BOSTON REDEVELOPMENT AUTHORITY
D/B/A
BOSTON PLANNING & DEVELOPMENT AGENCY
(A Component Unit of the City of Boston)

Financial Statements and Required
Supplementary Information

June 30, 2023 and 2022

(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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of employer contributions – Boston Retirement System, schedule of proportionate share of the net pension liability – Boston Retirement System, schedule of employer contributions – OPEB Plan, schedule of investment returns – OPEB Plan, and schedule of changes in net OPEB asset and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
February 12, 2024

Introduction

The following discussion and analysis of the financial performance and activity of the Boston Redevelopment Authority (the Authority), d/b/a the Boston Planning & Development Agency (BPDA), is intended to provide an introduction to and an overview and analysis of the basic financial statements of the Authority for the fiscal year ended June 30, 2023, with selective comparison information for the fiscal years ended June 30, 2022 and 2021. Please read in conjunction with the Authority's financial statements and the notes thereto, which follow this section.

Overview of the Financial Statements

This report consists of the following parts: management's discussion and analysis (this section), the financial statements, including the notes to the financial statements, and the required supplementary information.

The financial statements provide information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Proprietary Fund Financial Statements

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 requirements for a special purpose governments engaged in business type activities.

Revenue is recorded when earned and expense are recorded when incurred. The financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows for each fiscal year. These are followed by notes to the financial statements. In addition to the financial statements, this report contains required supplementary information pertaining to the retirement and other postemployment benefit plans (OPEB) of the Authority.

The statement of net position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or weakening.

The statement of revenue, expenses and changes in net position reports the operating revenues and expenses and the nonoperating revenue and expenses of the Authority for the fiscal year. The difference – increase or decrease in net position – determines the net change in net position for the fiscal year. That change combined with the net position from the end of the previous fiscal year equals the net position at the end of the fiscal year.

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

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Proprietary Fund Condensed Financial Information and Analysis

The Authority's Condensed Schedules of Net Position as of June 30, 2023, 2022 and 2021 are as follows:

Condensed Statements of Net Position

	June 30			Percentage Change	
	2023	As Restated 2022 *	As Restated 2021 *	2023-2022	2022-2021
Assets:					
Current and other assets	$ 395,141,890	418,875,317	398,069,525	(5.67)%	5.23 %
Capital assets, net	31,874,021	26,329,680	26,223,933	21.1	0.4
Total assets	427,015,911	445,204,997	424,293,458	(4.1)	4.9
Deferred outflows of resources	8,429,994	5,181,093	8,393,529	62.7	(38.3)
Liabilities:					
Current liabilities	14,957,453	13,625,682	4,106,769	9.8	231.8
Noncurrent liabilities	191,728,846	187,962,645	199,784,794	2.0	(5.9)
Total liabilities	206,686,299	201,588,327	203,891,563	2.5	(1.1)
Deferred inflows of resources	191,582,037	213,188,985	206,794,257	(10.1)	3.1
Net position:					
Net investment in capital assets	23,267,332	17,330,297	17,410,877	34.3	(0.5)
Unrestricted	13,910,237	18,278,481	4,590,290	(23.9)	298.2
Total net position	$ 37,177,569	35,608,778	22,001,167	4.4 %	61.8 %

* Fiscal years 2022 and 2021 have been restated for certain immaterial corrections related to lease accounting (see note 2(m)).

Fiscal Year Ended June 30, 2023 Compared to Fiscal Year Ended June 30, 2022

The Authority's net position at June 30, 2023 was $37.2 million, an increase of $1.6 million from the June 30, 2022 net position totaling $35.6 million. This increase was the result of excess revenue over expenses in fiscal year 2023 totaling $1.6 million.

Current and other assets at June 30, 2023 was $395.1 million, a decrease of $23.8 million from the June 30, 2022 current assets and other assets totaling $418.9 million. This decrease was primarily the result of a decrease in cash and cash equivalents totaling $3.2 million, a decrease in intergovernmental receivable totaling $6.7 million, and a decrease in lease receivables totaling $15.3 million. Explanations for these fluctuations are as follows:

- The decrease in cash and cash equivalents was the result of the sources and uses of cash and cash equivalents as identified in the statement of cash flows for each fiscal year.

- The decrease in intergovernmental receivables was primarily the net result of:
  - A decrease in intergovernmental receivable totaling $10 million resulting from a grant from Economic Development Industrial Corporation/Boston (EDIC) in fiscal year 2022 to help fund a portion of the Authority's Capital Reserve Fund, the funding of which occurred in fiscal year 2023. No such grant was made in fiscal year 2023.
  - An increase in intergovernmental receivable as a result of a $5.6 million Massworks project grant in fiscal year 2023, of which $3.5 million will be received in fiscal year 2024.
- The net decrease in lease receivable was primarily due to collections from tenants as required by the lease agreements during fiscal year 2023 totaling approximately $6.2 million and a fiscal year lease modification and remeasurement decrease totaling $9.9 million, offset by an increase of $.8 million as a result of new lease agreements during the fiscal year.

The Authority's capital assets at June 30, 2023 were $45.3 million, while capital assets at June 30, 2022 totaling $38.5 million, representing a total increase of $6.8 million. Capital asset acquisitions and dispositions in fiscal year 2023 are detailed in Note 8 to the financial statements. Accumulated depreciation on capital assets at June 30, 2023 was $13.5 million, an increase of $1.3 million from prior year accumulated depreciation totaling $12.2 million. This increase represents fiscal year 2023 depreciation of capital assets.

Deferred outflows of resources at June 30, 2023 was $8.4 million, an increase of $3.2 million from the June 30, 2022 deferred outflows of resources totaling $5.2 million. This increase was primarily due to an increase of deferred outflows of resources related to the pension liability totaling $3.5 million, which is based on the most recent actuarial evaluation of the net pension liability. This increase is primarily the result of a $4.9 increase related to the net difference between projected and actual investment earnings, offset by a $1.3 million decrease related to changes in actuarial assumptions.

Current and noncurrent liabilities at June 30, 2023 was $206.7 million, an increase of $5.1 million from the June 30, 2022 current and noncurrent liabilities totaling $201.6 million. This increase was primarily the net result of an increase in accounts payable and accrued expenses totaling $5.7 million, an increase in the net pension liability totaling $6.4 million, and an increase in due to designated projects totaling $3.5 million, offset by a decrease in the pollution remediation liability totaling $4.2 million and a decrease in deposits totaling $5.8 million. Explanations for these fluctuations are as follows:

- The increase in accounts payable and accrued expenses was primarily due to vendor payments relating to a $5.6 million Massworks project grant in fiscal year 2023 that were waiting on state approval at year-end before disbursing.
- The increase in the net pension liability was primarily due to a change in the most recent actuarial valuation regarding the prior valuation's projected earnings as a result of poor market performance in 2021 and a more conservative estimation of projected earnings going forward.
- The increase in due to designated projects was primarily the result of a $3.0 million receipt from Harvard University for the Everett/Soldier's Fields Road crossing work that was disbursed to the Department of Conservation and Recreation after June 30, 2023.

(Continued)

- The decrease in the pollution remediation liability was due to payments made in fiscal year 2023 for environmental remediation and demolition of Building 108, the former central power plant located in the Authority's Charlestown Navy Yard.
- The net decrease in deposits was the net result of $10.1 million community benefits payments received in fiscal year 2023, offset by $15.9 million disbursements to the community in this fiscal year.

Deferred inflows of resources at June 30, 2023 was $191.6 million, a decrease of $21.6 million from the June 30, 2022 deferred outflows of resources totaling $213.2 million. This decrease was primarily due to a net decrease in deferred inflows of resources relating to leases totaling $16.3 million, a decrease in deferred inflows of resources relating to the pension plan totaling $3.1 million, and a decrease in deferred inflows of resources relating to other postretirement employment benefit (OPEB) plan totaling $2.2 million. Explanations for these fluctuations are as follows:

- The net decrease in deferred inflows of resources relating to leases was due to the annual amortization of this account into lease income totaling $7.3 million and a fiscal year lease modification and remeasurement decrease totaling $9.9 million, offset by an increase of $.8 million as a result of new lease agreements during the fiscal year.
- The decrease in deferred inflows of resources related to the pension plan, which is based on the most recent actuarial evaluation of the pension liability, was due to a nonfavorable difference between actual investment earnings as compared to what was expected in the prior year actuarial valuation.
- The decrease in deferred inflows of resources related to the OPEB plan, which is based on the most recent actuarial evaluation of the net OPEB liability, was due to changes in actuarial assumptions.

Fiscal Year Ended June 30, 2022 Compared to Fiscal Year Ended June 30, 2021

The Authority's net position at June 30, 2022 was $35.6 million, an increase of $13.6 million from the June 30, 2021 net position totaling $22.0 million. This increase was the result of excess revenue over expenses in fiscal year 2022 totaling $13.6 million.

