

City of Boston
Massachusetts



*Basic Financial
Statements*

Fiscal Year Ended June 30, 2022

Michelle Wu, Mayor

Ashley Groffenberger, Chief Financial Officer & Collector Treasurer

Maureen Joyce, City Auditor



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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Boston, Massachusetts:

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the following entities and funds:

- *Governmental Activities*
 - Dudley Square Realty Corporation, Ferdinand Development Corporation, and the Permanent Funds, which are non-major governmental funds that collectively represent 1.0% and 0.5% of the total assets and revenues, respectively, of the aggregate remaining fund information as of June 30, 2022 and for the year then ended.

These entities and funds collectively represent 3.4% and 0.2%, respectively, of the total assets and revenues of the governmental activities as of June 30, 2022 and the year then ended.
- *Fiduciary Activities*
 - Boston Retirement System, the OPEB Trust Fund, and Private-Purpose Trust Funds that collectively represent 97.9% and 86.9%, respectively, of the total assets and revenues of the aggregate remaining fund information as of June 30, 2022 and for the year then ended.
- *Aggregate Discretely Presented Component Units*
 - Boston Public Health Commission, Trustees of the Public Library of the City of Boston, and the Economic Development and Industrial Corporation of Boston that collectively represent 81.6% and 89.0%, respectively, of the total assets and revenues of the aggregate discretely presented component units as of June 30, 2022 and for the year then ended.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

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Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2(t) to the basic financial statements, in 2022, the City adopted Governmental Accounting Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Partial Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed 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 in our report dated January 31, 2022. In our opinion, the partial comparative actual information presented herein for the budgetary comparison of the General Fund for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedules listed under the Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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

Boston, Massachusetts
March 10, 2023

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, 2022. Readers are encouraged to consider this information in conjunction with the additional information that is furnished in the City's Annual Comprehensive Financial Report (Annual Report).

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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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 Planning & Development Agency, 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 to cover 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 Boston Retirement System), which accounts for the transactions, assets, liabilities, and net position of the City employees' pension plan; the Other Postemployment Benefits (OPEB) Trust Fund, which is an irrevocable trust established for the accumulation of assets to reduce the liability associated with the City's obligation for other postemployment benefits; and the Private Purpose Trust and Custodial 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 employer contributions for the OPEB Trust Fund, a schedule of changes in net OPEB liability and related ratios, a schedule of the City's proportionate share of the net pension liability of the Boston Retirement System, and a schedule of the City's contributions to the Boston Retirement System.

CURRENT YEAR FINANCIAL IMPACTS

- The City of Boston's OPEB obligation significantly impacts the Government-wide financial results. The most recent valuation of the City's OPEB obligation as of June 30, 2021, estimated that the total OPEB liability of the City increased by \$113.5 million to \$2.3 billion. This increase was largely a result of changes in assumptions.
- In fiscal year 2022, the City's contribution to the OPEB Trust Fund (\$179.2) million for retiree health benefits includes \$40 million in advance funding toward reducing the OPEB liability. In 2022 and 2021, the OPEB Trust Fund earned investment income/loss, net of fees in the amount of (\$81.0) million and \$173.6 million, respectively. This decrease is attributed to decreased portfolio performance and market declines.
- The City of Boston's net pension liability significantly impacts the Government-wide financial results. The City is required to report its proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Based on the measurement of the Boston Retirement System's net pension liability as of December 31, 2021, the City's proportionate share of that net pension liability decreased by \$305.4 million and the net pension liability for the City's non contributory plan as of June 30, 2022 decreased by \$20.7 million resulting in a total net pension liability of \$1.08 billion.

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 liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at fiscal year ended June 30, 2022 in a net deficit of \$0.82 billion (presented as net position). At year end, the City had a deficit in governmental activities unrestricted net position in the amount of \$2.04 billion.

Changes in Net Position – Primary Government – The City's total net position increased by \$260.9 million from the amount reported in fiscal year 2021.

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 deficit totaled (\$815.7) million at the end of 2022, compared to a net deficit of (\$1.08) billion reported 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 \$1.10 billion 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; consequently, 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, \$118.3 million, 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. The unrestricted net position (deficit) decreased by \$0.2 billion from the 2021 amount.

Net Position – Primary Government*(In thousands)*

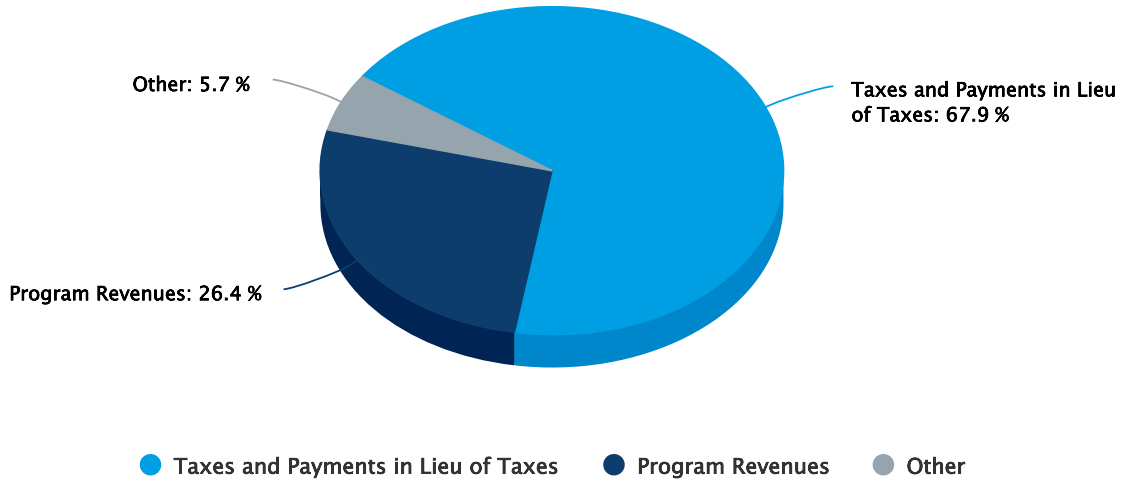
	Governmental Activities	
	Total Primary Government	
	2022	2021
ASSETS:		
Current assets	\$ 2,934,153	\$ 2,455,874
Capital assets	2,730,596	2,500,911
Other assets	225,000	216,534
Total assets	5,889,749	5,173,319
DEFERRED OUTFLOWS OF RESOURCES:		
Total deferred outflows of resources	660,114	560,215
LIABILITIES:		
Current liabilities	1,424,496	1,142,531
Noncurrent liabilities	5,332,769	5,283,856
Total liabilities	6,757,265	6,426,387
DEFERRED INFLOWS OF RESOURCES:		
Total deferred inflows of resources	608,262	383,698
NET POSITION:		
Net investment in capital assets	1,101,116	1,058,576
Restricted	118,324	113,881
Unrestricted	(2,035,104)	(2,249,008)
Total net position	\$ (815,664)	\$ (1,076,551)

Changes in Net Position – Primary Government

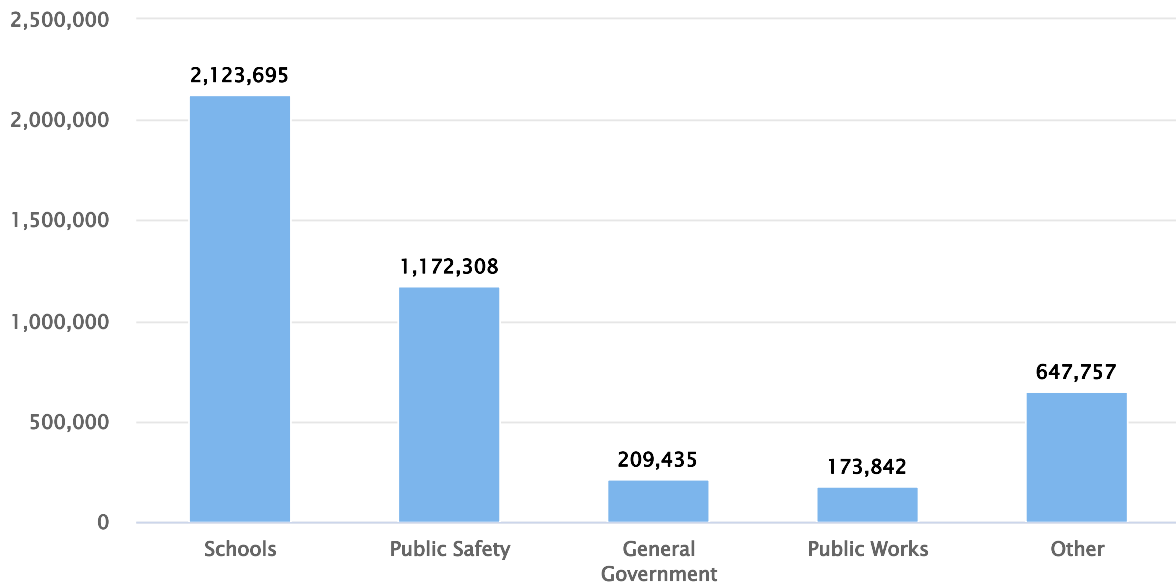
(In thousands)

	Governmental Activities	
	Total Primary Government	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 304,876	\$ 226,977
Operating grants and contributions	864,380	770,430
Capital grants and contributions	42,584	54,589
General revenues:		
Taxes	3,114,334	2,823,116
Grants and contributions not restricted	245,625	233,771
Investment income	11,264	32,659
Miscellaneous	4,861	3,867
Total revenues	4,587,924	4,145,409
Program expenses:		
General government	209,435	217,654
Human services	65,555	56,814
Public safety	1,172,308	1,112,320
Public works	173,842	158,722
Property and development	291,461	186,903
Parks and recreation	54,430	53,824
Library	57,149	58,717
Schools	2,123,695	2,083,935
Public health programs	142,341	123,473
Interest on long-term debt	36,821	36,213
Total program expenses	4,327,037	4,088,575
Change in net position	260,887	56,834
Net position - beginning of year	(1,076,551)	(1,133,385)
Net position-end of year	\$ (815,664)	\$ (1,076,551)

Revenues – Governmental Activities Fiscal Year 2022



Expenses – Governmental Activities FY 2022 (in thousands)



Governmental Activities

The City's governmental activities net position increased by \$260.9 million over the prior fiscal year. The following net changes occurred during the course of operations in fiscal year 2022. In the assets accounts, cash and investments increased by \$478.3 million, receivables increased by \$6.42 million, and capital assets increased by \$229.7 million. In the liability accounts, there was a decrease in warrants and accounts payable of \$0.3 million and an increase in accrued liabilities by \$107.1 million. Additionally, an increase of \$113.5 million was recorded relative to the City's other postemployment benefit obligation and a decrease of \$326.2 million was recorded relative to the City's net pension liability in 2022.

During fiscal year 2022, the City's revenues increased by 10.8%. The City's largest sources of revenues were property taxes, excise taxes, and payment in lieu of taxes of \$3.11 billion (67.9% of total revenues) and \$1.21 billion of program revenues (26.4% of total revenues). Taxes increased by \$291.2 million from the previous year. Program revenues increased by \$0.16 billion for fiscal year 2022. This is largely due to increases in operating grants and contributions and charges for services. The City's expenses cover a range of services. The largest expenses were for schools (\$2.12 billion), public safety (\$1.2 billion), general government (\$209.4 million), public works (\$173.8 million), and property and development (\$291.5 million). In 2022, governmental activities expenses exceeded program revenues (i.e., user charges, operating grants, and capital grants) by \$3.12 billion. This shortfall was covered primarily through taxes (\$3.11 billion) and unrestricted grants and contributions (\$245.6 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 2022, the City's governmental funds reported a combined ending fund balance of \$1.96 billion, an increase of \$231.4 million from the prior year. Of this total amount, \$994.5 million represents the unassigned fund balance.

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 2022 was \$994.5 million, which represents approximately 25.0% of GAAP General Fund operating expenditures. The General Fund - fund balance decreased due to a decrease in excise taxes, investment income, fines, licenses and permits and department and other revenue mainly as a result of the impacts of the COVID-19 pandemic.

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 2022 Special Revenue Fund balance is reported at \$332.6 million, an \$18.0 million increase from fiscal year 2021. This increase was mainly driven by the increase in new federal programs related to COVID-19 relief.

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 pooled funds. The fiscal year 2022 Capital Projects Fund balance is \$192.4 million, a \$106.1 million increase from fiscal year 2021.

Other Governmental Funds – Fund Balance – Other Governmental Funds account for assets held by the City in permanent funds, as well as the activities related to DSRC and FBDC. The fiscal year 2022 Other Governmental Funds fund balance is \$123.6 million, a \$3.2 million increase from fiscal year 2021.

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 Allways, for City employees and their dependents. The Internal Service Fund is included as part of the governmental activities in the government-wide financial statements.

Budgetary Highlights

General Fund budgetary highlights include ending fiscal year 2022 with a \$29.3 million surplus. There were no material variances between the original budget and final budget amounts. Unfavorable variances from the final budget to actual results occurred in public safety, judgments and claims, and public works.

