

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
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YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Trustees of the Public Library of the City of Boston
Boston, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The Trustees of the Public Library of the City of Boston (Library), a component unit of the City of Boston, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boston Public Library Foundation, Inc. (Foundation), which is discretely presented in these financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, MA
October 9, 2015

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

As management of the Trustees of the Public Library of the City of Boston (Library), we offer readers of these financial statements this narrative overview and analysis of the Library's financial activities for the fiscal year that ended on June 30, 2015.

Background of The Boston Public Library

The Boston Public Library (BPL) is an extraordinary institution that has served the citizens of Boston since 1848. Founded as the first municipal library and the first public library to lend books, the Boston Public Library is dedicated to the advancement of learning and is "Free to All," as is carved in the façade of the historic McKim building in Copley Square.

The BPL encompasses a Central Library providing research and circulating collections, twenty-four vibrant neighborhood libraries, a comprehensive website, and programming for all ages. The Central Library's professional staff and collection of more than 23 million items reflect its research status and includes books, manuscripts, prints, photographs, drawings, maps, posters, musical scores, and more. The Boston Public Library's Kirstein Business Library, Norman B. Leventhal Map Center, and the personal library of John Adams – all housed at the Central Library – contribute to its research status.

In fiscal year 2015, Boston Public Library hosted more than 10,000 public programs, received 8.8 million visits to its website, and lent out 3.9 million books and audiovisual materials. Of those 3.9 million lends, more than 1 million were downloads of digital materials such as e-books and audiobooks. In the same fiscal year, the Boston Public Library helped more than 75,000 Massachusetts residents – adults, children, and teens – sign up for new library cards, hosted more than 550,000 free computer sessions, enabled nearly 375,000 free wireless internet sessions, and had nearly 3.4 million people pass through its doors.

In addition in fiscal 2015 the Boston Public Library celebrated the opening of the first phase of the renovated Central Library's Johnson building, featuring a new Children's Library and Teen Central, which has attracted more than half a million visitors since February 2015. The library is also hosting several exhibits, including We Are One: Mapping America's Road from Revolution to Independence, featuring 60 maps and 40 prints from the Boston Public Library, the British Library, Library of Congress, and others, and welcoming more than 50,000 visitors in 3 months.

In all, twenty-four branches and the Central Library in Copley Square serve Boston's diverse population of over 645,000 (estimated) with collections of books, magazines, DVDs, and CDs, along with an array of programs, trainings, and services – all targeted to respond to neighborhood residents of all ages. The essential nature of the library as a center for learning and a community gathering place is captured in the branches, which serve as an ongoing and tangible gateway for lifelong residents and for New Bostonians from all around the world.

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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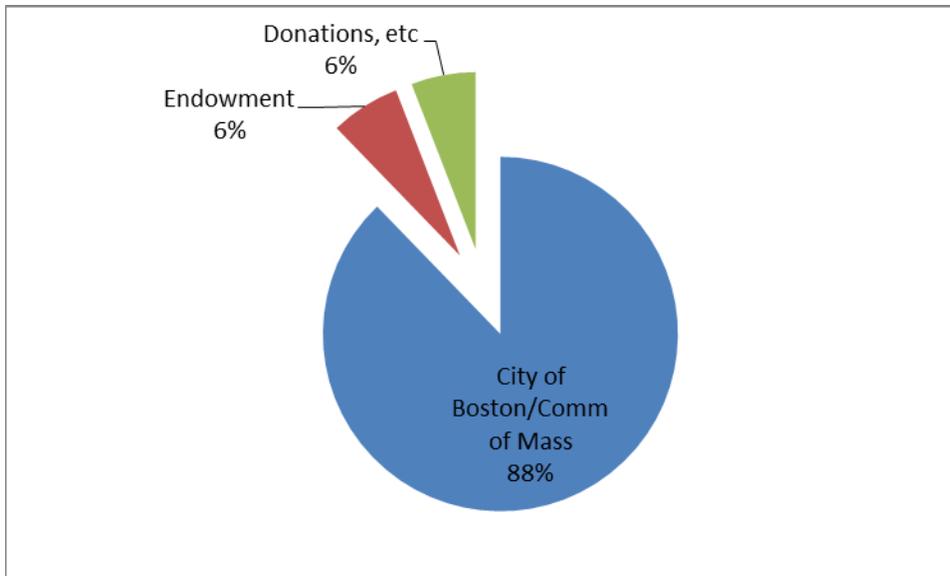
The Boston Public Library is also designated as the “Library for the Commonwealth” (LFC) for the State of Massachusetts and receives a direct appropriation in the state’s annual budget (line-items 7000-9401 and 7000-9501). The LFC program provides service to all residents of the Commonwealth of Massachusetts through three key programs, including:

1. **Statewide Reference & Research:** this program provides residents of the Commonwealth with supplemental reference and research resources both in person and remotely.