Current and other assets at June 30, 2022 was $418.9 million, an increase of $20.8 million from the June 30, 2021 current assets and other assets totaling $398.1 million. This increase was primarily the net result of an increase in cash and cash equivalents totaling $1.3 million, an increase in intergovernmental receivable totaling $12.4 million, an increase in lease receivables totaling $6.7 million, a decrease in notes receivable totaling $3.6 million, an increase in other postemployment benefits totaling $4.7 million, and a decrease in disposition receivables totaling $2.0 million. Explanations for these fluctuations are as follows:

- The increase in cash and cash equivalents was the result of the sources and uses of cash and cash equivalents as identified in the statement of cash flows for each fiscal year.
- The increase in intergovernmental was primarily the result of the following:
  – Intergovernmental receivable totaling $10 million resulting from a grant from Economic Development Industrial Corporation/Boston (EDIC) in fiscal year 2022 to help fund a portion of the Authority's Capital Reserve Fund, the funding of which will occur in fiscal year 2023.

- An increase in intergovernmental receivable of $.4 million for EDIC’s Office of Workforce Development’s fiscal year 2022 administration cost billed from the Authority.
- An increase in intergovernmental receivable of $1.8 million from a Massworks grant for the Mattapan Station project to be received in fiscal year 2023.

- The net increase in lease receivable was primarily due to new leases during fiscal year 2022 totaling $12.4 million, which was offset by collections from tenants as required by the lease agreements totaling approximately $5.7 million during the fiscal year.
- The decrease in notes receivable was primarily the result of note collections in fiscal year 2022. Collections from notes receivable revert to either the City of Boston for designated projects or to another designated entities; therefore, the loan receivable amounts are offset by related liabilities.
- The increase in other postemployment benefits was the result of the other postemployment benefit liability becoming an asset during fiscal year 2022 due to the fiduciary net position of the plan exceeding the total OPEB liability.
- Amounts due to the Authority related to certain land disposition transactions are recorded as disposition receivables. These transactions are also recorded as unearned revenue liability accounts 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. The decrease in disposition receivables was primarily the result of collections in fiscal year 2022.

The Authority’s capital assets at June 30, 2022 were $38.5 million, while capital assets at June 30, 2021 were $37.0 million, representing a total increase of $1.5 million. Capital asset acquisitions and dispositions in fiscal year 2022 are detailed in Note 8 to the financial statements. Accumulated depreciation on capital assets at June 30, 2022 was $12.2 million, an increase of $1.4 million from prior year accumulated depreciation totaling $10.8 million. This increase represents fiscal year 2022 depreciation of capital assets.

Deferred outflows of resources at June 30, 2022 was $5.2 million, a decrease of $3.2 million from the June 30, 2021 deferred outflows of resources totaling $8.4 million. This decrease was due to a decrease of deferred outflows of resources related to the pension liability totaling $.6 million and a decrease of deferred outflows of resources related to the OPEB liability totaling $2.6 million. Explanations for these fluctuations are as follows:

- The decrease in deferred outflows related to the pension liability was due to annual amortization of this account to pension expense, as well as changes in both assumptions and employer proportions within the current actuarial valuation.
- The decrease in deferred outflows related to the OPEB liability was due to annual amortization of this account to OPEB expense, as well a $2 million reduction of current year plan contributions made after the measurement date as compared to the prior year.

Current and noncurrent liabilities at June 30, 2022 was $201.6 million, a decrease of $2.3 million from the June 30, 2021 current and noncurrent liabilities totaling $203.9 million. This decrease was the net result of an increase in the pollution remediation liability totaling $5.1 million, a decrease in the net pension liability totaling $4.2 million, a decrease in net OPEB liability totaling $0.8 million, a decrease in unearned revenue totaling

$2.0 million, and a decrease in due to City of Boston totaling $2.1 million. Explanations for these fluctuations are as follows:

- The increase in the pollution remediation liability was due to contracting for environmental remediation and demolition of Building 108, the former central power plant located in the Authority's Charlestown Navy Yard.
- The decrease in the net pension liability was primarily due to contributions, net of pension expense totaling $2.2 million made to Boston Retirement System in fiscal year 2022, in addition to a decrease in related deferred outflows of resources totaling $.6 million and an increase in related deferred inflows of resources totaling $1.4 million.
- The decrease in net OPEB liability was the result of this liability becoming an asset during fiscal year 2022 due to the fiduciary net position of the plan exceeding the total OPEB liability.
- The decrease in unearned revenue was the result of the collection of a land disposition agreement notes receivable totaling $2.0 million in fiscal year 2022 as described above in the explanation for the decrease in disposition receivables.
- The decrease in due to City of Boston was primarily the net result of collections on notes receivable in fiscal year 2022 totaling $4.6 million that was paid to the City of Boston for designated projects, offset by accrued interest on notes receivable totaling $2.2 million.

Deferred inflows of resources at June 30, 2022 was $213.2 million, an increase of $6.4 million from the June 30, 2021 deferred outflows of resources totaling $206.8 million. This decrease was due to an increase in deferred inflows of resources relating to leases totaling $5.1 million, and an increase in deferred inflows of resources relating to pensions totaling $1.4 million. Explanations for these fluctuations are as follows:

- The net increase in deferred inflows of resources relating to leases was due to an increase of $12.4 million as a result of new lease agreements during the fiscal year, offset by the annual amortization of this account into lease income totaling $7.3 million.
- The increase in deferred inflows of resources related to pensions was due to a favorable difference between actual investment earnings as compared to what was expected in the prior year actuarial valuation.

The Authority’s Condensed Schedules of Revenues, Expenses and Changes in Net Position as of June 30, 2023, 2022 and 2021 are as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30			Percentage Change	
		As Restated	As Restated		
	2023	2022 *	2021 *	2023-2022	2022-2021
Operating revenues:					
Intergovernmental and other	$ 11,342,767	15,834,597	7,019,929	(28.4)%	125.6 %
Gain on sale of property	2,113,504	2,392,147	10,582,058	(11.6)	(77.4)
Rent and other property payments	15,525,059	16,886,700	14,989,471	(8.1)	12.7
Total operating revenues	28,981,330	35,113,444	32,591,458	(17.5)	7.7
Operating expenses:					
Personnel and fringe benefits	9,765,459	7,813,832	10,125,472	25.0	(22.8)
Contractual services, supplies and other	20,301,614	15,884,301	8,452,497	27.8	87.9
Depreciation	1,298,856	1,365,017	1,301,892	(4.8)	4.8
Total operating expenses	31,365,929	25,063,150	19,879,861	25.1	26.1
Operating income	(2,384,599)	10,050,294	12,711,597	(123.7)	(20.9)
Nonoperating revenues:					
Interest income	371,747	11,364	114,878	3,171.3	(90.1)
Interest income from leases	3,581,643	3,545,952	3,394,124	1.0	4.5
Total nonoperating revenues	3,953,390	3,557,316	3,509,002	11.1	1.4
Increase in net position	1,568,791	13,607,610	16,220,599	(88.5)	(16.1)
Net position, beginning of year, as restated	35,608,778	22,001,168	5,780,569	61.8	280.6
Net position, end of year	$ 37,177,569	35,608,778	22,001,168	4.4 %	61.8 %

* Fiscal years 2022 and 2021 have been restated for certain immaterial corrections related to lease accounting (see note 2(m)).

Fiscal Year Ended June 30, 2023 Compared to Fiscal Year Ended June 30, 2022

The Authority’s operating revenues in fiscal year 2023 were $29.0 million, a decrease of $6.1 million from fiscal year 2022 operating revenues totaling $35.1 million. This decrease was primarily the result of a decrease in intergovernmental revenue totaling $4.1 million and a decrease in rent and other property payments totaling $1.4 million. Explanations for these fluctuations are as follows:

- The net decrease in intergovernmental and other revenue was primarily the result of a $10 million grant from Economic Development Industrial Corporation/Boston (EDIC) to help fund a portion of the Authority's Capital Reserve Fund in fiscal year 2022 which did not occur in fiscal year 2023, offset by a $5.6m increase in state and city grants for MassWorks projects.
- The decrease in rent and other property payments was primarily the net result of the following:
  - A decrease in transient parking revenue totaling $.6 million as a result of less construction occurring near a BPDA parking garage in fiscal year 2023 as compared to fiscal year 2022, resulting in less construction workers parking there during the fiscal year;
  - A decrease in equity participation revenue totaling $.8 million as a result of fewer resales of condominium units at the Charleston Navy Yard in fiscal year 2023 as compared to fiscal year 2022. As required by Land Disposition Agreements (LDA's) that outline control over Authority owned parcels of land that developers had built condominiums on, the Authority receives 4% of the sales proceeds for first time condominium sales and an additional 2% or 1% of the sales proceeds for future resales of each respective unit.

The Authority's personnel and fringe benefit expenses in fiscal year 2023 were $9.8 million, an increase of $2 million from fiscal year 2022's personnel and fringe benefit expenses totaling $7.8 million. This increase was primarily the result of an increase in pension plan expense totaling $1.7 million, which is based on the most recent actuarial evaluation of the pension liability. The increase was due to actual investment performance which was significantly lower than what was projected in the prior year evaluation.

The Authority's contracted services, supplies and other costs in fiscal year 2023 were $20.3 million, an increase of $4.4 million from fiscal year 2022's contracted services, supplies and other costs totaling $15.9 million. This net increase was primarily the result of an increase in contractual services expenses totaling $9.5 million and a decrease in building repairs and maintenance expenses totaling $5.5 million. Explanations for these fluctuations are as follows:

- City of Boston property developers apply for Massworks grants from the MA Executive Office of Housing and Economic Development. When awarded, these grants require BRA engineers to oversee the development projects. The increase in contracted services, supplies and other costs was primarily due to completing numerous Massworks development projects into fiscal year 2023 as compared to a few projects in fiscal year 2022.
- The decrease in building repairs and maintenance was primarily due to recognizing an environmental remediation and demolition liability and offsetting expense in fiscal year 2022 for Building 108, the former central power plant located in the Authority's Charlestown Navy Yard. This expense did not reoccur in fiscal year 2023.

