2015	\$ 106,915	51,357	(3,527)	154,745
2016	103,355	46,925	(3,527)	146,753
2017	99,810	41,987	(3,495)	138,302
2018	94,555	37,178	(3,430)	128,303
2019	87,985	32,821	(3,358)	117,448
2020-2024	364,155	109,239	(14,101)	459,293
2025-2029	246,935	41,201	(2,928)	285,208
2030-2034	90,145	8,189	(73)	98,261
	<u>\$ 1,193,855</u>	<u>368,897</u>	<u>(34,439)</u>	<u>1,528,313</u>
Notes Payable:				
Year(s) ending June 30:				
2015	\$ 2,275	1,598	-	3,873
2016	2,248	1,500	-	3,748
2017	1,971	1,416	-	3,387
2018	5,092	1,248	-	6,340
2019	1,307	1,103	-	2,410
2020-2024	9,021	4,842	-	13,863
2025-2029	12,555	3,514	-	16,069
2030-2034	18,398	1,222	-	19,620
Thereafter	22,813	1,623	-	24,436
	<u>\$ 75,680</u>	<u>18,066</u>	<u>-</u>	<u>93,746</u>
Leases Payable:				
Year(s) ending June 30:				
2015	\$ 15,525	448	-	15,973
2016	12,557	306	-	12,863
2017	8,265	189	-	8,454
2018	4,825	108	-	4,933
2019	3,046	50	-	3,096
2020-2021	1,669	20	-	1,689
	<u>\$ 45,887</u>	<u>1,121</u>	<u>-</u>	<u>47,008</u>

On March 12, 2014, the City issued \$153.0 million of general obligation bonds, including \$119.1 million for various municipal capital projects and \$33.9 million for the Dudley Municipal Center. Interest on the bonds are payable semiannually each March 1 and September 1 until maturity in fiscal year 2034.

The City has entered into various capital lease agreements for equipment acquisition. Payments under these agreements are subject to annual appropriation and, by statute, are not included in the City's debt

limit calculations. The gross amount of assets acquired under the equipment lease agreements totals \$45.9 million as of June 30, 2014. The City's operating lease with DSRC is described in note 19.

No Obligation Debt

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

Defeased Debt

The principal amount of debt refunded through in-substance defeasance transactions for governmental activities and still outstanding at June 30, 2014 was approximately \$180.7 million.

Debt Capacity

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

As of June 30, 2014, the City may issue \$3.6 billion of additional general obligation debt under the debt limit. General obligation debt of \$551.0 million, subject to the debt limit, and \$80.7 million, exempt from the debt limit, are authorized but unissued as of June 30, 2014.

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) Sheriff of Suffolk County (Retirees as of December 31, 2009, funded by the City)

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, 2013 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 are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, and real estate, for which fair values are estimated as detailed below:

- (1) Pooled funds – the fair value of shares in managed investment pools is based on unit values reported by the funds.
- (2) Alternative investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value.
- (3) Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on the net asset values of the entities, which are estimated using third-party appraisals and other information provided by property managers.

c. Membership

Membership in the System consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	14,228
Terminated plan members entitled to but not receiving benefits	15,247
Active plan members	<u>20,767</u>
Total membership	<u>50,242</u>
Total number of participating employers	<u>6</u>

d. Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 11% of their regular gross compensation. Non-teacher members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on 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, 2013, the System was due \$288.5 million from all employers and the Commonwealth and received \$288.5 million in these contributions. For the years ended June 30, 2012, 2013 and 2014, exclusive of contributions related to the City's teachers, the City's required and actual contributions were \$123.6 million, \$137.0 million and \$153.0 million, respectively.

The Commonwealth of Massachusetts is statutorily required to fund the employer contributions required for the City's teachers. For the years ended June 30, 2012, 2013 and 2014, the Commonwealth's required and actual contributions were \$90.4 million, \$94.8 million and \$99.5 million, respectively. The 2014 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, 2013 is as follows (in thousands):

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 1,522,622	Active members' contribution balance
Annuity reserve fund	460,326	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	3,402,090	Amounts appropriated to fund future retirement benefits
Pension fund	<u>106,109</u>	Remaining net assets
	<u>\$ 5,491,197</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, 2013. 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, 2013, 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, 2013, the fair value of securities loaned by the System amounted to \$197.3 million, against which was held collateral of \$202.7 million as follows (in thousands):

Short-term collateral investment pool	\$	185,639
Noncash collateral		<u>17,079</u>
Total	\$	<u><u>202,718</u></u>

g. *Commitments*

At December 31, 2013, the System had contractual commitments to provide \$99.2 million of additional funding to private equity funds, and \$53.7 million to real estate funds.

h. Funded Status and Funding Progress

The funded status of the System as of January 1, 2013 is as follows (in thousands):

Actuarially accrued liability (AAL)	\$	8,199,808
Actuarial value of plan assets		<u>5,073,098</u>
Unfunded AAL (UAAL)	\$	<u><u>3,126,710</u></u>
Funded ratio (actuarial value of plan assets/AAL)		61.9%
Covered payroll (active plan members)	\$	1,360,385
UAAL as a percentage of covered payroll		229.8%

In the January 1, 2013 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 7.75% investment rate of return (8.25% for Boston teachers) projected salary increases of 5.0% (variable rate for Boston Teachers), and cost-of-living adjustments of 3.0% up to \$13,000 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, 2013 was 13 years (28 years for Boston Teachers).

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. Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the Commonwealth Statutes in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employee and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations or the pattern of cost sharing between the employee and members in the future.

12. Other Postemployment Benefits (OPEB)

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

In addition to the pension benefits described in note 11, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. Participating retirees are City retirees. As of June 30, 2013, the most recent actuarial valuation date, approximately 14,700 retirees and 14,400 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, 2013, 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 are reported at fair value. Fair value of securities held directly are based on quotations from national securities exchanges.

c. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, 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, 2013 (in thousands):

ARC	\$	153,469
Interest on net OPEB obligation		47,980
Adjustment to ARC		<u>(31,200)</u>
Annual OPEB cost		170,249
Contributions made		<u>(153,639)</u>
Change in net OPEB obligation		16,610
Net OPEB obligation – beginning of year		<u>639,733</u>
Net OPEB obligation – end of year	\$	<u><u>656,343</u></u>

The Net OPEB Obligation – beginning of year was restated. See note 2(n) for further explanation.

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
2014	\$ 170,249	90%	\$ 656,343
2013	208,057	78%	639,733
2012	201,257	90%	594,521

d. Funded Status and Funding Progress of the Plan

The funded status of the OPEB plan in the aggregate and the City's individual OPEB Plan as of the most recent actuarial valuation at June 30, 2013 was as follows (in thousands):

	Plan	City
AAL	\$ 2,352,101	2,257,699
Actuarial value of plan assets	<u>209,779</u>	<u>204,567</u>
UAAL	<u>\$ 2,142,322</u>	<u>2,053,132</u>
Funded ratio (actuarial value of plan assets/AAL)	8.92%	9.06%
Covered payroll (active plan members)	\$ 1,080,837	1,021,081
UAAL as a percentage of covered payroll	198%	201%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include

assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

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

The most recent actuarial valuation was performed as of June 30, 2013. The projected unit credit cost method was used. The actuarial assumptions included a 7.50% investment rate of return, an inflation rate of 4.5% and an annual healthcare cost trend rate of 7.5% 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, 2013 was 30 years.

13. Transfers

Transfers and their purposes during the year ended June 30, 2014 were as follows (in thousands):

	<u>Governmental funds</u>			
	<u>General</u>	<u>Special revenue</u>	<u>Capital projects</u>	<u>Other governmental</u>
Primary government:				
Dudley Municipal Center	-	-	(59,769)	59,769
Debt Service	(1,455)	-	-	1,455
Total	<u>\$ (1,455)</u>	<u>-</u>	<u>(59,769)</u>	<u>61,224</u>

14. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2014 in the following categories (in thousands):

Public safety:		
Police Department	\$	20,367
Fire Department		508
Public Works:		
Snow Removal		4,589
Judgments and Claims:		
Execution of Courts		9,970
	<u>\$</u>	<u>35,434</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, 2014 are as follows (in thousands):

Fund Balances	General	Special revenue	Capital projects	Other governmental funds
Nonspendable				
Permanent fund principal	\$ -	-	-	4,974
Long-term notes receivable	-	-	-	-
Subtotal	-	-	-	4,974
Restricted for:				
General government	-	-	11,207	896
Public safety	-	-	3,121	-
Property and development	-	59,993	14,967	26,062
Parks and recreation	-	-	4,188	38,827
Library	-	-	6,614	-
Schools	-	-	28,257	5,571
Subtotal	-	59,993	68,354	71,356
Assigned to:				
General government	13,058	8,368	-	-
Human services	284	-	-	-
Public safety	4,832	106,507	-	-
Public works	1,375	27,224	-	-
Property and development	1,264	-	-	-
Parks and recreation	358	2,670	-	-
Library	97	542	-	-
Schools	10,169	9,356	-	-
Judgments and claims	65,724	-	-	-
Catastrophic Loss	26,072	-	-	-
Housing initiative	9,857	-	-	-
Debt service	7,162	-	-	-
Employee related costs	50,000	-	-	-
Designated for subsequent year expense	61,101	-	-	-
Subtotal	251,353	154,667	-	-
Unassigned	532,955	-	-	-
Total fund balances	\$ 784,308	214,660	68,354	76,330

16. Commitments and Contingencies

The City has committed \$97.1 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$27.8 million in the Special Revenue Fund, \$137.4 million in the Capital Projects Fund, and \$309 thousand in Other Governmental Funds.

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, and a City appropriation. During fiscal year 2014, the City appropriated \$66.8 million to the PHC. As described below, the PHC uses the appropriation to pay debt service on certain general obligation bonds, for administrative purposes and to support the various public health programs run by the PHC. The City has budgeted \$67.6 million for the PHC for fiscal year 2015.

Due from PHC/BMC

General obligation bonds issued by the City between December 1967 and October 1995 for which PHC is responsible for repayment total \$0.8 million as of June 30, 2014. 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 provides health insurance coverage for employees and retirees through a variety of insured and self-insured plans. The City budgets for and funds the premium costs for all plans through the General Fund. Self-insured plans are financially managed through the Internal Service Fund established in compliance with M.G.L. Chapter 32B, Section 3A. In fiscal year 2013, a guiding policy for the more prudent management of the City of Boston Health Claims Trust Fund was established. This policy states that accounting for the fund will be in accordance with generally accepted accounting principles, and will ensure that all contributions and actual costs are shared between employers and their subscribers according to predetermined ratios.

For unexpected large losses, the City maintains a catastrophic risk reserve, which has an available balance of \$26.1 million at the end of fiscal 2014. To further protect the City's assets and finances from adverse loss, commercial insurance is purchased strategically for certain exposures. A catastrophic property insurance policy provides \$100.0 million for all risk protection after a \$10.0 million deductible. Boiler and machinery losses are insured up to \$25.0 million per incident, after a \$50 thousand deductible.

The City has established a liability based on historical trends of previous years and attorneys' estimates of pending matters and lawsuits in which the City is involved. Changes in the self-insurance liability for the fiscal years ended June 30, 2014 and 2013 are as follows (in thousands):

	Internal service fund	
	2014	2013
Health and life claims, beginning of year	\$ 21,862	5,614
Incurred claims	305,326	301,467
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(302,876)	(285,219)
Health and life claims, end of year	<u>\$ 24,312</u>	<u>21,862</u>
	Government-wide statements	
	2014	2013
Judgments and claims, beginning of year	\$ 168,467	157,161
Incurred claims	38,513	58,805
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers' compensation	(21,348)	(16,648)
Unemployment compensation	(3,552)	(3,993)
Tax abatement liability	(2,100)	(21,600)
Court judgments	(17,942)	(5,258)
Judgments and claims, end of year	<u>\$ 162,038</u>	<u>168,467</u>

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

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

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

As described in note 1, the DSRC is a Qualified Active Low-Income Community Business, and is the owner and developer of the Dudley Municipal Center property. FBDC is the leverage lender of the Dudley Municipal Center property. During the year ended June 30, 2014, the City granted DSRC \$59.8 million. This is a grant for funding the project and there is no obligation for any payments back to the City regarding this grant. As the project sponsor during fiscal year 2013, the City authorized and issued \$28.9 million in general obligation bonds and transferred proceeds to FBDC. FBDC, utilizing these bond proceeds, made loans totaling \$29.3 million to two investment funds. As of June 30, 2014 \$29.3 million is due to FBDC on such loans. The investment funds made these proceeds and funds from additional investments available to eight leverage lenders that made loans in the aggregate amount of \$40.8 million to DSRC to finance the Dudley Municipal Center project. This amount is recorded in the City's Notes and Leases Payable line of note 10. Upon completion of the Dudley Municipal Center project, FBDC will be the master tenant and will lease the project from DSRC.