2. **Statewide Collection Development & Access:** This program provides residents of the Commonwealth access to print, electronic, and downloadable collections not available in their individual libraries. Anyone who lives, works, goes to school, or owns property in Massachusetts can have a Boston Public Library card.

3. **Statewide Digital Repository:** This service, in conjunction with Digital Commonwealth (a web portal of digital assets hosted by various entities throughout the state), provides 24/7 access for residents of the Commonwealth to the diverse, educational, digitized collections of the state’s cultural institutions.

Funding Sources to the Boston Public Library



In FY15, the BPL received approximately 88% of its total operating budget revenue from government sources. The majority – 80% or \$32.8 million – of the BPL’s operating revenue is provided by the City of Boston [note: revenue to the BPL from the City of Boston is included in the City’s audited financial statements, not the BPL’s audited financial statements]. Approximately 8% of the BPL’s funding, \$3.17million, is appropriated by the Commonwealth of Massachusetts to support both the “Library for the Commonwealth” (LFC) program and a grant in unrestricted state aid. Additionally, BPL receives \$233,000 in state funding for costs associated with regional library services and the MetroBoston Library network.

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Federal funds available from the Federal Communications Commission's (FCC) "Erate" program supports about \$617,000 in operating costs related to the BPL's information technology infrastructure. These costs are paid directly to BPL vendors by the federal government and are not included in the Library's audited financial statement.

The library's endowment is an important and historic source of financial support to the BPL. There are nearly 200 individual trust funds, over 75% of which are restricted for a particular purpose as assigned by the donor or the Board of Trustees. Each year, a 5% distribution is taken from the most recent three year average balance of the corpus value. As of December 31, 2013, that three year average was \$51.76 million, resulting in an FY15 distribution of approximately \$2.5million. The Library's endowment is invested by several management companies, in financial instruments across diverse asset classes. The management and oversight is governed by the Trustees' Investment Policy Statement (as updated and approved in March 2012.)

Additionally, there are a number of nonprofits that exclusively benefit the BPL, including The Boston Public Library Foundation (a component unit of the Boston Public Library), the Affiliates of The Boston Public Library, The Norman B. Leventhal Map Center, and many library "friends" groups that benefit the BPL's 24 individual neighborhood branches. There is also a City-Wide Friends organization based at the Central Library that provides system-wide support.

Other funding sources that support the BPL operating budget include revenues from enterprise funds, including proceeds from private events, leases, licensing, and royalties; the MetroBoston Library Network (MBLN), a consortium of regional library systems that share the BPL's information technology architecture; and gifts, grants, and donations that are received directly by the BPL.

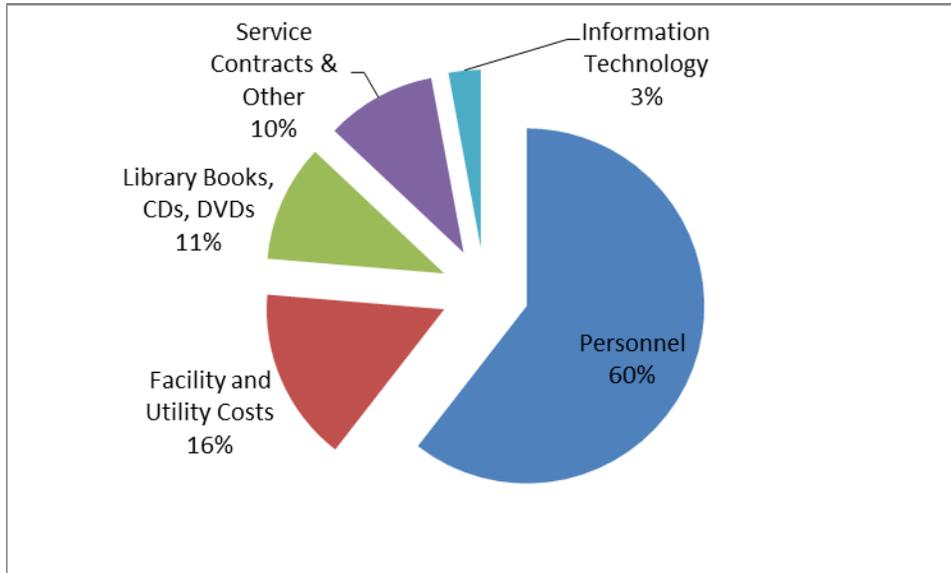
It is important to note that the City of Boston also supports operating costs that are not contained in the annual appropriation allocated to the BPL. These costs include: health and benefit costs for all BPL employees, capital project funding including debt service payments, post-employment benefit/retirement costs, and professional/technical support from corporation counsel, budget, treasury, auditing, purchasing, labor relations, and information technology, as well as other city departments. The collective estimated value of those contributions exceeds \$20 million annually.

Information regarding the BPL's budget process, revenue sources, trust funds, prior year audits and IRS Form 990's, are posted regularly at www.bpl.org/budget.

