

Boston Public Health Commission

**Report on Federal Awards in
Accordance with OMB Circular A-133
June 30, 2008
EIN 043316655**

Boston Public Health Commission
Report on Federal Awards in Accordance with OMB Circular A-133
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June 30, 2008

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Boston Public Health Commission
Report on Federal Awards in Accordance with OMB Circular A-133
Year Ended June 30, 2008

INTRODUCTION

The Boston Public Health Commission is awarded funds directly from the federal government and as passthrough funds from prime recipients. Boston Medical Center provides administrative assistance to the Boston Public Health Commission in the processing and recordkeeping of the funds awarded by the federal government.

PART I
**FINANCIAL STATEMENTS – PROVIDED IN A
SEPARATE DOCUMENT BY KPMG LLP**

PART II
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Report of Independent Auditors

The Board of Commissioners of the
Boston Public Health Commission

In our opinion, the accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents fairly, in all material respects, the expenditures of federal awards by the Boston Public Health Commission for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America. The Schedule is the responsibility of the Boston Public Health Commission's management. Our responsibility is to express an opinion on the Schedule based on our audit. We did not audit the financial statements of the Boston Public Health Commission. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Boston Public Health Commission, is based solely on the report of the other auditors. We conducted our audit of the Schedule 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 Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the Schedule. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

The Schedule was prepared for the purpose of complying with U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

PricewaterhouseCoopers JJP

March 20, 2009

**Boston Public Health Commission
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008**

	Federal CFDA Number	Pass-Through Number	Federal Expenditures
Department of Health and Human Services			
Medical Reserve Corps Small Grant Program	93.008		\$ 3,560
HIV Emergency Relief Project Grants	93.914		14,049,947
Healthy Start Initiative	93.926		2,173,786
REACH Boston 2010	93.946		464,898
National Cancer Institute (Pass through from 2010 MassConnect)	93.946	5U50DP122165-5	26,550
CFDA Subtotal	93.946		<u>491,448</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		1,699,635
Substance Abuse and Mental Health Services - Projects of Regional and National Significance (Pass-through from the Commonwealth of Massachusetts)	93.243	CTDOR NT2005	250,000
Substance Abuse and Mental Health Services - Projects of Regional and National Significance (Pass-through from the Boston Medical Center)	93.243	1 H79 T114028-03A	<u>148,814</u>
CFDA Subtotal	93.243		<u>2,098,449</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		1,789,785
Bioterrorism Preparedness (Pass-through from the Commonwealth of Massachusetts)	93.283	INTF2902M03704808061 INTF6208M04RFR048017 SCDPH52205048001	1,914,960
CFDA Subtotal	93.283		<u>3,704,745</u>
Agency for Toxic Substances and Disease Registry - State Capacity Building	93.240		64,578
Immunization Grants (Pass-through from the Commonwealth of Massachusetts)	93.268	52635307024	93,588
Block Grants for Prevention and Treatment of Substance Abuse (Pass-through from the Commonwealth of Massachusetts)	93.959	23484357019	1,385,215
University of Massachusetts (Pass-through from the Commonwealth of Massachusetts)	93.145	604484810CP10	19,234
Maternal and Child Health Services Block Grant to the States (Pass-through from the Commonwealth of Massachusetts)	93.994	INF900MM3701516136	469,421
National Institutes of Health (Pass-through from Boston University)	93.121	MC-490490-B-AJ	9,558
National Institutes of Health (Pass-through from Boston University)	93.061	MC206806BAJ	113,066
Health Resources and Services Administration (Pass-through from Boston University)	93.928	2470-7	23,606
Centers for Disease Control (Pass-through from Boston University)	93.135	NA	67,498
Office of Public Health and Science (Pass-through from Adolescent Family Life-Demonstration Projects)	93.995	6 APHPA002033-06-01	41,504

The accompanying notes are an integral part of this schedule.

**Boston Public Health Commission
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2008**

	Federal CFDA Number	Pass-Through Number	Federal Expenditures
Department of Health and Human Services (Continued)			
Health Resources and Services Administration - National Bioterrorism Hospital Preparedness Program	93.889		\$ 113,101
Bilingual/Bicultural Service Demonstration Grants	93.105		33,008
Total Department of Health and Human Services			<u>24,955,312</u>
Environmental Protection Agency			
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		90,283
Community Action for a Renewed Environment (CARE)	66.035		93,246
Total Environmental Protection Agency			<u>183,529</u>
Department of Education			
Twenty-First Century Community Learning Centers (Pass-through from the City of Boston)	84.287	NA	20,660
Total Department of Education			<u>20,660</u>
Department of Housing and Urban Development			
Department of Housing and Urban Development (Pass-through from Boston Connects, Inc.)	14.244	EZ-99-MA-005	4,437
Department of Neighborhood Development (Pass-through from the City of Boston)	14.231	13776-04	33,967
Department of Neighborhood Development (Pass-through from the City of Boston)	14.241	10800-03	56,638
Department of Neighborhood Development (Pass-through from the City of Boston)	14.235	11575-03 11578-04	432,558
Total Department of Housing and Urban Development			<u>527,600</u>
Department of Homeland Security			
Mayors Office of Emergency Preparedness (Pass-through from the City of Boston)	97.008	16327	681,268
Metropolitan Medical Response System Program	97.071		6,881
Metropolitan Medical Response System Program (Pass-through from the Commonwealth of Massachusetts)	97.071	MMRS06BOSTONEMS	165,916
CFDA Subtotal	97.071		<u>172,797</u>
Assistance to Firefighters Grant	97.044		61,116
Homeland Security Program (Pass-through from the Commonwealth of Massachusetts)	97.067	FY2007BOSTONEMS8004692	28,935
Total Department of Homeland Security			<u>944,116</u>
Total Expenditures of Federal Awards			<u>\$ 26,631,217</u>

The accompanying notes are an integral part of this schedule.

Boston Public Health Commission
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of Boston Public Health Commission recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Boston Medical Center provides administrative assistance to the Boston Public Health Commission for grant awards received from the federal government. The Boston Public Health Commission does not use federal funds to compensate Boston Medical Center for these services. Since the Boston Public Health Commission is the primary recipient of these funds they have been included on the Boston Public Health Commission Schedule of Expenditures of Federal Awards.

2. Indirect Costs

The Department of Health and Human Services has approved a 28.5% indirect cost rate, in effect through June 30, 2008.

3. Subrecipients

Certain federal funds are passed through to subrecipient organizations by Boston Public Health Commission. Expenditures incurred by these subrecipients and reimbursed by Boston Public Health Commission totaled \$16,876,308 for the year ended June 30, 2008 and are presented in the Schedule of Expenditures of Federal Awards.