Favorable results were reported for General Fund revenue sources, including \$24.5 million in payments in lieu of taxes, \$21.7 million of licenses and permits, \$30.6 million in departmental and other revenue, \$3.6 million of property tax and \$1.6 million in investment income. Other available funds shows a revenue deficit of \$71.0 million, however, this is primarily a result of not transferring other available funds such as \$30.0 million of parking meter funds, \$1.0 million of cemetery funds and \$40 million in appropriated funds 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, 2022, has a net book value of \$2.73 billion, made up of costs totaling \$5.33 billion less accumulated depreciation of \$2.62 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 \$229.7 million in terms of net book value. However, actual expenditures to purchase or construct capital assets and contributions of capital assets were \$357.2 million for the fiscal year. Most of this amount was used for the purpose of constructing or reconstructing buildings and building improvements and infrastructure. Depreciation charges for the year totaled \$143.8 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 \$1.46 billion in General Obligations Bonds principal outstanding – an increase of \$197.0 million over last year.

On April 13th, 2022, the City issued \$335.2 million of general obligation bonds for various municipal capital projects. 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 reaffirmed the bond rating to 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 debt. Accordingly, all general obligation debt currently outstanding has been approved by a vote of the City Council.

Notes and Equipment Financing Payable and Other Long Term Obligations – The City's general long term notes and equipment financing payable and other long term obligations decreased by \$209.5 million, or 5.0%, during the current fiscal year. Key factors for this decrease are a decrease in the net pension liability of \$326.2 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. 87 "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022. This Statement was implemented in fiscal 2022.

The GASB has issued Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021. This Statement was implemented in fiscal 2022 without any material impact.

The GASB has issued Statement No. 92 "*OMNIBUS 2020*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Effective Date

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
 - The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
 - The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
 - The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.
- Earlier application is encouraged and is permitted by topic.

The GASB has issued Statement No. 93 "Replacement of Interbank Offered Rates." The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. This Statement was implemented in fiscal 2022 without any material impact.

The GASB has issued Statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. This Statement was implemented in fiscal 2022 without any material impact.

FUTURE PRONOUNCEMENTS

The GASB has issued Statement No. 91 "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended, the requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

The GASB has issued Statement No. 94 *“Public-Private and Public-Public Partnerships and availability payment arrangements”*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The GASB has issued Statement No. 96 *“Subscription-Based information technology arrangements”*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The GASB has issued Statement No. 99 *“OMNIBUS 2022.”* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government

- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

Effective Date

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The GASB has issued Statement No. 100 *Accounting Changes and Error Corrections—An Amendment of GASB Statement NO.62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The GASB has issued Statement No. 101 "*Compensated absences*". The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition and Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes to the Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

Effective Date

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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@boston.gov.

Statement of Net Position

June 30, 2022

(Amounts in thousands)

	Primary Government	Aggregate Discretely Presented
	Governmental Activities	Component Units
ASSETS:		
Current Assets:		
Cash and investments	\$ 2,795,910	\$ 175,272
Cash and investments held by trustees	138,243	23,027
Receivables, net		
Property and other taxes	34,156	-
Intergovernmental	125,906	-
Other	18,237	10,659
Other assets	11,848	64,436
Due from primary government	-	1,039
Due from component units	7,168	-
Total current assets	<u>3,131,468</u>	<u>274,433</u>
Noncurrent Assets:		
Cash and investments held by trustee	-	65,248
Notes and other receivables	27,685	1,938,322
Capital assets:		
Nondepreciable assets	447,405	27,731
Depreciable, net	2,283,191	69,262
Total noncurrent assets	<u>2,758,281</u>	<u>2,100,563</u>
Total assets	<u>5,889,749</u>	<u>2,374,996</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension costs	335,469	29,815
Deferred amount from OPEB	322,852	8,177
Deferred amount from debt refunding	1,793	-
Total deferred outflows of resources	<u>660,114</u>	<u>37,992</u>

See accompanying notes to the basic financial statements

Statement of Net Position

June 30, 2022

(Amounts in thousands)

	Primary Government	Aggregate Discretely Presented
	Governmental Activities	Component Units
LIABILITIES:		
Current Liabilities:		
Warrants and accounts payable	178,850	48,887
Accrued liabilities - current:		
Compensated absences	68,613	212
Judgments and claims	118,115	-
Payroll and related costs	265,394	-
Deposits and other	154,165	7,125
Unearned revenue	472,272	8,883
Current portion of long-term bonds, notes and equipment financing payable	166,048	-
Due to component units	1,039	-
Due to primary government	-	7,168
Total current liabilities	<u>1,424,496</u>	<u>72,275</u>
Noncurrent Liabilities:		
Bonds due in more than one year	1,522,876	4,094
Notes and equipment financing payable due in more than one year	61,181	8,796
Other noncurrent liabilities	358,279	142,118
Net pension liability	1,080,235	90,151
Other postemployment benefits obligation	2,310,198	78,366
Unearned revenue	-	79,179
Total noncurrent liabilities	<u>5,332,769</u>	<u>402,704</u>
Total liabilities	<u>6,757,265</u>	<u>474,979</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount for pension costs	404,267	47,685
Deferred amount for OPEB	182,741	54,819
Deferred amount for leases	12,593	1,730,668
Deferred amount from debt refunding	8,661	-
Total deferred inflows of resources	<u>608,262</u>	<u>1,833,172</u>
NET POSITION:		
Net investment in capital assets	1,101,116	81,316
Restricted for:		
Other Purposes	105,974	83,253
Capital projects	12,350	-
Unrestricted deficit	(2,035,104)	(61,722)
Total net position	<u>\$ (815,664)</u>	<u>\$ 102,847</u>

See accompanying notes to the basic financial statements



Statement of Activities
Year Ended June 30, 2022
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 209,435	\$ 77,460	\$ 147,771	\$ 17,747
Human services	65,555	579	14,197	-
Public safety	1,172,308	178,866	25,590	744
Public works	173,842	23,003	376	7,139
Property and development	291,461	8,170	99,414	-
Parks and recreation	54,430	1,109	397	1,404
Library	57,149	524	3,292	2,448
Schools	2,123,695	15,165	573,343	13,102
Public health programs	142,341	-	-	-
Interest on long-term debt	36,821	-	-	-
Total primary government	\$ 4,327,037	\$ 304,876	\$ 864,380	\$ 42,584
Aggregate Discretely Presented Component Units:				
Boston Public Health Commission	\$ 230,180	\$ 41,478	\$ 76,654	\$ -
Boston Planning & Development Agency	25,063	20,680	15,835	-
Trustees of the Public Library of the City of Boston	18,239	4,239	8,859	-
Economic Development and Industrial Corporation of Boston	48,866	37,630	13,651	658
Total component units	\$ 322,348	\$ 104,027	\$ 114,999	\$ 658

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 property

Total general revenues

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes
in Net Position

Governmental Activities	Component Units
\$ 33,543	\$ -
(50,779)	-
(967,108)	-
(143,324)	-
(183,877)	-
(51,520)	-
(50,885)	-
(1,522,085)	-
(142,341)	-
(36,821)	-
\$ (3,115,197)	\$ -
\$ -	\$ (112,048)
-	11,452
-	(5,141)
-	3,073
\$ -	\$ (102,664)
\$ 2,810,807	\$ -
211,520	-
92,007	-
245,625	-
11,264	13,953
-	114,679
4,861	4,202
-	2,430
3,376,084	135,264
260,887	32,600
(1,076,551)	70,247
\$ (815,664)	\$ 102,847

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2022

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,642,411	\$ 824,523	\$ 226,377	\$ 17,579	\$ 2,710,890
Cash and investments held by trustees	205	-	31,643	106,395	138,243
Receivables, net:					
Property and other taxes	34,156	-	-	-	34,156
Intergovernmental	12,912	100,644	12,350	-	125,906
Departmental and other	23,660	21,679	-	583	45,922
Total receivables	70,728	122,323	12,350	583	205,984
Due from other funds	1,131	2,370	-	-	3,501
Due from component units	5,667	-	-	-	5,667
Total assets	\$ 1,720,142	\$ 949,216	\$ 270,370	\$ 124,557	\$ 3,064,285
LIABILITIES					
Warrants and accounts payable	\$ 64,618	\$ 37,420	\$ 75,972	\$ 649	\$ 178,659
Accrued liabilities:					
Payroll and related costs	260,631	4,626	55	82	265,394
Deposits and other	37,770	96,720	-	26	134,516
Unearned Revenue	-	472,272	-	-	472,272
Due to other funds	168	3,100	171	62	3,501
Due to component unit	1,039	-	-	-	1,039
Total liabilities	\$ 364,226	\$ 614,138	\$ 76,198	\$ 819	\$ 1,055,381
DEFERRED INFLOWS OF RESOURCES					
Revenue not considered available and leases	40,648	2,527	1,739	185	45,099
Total deferred inflows of resources	\$ 40,648	\$ 2,527	\$ 1,739	\$ 185	\$ 45,099
FUND BALANCES					
Nonspendable	-	-	-	21,504	21,504
Restricted	-	36,650	192,433	102,049	331,132
Assigned	320,733	295,901	-	-	616,634
Unassigned	994,535	-	-	-	994,535
Total fund balances	1,315,268	332,551	192,433	123,553	1,963,805
Total liabilities, deferred inflows of resources and fund balances	\$ 1,720,142	\$ 949,216	\$ 270,370	\$ 124,557	\$ 3,064,285

See accompanying notes to the basic financial statements

Reconciliation of the Balance Sheet

Governmental Funds to the Statement of Net Position

June 30, 2022

(Amounts in thousands)

Total fund balance - governmental funds	\$ 1,963,805
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	2,730,596
Certain revenues of the government-wide financial statements are earned but not considered available in the governmental fund financial statements	32,506
Internal service funds are included in the government-wide financial statements	67,807
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 payable	(1,484,271)
Equipment financing payable	(67,863)
Leases	(16,372)
Bond issue premiums/discounts, net	(197,971)
Deferred bond refunding losses/gain, net	(6,868)
Accrued interest on bonds	(15,024)
Compensated absences	(247,599)
Landfill	(5,668)
Judgments and claims	(249,122)
Other postemployment benefits, net of deferred amounts	(2,170,087)
Net pension liability, net of deferred amounts	(1,149,033)
Pollution remediation	(500)
Net position of governmental activities	\$ (815,664)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

(Amounts in thousands)

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Real and personal property taxes	\$ 2,819,651	\$ 122	\$ -	\$ -	\$ 2,819,773
Excises	210,808	-	-	-	210,808
Payments in lieu of taxes	92,008	-	-	-	92,008
Fines	61,591	-	-	-	61,591
Investment income	4,482	171	-	33	4,686
Licenses and permits	84,825	34	-	-	84,859
Departmental and other	124,563	56,240	1,145	11,632	193,580
Intergovernmental	649,471	526,551	32,685	-	1,208,707
Total revenues	4,047,399	583,118	33,830	11,665	4,676,012
EXPENDITURES:					
Current:					
General government	123,041	59,311	-	9,939	192,291
Human services	36,961	16,540	-	-	53,501
Public safety	797,386	28,735	-	-	826,121
Public works	130,807	5,840	-	-	136,647
Property and development	37,327	204,922	-	-	242,249
Parks and recreation	33,019	2,098	-	-	35,117
Library	41,098	3,321	-	-	44,419
Schools	1,324,486	185,036	-	-	1,509,522
Public health programs	116,705	19,488	-	-	136,193
Judgments and claims	30,239	-	-	-	30,239
Retirement costs	502,585	-	-	-	502,585
Other employee benefits	258,112	-	-	-	258,112
State and district assessments	332,586	-	-	-	332,586
Capital outlays	24,269	726	369,485	-	394,480
Debt service	188,461	-	-	-	188,461
Total expenditures	3,977,082	526,017	369,485	9,939	4,882,523
Excess (deficiency) of revenues over (under) expenditures	70,317	57,101	(335,655)	1,726	(206,511)
OTHER FINANCING SOURCES (USES):					
Long term debt and leases issued	9,784	-	365,891	-	375,675
Premiums on long-term debt issued	-	574	61,636	-	62,210
Transfers in	55,000	29,540	14,192	1,455	100,187
Transfers out	(30,995)	(69,192)	-	-	(100,187)
Total other financing sources (uses)	33,789	(39,078)	441,719	1,455	437,885
Net change in fund balances	104,106	18,023	106,064	3,181	231,374
Fund balance - beginning of year	1,211,162	314,528	86,369	120,372	1,732,431
Fund balance - end of year	\$ 1,315,268	\$ 332,551	\$ 192,433	\$ 123,553	\$ 1,963,805

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, 2022**

(Amounts in thousands)

Net change in fund balances - total governmental funds 231,374

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 and contributions of capital assets exceeded depreciation expense and loss of disposals. 213,312