Operating Budget Expenditures

The BPL's largest expenditure area is in personnel; approximately 60% of the entire operating budget supports over 400 full-time employees and dozens of part-time employees staffed system-wide. Facility and utility costs for the BPL's 26 buildings, including the 930,000 square foot Central Library facility in Copley Square, account for 16%. The materials budget (books, CDs, DVDs) composes 11% of the total operating budget. The balance of expenditures is dedicated to various service and maintenance contracts, licensing, memberships, training and staff development, information and technology and other costs.

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YEAR ENDED JUNE 30, 2015**



Library Governance

The BPL is governed by a nine person Board of Trustees which is appointed by the Mayor of the City of Boston. The BPL also conducts business as a department of the City of Boston and the financial records of these operations are included in the City of Boston's financial reporting.

Financial Highlights

The following sections of MD&A pertain only to the Trustees' separate Section 501(c)(3) organization as reported in these financial statements.

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$67,008,042 (net position)
- The Library's total net position increased \$153,404
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,351,256, or 23.1% of total general fund expenditures and transfers out

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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The components are described as follows:

Government-Wide Financial Statements

One of the most important questions asked about the Library's finances is, "is the Library as a whole, better or worse off, as a result of the year's activities?" The government-wide financial statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector business. They present both short and long-term information about the Library's financial position, which assists in assessing the Library's economic condition at the end of the fiscal year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include two statements:

The **statement of net position** includes all assets and liabilities of the Library, with the difference between the two reported as "net position." Over time, increases or decreases in the Library's net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The **statement of activities** presents information showing how the Library'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 changes occurs, regardless of the timing of related cash flows.

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

Primary Government – The activities in this section are mostly supported by governmental appropriations, contributions, grants, and fees for services. Most services normally associated with the Library fall into this category, including certain Library staff salaries and benefits, library material purchases, programs, contractual services and utilities, equipment and furnishings costs, and other administrative costs.

Discretely Presented Component Unit – The Library's discretely presented component unit is the Boston Public Library Foundation, Inc. (Foundation). Although legally separate, the Foundation is financially interrelated to the Library. For the most part, the Foundation operates similar to a private sector business and its functions are intended to recover all of its operating costs as part of its mission to raise funds for the Library. Complete financial statements of the Foundation can be obtained from its administrative office. Additional information about the Library's component unit is presented in the notes to the financial statements.

In addition to examining the above statements, other non-financial factors need to be considered in assessing the Library's overall financial position, such as changes to the Library's collection, delivery of service, or condition of the Library buildings.

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 Library, like other governmental and nonprofit organizations, uses fund accounting to ensure and demonstrate compliance with finance or donor-related requirements.

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The fund financial statements focus on the individual components of the Library's business, reporting the Library's operations in more detail than the government-wide financial statements.

The basic services provided by the Library are financed through governmental funds. Governmental funds are used to account for essentially the same functions as the governmental activities in the government-wide financial statements. However, unlike those statements, the fund-financial statements focus on near-term inflows and outflows of spendable resources; they also focus on spendable resources available at the end of the fiscal year.

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 the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term activities.

The Library has two categories of governmental funds; the general fund and the nonmajor governmental funds. Each fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances.

The general fund is the primary operating fund of the Library and accounts for all financial resources except those required to be accounted for in another fund. The nonmajor governmental funds consist of special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its constituents.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found immediately following the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Government-Wide Financial Analysis

This analysis is based on the statement of net position and the statement of activities found on pages 12 and 13 of the basic financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Library's assets exceeded liabilities by \$67,008,042 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>	
	<u>2015</u>	<u>2014</u>
Assets		
Current assets.....	\$ 10,610,269	\$ 9,934,118
Noncurrent assets (excluding capital assets).....	57,470,983	58,321,368
Capital assets (net).....	<u>795,951</u>	<u>755,623</u>
Total assets.....	<u>68,877,203</u>	<u>69,011,109</u>
Liabilities		
Current liabilities.....	<u>1,869,161</u>	<u>2,156,471</u>
Net Position		
Net investment in capital assets.....	795,951	755,623
Restricted.....	64,029,556	64,169,543
Unrestricted.....	<u>2,182,535</u>	<u>1,929,472</u>
Total net position.....	<u>\$ 67,008,042</u>	<u>\$ 66,854,638</u>

A portion of the Library's net position (1.2%) reflects its net investment in capital assets (e.g., land, buildings, equipment and machinery and furniture, fixtures and improvements). These capital assets are used to provide services to customers; consequently, these assets are not available for future spending.

A majority of the Library's net position (95.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (3.2% or \$2,182,535) may be used to meet the Library's ongoing obligations to customers and creditors.

At the end of the current fiscal year, the Library reports positive balances in all three categories of net position.