DSRC will then sublease the majority of space of the project to the City. The schedule of payments is the same in the lease and the sublease as follows (in thousands):

Year(s) ending June 30:		<u>Lease payments</u>
2015	\$	276
2016		551
2017		551
2018		551
2019		595
2020-2024		5,278
2025-2029		10,150
2030-2034		10,150
2035-2039		10,150
2040-2044		10,150
2045-2048		<u>5,075</u>
Total	\$	<u><u>53,477</u></u>

20. Discretely Presented Component Units

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

Condensed Statements of Net Position					
June 30, 2014					
(In thousands)					
	PHC	BRA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 37,068	35,919	10,247	15,247	98,481
Cash and investments held by trustee	-	-	2,571	-	2,571
Receivables, net:					
Other	32,895	12,523	926	7,294	53,638
Other assets	693	17	30	264	1,004
Due from primary government	252	-	-	-	252
Total current assets	70,908	48,459	13,774	22,805	155,946
Noncurrent assets:					
Cash and investments held by trustee	-	-	58,321	-	58,321
Notes receivable	32,595	135,097	-	-	167,692
Other assets	320	-	-	-	320
Capital assets:					
Nondepreciable	11,746	15,411	150	3,097	30,404
Depreciable	14,449	3,045	610	33,079	51,183
Total noncurrent assets	59,110	153,553	59,081	36,176	307,920
Total assets	\$ 130,018	202,012	72,855	58,981	463,866

Condensed Statements of Net Position

June 30, 2014

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Liabilities:					
Current liabilities:					
Warrants and accounts payable	\$ 16,632	1,241	707	7,041	25,621
Accrued liabilities:					
Other	8,499	460	335	1,598	10,892
Current portion of long-term debt and leases	606	-	-	1,163	1,769
Due to primary government	459	-	1,233	-	1,692
Unearned revenue	2,780	1,999	-	22	4,801
Total current liabilities	<u>28,976</u>	<u>3,700</u>	<u>2,275</u>	<u>9,824</u>	<u>44,775</u>
Noncurrent liabilities:					
Bonds notes and leases due in more than one year	168	1,475	-	13,720	15,363
Other noncurrent liabilities	4,263	143,617	-	945	148,825
OPEB	71,987	7,385	-	-	79,372
Unearned revenue	33,674	28,080	-	-	61,754
Due to primary government	320	11,986	-	-	12,306
Total noncurrent liabilities	<u>110,412</u>	<u>192,543</u>	<u>-</u>	<u>14,665</u>	<u>317,620</u>
Total liabilities	<u>139,388</u>	<u>196,243</u>	<u>2,275</u>	<u>24,489</u>	<u>362,395</u>
Net position:					
Net investment in capital assets	25,745	6,486	760	21,293	54,284
Restricted	-	-	67,091	704	67,795
Unrestricted	(35,115)	(717)	2,729	12,495	(20,608)
Total net position	<u>\$ (9,370)</u>	<u>5,769</u>	<u>70,580</u>	<u>34,492</u>	<u>101,471</u>

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

Year ended June 30, 2014

(In thousands)

	<u>PHC</u>	<u>BRA</u>	<u>TPL</u>	<u>EDIC</u>	<u>Total</u>
Expenses	\$ 170,048	23,273	9,838	31,101	234,260
Program revenues:					
Charges for services	44,206	9,406	1,725	18,725	74,062
Operating grants and contributions	45,267	8,788	13,036	16,457	83,548
Capital grants and contributions	280	-	-	-	280
Total program revenues	<u>89,753</u>	<u>18,194</u>	<u>14,761</u>	<u>35,182</u>	<u>157,890</u>
Net expenses	<u>(80,295)</u>	<u>(5,079)</u>	<u>4,923</u>	<u>4,081</u>	<u>(76,370)</u>
General revenues:					
Investment income	(62)	1,029	-	1	968
Sale of property	-	4,260	-	-	4,260
City appropriation	66,757	-	-	-	66,757
Miscellaneous income	8,681	670	197	-	9,548
Total general revenues	<u>75,376</u>	<u>5,959</u>	<u>197</u>	<u>1</u>	<u>81,533</u>
Change in net position	<u>(4,919)</u>	<u>880</u>	<u>5,120</u>	<u>4,082</u>	<u>5,163</u>
Net position – beginning of year, as restated (refer to note 2n)	<u>(4,451)</u>	<u>4,889</u>	<u>65,460</u>	<u>30,410</u>	<u>96,308</u>
Net position – end of year	\$ <u><u>(9,370)</u></u>	<u><u>5,769</u></u>	<u><u>70,580</u></u>	<u><u>34,492</u></u>	<u><u>101,471</u></u>

Required Supplementary Information

(Unaudited)

(Amounts in thousands)

Schedules of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
Pension - Plan						
01/01/13	\$ 5,073,098	8,199,808	3,126,710	61.9 %	\$ 1,360,385	229.8 %
01/01/12	4,855,200	7,902,175	3,046,975	61.4	1,301,803	234.1
01/01/11*	4,592,675	7,382,907	2,790,232	62.2	1,371,363	203.5
01/01/10	4,270,893	7,091,018	2,820,125	60.2	1,306,060	215.9
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

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

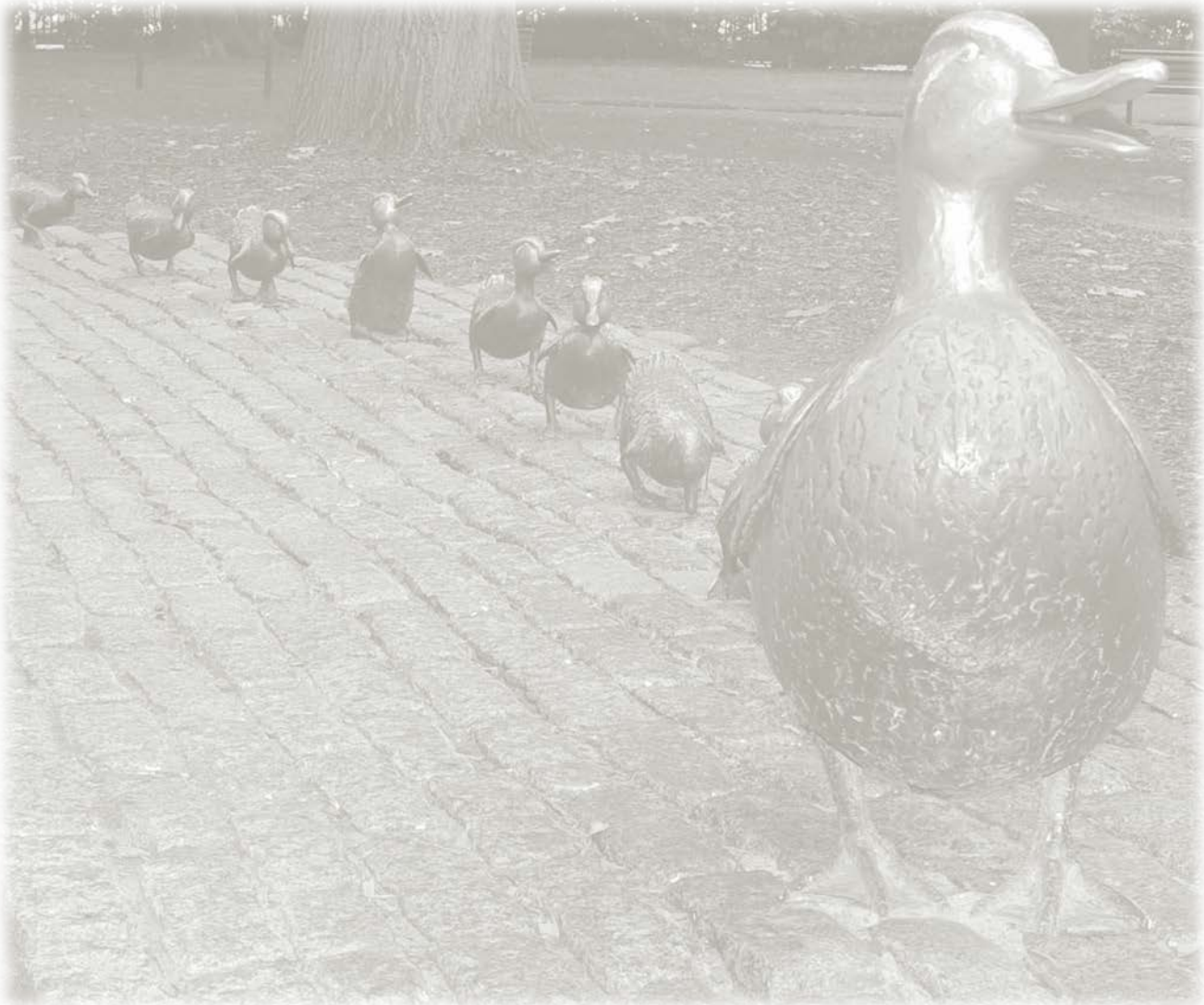
OPEB - City						
06/30/13	\$ 204,567	2,257,699	2,053,132	9.06 %	\$ 1,021,081	201.1 %
06/30/11**	109,736	2,595,942	2,486,206	4.23	1,045,488	237.8
06/30/09**	—	3,854,998	3,854,998	—	1,008,004	382.4
OPEB - Plan						
06/30/13	\$ 209,779	2,352,101	2,142,322	8.92 %	\$ 1,080,837	198.2 %
06/30/11**	111,038	2,704,200	2,593,162	4.11	1,102,402	235.2
06/30/09**	—	3,950,701	3,950,701	—	1,060,919	372.4

** The actuarial accrued liability has been restated. See note 2(n) for further explanation.

Schedules of Employer Contributions

	Annual required contribution	Percentage contributed
Pension Plan		
December 31, 2013	\$ 288,458	100 %
December 31, 2012	261,943	100
December 31, 2011	245,280	100
December 31, 2010	463,656	100
December 31, 2009	250,823	100
December 31, 2008	239,039	100
OPEB - Plan		
June 30, 2014	\$ 162,798	97 %
June 30, 2013	200,041	84
June 30, 2012	194,045	95
OPEB - City		
June 30, 2014	\$ 153,469	100 %
June 30, 2013	186,929	87
June 30, 2012	181,732	99

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, 2014 and 2013
(Amounts in thousands)

	2014	2013
ASSETS:		
Cash and investments.....	\$ 1,006,745	\$ 950,678
Receivables:		
Property taxes.....	13,989	15,355
Motor vehicle / boat excise.....	54,751	55,135
Intergovernmental.....	50,216	59,011
Departmental and other.....	25,139	27,297
Tax title and possession.....	87,645	91,698
Total Receivables.....	<u>231,740</u>	<u>248,496</u>
Allowance:		
Motor vehicle / boat excise.....	(46,031)	(45,436)
Tax title and possession.....	(87,645)	(91,698)
Total Allowance.....	<u>(133,676)</u>	<u>(137,134)</u>
Net receivable.....	98,064	111,362
Due from other funds.....	1,259	2,161
Due from component units.....	13,998	13,625
Total assets.....	<u>\$ 1,120,066</u>	<u>\$ 1,077,826</u>
LIABILITIES:		
Warrants and accounts payable.....	\$ 59,800	\$ 45,211
Accrued liabilities:		
Payroll and related costs.....	178,308	167,301
Deposits and other.....	26,868	25,709
Deferred revenue.....	-	79,346
Due to other funds.....	1,799	8,721
Due to component units.....	252	142
Total liabilities.....	<u>\$ 267,027</u>	<u>\$ 326,430</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available.....	<u>68,731</u>	-
FUND BALANCE:		
Assigned.....	251,353	218,292
Unassigned.....	532,955	533,104
Total fund balance.....	<u>784,308</u>	<u>751,396</u>
Total liabilities, deferred inflows of resources and fund balance.....	<u>\$ 1,120,066</u>	<u>\$ 1,077,826</u>

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2014 and 2013

(Amounts in thousands)

	2014	2013
REVENUES:		
Real and personal property taxes.....	\$ 1,767,783	\$ 1,677,581
Excises.....	223,133	221,254
Payments in lieu of taxes.....	73,324	72,335
Fines.....	59,922	58,835
Investment income.....	57	179
Licenses and permits.....	62,257	47,220
Departmental and other.....	84,385	87,585
Intergovernmental.....	509,199	504,656
Total Revenues.....	2,780,060	2,669,645
EXPENDITURES:		
Current:		
General government.....	102,786	77,515
Human services.....	31,358	29,924
Public safety.....	558,802	553,851
Public works.....	113,239	102,789
Property and development.....	33,376	32,568
Parks and recreation.....	19,792	19,229
Library.....	33,978	30,888
Schools.....	940,276	879,898
Public health programs.....	65,953	67,845
Judgments and claims.....	9,493	3,010
Retirement costs.....	255,647	235,078
Other employee benefits.....	234,400	232,831
State and district assessments.....	197,939	176,300
Total current expenditures.....	2,597,039	2,441,726
Capital outlays.....	1,106	1,745
Debt service.....	147,548	140,900
Total Expenditures.....	2,745,693	2,584,371
Excess of revenues over expenditures.....	34,367	85,274
OTHER FINANCING USES:		
Transfers out.....	(1,455)	(23,575)
Total other financing uses.....	(1,455)	(23,575)
Net change in fund balances.....	32,912	61,699
Fund balance - beginning.....	751,396	689,697
Fund balance - ending.....	\$ 784,308	\$ 751,396

See accompanying independent auditor's report.