Program Name	CFDA	Amount
Agency for Toxic Substances and Disease Registry - State Capacity Building	93.240	\$ 11,253
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	7,500
Bilingual/Bicultural Service Demonstration Grants	93.105	19,430
HIV Emergency Relief Project Grants	93.914	12,860,650
Assistance Programs for Chronic Disease Prevention and Control	93.945	285,255
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,105,102
Healthy Start Initiative	93.926	1,605,773
Substance Abuse & Mental Health Services	93.243	770,580
Environmental Protection Agency - Surveys, Studies, Investigations, Demonstrations Clean Air Purpose Activities Relating to the Clean Air Act	66.034	29,925
Community Action for a Renewed Environment (CARE)	66.035	9,996
AIDS Education & Training Centers	93.145	18,732
Urban Areas Security Initiative	97.008	152,112
		<u>\$ 16,876,308</u>

PART III

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards - Provided in
a separate document by KPMG LLP**

PART IV

Report on Compliance and Internal Control

**Report of Independent Auditors on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Commissioners of the
Boston Public Health Commission

Compliance

We have audited the compliance of the Boston Public Health Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Boston Public Health Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boston Public Health Commission's management. Our responsibility is to express an opinion on the Boston Public Health Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boston Public Health Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Boston Public Health Commission's compliance with those requirements.

In our opinion, the Boston Public Health Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the Boston Public Health Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Boston Public Health Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to *determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.* Accordingly we do not express an opinion on the effectiveness of the Boston Public Health Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Boston Public Health Commission, Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

March 20, 2009

PART V
FINDINGS AND QUESTIONED COSTS

**Boston Public Health Commission
 Schedule of Federal Award Findings and Questioned Costs
 Year Ending June 30, 2008**

I. Summary of Auditors' Results

Financial Statements*

Type of auditors' report issued Unqualified

Internal Control over Financial Reporting*

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to the financial statements noted? No

Federal Awards

Internal Control over Major Programs

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major programs

CFDA #	Name of Federal Program or Cluster
93.243	Substance Abuse and Mental Health Services (SAMHSA) - Projects of Regional and National Significance
93.243	Substance Abuse and Mental Health Services (SAMHSA) - Projects of Regional and National Significance - (Pass-through from Boston Medical Center
93.243	Substance Abuse and Mental Health Services (SAMHSA) - Projects of Regional and National Significance (Pass-through from the Commonwealth of Massachusetts)
93.914	HIV Emergency Relief Project Grants
93.926	Healthy Start Initiative
93.061	National Institutes of Health (Pass-through from Boston University)
97.071	Metropolitan Medical Response System Program
97.071	Metropolitan Medical Response System Program (Pass-through from the Commonwealth of Massachusetts)

Dollar threshold used to distinguish between Type A and Type B programs \$798,937

Auditee qualified as low-risk auditee? Yes

* Financial Statements and Internal Control over Financial Reporting were audited by KPMG LLP with their Independent Auditor's Report and Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 8, 2008.

Boston Public Health Commission
Schedule of Federal Award Findings and Questioned Costs, Continued

II. Financial Statement Findings

The report of compliance and internal controls in accordance with *Government Auditing Standards* as issued by KPMG LLP, the auditor of the Public Health Commission financial statements, does reference findings. Refer to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Provided in a separate document by KPMG LLP.

III. Federal Award Findings and Questioned Costs

None noted.

Boston Public Health Commission
Status of Prior Year Findings
Year Ending June 30, 2008

I. Update of Prior Year Federal Award Findings and Questioned Costs

There were no prior year findings noted.



THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Financial Statements, Required Supplementary Information,
and Supplementary Schedule

June 30, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

The Board of Commissioners
Boston Public Health Commission:

We have audited the accompanying statement of net assets of the Boston Public Health Commission (the Commission), a component unit of the City of Boston, as of June 30, 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 12, the Commission, in fiscal 2008 implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Management's Discussion and Analysis on pages 3 through 9 and the schedule of OPEB funding progress on page 28 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements referred to above. The supplemental schedule of revenues and expenditures – budgetary basis on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008 on our consideration of the Commission'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* and should be considered in assessing the results of our audit.

KPMG LLP

December 8, 2008

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

The management of the Boston Public Health Commission offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2008.

Financial Statements

Our financial statements are prepared using propriety fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Commission is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used.

The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Footnotes follow the financial statements.

The statement of net assets presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. Page 9 provides further discussion regarding the Commission's net asset position.

The statement of revenues, expenses, and changes in net assets reports the operating and nonoperating revenues and expenses of the Commission for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change combined with the previous year-end net assets total equals the net assets total at the end of the current fiscal year.

The statement of cash flows reports cash and cash equivalents activity for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Condensed Financial Information (in thousands)

Condensed financial information from the statements of net assets and revenues, expenses and changes in net assets is presented below:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 53,962	50,668
Capital assets, net	27,227	23,807
Other assets	<u>90,961</u>	<u>98,757</u>
Total assets	<u>172,150</u>	<u>173,232</u>
Current liabilities	38,762	34,910
Long-term liabilities	<u>111,067</u>	<u>103,962</u>
Total liabilities	<u>149,829</u>	<u>138,872</u>
Net assets:		
Invested in capital assets, net of related debt	25,448	21,805
Unrestricted:		
Designated	11,168	12,555
Deficit	<u>(14,295)</u>	<u>—</u>
Total net assets	\$ <u>22,321</u>	\$ <u>34,360</u>
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Grants	\$ 46,056	43,826
Other	<u>11,113</u>	<u>10,897</u>
Total operating revenues	<u>57,169</u>	<u>54,723</u>
Operating expenses:		
Public health programs	81,433	80,331
Property operations	10,384	10,174
EMS subsidy	9,942	8,561
Administration	6,637	5,389
Other postemployment benefits expense	<u>15,570</u>	<u>—</u>
Total operating expenses, excluding depreciation	123,966	104,455
Depreciation	<u>3,280</u>	<u>4,276</u>
Total operating expenses, including depreciation	<u>127,246</u>	<u>108,731</u>
Operating loss	<u>(70,077)</u>	<u>(54,008)</u>

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

	<u>2008</u>	<u>2007</u>
Nonoperating income (expense):		
City appropriation	\$ 67,440	63,571
Assistance grant	(10,750)	(10,750)
Other	<u>(2,216)</u>	<u>(388)</u>
Total nonoperating income, net	<u>54,474</u>	<u>52,433</u>
Loss before contributions	(15,603)	(1,575)
Capital contributions	<u>3,564</u>	<u>559</u>
Change in net assets	(12,039)	(1,016)
Net assets, beginning of year	<u>34,360</u>	<u>35,376</u>
Net assets, end of year	<u><u>\$ 22,321</u></u>	<u><u>34,360</u></u>

The information contained in the condensed financial information table above is used as the basis for the discussion below, surrounding the Commission's activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The Commission ended the year with a net asset balance of \$22.3 million. The largest portion of the Commission's net assets reflects its investment of \$25.4 million in capital assets, less any related outstanding debt used to acquire those assets. The Commission uses these capital assets to provide services to the residents of Boston. The designated net asset balance of \$11.2 million may be used to meet the Commission's ongoing obligations to citizens and creditors.
- The Commission's ending net assets decreased by \$12.0 million from fiscal 2007 to fiscal 2008. This decrease is due to the Commission's adoption of GASB Statement No. 45, which requires the recognition of an other postemployment benefit (OPEB) obligation on the statement of net assets and expense on the statement of revenues, expenses and changes in net assets.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year. For fiscal 2008, cash and cash equivalents increased by \$2.1 million from 2007.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