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YEAR ENDED JUNE 30, 2015**

Changes in Net Position

The Library's total net position increased by \$153,404 during the current fiscal year, summarized as follows:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services.....	\$ 1,655,779	\$ 1,724,621
Operating grants and contributions.....	5,758,521	11,450,718
<i>General Revenues:</i>		
Unrestricted grants and contributions.....	1,258,568	1,872,899
Unrestricted investment income.....	<u>11,910</u>	<u>1,421</u>
Total revenues.....	<u>8,684,778</u>	<u>15,049,659</u>
Expenses		
Salaries and benefits.....	2,547,956	2,110,282
Books and related materials.....	1,514,192	1,766,723
Programs.....	474,148	498,192
Administrative.....	1,210,971	1,220,016
Contractual services and utilities.....	2,031,279	2,056,416
Equipment, furniture and maintenance.....	650,580	633,476
Unallocated depreciation.....	<u>102,248</u>	<u>63,738</u>
Total expenses.....	<u>8,531,374</u>	<u>8,348,843</u>
<i>Special item - reclassification of investment to the City of Boston.....</i>	-	(1,963,889)
Change in net position.....	153,404	4,736,927
Net position - beginning of year.....	<u>66,854,638</u>	<u>62,117,711</u>
Net position - end of year.....	<u>\$ 67,008,042</u>	<u>\$ 66,854,638</u>

Governmental activities increased the Library's net position by \$153,404. In the prior year, governmental activities increased the Library's net position by \$4,736,927. The key element of this change is a decrease in investment income of approximately \$6,200,000 due to abnormally strong investment returns in the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Fund Financial Statement Analysis

This analysis is based on the fund financial statements on pages 14-15.

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

Fund Highlights

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

Nonspendable Fund Balance (Permanent Funds) – Nonspendable fund balance of permanent funds is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support Library programs. The fund balance for nonspendable permanent funds was approximately \$57,246,000 at June 30, 2015.

Restricted Fund Balance – Fund balances are reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, donors or laws or regulations of other governments or is imposed by law through constitutional provisions. Many items in this fund balance reflect gifts to the Library with specific restrictions as to their use. Restricted fund balance was approximately \$6,668,000 at year-end.

Committed Fund Balance – Committed fund balances include amounts that can be used only for specific purposes imposed by formal action of the Board of Trustees. These committed funds cannot be used for any purpose unless the Board of Trustees removes or changes the specified use. Committed fund balance was approximately \$115,000 at year-end.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Trustees or a Library official delegated that authority by charter or ordinance. Assigned fund balance was approximately \$831,000 at year-end.

Unassigned Fund Balance – Unassigned fund balance is the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts. There is a balance of approximately \$1,351,000 in unassigned fund balance at the end of the fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all of the Library's customers, donors, and other interested parties. This financial report seeks to demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Boston Public Library, 700 Boylston Street, Boston, MA 02116.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government	Component Unit
	Governmental Activities	Foundation
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 2,407,542	\$ 239,549
Restricted cash and cash equivalents.....	6,772,167	1,405,646
Investments.....	-	428,375
Restricted investments.....	-	2,157,989
Receivables, net of allowance for uncollectible amounts:		
Intergovernmental.....	1,020,438	-
Special events.....	80,295	-
Departmental and other.....	249,468	-
Pledges and grants - restricted.....	-	140,917
Interest and dividends.....	11,795	-
Prepaid expenses and other assets.....	68,564	16,145
Total current assets.....	<u>10,610,269</u>	<u>4,388,621</u>
Noncurrent assets:		
Restricted cash and cash equivalents.....	895,951	-
Restricted investments.....	56,575,032	-
Receivables, net of allowance for uncollectible amounts:		
Pledges and grants - restricted.....	-	157,583
Capital assets not being depreciated.....	150,000	-
Capital assets, net of accumulated depreciation.....	645,951	-
Total noncurrent assets.....	<u>58,266,934</u>	<u>157,583</u>
Total assets.....	<u>68,877,203</u>	<u>4,546,204</u>
LIABILITIES		
Current liabilities:		
Accounts payable.....	860,460	9,911
Grants payable - restricted.....	-	62,917
Accrued expenses.....	194,537	-
Advance deposits.....	174,267	-
Due to City of Boston.....	639,897	-
Total liabilities.....	<u>1,869,161</u>	<u>72,828</u>
NET POSITION		
Net investment in capital assets.....	795,951	-
Restricted:		
Nonexpendable.....	57,246,297	718,229
Expendable.....	6,783,259	3,080,989
Unrestricted.....	2,182,535	674,158
Total net position.....	<u>\$ 67,008,042</u>	<u>\$ 4,473,376</u>