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) June 30, 2014 and 2013

(Amounts in thousands)

Classification	2014				2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
PROPERTY TAXES					
Real Estate Taxes.....	\$ 1,589,520	\$ 1,589,520	\$ 1,590,302	\$ 782	\$ 1,496,751
Real and Personal Property Taxes.....	154,403	154,403	154,602	199	146,616
Revenue class total	1,743,923	1,743,923	1,744,904	981	1,643,367
MOTOR VEHICLE EXCISE					
Motor Vehicle Excise - Current.....	40,000	40,000	39,850	(150)	34,584
Motor Vehicle Excise - Prior Years.....	-	-	13,122	13,122	12,521
Boat Excise - Current and Prior Years.....	65	65	60	(5)	64
Revenue class total	40,065	40,065	53,032	12,967	47,169
OTHER EXCISE TAXES					
Hotel / Motel Room Excise.....	60,707	60,707	71,129	10,422	66,067
Aircraft Fuel Excise.....	30,800	30,800	37,117	6,317	36,625
Condominium Conversion Excise.....	250	250	440	190	256
Meals Tax Excise.....	21,500	21,500	24,369	2,869	22,892
Urban Redevelopment Ch. 121A.....	26,500	26,500	31,634	5,134	35,201
Vehicle Rental Surcharge.....	1,000	1,000	1,142	142	1,370
Revenue class total	140,757	140,757	165,831	25,074	162,411
COMMONWEALTH OF MASSACHUSETTS					
State Owned Lands.....	277	277	277	-	272
Exemption - Elderly.....	1,152	1,152	1,108	(44)	1,152
Exemption - Other.....	-	-	-	-	-
Lottery.....	-	-	-	-	-
Veterans Services - Local Aid.....	3,197	3,197	3,113	(84)	3,159
Police Career Incentive.....	-	-	-	-	-
Unrestricted General Government Aid.....	164,035	164,035	164,035	-	160,249
Local Share of Racing Taxes.....	577	577	531	(46)	309
School Construction.....	8,475	8,475	8,475	-	10,477
Charter School Reimbursement.....	22,091	22,091	35,457	13,366	19,798
Chapter 70 Education Aid.....	209,407	209,407	209,407	-	207,859
Revenue class total	409,211	409,211	422,403	13,192	403,275

(continued)

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) June 30, 2014 and 2013

(Amounts in thousands)

Classification	2014				2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
DEPARTMENTAL & OTHER					
Penalties & Interest - Property Taxes.....	\$ 2,400	\$ 2,400	\$ 3,406	\$ 1,006	\$ 2,460
Penalties & Interest - Motor Vehicle.....	2,800	2,800	2,902	102	2,843
Penalties & Interest - Tax Title.....	3,200	3,200	4,086	886	3,955
Penalties & Interest - Boat Excise.....	5	5	5	-	4
Penalties & Interest - Ch. 121A.....	-	-	-	-	-
Sidewalk Paid in Advance.....	-	-	7	7	-
Unapportioned Assessments.....	8	8	-	(8)	8
Other Departmental Fees & Charges.....	1,162	1,162	1,963	801	1,425
Registry Division Fees.....	1,500	1,500	1,613	113	1,524
Liens.....	585	585	580	(5)	672
Other Departmental.....	2,555	2,555	4,828	2,273	3,739
City Clerk Fees.....	475	475	648	173	481
Muni Medicaid Reimbursement.....	6,000	6,000	6,232	232	7,382
Medicaid Part D.....	2,675	2,675	13,312	10,637	2,698
Police Services.....	525	525	553	28	527
Fire Services.....	4,750	4,750	5,538	788	4,969
Parking Facilities.....	1,600	1,600	1,873	273	1,681
Street Occupancy.....	4,500	4,500	4,586	86	4,675
Street and Sidewalk Permits.....	1,000	1,000	1,118	118	1,154
Administrative Fees.....	300	300	-	(300)	685
Demolition of Abandoned Structures.....	100	100	14	(86)	111
Property Mgmt - Building Rents.....	1,800	1,800	1,407	(393)	1,835
St. Furniture Program Fixed Fees.....	1,500	1,500	1,500	-	1,500
St. Furniture Program Adm Fees.....	1,100	1,100	1,454	354	1,108
Fiber Optics Access Fees.....	100	100	266	166	289
Public Works - Other Charges.....	-	-	-	-	-
Tuition and Transportation - Schools.....	1,475	1,475	1,552	77	1,497
McKinney-Vento reimbursement.....	700	700	863	163	787
Library Fees.....	290	290	270	(20)	292
Other Penalties & Interest.....	-	-	-	-	-
Cobra / Self-pay.....	275	275	252	(23)	274
Affirmative Recovery Unit.....	525	525	596	71	807
Fringe-Retirement.....	5,200	5,200	5,371	171	5,553
Pensions and Annuities.....	3,400	3,400	249	(3,151)	3,515
Indirect Costs Reimbursement.....	25	25	539	514	26
Third-Party Payments.....	2,000	2,000	(132)	(2,132)	1,942
Prior Year Reimbursements.....	1,000	1,000	3,973	2,973	4,918
Police Detail Payroll.....	-	-	1,006	1,006	9
Police Detail Administration Fee.....	2,975	2,975	2,814	(161)	2,984
Rental Income.....	20	20	-	(20)	20
Administrative Fee 3rd Party Payments.....	150	150	281	131	153
Tellers Adjustment Account.....	-	-	-	-	-
Revenue class total	58,675	58,675	75,525	16,850	68,502

(continued)

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Budgetary Basis) June 30, 2014 and 2013

(Amounts in thousands)

Classification	2014				2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
FINES					
Parking Fines.....	\$ 56,000	\$ 56,000	\$ 56,555	\$ 555	\$ 56,350
Court Fines.....	120	120	159	39	118
Moving Violation Fines - Court.....	2,200	2,200	2,151	(49)	2,184
Fire Safety Fines.....	35	35	43	8	38
ISD - Fines.....	-	-	-	-	-
Code Enforcement.....	600	600	696	96	785
Revenue class total	58,955	58,955	59,604	649	59,475
PAYMENTS IN LIEU OF TAXES					
Massport.....	17,769	17,769	18,093	324	17,990
Miscellaneous PILOT's.....	24,400	24,400	25,321	921	24,588
Miscellaneous Ch 121B Section 16.....	2,100	2,100	2,747	647	2,994
Miscellaneous Ch 121A Section 6A.....	19,000	19,000	27,676	8,676	25,800
Revenue class total	63,269	63,269	73,837	10,568	71,372
INVESTMENT INCOME					
Interest on Investments.....	175	175	57	(118)	179
Revenue class total	175	175	57	(118)	179
LICENSES AND PERMITS					
Building Structures and Permits.....	24,000	24,000	40,071	16,071	29,253
Weights and Measures.....	250	250	289	39	261
Street and Curb Permits.....	3,000	3,000	2,677	(323)	3,111
Pre-rental Inspections.....	600	600	1,455	855	144
Other Departmental Licenses & Permits.....	700	700	723	23	702
Health Inspections.....	1,650	1,650	1,474	(176)	1,704
Alcoholic Beverages and Licenses.....	3,400	3,400	4,090	690	3,510
Entertainment Licenses.....	2,000	2,000	1,666	(334)	2,097
Police Firearm Permits.....	25	25	125	100	(39)
Other Business Licenses and Permits.....	235	235	102	(133)	237
Cable Television.....	4,600	4,600	6,490	1,890	4,594
Revenue class total	40,460	40,460	59,162	18,702	45,574
TRANSFERS AND OTHER AVAILABLE FUNDS					
Sale of Property.....	-	-	-	-	3,023
Surplus Property Fund.....	-	-	-	-	-
Appropriated Cemetery Trustee.....	807	807	-	(807)	-
Appropriated Parking Meter Receipts.....	16,500	16,500	-	(16,500)	-
Appropriated Funds Balance.....	40,000	40,000	-	(40,000)	-
Revenue class total	57,307	57,307	-	(57,307)	3,023
Total Revenues and Other Financing Sources	\$ 2,612,797	\$ 2,612,797	\$ 2,654,355	\$ 41,558	\$ 2,504,347

See accompanying independent auditor's report.

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2014 and 2013

(Amounts in thousands)

2014

Classification	2014				2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	
GENERAL GOVERNMENT					
Costs of Issuance - RANS.....	\$ 500	\$ 139	\$ 139	\$ -	\$ 47
Annual Audit Costs.....	750	750	750	-	721
Mayor's Office.....	2,273	2,608	2,608	-	2,126
City Council.....	5,150	5,150	4,949	201	4,734
Office of New Bostonians.....	354	354	342	12	332
Consumer Affairs and Licensing.....	429	434	428	6	447
Election Department - Election Division.....	3,318	3,318	3,149	169	3,706
Election Department - Listing Board.....	498	498	492	6	542
Auditing Department.....	2,606	2,606	2,539	67	2,445
Assessing Department.....	6,687	6,687	6,572	115	6,491
Treasury Department - Collecting Division..	2,809	2,809	2,514	295	2,631
Treasury Department - Treasury Division....	1,920	1,920	1,854	66	1,850
Office of Budget Management.....	2,768	2,768	2,677	91	2,623
Human Resources.....	2,988	2,988	2,743	245	2,791
Purchasing Division.....	1,762	1,762	1,697	65	1,486
Office of Administration & Finance.....	1,105	1,505	1,505	-	2,177
Graphic Arts.....	-	-	-	-	-
Office of Labor Relations.....	1,438	1,438	1,228	210	1,628
Department of Innovation & Technology....	23,927	26,226	26,230	(4)	25,152
Intergovernmental Relations.....	1,254	1,254	1,145	109	1,180
Law Department.....	6,067	6,132	5,937	195	5,618
Small & Local Business.....	630	630	624	6	586
Office of Boston Residents Job Policy.....	551	551	478	73	450
Risk Retention Reserved.....	1,500	5,750	5,750	-	7,063
Housing Trust Fund.....	330	330	312	18	291
City Clerk.....	1,063	1,063	1,055	8	1,007
Registry Division.....	1,033	1,033	995	38	1,018
Finance Commission.....	195	198	192	6	187
Tregor Reserve Fund.....	-	433	433	-	725
Office of Civil Rights.....	198	198	190	8	116
Commission for Persons with Disabilities...	359	359	349	10	265
Public Information.....	1,362	1,362	1,289	73	1,222
Neighborhood Services.....	1,283	1,283	1,184	99	1,187
Arts & Cultural Develop.....	1,881	1,911	1,800	111	1,762
Women's Commission.....	163	247	247	-	161
Reserve for Collective Bargaining.....	24,658	5,643	5,643	-	20,997
Function total	103,809	92,337	90,039	2,298	105,764
HUMAN SERVICES					
Boston Centers for Youth & Families.....	23,413	23,620	23,620	-	22,801
Elderly Commission.....	2,952	2,952	2,905	47	2,894
Veterans Services Department.....	5,643	4,611	4,609	2	4,972
Function total	\$ 32,008	\$ 31,183	\$ 31,134	\$ 49	\$ 30,667

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2014 and 2013

(Amounts in thousands)

Classification	2014			Favorable (Unfavorable) Variance	2013 Actual
	Original Budget	Final Budget	Actual		
PUBLIC SAFETY					
Police Department.....	\$ 294,935	\$ 300,633	\$ 321,000	\$ (20,367)	\$ 290,715
Fire Department.....	187,850	200,370	200,878	(508)	189,137
Mayor's Office - Emergency Preparedness...	437	462	461	1	324
Transportation - Traffic Division.....	22,167	23,422	23,422	-	22,320
Transportation - Parking Clerk.....	8,575	7,986	7,948	38	7,653
Licensing Board.....	725	725	661	64	676
Inspectional Services Department.....	17,586	17,292	17,199	93	16,183
Youth Fund.....	4,961	5,049	5,049	-	4,674
Function total	537,236	555,939	576,618	(20,679)	531,682
PUBLIC WORKS					
Public Works Department.....	84,720	85,823	85,821	2	81,459
Chief of PWD - Transportation.....	1,426	1,426	1,264	162	1,303
Central Maintenance Facility.....	2,516	2,515	2,430	85	2,034
Snow Removal.....	18,511	18,511	23,100	(4,589)	19,130
Function total	107,173	108,275	112,615	(4,340)	103,926
PROPERTY AND DEVELOPMENT					
Property Management.....	20,991	24,266	24,265	1	24,105
Neighborhood Development.....	4,123	4,123	4,078	45	3,876
Leading the Way.....	5,500	5,500	5,500	-	5,000
Function total	30,614	33,889	33,843	46	32,981
PARKS AND RECREATION					
Parks and Recreation Department.....	14,812	15,596	15,594	2	15,253
Environment Department.....	2,067	2,067	1,945	122	1,962
Cemetery Division.....	2,315	2,295	2,257	38	2,086
Function total	19,194	19,958	19,796	162	19,301
LIBRARY					
Library Department.....	32,460	33,076	33,076	-	31,069
Function total	32,460	33,076	33,076	-	31,069
SCHOOLS					
Boston Public Schools.....	937,414	937,962	937,949	13	881,203
Function total	937,414	937,962	937,949	13	881,203
PUBLIC HEALTH					
Public Health Commission.....	66,504	66,757	66,757	-	67,041
Function total	\$ 66,504	\$ 66,757	\$ 66,757	\$ -	\$ 67,041