Fiscal Year Ended June 30, 2022 Compared to Fiscal Year Ended June 30, 2021

The Authority's operating revenues in fiscal year 2022 were $35.1 million, an increase of $2.5 million from fiscal year 2021 operating revenues totaling $32.6 million. This increase was primarily the net result of an increase in intergovernmental revenue totaling $12.2 million, a decrease in gain from sale of property totaling $8.2 million, an increase in rent and other property payments totaling $1.9 million, and a decrease in notes receivable interest income totaling $3.1 million. Explanations for these fluctuations are as follows:

- The increase in intergovernmental and other revenue was primarily the result of a $10 million grant from Economic Development Industrial Corporation/Boston (EDIC) to help fund a portion of the Authority's Capital Reserve Fund, and $1.8M million grant from Massworks.
- The decrease in gains from sales of property was primarily the result of the collection of a land disposition agreement note totaling $7.3 million in fiscal year 2021 that was paid off before the due date. Property sales are generally one-time events that vary from year to year.
- The increase in rent and other property payments was primarily the net result of the following:
  - Additional lease revenue totaling $2.1 million as a result of new leases entered into in fiscal year 2022;
  - Additional parking revenue totaling $1.9 million as a result of both the workforce returning to their office after working at home during the prior year due to the global pandemic, and construction occurring near a BPDA parking garage in fiscal year 2022 resulting in more construction workers parking there during this fiscal year as compared to fiscal year 2021;
  - Additional equity participation revenue totaling $0.6 million from the resale of condominium units at the Charleston Navy Yard. As required by Land Disposition Agreements (LDA's) that outline control over Authority owned parcels of land that developers had built condominiums on, the Authority receives 4% of the sales proceeds for first time condominium sales and an additional 2% or 1% of the sales proceeds for future resales of each respective unit;
  - The above increases were offset by an additional $2.5 million reconciliation agreement with a tenant that was finalized and recorded as revenue in fiscal year 2021. The agreement acknowledged certain billing discrepancies in prior years.
- The decrease in notes receivable interest income was primarily the result of the one-time collection of a land disposition agreement note receivable totaling $7.3 million in fiscal year 2021 that was paid off before the due date, inclusive of interest income from inception of the loan. This note was considered to be a non-performing note, and as such, annual interest income was not recorded on this note in prior years due to the uncertainty of collection.

The Authority's personnel and fringe benefit costs in fiscal year 2022 were $7.8 million, decrease of $2.3 million from fiscal year 2021's personnel and fringe benefit costs totaling $10.1 million. This decrease was the combined result of a decrease in personnel costs totaling $1.1 million and a decrease in fringe benefit costs totaling $1.2 million. Explanations for this fluctuation is as follows:

- This decrease in personnel costs was primarily the result of a number of employees who retired in both fiscal years 2022 and 2021 whose position are either still vacant or were filled through EDIC's payroll.
- The decrease in fringe benefit costs was due to both a higher actuarial gain in the current year OPEB valuation as compared to the prior year valuation, as well as less employees in fiscal year 2022 as compared to fiscal year 2021.

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The Authority's contracted services, supplies and other costs in fiscal year 2022 were $15.9 million, an increase of $7.4 million from fiscal year 2021's contracted services, supplies and other costs totaling $8.5 million. This increase was primarily the result of an increase in building repair and maintenance expenses totaling $4 million, and an increase in engineering and construction expenses totaling $2.7 million. Explanations for this fluctuation is as follows:

- The increase in building repair and maintenance was due to environmental remediation and demolition of Building 108, the former central power plant located in the Authority's Charlestown Navy Yard.
- City of Boston property developers apply for Massworks grants from the MA Executive Office of Housing and Economic Development. When awarded, these grants require BRA engineers to oversee the development projects. The increase in engineering and construction was due to postponing fiscal year 2021 Massworks development projects into fiscal year 2022 as a result of the global pandemic.

Currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Since 2016, the Boston Planning and Development Agency (BPDA) has been the operating name of two legal entities: the Boston Redevelopment Authority (BRA) and the Economic Development and Industrial Corporation (EDIC) of Boston. In January 2023, the Mayor of Boston submitted to the City Council a proposed Home Rule Petition to end Urban Renewal in Boston. This measure is currently being considered by the legislature as Bill H. 4065.

The proposed legislation would simplify Boston's quasi-governmental entity by merging the BRA and EDIC into a single entity and transferring the powers and duties of those entities into a new singular entity, which will be named Boston Planning and Development Agency.

Leadership at BPDA and the City is preparing for this transition per the Mayor's vision, which includes restoring planning as a core function of City government and integrating this work with other City departments in order to ensure a coordinated, comprehensive vision for Boston. The Mayor will introduce a City Ordinance to create the City Planning and Design Department. Starting July 1, 2024, most BRA and EDIC employees will move to the City's payroll. The BPDA will transfer revenue to the City to cover the cost of functions that are moving from the BPDA to the City. These changes will have a significant impact on BRA's and EDIC's financial statements.

Requests for Information

This financial report is intended to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any information in this report may be directed to the BPDA Secretary's Office, 9th Floor, Boston City Hall.

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

Proprietary Fund – Statements of Net Position

June 30, 2023 and 2022

		2023	As restated 2022
Assets:			
Current assets:			
Cash and cash equivalents (note 3)	$	64,291,011	67,464,739
Accounts receivable:			
Intergovernmental		6,911,601	13,592,945
Other accounts receivable		2,772,365	3,320,014
Lease receivable, current (note 7)		5,584,554	6,100,452
Prepaid assets		256,381	210,948
Notes receivable, net, current portion (note 4)		2,325,714	3,012,252
Disposition receivables – development sites, current portion (note 6)		1,803,972	1,903,972
Total current assets		83,945,598	95,605,322
Noncurrent assets:			
Lease receivable (note 7)		183,596,169	198,372,558
Accrued interest on leases (note 7)		2,343,733	1,509,550
Notes receivable, net (note 4)		88,221,359	85,743,974
Notes receivable – Rowes Wharf, net (note 5)		290,484	348,815
Disposition receivables – development sites (note 6)		30,692,123	32,562,504
Other postemployment benefits (note 14)		6,052,424	4,732,594
Capital assets (note 8):			
Nondepreciable		13,137,386	6,294,189
Depreciable		26,166,485	26,166,485
Less accumulated depreciation		(13,156,502)	(11,960,829)
Right of use lease		6,036,201	6,036,201
Less accumulated amortization		(309,549)	(206,366)
Total capital assets, net		31,874,021	26,329,680
Total noncurrent assets		343,070,313	349,599,675
Total assets		427,015,911	445,204,997
Deferred outflows of resources:			
Pensions (note 13)		7,253,455	3,798,202
Other postemployment benefits (note 14)		1,176,539	1,382,891
Total deferred outflows of resources		8,429,994	5,181,093
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses		9,587,689	3,881,542
Vacation and sick leave, current portion (note 11)		113,829	126,122
Due to City of Boston (note 4)		2,618,174	2,614,046
Pollution remediation		833,789	5,100,000
Unearned revenue, current portion (notes 6 and 11)		1,803,972	1,903,972
Total current liabilities		14,957,453	13,625,682
Noncurrent liabilities (note 11):			
Notes payable (note 9)		1,475,000	1,475,000
Deposits		22,723,950	28,511,618
Net pension liability (note 13)		16,729,073	10,305,716
Vacation and sick leave		1,137,742	1,146,326
Due to designated projects (note 4)		31,542,702	28,021,414
Due to City of Boston (note 4)		80,948,048	79,423,536
Lease liability (note 10)		6,036,201	6,029,238
Unearned revenue (note 6)		30,692,122	32,562,503
Other		444,008	487,294
Total noncurrent liabilities		191,728,846	187,962,645
Total liabilities		206,686,299	201,588,327
Deferred inflows of resources:			
Pensions (note 13)		2,851,681	5,980,497
Other postemployment benefits (note 14)		4,187,544	6,337,418
Leases (note 7)		184,542,812	200,871,070
Total deferred inflows of resources		191,582,037	213,188,985
Net position:			
Net investment in capital assets		23,267,332	17,330,297
Unrestricted		13,910,237	18,278,481
Commitments and contingencies (note 12)			
Total net position	$	37,177,569	35,608,778

See accompanying notes to basic financial statements.

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

Proprietary Fund – Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	As restated 2022
Operating revenues:		
Intergovernmental	$ 9,571,447	13,688,292
Gain on sale of property	2,113,504	2,392,147
Rent and other property payments (notes 6 and 7)	15,525,059	16,886,700
Notes receivable – interest income (note 5)	469,144	555,823
Gross profit recognized on installment sale (note 5)	1,231,684	1,150,933
Other	70,492	439,549
Total operating revenues	28,981,330	35,113,444
Operating expenses:		
Personnel	8,235,610	8,019,031
Fringe benefits	1,529,849	(205,199)
Supplies and services	5,197,708	10,740,233
Contractual services	14,400,713	4,942,077
Depreciation	1,298,856	1,365,017
Other	703,193	201,991
Total operating expenses	31,365,929	25,063,150
Operating (loss) income	(2,384,599)	10,050,294
Nonoperating revenues:		
Interest income	371,747	11,364
Interest income from leases	3,581,643	3,545,952
Total nonoperating revenues	3,953,390	3,557,316
Increase in net position	1,568,791	13,607,610
Net position, beginning of year, as restated (note 2(m))	35,608,778	22,001,168
Net position, end of year	$ 37,177,569	35,608,778

See accompanying notes to basic financial statements.

