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

Financial Statements and Required
Supplementary Information

June 30, 2015

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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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 and for the year ended June 30, 2015, 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 financial position of the Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2(k) to the financial statements, in 2015 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the required supplementary information detailed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 accounting principles generally accepted in the United States of America 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 December 23, 2015 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

Boston, Massachusetts
December 23, 2015

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

Statement of Net Position

June 30, 2015

Assets:		
Current assets:		
Cash and cash equivalents (note 3)	$	32,932,091
Accounts receivable:		
Intergovernmental		1,892,846
Other accounts receivable, net of $295,908 allowance for doubtful accounts		1,833,161
Prepaid assets		14,801
Notes receivable, net, current portion (note 4)		6,904,244
Disposition receivables – development sites, current portion (note 12)		1,998,972
Total current assets		45,576,115
Noncurrent assets:		
Notes receivable, net (note 4)		133,508,996
Notes receivable – Rowes Wharf, net (note 5)		663,140
Disposition receivables – development sites (note 12)		18,372,457
Capital assets (note 7):		
Nondepreciable		15,321,353
Depreciable		8,926,536
Less accumulated depreciation		(4,739,332)
Total capital assets, net		19,508,557
Total noncurrent assets		172,053,150
Total assets		217,629,265
Deferred outflows of resources:		
Deferred amount for pension costs (note 11)		1,237,723
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses		4,215,982
Vacation and sick leave, current portion (note 9)		548,979
Unearned revenue, current portion (note 12)		1,998,972
Total current liabilities		6,763,933
Noncurrent liabilities (note 9):		
Notes payable (note 6)		1,475,000
Deposits		10,737,128
Net pension liability (note 11)		18,527,014
Vacation and sick leave		529,072
Other postemployment benefits (note 13)		8,886,842
Due to designated projects (note 4)		56,699,056
Due to City of Boston (note 4)		99,491,131
Unearned revenue (note 12)		26,081,147
Other		928,076
Total noncurrent liabilities		223,354,466
Total liabilities		230,118,399
Deferred inflows of resources:		
Deferred amount for pension costs (note 11)		1,103,143
Net position:		
Net investment in capital assets		7,912,040
Unrestricted		(20,266,594)
Commitments and contingencies (note 10)		
Total net position	$	(12,354,554)

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

Operating revenues:		
Intergovernmental	$	5,795,091
Gain on sale of property		1,975,569
Rent and other property payments (note 8)		9,171,390
Notes receivable – interest income (note 5)		982,293
Gross profit recognized on installment sale (note 5)		715,994
Other		827,145
Total operating revenues		19,467,482
Operating expenses:		
Personnel		7,292,287
Fringe benefits		3,563,949
Other postemployment benefits		1,501,519
Supplies and services		2,233,618
Contractual services		3,819,175
Depreciation		551,016
Other		29,563
Total operating expenses		18,991,127
Operating income		476,355
Nonoperating revenues:		
Interest income		2,083
Total nonoperating revenues		2,083
Increase in net position		478,438
Net position, beginning of year, as restated (note 2(k))		(12,832,992)
Net position, end of year	$	(12,354,554)

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:		
Cash received from customers and other governments	$	18,716,625
Cash paid to employees		(11,236,616)
Cash paid to suppliers and consultants		(3,104,658)
Net cash provided by operating activities		4,375,351
Cash flows from noncapital financing activities:		
Receipts from development projects		881,412
Payments to the City of Boston and designated projects		(23,808,747)
Net cash used in noncapital financing activities		(22,927,335)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(2,004,179)
Sale of capital assets		400,747
Net cash used in capital and related financing activities		(1,603,432)
Cash flows from investing activities:		
Loans issued		(1,281,032)
Collections of loan principal		18,447,804
Interest earnings on escrow deposits		2,083
Net cash provided by investing activities		17,168,855
Net decrease in cash and cash equivalents		(2,986,561)
Cash and cash equivalents, beginning of year		35,918,652
Cash and cash equivalents, end of year	$	32,932,091
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	476,355
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		551,016
Changes in operating assets and liabilities:		
Other postemployment liability		1,501,519
Pension liability, net of deferrals		(209,441)
Accounts receivable		(757,599)
Disposition receivables – development sites		1,998,972
Notes receivable – Rowes Wharf, net		33,908
Prepaid assets		2,300
Accounts payable and accrued expenses		2,975,398
Vacation and sick leave liability		(198,105)
Unearned revenue		(1,998,972)
Net cash provided by operating activities	$	4,375,351
Supplemental cash flow information:		
Non-cash notes receivable	$	36,000,923

See accompanying notes to basic financial statements.