Certain revenues in the statement of activities that are not reported as revenues in the governmental funds as they are not considered available (8,310)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Issuance of long-term debt and equipment financing agreement	(365,891)	
Repayment of bonds, notes and equipment financing payable	164,065	
Bond premiums (net)	(46,890)	
Deferred loss on refunding	322	
Workers compensation	(1,722)	
Net pension liability, net of deferred amounts	181,805	
Compensated absences	9,683	
Net other postemployment benefits liability, net of deferred amounts	(81,506)	
Judgements and claims	(4,507)	
Landfill closure and post closure costs	243	
Interest payable	(1,883)	
		(146,281)

Net operating loss from the internal service fund, which is presented in the statement of activities, but not in the governmental funds (29,208)

Change in net position of governmental activities \$ 260,887

See accompanying notes to the basic financial statements

Statement of Revenues and Expenditures

Budgetary Basis

General Fund – Budget and Actual

Year Ended June 30, 2022 (with comparative actual amounts for 2021)

(Amounts in thousands)

	2022				
	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance	2021 Actual
REVENUES AND OTHER AVAILABLE FUNDS:					
Real and personal property taxes, net	\$ 2,790,149	2,790,149	\$ 2,793,795	\$ 3,646	\$ 2,676,286
Excises	126,140	126,140	210,697	84,557	116,340
Commonwealth of Massachusetts	478,914	478,914	469,990	(8,924)	468,819
Departmental and other revenue	65,536	65,536	96,108	30,572	77,569
Fines	51,800	51,800	61,754	9,954	52,153
Payments in lieu of taxes	67,350	67,350	91,837	24,487	88,674
Investment income	2,800	2,800	4,429	1,629	3,615
Licenses and permits	62,370	62,370	84,032	21,662	67,332
Miscellaneous	267	267	267	-	267
Other available funds	125,950	125,950	55,000	(70,950)	60,000
Total revenues and other available funds	3,771,276	3,771,276	3,867,909	96,633	3,611,055
EXPENDITURES:					
General government	141,868	187,172	186,040	1,132	128,508
Human services	45,809	37,095	37,088	7	36,027
Public safety	751,882	751,129	784,791	(33,662)	757,279
Public works	128,743	126,392	133,199	(6,807)	118,229
Property and development	63,105	70,967	70,966	1	59,441
Parks and recreation	33,141	39,283	39,135	148	31,245
Library	42,243	42,243	40,924	1,319	39,841
Schools	1,294,719	1,294,720	1,294,706	14	1,260,465
Boston Public Health Commission	110,698	114,802	114,802	-	106,474
Judgments and claims	5,000	5,000	34,509	(29,509)	5,791
Other employee benefits	267,223	258,778	258,778	-	264,719
Retirement costs	327,584	327,014	327,014	-	295,518
Debt requirements	205,116	184,093	184,093	-	171,971
State and district assessments	354,145	332,585	332,585	-	320,221
Total expenditures	3,771,276	3,771,273	3,838,630	(67,357)	3,595,729
Excess of revenues and other available funds over expenditures	\$ -	\$ 3	\$ 29,279	\$ 29,276	\$ 15,326

See accompanying notes to the basic financial statements

Statement of Net Position
Proprietary Fund
June 30, 2022
(Amounts in thousands)

	<u>Internal Service</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 85,020
Due from component unit	1,501
Total current assets	<u>86,521</u>
Noncurrent assets:	
Other assets	11,848
Total noncurrent assets	<u>11,848</u>
Total assets	\$ <u>98,369</u>
LIABILITIES:	
Current liabilities:	
Accrued liabilities	30,562
Total current liabilities	\$ <u>30,562</u>
NET POSITION:	
Unrestricted	67,807
Total net position	\$ <u>67,807</u>

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2022

(Amounts in thousands)

	<u>Internal Service</u>
OPERATING REVENUES:	
Employee contributions	\$ 87,150
Employer contributions	200,565
Total operating revenues	<u>287,715</u>
OPERATING EXPENSES:	
Health benefits	316,923
Total operating expenses	<u>316,923</u>
Operating loss	<u>(29,208)</u>
Net position - beginning of year	<u>97,015</u>
Net position - end of year	<u>\$ 67,807</u>

See accompanying notes to the basic financial statements

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

(Amounts in thousands)

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from employees and employer	\$ 287,715
Cash paid to vendors	(317,216)
Net cash used in operating activities	<u>(29,501)</u>
Cash and cash equivalents- beginning of year	114,521
Cash and cash equivalents- end of year	<u>\$ 85,020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (29,208)
Adjustments to reconcile operating loss to net provided by operating activities:	
Changes in operating assets and liabilities:	
Other assets	(1,394)
Due from component units/recievables	1,357
Accounts payable and accrued liabilities	(256)
Net cash used in operating activities	<u>\$ (29,501)</u>

See accompanying notes to the basic financial statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

(Except Employee Retirement Plan, which is as of December 31, 2021)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts	Custodial Funds
ASSETS:			
Cash and cash equivalents	\$ 491,557	\$ 143,428	\$ 11,686
Receivables:			
Interest and dividends	12,287	-	-
Securities sold	65,830	-	-
Employer contributions	15,796	-	-
Other	4,366	4,584	-
Total receivables	98,279	4,584	-
Prepaid Expenses	1,726	-	-
Other Assets	-	30	-
Investments, at fair value:			
Short term:			
Domestic	123,046	-	-
International	13,296	-	-
Equity:			
Domestic	2,018,045	-	-
International	1,914,944	-	-
Fixed-income:			
Domestic	1,488,417	-	-
International	404,480	-	-
PRIT Pooled Fund	2,187,775	-	-
Real estate	679,251	-	-
Alternative	1,021,099	-	-
Total investments	9,850,353	-	-
Securities lending short-term collateral investment pool	176,478	-	-
Total assets	10,618,393	148,042	11,686
LIABILITIES:			
Accounts payable, accrued expenses and other liabilities	24,092	1,784	-
Securities purchased	74,518	-	-
Collateral held on securities lending	176,437	-	-
Total liabilities	275,047	1,784	-
DEFERRED INFLOW OF RESOURCES:			
Deferred amount for leases	-	2,753	-
Total deferred inflow of resources	-	2,753	-
NET POSITION RESTRICTED FOR:			
Pension Benefits	9,483,630	-	-
OPEB Benefits	859,716	-	-
Other Purposes	-	143,505	11,686
Total Net Position Restricted	\$ 10,343,346	\$ 143,505	\$ 11,686

See accompanying notes to the basic financial statements

Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year Ended June 30, 2022

(Except Employee Retirement Plan, which is year ended December 31, 2021)

(Amounts in thousands)

	Pension and OPEB Trust Funds	Private- Purpose Trusts	Custodial Funds
ADDITIONS:			
Contributions:			
Employers	\$ 550,079	\$ -	\$ -
Commonwealth of Massachusetts (nonemployer)	179,848	-	-
Employees	179,999	-	-
Donations and other	-	5,684	2,377
Total contributions	909,926	5,684	2,377
Investment earnings:			
Net appreciation in fair value of investments	951,922	-	-
Investment income	175,309	13,430	-
Less investment expenses	(56,070)	-	-
Net investment earnings	1,071,161	13,430	-
Securities lending activities:			
Securities lending income	972	-	-
Less borrower rebates and fees	(272)	-	-
Net income from securities lending activities	700	-	-
Total net investment income (loss)	1,071,861	13,430	-
Intergovernmental	9,311	-	-
Miscellaneous income	4	-	1,329
Total additions	1,991,102	19,114	3,706
DEDUCTIONS:			
Benefits	815,851	-	-
Reimbursements	8,971	-	-
Refunds of contributions	16,274	-	-
Administrative expenses and other	10,004	18,119	3,505
Total deductions	851,100	18,119	3,505
Change in net position	1,140,002	995	201
Net position - beginning of year	9,203,344	142,510	11,485
Net position - end of year	\$ 10,343,346	\$ 143,505	\$ 11,686

See accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2022

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. **Boston Retirement System (BRS)** 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. BRS provides pension benefits to retired City, Boston Planning & Development Agency, Boston Housing Authority, Boston Water and Sewer Commission, and Boston Public Health Commission employees. Although legally separate, BRS 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 BRS are included for its fiscal year end which is December 31, 2021.
- 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. FBDC leases the property from DSRC and the City subleases 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. Financial statements are included for their fiscal year end, which is June 30, 2022.

Audited 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.

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 Planning & Development Agency (BPDA)** – The BPDA is legally separate from the City and a body politic and corporate constituting the City’s redevelopment authority and exercising the powers of a planning board for the City. The BPDA is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the EDIC). The BPDA receives a significant amount of intergovernmental revenue, which is used solely for capital projects that are under the oversight of the BPDA. In accordance with GASB Statement No. 61, the BPDA is presented as a discrete component unit of the City.
- ii. **Economic Development and Industrial Corporation of Boston (EDIC)** – The EDIC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The EDIC is governed by a five-member board, four of whom are appointed by the Mayor and confirmed by the City Council, and one of whom is appointed by the Governor of Massachusetts (same board members as the BPDA). The EDIC receives a significant amount of intergovernmental revenue, including grants and contracts with the City for jobs and community service activities. In accordance with GASB Statement No. 61, the EDIC is presented as a discrete component unit of the City.
- iii. **Boston Public Health Commission (BPHC)** – The BPHC is legally separate from the City and a body politic and corporate and an instrumentality of the Commonwealth. The BPHC 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. The BPHC receives the majority of its funding from a City appropriation, Emergency Management Services and other third party billings, and federal and state grants. The BPHC expects that the City will continue to provide support for the public health programs of the BPHC. In accordance with GASB Statement No. 61, the BPHC is presented as a discrete component unit of the City.
- iv. **Trustees of the Public Library of the City of Boston (TPL)** – The TPL is legally separate from the City of Boston and is a non-profit organization qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The trustees of the TPL are appointed by the Mayor and the TPL places substantial reliance upon the City to fund its daily operations. In addition, the Library receives significant support through state and federal government appropriations and private sources. In accordance with GASB Statement No. 61, the TPL is presented as a discrete component unit of the City.

The financial statements of the discretely presented component units are included for their respective fiscal year ends, which is June 30, 2022.

Audited 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 21.

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 non fiduciary 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, including the Custodial Funds. 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 leases, compensated absences, other postemployment benefits, workers' compensation and judgments and claims, are recorded only when payment is mature and due.

iii. Proprietary 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 for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted or assigned to expenditures for various general governmental functions. Revenue sources include grant funding for education, housing, and public safety and 1% surcharge on the Community Preservation Act.
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 non testamentary trusts.
6. The *Pension Trust Fund* accounts principally for the activities of the 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 City's total OPEB liability. The assets of the trust are currently not used for direct payments of benefits.
8. The *Custodial 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. In addition, the City operates student activity funds and before and after school accounts. The funds are used to offset the costs running these programs for Boston Public Schools.

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 generally 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 BRS, which are described in notes 5 and 12. Further, income from investments is recognized in the same fund as the related investments.

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

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 (excluding leases)

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 acquisition 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 capacity or efficiency 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:

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

h. Unearned Revenue

Resources received in advance are reported as unearned revenues until the period of the exchange. Intergovernmental revenues representing grants and assistance from other governmental units are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred inflows of resources, except CPA, Universal Pre-K and American Rescue Plan (ARP) Act funds, which are reported as unearned revenue. The City received a total amount of \$279.4 million of ARP Act funds during the fiscal year 2022. The City met eligibility requirements for \$152.0 million as of June 30, 2022.

i. 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. Public Safety employees are compensated for unused personal leave in addition to sick and vacation leave. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2022 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.

j. Long Term Obligations and Related Costs

Long-term debt and other long term obligations are reported as liabilities in the Government-wide 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.

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

l. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Other Postemployment Benefit Trust Fund (the Plan) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

m. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and inflows of resources decrease net position, similar to liabilities.

n. Leases (Lessor)

The City is a lessor for various noncancellable leases of land and buildings. For leases with a maximum possible term of 12 months or less at commencement, the City recognizes income based on the provisions of the lease contract. For all other leases (i.e. those that are not short-term), the City recognizes a lease receivable and an offsetting deferred inflow of resources.

At lease commencement, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City recognizes interest income on the lease receivable, and lease revenue from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

Key estimates and judgments include how the City determines the (1) discount rate it uses to calculate the present value of the expected lease payments to be received, (2) lease term, and (3) lease payments to be received.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases. The City's incremental borrowing rate for leases is based on a formula that adds together a risk-free rate of return (or market interest rate) component and a credit spread component using actual market data that are never more than 90 days old. The risk-free rate of return represents a consensus view of the cost of funds for a AAA-rated municipal bond issuer, while the credit spread represents a similar consensus view of the additional risk premium investors or lenders would demand to make a similar loan to entities across the rating spectrum.
- The lease term includes the noncancellable portion of the lease, plus any additional periods covered by either a City or lessee unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the City and the lessee have an option to terminate are excluded from the lease term.
- Lease payments to be received are evaluated by the City to determine if they should be included in the measurement of the lease receivable, including those payments that require a determination of whether they are reasonably certain of being received, such as fixed rent, variable rent, and lease extension fees. Lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured and a corresponding adjustment is made to the deferred inflow of resources.