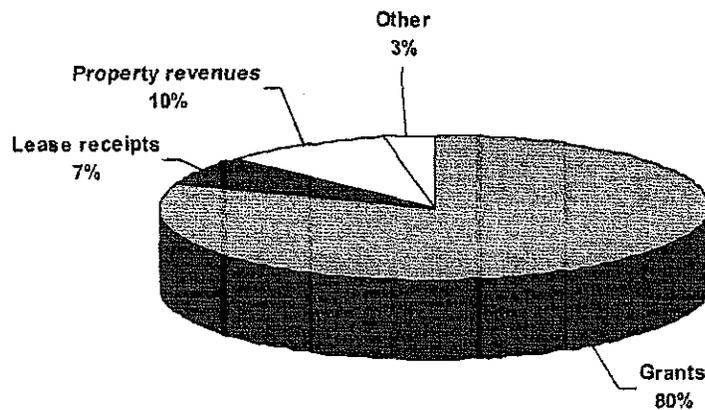
June 30, 2008

(Unaudited)

Financial Information – Operating Revenues

The following chart shows the major sources of operating revenue for the year ended June 30, 2008:

Operating revenues for the year ended June 30, 2008



Operating revenues	Amount	
	2008	2007
	(In thousands)	
Grants	\$ 46,056	43,826
Lease receipts	3,887	4,178
Property revenues	5,448	5,241
Other	1,778	1,478
Total	\$ 57,169	54,723

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

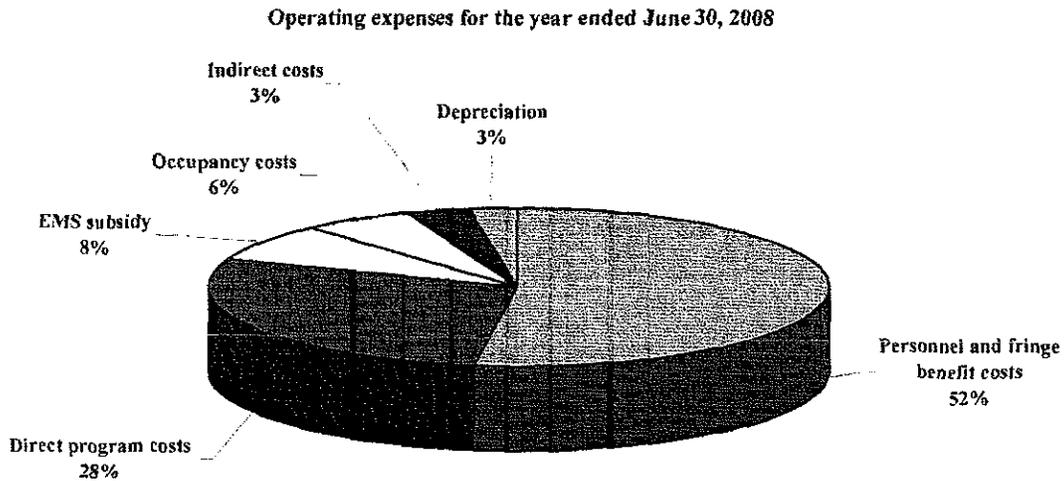
June 30, 2008

(Unaudited)

Operating revenue for the year ended June 30, 2008 was \$57.2 million. Grant revenue, which makes up 80% of the total operating revenues for the Commission, is comprised of funding from state, federal, and private foundations. Lease receipts for the Commission, which consist of payments from the Boston Medical Center for leasing certain portions of the former BCH campus, represent 7% of the Commission's revenues. The Commission operates property at two sites: Long Island campus and Northampton Square, formerly the South Block Campus, in the South End. The properties generate 10% of the Commission's total operating revenue from rental income.

Financial Information – Operating Expenses

The following chart shows the major sources of operating expenses for the year ended June 30, 2008.



THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

<u>Operating expenses</u>	<u>Amount</u>	
	<u>2008</u>	<u>2007</u>
	(In thousands)	
Personnel and fringe benefit costs	\$ 66,506	48,741
Direct program costs	36,019	33,392
EMS subsidy	9,942	8,561
Occupancy costs	7,239	9,374
Indirect costs	4,260	4,387
Depreciation	3,280	4,276
Total	\$ <u>127,246</u>	<u>108,731</u>

Personnel and fringe benefit costs, which consist of salaries and benefits, are the largest portion of operating expenses. Personnel and fringe benefit costs increased \$17.8 million from fiscal 2007 to fiscal 2008. This increase is due to the implementation of GASB 45, which requires the recognition of a liability and expense for postemployment benefits other than pensions, an increase in health insurance costs, contractual step increases, and an increase of 26.3 FTEs.

Capital Assets

The Commission's capital assets as of June 30, 2008 were \$27.2 million, net of accumulated depreciation. The capital asset additions during the year included construction in progress, vehicles, buildings and improvements, leasehold improvements, computers and technology, and equipment (in thousands).

Construction in progress	\$ 6,202
Vehicles	84
Buildings and improvements	108
Leasehold improvements	411
Computers and technology	6
Equipment	276
Total	\$ <u>7,087</u>

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Debt

During fiscal 2008, no additional debt was issued on behalf of the Commission. See footnote 8 and 9 of the financial statements for further discussion regarding the Commission's debt.

Unrestricted Net Assets and OPEB

This was the first year of implementation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The implementation of this reporting requirement resulted in the unforeseen consequence of the Commission's unrestricted net asset balance falling below a balance of 10% of current operating expenses, and this violated its policy of keeping at least 10% of net assets in reserve for contingencies. In fact, the unrestricted net assets are in a negative balance – the brackets designate a loss. Management will point out several facts about the implementation of this requirement.

First, the Commission's financial statements would have shown a positive balance of \$37.9 million if GASB 45 was not implemented. Second, the reason for designating a restriction on our net assets was to provide a source of funding for unforeseen contingencies. We believe implementing GASB 45 was such a contingency because the actuarial results exceeded all our previous estimates. Therefore, this was a proper use of our unrestricted net assets. The Commission is planning to partially fund its OPEB obligation over the next 10 years. It will include funding for fiscal year 2009. The Commission is devising a funding plan with the City of Boston to include OPEB in its operating budget and bring the unrestricted net asset balance into compliance with its policy. It will take a number of years to accomplish this goal.