(continued)

General Fund

Schedule of Expenditures Compared to Budget (Budgetary Basis)

June 30, 2014 and 2013

(Amounts in thousands)

Classification	2014					2013 Actual
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance		
JUDGMENTS AND CLAIMS						
Execution of Courts.....	\$ 3,500	\$ 3,500	\$ 13,470	\$ (9,970)	\$ 11,976	
Function total	3,500	3,500	13,470	(9,970)	11,976	
OTHER EMPLOYEE BENEFITS						
Medicare Payments.....	8,653	7,752	7,752	-	8,265	
Human Resources - Health Insurance.....	685	685	610	75	182,843	
Health Benefits & Insurance.....	192,789	190,870	190,870	-	712	
Unemployment Compensation.....	350	35	35	-	80	
Workers' Compensation Fund.....	2,200	1,558	1,558	-	2,085	
OPEB Stabilization Fund.....	40,000	40,000	40,000	-	40,000	
Function total	244,677	240,900	240,825	75	233,985	
PENSION COSTS						
State-Boston Retirement System.....	152,915	152,915	152,915	-	136,977	
Pensions and Annuities - City.....	4,100	165	165	-	4,100	
Pensions and Annuities - County.....	100	100	35	65	34	
Function total	157,115	153,180	153,115	65	141,111	
DEBT REQUIREMENTS						
Redemption of City Loans.....	92,609	92,373	92,279	94	87,181	
City Debt and Interest Payments.....	42,635	42,871	42,871	-	39,395	
Temporary Notes.....	6,983	102	-	102	-	
MWPAT Principal.....	501	501	501	-	485	
MWPAT Interest.....	95	95	95	-	101	
Section 108 - Dudley Square.....	505	505	505	-	505	
Debt Service Sinking Funds.....	1,455	1,455	1,455	-	1,455	
Function total	144,783	137,902	137,706	196	129,122	
STATE & DISTRICT ASSESSMENTS						
Heath Insurance/Retirement.....	183	183	183	-	187	
Parking Surcharge.....	2,812	2,539	2,539	-	2,811	
Mosquito Control Projects.....	262	262	262	-	257	
Special Education Chapter 766.....	565	547	547	-	554	
Metropolitan Air Pollution Center.....	208	208	208	-	201	
Metropolitan Area Planning.....	199	149	149	-	194	
M.B.T.A. Assessments.....	79,151	79,151	79,151	-	78,301	
M.D.C. Assessments.....	12	12	12	-	12	
School Choice.....	321	342	342	-	294	
Charter School Sending Tuition.....	108,661	110,658	110,658	-	89,565	
Essex County Technical.....	13	13	13	-	-	
Suffolk County Jail.....	3,924	3,875	3,875	-	3,924	
Function total	196,311	197,939	197,939	-	176,300	
Total Expenditures	\$ 2,612,797	\$ 2,612,797	\$ 2,644,882	\$ (32,085)	\$ 2,496,128	

See accompanying independent auditor's report.

Special Revenue Fund



Commonwealth Avenue

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

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



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Special Revenue Fund

Comparative Balance Sheets

June 30, 2014 and 2013

(Amounts in thousands)

	2014	2013
ASSETS:		
Cash and investments.....	\$ 163,496	\$ 132,314
Receivables, net		
Intergovernmental.....	77,040	103,430
Departmental and other.....	60,084	59,515
Total receivables.....	137,124	162,945
Due from other funds.....	2,963	5,132
Total Assets.....	\$ 303,583	\$ 300,391
LIABILITIES:		
Warrants and accounts payable.....	\$ 32,379	\$ 41,221
Accrued liabilities:		
Payroll and related costs.....	3,504	302
Deposits and other.....	41,539	41,049
Unearned revenue.....	8,959	-
Deferred revenue.....	-	81,930
Due to other funds.....	2,423	3,000
Total liabilities.....	88,804	167,502
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available.....	119	-
FUND BALANCE:		
Restricted.....	59,993	-
Assigned	154,667	-
Unassigned.....	-	132,889
Total fund balance.....	214,660	132,889
Total liabilities, deferred inflows of resources, and fund balance...	\$ 303,583	\$ 300,391

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2014 and 2013

(Amounts in thousands)

	2014	2013
REVENUES:		
Fines.....	\$ 30	\$ 17
Investment income.....	17	21
Licenses and permits.....	68	70
Departmental and other.....	46,626	41,225
Intergovernmental.....	276,837	232,523
Total revenues	323,578	273,856
EXPENDITURES:		
Current:		
General government.....	5,244	13,523
Human services.....	7,847	7,697
Public safety.....	37,437	34,920
Public works.....	14,464	11,942
Property & development.....	74,395	73,855
Parks and recreation.....	1,145	2,178
Library.....	2,048	2,559
Schools.....	151,623	155,930
Public health programs.....	2,744	1,260
Other employee benefits.....	-	2,171
Total current expenditures.....	296,947	306,035
Capital outlays.....	1,380	2,461
Debt service.....	6,367	5,784
Total expenditures	304,694	314,280
Excess (deficiency) of revenues over (under) expenditures.	18,884	(40,424)
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued.....	3,200	718
Payments to escrow agent.....	-	(2,701)
Premiums on long-term debt issued.....	172	3,836
Total other financing sources (uses)	3,372	1,853
Net change in fund balances	22,256	(38,571)
Cumulative effect of implementation of GASB 65	59,515	-
Fund balance - beginning	132,889	171,460
Fund balance - ending	\$ 214,660	\$ 132,889

See accompanying independent auditor's report.

Capital Projects Fund



Boston skyline from Boston Harbor

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



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Capital Projects Fund

Comparative Balance Sheets

June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and investments.....	\$ 86,084	\$ 118,829
Cash and investments held by trustees.....	7,244	7,734
Intergovernmental receivables.....	18,195	34,593
Department and other receivables.....	611	247
Due from other funds.....	14,059	6,364
Total assets.....	<u>\$ 126,193</u>	<u>\$ 167,767</u>
LIABILITIES:		
Warrants and accounts payable.....	\$ 35,569	\$ 40,717
Accrued Liabilities:		
Deposits and other.....	-	-
Deferred revenue.....	-	31,478
Due to other funds.....	4,075	-
Total liabilities.....	<u>39,644</u>	<u>72,195</u>
DEFERRED INFLOWS OF RESOURCES:		
Revenue not considered available.....	18,195	-
FUND BALANCE:		
Restricted	68,354	95,572
Total fund balance.....	<u>68,354</u>	<u>95,572</u>
Total liabilities, deferred inflows of resources, and fund balance...	<u>\$ 126,193</u>	<u>\$ 167,767</u>

Capital Projects Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance June 30, 2014 and 2013

(Amounts in thousands)

	2014	2013
REVENUES:		
Intergovernmental.....	\$ 18,253	\$ 12,190
Departmental and other.....	45	-
Total revenues.....	18,298	12,190
EXPENDITURES:		
Capital outlays.....	177,991	198,156
Total expenditures.....	177,991	198,156
Deficiency of revenues under expenditures.....	(159,693)	(185,966)
OTHER FINANCING SOURCES (USES):		
Long-term debt and capital leases issued.....	175,244	193,613
Refunding bonds issued.....	-	37,080
Payments to escrow agent.....	-	(33,274)
Premiums on long-term debt issued.....	17,000	21,646
Operating transfers, net.....	(59,769)	(7,213)
Total other financing sources (uses).....	132,475	211,852
Net change in fund balances.....	(27,218)	25,886
Fund balance - beginning.....	95,572	69,686
Fund balance - ending.....	\$ 68,354	\$ 95,572

Other Governmental Funds



Prudential Center

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

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

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

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

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

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

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



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Other Governmental Funds

Combining Balance Sheet

June 30, 2014 and 2013

(Amounts in thousands)

	Permanent Funds			Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7				2014	2013
ASSETS:								
Cash and investments.....	\$ -	\$ -	\$ -	\$ 5,092	\$ 27	\$ 472	\$ 5,591	\$ 19,789
Cash and investments held by trustees.....	44,370	642	913	-	15,045	-	60,970	42,268
Receivables, net.....	78	1	-	-	-	29,333	29,412	29,466
Due from other funds.....	-	-	-	-	7,298	-	7,298	-
Total assets.....	\$ 44,448	\$ 643	\$ 913	\$ 5,092	\$ 22,370	29,805	\$ 103,271	\$ 91,523
LIABILITIES:								
Warrants and accounts payable.....	\$ 790	\$ 17	17	\$ -	\$ 8,835	\$ -	9,659	9,686
Due to other funds.....	-	-	-	-	14,059	3,223	17,282	5,375
Total liabilities.....	790	17	17	-	22,894	3,223	26,941	15,061
FUND BALANCE:								
Nonspendable.....	4,829	145	-	-	\$ -	-	4,974	34,307
Restricted.....	38,829	481	896	5,092	(524)	26,582	71,356	42,155
Total fund balance.....	43,658	626	896	5,092	(524)	26,582	76,330	76,462
Total liabilities and fund balance.....	\$ 44,448	\$ 643	\$ 913	\$ 5,092	\$ 22,370	\$ 29,805	\$ 103,271	\$ 91,523

See accompanying independent auditor's report.

Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance June 30, 2014 and 2013

(Amounts in thousands)

	Permanent Funds			Debt Service Fund	Dudley Square Realty Corp.	Ferdinand Building Development Corp.	Total Other Governmental Funds	
	Pool 1	Pool 2	Pool 7				2014	2013
REVENUES:								
Investment income.....	\$ 6,042	\$ 83	\$ 1	\$ 1	\$ 15	\$ 292	\$ 6,434	\$ 5,323
Departmental and other.....	2,119	28	940	-	3,223	-	6,310	2,822
Total revenues.....	\$ 8,161	\$ 111	\$ 941	\$ 1	\$ 3,238	292	\$ 12,744	\$ 8,145
EXPENDITURES:								
General government.....	\$ 5,189	\$ 49	\$ 475	\$ -	\$ -	\$ -	\$ 5,713	\$ 4,161
Capital outlays.....	-	-	-	-	65,164	3,223	68,387	39,185
Total expenditures.....	5,189	49	475	-	65,164	3,223	74,100	43,346
Excess (deficiency) of revenues over (under) expenditures.....	2,972	62	466	1	(61,926)	(2,931)	(61,356)	(35,201)
OTHER FINANCING SOURCES:								
Transfers in.....	-	-	-	1,454	59,770	-	61,224	30,788
Long-term debt and capital leases issued.....	-	-	-	-	-	-	-	40,805
Total other financing sources.....	-	-	-	1,454	59,770	-	61,224	71,593
Excess (deficiency) of revenues over (under) expenditures and other financing uses.....	2,972	62	466	1,455	(2,156)	(2,931)	(132)	36,392
Fund balance - beginning.....	40,686	564	430	3,637	1,632	29,513	76,462	40,070
Fund balance - ending.....	\$ 43,658	\$ 626	\$ 896	\$ 5,092	\$ (524)	\$ 26,582	\$ 76,330	\$ 76,462

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 and Harvard Pilgrim Healthcare for City employees, their dependents and retirees. The Internal Service Fund is included in the governmental activities column in the government-wide financial statements.



