



BOSTON REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Boston)

Financial Statements and Required
Supplementary Information

June 30, 2014

(With Independent Auditors' Report Thereon)

BOSTON REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Boston)

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Independent Auditors' Report

The Board of Directors
Boston Redevelopment Authority:

Report on the Financial Statements

We have audited the accompanying statement of net position of the Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the schedule of funding progress on page 16 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.

Management has omitted the management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

KPMG LLP

November 21, 2014

BOSTON REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Boston)

Statement of Net Position

June 30, 2014

Assets:

Current assets:

Cash and cash equivalents (note 3)	\$ 35,918,652
Accounts receivable:	
Intergovernmental	983,503
Other accounts receivable, net of \$395,916 allowance for doubtful accounts	1,984,905
Prepaid assets	17,101
Notes receivable, net, current portion (note 4)	7,556,037
Disposition receivables – development sites, current portion (note 12)	1,998,972
Total current assets	48,459,170

Noncurrent assets:

Notes receivable, net (note 4)	114,028,061
Notes receivable – Rows Wharf, net (note 5)	697,048
Disposition receivables – development sites (note 12)	20,371,429

Capital assets (note 7):

Nondepreciable	15,411,498
Depreciable	7,232,959
Less accumulated depreciation	(4,188,316)

Total capital assets, net 18,456,141

Total noncurrent assets 153,552,679

Total assets 202,011,849

Liabilities:

Current liabilities:

Accounts payable and accrued expenses	1,240,584
Vacation and sick leave, current portion (note 9)	460,296
Unearned revenue, current portion (note 12)	1,998,972

Total current liabilities 3,699,852

Noncurrent liabilities (note 9):

Notes payable (note 6)	1,475,000
Deposits	9,803,595
Vacation and sick leave	815,860
Other postemployment benefits (note 13)	7,385,323
Due to designated projects (note 4)	70,963,450
Due to City of Boston (note 4)	73,034,561
Unearned revenue (note 12)	28,080,119
Other	985,206

Total noncurrent liabilities 192,543,114

Total liabilities 196,242,966

Net position:

Net investment in capital assets	6,485,624
Unrestricted	(716,741)

Commitments and contingencies (note 10)

Total net position \$ 5,768,883

See accompanying notes to basic financial statements.

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Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2014

Operating revenues:	
Intergovernmental	\$ 8,788,370
Gain on sale of property	3,591,081
Rent and other property payments (note 8)	9,406,624
Notes receivable – interest income (note 5)	1,025,555
Gross profit recognized on installment sale (note 5)	669,059
Other	670,108
	<hr/>
Total operating revenues	24,150,797
Operating expenses:	
Personnel	7,463,230
Fringe benefits	3,859,251
Other postemployment benefits	1,069,211
Supplies and services	2,253,058
Contractual services	8,254,318
Depreciation	338,271
Other	36,095
	<hr/>
Total operating expenses	23,273,434
Operating income	877,363
Nonoperating revenues:	
Interest income	2,614
	<hr/>
Total nonoperating revenues	2,614
Increase in net position	879,977
Net position, beginning of year	4,888,906
Net position, end of year	\$ 5,768,883

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2014

Cash flows from operating activities:	
Cash received from customers and other governments	\$ 23,397,405
Cash paid to employees	(11,451,506)
Cash paid to suppliers and consultants	<u>(10,599,910)</u>
Net cash provided by operating activities	<u>1,345,989</u>
Cash flows from noncapital financing activities:	
Receipts from development projects	1,370,888
Payments to the City of Boston and designated projects	<u>(23,435,317)</u>
Net cash used in noncapital financing activities	<u>(22,064,429)</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(994,287)
Sale of capital assets	<u>166,775</u>
Net cash used in capital and related financing activities	<u>(827,512)</u>
Cash flows from investing activities:	
Loans issued	(9,903,542)
Collections of loan principal	16,210,797
Interest earnings on escrow deposits	<u>2,614</u>
Net cash provided by investing activities	<u>6,309,869</u>
Net decrease in cash and cash equivalents	(15,236,083)
Cash and cash equivalents, beginning of year	<u>51,154,735</u>
Cash and cash equivalents, end of year	\$ <u><u>35,918,652</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 877,363
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	338,271
Changes in operating assets and liabilities:	
Other postemployment liability	1,069,211
Accounts receivable	114,922
Disposition receivables – development sites	1,022,187
Notes receivable – Rowes Wharf, net	31,685
Prepaid assets	174,216
Accounts payable and accrued expenses	(230,655)
Vacation and sick leave liability	(129,025)
Unearned revenue	<u>(1,922,186)</u>
Net cash provided by operating activities	\$ <u><u>1,345,989</u></u>
Supplemental cash flow information:	
Non-cash notes receivable	\$ 7,673,840