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

Proprietary Fund – Statements of Cash Flows

Years ended June 30, 2023 and 2022

		2023	As restated 2022
Cash flows from operating activities:			
Cash received from customers and other governments	$	34,448,500	19,921,632
Cash paid to employees and for fringe benefits		(13,210,400)	(13,379,148)
Cash paid to suppliers and consultants		(18,943,434)	(8,756,945)
Net cash provided by (used in) operating activities		2,294,666	(2,214,461)
Cash flows from noncapital financing activities:			
Receipts from development projects		10,158,916	6,164,386
Payments for development projects		(16,075,513)	(5,138,277)
Receipts from the City of Boston and designated projects		3,058,097	156,735
Payments for the City of Boston and designated projects		(859,638)	(3,415,917)
Net cash used in noncapital financing activities		(3,718,138)	(2,233,073)
Cash flows from capital and related financing activities:			
Purchase of capital assets		(6,869,942)	(715,206)
Sale of capital assets		26,745	26,745
Net cash used in capital and related financing activities		(6,843,197)	(688,461)
Cash flows from investing activities:			
Collections of loan principal		1,139,551	2,886,447
Interest earnings on leasing activities		3,581,643	3,545,952
Interest earnings on investments		371,747	11,364
Net cash provided by investing activities		5,092,941	6,443,763
Net change in cash and cash equivalents		(3,173,728)	1,307,768
Cash and cash equivalents, beginning of year		67,464,739	66,156,971
Cash and cash equivalents, end of year	$	64,291,011	67,464,739
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating (loss) income	$	(2,384,599)	10,297,672
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation		1,298,856	1,365,017
Changes in operating assets and liabilities:			
Other postemployment asset, net of deferrals		(3,263,352)	(2,970,486)
Pension liability, net of deferrals		(160,712)	(2,236,016)
Accounts receivable		7,278,993	(15,744,417)
Lease receivable, net of deferrals		(1,863,191)	250,721
Disposition receivables – development sites		1,970,381	2,025,947
Notes receivable – Rowes Wharf, net		58,331	54,507
Prepaid assets		(45,433)	(14,156)
Accounts payable and accrued expenses		5,662,861	2,041,512
Vacation and sick leave liability		(20,877)	(358,814)
Unearned revenue		(1,970,381)	(2,025,948)
Other liabilities		(4,266,211)	5,100,000
Net cash provided by (used in) operating activities	$	2,294,666	(2,214,461)
Supplemental cash flow information:			
Noncash dispositions of land	$	—	217,000
Noncash notes receivable		2,930,399	635,903

See accompanying notes to basic financial statements.

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

Fiduciary Fund – Statements of Net Position

June 30, 2023 and 2022

		2023	2022
Assets:			
Net investment in PRIT at fair value	$	18,125,989	17,145,569
Total assets	$	18,125,989	17,145,569
Net position:			
Restricted for other post-employment benefits	$	18,125,989	17,145,569
Total net position	$	18,125,989	17,145,569

See accompanying notes to basic financial statements.

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

Fiduciary Fund – Statements of Changes in Net Position

Years ended June 30, 2023 and 2022

		2023	2022
Additions:			
Contributions:			
Employer	$	514,333	548,980
Total contributions		514,333	548,980
Net investment gain/(loss):			
Investment gain/(loss)		1,067,647	(572,543)
Less investment expense		(71,697)	(82,666)
Net investment gain/(loss)		995,950	(655,209)
Total additions		1,510,283	(106,229)
Deductions:			
Retirement benefits and payments		514,333	548,980
Administrative expenses		15,530	14,477
Total deductions		529,863	563,457
Change in net position		980,420	(669,686)
Net position, beginning of year		17,145,569	17,815,255
Net position, end of year	$	18,125,989	17,145,569

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 Authority of the City of Boston (the City). The Authority is governed by a five-member board of directors, four of whom 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.

On October 20, 2016 the board approved the renaming of the Boston Redevelopment Authority (BRA), d/b/a the Boston Planning & Development Agency (BPDA) and for all legal documents and as a legal entity, the BRA shall legally remain.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements of the Authority have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority reports the following fund types:

Proprietary fund – The primary operating fund of the Authority is used to account for all transactions except those required to be accounted for in another fund. Operating revenues and expenses result from administering 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.

Fiduciary fund – Other post-employment benefit trust fund reports resources that are held in trust for the members and beneficiaries of the Authority's other post-employment benefit plan. This fund recognizes employer contributions when legally due and benefit payments when due and payable.

The proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

(b) Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 sources including, but not limited to, land sales, equity participation agreements, long-term leases and other governments.

Revenue from land sales 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 that the Authority retains a legal right to a percentage of all future sale proceeds.

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 generates lease revenue.

The Authority also receives intergovernmental revenue for capital projects from the Commonwealth of Massachusetts' MassWorks initiative and from the City of Boston.

(d) Cash, Cash Equivalents and Investments

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

The other post-employment benefit trust fund invests in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. This is considered an other investment outside of the fair value hierarchy. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109 or visit *mapension.com.*

(e) Capital Assets

Capital assets are carried at historical 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	25, 30
Building improvements	7
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.

Sick leave accumulates at the rate of 1.25 days for each calendar month of service with no maximum limit. Upon termination, employees with 20 or more years of credible service may receive in cash 32% of their accrued sick leave.

(h) Deposits

Deposits/mitigation 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.

(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 and remits loan repayments to the City's neighborhood development fund.

(k) Leases (Lessor)

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

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

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

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases. The Authority's incremental borrowing rate for leases is based on the rate of interest it would need to pay if it issued general obligation bonds. This rate was determined through AA municipal yield curves for 1 through 30-year terms, and a projected yield for each year beyond year 30.

- The lease term includes the noncancellable portion of the lease, plus any additional periods covered by either an Authority or lessee unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Authority and the lessee have an option to terminate are excluded from the lease term.
- Lease payments to be received are evaluated by the Authority to determine if they should be included in the measurement of the lease receivable, including those payments that require a determination of whether they are reasonably certain of being received.

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

Noncurrent lease receivable is reported within the noncurrent asset section of the proprietary fund's statement of net position, net of the short-term portion of the lease receivable reported as a current asset.

(l) Leases (Lessee)

The Authority is a lessee for a noncancellable long-term lease of a building, for which the Authority recognizes a lease liability.

The Authority initially measured the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the term of the lease.

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

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

Lease assets are reported with capital assets and lease liability is reported with the noncurrent liability section of the proprietary fund's statement of net position, net of the short-term portion of the lease liability reported as a current liability, if any.

(m) Immaterial Correction of Prior Period Financial Statements

Amounts previously reported in the 2022 financial statements have been revised for certain immaterial corrections related to lease accounting, including increasing lease receivable and deferred inflows of resources by $7,687,466 and $7,332,194, respectively.

(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. As of June 30, 2023, the Authority owned fully collateralized certificate of deposits and United States treasury bills totaling $57,112,292 with maturity dates ranging from July 18, 2023 to January 19, 2024. As of June 30, 2022, the Authority owned fully collateralized certificate of deposits totaling $24,000,000 with maturity dates ranging from October 19, 2022 to January 19, 2023.

(b) Restrictions

As of June 30, 2023 and 2022, the Authority had $59,600,525 and $47,183,874, respectively, of cash internally restricted for Boston's Affordable Housing Program, Development Mitigation, customer deposits, capital reserve funds and other City of Boston obligations.

(4) Notes Receivable

Notes receivable as of June 30, 2023 and 2022 consist of the following amounts. All collections on these notes are paid to the City for designated projects and reduce amounts due to the City or due to designated projects on the accompanying financial statements.

		2023	2022
Notes receivable:			
Real estate	$	6,292,463	7,067,021
Development and housing		84,254,610	81,689,205
Notes receivable, net	$	90,547,073	88,756,226

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 for programs such as urban development and amounts consisting of developer obligations to the City for affordable housing and neighborhood improvements. Affordable Housing contributions are remitted to the City for future affordable housing.

A significant portion of notes receivable totaling $84,361,253 and $82,329,883 for the years ended June 30, 2023 and 2022, respectively, relate to Boston's Affordable Housing Program and other City of Boston obligations.

(Continued)

(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). 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 remaining to be received under the notes as of June 30, 2023 and 2022 total $6,133,721 and $7,365,406, respectively.

During the years ended June 30, 2023 and 2022, principal payments of $1,231,684 and $1,150,933 and interest payments of $462,930 and $543,679, respectively, were received from the developer. The Authority has recorded and recognized the profit from the sale on the installment method, as follows:

		2023	2022
Gross sales proceeds	$	18,500,000	18,500,000
Cost of land		(876,134)	(876,134)
Gross profit on installment sale		17,623,866	17,623,866
Gross profit recognized through June 30		(11,780,629)	(10,607,276)
Gross profit not yet recognized	$	5,843,237	7,016,590

(6) 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, 2023 and 2022, the Authority recorded $32,496,095 and $34,466,476, respectively, of disposition receivables.