The accompanying notes are an integral part of the financial statements.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Activities	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
Salaries and benefits.....	\$ 2,547,956	\$ -	\$ 1,714,282	\$ (833,674)
Books and related materials.....	1,514,192	-	1,635,664	121,472
Programs.....	474,148	1,073,896	357,593	957,341
Administrative.....	1,210,971	455,108	308,115	(447,748)
Contractual services and utilities.....	2,031,279	23,606	1,577,360	(430,313)
Equipment, furniture and maintenance.....	650,580	103,169	165,507	(381,904)
Unallocated depreciation.....	102,248	-	-	(102,248)
	<u>\$ 8,531,374</u>	<u>\$ 1,655,779</u>	<u>\$ 5,758,521</u>	<u>(1,117,074)</u>
Component unit:				
Foundation.....	<u>\$ 1,042,220</u>	<u>\$ -</u>	<u>\$ 1,691,948</u>	<u>\$ 649,728</u>
			<u>Primary Government</u>	<u>Component Unit</u>
<i>Changes in net position:</i>				
Net (expense)/revenue (from above).....			\$ <u>(1,117,074)</u>	\$ <u>649,728</u>
<i>General revenues:</i>				
Unrestricted grants and contributions.....			1,258,568	-
Unrestricted investment income.....			11,910	98,009
Total general revenues.....			<u>1,270,478</u>	<u>98,009</u>
Change in net position.....			153,404	747,737
Net position - beginning of year.....			<u>66,854,638</u>	<u>3,725,639</u>
Net position - end of year.....			<u>\$ 67,008,042</u>	<u>\$ 4,473,376</u>

The accompanying notes are an integral part of the financial statements.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 2,407,542	\$ -	\$ 2,407,542
Restricted cash and cash equivalents.....	433,426	7,234,692	7,668,118
Restricted investments.....	-	56,575,032	56,575,032
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	920,438	100,000	1,020,438
Special events.....	80,295	-	80,295
Departmental and other.....	8,740	240,728	249,468
Interest and dividends.....	-	11,795	11,795
Prepaid expenses.....	<u>68,564</u>	<u>-</u>	<u>68,564</u>
TOTAL ASSETS.....	<u>\$ 3,919,005</u>	<u>\$ 64,162,247</u>	<u>\$ 68,081,252</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable.....	\$ 519,795	\$ 340,665	\$ 860,460
Accrued expenses.....	20,749	173,788	194,537
Advance deposits.....	174,267	-	174,267
Due to City of Boston.....	<u>532,279</u>	<u>107,618</u>	<u>639,897</u>
TOTAL LIABILITIES.....	<u>1,247,090</u>	<u>622,071</u>	<u>1,869,161</u>
FUND BALANCES:			
Nonspendable:			
Perpetual permanent funds.....	-	57,246,297	57,246,297
Restricted:			
Expendable permanent funds.....	-	4,879,453	4,879,453
Programs.....	149,543	-	149,543
General trust holdings.....	272,764	-	272,764
General trust.....	-	1,366,560	1,366,560
Committed:			
Neighborhood outreach.....	112,766	-	112,766
Transitional services/career counseling.....	2,173	-	2,173
Assigned:			
State aid.....	325,999	-	325,999
Deferrari fund.....	-	47,866	47,866
Enterprise.....	226,147	-	226,147
Other.....	231,267	-	231,267
Unassigned.....	<u>1,351,256</u>	<u>-</u>	<u>1,351,256</u>
TOTAL FUND BALANCES.....	<u>2,671,915</u>	<u>63,540,176</u>	<u>66,212,091</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 3,919,005</u>	<u>\$ 64,162,247</u>	<u>\$ 68,081,252</u>

The accompanying notes are an integral part of the financial statements.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental.....	\$ 3,427,217	\$ 147,854	\$ 3,575,071
Special events.....	953,373	-	953,373
Fees for services.....	648,924	53,484	702,408
Contributions and gifts.....	333,234	568,391	901,625
Investment income.....	12,502	2,539,799	2,552,301
TOTAL REVENUES.....	5,375,250	3,309,528	8,684,778
EXPENDITURES			
Current:			
Salaries and benefits.....	2,342,316	205,640	2,547,956
Books and related materials.....	476,911	1,037,281	1,514,192
Programs.....	176,404	297,744	474,148
Administrative.....	1,000,109	210,862	1,210,971
Contractual services and utilities.....	1,233,052	860,266	2,093,318
Equipment, furniture and maintenance.....	631,822	99,295	731,117
TOTAL EXPENDITURES.....	5,860,614	2,711,088	8,571,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(485,364)	598,440	113,076
OTHER FINANCING SOURCES (USES)			
Transfers in.....	847,355	2,125,583	2,972,938
Transfers out.....	-	(2,972,938)	(2,972,938)
TOTAL OTHER FINANCING SOURCES (USES).....	847,355	(847,355)	-
NET CHANGE IN FUND BALANCES.....	361,991	(248,915)	113,076
FUND BALANCES AT BEGINNING OF YEAR.....	2,309,924	63,789,091	66,099,015
FUND BALANCES AT END OF YEAR.....	\$ 2,671,915	\$ 63,540,176	\$ 66,212,091

The accompanying notes are an integral part of the financial statements.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental fund balances (page 14).....	\$ 66,212,091
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	<u>795,951</u>
Net position of governmental activities (page 12).....	<u>\$ 67,008,042</u>

The accompanying notes are an integral part of the financial statements.