Requests for Information

This financial report is intended to provide an overview of the finances of the Commission for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Executive Director and the Director of Finance of the Commission.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Statement of Net Assets

June 30, 2008

(In thousands)

Assets:	
Current:	
Cash and cash equivalents (note 3)	\$ 34,298
Accounts receivable:	
Billed and unbilled receivable – grantors	10,634
Allowance for uncollectible amounts	<u>(706)</u>
Net accounts receivable	9,928
Prepaid BMC assistance grant	896
Prepaid other	57
Net investment in capital lease (note 4)	8,040
Due from BMC	493
Due from City of Boston	<u>250</u>
Total current assets	<u>53,962</u>
Noncurrent:	
Net investment in capital lease (note 4)	86,127
Notes receivable (note 6)	4,834
Capital assets (note 7):	
Nondepreciable	18,368
Depreciable, net	<u>8,859</u>
Total noncurrent assets	<u>118,188</u>
Total assets	<u>\$ 172,150</u>
Liabilities:	
Current:	
Accounts payable and accrued expenses	\$ 12,115
Due to BMC	16,137
Due to City of Boston	567
Current portion of note payable (note 8)	7,428
Current portion of due to City of Boston (note 9)	1,046
Deferred revenue	<u>1,469</u>
Total current liabilities	<u>38,762</u>
Noncurrent:	
Note payable, less current portion (note 8)	82,297
Due to City of Boston (note 9)	5,934
Other postemployment benefits obligation (note 12)	15,570
Deferred revenue (note 5 and note 6)	5,345
Other	<u>1,921</u>
Total noncurrent liabilities	<u>111,067</u>
Total liabilities	<u>149,829</u>
Net assets:	
Invested in capital assets, net of related debt	25,448
Unrestricted:	
Designated (note 11)	11,168
Deficit (note 11)	<u>(14,295)</u>
Total net assets	<u>\$ 22,321</u>
Commitments (notes 10, 15, 16, and 18)	

See accompanying notes to financial statements.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2008

(In thousands)

Operating revenues:		
Grants (note 16(b))	\$	46,056
Lease receipts		3,887
Rent		5,448
Other		<u>1,778</u>
Total operating revenues		<u>57,169</u>
Operating expenses:		
Public health programs		81,433
Property operations		10,384
EMS subsidy (note 6)		9,942
Administration		6,637
Depreciation expense		3,280
Other postemployment benefits expense (note 12)		<u>15,570</u>
Total operating expenses		<u>127,246</u>
Operating loss		<u>(70,077)</u>
Nonoperating income (expense):		
City appropriation		67,440
Interest income		1,813
Assistance grant to BMC (note 15)		(10,750)
Interest expense		<u>(4,029)</u>
Total nonoperating income, net		<u>54,474</u>
Loss before contributions		(15,603)
Capital contributions		<u>3,564</u>
Change in net assets		(12,039)
Net assets, beginning of year		<u>34,360</u>
Net assets, end of year	\$	<u><u>22,321</u></u>

See accompanying notes to financial statements.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Statement of Cash Flows
Year ended June 30, 2008
(In thousands)

Cash flows from operating activities:	
Receipts from grantors	\$ 40,886
Receipts from rents	5,362
Receipts from others	2,540
Payments to vendors	(61,433)
Payments to employees	(44,972)
Payments to retirement plans	(8,837)
Payments to BMC	(66,323)
Advances from BMC	82,318
Other	902
Net cash used in operating activities	<u>(49,557)</u>
Cash flows from noncapital financing activities:	
Receipts from City appropriation	67,440
Assistance grant	(10,750)
Net cash provided by noncapital financing activities	<u>56,690</u>
Cash flows from capital and related financing activities:	
Receipts for leases	8,236
Purchases and construction of capital assets	(6,703)
Principal payments on notes payable	(7,907)
Interest paid on notes payable	(4,029)
Receipt from City for capital improvements	3,564
Net cash used in capital and related financing activities	<u>(6,839)</u>
Cash flows from investing activities:	
Interest income	1,813
Net cash provided by investing activities	<u>1,813</u>
Net increase in cash and cash equivalents	2,107
Cash and cash equivalents, beginning of year	<u>32,191</u>
Cash and cash equivalents, end of year	<u>\$ 34,298</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (70,077)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,280
Changes in assets and liabilities:	
Receivables, net	(437)
Prepays	27
Accounts payable and accrued expenses	689
Due to/from BMC	1,192
Due to/from City of Boston	365
Establishment of other postemployment benefit obligation	15,570
Deferred revenue	(151)
Other	(15)
Net cash used in operating activities	<u>\$ (49,557)</u>

See accompanying notes to financial statements.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Notes to Financial Statements

June 30, 2008

(1) Reporting Entity

The Boston Public Health Commission (Commission), a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts, was established by Chapter 147 of the Acts of 1995. The Commission was created to assume, and have transferred to, all rights and obligations of the Trustees of Health and Hospitals (THH) and the Department of Health and Hospitals of the City of Boston (DHH), which under separate charter, were abolished by the same Act, as part of the merger of the Boston City Hospital (BCH) with the Boston University Medical Center Hospital. The Commission is governed by a seven-member board, six of which are appointed by the Mayor of Boston and confirmed by the City Council and one of whom is the chief executive officer of the Boston Medical Center (BMC). *Some members of the board work with or for organizations that receive funding from the Commission.*

The Commission is responsible for the implementation of public health programs in the City of Boston (City). The Commission offers a variety of specialized services such as operating a homeless shelter, public health nursing, drug rehabilitation programs and health services for children in various neighborhood locations. The Commission is also responsible for the development of public policy for public health initiatives and emergency ambulance service (EMS) in the City.

The Commission receives the majority of its funding from a City appropriation, federal and state grants, and lease agreements with BMC. The Commission expects that the City will continue to provide support for the public health programs of the Commission.

In 2001, the BFHC Mattapan Development Corp., Inc. was created for benevolent, civic, or charitable purposes within the meaning of Section 4 of Chapter 180 of the Massachusetts General Laws, more specifically to assist in the development, redevelopment, financing, operation, and management related to the revitalization of the Boston Specialty and Rehabilitation Hospital Campus located in the Mattapan section of the City of Boston, Massachusetts. The activities of this corporation are presented as a blended component unit in the accompanying financial statements due to its financial dependency on the Commission.

For financial reporting purposes, the Commission is considered a component unit of the City of Boston and its financial statements are included as part of the City's financial statements.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus, Basis of Accounting, and Basis of Presentation

The Commission's financial statements are reported on an accrual basis of accounting as specified by the Governmental Accounting Standards Board (GASB) requirements for an enterprise fund. The accrual basis of accounting recognizes revenues when earned and recognizes expenses when the related liability is incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE BOSTON PUBLIC HEALTH COMMISSION

(A Component Unit of the City of Boston)

Notes to Financial Statements

June 30, 2008

The Commission considers the lease receipts from BMC, rent, grants, EMS program revenue and other fees for services as operating revenues. Other revenues not meeting this definition are considered nonoperating items. Operating expenses are those expenses related to grants and City-funded expenses. Nonoperating expenses are those not meeting this definition except for the annual assistance payment to BMC.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Commission has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(b) Budget

Under the legislation of the Commonwealth of Massachusetts that established the Commission, the *Board of Commissioners must adopt its public health services budget for the ensuing fiscal year by the second Wednesday in June.*

(c) Cash and Cash Equivalents

The Commission considers cash and cash equivalents to be cash on hand and investments with a maturity date of three months or less from the date of purchase. The fair values of the investments do not differ from their carrying value.

(d) Capital Assets

Capital assets are defined by the Commission as assets with an initial, individual cost of 1) more than \$25,000 for buildings and building improvements or 2) more than \$5,000 for assets other than buildings and building improvements; and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

On July 1, 1996, the merger date, various capital assets of the former THH and the former DHH were transferred to the Commission at their depreciated values. These assets included the Boston Specialty and Rehabilitation Hospital (BSRH) and Northampton Square. On July 1, 1996, title to the property, plant, and equipment of the former BCH was transferred to the Commission, which was in turn leased to the BMC.