Lease receivable is reported with notes and other receivables within the noncurrent asset section of the statement of net position, net of the short-term portion of the lease receivable, which is reported with receivable, net – other within the current asset section.

o. Leases (Lessee)

The City is a lessee for various noncancellable leases of buildings and equipment. For leases with a maximum possible term of 12 months or less at commencement, the City recognizes expenses based on the provisions of the lease contract. For all other leases (i.e. those that are not short-term), the City recognizes a lease liability and an intangible right-to-use lease asset in the governmental activities column of the government-wide financial statements.

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Key estimates and judgments include how the City determines the (1) discount rate it uses to calculate the present value of the expected lease payments to be made, (2) lease term and (3) lease payments to be made. These key estimates and judgments are similar to leases where the City is the lessor as disclosed in note 2(n).

The City monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured and a corresponding adjustment is made to the lease asset.

Lease assets are reported with capital assets, and lease liabilities are reported with other noncurrent liabilities in the statement of net position, net of the short-term portion of the lease liability, which is reported with deposits and other, within the current liability section.

p. 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.

q. Tax Abatement Refunds

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

r. 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, 2022, 100% of the Gardner Street landfill had been capped.

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 post closure care in fiscal year 2022 were \$243 thousand.

s. 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.

t. Adoption of Accounting Pronouncements

During fiscal year 2022, the City implemented GASB Statement No. 87. The statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The result of this accounting principle adoption had no effect on the City’s net position in governmental activities as of July 1, 2021.

The City’s discretely presented component units BPDA, TPL and EDIC also adopted GASB Statement No. 87 which resulted in corresponding adjustments of \$518 thousand, \$695 thousand, and \$21.0 million to the previously reported financial statements, respectively. The adoption of GASB Statement No. 87 had no impact on the previously reported financial statements of the City’s other discretely presented component unit (BPHC).

During fiscal year 2022, the City implemented GASB Statement No. 89. “Accounting for Interest Cost Incurred before the End of a Construction Period”. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021. This statement was implemented in fiscal year 2022 without any material impact.

The GASB has issued Statement No. 92 “OMNIBUS 2020.” The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Effective Date

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.

- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic.

The GASB has issued Statement No. 93 “Replacement of Interbank Offered Rates.” The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. This statement was implemented in fiscal year 2022 without any material impact.

The GASB has issued Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.” The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. This statement was implemented in fiscal year 2022 without any material impact.

3. Short Term Debt

During fiscal year 2022, 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 non-property 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, 2022 (in thousands):

	Revenue	Expenditures	Other financing uses, net	Excess of revenue and other financing sources
As reported on a budgetary basis	\$ 3,867,909	\$ 3,838,630	\$ -	\$ 29,279
Adjustments:				
Revenues to modified accrual basis	(23,884)	-	9,784	(14,100)
Expenditures, encumbrances, and accruals, net	-	(40,917)	-	40,917
On-behalf contribution for teachers pension	179,369	179,369	-	-
Other transfers	24,005	-	24,005	48,010
As reported on a GAAP basis	<u>\$ 4,047,399</u>	<u>\$ 3,977,082</u>	<u>\$ 33,789</u>	<u>\$ 104,106</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. MMDT, which is an external investment pool that is overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, "Certain External Investment Pools and Pool Participants", to report its investments at amortized cost; therefore the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated. The three 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

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. All of the City's investments are held by third parties in the City's name. As of June 30, 2022, the City and the City of Boston Pooled Funds had uninsured and uncollateralized deposits and investments of \$556.4 million and \$127.7 million, respectively.

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 Pooled Funds' policy to limit the average duration of an actively managed fixed income portfolio to seven years. The following is a listing of the City of Boston Pooled Funds' fixed income investments (in thousands) and related maturity schedule (in years) as of June 30, 2022:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 222,574	\$ 222,574	\$ -	\$ -	\$ -
Institutional and mutual funds	46,519	15,928	18,642	7,755	4,194
U.S. Treasury and agency securities	122,053	4,044	25,908	18,942	73,159
State and local municipal obligations	3,777	71	1,074	1,023	1,609
Corporate debt instruments	130,428	1,034	69,456	28,621	31,317
International Government Bonds	7,402	118	1,460	4,178	1,646
Commercial Paper	341,427	341,427	-	-	-
Corporate Note	34,318	34,318	-	-	-
Supranational	36,189	36,189	-	-	-
Certificate of deposits	140,693	140,693	-	-	-
	<u>\$ 1,085,380</u>	<u>\$ 796,396</u>	<u>\$ 116,540</u>	<u>\$ 60,519</u>	<u>\$ 111,925</u>

d. Credit Risk

It is the City of Boston Pooled 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 of Boston Pooled Funds’ fixed income investments as of June 30, 2022 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	\$ 222,574	Unrated
Institutional and mutual funds	46,519	AAA to A3
U.S. Treasury and agency securities	122,053	AAA to A3
State and local municipal obligations	2,420	AAA to A3
State and local municipal obligations	333	Baa1 to B3
State and local municipal obligations	1,024	Unrated
Corporate debt instruments	81,984	AAA to A3
Corporate debt instruments	34,101	Baa1 to B3
Corporate debt instruments	70	Caa1 to C
Corporate debt instruments	14,273	Unrated
Commercial Paper	341,427	A1 to A1+
Corporate Note	34,318	A to AA+
Supranational	36,189	AAA
International Government Bonds	1,701	AAA to A3
International Government Bonds	5,163	Baa1 to B3
International Government Bonds	43	Caa1 to C
International Government Bonds	495	Unrated
Certificate of deposits	140,693	A1 to A1+
	<u>\$ 1,085,380</u>	

e. Concentration Risk

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

f. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of June 30, 2022, the City of Boston Pooled Funds held international equity mutual funds valued at \$92.6 million and international government bonds valued at \$7.4 million. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

g. Fair Value Hierarchy

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the Statement of Net Position or Balance Sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds held by the Pooled Funds and the City are open-end money market funds that are registered with the Securities and Exchange Commission. The money market funds held by the City and classified as Level 1 are deemed to be actively traded.

Institutional and mutual funds: Valued at the daily closing price as reported by the fund. Institutional and mutual funds held by the City are open-end funds that are registered with the Securities and Exchange Commission. The institutional and mutual funds held by the Pooled Funds and classified as Level 1 are deemed to be actively traded. If market quotations are not readily available, the funds are valued by the pricing method determined by investment managers which determines valuations using methods based upon market transactions for comparable securities.

Real estate funds: Consist primarily of privately originated commercial mortgage loans secured by U.S. Commercial Real Estate. Market quotations are not available for these funds, which are valued using significant unobservable inputs.

Equity securities: Consist primarily of corporate stocks traded on U.S. and non-U.S. active security exchanges. Stocks traded on active exchanges and valued at quoted market prices and documented trade history for identical assets are categorized within Level 1 of the fair value hierarchy. If market quotations are not readily available, the stocks may be valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

US. Treasury and agency securities: Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate debt instruments: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

International government bonds: Bonds issued by foreign governments that are valued using quoted prices, documented history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The City of Boston Pooled Funds have the following recurring fair value measurements as of June 30, 2022 (in thousands):

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Money market funds	\$ 222,574	\$ -	\$ -	\$ 222,574
Institutional and mutual funds	46,519	-	-	46,519
Equity securities	590,414	494	-	590,908
Real estate funds	-	-	57,271	57,271
Commercial Paper	341,427	-	-	341,427
Corporate Note	34,318	-	-	34,318
Supranational	36,189	-	-	36,189
US Treasury & agency securities	55,207	66,846	-	122,053
State and Local municipal obligations	32	3,745	-	3,777
Corporate debt instruments	25,325	105,090	13	130,428
International Government Bonds	1,921	5,481	-	7,402
Total Investments:	\$ 1,353,926	\$ 181,656	\$ 57,284	\$ 1,592,866

Boston Retirement 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, 2021, all of the System’s deposits were insured or collateralized.

b. Investment Policy

The provisions of M.G.L. C. 32, Sec 23(2); 840 C.M.R. 16-19, 21, 23, 26; and, the System’s own investment regulations (stated at <http://www.mass.gov/perac/board-info/profiles/investment/bostonintsup.html>) 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 Boston 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, Pension Reserve Investment Trust (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, 2021:

Investment type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasury notes and bonds	\$ 291,733	\$ 14,964	\$ 143,529	\$ 80,572	\$ 52,668
U.S. agencies	129,643	-	7,024	5,689	116,931
Domestic corporate	1,155,693	3,499	116,355	187,076	848,763
Municipal	4,871	-	230	1,384	3,257
International corporate	12,438	331	5,558	4,940	1,609
International government	32,274	821	12,953	11,299	7,201
Asset-backed:					
CMOs	48,315	-	44	416	47,854
Other	59,087	805	5,723	8,206	44,353
	\$ 1,734,054	\$ 20,420	\$ 291,416	\$ 299,582	\$ 1,122,636

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 managers 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, 2021 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, 2021 were rated by S & P and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the S & P rating scale:

Investment type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not rated
U.S. agencies	\$ 129,643	\$ 9,695	\$ 354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,593
Domestic corporate	1,155,693	215	6,382	42,090	88,608	44,288	39,729	37,346	897,034
Municipal	4,871	94	3,179	1,413	-	-	-	-	186
International corporate	12,438	-	-	649	2,639	1,039	7,269	842	-
International government	32,274	-	1,643	6,339	16,339	2,183	4,133	203	1,434
Asset-backed:									
CMOs	48,315	29,117	287	-	-	-	-	-	18,911
Other	59,087	30,306	3,721	4,015	3,545	4,996	753	1,513	10,239
	<u>\$ 1,442,321</u>	<u>\$ 69,427</u>	<u>\$ 15,566</u>	<u>\$ 54,506</u>	<u>\$ 111,131</u>	<u>\$ 52,506</u>	<u>\$ 51,884</u>	<u>\$ 39,904</u>	<u>\$ 1,047,397</u>

In addition to the above schedule, the System has approximately \$291.7 million invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

e. Concentration Risk

Other than the Pension Reserves Investment Trust (PRIT) fund, the System has no investments, at fair value, that exceed 5% of the System's total investments as of December 31, 2021. The System adheres to the provisions of M.G.L. c. 32, sec. 23(2); 840 C.M.R. 16-19, 21, 23, 26; and the System's own investment regulations when managing concentration risk.

f. Foreign Currency Risk

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

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

Currency	Cash and short-term investments	Fixed income	Equity	Alternative	Total
Australian dollar	\$ 37	\$ -	\$ 32,073	\$ -	\$ 32,110
Austria	-	-	740	-	740
Canadian dollar	-	-	15,262	-	15,262
Danish krone	6	-	42,060	-	42,066
Euro currency	663	-	-	2,206	2,869
Finland	-	-	13,003	-	13,003
France	-	-	74,344	-	74,344
Germany	-	-	48,632	-	48,632
Hong Kong dollar	1	-	20,059	-	20,060
Ireland	-	-	2,702	-	2,702
Israel	3	-	3,160	-	3,163
Italy	-	-	14,094	-	14,094
Japanese yen	8	-	138,632	-	138,640
Korea	49	-	-	-	49
Luxembourg	-	-	31	-	31
Malta	-	-	676	-	676
Netherlands	-	-	35,965	-	35,965
New Zealand dollar	-	-	615	-	615
Norwegian krone	1	-	497	-	498
Portugal	-	-	303	-	303
Pound sterling	97	-	74,419	10,809	85,325
Singapore dollar	2	-	8,058	-	8,060
Spain	-	-	15,065	-	15,065
Swedish krona	1	-	12,494	-	12,495
Swiss franc	88	-	90,961	-	91,049
Total securities subject to foreign currency risk	\$ 956	\$ -	\$ 643,845	\$ 13,015	\$ 657,816
U.S. dollars (securities held by international investment managers)	-	45,781	392,832	-	438,613
Total international investment securities	\$ 956	\$ 45,781	\$ 1,036,677	\$ 13,015	\$ 1,096,429

g. PRIT External Investment Pooled Fund

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010 that requires the System to invest all assets, current and future, related to Boston Teachers in the PRIT fund. The PRIT pooled fund is an external investment pool that is not registered with the Securities Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund.

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

On July 1, 2010, the System transferred 27% of its assets, or \$1.1 billion, to the PRIT pooled fund. As of December 31, 2021, the System had the following amounts invested in the PRIT fund (in thousands):

General allocation account	\$ 2,187,775
Cash fund	179,376
Total PRIT pooled funds	<u>\$ 2,367,151</u>

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. As of December 31, 2021, there were no pending forward currency contracts.

i. 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. Securities lending is an investment management enhancement that utilizes certain existing securities of the Plan to earn additional income. 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.

