



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

Basic Financial Statements and Required
Supplementary Information

June 30, 2010

(With Independent Auditors' Report Thereon)

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

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

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, 2010, 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, 2010, 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 18 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 November 4, 2010 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

November 4, 2010

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

Statement of Net Assets

June 30, 2010

Assets:

Current assets:

Cash and cash equivalents (note 3)	\$ 47,395,196
Accounts receivable:	
Rent, net	240,833
Intergovernmental	967,593
Other accounts receivable	84,941
Prepaid assets	138,023
Notes receivable, net, current portion (note 4)	1,188,577
Disposition receivables – development sites, current portion (note 12)	2,253,867
	52,269,030

Noncurrent assets:

Notes receivable, net (note 4)	83,957,011
Notes receivable – Rowes Wharf, net (note 5)	811,860
Disposition receivables – development sites (note 12)	29,418,334

Capital assets (note 7):

Nondepreciable	14,943,083
Depreciable	6,262,182
Less accumulated depreciation	(2,600,245)

Total capital assets, net	18,605,020
Total noncurrent assets	132,792,225
Total assets	185,061,255

Liabilities:

Current liabilities:

Accounts payable and accrued expenses	2,280,716
Deferred revenue, current portion (note 12)	2,253,867
	4,534,583

Noncurrent liabilities:

Notes payable (notes 6 and 9)	1,475,000
Deposits (note 9)	19,729,721
Vacation and sick leave (note 9)	1,420,472
Other postemployment benefits (note 13)	3,109,554
Due to designated projects (notes 4 and 9)	56,458,425
Due to City of Boston (notes 4 and 9)	63,891,884
Deferred revenue (note 12)	31,177,148
Other (note 9)	1,575,055

Total noncurrent liabilities	178,837,259
Total liabilities	183,371,842

Net assets:

Invested in capital assets, net of related debt	6,599,163
Unrestricted	(4,909,750)

Commitments and contingencies (note 10)	
Total net assets	\$ 1,689,413

See accompanying notes to basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2010

Operating revenues:	
Intergovernmental	\$ 13,863,044
Sale of property	3,154,692
Rent and other property payments (note 8)	7,896,944
Notes receivable – interest income (note 5)	1,188,120
Gross profit recognized on installment sale (note 5)	483,217
Other	1,992,287
Total operating revenues	28,578,304
Operating expenses:	
Personnel	8,307,467
Fringe benefits	3,484,028
Other postemployment benefits	1,039,223
Supplies and services	2,142,402
Contractual services	13,485,500
Depreciation	245,337
Other	8,697
Total operating expenses	28,712,654
Operating loss	(134,350)
Nonoperating revenues:	
Interest income	83
Total nonoperating revenues	83
Decrease in net assets	(134,267)
Net assets, beginning of year	1,823,680
Net assets, end of year	\$ 1,689,413

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2010

Cash flows from operating activities:	
Cash received from customers and other governments	\$ 29,611,060
Cash paid to employees	(12,147,060)
Cash paid to suppliers and consultants	(16,602,392)
Net cash provided by operating activities	<u>861,608</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(351,732)</u>
Net cash used in capital and related financing activities	<u>(351,732)</u>
Cash flows from noncapital financing activities:	
Payments to development projects	(270,357)
Interest earnings on escrow deposits	83
Program grant receipts and advances	3,357,598
Payments from the City of Boston	10,601,855
Payments made in behalf of the City of Boston	<u>(10,699,878)</u>
Net cash provided by noncapital financing activities	<u>2,989,301</u>
Net increase in cash and cash equivalents	3,499,177
Cash and cash equivalents, beginning of year	<u>43,896,019</u>
Cash and cash equivalents, end of year	<u>\$ 47,395,196</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (134,350)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	329,835
Increase in other postemployment liability	1,039,223
Decrease in notes receivable – Rows Wharf, net	24,022
Changes in operating assets and liabilities:	
Accounts receivable	711,992
Disposition receivables – development sites	2,854,631
Prepaid assets	(28,464)
Accounts payable and accrued expenses	(937,329)
Vacation and sick leave liability	(355,565)
Deferred revenue	<u>(2,642,387)</u>
Net cash provided by operating activities	<u>\$ 861,608</u>

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY

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Notes to Basic Financial Statements

June 30, 2010

(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.

(b) Use of Estimates

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

(c) Revenue Recognition

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

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

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

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Notes to Basic Financial Statements

June 30, 2010

(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.

(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.

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Notes to Basic Financial Statements

June 30, 2010

(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, as well as uninsured deposits. As of June 30, 2010, deposits in banks had a carrying value of \$15,780,640. Of the total bank balance, \$572,560 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, 2010, the Authority's only cash equivalent was a fixed income money market fund. The fair value of the money market fund was \$31,614,556 and its weighted average maturity was less than one year.

(d) Credit Risk

As of June 30, 2010, the Authority's money market fund was not rated.