THE BOSTON PUBLIC HEALTH COMMISSION
(A Component Unit of the City of Boston)

Notes to Financial Statements

June 30, 2008

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

Asset class	Estimated useful lives
Buildings	30
Buildings improvements	10 – 30
Furniture and fixtures	10
Computers and technology	3 – 5
Vehicles	3
Equipment	3

(e) Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused vacation leave (subject to certain limitations) at their current rates of pay. The cost of vacation leave for an employee is recorded as earned. The liability for vacation leave is based on the amount earned but not used and is calculated based on the pay or salary rates in effect at the balance sheet date.

(f) Use of Estimates

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

(3) Deposits and Investments

(a) Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk.

At June 30, 2008, cash and cash equivalents with a carrying value of \$34,298,000 included deposits, repurchase agreements, and money market funds. Bank deposits of \$2,250,000 were covered by federal depository insurance of \$100,000. The remaining bank deposits of \$2,150,000 and repurchase agreements of \$12,920,000 were exposed to custodial credit risk as uninsured and uncollateralized.

THE BOSTON PUBLIC HEALTH COMMISSION
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Notes to Financial Statements

June 30, 2008

(b) Interest Rate Risk

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 Commission does not have a policy for interest rate risk on debt securities.

The Commission's fixed income investments consisted entirely of money market mutual funds at year-end that have a stated maturity of less than one year. At June 30, 2008, the carrying value of the money market mutual funds was approximately \$21,246,000.

(c) Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment may be unable to meet its obligations. The Commission does not have a policy for credit risk.

The Commission's fixed income investments as of June 30, 2008 were not rated by Standard and Poor's and/or an equivalent national rating organization.

(4) Net Investment in Capital Lease

As part of the merger described in note 1, the Commission retained title to all real property formerly held by THH and DHH, except for the Long Island Campus, which was transferred to the City's Public Facilities Department. On July 1, 1996, the Commission leased the former BCH campus, except for certain identified sites, to BMC for an initial period of 50 years with four 10-year renewal options.

The payments received by the Commission under the lease are equal to (i) the debt service costs (principal, interest) on the Note dated August 1, 2002 that secures the City's Special Obligation Refunding Bonds, Boston City Hospital issue (see footnote 8), and (ii) the debt service on all City general obligation bonds allocable to BCH outstanding at June 30, 1996.

When the Note is retired (scheduled in fiscal year 2019), the lease provides for the Commission and BMC to set lease payments at fair market value for the property for the remainder of the lease term.

THE BOSTON PUBLIC HEALTH COMMISSION
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Notes to Financial Statements

June 30, 2008

Future minimum lease payments to be received under the capital lease at June 30, 2008 are as follows (amounts in thousands):

	Note	BCH debt	EMS G.O. debt	Total
2009	\$ 10,750	753	104	11,607
2010	10,750	736	106	11,592
2011	10,750	722	106	11,578
2012	10,750	742	106	11,598
2013	10,750	703	106	11,559
2014 – 2018	53,750	1,054	100	54,904
2019	896	—	—	896
	<u>108,396</u>	<u>4,710</u>	<u>628</u>	<u>113,734</u>
Less amount representing interest	<u>(18,671)</u>	<u>(796)</u>	<u>(100)</u>	<u>(19,567)</u>
Net investment in capital lease	<u>\$ 89,725</u>	<u>3,914</u>	<u>528</u>	<u>94,167</u>

(5) Other Leasing Activity

On December 7, 2006 the Commission (lessor) entered into a lease agreement with the Boston Health Care for the Homeless Program, Inc. (lessee) which allowed the lessee to renovate the Mallory Building (located at 774 Albany Street) for the sole purpose of operating a health care facility for the homeless. The lease agreement provides for an initial term of forty-two years with two (2) twenty-four year options. Base rent for the initial term is \$1.6 million payable in installments of \$160,000 upon execution, \$640,000 received in June 2008; and \$800,000 on the first anniversary of occupancy. Base rent for each option is \$1 per year. The Commission is accounting for the lease as an operating lease and is recognizing rental income over the lease term of 90 years at approximately \$18,000 per year. The cash received to date has been deferred. Deferred revenue associated with the lease is \$771,850.

In addition to the base rent, the lessee is required to invest no less than \$10 million for renovations and improvements of the building prior to occupancy. In May of 2008, the Tenant had made the necessary renovations and began occupying the space.

(6) Notes Receivable

During fiscal 2002, the Commission, through its fully controlled nonprofit entity (the BPHC Mattapan Development Corp.), entered into a series of transactions that will result in the development of a portion of the Mattapan Campus (the Foley and E Buildings) into elderly, affordable and market rate housing units.

As part of the transaction, the BPHC Mattapan Development Corp. sold the Foley and E Buildings to the developer for \$2,955,000. The BPHC Development Corp. holds two notes receivable for the entire purchase price of the buildings – \$2,805,000 at 5.5% interest and \$150,000 at 0.01% interest. The principal of the notes and the accrued unpaid interest are payable in a balloon payment in fiscal 2040. During fiscal year 2005, the Commission and the BPHC Mattapan Development Corp. completed Phase II by selling

THE BOSTON PUBLIC HEALTH COMMISSION
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Notes to Financial Statements

June 30, 2008

Mattapan buildings A, B, C, D, and I to Trinity Mattapan Heights Limited Partnership for \$582,000. The Commission holds a note receivable of \$162,000 with simple interest of 0.01% per annum with principal and interest payable in 40 years. BPHC Mattapan Development Corp. holds a note receivable of \$420,000 with interest compounding annually at 5.21%. The principal of the note and the accrued unpaid interest are payable in a balloon payment in fiscal 2040. Because of the structure of these transactions, including the fact that the building was fully depreciated at the time of lease execution, the Commission has deferred gains until certain criteria for income recognition are met.

The BPHC Mattapan Development Corp. leased the land under and around these buildings to the developer through 75-year ground leases. The annual rent under these leases of \$1 per annum was prepaid at the closings. Also, under these leases, the developer is responsible for paying the taxes and other operating expenses for the leased properties and may be required to pay additional rents if 'distributable surplus cash' as defined in the agreements, becomes available. These leases have been classified by the Commission as operating leases.

In April 2002, a 20-year lease between the developer and the Commission became effective for a portion of the E Building. Under the terms of the lease, the Commission pays annual rent of \$27,000 along with the operating expenses on the leased property. This lease has been classified by the Commission as an operating lease.