Securities lending involves the loaning of securities to approved banks and broker-dealers. In return for the loaned securities, the custodian, prior to or simultaneous with delivery of the loaned securities to the borrower, receives collateral in the form of cash (including both U.S. and foreign currency) or U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral to serve as a safeguard against possible default of any borrower on the return of the loan. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver collateral in the amounts equal to not less than 100% of the market value of the loaned securities. The collateral is marked to market on a daily basis. In the event the counterparty is unable to meet its contractual obligation under the securities lending arrangement, the Plan may incur losses equal to the amount by which the market value of the securities differs from the amount of collateral held. The Plan mitigates credit risk associated with securities lending arrangements by monitoring the market value of the securities loaned on a daily basis, with additional collateral obtained or refunded as necessary.

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, 2021. 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.

The Plan maintains full ownership rights to the securities loaned and, accordingly, recognizes the amount of collateral received as investment with corresponding obligation to return such collateral on the statement of fiduciary net position. At December 31, 2021, the market value of securities loaned by the System amounted to \$251.3 million, against which was held collateral of \$259.1 million as follows (in thousands):

Short-term collateral investment pool	\$	176,437
Noncash collateral		82,704
Total	\$	<u>259,141</u>

Securities lending income earned by the System is recorded on the accrual basis and was approximately \$972.0 thousand for the year ended December 31, 2021.

j. Commitments

At December 31, 2021, the System had contractual commitments to provide \$432.4 million of additional funding to private equity funds, and \$230 million to real estate funds.

k. Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of December 31, 2021 (in thousands):

	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Total at December 31, 2021	(Level 1)	(Level 2)
Short-term:			
Domestic	\$ 123,046	\$ 123,046	\$ -
International	13,296	13,296	-
Total short-term	136,342	136,342	-
U.S. equities:			
Large cap core	715,271	715,271	-
Large cap growth	156,898	156,898	-
Large cap value	361,602	361,602	-
Small cap core	198,661	198,661	-
Small cap growth	149,713	149,713	-
Small cap value	135,173	135,173	-
Total U.S. equities	1,717,318	1,717,318	-
International equities	1,642,302	1,642,302	-
Fixed income securities:			
U.S. treasury securities	291,733	291,733	-
Corporate debt securities	1,155,693	1,155,693	-
Global multi-sector fixed income	44,712	-	44,712
Municipal	4,871	-	4,871
Collateralized mortgage obligations	48,315	-	48,315
Other asset backed securities	59,087	-	59,087
U.S. Agencies	129,643	-	129,643
Total fixed income securities	1,734,054	1,447,426	286,628
Total investments by fair value level	5,230,016	4,943,388	286,628
Government external investment pool:			
PRIT fund	2,187,775		
Investments measured at the net asset value (NAV):			
Hedge fund of funds	347,370		
Private equity funds	637,748		
Private real estate funds	628,727		
Total investments measured at the NAV	1,613,845		
Total investments at fair value	\$ 9,031,636		

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The PRIT pooled fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. PRIT is not a rated fund. The fair value of the PRIT pooled fund is based on unit value as reported by management of the PRIT pooled fund. The PRIT fund issues separately available audited financial statements with a year-end of June 30. The Plan is required to provide a 30-day redemption notice for this investment.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	Investments Measured at the NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global multi-strategy hedge fund of funds ¹	\$ 347,370	\$ -	Quarterly	60-90 days
Real estate funds ²	637,748	432,364	-	-
Private equity funds ³	628,727	229,934	-	-

1. Global Multi-strategy Hedge Fund of Funds. This type includes investments in 7 hedge funds that invest in other hedge fund managers. Management of each hedge fund is given full discretion to invest with direct hedge fund managers. The fair value of the investments in this type has been determined using the NAV per share of the investments.
2. Real Estate Funds. This type includes 35 real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.
3. Private Equity Funds. This type includes 61 private equity funds that invest primarily in U.S. companies. These investments can never be redeemed with the funds; instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

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 November 30, 2021, all properties with unpaid fiscal year 2021 property taxes were lienied. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

7. Receivables

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

	General	Special revenue	Capital projects	Other nonmajor funds	Total
Receivables:					
Property taxes	\$ 25,241	\$ -	\$ -	\$ -	\$ 25,241
Motor vehicle/boat excise	32,749	-	-	-	32,749
Intergovernmental	12,912	100,644	12,350	-	125,906
Lease receivable	9,730	2,523	-	254	12,507
Departmental and other	13,930	19,156	-	329	33,415
Tax Title and possession	70,583	-	-	-	70,583
Gross receivables	165,145	122,323	12,350	583	300,401
Less allowance for uncollectibles	(94,417)	-	-	-	(94,417)
Net total receivables	\$ 70,728	\$ 122,323	\$ 12,350	\$ 583	\$ 205,984

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. The final scheduled paydown of \$2.5 million was paid in fiscal year 2020. As of June 30, 2022, under this program, the City was due funds of \$432 thousand.

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, 2022, under this program, the City determined that \$19.1 million was collectible. This amount is recorded in the City’s Special Revenue fund.

c. Tax Abatement Programs

The City enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77 “Tax Abatement Disclosures”. Below are descriptions of the tax abatement programs and the amount of real estate taxes that were abated for each program during the fiscal year.

Chapter 121A

Chapter 121A of the Massachusetts General Laws authorizes a local government in cooperation with its redevelopment authorities to suspend the imposition of real and personal property taxes, betterments and special assessments on properties determined to be “blighted” in order to encourage the redevelopment of residential, commercial, civic, recreational, historic or industrial projects by Chapter 121A Corporations. The City receives two principal sources of revenue from Chapter 121A Corporations. The first consists of an excise, as determined under Section 10 of Chapter 121A, that each Chapter 121A Corporation must pay to the Commonwealth that is then distributed to the City. The second form of revenue consists of payments as required by a contract between the City and Chapter 121A Corporations as authorized by Chapter 121A, Section 6A that provide for additional revenue beyond the excise provided under Section 10 of Chapter 121A.

Chapter 121B

Chapter 121B of the Massachusetts General Laws authorizes a local government, at their option and through their redevelopment authorities, to undertake public actions to address substandard or blighted open areas for residential, commercial, industrial, business, government, recreational, educational, hospital or other uses. Chapter 121B project owners may be exempted from property taxes. In these cases, an agreement to make annual in lieu of tax payments to the City is required.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is a property tax incentive authorized under the Economic Development Incentive Program pursuant to Massachusetts General Laws Chapter 40, Section 59 and administered by the Commonwealth’s Economic Assistance Coordinating Council. In return for substantial job creation, a local government may provide businesses with tax relief on the incremental growth in their property’s value for up to 20 years. In Boston, TIF projects must be approved by the Mayor and City Council.

The following are estimated taxes abated for the year ended June 30, 2022 by tax abatement program (in thousands):

Tax Abatement Program (1)	Estimated Tax Amount	In Lieu of Tax Payments	Estimated Taxes Abated
121A Urban Redevelopment	\$ 47,769	\$ 32,980	\$ 14,789
121B Urban Redevelopment	15,801	13,108	2,693
Tax Increment Financing	16,512	14,567	1,945
Total	\$ 80,082	\$ 60,655	\$ 19,427

(1) Individual tax abatement agreements are available upon request or through the City of Boston Assessing Department website at boston.gov/assessing

d. Lease Receivable

The City leases out its land, buildings and infrastructure for various operational purposes to third parties. The details of these noncancellable leases are as follows:

	Land	Buildings	Land Improvements	Infrastructure
No. of Leases	2	14	1	2
Terms	14 - 330 Months	12 - 152 months	51 Months	70 - 72 Months
Interest Rates	0.165% - 0.637%	0.165% - 01.868%	0.417%	0.165%

The City's incremental borrowing rates, which varies depending on the length of the respective leases, were applied to these leases since there were no specific interest rates for each of the lease agreements.

The City's lease receivables and deferred inflows of resources at June 30, 2022 were valued as follows (in thousands):

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds	Private Purpose Trust
Lease receivable - current portion	\$ 3,181	\$ 622	\$ 138	\$ 3,941	\$ 205
Lease receivable - noncurrent portion	6,549	1,901	116	8,566	2,574
Total lease receivable	<u>\$ 9,730</u>	<u>\$ 2,523</u>	<u>\$ 254</u>	<u>\$ 12,507</u>	<u>\$ 2,779</u>
Deferred inflows of resources	<u>\$ 9,886</u>	<u>\$ 2,522</u>	<u>\$ 185</u>	<u>\$ 12,593</u>	<u>\$ 2,753</u>

The total amount of inflows of resources related to leases recognized in the current fiscal year are as follows (in thousands):

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds	Private Purpose Trust
Lease revenue	<u>\$3,303</u>	<u>\$623</u>	<u>\$129</u>	<u>\$4,055</u>	<u>\$224</u>
Interest revenue	<u>\$53</u>	<u>\$3</u>	<u>\$14</u>	<u>\$70</u>	<u>\$13</u>

8. Capital Asset

Capital asset activity for the governmental activities for the year ended June 30, 2022 was as follows (in thousands):

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,426	\$ -	\$ -	\$ 43,426
Construction in progress	390,374	340,255	(326,650)	403,979
Total capital assets not being depreciated	<u>433,800</u>	<u>340,255</u>	<u>(326,650)</u>	<u>447,405</u>
Capital assets being depreciated:				
Land improvements	364,305	30,020	-	394,325
Buildings and improvements	2,607,074	214,420	-	2,821,494
Furniture and equipment	542,973	46,903	(7,678)	582,198
Infrastructure	1,037,096	52,213	-	1,089,309
Total capital assets being depreciated	<u>4,551,448</u>	<u>343,556</u>	<u>(7,678)</u>	<u>4,887,326</u>
Less accumulated depreciation for:				
Land improvements	174,819	17,098	-	191,917
Buildings and improvements	1,444,096	60,893	-	1,504,989
Furniture and equipment	452,893	35,155	(7,678)	480,370
Infrastructure	412,528	30,621	-	443,149
Total accumulated depreciation	<u>2,484,336</u>	<u>143,767</u>	<u>(7,678)</u>	<u>2,620,425</u>
Total capital assets being depreciated, net	<u>2,067,112</u>	<u>199,789</u>	<u>-</u>	<u>2,266,901</u>
Governmental activities capital assets, net excluding lease assets	<u>\$ 2,500,912</u>	<u>\$ 540,044</u>	<u>\$ (326,650)</u>	<u>2,714,306</u>
Lease assets-net, note 11				<u>16,290</u>
Total capital assets reported in the statement of net position				<u>\$ 2,730,596</u>

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

General government	\$ 10,471
Human services	3,439
Public safety	24,298
Public works, including depreciation of general infrastructure assets	30,623
Property and development	9,869
Parks and recreation	16,405
Library	7,070
Schools	41,338
Public health	254
Total depreciation expense - governmental activities	<u>\$ 143,767</u>

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

Individual fund receivable and payable balances at June 30, 2022 are as follows (in thousands):

Interfund balances	Receivable	Payable
General	\$ 1,131	\$ 168
Capital	-	171
Special revenue	2,370	3,100
Non-major governmental funds	-	62
Balances at June 30, 2022	<u>\$ 3,501</u>	<u>\$ 3,501</u>

The purpose of the internal balances is to fund cash flows due to timing differences between receipts and disbursements and to record amounts owed for rent related to the Dudley Municipal Center property.