For the years ended June 30, 2023 and 2022, the Authority recorded revenue of $1,970,381 and $2,025,948, respectively, which was previously recorded as unearned revenue.

(7) Lease Receivable

As discussed in note 2(k), the Authority is a lessor for various noncancellable long-term leases of its land and buildings. Lease terms for the leases vary from 1 year to 68 years. The discount rate used for the calculation of the lease receivable varies per lease depending on the length of the respective leases, and ranged from .32% to 4.14%.

Variable payments included in leases that were not included in the measurement of the lease receivable include percentage rent, where related payments are based on a percentage of gross receipts collected by the tenants. Percentage rent totaled $873,360 and $444,090 for the years ended June 30, 2023 and 2022, respectively. Lease income from noncancellable long-term fixed payment leases totaled $8,723,152 and $7,776,455 for the years ended June 30, 2023 and 2022, respectively. Interest income from noncancellable long-term leases totaled $3,581,643 and $3,545,952 for the years ended June 30, 2023 and 2022, respectively. Percentage rent, lease income, and lease interest income are included in rent and other property payments on the proprietary fund – statement of revenues, expenses and changes net position.

Where a monthly lease payment is less than the calculated interest amount for that month, the difference is recorded as accrued interest receivable and accounted for separately from the respective lease receivable balance. Monthly interest accrues based on prior month-end balances of both the lease receivable account and the related accrued interest receivable account. This accrued interest account will accumulate until such time that monthly lease payment is greater than the interest calculated for that month. In leases that have outstanding accrued interest receivable balances, the related lease payments are applied in the following order: (1) to the interest portion of the rent, (2) to the accrued interest balance until fully paid, and (3) to the lease receivable balance. Accrued interest receivable totaled $2,343,733 and $1,509,550 at June 30, 2023 and 2022, respectively, and is included in noncurrent lease receivable, net on the proprietary fund – statement of net position.

(Continued)

Future minimum lease payments to be received under noncancellable long-term leases, exclusive of percentage rent, are as follows:

	Principal	Interest	Total
Year ending June 30:			
2024	$ 5,584,554	3,536,922	9,121,476
2025	4,982,625	3,479,532	8,462,157
2026	4,840,715	3,436,420	8,277,135
2027	4,917,337	3,388,313	8,305,650
2028	4,921,534	3,347,307	8,268,841
2029-2033	21,815,622	15,904,594	37,720,216
2034-2038	18,022,357	14,598,384	32,620,741
2039-2043	10,720,101	13,614,185	24,334,286
2044-2048	9,441,122	12,921,916	22,363,038
2049-2053	11,283,767	12,026,495	23,310,262
2054-2058	11,029,255	10,999,443	22,028,698
2059-2063	12,662,808	9,776,984	22,439,792
2064-2068	10,783,068	8,426,934	19,210,002
2069-2073	11,550,298	7,113,255	18,663,553
2074-2078	14,243,557	5,390,309	19,633,866
2079-2083	15,771,460	3,323,810	19,095,270
2084-2088	15,237,580	1,080,544	16,318,124
2089-2093	1,372,963	44,113	1,417,076
Total	189,180,723	$ 132,409,460	321,590,183
Less amount due within one-year	(5,584,554)		
Net noncurrent total	$ 183,596,169		

(8) Capital Assets

The following is a summary of activities by major categories of capital assets for the years ended June 30, 2023 and 2022:

	2023			
	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 5,998,729	250,000	(26,746)	6,221,983
Construction in progress	295,460	6,619,943	—	6,915,403
Total capital assets not being depreciated	6,294,189	6,869,943	(26,746)	13,137,386
Capital assets being depreciated:				
Land improvements	471,384	—	—	471,384
Building	22,304,883	—	—	22,304,883
Furniture and fixtures	2,197,755	—	—	2,197,755
Computers	1,033,715	—	—	1,033,715
Vehicles	158,748	—	—	158,748
Total capital assets being depreciated at historical cost	26,166,485	—	—	26,166,485
Less accumulated depreciation for:				
Land improvements	230,230	16,070	—	246,300
Building	8,421,468	1,113,278	—	9,534,746
Furniture and fixtures	2,161,725	34,015	—	2,195,740
Computers	1,004,857	23,089	—	1,027,946
Vehicles	142,549	9,221	—	151,770
Total accumulated depreciation	11,960,829	1,195,673	—	13,156,502
Capital assets being depreciated, net	14,205,656	(1,195,673)	—	13,009,983
Capital assets, net excluding leases	20,499,845	5,674,270	(26,746)	26,147,369
Lease assets, net	5,829,835	—	(103,183)	5,726,652
Capital assets, net	$ 26,329,680	5,674,270	(129,929)	31,874,021

	2022			
	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 5,808,474	217,000	(26,745)	5,998,729
Construction in progress	227,951	737,198	(669,689)	295,460
Total capital assets not being depreciated	6,036,425	954,198	(696,434)	6,294,189
Capital assets being depreciated:				
Land improvements	471,384	—	—	471,384
Building	21,039,351	1,265,532	—	22,304,883
Furniture and fixtures	2,197,755	—	—	2,197,755
Computers	1,033,715	—	—	1,033,715
Vehicles	158,748	—	—	158,748
Total capital assets being depreciated at historical cost	24,900,953	1,265,532	—	26,166,485
Less accumulated depreciation for:				
Land improvements	214,160	16,070	—	230,230
Building	7,190,359	1,231,109	—	8,421,468
Furniture and fixtures	2,126,848	34,877	—	2,161,725
Computers	981,767	23,090	—	1,004,857
Vehicles	133,329	9,220	—	142,549
Total accumulated depreciation	10,646,463	1,314,366	—	11,960,829
Capital assets being depreciated, net	14,254,490	(48,834)	—	14,205,656
Capital assets, net excluding leases	20,290,915	905,364	(696,434)	20,499,845
Lease assets, net	5,933,018	—	(103,183)	5,829,835
Capital assets, net	$ 26,223,933	905,364	(799,617)	26,329,680

(9) Notes Payable

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 and has no intention of selling the CTC. The CTC is included in the Authority's capital asset balance at June 30, 2023 and 2022.

(Continued)

(10) Lease Liability

As discussed in note 2(l), the Authority is a lessee under a noncancellable long-term lease of land and building. Monthly rent payments made on the lease are based on 47% of rent received from a sublease that the Authority has with a tenant on this property. The term of the lease runs through December 31, 2112; however, due to the payment terms being dependent on the sublease, the lease liability has been calculated through December 31, 2078, the sublease's end date. The discount rate used for the calculation of the lease liability is 2.005%. As a result of the monthly lease payment being less than the calculated interest amount for that month in the earlier years of the lease, payments will be applied to current monthly interest, as well as accrued interest on the lease, through September 2049. Accrued interest payable from this lease was $115,327 and $72,879 at June 30, 2023 and 2022, respectively, and is included in other noncurrent liabilities on the proprietary fund – statement of net position. Interest expense from this lease totaled $122,771 and $121,929 at June 30, 2023 and 2022, respectively, and is included in other operating expenses on the proprietary fund – statement of revenues, expenses, and changes in net position.

Future annual lease payments for this lease are as follows:

		Principal	Interest	Total
Year ending June 30:				
2024	$	—	89,794	89,794
2025		—	96,032	96,032
2026		—	96,032	96,032
2027		—	96,032	96,032
2028		—	96,032	96,032
2029-2033		—	544,132	544,132
2034-2038		—	625,657	625,657
2039-2043		—	720,093	720,093
2044-2048		—	827,585	827,585
2049-2053		271,996	680,054	952,050
2054-2058		544,935	550,291	1,095,226
2059-2063		774,195	484,373	1,258,568
2064-2068		1,054,455	392,985	1,447,440
2069-2073		1,394,465	270,570	1,665,035
2074-2078		1,804,938	110,620	1,915,558
2079-2083		191,217	790	192,007
Total	$	6,036,201	5,681,072	11,717,273

The Authority earned $261,216 and $259,424 in interest revenue from the sublease for the years ended June 30, 2023 and 2022, respectively, of which $177,780 was received in sublease payments for each of the years then ending. Accrued interest receivable from this sublease totaled $245,376 and $155,063 at June 30, 2023 and 2022, respectively.

(11) Long-Term Liabilities

The following is a summary of long-term liabilities by major category at June 30, 2023 and 2022:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Notes payable	$ 1,475,000	—	—	1,475,000	—
Deposits	28,511,618	10,158,916	15,946,584	22,723,950	—
Net pension liability	10,305,716	9,710,578	3,287,221	16,729,073	—
Vacation and sick leave	1,272,448	—	20,877	1,251,571	113,829
Due to designated projects	28,021,414	4,131,005	609,717	31,542,702	—
Due to the City of Boston	82,037,582	2,232,656	704,016	83,566,222	2,618,174
Leases	6,029,238	6,963	—	6,036,201	—
Unearned revenue	34,466,475	—	1,970,381	32,496,094	1,803,972
	$ 192,119,491	26,240,118	22,538,796	195,820,813	4,535,975

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Notes payable	$ 1,475,000	—	—	1,475,000	—
Deposits	27,803,458	5,775,069	5,066,909	28,511,618	—
Net pension liability	14,527,580	1,000,537	5,222,401	10,305,716	—
Vacation and sick leave	1,631,262	1,077,228	1,436,042	1,272,448	126,122
Due to designated projects	28,759,683	431,975	1,170,244	28,021,414	—
Due to the City of Boston	84,171,575	3,023,194	5,157,187	82,037,582	2,614,046
Leases	6,029,238	—	—	6,029,238	—
Unearned revenue	36,492,423	—	2,025,948	34,466,475	1,903,972
	$ 200,890,219	11,308,003	20,078,731	192,119,491	4,644,140

(12) 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 years ended June 30, 2023 and 2022.