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY

(A Component Unit of the City of Boston)

Notes to Financial Statements

June 30, 2014

(1) The Authority

The Boston Redevelopment Authority (the Authority) was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts, to administer community development projects and to function as the planning agency of the City of Boston (the City). The Authority is governed by a five-member board of directors, four of which are appointed by the Mayor of Boston, with City Council approval, and one who is appointed by the Governor of Massachusetts, all for terms of five years. The Authority is a component unit of the City.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special-purpose government agency engaged solely in business type activities. Operating revenues and expenses result from the administering of community development projects within the City in the areas of planning, economic development and workforce development. All other revenues and expenses are reported as nonoperating revenues and expenses.

(b) *Use of Estimates*

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

(c) *Revenue Recognition*

The Authority earns revenue from a variety of different sources including, but not limited to, land sales, equity participation agreements, and long-term operating leases.

Sales revenue is generally recorded upon transfer of title or, in the case of installment sales, when certain milestones are met. Equity participation revenue is recognized when a sale takes place on a property where the Authority retains a legal right to a percentage of all future resale.

The Authority has long-term leases with certain tenants in the Historic Monument Area of the Charlestown Navy Yard; these leases are for approximately 80 years. The Authority also has a number of leases on other properties throughout the City that generate lease revenue.

The Authority also receives a significant amount of intergovernmental revenue, which is used solely for capital projects that are under the oversight of the Authority.

(d) *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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June 30, 2014

(e) **Capital Assets**

Capital assets are carried at cost or at estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use.

(f) **Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable assets over the following estimated average useful lives:

	<u>Years</u>
Buildings	30
Land improvements	30
Furniture and fixtures	10
Vehicles	5
Computers	3

(g) **Compensated Absences**

Employees may accumulate unused vacation and sick leave as earned. Upon retirement, termination, or death, employees are compensated for accumulated unused vacation up to a maximum of three times their annual accrual. Sick leave accumulates at the rate of 1¼ days for each calendar month of service with no maximum limit. Upon termination, employees with 20 or more years of service may receive in cash 32% of their accrued but unused sick leave.

(h) **Deposits**

Deposits are funds given to the Authority by developers for the development of specific projects within the City and are recorded as a liability until certain milestones are met.

(i) **Due to Designated Projects**

Due to designated projects represents funds that will be made available for housing projects within the City.

(j) **Due to City of Boston**

Amounts due to the City consist of loans funded by the City and federal grants passed through the City for urban development and housing development projects. The Authority loans these funds to various not-for-profit community developers with any repayments remitted to the City's neighborhood development fund.

BOSTON REDEVELOPMENT AUTHORITY

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Notes to Financial Statements

June 30, 2014

(3) Cash and Cash Equivalents

(a) Investment Policy

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments may also be made in securities issued by or unconditionally guaranteed by the U.S. government or its agencies that have a maturity of less than one year from the date of purchase and in repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

(b) Interest Rate Risk

As of June 30, 2014, the Authority's only cash equivalent investment was a fixed income money market fund. The fair value of the money market fund was \$16,877,096 and its weighted average maturity was less than one year.

(c) Credit Risk

As of June 30, 2014, the Authority's money market fund was not rated.

(d) Restrictions

A significant portion of cash totaling \$32,419,814 is restricted to Boston's Affordable Housing Program, Development Mitigation and other City of Boston obligations.

(4) Notes Receivable

Notes receivable as of June 30, 2014 consist of the following amounts:

	<u>Amount</u>
Notes receivable:	
Real estate	\$ 16,004,881
Development and housing	44,606,687
Passed through the City	<u>60,972,530</u>
Notes receivable, net	<u>\$ 121,584,098</u>

Notes receivable – real estate consists of loans made by the Authority for redevelopment projects.