Amounts due to and from discretely presented component units at June 30, 2022 are as follows (in thousands):

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 5,667	\$ 1,039
Internal Service	1,501	-
Balances at June 30, 2022	<u>7,168</u>	<u>1,039</u>
Discretely presented component units:		
TPL	-	744
BPHC	1,039	3,810
BPDA	-	2,614
Balances at June 30, 2022	<u>\$ 8,207</u>	<u>\$ 8,207</u>

10. Long-Term Obligations

Governmental Activities

The following is a summary of the long-term obligations of the governmental activities of the City as of June 30, 2022 (in thousands):

	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Bonds, Notes, Leases and Other long-term obligations:						
General obligation bonds	0.13-6.05%	\$ 1,266,975	\$ 335,215	\$ 138,205	\$ 1,463,985	\$ 139,080
Add (deduct):						
					197,971	
					(139,080)	
					\$ 1,522,876	
	Interest rates	Outstanding, beginning of year	Additions	Reductions	Outstanding, end of year	Due within one year
Notes payable	2.10-7.18%	\$ 21,725	\$ -	\$ 1,439	\$ 20,286	\$ 2,218
Equipment financing payable		61,608	30,676	24,421	67,863	24,750
Judgments and claims		20,066	27,346	30,239	17,173	3,383
Tax abatements		32,400	15,092	7,692	39,800	13,000
Workers' compensation		190,427	59,113	57,391	192,149	71,011
Health and life claims		28,329	318,964	316,922	30,371	30,371
Compensated absences		257,282	88,682	98,365	247,599	68,613
Landfill closure and postclosure care costs		5,911	-	243	5,668	350
Pollution remediation		500	-	-	500	-
Other postemployment benefits		2,196,724	285,623	172,149	2,310,198	-
Net pension liability		1,406,402	141,770	467,937	1,080,235	-
Total bonds, notes, and other long-term obligations, excluding lease liabilities		\$ 4,221,374	\$ 967,266	\$ 1,176,798	4,011,842	213,696
Lease liabilities, note 11					16,372	4,625
Total bonds, notes, leases, and other long-term obligations					\$ 5,551,090	\$ 357,401

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, 2022, including subsidies to be received for Build America Bonds and Qualified School Construction Bonds, are as follows (in thousands):

General Obligation Bonds:	Principal	Interest	Subsidy	Total
Year(s) ending June 30:				
2023	\$ 139,080	\$ 60,732	\$ (2,410)	\$ 197,402
2024	136,615	53,378	(1,897)	188,096
2025	151,615	47,015	(1,366)	197,264
2026	130,425	40,985	(814)	170,596
2027	110,085	35,229	(254)	145,060
2028-2032	389,940	124,434	(403)	513,971
2033-2037	268,990	58,803	-	327,793
2038-2042	137,235	14,361	-	151,596
	<u>\$ 1,463,985</u>	<u>\$ 434,937</u>	<u>\$ (7,144)</u>	<u>\$ 1,891,778</u>
Notes Payable:				
Year(s) ending June 30:				
2023	\$ 2,218	\$ 506	\$ -	\$ 2,724
2024	958	470	-	1,428
2025	993	447	-	1,440
2026	1,053	423	-	1,476
2027	1,135	397	-	1,532
2028-2032	8,315	1,514	-	9,829
2033-2037	5,614	275	-	5,889
	<u>\$ 20,286</u>	<u>\$ 4,032</u>	<u>\$ -</u>	<u>\$ 24,318</u>
Equipment financing payable:				
Year(s) ending June 30:				
2023	\$ 24,750	\$ 700	\$ -	\$ 25,450
2024	20,456	413	-	20,869
2025	12,865	208	-	13,073
2026	5,210	96	-	5,306
2027	2,598	40	-	2,638
2028-2029	1,984	19	-	2,003
	<u>\$ 67,863</u>	<u>\$ 1,476</u>	<u>\$ -</u>	<u>\$ 69,339</u>

On April 13, 2022, the City issued \$335.2 million of general obligation bonds for various municipal capital projects. Interest on the bonds are payable semiannually each May 1 and November 1 until maturity in fiscal year 2041.

The City has entered into various financing 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 City has no outstanding lines of credit.

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, 2022 was approximately \$55.6 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, 2022, the City may issue \$7.12 billion of additional general obligation debt under the debt limit. General obligation debt of \$1.61 billion, subject to the debt limit, and \$74.6 million, exempt from the debt limit, are authorized but unissued as of June 30, 2022.

11. Lease Liability

The City is a lessee for noncancellable leases of buildings and equipment. The details of these noncancellable leases are as follows:

	<u>Buildings</u>	<u>Equipment</u>
No. of Leases	11	493
Terms	24 - 116 Months	12 - 60 months
Interest Rates	0.198% - 1.977%	0.165% - 0.528%

The City’s incremental borrowing rates, which varies depending on the length of the respective leases, were applied to those leases that do not have a specific interest rate.

Lease asset activity for the governmental activities for the year ended June 30, 2022 was as follows (in thousands):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Lease assets:				
Buildings	\$ 5,024	\$ 7,355	\$ -	\$ 12,379
Equipment	5,389	2,429	-	7,818
Total	<u>10,413</u>	<u>9,784</u>	<u>-</u>	<u>20,197</u>
Less accumulated amortization for lease assets:				
Buildings	-	2,028	-	2,028
Equipment	-	1,879	-	1,879
Total	<u>-</u>	<u>3,907</u>	<u>-</u>	<u>3,907</u>
Total lease assets - net	<u>\$ 10,413</u>	<u>\$ 5,877</u>	<u>\$ -</u>	<u>\$ 16,290</u>

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

General government	\$ 571
Public safety	481
Property and development	45
Schools	2,810
Total	<u>\$ 3,907</u>

The following is a summary of changes in lease liabilities for the year ended June 30, 2022 (in thousands):

	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Government activities:					
Lease liabilities	\$ 10,413	\$ 9,784	\$ 3,825	\$ 16,372	\$ 4,625

Payments under lease agreements are subject to annual appropriation and, but statute, are not included in the City’s debt limit calculations.

The annual debt service requirements of the City’s lease liabilities as of June 30, 2022 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2023	\$ 4,625	\$ 116	\$ 4,741
2024	3,911	93	4,004
2025	3,037	70	3,107
2026	1,409	51	1,460
2027	1,004	36	1,040
2028 - 2032	2,386	58	2,444
Total	<u>\$ 16,372</u>	<u>\$ 424</u>	<u>\$ 16,796</u>

12. Retirement Plans

a. Plan Description

The City contributes to the BRS, a cost-sharing, multiple-employer qualified defined benefit governmental 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 Planning & Development Agency
- (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)

The Commonwealth of Massachusetts is a nonemployer that makes contributions to BRS related to City of Boston teachers.

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 BRS for the fiscal year ended December 31, 2021 can be obtained through the BRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website www.cityofboston.gov/retirement/investment.asp.

Participation in the System is mandatory for all permanent, full time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment, or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants who resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2021).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; 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 (highest consecutive five-year average for those members who join the System on or after April 2, 2012). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigned the authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to the Boston Retirement Board.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits.

Accidental disability is provided to members with incapacitation resulting from a work-related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation a member earned while an active employee on date of injury or average annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work-related and has attained ten years of creditable service. Such benefits are provided as if the member had attained the age of 55 (or actual age if over 55) based on the amount of creditable service actually earned. Limits are placed on how much a disability employee can earn from other sources while collecting a disability retirement pension.

The City is legally responsible for funding the employer portion of all pensions associated with certain retirees from the Suffolk County Sheriff’s Department (SCSD), which became part of the Commonwealth of Massachusetts in 2010, pursuant to a cooperation agreement (the Agreement) dated June 28, 2011. According to the Agreement, all employees of the SCSD, or its predecessor department, who retired prior to January 1, 2010 remained retirees of the BRS. In addition, members of AFSCME Local 419 who retired between January 1, 2010 and October 31, 2010, remained retirees of the BRS. Employer contributions related to these retirees are the responsibility of the City under the Agreement.

Special Funding Situations

The City is party to a special funding situation with the Commonwealth of Massachusetts with respect to the City of Boston Teachers. The Commonwealth is responsible for funding the employer portion of all teacher pensions in the Commonwealth. All teachers in the Commonwealth are members of the Massachusetts Teachers Retirement System, with the exception of teachers employed by the City, who are members of BRS. Although Boston Teachers are members of BRS, the Commonwealth is the responsible contributing entity as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

The Commonwealth is also legally responsible for reimbursing BRS for a portion of the benefits payments for cost of living increases granted before July 1997 as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

b. BRS 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 are recognized as additions in the period when they become due pursuant to formal statutory obligations. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. The following is a description of the valuation techniques and inputs used for each major class of assets and liabilities measured at fair value:

(1) Short-term, Equity and Fixed Income Investments - Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Certain fixed income securities not traded on an exchange are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

(2) Pooled funds - the fair value of shares in managed investment pools is based on unit values reported by the funds.

(3) Alternative investments include hedge funds, holding through commingled limited partnerships of venture capital funds, including equity interests in early, middle, and later stage companies, as well as debt and equity interests in buyouts, acquisitions, restructurings, mezzanine structures and special situations, such as litigation or spin-off activities. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

(4) 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, 2021:

Active plan members	20,884
Retirees and beneficiaries receiving benefits	14,819
Inactive members entitled to a return of contributions	12,821
Inactive members entitled to, but not yet receiving benefits	1,303
Total membership	49,827
Total number of participating employers	6

d. Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 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 an actuarial computation. 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, 2021, the System was due \$550.2 million from all employers and the Commonwealth and received \$550.2 million in these contributions. For the year ended June 30, 2022, inclusive of contributions related to SCSD, and exclusive of contributions related to the City's teachers, the City's required contribution was \$312.8 million. The actual contribution was \$312.8 million, which includes a \$0 million contribution subsequent to the measurement date. For the year ended June 30, 2022, the Commonwealth's required and actual contribution related to City Teachers was \$179.4 million. The 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, 2021 is as follows (in thousands):

Description	Amount	Purpose
Annuity savings fund	\$ 2,041,839	Active members' contribution balance
Annuity reserve fund	443,893	Retired members' contribution account
Military service fund	50	Members' contribution account while on military leave
Pension reserve fund	6,402,879	Amounts appropriated to fund future retirement benefits
Pension fund	594,969	Remaining net position
	<u>\$ 9,483,630</u>	

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

f. City Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability of \$997.8 million for its proportionate share of the BRS net pension liability measured as of December 31, 2021. This net pension liability includes amounts related to SCSD retirees and reflects a reduction for the special funding situations with the Commonwealth. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situations, and the total portion of the net pension liability associated with the City measured at December 31, 2021 were as follows (in thousands):

City's proportionate share of net pension liability	\$ 997,843
Commonwealth's proportionate share of net pension liability associated with the City	<u>2,276,688</u>
Total	<u>\$ 3,274,531</u>

To determine employers' proportionate share of the net pension liability, separate calculations of net pension liability were performed for each of the Commonwealth special funding situations, SCSD retirees, and the remaining non-teacher group. At December 31, 2021, the City was allocated 100% of the net pension liability for SCSD retirees and 84.23% of the remaining non-teacher group based on its proportion of 2021 required employer contributions related to this group. The City's proportion of the collective BRS net pension liability at December 31, 2021 was 28.28% compared to 32.80% at December 31, 2020.

For the year ended June 30, 2022, in the Government-wide financial statements, the City recognized pension expense of \$266.6 million and revenue of \$114.9 million related to the Commonwealth special funding situations. At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 26,928
Net difference between projected and actual investment earnings	-	375,853
Changes in assumptions	309,556	-
Changes in employer proportion	25,913	1,486
	<u>\$ 335,469</u>	<u>\$ 404,267</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022 related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2023	\$ 54,279
2024	(90,117)
2025	(12,097)
2026	(36,204)
2027	15,341
	<u>\$ (68,798)</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/ deductions from the BRS’s fiduciary net position have been determined on the same basis as they are reported for the BRS.

g. Actuarial Assumptions

The total pension liability for the December 31, 2021 measurement date was determined by using an actuarial valuation as of January 1, 2020, with update procedures used to roll forward the total pension liability to December 31, 2021. The measurement of the total pension liability at December 31, 2021 applied the following actuarial assumptions:

Inflation	3.25%
Salary Scale	7.5% to 4%, indexed by year of service, for teachers and 4.5% to 4% for non-teachers
Investment rate of return, including inflation	6.90% for BRS excluding teachers and 7.00% for teachers, net of expenses, including inflation
Cost of living adjustments	3% of first \$15,000
Mortality	Pub-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2021 for Groups 1 and 2 and to the Pub-2010 Safety Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables projected generationally using Scale MP-2021 for Group 4 and Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021 for Boston Teachers Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables set forward one year projected generationally using Scale MP-2021 for Groups 1 and 2 and to the Pub-2010 Disabled Retiree Amount-Weighted Mortality Tables projected generationally using Scale MP-2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation date of December 31, 2021 for BRS, excluding Teachers, are summarized below:

Asset class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	23%	6.11%
International developed markets equity	17	6.49
International emerging markets equity	8	8.12
Core fixed income	16	0.38
High yield fixed income	6	2.48
Emerging market debt	4	2.67
Real estate	10	3.72
Timber	0	3.44
Hedge fund, GTAA, risk parity	5	2.63
Private equity	11	9.93
	100%	

h. Discount Rate

The discount rate used to measure the total pension liability was 6.90% for BRS excluding Teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employers and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the BRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

i. Sensitivity of the City's Proportionate Share of the BRS Net Pension Liability

The following presents the City's proportionate share of the BRS net pension liability calculated using the discount rate of 6.90% for the BRS excluding Teachers, as well as what the City's proportionate share of the BRS net pension liability would be if the liability was calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate for BRS excluding Teachers (in thousands):

City's net pension liability				
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)	
June 30, 2022	\$ 1,808,344	\$ 997,843	\$ 314,743	

j. Non-contributory retirees and beneficiaries

In addition to appropriation payments to cover current and future benefit payments of City employees covered by the BRS, the City funds noncontributory retirement benefits for pensioners whose employment predates the BRS, certain veterans who meet certain state law requirements, former employees retired under Massachusetts Special Acts and families receiving killed-in-the-line-of-duty benefits. These retirees and beneficiaries receive benefits for their lifetime. For the City's Non-contributory and Special Legislation Retirees, the City is providing such benefits to 40 pensioners; these benefits are funded on a pay-as-you-go basis with annual benefits of approximately \$3.7 million. The City's net pension liability for the noncontributory retirees and beneficiaries is \$82.4 million, as of June 30, 2022.