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Internal Service Fund

Comparative Statements of Net Position

June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and investments.....	\$ 99,676	\$ 78,153
Receivables, net.....	-	7,351
Due from other funds.....	-	3,439
Due from Component Units.....	-	1,565
Other assets.....	1,414	4,844
Total assets.....	<u>\$ 101,090</u>	<u>\$ 95,352</u>
LIABILITIES:		
Warrants and accounts payable.....	\$ 1,615	\$ 6,505
Accrued liabilities.....	24,312	21,862
Total liabilities.....	<u>25,927</u>	<u>28,367</u>
NET POSITION:		
Unrestricted.....	75,163	66,985
Total net position.....	<u>\$ 75,163</u>	<u>\$ 66,985</u>

Internal Service Fund

Comparative Statements of Revenues, Expenses and Changes in Net Position June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
REVENUES:		
Employee contributions.....	\$ 57,932	\$ 63,724
Employer contributions.....	253,122	246,420
Total revenues.....	\$ 311,054	\$ 310,144
EXPENSES:		
Health benefits.....	\$ 302,876	\$ 285,219
Total expenses.....	302,876	285,219
Change in net position.....	8,178	24,925
Net position - beginning.....	66,985	42,060
Net position - ending.....	75,163	66,985

Internal Service Fund

Comparative Statements of Cash Flows

June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from employees and employer.....	\$ 323,409	\$ 297,842
Cash paid to vendors.....	(301,886)	(273,281)
Net cash provided by operating activities.....	21,523	24,561
Cash and cash equivalents, beginning of year.....	78,153	53,592
Cash and cash equivalents, end of year.....	\$ 99,676	\$ 78,153
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 8,178	\$ 24,925
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable.....	7,351	(7,298)
Other assets.....	3,430	(3,047)
Due from other funds and component units.....	5,004	(5,004)
Accounts payable and accrued liabilities.....	(2,440)	14,985
Net cash provided by operating activities.....	\$ 21,523	\$ 24,561



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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

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

PRIVATE PURPOSE TRUST FUNDS

Private purpose trust funds are used to report any trust arrangement not otherwise classified as pension 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 Position

December 31, 2013 and 2012

(Amounts in thousands)

	Total State-Boston Retirement System	
	2013	2012
ASSETS:		
Cash and investments.....	\$ 5,506,217	\$ 4,908,191
Receivables:		
Interest and dividends.....	6,971	8,379
Securities sold.....	25,154	34,927
Employer contributions.....	11,844	-
Other.....	7,592	25,275
Total receivables.....	51,561	68,581
Securities lending short-term collateral investment pool.....	185,269	162,759
Total assets.....	5,743,047	5,139,531
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities.....	14,745	12,926
Securities purchased.....	51,466	52,822
Collateral held on securities lending.....	185,639	163,272
Total liabilities.....	251,850	229,020
NET POSITION:		
Held in trust for pension benefits and other purposes.....	\$ 5,491,197	\$ 4,910,511

OPEB Trust Fund
Comparative Statements of Plan Net Position
June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and investments.....	\$ 287,915	\$ 209,857
Total assets.....	<u>287,915</u>	<u>209,857</u>
LIABILITIES:		
Accounts payable, accrued expenses and other liabilities.....	<u>98</u>	<u>78</u>
Total liabilities.....	<u>98</u>	<u>78</u>
NET POSITION:		
Held in trust for pension benefits and other purposes.....	<u>\$ 287,817</u>	<u>\$ 209,779</u>

Private Purpose Trust Funds
Combining Statements of Net Position
June 30, 2014 and 2013
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ASSETS:		
Cash and investments.....	\$ 26,898	\$ 525
Receivables:		
Other.....	<u>28</u>	<u>1</u>
Total receivables.....	<u>28</u>	<u>1</u>
Total assets.....	<u>26,926</u>	<u>526</u>
LIABILITIES:		
Accounts payable.....	315	11
Accrued liabilities.....	<u>-</u>	<u>-</u>
Total liabilities.....	<u>315</u>	<u>11</u>
NET POSITION:		
Held in trust for other purposes.....	<u>\$ 26,611</u>	<u>\$ 515</u>

Pool 5	Pool 7	Total Private Purpose Trust Funds	
		2014	2013
\$ 31,240	\$ 40,454	\$ 99,117	\$ 98,278
66	1,180	1,275	1,097
66	1,180	1,275	1,097
31,306	41,634	100,392	99,375
127	329	782	1,735
-	136	136	12
127	465	918	1,838
\$ 31,179	\$ 41,169	\$ 99,474	\$ 97,537

Agency Fund
Comparative Statements of Net Position
June 30, 2014 and 2013
(Amounts in thousands)

	Law Enforcement Trust Fund	
	2014	2013
ASSETS:		
Cash and investments.....	\$ 8,656	\$ 8,328
Total assets.....	8,656	8,328
LIABILITIES:		
Refunds payable and other.....	8,656	8,328
Total liabilities.....	\$ 8,656	\$ 8,328

State-Boston Retirement System

Comparative Statements of Changes in Plan Net Position

December 31, 2013 and 2012

(Amounts in thousands)

	<u>2013</u>	<u>2012</u>
ADDITIONS:		
Contributions:		
Employers.....	\$ 188,926	\$ 167,097
Employees.....	136,612	125,763
Commonwealth of Massachusetts.....	99,532	94,846
Net appreciation (depreciation) in fair value of investments.....	112,225	458,389
Interest and dividends.....	599,794	118,234
Management and related fees.....	(21,060)	(18,853)
Securities lending income.....	1,590	2,013
Borrower rebates and fees.....	(423)	(562)
Intergovernmental.....	9,258	13,003
Total Additions.....	<u>1,126,454</u>	<u>959,930</u>
DEDUCTIONS:		
Benefits.....	508,689	487,772
Reimbursements to other systems.....	10,946	10,819
Refunds of contributions.....	18,132	14,548
Administration.....	8,001	7,880
Total deductions.....	<u>545,768</u>	<u>521,019</u>
Changes in net position.....	<u>580,686</u>	<u>438,911</u>
Net position - beginning of year.....	<u>4,910,511</u>	<u>4,471,600</u>
Net position - end of year.....	<u>\$ 5,491,197</u>	<u>\$ 4,910,511</u>

See accompanying independent auditor's report.

OPEB Trust Fund

Comparative Statements of Changes in Plan Net Position June 30, 2014 and 2013

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>
ADDITIONS:		
Contributions:		
Employers.....	\$ 157,585	\$ 168,154
Net appreciation (depreciation) in fair value of investments.....	31,360	12,397
Interest and dividends.....	4,886	4,790
Management and related fees.....	(452)	(521)
Total additions.....	<u>193,379</u>	<u>184,820</u>
DEDUCTIONS:		
Benefits.....	115,335	124,659
Administrative expenses and other.....	6	-
Total deductions.....	<u>115,341</u>	<u>124,659</u>
Changes in net position.....	78,038	60,161
Net position - beginning of year.....	<u>209,779</u>	<u>149,618</u>
Net position - end of year.....	<u>\$ 287,817</u>	<u>\$ 209,779</u>



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Private Purpose Trust Funds
Combining Statements of Changes in Net Position
June 30, 2014 and 2013
(Amounts in thousands)

	<u>Pool 1</u>	<u>Pool 2</u>
ADDITIONS:		
Investment income.....	\$ 3,113	\$ 58
Departmental and other revenue.....	1,524	19
Total additions.....	4,637	77
DEDUCTIONS:		
Administrative expenses and other.....	2,863	38
Total operating expenses.....	2,863	38
Net changes in net position.....	1,774	39
Net position - beginning of year.....	24,837	476
Net position - end of year.....	\$ 26,611	\$ 515

Pool 5	Pool 7	Total 2014	Total 2013
\$ 3,540	\$ 4,941	\$ 11,652	\$ 6,753
1,363	12,730	\$ 15,636	19,312
4,903	17,671	27,288	26,065
1,692	20,758	25,351	20,178
1,692	20,758	25,351	20,178
3,211	(3,087)	1,937	5,887
27,968	44,256	97,537	91,650
\$ 31,179	\$ 41,169	99,474	\$ 97,537

Agency Fund

Statement of Changes in Net Position

June 30, 2014

(Amounts in thousands)

	Law Enforcement Trust Fund			
	Balance July 1, 2013	Additions	Deletions	
ASSETS:				
Cash and investments.....	\$ 8,328	2,878	2,550	\$ 8,656
LIABILITIES:				
Refunds payable and other....	\$ 8,328	2,878	2,550	\$ 8,656

STATISTICAL SECTION (Unaudited)

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

Contents	Page
Financial Trends	110
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time (See accompanying Management’s Discussion and Analysis, Statement of Net Assets, and Statement of Activities):</i>	
General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
Net Position by Component – Last Ten Fiscal Years	
Changes in Net Position – Last Ten Fiscal Years	
Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	
Revenue Capacity	124
<i>These schedules contain information to help the reader assess the government’s most significant revenue source, the property tax:</i>	
Assessed and Estimated Actual Value of All Taxable Property – Last Ten Fiscal Years	
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	
Largest Principal Taxpayers – Current Year and Nine Years Ago	
Property Tax Levies and Collections – Last Ten Fiscal Years	
Debt Capacity	128
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future (See accompanying note 10 of the basic financial statements):</i>	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	
Legal Debt Margin Information – Last Ten Fiscal Years	
Demographic and Economic Information	134
<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 2014 and Eight Years Before	
Operating Information	136
<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				
	2014	2013	2012	2011	2010
General Government	\$ 102,786	\$ 77,515	\$ 68,828	\$ 65,459	\$ 70,514
% of Total	3.7	3.0	2.8	2.7	2.9
% Change	32.6	12.6	5.1	(7.2)	1.4
Public Safety	\$ 558,802	\$ 553,851	\$ 524,476	\$ 516,725	\$ 511,365
% of Total	20.4	21.4	21.3	21.0	21.2
% Change	0.9	5.6	1.5	1.0	(2.0)
Public Works	\$ 113,239	\$ 102,789	\$ 84,727	\$ 105,318	\$ 96,641
% of Total	4.1	4.0	3.4	4.3	4.0
% Change	10.2	21.3	(19.6)	9.0	(13.8)
Library	\$ 33,978	\$ 30,888	\$ 30,069	\$ 30,532	\$ 29,853
% of Total	1.2	1.2	1.2	1.2	1.2
% Change	10.0	2.7	(1.5)	2.3	(4.5)
Schools	\$ 940,276	\$ 879,898	\$ 830,839	\$ 812,949	\$ 815,694
% of Total	34.2	34.0	33.8	33.0	33.8
% Change	6.9	5.9	2.2	(0.3)	(0.3)
Retirement Costs	\$ 255,647	\$ 235,078	\$ 220,340	\$ 195,976	\$ 235,282
% of Total	9.3	9.1	9.0	8.0	9.7
% Change	8.7	6.7	12.4	(16.7)	185.8
Employee Benefits	\$ 234,400	\$ 232,831	\$ 251,194	\$ 294,200	\$ 224,156
% of Total	8.5	9.0	10.2	12.0	9.3
% Change	0.7	(7.3)	(14.6)	31.2	17.0
State & District Assessments	\$ 197,939	\$ 176,300	\$ 160,547	\$ 152,042	\$ 146,323
% of Total	7.2	6.8	6.5	6.2	6.1
% Change	12.3	9.8	5.6	3.9	3.0
Property & Development	\$ 33,376	\$ 32,568	\$ 30,089	\$ 35,138	\$ 30,247
% of Total	1.2	1.3	1.2	1.4	1.3
% Change	2.5	8.2	(14.4)	16.2	4.4
Other	\$ 275,250	\$ 262,653	\$ 267,743	\$ 251,514	\$ 256,727
% of Total	10.0	10.2	10.9	10.2	10.6
% Change	4.8	(1.9)	6.5	(2.0)	3.9
Total Expenditures	\$ 2,745,693	\$ 2,584,371	\$ 2,468,852	\$ 2,459,853	\$ 2,416,802
% of Total	100.0	100.0	100.0	100.0	100.0
% Change	6.2	4.7	0.4	1.8	7.6

*General fund only

See accompanying independent auditor's report.

		Fiscal Year					
2009	2008	2007	2006	2005	FUNCTION		
\$ 69,524	\$66,927	\$ 65,223	\$ 57,262	\$ 57,471	General Government		
3.1	3.1	3.3	2.9	3.0	% of Total		
3.9	2.6	13.9	(0.4)	91.2	% Change		
\$ 521,898	\$509,293	\$ 477,403	\$ 446,784	\$ 457,541	Public Safety		
23.2	23.3	24.0	22.5	24.1	% of Total		
2.5	6.7	6.9	(2.4)	17.1	% Change		
\$ 112,168	\$108,831	\$ 97,897	\$ 101,441	\$ 106,749	Public Works		
5.0	5.0	4.9	5.1	5.6	% of Total		
3.1	11.2	(3.5)	(5.0)	22.6	% Change		
\$ 31,268	\$27,089	\$ 31,225	\$ 28,365	\$ 27,594	Library		
1.4	1.2	1.6	1.4	1.5	% of Total		
15.4	(13.2)	10.1	2.8	14.6	% Change		
\$ 818,338	\$782,500	\$ 743,848	\$ 719,715	\$ 673,009	Schools		
36.4	35.8	37.4	36.2	35.5	% of Total		
4.6	5.2	3.4	6.9	2.5	% Change		
\$ 82,332	\$95,193	\$ 92,873	\$ 96,853	\$ 59,419	Retirement Costs		
3.7	4.4	4.7	4.9	3.1	% of Total		
(13.5)	2.5	(4.1)	63.0	(32.4)	% Change		
\$ 191,597	\$190,167	\$ 175,862	\$ 157,885	\$ 142,721	Employee Benefits		
8.5	8.7	8.8	7.9	7.5	% of Total		
0.8	8.1	11.4	10.6	9.8	% Change		
\$ 142,055	\$132,792	\$ 124,243	\$ 118,817	\$ 115,894	State & District Assessments		
6.3	6.1	6.3	6.0	6.1	% of Total		
7.0	6.9	4.6	2.5	4.4	% Change		
\$ -	\$-	\$ -	\$ -	\$ -	County		
0.0	0.0	0.0	0.0	0.0	% of Total		
0.0	0.0	0.0	0.0	0.0	% Change		
\$ 28,959	\$29,876	\$ 35,506	\$ 33,322	\$ 29,836	Property & Development		
1.3	1.4	1.8	1.7	1.6	% of Total		
(3.1)	(15.9)	6.6	11.7	(4.0)	% Change		
\$ 247,084	\$241,360	\$ 224,703	\$ 226,885	\$ 225,187	Other		
11.0	11.1	11.3	11.4	11.9	% of Total		
2.4	7.4	(1.0)	0.8	7.0	% Change		
\$ 2,245,223	\$2,184,028	\$ 2,068,783	\$ 1,987,329	\$ 1,895,421	Total Expenditures		
100.0	100.0	104.1	100.0	100.0	% of Total		
2.8	5.6	4.1	4.8	7.8	% Change		

General Government Revenues by Source

(GAAP Basis)*

Last Ten Fiscal Years

(Amounts in thousands)

SOURCE	Fiscal Year				
	2014	2013	2012	2011	2010
Property Taxes	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361	\$ 1,467,605
% of Total	63.6	63.0	63.1	66.7	65.5
% Change	5.4	5.4	4.3	4.0	5.3
Motor Vehicle Excises	\$ 52,972	\$ 47,105	\$ 40,507	\$ 46,977	\$ 40,134
% of Total	1.9	1.8	1.6	2.1	1.8
% Change	12.5	16.3	(13.8)	17.1	7.4
Other Excises	\$ 170,161	\$ 174,149	\$ 147,065	\$ 77,237	\$ 80,986
% of Total	6.1	6.5	5.8	3.4	3.6
% Change	(2.3)	18.4	90.4	(4.6)	3.7
Departmental & Other	\$ 84,385	\$ 87,585	\$ 78,438	\$ 65,498	\$ 74,861
% of Total	3.0	3.3	3.1	2.9	3.3
% Change	(3.7)	11.7	19.8	(12.5)	(8.8)
State Distributions	\$ 509,199	\$ 504,656	\$ 486,379	\$ 395,374	\$ 404,619
% of Total	18.3	18.9	19.3	17.3	18.0
% Change	0.9	3.8	23.0	(2.3)	(10.9)
Payment in Lieu of Taxes	\$ 73,324	\$ 72,335	\$ 63,066	\$ 65,461	\$ 67,265
% of Total	2.6	2.7	2.5	2.9	3.0
% Change	1.4	14.7	(3.7)	(2.7)	18.7
Fines	\$ 59,922	\$ 58,835	\$ 64,566	\$ 64,751	\$ 70,627
% of Total	2.2	2.2	2.6	2.8	3.1
% Change	1.8	(8.9)	(0.3)	(8.3)	1.3
Investment Income	\$ 57	\$ 179	\$ 982	\$ 4,733	\$ 3,246
% of Total	0.0	0.0	0.0	0.2	0.1
% Change	(68.2)	(81.8)	(79.3)	45.8	(82.3)
Licenses & Permits	\$ 62,257	\$ 47,220	\$ 48,753	\$ 41,676	\$ 32,907
% of Total	2.2	1.8	1.9	1.8	1.5
% Change	31.8	(3.1)	17.0	26.6	(19.4)
Total Revenues	\$ 2,780,060	\$ 2,669,645	\$ 2,521,754	\$ 2,288,068	\$ 2,242,250
% of Total	100.0	100.2	100.0	100.0	100.0
% Change	4.1	5.9	10.2	2.0	0.5

*General fund only

Fiscal Year						SOURCE
2009	2008	2007	2006	2005		
\$ 1,393,371	\$ 1,316,734	\$ 1,258,878	\$ 1,190,347	\$ 1,138,254		Property Taxes
62.5	59.0	59.5	56.5	59.5		% of Total
5.8	4.6	5.8	4.6	5.1		% Change
\$ 37,354	\$ 56,883	\$ 34,082	\$ 62,328	\$ 73,855		Motor Vehicle Excises
1.7	2.6	1.6	3.0	3.9		% of Total
(34.3)	66.9	(45.3)	(15.6)	93.7		% Change
\$ 78,100	\$ 58,926	\$ 65,734	\$ 45,033	\$ 20,051		Other Excises
3.5	2.6	3.1	2.1	1.0		% of Total
32.5	(10.4)	46.0	124.6	(57.5)		% Change
\$ 82,087	\$ 79,030	\$ 65,661	\$ 51,992	\$ 60,704		Departmental & Other
3.7	3.5	3.1	2.5	3.2		% of Total
3.9	20.4	26.3	(14.4)	33.3		% Change
\$ 454,252	\$ 493,227	\$ 484,510	\$ 557,418	\$ 460,898		State Distributions
20.4	22.1	22.9	26.4	24.1		% of Total
(7.9)	1.8	(13.1)	20.9	0.2		% Change
\$ 56,686	\$ 56,667	\$ 56,146	\$ 60,584	\$ 42,218		Payment in Lieu of Taxes
2.5	2.5	2.7	2.9	2.2		% of Total
0.0	0.9	(7.3)	43.5	(0.4)		% Change
\$ 69,711	\$ 67,940	\$ 67,546	\$ 67,876	\$ 65,280		Fines
3.1	3.0	3.2	3.2	3.4		% of Total
2.6	0.6	(0.5)	4.0	(1.6)		% Change
\$ 18,289	\$ 37,822	\$ 43,068	\$ 32,351	\$ 17,970		Investment Income
0.8	1.7	2.0	1.5	0.9		% of Total
(51.6)	(12.2)	33.1	80.0	117.7		% Change
\$ 40,822	\$ 45,989	\$ 40,694	\$ 40,353	\$ 33,491		Licenses & Permits
1.8	2.1	1.9	1.9	1.8		% of Total
(11.2)	13.0	0.8	20.5	(1.2)		% Change
\$ 2,230,672	\$ 2,213,218	\$ 2,116,319	\$ 2,108,282	\$ 1,912,721		Total Revenues
100.0	99.2	100.0	100.0	100.0		% of Total
0.8	4.6	0.4	10.2	4.9		% Change

Net Position by Component

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2014	2013	2012	2011
Governmental activities:				
Net investment in capital assets.....	\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646
Restricted	62,701	75,878	127,843	156,989
Unrestricted.....	82,638	74,097	(46,024)	(108,780)
Total governmental activities net position.....	\$ 603,128	\$ 600,297	\$ 524,597	\$ 450,855
Business-type activities:				
Net investment in capital assets.....	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	14,832
Unrestricted.....	-	-	-	-
Total business-type activities net position.....	\$ -	\$ -	\$ -	\$ 14,832
Primary government:				
Net investment in capital assets.....	\$ 457,789	\$ 450,322	\$ 442,778	\$ 402,646
Restricted	62,701	75,878	127,843	171,821
Unrestricted.....	82,638	74,097	(46,024)	(108,780)
Total primary government net position.....	\$ 603,128	\$ 600,297	\$ 524,597	\$ 465,687

See accompanying independent auditor's report.

Fiscal Year

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 427,097	\$ 384,389	\$ 334,467	\$ 285,756	\$ 230,636	\$ 108,924
234,339	217,070	234,902	280,949	276,769	294,453
(69,124)	221,418	405,878	592,425	545,940	556,773
<u>\$ 592,312</u>	<u>\$ 822,877</u>	<u>\$ 975,247</u>	<u>\$ 1,159,130</u>	<u>\$ 1,053,345</u>	<u>\$ 960,150</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,901	-	-	-	-	-
(52,069)	(42,803)	(50,997)	(70,008)	(78,251)	(84,482)
<u>\$ (37,168)</u>	<u>\$ (42,803)</u>	<u>\$ (50,997)</u>	<u>\$ (70,008)</u>	<u>\$ (78,251)</u>	<u>\$ (84,482)</u>
\$ 427,097	\$ 384,389	\$ 334,467	\$ 285,756	\$ 230,636	\$ 108,924
249,240	217,070	234,902	280,949	276,769	294,453
(121,193)	178,615	354,881	522,417	467,689	472,291
<u>\$ 555,144</u>	<u>\$ 780,074</u>	<u>\$ 924,250</u>	<u>\$ 1,089,122</u>	<u>\$ 975,094</u>	<u>\$ 875,668</u>

Changes in Net Position

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2014	2013	2012	2011
EXPENSES:				
Governmental activities:				
General government.....	\$ 161,913	\$ 127,882	\$ 108,499	\$ 80,968
Human services.....	49,291	50,690	48,103	49,974
Public safety.....	821,196	826,700	817,768	875,111
Public works.....	157,491	132,506	110,187	133,830
Property and development.....	118,816	114,673	114,753	117,871
Parks and recreation.....	32,297	32,242	34,651	31,956
Library.....	52,192	51,875	44,526	47,320
Schools.....	1,554,563	1,455,300	1,369,047	1,317,108
Public health programs.....	69,896	69,978	73,975	70,619
Interest on long-term debt.....	48,188	41,900	39,798	40,329
Other.....	-	-	-	-
Total governmental activities expenses.....	<u>3,065,843</u>	<u>2,903,746</u>	<u>2,761,307</u>	<u>2,765,086</u>
Business-type activities:				
Convention center.....	-	-	-	1,516
Hospital.....	-	-	2,523	3,336
Total business-type activities.....	<u>-</u>	<u>-</u>	<u>2,523</u>	<u>4,852</u>
Total primary government expenses.....	<u>\$ 3,065,843</u>	<u>\$ 2,903,746</u>	<u>\$ 2,763,830</u>	<u>\$ 2,769,938</u>
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Public safety.....	139,431	129,602	134,384	89,485
Public works.....	19,165	17,716	19,515	12,029
Schools.....	2,832	9,130	7,839	9,451
Other.....	41,811	49,490	48,522	33,410
Operating grants and contributions.....	583,480	549,596	574,653	501,441
Capital grants and contributions.....	11,972	37,256	35,337	33,338
Total governmental activities program revenues.....	<u>798,691</u>	<u>792,790</u>	<u>820,250</u>	<u>679,154</u>
Business-type activities:				
Operating grants and contributions.....	-	-	-	1,172
Total business-type activities program revenues.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,172</u>
Total primary government program revenues.....	<u>\$ 798,691</u>	<u>\$ 792,790</u>	<u>\$ 820,250</u>	<u>\$ 680,326</u>

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 106,435	\$ 103,420	\$ 109,121	\$ 82,793	\$ 82,387	\$ 113,636
52,310	48,896	50,827	41,697	39,956	36,413
930,779	920,790	908,353	730,627	767,403	724,716
131,883	145,867	148,497	125,228	127,379	121,513
118,456	105,581	110,272	112,857	112,875	89,213
31,204	30,026	30,134	20,371	22,485	20,310
50,050	52,881	47,340	45,498	41,665	37,878
1,314,601	1,316,314	1,272,997	1,187,826	1,061,634	963,928
71,453	71,618	68,718	65,439	63,604	62,296
39,832	28,041	31,058	28,725	33,312	35,877
-	-	-	-	-	10,134
<u>2,847,003</u>	<u>2,823,434</u>	<u>2,777,317</u>	<u>2,441,061</u>	<u>2,352,700</u>	<u>2,215,914</u>
13,751	4,902	5,122	5,202	10,814	6,165
3,635	3,924	4,201	4,979	4,915	5,104
<u>17,386</u>	<u>8,826</u>	<u>9,323</u>	<u>10,181</u>	<u>15,729</u>	<u>11,269</u>
<u>\$ 2,864,389</u>	<u>\$ 2,832,260</u>	<u>\$ 2,786,640</u>	<u>\$ 2,451,242</u>	<u>\$ 2,368,429</u>	<u>\$ 2,227,183</u>
85,305	115,013	127,460	120,887	121,090	112,585
12,190	10,174	2,564	16,748	13,670	15,114
20,318	16,077	16,910	25,562	15,105	15,308
39,236	28,562	33,135	25,717	17,731	15,506
547,812	594,914	593,767	594,457	614,685	581,220
12,555	56,517	18,267	19,306	24,746	21,079
<u>717,416</u>	<u>821,257</u>	<u>792,103</u>	<u>802,677</u>	<u>807,027</u>	<u>760,812</u>
5,567	1,116	1,196	1,152	3,537	297
5,567	1,116	1,196	1,152	3,537	297
<u>\$ 722,983</u>	<u>\$ 822,373</u>	<u>\$ 793,299</u>	<u>\$ 803,829</u>	<u>\$ 810,564</u>	<u>\$ 761,109</u>

Changes in Net Position (continued)

Government-wide Financial Statements

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year		
	2014	2013	2012
NET EXPENSE:			
Governmental activities.....	\$ (2,267,152)	\$ (2,110,956)	\$ (1,941,057)
Business-type activities.....	-	-	(2,523)
Total primary government net expense.....	<u>\$ (2,267,152)</u>	<u>\$ (2,110,956)</u>	<u>\$ (1,943,580)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Governmental activities:			
Taxes:			
Property taxes, levied for general purposes.....	\$ 1,771,166	\$ 1,684,908	\$ 1,586,988
Excises.....	220,761	221,937	191,301
Payment in lieu of taxes.....	73,324	72,335	63,066
Grants and contributions not restricted.....	199,007	185,827	188,895
Investment income.....	16,713	14,732	10,887
Miscellaneous.....	4,012	7,820	7,084
Special items.....	-	-	11,450
Loss on disposal of capital assets.....	-	(903)	-
Transfers.....	-	-	(44,872)
Total governmental activities.....	<u>2,284,983</u>	<u>2,186,656</u>	<u>2,014,799</u>
Business-type activities:			
Taxes:			
Excises.....	-	-	-
Investment income.....	-	-	2,688
Miscellaneous.....	-	-	(257)
Special items.....	-	-	(59,612)
Transfers.....	-	-	44,872
Total business-type activities.....	<u>-</u>	<u>-</u>	<u>(12,309)</u>
Total primary government.....	<u>\$ 2,284,983</u>	<u>\$ 2,186,656</u>	<u>\$ 2,002,490</u>
CHANGES IN NET POSITION:			
Governmental activities.....	\$ 17,831	\$ 75,700	\$ 73,742
Business-type activities.....	-	-	(14,832)
Total primary government.....	<u>\$ 17,831</u>	<u>\$ 75,700</u>	<u>\$ 58,910</u>

See accompanying independent auditor's report.