(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 non-operating 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.

(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:

	Years
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 one and one half times their annual accrual. During fiscal year 2015, the BRA changed its vacation accrual policy from 3 times to 1.5 times the employee’s annual accrual. Those employees with accumulated vacation time over 1.5 times were given a 3 year period to comply with the new policy.

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 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 neighborhood projects within the City of Boston.

(Continued)

(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.

(k) Adoption of Accounting Pronouncements

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"* (GASB 68). Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Authority employees are provided with defined benefit pensions through the State-Boston Retirement System (SBRS), a cost-sharing, multiple-employer defined benefit pension plan. In accordance with the provisions of Statement No. 68, the Authority has reported its proportionate share of the SBRS collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. As a result of the implementation of Statement No. 68, beginning net position as of July 1, 2014 was restated as follows:

Beginning Net Position, as previously reported	$	5,768,883
Implementation of GASB Statement No. 68		(18,601,875)
Beginning Net Position, as restated		(12,832,992)

(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, 2015, the Authority's only cash equivalent investment was a fixed income money market fund. The fair value of the money market fund was $16,851,797 and its weighted average maturity was less than one year.

(c) Credit Risk

As of June 30, 2015, the Authority's money market fund was not rated.

(d) Restrictions

A significant portion of cash totaling $30,856,234 is restricted for Boston's Affordable Housing Program, Development Mitigation, postemployment benefits and other City of Boston obligations.

(4) Notes Receivable

Notes receivable as of June 30, 2015 consist of the following amounts:

		Amount
Notes receivable:		
Real estate	$	54,550,190
Development and housing		56,761,712
Passed through the City		29,101,338
Notes receivable, net	$	140,413,240

Notes receivable – Real Estate consists of loans made by the Authority for affordable housing projects.

Notes receivable – Development and housing consists of loans provided by the Authority from programs such as urban development and housing development action grants. Amounts collected are made available for new loans.

Notes receivable – Passed through the City consists of developer obligations to the City for affordable housing and neighborhood improvements. Affordable Housing contributions are remitted to the City for future affordable housing.

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.

A significant portion of notes receivable totaling $132,129,114 is restricted to Boston's Affordable Housing Program and other City of Boston obligations.

(5) Rowes 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 Rowes 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, 2015 totals $13,999,607.

During the year ended June 30, 2015, principal payments of $715,994 and interest payments of $978,619 were received from the developer. The Authority will record and recognize the profit from the sale on the installment method, as follows:

	Amount
Gross sales proceeds	$ 18,500,000
Cost of land	(876,134)
Gross profit on installment sale	17,623,866
Gross profit recognized through June 30, 2015	(4,290,634)
Gross profit not yet recognized	$ 13,333,232

(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, 2015.

(7) Capital Assets

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2015:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 14,838,565	—	(400,747)	14,437,818
Construction in progress	572,933	866,919	(556,317)	883,535
Total capital assets not being depreciated	15,411,498	866,919	(957,064)	15,321,353
Other capital assets:				
Land improvements	471,384	—	—	471,384
Building	4,527,843	1,117,941	—	5,645,784
Furniture and fixtures	1,838,529	205,876	—	2,044,405
Computers	316,979	369,760	—	686,739
Vehicles	78,224	—	—	78,224
Total other capital assets at historical cost	7,232,959	1,693,577	—	8,926,536

(Continued)

	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Land improvements	$ 102,031	15,708	—	117,739
Building	2,384,987	282,568	—	2,667,555
Furniture and fixtures	1,429,278	118,350	—	1,547,628
Computers	193,796	134,390	—	328,186
Vehicles	78,224	—	—	78,224
Total accumulated depreciation	4,188,316	551,016	—	4,739,332
Other capital assets, net	3,044,643	1,142,561	—	4,187,204
Capital assets, net	$ 18,456,141	2,009,480	(957,064)	19,508,557

(8) Operating Leases and Other Property Payments

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

Minimum future rentals to be received on all non-cancelable operating leases as of June 30, 2015 for each of the next five years and thereafter are as follows:

	Amount
Year ending June 30:	
2016	$ 3,363,461
2017	3,114,754
2018	3,044,216
2019	2,987,960
2020	2,782,495
Thereafter	148,066,965
	$ 163,359,851

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 $1,397,076 for the year ended June 30, 2015.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to $1,892,447 for the year ended June 30, 2015.