The actuarial valuation as of June 30, 2021 was used to determine the City's pension liability and pension expense as of June 30, 2022 (in thousands):

Total Pension liability	\$ 82,392
Plan fiduciary net position	-
Plan net pension liability	\$ 82,392
Plan fiduciary net position as a percentage of the total pension liability	-%
Interest	\$ 2,192
Recognized portion of current year assumption changes	(19,585)
Pension expense (income)	\$ (17,393)

The pension expense reflects immediate recognition of the change in assumptions because the group of retirees and beneficiaries is assumed to be closed.

There are no deferred outflows/inflows of resources related to these pensions. The discount rate used to determine the total pension liability was 3.54% as of June 30, 2022 and 2.16% as of June 30, 2021, which was the high quality tax-exempt general obligation municipal bond rates (20-Bond GO Index) as published by The Bond Buyer for those dates. The mortality assumptions are the same as used in the Boston Retirement System Actuarial Valuation Report as noted in footnote 10(g).

The salary COLA assumptions were updated based on past experience and future expectations and to be consistent with the assumptions used by the Boston Retirement System and the discount rate was changed to reflect the change in the 20-Bond GO Index.

k. Sensitivity of the City’s Net Pension Liability

The following presents the net pension liability of the City’s Non-Contributory and Special Legislation Retirees and Beneficiaries as of June 30, 2022, calculated using a discount rate of 3.54% as well as what the City’s Non-Contributory and Special Legislation Retirees and Beneficiaries’ net pension liability would be if the liability was calculated using a discount rate that is 1- percentage point lower (2.54%) or 1- percentage point higher (4.54%) than the current rate:

City of Boston Non-Contributory net pension liability				
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)	
June 30, 2022	\$ 94,918	\$ 82,392	\$ 72,359	

13. Other Post Employment Benefits (OPEB)

Plan Description

The City sponsors and participates in the Other Postemployment Benefit Trust Plan (the Plan) an agent multi-employer defined benefit OPEB plan that provides healthcare and insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. The Boston Public Health Commission, a discretely presented component unit, also participates and contributes to the plan. City ordinance grants the authority to the City to establish a healthcare benefit trust fund for purposes of providing retiree healthcare benefits to employees of the City and the Boston Public Health Commission.

The OPEB plan is administered by the City and issues a standalone audited financial report that can be obtained from www.boston.gov/departments/auditing.

i. Benefits Provided

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 55 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 post retirement death benefits, as well as medical and prescription drug coverage.

Employees Covered by the Benefit Terms

As of June 30, 2021, the most recent actuarial valuation date, the following employees meet the eligibility requirements as put forth in Chapter 32B of M.G.L.:

	City	PHC
Active Plan members	15,440	965
Inactive members receiving benefits	15,073	314
Total membership	30,513	1,279

a. Contributions

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, 2021, the valuation date, the plan members contribute 12.0% to 29.5% 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 Financial Statements are 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. Investment Policy

The provisions of Massachusetts General Laws (M.G.L) c. 44 sec 54 allows investment in securities listed on the Commonwealth’s approved securities listing. The OPEB investment portfolio is managed by the City’s Investment committee consisting of the City Auditor, the Assistant City Manager of Fiscal Affairs, Assistant Finance Director, and City Assessor. The investment strategy is to reduce risk through the prudent diversification of the portfolio across the distinct allowable asset classes. The Committee aims to remain consistent in the approach and refrain from dramatically shifting asset class allocation over a short period.

d. Actuarial Methods and Assumptions

The City’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to the measurement date using the following actuarial assumptions during the measurement period:

- Salary Increase. Non-teachers: 4.0 to 4.5%. Teachers: 4.0 to 7.5%
- Inflation Increase - 3.25%
- Actuarial Cost Method. Entry Age Normal - Level Percentage of Payroll.
- Mortality

Groups 1 and 2 (Excluding Teachers) Pre-Retirement (Non-Teachers)

Pub-2010 General Employee Headcount-Weighted Mortality Table set forward one year projected generationally using scale MP-2021

Healthy (Non-Teachers): Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Table set forward one year projected generationally using scale MP-2021

Disabled (Non-Teachers): Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Table set forward one year projected generationally using scale MP-2021

Surviving Spouse (Non-Teachers): Pub-2010 General Contingent Survivor Headcount-Weighted Mortality Table set forward one year projected generationally using scale MP-2021

Group 4

Pre-Retirement: Pub-2010 Safety Employee Headcount-Weighted Mortality Table projected generationally using scale MP-2021

Healthy: Pub-2010 Safety Healthy Retiree Headcount-Weighted Mortality Table projected generationally using scale MP-2021

Disabled: Pub-2010 Disabled Retiree Headcount-Weighted Mortality Table projected generationally using scale MP-2021

Surviving Spouse: Pub-2010 Safety Contingent Survivor Headcount-Weighted Mortality Table projected generationally with Scale MP-2021

Teachers

Pre-Retirement (Teachers): Pub-2010 Teacher Employee Headcount-Weighted Mortality Table projected generationally with Scale MP-2021

Healthy (Teachers): Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021

Disabled (Teachers): Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2021

Surviving Spouse (Teachers): Pub-2010 Teacher Contingent Survivor Headcount-Weighted Mortality Table projected generationally with Scale MP-2021

- Healthcare cost trend rates. Medical and Prescription Drug: 7.0% decreasing by 0.25% for 10 years to an ultimate rate of 4.5%. Medicare Part B Premium: 4.5%. Contributions: Retiree contributions are expected to increase with medical trends.
- Discount Rate. The discount rate used to measure the total OPEB liability is 6.25% per annum.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of return
Domestic equity	40%	6.11%
International developed markets equity	13	6.49
International emerging markets equity	10	8.12
Core Fixed Income	25	0.38
High Yield Fixed Income	7	2.48
Real Estate	5	3.72
Total	100%	

e. Net OPEB Liability

The components of the net OPEB liability for the City’s Plan as of June 30, 2022, presented below on the June 30, 2022 measurement date and the actuarial assumptions are outlined above (in thousands):

Total OPEB Liability	\$ 3,134,364
Plan Fiduciary Net Position	(824,166)
Net OPEB Liability	\$ 2,310,198
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	26.29%

f. Change in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2021	\$ 3,058,538	\$ 861,814	\$ 2,196,724
Changes for the year:			
Service cost	79,852	-	79,852
Interest	192,082	-	192,082
Changes of benefit terms	-	-	-
Differences between expected and actual experience	148,512	-	148,512
Changes in assumptions	(212,471)	-	(212,471)
Contributions - employer	-	172,149	(172,149)
Net investment income	-	(77,643)	77,643
Benefit payments	(132,149)	(132,149)	-
Administrative expenses	-	(5)	5
Net changes	75,826	(37,648)	113,474
Balances at June 30, 2022	\$ 3,134,364	\$ 824,166	\$ 2,310,198

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rates disclosed as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as of June 30, 2022 (in thousands):

	5.25%	6.25%	7.25%
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 2,745,525	\$ 2,310,198	\$ 1,951,564

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	5.25%	6.25%	7.25%
	1% Decrease	Current Trend Rates	1% Increase
Net OPEB liability	\$ 1,886,268	\$ 2,310,198	\$ 2,841,225

g. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$254 million.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension amounts from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 149,324	\$ 182,119
Net difference between projected and actual earnings	40,347	-
Differences between expected and actual experience	133,181	622
Total	<u>\$ 322,852</u>	<u>\$ 182,741</u>

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

Fiscal Year	Amount
2023	\$ 35,974
2024	35,645
2025	31,461
2026	55,381
2027	(9,212)
2028	(9,138)
Total	<u>\$ 140,111</u>

14. Transfers

Transfers and their purposes during the year ended June 30, 2022 were as follows (in thousands):

	General	Special revenue	Capital projects	Other governmental
Primary government:				
Housing 2030	\$ (28,963)	\$ 28,963	\$ -	\$ -
TNC Surcharge	-	(1,592)	1,592	-
Parking Meter Fees	-	(12,600)	12,600	-
American Rescue Plan	55,000	(55,000)	-	-
Local Cultural Council Program	(250)	250	-	-
Childcare Entrepreneur Fund	(327)	327	-	-
Debt Service	(1,455)	-	-	1,455
Total	<u>\$ 24,005</u>	<u>\$ (39,652)</u>	<u>\$ 14,192</u>	<u>\$ 1,455</u>

15. Excess of Expenditures over Budgets

The City had expenditures in excess of their budgeted amounts for the year ended June 30, 2022 in the following categories (in thousands):

Police Department	\$ 19,961
Fire Department	13,706
Snow & Winter Management	6,809
Execution of Courts	<u>29,509</u>
	<u>\$ 69,985</u>

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

16. Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2022 are as follows (in thousands):

Fund Balances:	General	Special Revenue	Capital Projects	Other governmental funds
Nonspendable				
Nonspendable	\$ -	\$ -	\$ -	\$ 21,504
Subtotal	-	-	-	21,504
Restricted for:				
Community Preservation Fund	-	27,026	-	-
General government	-	-	36,565	55,748
Fire	-	-	6,260	-
Public Works	-	-	85,866	-
Property and Development	-	9,624	5,797	3,292
Parks and recreation	-	-	57,945	24,740
Schools	-	-	-	18,269
Subtotal	-	36,650	192,433	102,049
Assigned to:				
Property and development	35,214	-	-	-
Catastrophic loss	40,240	-	-	-
Housing initiative	36,565	-	-	-
Debt service	7,162	-	-	-
Employee Related Costs	115,510	-	-	-
Subsequent year budget	40,000	-	-	-
Subsequent year expenditure	46,042	295,901	-	-
Subtotal	320,733	295,901	-	-
Unassigned	994,535	-	-	-
Total fund balances	\$ 1,315,268	\$ 332,551	\$ 192,433	\$ 123,553

17. Commitments and Contingencies

a. Encumbrances

The City has assigned \$46.0 million in encumbrances for purchase orders, contracts, and judgments and claims in the General Fund, \$209.7 million in the Special Revenue Fund, \$276.7 million in the Capital Projects Fund, and \$4.6 million in Other Governmental Funds.

b. Infrastructure Investment Incentive Transactions

Infrastructure Investment Incentive transactions (I-Cubed) are governed by Chapter 293 of the Acts of 2006 (the Act). Under the Act, the funding for the projects associated with these transactions is provided through proceeds of bonds issued by the Massachusetts Development Finance Agency (MDFA) and is to be used for approved public infrastructure improvements undertaken by the developer. The debt service on these bonds will be paid by the Commonwealth through State Infrastructure Development Assistance to the extent that New State Tax Revenues generated once the project is operational offset the amounts paid to MDFA to cover the debt service. When this is not the case, the participating municipality or developer generally will be responsible for the shortfall depending on the transaction agreement. The Act provides for the establishment of a Municipal Liquidity Reserve (MLR) from which the participating municipality can draw to offset any required payments made to the Commonwealth. The MLR is generally funded by the developer either through cash or a direct pay letter of credit.

During fiscal year 2015, the City executed two Infrastructure Development Assistance Agreements (IDAA) for I-Cubed transactions. Under the first IDAA, \$32.4 million in bonds were issued by MDFA in September 2015. Also, an MLR of \$1.2 million was established at the time of the issuance of the bonds. This reserve is equal to twice the maximum annual debt service payable in any fiscal year on the bonds issued under the indenture. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2022. The City also recorded \$11.2 million in donated capital assets in fiscal year 2016 for improvements to City-owned infrastructure made by the developer. These assets have been recorded at acquisition value which has been defined as “the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.”

Under the second IDAA, \$10.0 million in bonds were issued by MDFA in fiscal year 2016. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for one-third of any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2022.

In connection with this second I-Cubed transaction, the City has a leasehold interest in a portion of the parking garage, which represents the public infrastructure improvements under the transaction, created under a master lease and its assignments and a sublease. With the execution of the master lease and sublease agreements, along with the assignment agreements transferring the interests of the owner of the parking garage to the City through the BPDA, the City essentially becomes the lessee on the master lease and the sub-landlord on the sublease. This results in the City having no responsibility for the operation of the parking garage and having the right to collect from the sub-lessee Section 121A PILOT payments from 2015 through 2036 and then base rent from 2036 through 2055, both of which are largely based on a percentage of gross revenues of the parking garage. The City has no obligation for any payments as lessee under the master lease.

During fiscal year 2019, the City executed an Infrastructure Development Assistance Agreements (IDAA) for an I-Cubed transaction. Under the IDAA, \$30.0 million in bonds were issued by MDFA in June 2019. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the letter of credit for any payments on such obligations. The City had no obligation for any shortfalls at June 30, 2022.

18. 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 BPHC.

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 BPHC receives the majority of its funding from federal and state grants, and a City appropriation. During fiscal year 2022, the City appropriated \$114.8 million to the BPHC. As described below, the BPHC 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 BPHC. The City has budgeted \$117.9 million for the BPHC for fiscal year 2023.

Due from BPHC/BMC

The BPHC is also responsible for reimbursing the City for health insurance, equipment lease payments, workers’ compensation, and other miscellaneous expenses paid for by the City.