Notes receivable – development and housing consists of loans provided by the Authority. Amounts collected are made available for new loans.

Notes receivable – passed through the City consists of loans funded by the City and federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their

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June 30, 2014

development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City's neighborhood development fund.

Any collections on those notes are paid to the City or designated projects and are recorded as due to the City or due to designated projects on the Authority's financial statements. Interest earned and collected on these notes is recorded as revenue in the Authority's financial statements.

A significant portion of Notes Receivable totaling \$110,385,543 is restricted to Boston's Affordable Housing Program and other City of Boston obligations.

(5) Rows Wharf

In July 2007, the Authority entered into an agreement with a developer that previously had a long-term ground lease and contingent interest agreement in a property located at Rows Wharf in Boston, Massachusetts (the Property) with the Authority. Under the agreement, the developer exercised a land purchase option available under its ground lease and negotiated the settlement of the Authority's remaining interest in the Property.

The sale was consummated by the issuance of notes by the Authority to the developer in the amounts of \$14,000,000 and \$4,500,000. Both notes have terms of 20 years with interest rates of 6.8%. Aggregate amounts due to be received under the notes as of June 30, 2014 totals \$14,715,602

During the year ended June 30, 2014, principal payments of \$669,059 and interest payments of \$1,025,555 were received from the developer. The Authority will record and recognize the profit from the sale on the installment method, as follows:

	<u>Amount</u>
Gross sales proceeds	\$ 18,500,000
Cost of land	<u>(876,134)</u>
Gross profit on installment sale	17,623,866
Gross profit recognized through June 30, 2014	<u>(3,608,542)</u>
Gross profit not yet recognized	\$ <u>14,015,324</u>

(6) China Trade Center

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2014.

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(7) Capital Assets

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2014:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 14,865,310	—	(26,745)	14,838,565
Construction in progress	518,327	194,606	(140,000)	572,933
Total capital assets not being depreciated	<u>15,383,637</u>	<u>194,606</u>	<u>(166,745)</u>	<u>15,411,498</u>
Other capital assets:				
Land improvements	471,384	—	—	471,384
Building	3,763,119	764,724	—	4,527,843
Furniture and fixtures	1,803,602	34,957	(30)	1,838,529
Computers	316,979	—	—	316,979
Vehicles	78,224	—	—	78,224
Total other capital assets at historical cost	<u>6,433,308</u>	<u>799,681</u>	<u>(30)</u>	<u>7,232,959</u>
Less accumulated depreciation for:				
Land improvements	86,419	15,612	—	102,031
Building	2,106,636	278,351	—	2,384,987
Furniture and fixtures	1,341,138	88,140	—	1,429,278
Computers	171,089	22,707	—	193,796
Vehicles	78,224	—	—	78,224
Total accumulated depreciation	<u>3,783,506</u>	<u>404,810</u>	<u>—</u>	<u>4,188,316</u>
Other capital assets, net	<u>2,649,802</u>	<u>394,871</u>	<u>(30)</u>	<u>3,044,643</u>
Capital assets, net	<u>\$ 18,033,439</u>	<u>589,477</u>	<u>(166,775)</u>	<u>18,456,141</u>

(8) Operating Leases and Other Property Payments

The Authority is a lessor of property under operating leases expiring in various years through 2088.

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Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2014 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 2,468,811
2016	1,677,253
2017	1,655,721
2018	1,655,721
2019	1,655,721
Thereafter	<u>67,210,284</u>
	<u>\$ 76,323,511</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$1,310,228 for the year ended June 30, 2014.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$1,600,955 for the year ended June 30, 2014.

(9) Long-Term Liabilities

The following is a summary of long-term liabilities by major category:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Notes payable	\$ 1,475,000	—	—	1,475,000	—
Deposits	7,166,056	4,327,492	1,689,953	9,803,595	—
Vacation and sick leave	1,405,181	—	129,025	1,276,156	460,296
Other postemployment benefits	6,316,112	1,983,926	914,715	7,385,323	—
Due to designated projects	83,377,017	21,787,164	34,200,731	70,963,450	—
Due to the City of Boston	77,215,934	3,403,013	7,584,386	73,034,561	—
Unearned revenue	31,101,277	900,000	1,922,186	30,079,091	1,998,972
Other	2,318,394	3,004,547	4,337,735	985,206	—
	<u>\$ 210,374,971</u>	<u>35,406,142</u>	<u>50,778,731</u>	<u>195,002,382</u>	<u>2,459,268</u>

(10) Risk Management

The Authority is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium-based plans. Settled claims resulting from the risks discussed above did not exceed the amount of insurance coverage in force during the year ended June 30, 2014.