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.

(13) Retirement Plans

(a) Plan Description

The Authority contributes to the Boston Retirement System (the System or BRS), a cost-sharing, multiple-employer 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, a fifth member chosen by the other members. A complete set of financial statements for BRS for the fiscal year ended December 31, 2022 can be obtained through the BRS, 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 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 (0.10% at both December 31, 2022 and 2021).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 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, 2012). Benefit payments are based upon a participant’s age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998 Chapter 32 of the M.G.L. assigned authority to establish and amend benefit provisions and grant cost-of-living increases for the plan to Boston Retirement Board.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive benefits, either in a lump sum or in the form of an annuity based on the length of service, contributions and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits. 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%–9% 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 an actuarial computation. The contributions of plan members and the participating employers are governed by Chapter 32 of the M.G.L. For the years ended June 30, 2023 and 2022, the Authority's required and actual contribution was $3,287,221 and $3,236,553, respectively.

(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 BRS 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/Inflows of Resources Related to Pensions

At June 30, 2023 and 2022, the Authority reported a liability of $16,729,073 and $10,305,716, respectively, for its proportionate share of the BRS net pension liability measured as of December 31, 2022 and 2021, respectively. 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, 2023 and 2022 were as follows:

		2023	2022
Authority's proportionate share of net pension liability	$	16,729,073	10,305,716
Commonwealth's proportionate share of net pension liability associated with the Authority		94,240	115,847
Total	$	16,823,313	10,421,563

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, 2022 and 2021, the Authority was allocated .81% and .88%, respectively, of the net pension liability associated with the all other non-teacher member group based on its proportion of the required employer contributions related to this group to the total employer contributions related to this group. The Authority's proportion of the collective BRS net pension liability at December 31, 2022 was .35% compared to .30% at December 31, 2021.

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense of $3,145,441 and $1,025,440, respectively. The Authority also recognized revenue of $18,932 and $24,903, respectively related to the special funding situation with the Commonwealth. At June 30, 2023 and

2022, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

		2023		2022	
		Deferred outflows of resources	**Deferred inflows of resources**	**Deferred outflows of resources**	**Deferred inflows of resources**
Changes in employer proportion	$	424,125	2,020,155	565,501	1,774,246
Difference between expected and actual experience		—	831,526	—	281,210
Net difference between projected and actual investment earnings		4,937,602	—	—	3,925,041
Changes in assumptions		1,891,728	—	3,232,701	—
	$	7,253,455	2,851,681	3,798,202	5,980,497

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

Year ending June 30:		
2024	$	429,346
2025		1,296,290
2026		1,279,461
2027		1,690,628
2028		(293,951)
Total	$	4,401,774

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BRS and additions to/deductions from the BRS's fiduciary net position have been determined on the same basis as they are reported for the BRS. 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 as of December 31, 2022 and 2021 was determined by an actuarial valuation as of January 1, 2022 and 2020, respectively, with updated procedures used to roll forward the total pension liability to the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement:

- *Inflation – 3.25%*

- *Salary increases – 4.00%*
- *Investment rate of return – 6.90% for BRS excluding teachers, net of expenses, including inflation*
- *Cost–of–living increases: – 3.00% of first $15,000*
- Mortality:
  - Healthy – PUB-2010 General Employee, Healthy Retiree and Contingent Survivor Amount-Weighted Mortality Tables set forward one year projected generationally using MP-2021 for BRS excluding teachers.
  - Disabled- PUB-2010 General Healthy Retiree Amount-Weighted Mortality Tables set forward one year projected generationally using MP-2021 for BRS excluding teachers.
- *Long-term Expected Rate of Return*

  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. The best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the actuarial valuation of date December 31, 2022 and 2021 are summarized below:

	2022		2021	
Asset class	**BRS excluding teachers target allocation**	**Long-term expected real rate of return**	**BRS excluding teachers target allocation**	**Long-term expected real rate of return**
Domestic equity	24 %	6.59 %	23 %	6.11 %
International developed markets equity	17	6.87	17	6.49
International emerging markets equity	8	8.30	8	8.12
Core fixed income	16	1.53	16	0.38
High yield fixed income	5	3.54	6	2.48
Real estate	10	3.54	10	3.72
Emerging Market Debt	4	3.44	4	2.70
Hedge fund, GTAA, risk parity	5	3.06	5	2.63
Private equity	11	9.49	11	9.93
	100 %		100 %	

(f) Discount Rate

The discount rate used to measure the total pension liability was 6.90% as of December 31, 2022 and 2021 for BRS excluding teachers. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rate and that contributions of participating employees and the Commonwealth will be made at rates equal to the actuarially determined contribution rates. Based upon these assumptions, the BRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the BRS net pension liability calculated using the discount rate of 6.90% as of December 31, 2022 and 2021 for the BRS excluding teachers, as well as what the Authority's proportionate share of the BRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for BRS:

	Current rate	1% Decrease	Current discount rate	1% Increase
December 31, 2022	6.90 %	$ 24,702,679	16,729,073	10,006,077
December 31, 2021	6.90 %	$ 18,756,514	10,305,716	3,183,278

(14) Other Post-Employment Benefits (OPEB)

(a) Plan Description

The Authority administers a single-employer defined benefit post-employment benefits other than pension (OPEB) plan. The OPEB plan provides post-employment health care and life insurance benefits for eligible retired employees and is overseen by the Authority's board. The Commonwealth of Massachusetts' Group Insurance Commission (GIC) administers and manages health coverage options and benefits to participating employees and retirees. The investments of the OPEB plan are managed by the State Retiree Benefits Trust Fund (SRBT), a body corporate and politic of the Commonwealth of Massachusetts. The OPEB plan assets are currently invested in an external investment pool overseen by the Commonwealth of Massachusetts Pension Reserves Investment Management Board (PRIM). The OPEB plan is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The OPEB plan does not issue a publicly available audited financial report.

As of the actuarial valuation dates, the Authority had the following members who met the eligibility requirements.

	January 1 2022
Active	58
Inactive	74

(b) Benefits Provided

The Authority provides medical, dental, 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. The Authority's board has the ability to establish or amend benefit terms.

(c) Contributions

OPEB plan members who retire on or before July 1, 1994 contribute 10% of the cost of the plan, as determined by the GIC. Plan members who retire after July 1, 1994 but on or before October 1, 2009 contribute 15% of the cost of the health plan, as determined by the GIC. Plan members who retire after October 1, 2009 contribute 20% of the cost of the plan as determined by the GIC.

The Authority contributes the retiree health plan costs on a pay-as-you-go basis and contributes additional funds to the OPEB trust based on available budget appropriations. During fiscal year 2023, the Authority contributed $514,333 of pay-as-you-go benefit payments to the OPEB plan. During fiscal year 2022, the Authority contributed $548,980 of pay-as-you-go benefit payments to the OPEB plan. Employees do not contribute to the plan during employment.

(d) Investments

The OPEB Plan invests in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during FY2020.

The following was the PRIT Fund target asset allocations as of June 30:

Asset class	2023	2022
Global equity	32% – 42%	34% – 43%
Portfolio completion strategies	7 – 13	7 – 13
Core fixed income	12 – 18	12 – 18
Private equity	13 – 19	12 – 18
Real estate	7 – 13	7 – 13
Value added fixed income	5 – 11	5 – 11
Timber/natural resources	1 – 7	1 – 7
	100 %	100 %

The annual money-weighted rate of return on OPEB plan investments calculated as the internal rate of return on OPEB plan investments net of OPEB plan expenses for fiscal year 2023 and 2022 was 5.62% and (3.76%), respectively. A money weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

(e) Net OPEB Asset of the OPEB Plan Required by GASB 74

The components of the net OPEB asset as of June 30, 2023 are as follows:

		2023	2022
Total OPEB liability	$	11,362,128	11,093,145
Plan fiduciary net position		18,125,989	17,145,569
Net OPEB asset	$	(6,763,861)	(6,052,424)
Plan fiduciary net position as a percentage of the total OPEB liability		159.5%	154.6%

Additional information regarding changes in the net OPEB asset can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022 and 2023, using the following actuarial assumptions:

- *Salary increases – 4.00%*
- *Investment rate of return* – 7.00%
- *Healthcare Cost trends:*
  - Medicare – 4.49% in 2022 trending to 4.75% in 2025, 5.18% in 2030 and 4.04% in 2075 and beyond
  - Non-Medicare – 7.06% in 2022 trending to 6.36% in 2025, 5.18% in 2030 and 4.04% in 2075 and beyond
  - Long-run growth factors include inflation of 2.5%, real GDP growth of 1.5%, and excess medical growth of 1.1%
- *Mortality:*
  - Pre-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2021.
  - Post-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2021.
  - For disabled members, the mortality rate reflects the post-retirement mortality described.