THE BOSTON PUBLIC HEALTH COMMISSION
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Notes to Financial Statements

June 30, 2008

(7) Capital Assets

The following is a summary of the activity in capital assets for the year ended June 30, 2008 (in thousands):

	Balance, June 30, 2007	Additions	Disposals or reclasses	Balance, June 30, 2008
Capital assets not being depreciated:				
Land	\$ 11,741	—	—	11,741
Construction in progress	809	6,202	(384)	6,627
Total capital assets not being depreciated	<u>12,550</u>	<u>6,202</u>	<u>(384)</u>	<u>18,368</u>
Capital assets being depreciated:				
Buildings and improvements	30,159	108	—	30,267
Leasehold improvements	760	411	—	1,171
Vehicles	15,011	84	(2,913)	12,182
Computers and technology	4,985	6	—	4,991
Equipment	1,465	276	—	1,741
Furniture and fixtures	398	—	—	398
Total capital assets being depreciated	<u>52,778</u>	<u>885</u>	<u>(2,913)</u>	<u>50,750</u>
Less accumulated depreciation for:				
Buildings and improvements	22,614	997	—	23,611
Leasehold improvements	409	102	—	511
Vehicles	12,553	1,639	(2,911)	11,281
Computers and technology	4,606	229	—	4,835
Equipment	1,101	273	—	1,374
Furniture and fixtures	239	40	—	279
Total accumulated depreciation	<u>41,522</u>	<u>3,280</u>	<u>(2,911)</u>	<u>41,891</u>
Total capital assets being depreciated, net	<u>11,256</u>	<u>(2,395)</u>	<u>(2)</u>	<u>8,859</u>
Total capital assets, net	<u>\$ 23,806</u>	<u>3,807</u>	<u>(386)</u>	<u>27,227</u>

(8) Note Payable to Trustee

On August 1, 2002, the City of Boston issued \$127,800,000 'Special Obligation Refunding Bonds, Boston City Hospital. The City issued the Bonds and applied the proceeds and other moneys available to the City under the Prior Trust Agreement as provided in Section 503 of the Bond Indenture to refund the Series B Bonds and to defease the lien of the Prior Trust that the Commission had assumed on July 1, 1996.

THE BOSTON PUBLIC HEALTH COMMISSION
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Notes to Financial Statements

June 30, 2008

In consideration of the issuance of the Bonds by the City and the application of the proceeds thereof, the Commission agreed to issue the Note to the City in the aggregate original principal amount of \$127,800,000. The Commission issued the Note Payment Trust Agreement dated August 2002, to secure the 2002 Bonds among the City, the Commission, BMC, and Wachovia Bank, N.A., as Note Trustee. The 2002 Note replaced the FHA Insured Mortgage Note that had secured the 1993 Bonds.

Payments made by the Commission on this Note will be used, together with other funds held in trust, by the trustee to pay off the outstanding balance of \$127,800,000 of the City of Boston 'Special Obligation Refunding Bonds' dated August 1, 2002, with interest rates ranging from 2.0% to 5.0%. The Commission will receive funding for these Note payments from BMC under an agreement whereby certain assets transferred to the Commission on July 1, 1996 were immediately leased to BMC (see footnote 4).

The Note is payable in monthly installments through July 2018. The principal amount paid in fiscal year 2008 was \$7,148,000. The scheduled maturities due on the Commission's Note as of June 30, 2008 appear below (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2009	\$ 7,428	3,322	10,750
2010	7,718	3,032	10,750
2011	8,021	2,729	10,750
2012	8,335	2,415	10,750
2013	8,661	2,089	10,750
2014 – 2018	48,669	5,081	53,750
2019	893	3	896
	<u>\$ 89,725</u>	<u>18,671</u>	<u>108,396</u>

(9) Due to City of Boston

The Commission is responsible for reimbursing the City for the principal and interest on portions of the General Obligation (G.O.) Bonds of the City that relate to the property and operations of the Boston City Hospital Campus, Northampton Square, Mattapan (BSRH) Campus, Emergency Medical Service (EMS) Operations and the Long Island Campus. This obligation relates to G.O. Bonds issued by the City between December 1967 and October 1995, with interest rates ranging from 3.75% to 10.0%.

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June 30, 2008

The future principal and interest payments to be made by the Commission to the City for this debt as of June 30, 2008 are as follows (in thousands):

	BCH		G.O.	
	Principal	Interest	Principal	Interest
2009	\$ 538	214	508	173
2010	559	177	537	137
2011	578	144	567	104
2012	634	109	592	70
2013	631	72	490	37
2014 – 2016	974	80	372	22
	<u>\$ 3,914</u>	<u>796</u>	<u>3,066</u>	<u>543</u>

(10) Leases

The Commission leases building space to house its operations. These leases are treated as operating leases with related rents charged to operations as incurred.

The following is a schedule, by year, of future minimum lease payments under operating leases as of June 30, 2008 (in thousands):

2009	\$ 734
2010	392
2011	27
2012	27
2013	27
2014 – 2018	135
2019 – 2022	88
	<u>\$ 1,430</u>

Total rent expense for the year ended June 30, 2008 was \$734,649.

(11) Net Assets

Net assets are often designated to indicate that management does not consider them available for general operations. At June 30, 2008, the Commission has designated net assets for future general contingencies and equipment replacement in the amount of \$11.2 million.

(12) Other Postemployment Benefit (OPEB) Disclosures

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is required to be implemented by governments with annual revenues greater than \$100 million for financial statement periods beginning after December 15, 2006. Although the Commission does not meet this threshold, as a component unit of the City of Boston, the Commission is

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June 30, 2008

required to adopt this standard. Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses and changes in net assets when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the statement of net assets over time.

In addition to the pension benefits described in note 13, the Commission provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries under the City of Boston's health insurance plan. As of June 30, 2007, the valuation date, approximately 85 retirees and 913 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The Commission participates in an agent multi-employer defined benefit OPEB plan sponsored by the City of Boston (the City). The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

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

(a) Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The Commission provides health insurance to its employees under the City's health insurance plans. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2007, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

(b) Annual OPEB Cost and Net OPEB Obligation

The Commission's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the Commission's annual OPEB cost for the year ending June 30, 2008, the amount actually contributed to the plan, and the

THE BOSTON PUBLIC HEALTH COMMISSION
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June 30, 2008

change in the Commission's net OPEB obligation based on an actuarial valuation as of June 30, 2007 (in thousands):

Annual Required Contribution (ARC)	\$	16,560
Interest on net OPEB obligation		—
Adjustment to ARC		—
		16,560
Annual OPEB cost		16,560
On behalf contributions from the City		(990)
		15,570
Change in net OPEB obligation		15,570
Net OPEB obligation – beginning of year		—
Net OPEB obligation – end of year	\$	15,570

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB cost	Percentage of OPEB cost contributed	Net OPEB obligation
2008	\$ 16,560	5.98%	\$ 15,570

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, based on an actuarial valuation as of June 30, 2007, was as follows (dollars in thousands):

Actuarially accrued liability (AAL)	\$	163,981
Actuarial value of plan assets		—
		163,981
Unfunded actuarial accrued liability (UAAL)	\$	163,981
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll (active plan members)	\$	47,922
UAAL as a percentage of covered payroll		342.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary

THE BOSTON PUBLIC HEALTH COMMISSION

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information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Actuarial Methods and Assumptions

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

In the June 30, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual health care cost trend rate of 10% – 11% initially, reduced by decrements to an ultimate rate of 5.0% after 5 – 6 years. The health care cost trend rate differs between the master medical and other healthcare plans. The actuarial value of assets was determined using the market value of investments. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2007 was thirty years.

(13) Employee Benefit Plans

All Commission employees are eligible to participate in the State-Boston Retirement System (SBRS). *Commission employees predominately funded by external grants or contracts are eligible to participate in the defined contribution plan.*

(a) State-Boston Retirement System (SBRS)

Employees are eligible to participate in the State-Boston Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of service, level of compensation and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report that can be obtained from the State-Boston Retirement System, Boston City Hall, Boston, Massachusetts 02201.