(9) Long-Term Liabilities

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

	Beginning balance*	Additions	Reductions	Ending balance	Due within one year
Notes payable	$ 1,475,000	—	—	1,475,000	—
Deposits	9,803,595	9,765,285	8,831,752	10,737,128	—
Net pension liability	18,601,875	3,170,674	3,245,535	18,527,014	—
Vacation and sick leave	1,276,156	88,683	286,788	1,078,051	548,979
Other postemployment benefits	7,385,323	2,218,022	716,503	8,886,842	—
Due to designated projects	70,963,450	16,554,375	30,818,769	56,699,056	—
Due to the City of Boston	73,034,561	52,216,395	25,759,825	99,491,131	—
Unearned revenue	30,079,091	—	1,998,972	28,080,119	1,998,972
Other	985,206	—	57,130	928,076	—
	$ 213,604,257	84,013,434	71,715,274	225,902,417	2,547,951

* Beginning balance restated to include the result of the implementation of GASB 68.

(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, 2015.

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by both loss reserve and liability insured policies from contractors, homeowners, landlords, and tenants. 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 unreserved liability associated with these claims.

(11) Retirement Plans

(a) Plan Description

The Authority contributes to the SBRS, a cost-sharing, multiple-employer qualified defined benefit governmental pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries.

The System is administered by a five-person Board of Retirement consisting of the City Auditor, who serves as a member ex officio, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor, and a fifth member chosen by the other members. A complete set of financial statements for SBRS for the fiscal year ended December 31, 2014 can be obtained through the SBRS, Boston City Hall, Room 816, Boston, MA 02201 or by accessing the website http://www.cityofboston.gov/retirement/investment.asp.

Participation in the System is mandatory for all permanent, full time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment, or are receiving workers' compensation benefits, and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants that resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest which has accrued on their cumulative deductions at the regular interest rate (0.1% at December 31, 2014).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of twenty years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2013). Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigns authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to SBRS.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits. The amount of benefits to be received in such cases is dependent upon several factors, including whether or not the disability is work related, the participant's age, years of creditable service, level of compensation, veteran status, and group classification.

(b) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% – 11% of their regular gross compensation. Members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of $30,000. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the year ended June 30, 2015, the Authority's required and actual contribution was $2,142,392.

(c) Special Funding Situations

The Authority is party to a special funding situation with the Commonwealth of Massachusetts. The Commonwealth is legally responsible for reimbursing SBRS for a portion of the benefit payments for cost of living increases granted before 1997 as described in Chapter 112 of the Massachusetts General Laws Acts of 2010.

(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2015, the Authority reported a liability of $18,527,014 for its proportionate share of the SBRS net pension liability measured as of December 31, 2014. The net pension liability reflects a reduction for the special funding situation with the Commonwealth. The amount recognized by the Authority as its proportionate share of the net pension liability, the proportionate share related to the Commonwealth special funding situation, and the total portion of the net pension liability associated with the Authority at June 30, 2015 were as follows:

Authority's proportionate share of net pension liability	$	18,527,014
Commonwealth's proportionate share of net pension liability associated with the Authority		339,672
Total	$	18,866,686

To determine employers' proportionate share of the net pension liability, separate calculations of net pension liability were performed for three groups of members, City of Boston teachers, Suffolk County Sheriff Department retirees, and all other non-teacher members. A separate calculation of net pension liability for the COLA benefits subject to the Commonwealth special funding situation described above also was determined. At December 31, 2014, the Authority was allocated 1.08% of the net pension liability associated with the all other non-teacher member group based on its proportion of 2014 required employer contributions related to this group. The Authority's proportion of the collective SBRS net pension liability at December 31, 2014 was 0.48% compared to 0.52% at December 31, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of $1,935,012 and revenue of $27,166 related to the Commonwealth special funding situation. At June 30, 2015, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

		Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual investment earnings	$	1,156,207	—
Changes in assumptions		81,516	—
Changes in employer proportion		—	1,103,143
	$	1,237,723	1,103,143

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2016	$ 84,726
	2017	84,726
	2018	84,726
	2019	84,726
	2020	(204,324)
Total		$ 134,580