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The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by contractors', homeowners', landlords', and tenants' liability insurance policies. In addition, the Authority is involved in other litigation including land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain. Management believes that there is no significant liability associated with these claims.

(11) Pension Plan

(a) Plan Description

All full-time Authority employees are required 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 consecutive 3-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the 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 Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

(b) Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs that are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2014, 2013, and 2012 were \$2,109,746, \$1,995,174, and \$1,974,852, respectively, which equaled its required contribution for those years.

(12) Disposition Receivables – Development Sites

Amounts due to the Authority related to certain land disposition transactions are recorded as unearned revenues until such time as the transactions progress to the point that the Authority has earned the revenue based upon due dates specified in the agreements or upon the achievement of certain milestones. At June 30, 2014, the Authority recorded \$22,370,401 of disposition receivables, of which \$166,000 will become due upon the achievement of certain milestones.

For the year ended June 30, 2014, the Authority recorded revenue of \$1,982,186, which was previously recorded as unearned revenue.

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June 30, 2014

(13) Other Postemployment Benefits

(a) Plan Description

In addition to providing the pension benefits described above, the Authority provides postemployment healthcare and life insurance benefits (OPEB) for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended by the Authority. As of January 1, 2013, the actuarial valuation date, approximately 116 retirees and 91 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

(b) Benefits Provided

The Authority provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

(c) Funding Policy

Retirees who retired on or before July 1, 1994 contribute 10% of the cost of the health plans, as determined by the GIC. Those who retired after July 1, 1994 contribute 15% of the cost of the health plan, as determined by the GIC. Those who retired after October 1, 2009 contribute 20% of the cost for the plan as determined by the GIC. The Authority then contributes the remainder of the health plan costs on a pay-as-you-go basis.

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(d) Annual OPEB Costs and Net OPEB Obligation

The Authority's fiscal year 2014 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 the unfunded actuarial liability over a period of 30 years. The following table shows the components of the Authority's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2013:

	<u>Amount</u>
ARC	\$ 1,731,282
Adjustments to ARC:	
Interest on net OPEB obligation	252,644
Amortization on net OPEB obligation	<u>(218,959)</u>
Annual OPEB cost	1,764,967
Contributions made	<u>(695,756)</u>
Change in net OPEB obligation	1,069,211
Net OPEB obligation – beginning of year	<u>6,316,112</u>
Net OPEB obligation – end of year	\$ <u><u>7,385,323</u></u>

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

<u>Fiscal year ended</u>		<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>		<u>Net OPEB obligation</u>
2014	\$	1,764,967	39	\$	7,385,323
2013		2,025,657	40		6,316,112
2012		1,740,981	44		5,106,948

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Notes to Financial Statements

June 30, 2014

(e) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, based on an actuarial valuation as of January 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$	20,053,622
Actuarial value of plan assets		—
Unfunded actuarial accrued liability (UAAL)	\$	<u>20,053,622</u>
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll (active plan members)	\$	6,513,452
UAAL as a percentage of covered payroll		307.9%

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 Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic 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 AALs for benefits.

(f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the 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 Authority 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 January 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Authority has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 7.0%, which decreases to a 5.0% long-term trend rate for all healthcare benefits after 11 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

BOSTON REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Boston)

Required Supplementary Information - Schedule of Funding Progress

June 30, 2014

(Unaudited)

(Dollars in thousands)

OPEB

<u>Valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>(Funded) unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
January 1, 2013	— \$	20,054	\$ 20,054	—	\$ 6,513	307.9%
January 1, 2011	—	20,181	20,181	—	8,039	251.0%
January 1, 2009	—	18,364	18,364	—	10,107	181.7%

See accompanying independent auditors' report.