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Employees hired on or after January 1, 1979 pay an additional 2% of salary in excess of \$577 per week. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost of living increases. The Commission is required to pay into the System its share of the remaining system-wide actuarially determined contribution. The contribution of plan members, the Commission and the Commonwealth are governed by Chapter 32 of the Massachusetts General Laws. The Commission was billed \$8.6 million, \$8.1 million, and

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\$7.7 million for contributions by the System for the years ended June 30, 2008, 2007, and 2006, and paid those amounts during the respective years.

(b) *Defined Contribution Retirement Plan*

The Commission has a defined contribution retirement plan available to certain grant-funded employees. Eligible employees include those participating in the Plan when they originally transferred to the Commission, as well as employees hired by the Commission, whose position, at the date of hire, were less than 50% funded with City appropriated funds. Employer contributions are 4% of the gross wages of participating employees. Employees may make additional voluntary contributions. Payments made by the Commission under this plan amounted to \$146,000 consisting of \$132,000 in current and \$14,000 in prior year contributions during the year ended June 30, 2008.

(c) *Deferred Compensation Plan*

Certain employees of the Commission are eligible to participate in a deferred compensation plan. All contributions to the plan are made by the employees.

(14) *Medicaid Managed Care Agreement*

The Commission is a party to a Medicaid Managed Care Agreement (MCO Agreement) with the Commonwealth of Massachusetts to provide MassHealth services to members of the Boston Medical center HealthNet Plan (the Plan). The Commission has a subcontract agreement with Boston Medical Center Health Plan Inc. to operate the Plan and to contract with providers to provide MassHealth services to Plan Members (the Subcontract). The MCO Agreement pays the Plan capitated rates which are appropriated by the Legislature. These payments are subject to conditions that may be imposed by appropriations and to the availability of full federal financial participation (FFP). These conditions require the Commission to make specified payments to the Commonwealth.

For the year ending June 30, 2008, the Commission received such payments in the amount of \$750 million from the Commonwealth. The Commission (acting as the sponsor of the Boston Medical Center HealthNet Plan) transferred all payments received from the Commonwealth to the Boston Medical Center HealthNet Plan excluding \$907,000, which was not transferred prior to June 30, 2008. The transfer occurred subsequent to year-end.

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June 30, 2008

(15) Base Assistance Grants

Under the consolidation agreement, the Commission is committed to make assistance grant payments to BMC based on the following schedule as of June 30, 2008 (in thousands):

	Amount
2009	\$ 10,750
2010	10,750
2011	10,750
2012	10,750
2013	10,750
2014 – 2018	53,750
2019	896
	\$ 108,396

(16) Related-Party Transactions

(a) Leases

The Commission leases space from the City of Boston to house its operations at 1010 Massachusetts Avenue. Fiscal 2008 rent expense was \$962,013 for this location. In addition, the Commission occupied rent-free space in the Dowling Building to support EMS operations during fiscal year 2008.

(b) Grant Administration Agreement

Effective July 1, 1997, the Commission and BMC entered into an agreement, pursuant to which BMC provides certain fiscal agent and grant administration services. The Commission's Grant Administration, as well as Emergency Medical Services (EMS) Agreement with Boston Medical Center, expired on July 1, 2006. Both parties continue to honor the expired agreements. Under the terms of the agreement, certain grants supporting public health programs are sponsored by BMC.

For fiscal 2008, the Commission reimbursed BMC for services set out in the agreement. Such reimbursements, subject to review, were approximately \$3,690,000 for fiscal year 2008.

(c) Emergency Medical Services (EMS) Agreement

BMC is contracted by the Commission, under a ten (10) year agreement beginning July 1, 1996 to be the sole provider of EMS services in the City of Boston. Although the agreement with BMC expired on July 1, 2006, both parties continue to honor the expired agreement. EMS operates subject to licensure by applicable regulatory authorities and adheres to policies determined by the Commission. EMS is funded by the Commission from an appropriation received from the City and by reimbursements for services from patients and third-party payers. The appropriation is determined based upon a budget approved by the Commission.

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June 30, 2008

In fiscal year 2008, BMC was appropriated a \$12.1 million EMS subsidy from the Commission. The Commission paid to BMC \$12.2 million in fiscal year 2008; \$3.7 million due from the fiscal year 2007 EMS subsidy, \$8.1 million related to the fiscal year 2008 EMS subsidy and \$915,000 related to fiscal year 2007 and 2008 retroactive salaries of \$446,000 and \$469,000, respectively. The EMS budget is monitored throughout the fiscal year and any necessary increases to the subsidy may be made on a quarterly basis subject to the appropriation. The EMS agreement also provides for a reconciliation of the subsidy and actual subsidy requirements. A settlement is to be paid or received by the Commission in the year of the reconciliation. At year-end, the reconciliation reflected a \$108,000 receivable from BMC.

Of the \$12.1 million appropriation, \$2.1 million was used to purchase ambulances, which were reclassified to fixed assets.

Under the agreement, BMC retains the use of EMS patient receivables. Upon termination of the agreement, the receivables revert to the Commission. Although the agreement with BMC expired on July 1, 2006, both parties continue to honor the expired agreement. The outstanding receivable balance as of June 30, 2008 was \$17,357,000. The net receivable balance as of June 30, 2008 was \$4,798,000.

All EMS operating personnel are Commission employees. BMC reimburses the Commission for the salaries, wages and fringe benefits of all the Commission's EMS personnel. The personnel costs incurred by the Commission and reimbursed by BMC during fiscal 2008 were approximately \$34.7 million.

For fiscal year 2008, the BMC management charge to EMS was \$385,000 and the overhead charge was \$1,354,000.

(17) Risk Management

The Commission receives management services from the City for health and life insurance, workers' compensation, and unemployment claims.

Although the City pays for these claims on behalf of the Commission, the City charges back the Commission for these costs. Therefore, the claims cost ultimately resides with the Commission. However, the liability associated with these claims is recorded by the City. The Commission provides its own legal defense for legal claims.

The Commission is self-insured for its property and casualty losses. The City appropriates annual operating funds and assists the Commission in financing unexpected costs over multiple years.

(18) Contingencies and Commitments

Various federal and state programs and research activities administered by the Commission are subject to post-performance review and adjustment. The Commission currently records adjustments to reflect costs incurred in excess of grant funds available and differences between provisional and final indirect cost reimbursement rates. Other adjustments resulting from grantor reviews are recorded during the period in which they occur.

THE BOSTON PUBLIC HEALTH COMMISSION
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Schedule of OPEB Funding Progress
 Required Supplementary Information

June 30, 2008

Unaudited
 (dollars in thousands)

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) (b)	(Overfunded) Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
06/30/07	\$ —	163,981	163,981	—%	47,922	342.2%

See accompanying independent auditors' report.