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SBRS and additions to/deductions from the SBRS's fiduciary net position have been determined on the same basis as they are reported for the SBRS. Employer contributions to the plan are recognized when due and the employer has a legal obligation to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(e) Actuarial Assumptions

The total pension liability for the December 31, 2014 measurement date was determined by using an actuarial valuation as of December 31, 2013, with update procedures used to roll forward the total pension liability to December 31, 2014. This actuarial valuation applied the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	4.50%
Salary scale	4.5% to 5.0%
Investment rate of return, including inflation	7.75% for SBRS excluding teachers, net of expenses, including inflation
Cost of living adjustments	3% of first $13,000
Mortality	RP-2000 mortality tables projected using Scale AA

In the roll forward of the total pension liability to the December 31, 2014 measurement date, mortality assumptions were changed to reflect RP-2000 mortality tables projected using Scale BB2D for SBRS excluding teachers.

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

Best estimates of the actuarial valuation date arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2013 are summarized below:

Asset class	SBRS excluding teachers -target allocation	Long-term expected real rate of return
Domestic equity	23%	6.60%
International developed markets equity	16	7.10
Emerging markets equity	9	9.40
Core fixed income	10	2.20
High yield fixed income	14	4.70
Real estate	10	4.40
Short-term government money market	3	1.80
Hedge fund, GTAA, Risk parity	8	3.90
Private equity	7	11.70
	100%	

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.75% for SBRS excluding teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employees and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based upon these assumptions, the SBRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(g) Sensitivity of the Authority's Proportionate Share of the SBRS Net Pension Liability

The following presents the Authority's proportionate share of the SBRS net pension liability calculated using the discount rate of 7.75% for the SBRS excluding teachers, as well as what the Authority's proportionate share of the SBRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate for SBRS:

Authority's net pension liability

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2015	$ 25,773,828	$ 18,527,014	$ 12,388,925

(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, 2015, the Authority recorded $20,371,429 of disposition receivables, of which $166,000 will become due upon the achievement of certain milestones.

For the year ended June 30, 2015, the Authority recorded revenue of $2,032,880, which was previously recorded as unearned revenue.

(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 but before October 1, 2009 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.

(d) Annual OPEB Costs and Net OPEB Obligation

The Authority's fiscal year 2015 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, 2015, 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:

		Amount
ARC	$	2,178,634
Adjustments to ARC:		
Interest on net OPEB obligation		295,413
Amortization on net OPEB obligation		(256,025)
Annual OPEB cost		2,218,022
Contributions made		(716,503)
Change in net OPEB obligation		1,501,519
Net OPEB obligation – beginning of year		7,385,323
Net OPEB obligation – end of year	$	8,886,842

The Authority'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
2015	$	2,218,022	32%	$	8,886,842
2014		1,764,967	39		7,385,323
2013		2,025,657	40		6,316,112

(e) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, 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)	$	20,053,622
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 6.5%, 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 Authority's Contributions – State-Boston Retirement System

June 30, 2015

(Unaudited)

(Dollars in thousands)

		2015
Actuarially determined contribution	$	2,142
Contributions in relation to the actuarially determined contribution		2,142
Contribution deficiency	$	-
Authority's covered-employee payroll	$	7,439
Contributions as a percentage of covered-employee payroll		28.80%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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

Required Supplementary Information Liability

Schedule of Authority's Proportionate Share of the Net Pension Liability – State-Boston Retirement System

June 30, 2015

(Unaudited)

(Dollars in thousands)

		2015
Authority's proportion of the net pension liability		0.48%
Authority's proportionate share of the net pension liability	$	18,527
Commonwealth's proportionate share of net pension liability associated with the Authority		340
Total	$	18,867
Authority's covered-employee payroll	$	7,396
Authority's proportionate share of the net pension liability as a percentage of covered-employee payroll		255.1%
SIRS fiduciary net position as a percentage of the total pension liability		59.59%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of Funding Progress – Other Postemployment Benefits

June 30, 2015

(Unaudited)

(Dollars in thousands)

OPEB

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	(Funded) unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
January 1, 2013	—	$ 20,054	20,054	—	6,513	308
January 1, 2011	—	20,181	20,181	—	8,039	251
January 1, 2009	—	18,364	18,364	—	10,107	182

See accompanying independent auditors' report.