19. 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 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. The guiding policy for the City of Boston Health Claims Trust Fund 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 \$40.2 million at the end of fiscal 2022. 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 \$50.0 million per incident, after a \$50 thousand deductible. A Fine Arts Policy provides \$150 million for risk protection after a \$1,000 deductible of fine arts and collectible objects including, but not limited to paintings, etchings, drawings, photographs, rare books and manuscripts, antiques, sculptures, memorabilia, natural history objects or historical artifacts which are owned by the City or Library Trustees or on loan for which the City or Library Trustees have been instructed to insure.

The City has not had any insurance claim paid in the last 3 years and has never had a claim or settlement that exceeded any of its insurance policy limits. The catastrophic risk reserve has grown over the years when money remains from the annual budgeted amount for Risk Retention Reserves, which is intended to pay for insurance premiums, broker fees and additional insurance related costs.

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, 2022 and 2021 are as follows (in thousands):

	Internal service fund	
	2022	2021
Health and life claims, beginning of year	\$ 28,329	\$ 22,843
Incurred claims	318,964	309,195
Payments of claims attributable to events of both the current and prior fiscal years:		
Health and life	(316,922)	(303,709)
Health and life claims, end of year	<u>\$ 30,371</u>	<u>\$ 28,329</u>
	Government-wide statements	
	2022	2021
Judgments and claims, beginning of year	\$ 242,893	\$ 215,636
Incurred claims	101,551	107,966
Payments of claims attributable to events of both the current and prior fiscal years:		
Workers’ compensation	(57,391)	(58,463)
Tax abatement liability	(7,692)	(10,737)
Court judgments	(30,239)	(11,509)
Judgments and claims, end of year	<u>\$ 249,122</u>	<u>\$ 242,893</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.

20. 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. 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. 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. With the completion of Dudley Municipal Center project, FBDC is master tenant and leases the project from DSRC.

Based on the ending compliance period of the New Market Tax Credit, the Board of Directors and the City of Boston came to an agreement with all involved financial institutions to unwind the leveraged loans in November of 2019. The leveraged loans were paid via assignment of the notes and cancellation of the indebtedness.

This prompted amendments to the Master Lease and City's sublease agreements, essentially canceling all future cash flows related to the initial leases. The amendments occurred subsequent yet retroactive to year ended June 30, 2021. These activities resulted in net revenues of \$11.5 million for the wind down of debt and expenses of \$5.3 million for the lease amendments. As the City sublease was amended as a result of the wind down, there was no rental income under the City sublease.

21. 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, 2022

(In thousands)

	BPHC	BPDA	TPL	EDIC	Total
Assets:					
Current assets:					
Cash and investments	\$ 32,107	\$ 67,465	\$ 4,283	\$ 71,417	\$ 175,272
Cash and investments held by trustee	-	-	23,027	-	23,027
Receivables, net:					
Leases receivable, current	-	6,121	-	4,538	10,659
Other	29,190	21,829	991	8,660	60,670
Other assets	1,936	211	1,007	612	3,766
Due from primary government	1,039	-	-	-	1,039
Total current assets	64,272	95,626	29,308	85,227	274,433
Noncurrent assets:					
Cash and investments held by trustee	-	-	64,544	704	65,248
Notes and other receivables:					
Notes receivable	46,984	90,825	115	-	137,924
Lease receivable, net	39,729	191,578	673	1,516,871	1,748,851
Interest receivable	-	-	-	17,270	17,270
Disposition receivable	-	32,563	-	-	32,563
Other	-	-	-	1,714	1,714
Capital assets:					
Nondepreciable	12,277	6,294	-	9,160	27,731
Depreciable	10,211	26,166	403	90,443	127,223
Accumulated depreciation	-	(11,961)	(41)	(55,394)	(67,396)
Right of use lease	2,012	6,036	-	2,164	10,212
Less accumulated amortization	-	(206)	-	(571)	(777)
Total noncurrent assets	111,213	341,295	65,694	1,582,361	2,100,563
Total assets	175,485	436,921	95,002	1,667,588	2,374,996
Deferred outflows of resources:					
Deferred amount for pension costs	26,017	3,798	-	-	29,815
Deferred amount for other postemployment benefits costs	6,794	1,383	-	-	8,177
Total deferred outflows of resources	\$ 32,811	\$ 5,181	\$ -	\$ -	\$ 37,992
Liabilities:					
Current liabilities:					
Warrants and accounts payable	28,160	3,882	1,455	15,390	48,887
Accrued liabilities:					
Other	(1,313)	-	-	400	(913)
Current portion of long-term debt	1,990	-	-	-	1,990
Compensated absences	-	126	-	86	212
Due to primary government	3,810	2,614	744	-	7,168
Pollution remediation	-	5,100	-	-	5,100
Unearned revenue	5,662	1,904	492	825	8,883
Leases obligations/payable	670	-	-	278	948
Total current liabilities	38,979	13,626	2,691	16,979	72,275
Noncurrent liabilities:					
Bonds notes and leases due					
in more than one year	2,619	1,475	-	-	4,094
Other noncurrent liabilities	1,725	137,590	-	2,803	142,118
Leases obligation/payables LT	1,398	6,029	-	1,369	8,796
Other postemployment benefits	78,366	-	-	-	78,366
Unearned revenue	46,616	32,563	-	-	79,179
Net pension liability	79,845	10,306	-	-	90,151
Total noncurrent liabilities	210,569	187,963	-	4,172	402,704
Total liabilities	249,548	201,589	2,691	21,151	474,979
Deferred inflows of resources:					
Deferred amount for pension costs	41,705	5,980	-	-	47,685
Deferred amount for other postemployment benefits costs	48,482	6,337	-	-	54,819
Leases	40,671	193,539	634	1,495,824	1,730,668
Total deferred inflows of resources	130,858	205,856	634	1,495,824	1,833,172
Net position:					
Net investment in capital assets	17,823	17,330	361	45,802	81,316
Restricted	-	-	82,549	704	83,253
Unrestricted	(191,923)	17,327	8,767	104,107	(61,722)
Total net position	\$ (174,100)	\$ 34,657	\$ 91,677	\$ 150,613	\$ 102,847

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2022
(in thousands)

	BPHC	BPDA	TPL	EDIC	Total
Expenses	\$ 230,180	\$ 25,063	\$ 18,239	\$ 48,866	\$ 322,348
Program revenues:					
Charges for services	41,478	20,680	4,239	37,630	104,027
Operating grants and contributions	76,654	15,835	8,859	13,651	114,999
Capital grants and contributions	-	-	-	658	658
Total program revenues	118,132	36,515	13,098	51,939	219,684
Net program revenues (expenses)	(112,048)	11,452	(5,141)	3,073	(102,664)
General revenues:					
Investment income	80	11	(10,847)	24,709	13,953
Sale of property	38	2,392	-	-	2,430
City appropriation	114,679	-	-	-	114,679
Miscellaneous income	1,606	-	2,596	-	4,202
Total general revenues	116,403	2,403	(8,251)	24,709	135,264
Change in net position	4,355	13,855	(13,392)	27,782	32,600
Net position, beginning of year, as restated	(178,455)	20,802	105,069	122,831	70,247
Net position - end of year	\$ (174,100)	\$ 34,657	\$ 91,677	\$ 150,613	\$ 102,847

Required Supplementary Information (Unaudited)

Schedule of OPEB Contributions - OPEB (Amounts in thousands)

	2022	2021	2020	2019
Actuarially determined contribution	\$ 203,857	\$ 188,972	\$ 182,364	\$ 199,400
Contributions in relation to the actuarially determined contribution	172,149	170,560	164,503	176,018
Contribution surplus (deficiency)	\$ (31,708)	\$ (18,412)	\$ (17,861)	\$ (23,382)
Covered payroll	\$ 1,862,730	\$ 1,811,408	\$ 1,776,886	\$ 1,696,838
Contributions as a percentage of covered payroll	9.24%	9.42%	9.26%	10.37%

Note: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Valuation date:

Actuarially determined contribution for fiscal year ending June 30, 2022 was determined with the June 30, 2021 actuarial valuation. This valuation has been rolled forward to the measurement date of June 30, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Payments increasing at 3.25% per year
Remaining amortization:	24 years as of July 1, 2021
Asset valuation method:	Market Value
Inflation:	3.25%
Health care trend rates:	Non-Medicare costs: 7% initial, decreasing 0.25% annually to an ultimate level of 4.5%
	Medicare costs: 7% initial, decreasing 0.25% annually to an ultimate level of 4.5%
	Medicare Part B premiums: 4.5%
Salary increases:	Non-teachers: 4% to 4.5%; Teachers: 4% to 7.5%
Investment return:	6.25%
Mortality:	Pub-2010 generational table using Scale MP-2021 for non-teachers and teachers applied on a gender-specific basis.

See accompanying independent auditors' report

Schedule of Changes in Net OPEB Liability and Related Ratios

June 30, 2022

(Amounts in thousands)

Total OPEB Liability

	2022	2021	2020	2019
Service Cost	\$ 79,852	\$ 77,223	\$ 72,030	\$ 69,659
Interest	192,082	183,843	203,807	194,459
Changes of benefit terms	-	-	(498,655)	-
Differences between expected and actual experience	148,512	(528)	4,981	6,624
Changes of assumptions	(212,471)	-	261,316	-
Benefit payments, including refunds of employee contributions	(132,149)	(130,560)	(124,503)	(136,018)
Net Change in total OPEB liability	75,826	129,978	(81,024)	134,724
Total OPEB liability - beginning	3,058,538	2,928,560	3,009,584	2,874,860
Total OPEB liability - ending	3,134,364	3,058,538	2,928,560	3,009,584
Plan Fiduciary Net Position				
Contributions - employers	172,149	170,560	164,503	176,018
Net investment income, net	(77,643)	166,540	21,035	33,624
Benefit payments, including refunds of employee contributions	(132,149)	(130,560)	(124,503)	(136,018)
Administrative expenses	(5)	(5)	(5)	(4)
Net change in plan fiduciary net position	(37,648)	206,535	61,030	73,620
Plan fiduciary net position - beginning	861,814	655,279	594,249	520,629
Plan fiduciary net position - ending	824,166	861,814	655,279	594,249
Net OPEB liability	\$ 2,310,198	\$ 2,196,724	\$ 2,273,281	\$ 2,415,335
Plan fiduciary net position as a percentage of the total				
OPEB Liability	26.29%	28.19%	22.38%	19.75%
Net OPEB liability as a percentage of the total covered payroll	124.02%	121.27%	127.94%	142.34%
Covered payroll	1,862,730	1,811,408	1,776,886	1,696,838

Notes: Information provided for Required Supplementary Information will be provided for 10 years as it becomes available.

Notes to Schedule:

Changes in assumptions:

Changes as of June 30, 2022:

The per capita health care costs, retiree contributions, and trend assumptions were updated.

The mortality projection scale was updated.

Changes in Plan Provisions:

Changes as of June 30, 2022: (None)

See accompanying independent auditors' report

Schedule of City's Proportionate Share of the Net Pension Liability - Boston Retirement System
(Amounts in millions)

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	28.83%	32.80%	35.96%	36.32%	32.04%	35.66%	36.78%	36.82%
City's proportionate share of the net pension liability	\$ 998	\$ 1,303	\$ 1,639	\$ 1,665	\$ 1,288	\$ 1,484	\$ 1,622	\$ 1,417
Commonwealth's proportionate share of net pension liability associated with the City	2,277	2,429	2,587	2,451	2,451	2,345	2,426	2,092
Total	\$ 3,275	\$ 3,732	\$ 4,226	\$ 4,116	\$ 3,739	\$ 3,829	\$ 4,048	\$ 3,509
City's covered payroll (for the period ended on the measurement date December 31)	\$ 1,776	\$ 1,720	\$ 1,661	\$ 1,609	\$ 1,547	\$ 1,475	\$ 1,475	\$ 1,423
City's proportionate share of the net pension liability as a percentage of covered payroll	56.19%	75.76%	98.68%	103.48%	83.26%	100.61%	109.97%	99.58%
BRS fiduciary net position as a percentage of the total pension liability	73.26%	67.64%	61.91%	58.27%	62.73%	58.44%	55.76%	59.59%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

Schedule of City's Contributions - Boston Retirement System
(Amounts in millions)

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 313	\$ 284	\$ 257	\$ 234	\$ 193	\$ 193	\$ 179	\$ 165
Contributions in relation to the actuarially determined contribution	313	284	257	234	193	205	179	165
Contribution surplus (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ -	\$ -
Covered payroll (for the fiscal year ended June 30)	\$ 1,826	\$ 1,777	\$ 1,741	\$ 1,609	\$ 1,467	\$ 1,467	\$ 1,467	\$ 1,442
Contributions as a percentage of covered payroll	17.14%	15.98%	14.76%	14.54%	13.16%	13.16%	12.20%	11.44%

Note: Schedule is intended to show information for ten years. Historical information prior to the implementation of GASB Statement No. 68 is not required if the information is not available. Additional years will be displayed as they become available.

See accompanying independent auditors' report