THE BOSTON PUBLIC HEALTH COMMISSION
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Supplementary Schedule of Revenues and Expenditures – Budgetary Basis

Year ended June 30, 2008

(In thousands)

	<u>Original budget</u>	<u>Supplemental and reallocations</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable) to final budget</u>
Revenues:					
Rent	\$ 5,224	166	5,390	5,448	58
Interest	650	925	1,575	1,813	238
City appropriation	65,422	1,858	67,280	67,440	160
Other	1,084	453	1,537	1,796	259
Total revenues	<u>72,380</u>	<u>3,402</u>	<u>75,782</u>	<u>76,497</u>	<u>715</u>
Expenditures:					
Administration	4,255	2,856	7,111	6,662	449
Public health program	36,070	3,314	39,384	36,192	3,192
Property operations	9,456	(1,922)	7,534	10,541	(3,007)
EMS subsidy	11,379	702	12,081	12,081	—
Debt service	470	—	470	470	—
Assistance grant to BMC	10,750	—	10,750	10,750	—
Total expenditures	<u>72,380</u>	<u>4,950</u>	<u>77,330</u>	<u>76,696</u>	<u>634</u>
Excess revenues over expenditures	\$ <u>—</u>	<u>(1,548)</u>	<u>(1,548)</u>	<u>(199)</u>	<u>1,349</u>

See accompanying independent auditors' report.



BOSTON PUBLIC HEALTH COMMISSION

Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

And

Management Letter

June 30, 2008

BOSTON PUBLIC HEALTH COMMISSION

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Section II – Management Letter

SECTION I

Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Dr. Barbara Ferrer, Executive Director
Boston Public Health Commission

Dear Dr. Ferrer:

We have audited the financial statements of the Boston Public Health Commission (the Commission) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as 2008-1 through 2008-4 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be



Dr. Barbara Ferrer, Executive Director
Boston Public Health Commission

material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the Commission in a separate letter dated December 8, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, federal granting agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 8, 2008

2008-1 – Lack of User Control Considerations

KPMG noted during its review of the SAS 70 performed by PriceWaterhouseCoopers over internal controls at the Boston Medical Center (BMC) that certain user controls should be in place at the Commission that currently do not exist in the internal control environment.

The effectiveness of internal controls at BMC is dependent upon the successful implementation and maintenance of certain internal controls at the Commission. The application of such controls by the Commission is necessary to achieve certain control objectives identified in BMC's SAS 70. Presented below are certain minimum internal control responsibilities that the Commission should have in place. The items presented below should not be regarded as a comprehensive list of all control processes that should be implemented:

- User organizations are responsible for reviewing all tax-related filings prepared by BMC on the behalf of PHC.
- User organizations are responsible for reviewing monthly SAP status and issue reports provided by BMC.

Recommendation:

The Commission should continue to obtain an understanding of the activities at BMC and should ensure that the user control considerations above are implemented at the Commission.

Management Response:

Management will review the SAS 70 Phase I report and formulate a response to this deficiency by expanding its written policies to include review of all tax filings done on its behalf by BMC and monthly SAP reports.

2008-2 – Grant Administration Agreement

Effective July 1, 1997, the Commission and BMC entered into an agreement, pursuant to which BMC provides certain fiscal agent and grant administration services. The Commission's Grant Administration, as well as Emergency Medical Services (EMS) Agreement with BMC expired on July 1, 2006. Both parties have continued to honor the terms of the expired agreements.

Recommendation:

We recommend the Commission execute formal agreements for grant administration and emergency medical services.

Management Response:

Management is continuing to negotiate a new contract with BMC for services.

2008-3 – Capital Assets Additions

During the audit, we noted that the Commission recorded approximately \$800,000 of capital asset additions to construction in progress that related to costs incurred in prior years. These additions all related to the capital contribution from the City of Boston. The additions represent costs associated with the Long Island Facilities Project #6747 and Long Island Utilities Project #6478 B&C.

Recommendation:

We recommend stricter enforcement of review of capital assets additions to ensure costs are captured in the correct fiscal year.

Management Response:

The management of the Commission will initiate a review and meet regularly with Asset Management to ensure that asset values are correct in CIP. The Controller and Asset Manager need to meet with the City of Boston so that all assets are paid for in the year that the costs occur and capitalized when the asset is paid for and placed in service.

2008-4 – Payroll Processing

During the audit, we noted that department heads sign-off on time sheets and forward them to BMC for processing. However, there is no evidence of review of the processed payroll by Commission personnel.

Recommendation:

In order to ensure payrolls are processed accurately, we recommend the Commission's Payroll Administrator formally document her review and approval of each payroll check run.

Management Response:

This deficiency will be documented in upcoming procedure manual to be issued and implemented before the end of the fiscal year. The BPHC Payroll Manager has a control procedure for ensuring that payroll is entered correctly but it is not written down.

SECTION II
Management Letter



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Management Letter

December 8, 2008

Dr. Barbara Ferrer, Executive Director
Boston Public Health Commission

Dear Dr. Ferrer:

We have audited the financial statements of the Boston Public Health Commission (the Commission), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. In planning and performing our audit of the financial statements of the Commission, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows.

The Commission's written responses to our comments and recommendations have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

In addition, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and in accordance with *Government Auditing Standards* communicated them in writing to management in a separate letter dated December 8, 2008.

New Accounting and Reporting Standard: GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations

This statement establishes uniform standards for the measurement, recognition, and reporting of pollution remediation obligations and will require reporting of these obligations that previously may not have been reported.

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007. Governments that have sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods should apply the provisions of this statement retroactively for all such prior periods presented. Governments that do not have that information should apply the provisions of this Statement as of the effective date. In that case, pollution remediation liabilities should be measured at the beginning of that period so that beginning net assets can be restated.



Dr. Barbara Ferrer, Executive Director
Boston Public Health Commission
December 8, 2008

Recommendation:

The Commission should assess the applicability of this statement in order to ensure proper adoption and disclosure.

Management Response:

The Commission is aware of the GASB Pronouncement No. 49 on Pollution remediation. The Commission has taken steps to assess the financial impact of this requirement of this pronouncement. Initiating engineering studies of know pollution sites. And we will work with our audit firm in advance to have the necessary information available of the 2009 audit.

Bank Reconciliation Procedures

During the audit, we noted that all bank account reconciliations are prepared by the Boston Medical Center (BMC). The reconciliations are reviewed by Commission personnel, but this review is not formally documented.

Recommendation:

We recommend the review process be formally documented by Commission personnel responsible for overseeing bank reconciliations.

Management Response:

BPHC is in the process of updating and expanding its procedure manual and our bank reconciliation review process. The new processes will be documented there before our next audit. Currently all bank reconciliations are reviewed by the Interim Controller and initialed when they are approved for accuracy.

Timely Escheatment of Abandoned Property

During the audit, we noted that the Commission had approximately \$22,000 in outstanding checks that were over two years old as a part of a reconciling item on the Accounts Payable Account #3 bank reconciliation.

M.G.L. c. 200A requires the reporting of abandoned property on or before November 1 each year.

Recommendation:

We recommend that Commission comply with the deadlines outlined in M.G.L. c. 200A for the escheatment of abandoned property.

Management Response:

During FY 2008, management investigated and removed over 400 stale checks from the outstanding check list dating back to the late 1990's. The list is down to five items. The Commission is taking more aggressive actions to ensure uncashed checks are resolved in a timely basis. It is part of the review process for bank reconciliation.

* * * * *



Dr. Barbara Ferrer, Executive Director
Boston Public Health Commission
December 8, 2008

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Commission's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of the Board of Commissioners and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP