



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

Basic Financial Statements and Required
Supplementary Information

June 30, 2009

(With Independent Auditors' Report Thereon)

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

June 30, 2009

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KPMG LLP
99 High Street
Boston, MA 02110-2371

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

Independent Auditors' Report

The Board of Directors
Boston Redevelopment Authority:

We have audited the accompanying statement of net assets of Boston Redevelopment Authority (the Authority), a component unit of the City of Boston, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The Authority has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined necessary to supplement, although not required to be part of, the basic financial statements.

The schedule of funding progress on page 17 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

December 2, 2009

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

Statement of Net Assets

June 30, 2009

Assets

| | |
|--|-----------------------|
| Current assets: | |
| Cash and cash equivalents (note 3) | \$ 43,896,019 |
| Accounts receivable: | |
| Rent, net | 185,709 |
| Intergovernmental | 1,742,094 |
| Other accounts receivable | 77,556 |
| Prepaid assets | 109,559 |
| Notes receivable, net, current portion (note 4) | 358,748 |
| Disposition receivables – development sites, current portion (note 12) | 2,628,867 |
| Total current assets | <u>48,998,552</u> |
| Noncurrent assets: | |
| Notes receivable, net (note 4) | 84,636,395 |
| Notes receivable – Rowes Wharf, net (note 5) | 835,882 |
| Disposition receivables – development sites (note 12) | 31,897,965 |
| Capital assets (note 7): | |
| Nondepreciable | 15,001,400 |
| Depreciable | 6,314,573 |
| Less accumulated depreciation | <u>(2,732,850)</u> |
| Total capital assets, net | <u>18,583,123</u> |
| Total noncurrent assets | <u>135,953,365</u> |
| Total assets | <u>\$ 184,951,917</u> |

Liabilities

| | |
|---|-----------------------|
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 3,218,045 |
| Deferred revenue, current portion (note 12) | 2,628,867 |
| Total current liabilities | <u>5,846,912</u> |
| Noncurrent liabilities: | |
| Notes payable (notes 6 and 9) | 1,475,000 |
| Deposits (note 9) | 20,829,733 |
| Vacation and sick leave (note 9) | 1,776,037 |
| Other postemployment benefits (note 13) | 2,070,331 |
| Due to designated projects (notes 4 and 9) | 53,100,827 |
| Due to City of Boston (notes 4 and 9) | 63,989,907 |
| Deferred revenue (note 12) | 33,444,535 |
| Other (note 9) | 594,955 |
| Total noncurrent liabilities | <u>177,281,325</u> |
| Total liabilities | <u>\$ 183,128,237</u> |

Net Assets

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | \$ 6,612,607 |
| Unrestricted | (4,788,927) |
| Commitments and contingencies (note 10) | |
| Total net assets | <u>\$ 1,823,680</u> |

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2009

| | |
|--|---------------|
| Operating revenues: | |
| Intergovernmental | \$ 10,303,356 |
| Sale of property | 6,450,492 |
| Rent and other property payments (note 8) | 7,616,241 |
| Notes receivable – interest income (note 5) | 1,220,678 |
| Gross profit recognized on installment sale (note 5) | 454,096 |
| Other | 897,016 |
| | <hr/> |
| Total operating revenues | 26,941,879 |
| | <hr/> |
| Operating expenses: | |
| Personnel | 10,106,809 |
| Fringe benefits | 3,592,737 |
| Other post employment benefits | 1,655,400 |
| Supplies and services | 3,284,560 |
| Contractual services | 10,203,633 |
| Depreciation | 245,711 |
| Other | 19,674 |
| | <hr/> |
| Total operating expenses | 29,108,524 |
| | <hr/> |
| Operating loss | (2,166,645) |
| | <hr/> |
| Nonoperating revenues: | |
| Interest income | 259,455 |
| | <hr/> |
| Total nonoperating revenues | 259,455 |
| | <hr/> |
| Decrease in net assets | (1,907,190) |
| | <hr/> |
| Net assets, beginning of year | 3,730,870 |
| | <hr/> |
| Net assets, end of year | \$ 1,823,680 |
| | <hr/> <hr/> |

See accompanying notes to basic financial statements.

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

Statement of Cash Flows

Year ended June 30, 2009

| | |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from customers and other governments | \$ 27,861,842 |
| Cash paid to employees | (14,263,627) |
| Cash paid to suppliers and consultants | (13,716,372) |
| Net cash used in operating activities | <u>(118,157)</u> |
| Cash flows from capital and related financing activities: | |
| Purchase/sale of capital assets | 1,523,932 |
| Repayment of note payable | (1,900,000) |
| Net cash used in capital and related financing activities | <u>(376,068)</u> |
| Cash flows from noncapital financing activities: | |
| Payments to development projects | (16,268,142) |
| Interest earnings on escrow deposits | 259,455 |
| Program grant receipts and advances | 11,345,460 |
| Receipts from the City of Boston | 3,148,045 |
| Net cash used in noncapital financing activities | <u>(1,515,182)</u> |
| Net decrease in cash and cash equivalents | (2,009,407) |
| Cash and cash equivalents, beginning of year | <u>45,905,426</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 43,896,019</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (2,166,645) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 245,711 |
| Increase in other postemployment liability | 1,103,964 |
| Decrease in notes receivable – Rowes Wharf, net | 22,574 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 816,394 |
| Disposition receivables – development sites | 1,748,821 |
| Prepaid assets | 3,699 |
| Accounts payable and accrued expenses | (212,204) |
| Vacation and sick leave liability | (12,645) |
| Deferred revenue | (1,667,826) |
| Net cash used in operating activities | <u><u>\$ (118,157)</u></u> |

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2009

(1) The Authority

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for an enterprise fund. Operating revenues and expenses result from the administering of community development projects within the City. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies all Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

During the year, the Authority adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). GASB 49 identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation. The statement requires a government entity to estimate its expected outlays for pollution remediation if it knows that a site is polluted based on specific recognition triggers and disclose those obligations associated with clean-up efforts. The adoption of GASB 49 did not have an impact on the Authority's financial statements.

(b) Use of Estimates

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

(c) Revenue Recognition

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

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

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The Authority has long-term leases with certain tenants in the Historic Monument Area of the Charlestown Navy Yard; these leases are for approximately 80 years. The Authority also has a number of leases on other properties throughout the City that generate lease revenue. Generally, the leases do not have scheduled rent increases and as such revenue is recorded on an accrual basis in accordance with the contractual terms.

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

(d) Cash and Cash Equivalents

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

(e) Capital Assets

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

(f) Depreciation

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

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

(g) Compensated Absences

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

(h) Deposits

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

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Notes to Basic Financial Statements

June 30, 2009

(i) ***Due to Designated Projects***

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

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

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

(3) Cash and Cash Equivalents

The Authority follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires that entities disclose essential risk information about deposits and investments.

(a) ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), as well as uninsured deposits. As of June 30, 2009, deposits in banks had a carrying value of \$11,794,529. Of the total bank balance, \$9,648,066 was uninsured.

(b) ***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.

(c) ***Interest Rate Risk***

As of June 30, 2009, the Authority's only cash equivalent was a fixed income money market fund. The fair value of the money market fund was \$32,101,490 and its weighted average maturity was less than one year.

(d) ***Credit Risk***

As of June 30, 2009, the Authority's money market fund was not rated.

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Notes to Basic Financial Statements

June 30, 2009

(4) Notes Receivable

Notes receivable as of June 30, 2009 consist of the following amounts:

| | Amount |
|--|---------------|
| Notes receivable – real estate | \$ 5,257,546 |
| Notes receivable – development and housing | 24,945,827 |
| Notes receivable – passed through the City | 54,791,770 |
| | 84,995,143 |
| Less allowance for uncollectibles | — |
| Notes receivable, net | \$ 84,995,143 |

Principal payments are due on the outstanding notes receivables as follows:

| | Amount |
|----------------------|---------------|
| Year ending June 30: | |
| 2010 | \$ 358,748 |
| 2011 | 348,748 |
| 2012 | 348,748 |
| 2013 | 288,748 |
| 2014 | 270,253 |
| Thereafter | 83,379,898 |
| Total principal due | \$ 84,995,143 |

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

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

Notes receivable – passed through the City consist of loans funded by the City and federal government under loan programs such as urban development and housing development action grants. The Authority loaned these pass-through funds to various not-for-profit community developers to accomplish their development and housing initiatives. The Authority administers these loans, with any repayment remitted to the City’s neighborhood development fund.

Amounts due to the Authority related to the notes receivable described above are not recorded as revenues on the Authority’s financial statements. Any collections on those notes are paid to the City or designated projects and are recorded as due to the City or due to designated projects on the Authority’s financial statements.

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June 30, 2009

(5) Rowes Wharf

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

The sale was consummated by the issuance of notes by the Authority to the developer in the amounts of \$14,000,000 and \$4,500,000. Both notes have terms of 20 years with interest rates of 6.80%. Aggregate amounts due to be received under the notes as of June 30, 2009 were as follows:

| | <u>Amount</u> |
|----------------------|-----------------------------|
| Year ending June 30: | |
| 2010 | \$ 510,113 |
| 2011 | 545,903 |
| 2012 | 584,203 |
| 2013 | 625,191 |
| 2014 | 669,054 |
| Thereafter | <u>14,715,602</u> |
| Total principal due | \$ <u><u>17,650,066</u></u> |

During the year ended June 30, 2009, principal payments of \$473,936 and interest payments of \$1,220,678 were received from the developer. The Authority will record and recognize the profit from the sale on the installment method, as follows:

| | <u>Amount</u> |
|---|-----------------------------|
| Gross sales proceeds | \$ 18,500,000 |
| Cost of land | <u>(876,134)</u> |
| Gross profit on installment sale | 17,623,866 |
| Gross profit recognized through June 30, 2009 | <u>(809,682)</u> |
| Gross profit not yet recognized | \$ <u><u>16,814,184</u></u> |

(6) China Trade Center

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the

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property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2009.

(7) Capital Assets

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2009:

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|---|------------------------------|------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 15,074,738 | 11,142 | (84,480) | 15,001,400 |
| Total capital assets not being depreciated | <u>15,074,738</u> | <u>11,142</u> | <u>(84,480)</u> | <u>15,001,400</u> |
| Other capital assets: | | | | |
| Land improvements | 471,384 | — | — | 471,384 |
| Building | 5,204,398 | 1,044,705 | (2,505,979) | 3,743,124 |
| Furniture and fixtures | 1,486,223 | 10,680 | — | 1,496,903 |
| Computers | 524,938 | — | — | 524,938 |
| Vehicles | 78,224 | — | — | 78,224 |
| Total other capital assets at historical cost | <u>7,765,167</u> | <u>1,055,385</u> | <u>(2,505,979)</u> | <u>6,314,573</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 7,856 | 15,712 | — | 23,568 |
| Building | 995,945 | 117,535 | — | 1,113,480 |
| Furniture and fixtures | 922,718 | 82,041 | — | 1,004,759 |
| Computers | 489,300 | 29,385 | — | 518,685 |
| Vehicles | 71,320 | 1,038 | — | 72,358 |
| Total accumulated depreciation | <u>2,487,139</u> | <u>245,711</u> | <u>—</u> | <u>2,732,850</u> |
| Other capital assets, net | <u>5,278,028</u> | <u>809,674</u> | <u>(2,505,979)</u> | <u>3,581,723</u> |
| Capital assets, net | <u>\$ 20,352,766</u> | <u>820,816</u> | <u>(2,590,459)</u> | <u>18,583,123</u> |

(8) Operating Leases and Other Property Payments

The Authority is a lessor of property under operating leases expiring in various years through 2088. The property was acquired in connection with the Authority's redevelopment activities and has not been capitalized.

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Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2009 for each of the next five years and thereafter are as follows:

| | Amount |
|----------------------|---------------|
| Year ending June 30: | |
| 2010 | \$ 3,353,940 |
| 2011 | 3,413,940 |
| 2012 | 2,927,667 |
| 2013 | 1,641,001 |
| 2014 | 1,641,001 |
| Thereafter | 80,210,358 |
| | \$ 93,187,907 |

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$1,077,985 for the year ended June 30, 2009.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$850,816 for the year ended June 30, 2009.

(9) Long-Term Liabilities

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

| | Beginning balance | Additions | Reductions | Ending balance |
|----------------------------|------------------------------|------------------|-------------------|---------------------------|
| Notes payable | \$ 3,375,000 | — | 1,900,000 | 1,475,000 |
| Deposits | 31,189,787 | 2,191,850 | 12,551,904 | 20,829,733 |
| Vacation and sick leave | 1,788,682 | 189,200 | 201,845 | 1,776,037 |
| Unfunded health liability | 966,367 | 1,103,964 | — | 2,070,331 |
| Due to designated projects | 41,755,367 | 13,777,793 | 2,432,333 | 53,100,827 |
| Due to the City | 60,841,862 | 5,396,079 | 2,248,034 | 63,989,907 |
| Deferred revenue | 34,903,702 | 1,169,700 | 2,628,867 | 33,444,535 |
| Other | 592,521 | 2,434 | — | 594,955 |
| | \$ 175,413,288 | 23,831,020 | 21,962,983 | 177,281,325 |

(10) Risk Management

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

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed appropriate deductible amounts per incident. The Authority provides for workers' compensation and health claims through premium based plans.

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

(11) Pension Plan

(a) Plan Description

All full-time Authority employees are required to participate in the State-Boston Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan. The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest 3 year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. The System issues a publicly available financial report that can be obtained from the Boston Retirement Board, Room 816, City Hall, Boston, Massachusetts 02201.

(b) Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Authority is required to pay into the System its share of the remaining systemwide actuarially determined contribution plus administration costs that are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted prior to July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$2,186,591, \$2,086,434, and \$1,908,177, respectively, which equaled its required contribution for those years.

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(12) Disposition Receivables – Development Sites

Amounts due to the Authority related to certain land disposition transactions that are recorded as deferred 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, 2009, the Authority recorded \$34,526,832 of disposition receivables of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$34,360,832 will be due as follows:

| | Amount |
|----------------------|---------------|
| Year ending June 30: | |
| 2010 | \$ 2,628,867 |
| 2011 | 2,628,867 |
| 2012 | 2,204,962 |
| 2013 | 1,949,628 |
| 2014 | 1,238,968 |
| Thereafter | 23,709,540 |
| | \$ 34,360,832 |

For the year ended June 30, 2009, the Authority recorded revenue of \$2,488,867, which was previously recorded as deferred revenue.

(13) Other Postemployment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was required to be implemented by governments with annual revenues greater than \$100 million for financial statement periods beginning after December 15, 2006. GASB Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns his/her postemployment benefit rather than when he/she uses his/her postemployment benefit. To the extent that an entity does not fund its actuarially required contribution, a postemployment benefit liability is recognized on the statement of net assets over time.

(a) Plan Description

In addition to providing the pension benefits described, the Authority provides postemployment healthcare and life insurance benefits (OPEB) for retired employees through the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Authority and can be amended by the Authority. As of June 30, 2009, the actuarial valuation date, approximately 139 retirees and 121 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

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(b) Benefits Provided

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

(c) Funding Policy

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

(d) Annual OPEB Costs and Net OPEB Obligation

The Authority's fiscal year 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The following table shows the components of the Authority's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2006:

| | Amount |
|---|---------------|
| ARC | \$ 1,644,800 |
| Adjustment to ARC (including interest on net OPEB obligation) | 10,600 |
| Annual OPEB cost | 1,655,400 |
| Contributions made | (551,436) |
| Change in net OPEB obligation | 1,103,964 |
| Net OPEB obligation – beginning of year | 966,367 |
| Net OPEB obligation – end of year | \$ 2,070,331 |

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

| Fiscal year ended | Annual OPEB cost | Percentage of OPEB cost contributed | Net OPEB obligation |
|--------------------------|-------------------------|--|----------------------------|
| 2009 | \$ 1,655,400 | 33% | \$ 2,070,331 |

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

Notes to Basic Financial Statements

June 30, 2009

(e) ***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2009, based on an actuarial valuation as of January 1, 2007, was as follows:

| | | |
|---|----|------------|
| Actuarial accrued liability (AAL) | \$ | 16,652,800 |
| Actuarial value of plan assets | | — |
| Unfunded actuarial accrued liability (UAAL) | \$ | 16,652,800 |
| Funded ratio (actuarial value of plan assets/AAL) | | —% |
| Covered payroll (active plan members) | \$ | 9,968,799 |
| UAAL as a percentage of covered payroll | | 167.0% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

(f) ***Actuarial Methods and Assumptions***

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

In the January 1, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Authority has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10.5%, which decreases to a 5.0% long-term trend rate for all healthcare benefits after 10 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

BOSTON REDEVELOPMENT AUTHORITY
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Required Supplementary Information
Schedule of Funding Progress

June 30, 2009

Unaudited
(Dollars in thousands)

OPEB

| Valuation date | Actuarial value of assets (a) | Actuarial accrued liability (AAL) (b) | (Funded) unfunded AAL (UAAL) (b-a) | Funded ratio (a/b) | Covered payroll (c) | UAAL as a percentage of covered payroll ((b-a)/c) |
|-----------------------|--------------------------------------|--|---|---------------------------|----------------------------|--|
| January 1, 2007 | \$ — | 16,653 | 16,653 | —% | \$ 9,969 | 167.0% |

See accompanying independent auditors' report.