THE TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
 (A COMPONENT UNIT OF THE CITY OF BOSTON)
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds (page 15).....	\$	113,076
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		142,576
Depreciation.....		<u>(102,248)</u>
Changes in net position of governmental activities (page 13).....	\$	<u><u>153,404</u></u>

The accompanying notes are an integral part of the financial statements.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The Trustees of The Public Library of The City of Boston (Library), a non-profit, educational corporation, was established in 1848 to benefit and facilitate the needs of the City of Boston's (City) public library system. A Board of Trustees (Trustees), which is appointed by the City's Mayor, governs the City's public library system. The majority of the Library's assets are held in trust in accordance with the conditions imposed by the donors. The principal of the trust funds is invested to generate income that, in turn, is used to serve the Library's needs that relate to the specific trust agreements. In addition, the Library receives significant support through state and federal government appropriations and private sources.

The Library is a Section 501(c)(3) organization, exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. In addition, the Commonwealth of Massachusetts (Commonwealth) has classified the Library as a non-profit organization in nature, and, as such, it is exempt from payments of income taxes to the Commonwealth.

Separate and distinct from the Trustees' Section 501(c)(3) organization, operations of the Boston Public Library are also conducted as a department of the City. These financial statements only represent the operations of the Trustees' Section 501(c)(3) organization.

The Library is considered a component unit of the City for financial reporting purposes and it places substantial reliance upon the City to fund its daily operations. The City funds the majority of the Library's costs of operations. The City pays the Library employees' salaries, therefore, payroll liabilities and related costs of compensated absences are recorded on the City's government-wide financial statements.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Library.

The Library has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Library are such that exclusion would cause the Library's basic financial statements to be misleading or incomplete.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Discretely Presented Component Unit

The Boston Public Library Foundation, Inc. (Foundation), a component unit of the Library, was formed on March 2, 1992 as a non-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, to support the physical restoration and the enhancement of the public visibility of the Library. The Foundation is legally separate from the Library, and the Library is not financially accountable for the Foundation. The Foundation has been included because of the nature and significance of its relationship with the Library. Complete financial statements can be obtained from the Foundation's administrative offices in Boston, Massachusetts.

Related Organizations

The Norman B. Levanthal Map Center, Inc., the Associates of The Boston Public Library, the City-Wide Friends and the Friends of Branch Libraries, support library objectives and raise funds for the Library. Currently, the Library's accountability for these organizations does not extend beyond receiving their support.

Implementation of New Accounting Principles

For the year ending June 30, 2015, the Library implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The implementation of these GASB Statements had no reporting impact for the Library.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government (Library) and its discretely presented component unit. *Governmental activities* are primarily supported by contributions, intergovernmental revenues and investment income.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Revenues are considered available if they are collected within 60 days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following major governmental fund is reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The nonmajor governmental funds consist of special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its constituents.

Cash and Investments

Government-Wide and Fund Financial Statements - Library

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds and alternative investments, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Alternative Investments

Alternative investments are recorded at fair value based on market values provided by investment firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements - Foundation

A hierarchy that prioritizes the inputs to valuation techniques used to measure fair value establishes a framework for measuring fair value. The Foundation's assets measured at fair value as of June 30, 2015 are categorized as Level 1 in the fair value hierarchy. Level 1 assets represent valuation at unadjusted quoted prices for identical asset or liabilities in active markets that the Foundation has the ability to access.

Common stocks, corporate bonds and U.S. government securities are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the net asset value (NAV) of the shares held.

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 Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

The Commonwealth's Board of Library Commissioners (Board) has designated the Library as the Library for the Commonwealth (LFC). Accordingly, the LFC's operations are included in the Library's financial statements. The LFC provides reference and research services and materials for the Commonwealth and retains personnel with expertise and bibliographic skills needed to develop and provide access to reference and research collections.

The LFC operates under a cost reimbursement arrangement granted by the Commonwealth. The LFC is assessed certain salaries and benefits, for reimbursement to the City of Boston, and purchases books and related materials for the benefit of the Commonwealth.

Special Events

Special events receivables consist of amounts owed for events held at the Library, such as weddings, parties, meetings and tours. Special events receivables are recorded in the fiscal year the events are held.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued.

Interest and Dividends

Interest and dividends receivables consist of accrued investment income.

Pledges and Grants (Foundation)

Pledges are recorded as receivables in the year made. Grants are recorded as receivables when the Foundation has fulfilled specific requirements. Pledges and grants scheduled to be received over the next 12 months are reflected as current receivables while pledges and grants scheduled to be received in subsequent years are reflected as long-term receivables in the statement of net position and have been discounted to present value. All pledges are considered to be available for unrestricted use unless specifically restricted by the donor.

Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. Intergovernmental and interest and dividends receivables are considered 100% collectible. The allowance for uncollectible amounts for special events and departmental and other receivables is immaterial and therefore not reported. The Foundation did not recognize an allowance for doubtful accounts for pledges receivable as of June 30, 2015 since management deemed all pledges receivable to be fully collectible.

Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Capital Assets

Government-Wide Financial Statements

Capital assets, which consist of land, buildings, machinery and equipment and furniture, fixtures and improvements, are reported in the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than two years. Capital assets (excluding land) are depreciated on a straight-line basis.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Buildings	40
Machinery and equipment.....	3 - 10
Furniture, fixtures and improvements.....	5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Funds Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

Works of Art and Historical Treasures

The Library maintains collections including art work, rare collection books and historical treasures that have been purchased or donated. These items are preserved and cared for and many are displayed in public exhibitions. The Library does not have a formal policy that requires that proceeds from the sale of these items be used to expand the collections through additional acquisitions. However, historically, the Library has not sold works of art and historical treasures and as of June 30, 2015, the Library has no intention to sell its works of art and historical treasures and not use the proceeds to either restore current holdings or expand the collection through additional acquisitions. Therefore, in accordance with GASB, the Library does not capitalize collections meeting all of the above factors.

Advance Deposits

Advance deposits consist of monies received in advance for special events held at the Library and customer balances in the pay-for-print program.

Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “due from other funds” or “due to other funds” on the balance sheet.

Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

Donated Services

Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, as provided by the individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

“Nonexpendable” represents the principal value of amounts held in trust restricted by various trust agreements.

“Expendable” represents the investment earnings on amounts held in trust which may be expended in accordance with various trust agreements, amounts which may be expended in accordance with various grant agreements, amounts committed to specific purposes by the Trustees, the Foundation’s programs related to community outreach and Library support, and other restrictions placed on assets from outside parties.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., inventory) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action (ordinance or resolution) of the Trustees, which is the highest level of decision-making authority for the Library. Committed amounts may be established, modified, or rescinded only through actions approved by the Trustees.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. In the general fund, assigned amounts represent intended uses established by the Trustees or a Library official delegated that authority by charter or ordinance.

Unassigned – represents the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total Column

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Library's annual budget consists of two parts; its budget as a component unit of the City and its annual budget as the Trustees of the Public Library. The Library's annual budget as a component unit of the City is prepared as part of the annual municipal budget process. Once adopted, the budget may be amended pursuant to the supplemental appropriation process, in which the Mayor submits such requests to the City Council for approval. The Library's City budget is not part of these financial statements. The Library's annual Trustees' budget is prepared under the direction of the Library's management and Trustees. The Library's Trustees' budget is included as an external fund budget in the City's annual operating budget.

NOTE 3 DEPOSITS AND INVESTMENTS

Library

The municipal finance laws of the Commonwealth authorize the Library to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The Library's permanent funds (through various trust agreements) have expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments. Generally, the Library's investment activities are managed under the custody of the City Treasurer. The Library's investing of funds in its custody is performed in accordance with investment policies approved by the Trustees. Certain permanent funds have investments in a common fund where investments are pooled. The pooled fund makes a distribution of its investment income to the various participating funds. Participating funds may purchase or redeem units of the common fund based upon the market value of the underlying investments held in the common funds.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Library's deposits may not be recovered. The Library does not have a policy for custodial credit risk of deposits. As of June 30, 2015, \$8,987,836 of the Library's bank balance of \$9,237,836 was uninsured, uncollateralized and exposed to custodial credit risk.

Investments Summary

The Library's investments at June 30, 2015 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 895,951	\$ 895,951
Fixed income mutual funds.....	<u>2,389,666</u>	<u>2,389,666</u>
Total debt securities.....	<u>3,285,617</u>	<u>\$ 3,285,617</u>
<u>Other Investments:</u>		
Equity securities.....	11,972,134	
Equity mutual funds.....	2,923,571	
Alternative investments.....	<u>39,289,661</u>	
Total other investments.....	<u>54,185,366</u>	
Total investments.....	<u>\$ 57,470,983</u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Library does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's policy is for all investments to be insured, registered, or held by the Library's agent in the Library's name. As of June 30, 2015, the entire balance of investments are insured, registered, or held by the Library's agent in the Library's name and are not exposed to custodial credit risk.

**THE TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Library's policy for investments in individual debt securities is for all securities to be of investment grade (BBB rating or better).

As of June 30, 2015, the Library's investments in debt securities consisted entirely of mutual funds that were unrated by national credit rating organizations.

Foundation

The Foundation's investments at June 30, 2015 are comprised of the following:

<u>Investment Type</u>	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain (Loss)</u>
Common stocks.....	\$ 516,823	\$ 606,010	\$ 89,187
Mutual funds - equities.....	520,319	552,228	31,909
Mutual funds - fixed income..	655,622	651,988	(3,634)
Mutual funds - combination...	<u>731,669</u>	<u>776,138</u>	<u>44,469</u>
Totals.....	\$ <u>2,424,433</u>	\$ <u>2,586,364</u>	\$ <u>161,931</u>

The following summarizes investment income for the fiscal year ended June 30, 2015:

<u>Investment Type</u>	<u>Amount</u>
Interest and dividends.....	\$ 61,857
Net unrealized losses.....	(190,248)
Net realized gains.....	<u>226,400</u>
Totals.....	\$ <u>98,009</u>

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NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2015, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Intergovernmental - Library for the Commonwealth (LFC).....	\$ 1,020,438	\$ -	\$ 1,020,438
Special events.....	80,295	-	80,295
Departmental and other.....	249,468	-	249,468
Interest and dividends.....	<u>11,795</u>	<u>-</u>	<u>11,795</u>
	<u>\$ 1,361,996</u>	<u>\$ -</u>	<u>\$ 1,361,996</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 150,000	\$ -	\$ -	\$ 150,000
<u>Capital assets being depreciated:</u>				
Buildings.....	771,997	-	-	771,997
Machinery and equipment.....	2,018,005	80,536	-	2,098,541
Furniture, fixtures and improvements.....	<u>193,905</u>	<u>62,040</u>	<u>-</u>	<u>255,945</u>
Total capital assets being depreciated.....	<u>2,983,907</u>	<u>142,576</u>	<u>-</u>	<u>3,126,483</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(416,557)	(19,300)	-	(435,857)
Machinery and equipment.....	(1,789,701)	(74,147)	-	(1,863,848)
Furniture, fixtures and improvements.....	<u>(172,026)</u>	<u>(8,801)</u>	<u>-</u>	<u>(180,827)</u>
Total accumulated depreciation.....	<u>(2,378,284)</u>	<u>(102,248)</u>	<u>-</u>	<u>(2,480,532)</u>
Total capital assets being depreciated, net.....	<u>605,623</u>	<u>40,328</u>	<u>-</u>	<u>645,951</u>
Total governmental activities capital assets, net.....	<u>\$ 755,623</u>	<u>\$ 40,328</u>	<u>\$ -</u>	<u>\$ 795,951</u>

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NOTE 6 DUE TO CITY OF BOSTON

The following represents a summary of amounts owed to the City at June 30, 2015:

Description	Amount
Salary reimbursements - Library for the Commonwealth.....	\$ 324,493
Salary reimbursements - Other.....	304,185
Collections of fines.....	<u>11,218</u>
Total.....	<u>\$ 639,897</u>

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2015 are summarized as follows:

Description	General Fund	Nonmajor Governmental Funds		
		Library Managed Funds	City Managed Funds	Total Nonmajor Governmental Funds
Annual 5% distribution to Library managed funds (1).....	-	\$ 2,125,583	\$ (2,125,583)	\$ -
Annual 5% distribution to general funds (1).....	258,290	-	(258,290)	(258,290)
To fund programs from Hearst/Humanities funds.....	170,252	(170,252)	-	(170,252)
To fund photo duplication and MBLN operations.....	383,470	(383,470)	-	(383,470)
Miscellaneous transfers.....	<u>35,343</u>	<u>(35,343)</u>	<u>-</u>	<u>(35,343)</u>
Transfers, net.....	<u>\$ 847,355</u>	<u>\$ 1,536,518</u>	<u>\$ (2,383,873)</u>	<u>\$ (847,355)</u>

(1) Since fiscal year 2003, it is the Trustees' policy to authorize the City to distribute 5% of the Library's perpetual permanent fund balances (using a three-year average of market values) to help fund the Library's operations

NOTE 8 PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Persons that perform services for the Library are employees of the City only. City employees participate in the City's retirement plan. The City is responsible for contributions to the State-Boston Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan. The System provides retirement disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report, which can be obtained through the State-Boston Retirement System, Boston City Hall, Boston, Massachusetts.

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NOTE 8 PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

In addition to providing pension benefits, the City is required to provide certain health care and life insurance benefits for retired employees of the City. Substantially all of the Library's employees may become eligible for these benefits if they reach retirement age while working for the Library. Eligible retirees are required to contribute a specified percentage of health care benefit costs which is comparable to contributions required from employees.

In accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*, no liability has been recorded on the Library's financial statements since the City has not allocated any portion of other postemployment benefit liabilities to the Library as of June 30, 2015.

NOTE 9 RISK FINANCING

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance.

NOTE 10 RELATED PARTY TRANSACTIONS

The Library receives support from the City as a component unit. This support is received for expenditure assistance and various programs. Per a mutual agreement with the City, appropriations for salary and retirement expenses and general and administrative expenses of the Library have been omitted from these basic financial statements, as those costs are included in the City's budget. Capital asset purchases made by the City for the benefit of the Library, the value of the main Library buildings and its land, have also been excluded from these basic financial statements. All of the aforementioned amounts, and the related receivables and accruals, appear in the audited financial statements of the City.

NOTE 11 CONTINGENCIES

Various legal actions and claims are pending against the Library. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Library at June 30, 2015.

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NOTE 12 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 72, *Fair Value Measurement and Application*, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement 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*, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's future impact on the basic financial statements.
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented during fiscal year 2016. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.