Fiscal Year						
2011	2010	2009	2008	2007	2006	2005
\$ (2,085,932)	\$ (2,129,587)	\$ (2,002,177)	\$ (1,985,214)	\$ (1,638,384)	\$ (1,545,673)	\$ (1,455,102)
(3,680)	(11,819)	(7,710)	(8,127)	(9,029)	(12,192)	(10,972)
\$ (2,089,612)	\$ (2,141,406)	\$ (2,009,887)	\$ (1,993,341)	\$ (1,647,413)	\$ (1,557,865)	\$ (1,466,074)
\$ 1,525,494	\$ 1,468,340	\$ 1,389,218	\$ 1,316,165	\$ 1,261,159	\$ 1,195,564	\$ 1,136,487
122,399	123,121	115,237	97,262	111,079	94,743	100,888
65,461	67,265	56,686	56,668	56,146	60,584	42,218
187,322	171,174	230,475	259,931	246,538	225,731	231,258
21,724	17,221	22,584	47,072	52,528	42,082	28,072
23,195	21,901	12,107	1,531	539	2,164	2,344
-	-	-	(298)	(3,820)	-	348,427
-	30,000	27,000	23,000	20,000	18,000	18,000
(1,120)	-	-	-	-	-	-
1,944,475	1,899,022	1,853,307	1,801,331	1,744,169	1,638,868	1,907,694
58,508	43,887	36,605	40,342	35,092	30,503	28,028
3,561	3,567	6,299	9,796	2,180	5,920	6,116
(7,509)	-	-	-	-	-	-
-	-	-	-	-	-	-
1,120	(30,000)	(27,000)	(23,000)	(20,000)	(18,000)	(18,000)
55,680	17,454	15,904	27,138	17,272	18,423	16,144
\$ 2,000,155	\$ 1,916,476	\$ 1,869,211	\$ 1,828,469	\$ 1,761,441	\$ 1,657,291	\$ 1,923,838
\$ (141,457)	\$ (230,565)	\$ (148,870)	\$ (183,883)	\$ 105,785	\$ 93,195	\$ 452,592
52,000	5,635	8,194	19,011	8,243	6,231	5,172
\$ (89,457)	\$ (224,930)	\$ (140,676)	\$ (164,872)	\$ 114,028	\$ 99,426	\$ 457,764

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2014	2013	2012	2011
General Fund				
Assigned.....	\$ 251,353	\$ 218,292	\$ 177,942	141,891
Unassigned.....	532,955	533,104	511,755	511,040
Total general fund.....	\$ 784,308	\$ 751,396	\$ 689,697	\$ 652,931
All other Governmental Funds				
Nonspendable.....	4,974	34,307	4,974	4,974
Restricted.....	199,703	137,727	177,685	195,333
Assigned.....	154,667	132,889	98,557	80,975
Total all other governmental funds.....	\$ 359,344	\$ 304,923	\$ 281,216	\$ 281,282

General Fund

Reserved for:

Encumbrances.....

Debt service.....

Unreserved:

Designated for subsequent years expenditures.....

Undesignated.....

Total general fund.....

All Other Governmental Funds

Reserved for:

Encumbrances.....

Debt service.....

Future appropriations.....

Unreserved:

Undesignated:

Special revenue.....

Capital projects.....

Reported in permanent funds.....

Total all other governmental funds.....

Fiscal Year

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 36,808	\$37,534	\$ 32,519	\$ 38,617	\$ 44,573	\$ 33,155
-	-	-	-	-	-
123,103	240,824	216,429	198,098	178,157	164,621
547,282	550,329	553,101	495,334	438,667	415,248
<u>\$ 707,193</u>	<u>\$828,687</u>	<u>\$ 802,049</u>	<u>\$ 732,049</u>	<u>\$ 661,397</u>	<u>\$ 613,024</u>
\$ 136,138	\$116,878	\$ 125,858	\$ 187,565	\$ 138,992	\$ 136,023
-	-	-	-	-	-
24,108	30,087	30,087	35,756	43,756	43,724
123,714	138,594	144,043	154,404	149,791	130,236
(65,024)	(74,168)	(110,745)	(144,877)	(100,639)	(109,563)
37,098	35,743	44,678	48,101	44,869	43,837
<u>\$ 256,034</u>	<u>\$247,134</u>	<u>\$ 233,921</u>	<u>\$ 280,949</u>	<u>\$ 276,769</u>	<u>\$ 244,257</u>

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Amounts in thousands)

	Fiscal Year			
	2014	2013	2012	2011
REVENUES:				
Real and personal property taxes.....	\$ 1,767,783	\$ 1,677,581	\$ 1,591,998	\$ 1,526,361
Excises.....	223,133	221,254	187,572	124,214
Payments in lieu of taxes.....	73,324	72,335	63,066	65,461
Fines.....	59,952	58,852	64,593	64,772
Investment Income.....	6,508	5,523	4,137	11,956
Licenses and permits.....	62,325	47,290	48,838	41,750
Departmental and other.....	137,366	131,632	123,042	103,003
Intergovernmental.....	804,289	749,369	772,491	707,754
Total revenues.....	3,134,680	2,963,836	2,855,737	2,645,271
EXPENDITURES:				
General government.....	113,743	95,199	85,951	78,573
Human services.....	39,205	37,621	35,406	36,008
Public safety.....	596,239	588,771	552,785	526,332
Public works.....	127,703	114,731	90,214	109,635
Property and development.....	107,771	106,423	109,707	111,607
Parks and recreation.....	20,937	21,407	22,795	19,766
Library.....	36,026	33,447	31,799	33,556
Schools.....	1,091,899	1,035,828	1,004,168	974,832
Public health programs.....	68,697	69,105	73,736	70,380
County.....	-	-	-	-
Judgments and claims.....	9,493	3,010	3,871	811
Retirement costs.....	255,647	235,078	220,340	195,976
Other employee benefits.....	234,400	235,002	251,194	294,200
State and district assessments.....	197,939	176,300	160,547	152,042
Capital outlays.....	248,864	241,547	188,377	140,405
Debt service:				
Principal.....	110,948	107,189	99,435	91,690
Interest.....	42,967	39,495	38,784	42,092
Total Expenditures.....	3,302,478	3,140,153	2,969,109	2,877,905
Deficiency of revenues under expenditures.....	(167,798)	(176,317)	(113,372)	(232,634)
OTHER FINANCING SOURCES (USES):				
Long-term debt and capital leases issued.....	178,444	235,136	146,835	156,109
Issuance of refunding bonds.....	-	37,080	110,100	52,720
Payments to refunded bonds escrow agent.....	-	(35,975)	(95,876)	(15,490)
Premiums on long-term debt issued.....	17,172	25,482	33,885	11,401
Transfers, net.....	-	-	(44,872)	(1,120)
Total other financing sources (uses).....	195,616	261,723	150,072	203,620
Net change in fund balances.....	\$ 27,818	\$ 85,406	\$ 36,700	\$ (29,014)
Debt Service as a percentage of noncapital expenditures.....	5.05%	5.06%	4.99%	4.80%

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 1,467,605	\$ 1,393,371	\$ 1,316,734	\$ 1,258,878	\$ 1,190,347	\$ 1,138,254
121,120	115,454	115,809	99,816	107,361	93,906
67,265	56,686	56,667	56,146	60,584	42,218
70,649	69,723	68,090	67,557	67,894	65,297
8,907	15,275	38,554	43,818	32,892	18,322
32,907	41,130	46,049	40,759	40,424	33,565
91,468	104,208	111,982	124,369	109,768	122,600
742,464	875,912	850,392	843,503	944,427	802,029
2,602,385	2,671,759	2,604,277	2,534,846	2,553,697	2,316,191
78,148	81,905	81,877	77,390	67,325	84,508
38,014	37,307	38,575	35,031	34,884	32,499
523,515	529,425	530,379	505,981	476,788	481,879
105,123	121,422	122,038	106,939	110,402	109,468
117,394	93,408	102,682	102,399	105,071	86,990
17,534	18,195	17,928	17,354	16,107	16,709
33,431	36,634	32,051	36,391	34,035	33,173
962,703	973,327	931,569	898,622	869,400	808,001
71,214	71,393	68,394	65,333	63,267	62,296
69,040	129,603	121,180	114,218	106,270	101,832
10,181	9,946	1,967	2,257	11,590	6,620
235,282	82,332	95,193	92,873	96,853	59,419
224,156	191,597	190,167	175,862	157,885	142,721
146,323	142,055	132,792	124,243	118,817	115,894
126,668	141,309	183,244	131,413	105,815	91,462
91,784	87,700	83,460	82,280	76,565	84,855
41,300	31,594	32,311	30,932	133,481	34,793
2,891,810	2,779,152	2,765,807	2,599,518	2,584,555	2,353,119
(289,425)	(107,393)	(161,530)	(64,672)	(30,858)	(36,928)
144,492	113,962	153,510	115,051	89,871	84,609
68,345	40,425	28,155	85,425	-	52,775
(73,640)	(42,230)	(28,565)	(85,350)	-	(103,744)
7,634	8,087	8,402	4,378	3,872	10,409
30,000	27,000	23,000	20,000	18,000	18,000
-	-	-	-	-	-
176,831	147,244	184,502	139,504	111,743	62,049
\$ (112,594)	\$ 39,851	\$ 22,972	\$ 74,832	\$ 80,885	\$ 25,121
4.83%	4.51%	4.44%	4.58%	8.44%	5.27%

Assessed and Estimated Actual Value of All Taxable Property

Last Ten Fiscal Years

(Amounts in thousands)

Fiscal Year	Real Property			Personal Property	Total Assessed Value ⁽¹⁾	Total Direct Tax Rate ^{(b) (c)}
	Residential Value ^(a)	Commercial Value	Industrial Value	Assessed Value		
2014	\$ 64,541,403	\$ 29,631,863	\$ 707,564	\$ 4,951,983	\$ 99,832,813	19.24
2013	60,147,396	26,762,023	707,703	4,582,149	92,199,272	19.13
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

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

(a) Exempt residential properties not included.

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

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

Source: City of Boston Assessing Department

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Class</u>	<u>City General</u>	<u>Total</u>	<u>% Change</u>	<u>Total Direct ⁽³⁾</u>
2014	Residential	\$ 12.58	\$ 12.58	(4.3%)	17.81
	C.I.P.	31.18	31.18	(2.4%)	
2013	Residential	13.14	13.14	0.8%	18.26
	C.I.P.	31.96	31.96	0.1%	
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%)	

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

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

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

Largest Principal Taxpayers ⁽¹⁾

Current and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Blackstone Real Estate Partners (2).....	\$ 2,679,804,900	1	2.68%	-	-	-
Boston Properties (3).....	2,645,041,500	2	2.65%	937,270,918	3	1.35%
NSTAR/Boston Edison Company.....	1,860,353,661	3	1.86%	1,335,014,710	2	1.93%
Tishman Speyer Properties	917,083,700	4	0.92%	-	-	-
Teacher's Insurance and Annuity Association(4)..	854,932,000	5	0.86%	-	-	-
Beacon Capital Partners (5).....	826,872,480	6	0.83%	842,355,690	4	1.22%
Fort Hill Associates.....	702,097,100	7	0.70%	538,875,000	6	0.78%
National Grid.....	577,742,700	8	0.58%	-	-	-
Fallon Company/MA Mutual.....	587,326,070	9	0.59%	-	-	-
UIDC of Massachusetts, Inc.....	487,308,180	10	0.49%	410,682,500	8	0.59%
One Hundred Federal Street, LPS.....	-	-	-	333,251,500	9	0.48%
American Financial Realty Trust.....	-	-	-	327,318,501	10	0.47%
Equity Office Properties	-	-	-	1,936,369,580	1	2.80%
Brookfield Properties Corporation.....	-	-	-	551,642,280	5	0.80%
TST (One Twenty Five High Street).....	-	-	-	442,411,290	7	0.64%
	<u>\$ 12,138,562,291</u>		<u>12.16%</u>	<u>\$ 7,655,191,969</u>		<u>11.05%</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) Blackstone Real Estate Partners sold their interest in 6-22 Pearl St to Morgan Stanley in August 2013; the tax adjustment associated with this property will be reflected in FY 2015.