- *Long-term Expected Rate of Return* – Investment assets of the OPEB plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset class	Long-term expected real rate of return
Global equity	7.9 %
Portfolio completion strategies	6.5
Core fixed income	4.2
Private equity	10.2
Real estate	5.7
Value added fixed income	7.8
Timber/natural resources	7.0

- *Discount rate* – The discount rate used to measure the total OPEB liability is 7.00%. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made based on the current funding policy for future years. Based on those assumptions, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Asset

The following presents the changes in the Authority's net OPEB asset as of June 30, 2023:

		Total OPEB liability	Plan fiduciary net position	Net OPEB liability (asset)
Balance at June 30, 2022	$	11,093,145	17,145,569	(6,052,424)
Changes recognized for the fiscal year:				
Service cost		155,823	—	155,823
Interest on the total OPEB liability		769,731	—	769,731
Differences between expected and actual experience		(142,238)	—	(142,238)
Changes of assumptions		—	—	—
Benefit payments		(514,333)	(514,333)	—
Contributions from the employer		—	514,333	(514,333)
Net investment income		—	995,950	(995,950)
Administrative expense		—	(15,530)	15,530
Net changes		268,983	980,420	(711,437)
Balance at June 30, 2023	$	11,362,128	18,125,989	(6,763,861)

Sensitivity of the Net OPEB Asset to Change in the Discount Rate

The following table presents the June 30, 2023 net OPEB asset of the Authority, calculated using the discount rate disclosed as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

		1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net OPEB asset	$	(5,431,836)	(6,763,861)	(7,882,399)

Sensitivity of the Net OPEB Asset to Change in the Healthcare Cost Trend Rates

The following table presents the June 30, 2023 net OPEB asset of the Authority, as well as what the Authority's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB asset	$	(7,954,415)	(6,763,861)	(5,327,533)

(f) Net OPEB Liability (Asset) of the Authority Required by GASB 75

The Authority's June 30, 2023 net OPEB asset was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2022, rolled forward to June 30, 2022. The Authority's June 30, 2022 net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to June 30, 2021.

The components of the Authority's net OPEB liability (asset) as of the June 30, 2022 and 2021 measurement dates are as follows:

		2022	2021
Total OPEB liability	$	11,093,145	13,082,661
Plan fiduciary net position		17,145,569	17,815,255
Net OPEB (asset) liability	$	(6,052,424)	(4,732,594)
Plan fiduciary net position as a percentage of the total OPEB liability		154.56 %	136.17 %

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

For the measurement date June 30, 2022 and 2021, the Authority recognized OPEB expense of $(2,749,019) and $(2,421,509), respectively. At June 30, 2022 and 2021 measurement dates, the

Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

		2022	
		Deferred outflows of resources	Deferred inflows of resources
Difference between actual and expected experience	$	568,933	2,312,194
Net difference between expected and actual earnings on OPEB plan investments		—	131,179
Assumption changes		93,273	1,744,171
Contributions made subsequent to the measurement date		514,333	—
Total	$	1,176,539	4,187,544

		2021	
		Deferred outflows of resources	Deferred inflows of resources
Difference between actual and expected experience	$	833,911	219,655
Net difference between expected and actual earnings on OPEB plan investments		—	2,147,627
Assumption changes		—	3,970,136
Contributions made subsequent to the measurement date		548,980	—
Total	$	1,382,891	6,337,418

Deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction to the Authority's total OPEB liability in fiscal year 2024. Other deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	$	(1,371,286)
2025		(633,694)
2026		(742,953)
2027		(131,538)
2028		(131,534)
Total	$	(3,011,005)

Actuarial Assumptions

The Authority's June 30, 2023 total OPEB liability (measurement date of June 30, 2022) was determined by an actuarial valuation as of January 1, 2022, rolled forward to June 30, 2022. The Authority's June 30, 2022 total OPEB liability (measurement date of June 30, 2021) was determined by an actuarial valuation as of January 1, 2020, rolled forward to June 30, 2021.

The actuarial assumptions used in the January 1, 2022 actuarial evaluation for the June 30, 2022 measurement date and the actuarial assumptions used in the January 1, 2020 actuarial evaluation for the June 30, 2021 measurement date were as follows:

- *Salary increases* – 4.00%
- *Investment rate of return* – 7.00%
- *Healthcare Cost trends:*

  2022

  – Medicare – 4.49% in 2022 trending to 4.75% in 2025, 5.18% in 2030 and 4.04% in 2075 and beyond

  – Non-Medicare – 7.06% in 2022 trending to 6.36% in 2025, 5.18% in 2030 and 4.04% in 2075 and beyond

  – Long-run growth factors include inflation of 2.5%, real GDP growth of 1.5%, and excess medical growth of 1.1%

  2021

  – Medicare – 4.80% in 2021 trending to 4.7% in 2024, 5.18% in 2030 and 4.04% in 2075 and beyond

  – Non-Medicare – 6.60% in 2021 trending to 6.20% in 2024, 5.18% in 2030 and 4.04% in 2075 and beyond

  – Long-run growth factors include inflation of 2.5%, real GDP growth of 1.5%, and excess medical growth of 1.1%

- *Mortality:*

  2022

  – Pre-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2021.

  – Post-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2021.

  – For disabled members, the mortality rate reflects the post-retirement mortality described.

2021

- Pre-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2020.
- Post-retirement mortality reflects PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2020.
- For disabled members, the mortality rate reflects the post-retirement mortality described.

• *Long-term Expected Rate of Return* – Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset class	Long-term expected real rate of return
Global equity	6.8 %
Portfolio completion strategies	5.4
Core fixed income	2.5
Private equity	10.1
Real estate	6.0
Value added fixed income	6.4
Timber/natural resources	6.6

• *Discount rate* – The discount rate used to measure the total OPEB liability is 7.00%. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made based on the current funding policy for future years. Based on those assumptions, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Asset

The following presents the changes in the Authority's net OPEB asset as of June 30, 2023 (measurement date June 30, 2022) and 2022 (measurement date June 30, 2021):

		Total OPEB liability	Plan fiduciary net position	Net OPEB liability (asset)
Balance recognized at June 30, 2022 (Based on June 30, 2021 measurement date)	$	13,082,661	17,815,255	(4,732,594)
Changes recognized for the fiscal year:				
Service cost		214,898	—	214,898
Interest on the total OPEB liability		911,940	—	911,940
Differences between expected and actual experience		(2,682,491)	—	(2,682,491)
Changes of assumptions		115,117	—	115,117
Benefit payments		(548,980)	(548,980)	—
Contributions from the employer		—	548,980	(548,980)
Net investment income		—	(572,543)	572,543
Administrative expense		—	(97,143)	97,143
Net changes		(1,989,516)	(669,686)	(1,319,830)
Balance recognized at June 30, 2023 (Based on June 30, 2022 measurement date)	$	11,093,145	17,145,569	(6,052,424)

		Total OPEB liability	Plan fiduciary net position	Net OPEB liability (asset)
Balance recognized at June 30, 2021 (Based on June 30, 2020 measurement date)	$	12,726,333	11,974,884	751,449
Changes recognized for the fiscal year:				
Service cost		206,633	—	206,633
Interest on the total OPEB liability		885,123	—	885,123
Differences between expected and actual experience		(148,812)	—	(148,812)
Changes of assumptions		—	—	—
Benefit payments		(586,616)	(586,616)	—
Contributions from the employer		—	2,586,616	(2,586,616)
Net investment income		—	3,918,473	(3,918,473)
Administrative expense		—	(78,102)	78,102
Net changes		356,328	5,840,371	(5,484,043)
Balance recognized at June 30, 2022 (Based on June 30, 2021 measurement date)	$	13,082,661	17,815,255	(4,732,594)

Sensitivity of the Net OPEB Liability (Asset) to Change in the Discount Rate

The following table presents the net OPEB liability (asset) of the Authority, calculated using the discount rate disclosed as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Current rate		1% Decrease in current rate	Current discount rate	1% Increase in current rate
Net OPEB asset – 2023	7.00	$	(4,751,933)	(6,052,424)	(7,144,482)
Net OPEB asset – 2022	7.00	$	(3,126,681)	(4,732,594)	(6,072,328)

Sensitivity of the Net OPEB Liability (Asset) to Change in the Healthcare Cost Trend Rates

The following table presents the net OPEB liability (asset) of the Authority, as well as what the Authority's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Trend rate	1% Increase
Net OPEB asset – 2023	$	(7,214,793)	(6,052,424)	(4,650,099)
Net OPEB asset – 2022	$	(6,161,002)	(4,732,594)	(2,996,004)

OPEB Plan's Fiduciary Net Position

The OPEB plan does not issue a stand-alone financial report. However, the OPEB plan is included as a fiduciary fund in these financial statements.

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

Required Supplementary Information

Schedule of Employer Contributions – Boston Retirement System

June 30, 2023 and 2022

(Unaudited)

(Dollars in thousands)

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$	3,287	3,237	3,150	2,734	2,669	2,530	2,316	2,211	2,142
Contributions in relation to the actuarially determined contribution		3,287	3,237	3,150	2,734	2,669	2,530	2,316	2,211	2,142
Contribution deficiency	$	—	—	—	—	—	—	—	—	—
Authority's covered-employee payroll	$	9,487	10,044	10,504	9,434	8,423	8,294	8,031	7,674	7,396
Contributions as a percentage of covered-employee payroll		34.6 %	32.2 %	30.0 %	29.0 %	31.7 %	30.5 %	28.8 %	28.8 %	29.0 %

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 Proportionate Share of the Net Pension Liability – Boston Retirement System

June 30, 2023 and 2022

(Unaudited)

(Dollars in thousands)

		2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability		0.35 %	0.30 %	0.37 %	0.38 %	0.42 %	0.38 %	0.43 %	0.46 %	0.48 %
Authority's proportionate share of the net pension liability	$	16,729	10,306	14,528	17,522	19,083	15,234	17,851	20,096	18,527
Commonwealth's proportionate share of net pension liability associated with the Authority		94	116	140	157	181	220	247	294	340
Total	$	16,823	10,422	14,668	17,679	19,264	15,454	18,098	20,390	18,867
Authority's covered-employee payroll	$	9,487	10,044	10,504	9,434	8,423	8,294	8,031	7,674	7,396
Authority's proportionate share of the net pension liability as a percentage of covered-employee payroll		177.3 %	103.8 %	139.6 %	187.4 %	228.7 %	186.3 %	225.4 %	265.7 %	255.1 %
BRS fiduciary net position as a percentage of the total pension liability		64.1 %	73.3 %	67.6 %	61.9 %	58.3 %	62.7 %	58.0 %	55.8 %	59.5 %

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 Employer Contributions – OPEB Plan

June 30, 2023 and 2022

(Unaudited)

		2023	2022	2021	2020	2019	2018
Statutorily required contribution	$	514,333	548,980	586,619	593,237	568,673	554,585
Contribution made in relation to the statutorily required contribution		514,333	548,980	2,586,619	2,593,237	1,887,469	7,911,999
Contribution (deficiency)/excess	$	—	—	2,000,000	2,000,000	1,318,796	7,357,414
Covered-employee payroll	$	8,515,428	8,943,512	9,055,838	8,596,718	7,666,889	8,256,713
Contributions as a percentage of covered-employee payroll		6.0 %	6.1 %	28.6 %	30.2 %	24.6 %	95.8 %

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 Investment Returns – OPEB Plan

June 30, 2023 and 2022

(Unaudited)

(Dollars in thousands)

	2023	2022	2021	2020	2019	2018
Annual money weighted rate of return, net of investment expenses	5.62 %	(3.76)%	29.38 %	1.94 %	5.67 %	9.50 %

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 Changes in Net OPEB Liability (Asset) and Related Ratios

June 30, 2023 and 2022

(Unaudited)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 155,823	214,898	206,633	279,392	309,449	791,046	1,032,960
Interest cost	769,731	911,940	885,123	847,439	855,993	699,544	647,066
Difference between expected and actual experience	(142,238)	(2,682,491)	(148,812)	1,184,852	215,698	(309,889)	—
Change of assumptions	—	115,117	—	(856,511)	(564,078)	(8,034,253)	(3,999,957)
Benefit payments	(514,333)	(548,980)	(586,616)	(593,237)	(568,673)	(554,585)	(649,512)
Net change in total OPEB liability	268,983	(1,989,516)	356,328	861,935	248,389	(7,408,137)	(2,969,443)
Total OPEB liability – beginning	11,093,145	13,082,661	12,726,333	11,864,398	11,616,009	19,024,146	21,993,589
Total OPEB liability – ending	11,362,128	11,093,145	13,082,661	12,726,333	11,864,398	11,616,009	19,024,146
Plan fiduciary net position:							
Contributions – employer	514,333	548,980	2,586,616	2,593,237	1,887,366	7,911,999	649,512
Net investment income (loss)	995,950	(655,209)	3,853,502	169,954	558,629	594,674	—
Benefit payments	(514,333)	(548,980)	(586,616)	(593,237)	(568,673)	(554,585)	(649,512)
Administrative expense	(15,530)	(14,477)	(13,131)	(10,958)	(7,614)	(5,908)	—
Net change in plan fiduciary net position	980,420	(669,686)	5,840,371	2,158,996	1,869,708	7,946,180	—
Plan fiduciary net position – beginning	17,145,569	17,815,255	11,974,884	9,815,888	7,946,180	—	—
Plan fiduciary net position – ending	18,125,989	17,145,569	17,815,255	11,974,884	9,815,888	7,946,180	—
Net OPEB liability (asset)	$ (6,763,861)	(6,052,424)	(4,732,594)	751,449	2,048,510	3,669,829	19,024,146
Net position as a percentage of OPEB liability	159.5 %	154.6 %	136.2 %	94.1 %	82.7 %	68.4 %	— %
Covered-employee payroll	$ 8,425,766	8,515,428	8,943,512	9,055,838	8,596,718	7,666,889	8,256,713
Net OPEB liability (asset) as a percentage of covered-employee payroll	(80.3)%	(71.1)%	(52.9)%	8.3 %	23.8 %	47.9 %	230.4 %

Notes to schedule:
Changes in assumptions:
Discount rate:
June 30, 2016 measurement date: 2.85%
June 30, 2017 measurement date: 3.58%
June 30, 2018 measurement date: 7.35%
June 30, 2019 measurement date: 7.15%
June 30, 2020 measurement date: 7.00%
Mortality:
June 30, 2018 measurement date: RP 2014 Blue Collar Mortality Table projected with Scale MP-2016, with females set forward one year.
June 30, 2019 measurement date: PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2020.
June 30, 2020 measurement date: PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2020.
June 30, 2022 measurement date: PUB-2010 headcount-weighted general classification mortality, projected generationally with Scale MP-2021.

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

See accompanying independent auditors' report.

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' 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*

The Board of Directors
Boston Redevelopment Authority:

We have audited, in accordance with the 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, the financial statements of the business-type activities and fiduciary activities of the Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
February 12, 2024

Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2023-001 – GASB 87 Implementation Errors

Condition and Context

The Authority should be commended for completing its financial reporting responsibilities in time to meet the City of Boston's external financial reporting requirements. However, the Authority identified several errors related to the implementation of GASB 87, *Leases*, in fiscal year 2022. This resulted in a restatement of the 2022 financial statements. The errors identified were as follows:

Error 1- Interest Calculation

The Authority's leases have payments due at the beginning of each period. Interest income was not appropriately accrued in the month it was earned rather that interest was allocated to the month in which the payment was made. This error shifted recognition of interest income by 1 month (i.e. at implementation and for any new lease, there was one less month of interest income recognized and subsequently, interest income was recognized for the incorrect twelve-month period).

In addition, Lease Query calculates interest on a daily basis, while the Authority's original calculations calculated interest monthly. As such, there were differences in the lease receivables, deferred inflow of resources, and related lease amounts that the Authority has chosen to correct as they transition to Lease Query starting in fiscal year 2024.

Error 2- Deferred Inflows of Resources Calculation

For lease amendments, the lease receivable was remeasured on the effective date of the amendment and both the lease receivable and deferred inflow of resources were adjusted to the remeasured lease receivable amount. However, per GASB 87, the deferred inflows of resources should have been adjusted for the difference between the lease receivable balance on the day before the remeasurement date and the lease receivable balance on the remeasurement date.

Error 3- Unrecorded Leases

There were seven leases that were not included within the GASB 87 population. Management was reviewing the monthly rent schedules for each location, which were utilized to determine their population of leases and identified the missing leases.

Error 4- Duplicate Lease

One lease was incorrectly included in the lease population twice. This error was identified when comparing the populations for two locations where it was determined that it was double counted.

Error 5- Presentation of Accrued Interest Receivable for Leases

The Authority elected to include accrued interest receivable with lease receivables on the statement of net position. However, per GASB 87, the accrued interest receivable should be presented separately.

Error 6- Presentation of Interest Income on Leases

The Authority elected to include interest income on leases in operating revenues. However, per GASB implementation guide 2021-1, interest income on leases should be presented as non-operating revenue.

Recommendation

Error 1- Interest Calculation and Error 2- Deferred Inflows of Resources Calculation

We recommend management moved forward with its plan to formally transitioning to the GASB 87 Lease Query software in fiscal year 2024, which will perform all lease calculations for new and amended leases going forward to ensure proper calculation of the lease activity.

Error 3- Unrecorded Leases

We recommend that management move forward with its plan to assign the maintenance of the lease schedules to one Authority accounting staff, which should then be reviewed monthly by the Controller. A comparison of the monthly rental amounts in these schedules to monthly rental amounts in Lease Query should continue to be performed for each lease at fiscal year-end.

Error 4- Duplicate Lease

We recommend that management move forward with its plan to review the population of leases and compare it to the monthly rent schedules. Management should also compare each location population to each other to ensure the same lease does not appear more than once in a population. This should continue to be reviewed monthly by the Controller.

Error 5- Presentation of Accrued Interest Receivable for Leases and Error 6- Presentation of Interest Income on Leases

We recommend management review the guidance for new standard implementations more closely to ensure they do not overlook or misinterpret the guidance.

Management Response

Management agrees with the finding and concurs with the Auditors' recommendation noting that implementation of GASB 87 has been far more challenging than anticipated. Despite the best efforts of the Authority's financing staff, working with outside, highly skilled accounting consultants, these calculations and recording errors were made in the first year of implementation. The errors have been corrected in the fiscal year 2023 financial statements. The Authority is also in the process of implementing software specifically designed for GASB 87. In addition, going forward, the Authority is also updating its policies and procedures to prevent such errors and will take advantage of future training opportunities to enhance the knowledge of its finance staff.