(3) Boston Properties purchased 100 Federal Street in March 2012; the taxes associated with this property are reflected in FY 2014.

(4) TIAA purchased 40 Broad St in May 2013; the taxes associated with this property will be reflected in FY 2015.

(5) The FY 2014 tax liability for Beacon Capital Partners includes property held under Dewey Square Tower Associates, which was reported as a separate entity in previous years. Beacon Capital Partners purchased 10 Channel Center and 20-30 Channel Center in June 2013, and 230 Congress St in August 2013; the taxes associated with these properties will be reflected in FY 2015.

Source: City of Boston Assessing and Treasury Departments

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts in millions)

Fiscal Year	Tax Levy			Tax Levy Collected within Year of Levy			Tax Levy Net of Refunds Collected as of June 30, 2014		
	Gross (1)	Net	Net % Gross	Gross Amount	% Gross Amount	% Net Levy	Net Amount	% Gross Levy	% Net Levy
2014	\$ 1,779.8	1,744.9	98.0%	1,784.7	100.3%	102.3%	\$ 1,765.8	99.2%	101.2%
2013	1,684.4	1,643.4	97.6%	1,677.0	99.6%	102.0%	1,669.1	99.1%	101.6%
2012	1,615.9	1,577.3	97.6%	1,604.2	99.3%	101.7%	1,597.8	98.9%	101.3%
2011	1,541.1	1,503.8	97.6%	1,531.8	99.4%	101.9%	1,523.5	98.9%	101.3%
2010	1,465.5	1,429.8	97.6%	1,456.6	99.4%	101.9%	1,447.2	98.8%	101.2%
2009	1,400.7	1,365.3	97.5%	1,392.7	99.4%	102.0%	1,383.2	98.8%	101.3%
2008	1,334.6	1,295.5	97.1%	1,338.8	100.3%	103.3%	1,317.5	98.7%	101.7%
2007	1,270.8	1,223.9	96.3%	1,260.2	99.2%	103.0%	1,252.6	98.6%	102.3%
2006	1,208.2	1,167.0	96.6%	1,202.2	99.5%	103.0%	1,192.5	98.7%	102.2%
2005	1,150.1	1,105.2	96.1%	1,142.1	99.3%	103.3%	1,136.1	98.8%	102.8%

(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
2014	\$ 1,185,047	\$ 75,680	\$ 45,887	\$ -	\$ -
2013	1,129,545	76,587	39,365	-	-
2012	1,040,365	40,382	32,566	-	-
2011	972,540	36,602	28,123	-	73,080
2010	952,830	40,285	35,504	93,505	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

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 134 for the City's total personal income data.

(3) See page 134 for the City's population data.

Total Primary Government	% of Total Personal Income (2)	Per Capita (3)
\$ 1,322,337	3.51%	\$ 2,047.07
1,245,497	3.31%	1,956.85
1,113,313	3.04%	1,749.17
1,037,265	3.09%	1,659.39
1,202,729	3.19%	1,947.44
1,173,901	2.98%	1,819.52
1,170,694	3.02%	1,838.55
1,124,676	2.98%	1,805.99
1,122,915	3.20%	1,834.25
1,222,696	3.78%	2,005.44

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	Net General Bonded Debt Outstanding	Assessed Value⁽¹⁾	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt per Capita⁽²⁾
2014	\$ 1,185,047	\$ 99,832,813	1.2%	\$ 1,834.53
2013	1,129,545	92,199,272	1.2%	1,774.68
2012	1,040,365	88,500,410	1.2%	1,634.56
2011	972,540	86,800,582	1.1%	1,555.85
2010	952,830	87,256,531	1.1%	1,542.81
2009	916,820	90,387,171	1.0%	1,421.05
2008	903,215	90,067,298	1.0%	1,418.48
2007	860,915	86,516,105	1.0%	1,382.45
2006	839,125	74,738,001	1.1%	1,370.69
2005	835,690	69,253,529	1.2%	1,370.68

(1) See page 124 for the City's total assessed value of property.

(2) See page 134 for the City's population data.



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Legal Debt Margin Information

Last Ten Fiscal Years

(Amounts in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit.....	\$ 5,156,374	\$ 5,301,711	\$ 5,301,711	\$ 5,301,711	\$ 5,293,826
Total net debt applicable to limit.....	<u>1,590,189</u>	<u>1,705,035</u>	<u>1,399,004</u>	<u>1,345,702</u>	<u>1,257,207</u>
Legal debt margin.....	<u>\$ 3,566,185</u>	<u>\$ 3,596,676</u>	<u>\$ 3,902,707</u>	<u>\$ 3,956,009</u>	<u>\$ 4,036,619</u>
Total net debt applicable to the limit as a percentage of debt limit.....	30.84%	32.16%	26.39%	25.38%	23.75%

Legal Debt margin Calculation for Fiscal Year 2014

Equalized valuation as of January 31, 2013 (1).....	\$ 103,127,476
Maximum debt limits as of July 1, 2014 (2).....	5,156,374
Less: Debt outstanding June 30, 2013.....	(970,812)
Less: Debt authorized but unissued as of June 30, 2013 (3).....	<u>(526,527)</u>
Debt incurring capacity as of June 30, 2013.....	3,659,035
Add: Debt redeemed during fiscal year 2014.....	81,563
Less: City Council Authorizations during fiscal year 2014 (3).....	(203,122)
Add: Debt adjustments approved through June 30, 2014.....	11,709
Less: Decrease in normal debt limit based on new equalized valuation effective January 31, 2014.....	-
Add: Premium per Issuance through June 30, 2014.....	<u>17,000</u>
Debt incurring capacity as of June 30, 2014.....	<u>\$ 3,566,185</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, 2013 and City Council authorizations during fiscal year 2014 are reported for purposes of the computation of legal debt margin within the Normal Debt Limit.

2009	2008	2007	2006	2005
\$ 4,387,466	\$ 4,387,466	\$ 3,814,054	\$ 3,814,054	\$ 3,287,567
<u>369,724</u>	<u>1,187,532</u>	<u>524,358</u>	<u>1,043,419</u>	<u>480,943</u>
<u>\$ 4,017,742</u>	<u>\$ 3,199,934</u>	<u>\$ 3,289,696</u>	<u>\$ 2,770,635</u>	<u>\$ 2,806,624</u>
8.43%	27.07%	13.75%	27.36%	14.63%

Demographic and Economic Statistics

Last Ten Calendar Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income (in thousands) ⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾
2014	N/A	N/A	N/A	N/A
2013	645,966	N/A	N/A	6.0%
2012	636,479	N/A	N/A	6.4%
2011	625,087	N/A	N/A	6.9%
2010	617,594	\$ 37,658,412	\$ 60,976	7.9%
2009	645,169	39,339,825	60,976	7.6%
2008	636,748	38,826,315	60,976	5.1%
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%

N/A = Information not available for this fiscal year

(1) Source: The City's Official Statement dated March, 2014.

(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>2014</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.....	17,036	1	2.48%	16,146	1	2.52%
Brigham and Women's Hospital.....	13,120	2	1.91%	11,225	2	1.75%
Boston University.....	10,797	3	1.57%	9,087	4	1.42%
Children's Hospital, Boston.....	8,363	4	1.22%	3,832	9	0.60%
State Street Bank & Trust Co.....	7,800	5	1.14%			
Beth Israel Deaconess Medical Ctr.....	7,435	6	1.08%	10,861	3	1.69%
Harvard University Graduate Schools...	5,571	7	0.81%			
Boston Medical Center Corporation.....	5,285	8	0.77%	4,000	8	0.62%
Fidelity Investments.....	5,000	9	0.73%	8,000	5	1.25%
Northeastern University.....	4,767	10	0.69%	4,417	7	0.69%
New England Medical Center.....				5,508	6	0.86%
Harvard University.....				3,654	10	0.57%
Total	<u>85,174</u>		<u>12.41%</u>	<u>76,730</u>		<u>11.96%</u>

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

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

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

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

Last Ten Fiscal Years

	Fiscal Year				
	2014	2013	2012	2011	2010
CITY-FUNDED:					
Public safety (2).....	4,541	4,413	4,446	4,476	4,431
Public works.....	366	342	350	359	378
Other city departments (3).....	2,696	2,643	2,565	2,596	2,712
Boston Public Health Commission (4)	760	798	803	794	797
Schools.....	8,664	8,381	8,052	8,047	8,211
Total city-funded.....	17,027	16,577	16,216	16,272	16,529
GRANT-FUNDED:					
Schools.....	698	796	759	792	754
All others (6).....	277	296	307	292	378
Total grant-funded.....	975	1,092	1,066	1,084	1,132
Total employees.....	18,002	17,669	17,282	17,356	17,661

(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				
2009	2008⁽⁵⁾	2007⁽⁵⁾	2006	2005
4,685	4,737	4,554	4,421	4,451
388	404	418	415	424
2,841	2,771	2,747	2,772	2,739
820	752	750	738	743
8,572	8,476	8,300	8,087	8,009
17,306	17,140	16,769	16,433	16,366
755	912	963	954	924
1,433	1,391	1,429	1,491	1,449
2,188	2,303	2,392	2,445	2,373
19,494	19,443	19,161	18,878	18,739

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2014	2013	2012	2011	2010
Police					
Service calls answered.....	566,297	579,704	598,280	543,424	621,794
Moving/traffic violations	90,180	95,454	108,520	107,822	138,441
Parking violations as of June 30.....	1,326,235	1,309,406	1,424,098	1,435,022	1,571,688
Fire					
Calls answered.....	73,443	73,971	72,511	71,244	69,859
Inspections conducted.....	23,896	23,744	25,112	24,297	23,900
Library					
Personnel full-time.....	408	401	384	385	431
Personnel part-time.....	59	66	49	54	57
Central and branch libraries.....	25	26	26	26	26
Books, audio and video materials, newspapers, and magazines in circulation.....	3,732,000	3,694,546	3,796,679	3,534,413	3,587,136
Library cards in force.....	361,939	383,931	524,054	510,966	543,628
Schools					
Student enrollment as of June 30.....	56,975	56,801	56,535	56,789	56,219
Streets, sidewalks, and bridges					
Streets in miles.....	988	988	988	988	968
Hospitals					
Births as of June 30.....	20,392	21,480	20,540	21,568	21,064
Deaths as of June 30.....	7,330	7,051	7,090	7,572	6,987

Fiscal Year				
2009	2008	2007	2006	2005
577,126	577,163	538,330	512,437	499,580
137,217	132,546	136,263	136,297	122,185
1,591,832	1,529,537	1,527,061	1,606,863	1,549,559
71,247	70,176	72,071	71,632	70,463
22,093	23,810	23,500	28,321	29,124
464	518	476	464	458
96	158	117	119	119
27	27	27	27	27
3,403,538	3,116,540	2,848,813	2,593,476	2,431,222
518,080	552,797	1,621,133	2,690,461	1,476,334
56,144	56,074	56,369	57,139	57,457
810	809	809	730	785
21,387	8,430	22,107	21,673	22,315
7,185	3,043	7,615	7,702	7,538

Capital Asset Statistics by Department

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2014	2013	2012	2011	2010
Police					
Officers and personnel.....	2,933	2,925	2,913	2,948	2,885
Stations.....	11	11	11	11	11
Fire					
Officers and personnel.....	1,604	1,597	1,559	1,559	1,557
Stations.....	35	35	35	35	35
Parks and Recreation					
Personnel (Parks Division).....	233	220	219	218	212
Neighborhood (city) parks.....	262	262	251	251	251
Neighborhood (city) playgrounds – Tot Lots.....	129	129	128	128	128
Community Centers – (BCYF operated).....	29	35	38	38	45
Golf courses.....	2	2	2	2	2
Swimming pools (BCYF operated).....	18	17	17	17	21
Tennis courts.....	66	66	78	78	78
Public Education					
Total number of Boston Public Schools employees.....	9,374	9,467	9,806	9,982	9,240
Total number of schools.....	128	127	128	135	135
Public Works					
Traffic signals (signalized intersections).....	841	846	837	833	823
Parking meters (approximately).....	7,614	6,810	7,861	7,195	7,304
Bridges.....	37	4	4	4	4
Hospitals					
Number of hospitals.....	21	21	22	20	20
Patient beds.....	5,402	5,437	5,618	5,584	5,564

Fiscal Year				
2009	2008	2007	2006	2005
3,011	3,085	3,048	2,868	2,887
11	11	11	11	11
1,573	1,525	1,511	1,467	1,486
35	35	34	34	34
224	224	207	191	203
257	257	266	246	246
132	129	121	125	125
46	46	46	46	39
2	2	2	2	2
23	20	21	18	21
67	67	66	78	78
9,188	9,754	7,774	7,819	7,695
135	144	145	145	144
813	800	822	814	885
7,038	6,300	6,449	6,676	7,000
4	4	4	4	4
22	22	22	20	21
5,629	5,618	5,692	5,181	4,876