(4) Notes Receivable

Notes receivable as of June 30, 2010 consist of the following amounts:

	Amount
Notes receivable:	
Real estate	\$ 4,741,428
Development and housing	25,767,762
Passed through the City	54,636,398
	85,145,588
Less allowance for uncollectibles	—
Notes receivable, net	\$ 85,145,588

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Notes to Basic Financial Statements

June 30, 2010

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

	<u>Amount</u>
Year ending June 30:	
2011	\$ 1,188,577
2012	370,577
2013	370,577
2014	330,395
2015	22,000
Thereafter	<u>82,863,462</u>
Total principal due	<u>\$ 85,145,588</u>

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.

(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.

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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, 2010 were as follows:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 545,903
2012	584,203
2013	625,191
2014	669,054
2015	715,995
Thereafter	<u>13,999,607</u>
Total principal due	<u>\$ 17,139,953</u>

During the year ended June 30, 2010, principal payments of \$510,113 and interest payments of \$1,188,120 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, 2010	<u>(1,295,773)</u>
Gross profit not yet recognized	<u>\$ 16,328,093</u>

(6) China Trade Center

In 1993, the Authority purchased the China Trade Center (CTC) from an unrelated party for approximately \$2,225,000, including past-due property taxes due to the City of approximately \$750,000. Funding for the purchase was provided by the City. In connection with the transaction, the City received from the Authority a noninterest-bearing mortgage note of \$1,475,000 due upon the sale or refinancing of the property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2010.

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June 30, 2010

(7) Capital Assets

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2010:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 15,001,400	26,161	(84,498)	14,943,063
Total capital assets not being depreciated	<u>15,001,400</u>	<u>26,161</u>	<u>(84,498)</u>	<u>14,943,063</u>
Other capital assets:				
Land improvements	471,384	—	—	471,384
Building	3,743,124	309,674	—	4,052,798
Furniture and fixtures	1,496,903	—	—	1,496,903
Computers	524,938	15,897	(377,962)	162,873
Vehicles	78,224	—	—	78,224
Total other capital assets at historical cost	<u>6,314,573</u>	<u>325,571</u>	<u>(377,962)</u>	<u>6,262,182</u>
Less accumulated depreciation for:				
Land improvements	23,568	15,715	—	39,283
Building	1,113,480	141,257	—	1,254,737
Furniture and fixtures	1,004,759	79,884	—	1,084,643
Computers	518,685	6,805	(377,962)	147,528
Vehicles	72,358	1,676	—	74,034
Total accumulated depreciation	<u>2,732,850</u>	<u>245,337</u>	<u>(377,962)</u>	<u>2,600,225</u>
Other capital assets, net	<u>3,581,723</u>	<u>80,234</u>	<u>—</u>	<u>3,661,957</u>
Capital assets, net	\$ <u><u>18,583,123</u></u>	<u><u>106,395</u></u>	<u><u>(84,498)</u></u>	<u><u>18,605,020</u></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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June 30, 2010

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2010 for each of the next five years and thereafter are as follows:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 2,945,374
2012	2,804,639
2013	1,837,972
2014	1,644,639
2015	1,644,639
Thereafter	<u>78,509,474</u>
	<u>\$ 89,386,737</u>

The Authority is also a lessor of property under operating leases with terms of less than one year. Total rental income under short-term operating leases was \$1,257,404 for the year ended June 30, 2010.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$927,067 for the year ended June 30, 2010.

(9) Long-Term Liabilities

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Notes payable	\$ 1,475,000	—	—	1,475,000
Deposits	20,829,733	638,969	1,738,981	19,729,721
Vacation and sick leave	1,776,037	—	355,565	1,420,472
Other postemployment benefits	2,070,331	1,039,223	—	3,109,554
Due to designated projects	53,100,827	7,230,305	3,872,707	56,458,425
Due to the City of Boston	63,989,907	10,601,855	10,699,878	63,891,884
Deferred revenue	33,444,535	507,004	2,774,391	31,177,148
Other	594,955	1,035,186	55,086	1,575,055
	<u>\$ 177,281,325</u>	<u>21,052,542</u>	<u>19,496,608</u>	<u>178,837,259</u>

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2010

(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.

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, 2010, 2009, and 2008 were \$1,739,459, \$2,186,591, and \$2,086,434, respectively, which equaled its required contribution for those years.

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Notes to Basic Financial Statements

June 30, 2010

(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, 2010, the Authority recorded \$31,672,201 of disposition receivables of which \$2,166,000 will become due upon the achievement of certain milestones and the remaining \$29,506,201 will be due as follows:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 2,253,867
2012	2,204,962
2013	1,949,628
2014	1,238,968
2015	1,238,968
Thereafter	<u>20,619,808</u>
	<u>\$ 29,506,201</u>

For the year ended June 30, 2010, the Authority recorded revenue of \$2,651,617, 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, 2010, the actuarial valuation date, approximately 138 retirees and 103 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

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June 30, 2010

(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 2010 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, 2010, 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, 2009:

	<u>Amount</u>
ARC	\$ 1,589,410
Adjustment to ARC (including interest on net OPEB obligation)	<u>20,998</u>
Annual OPEB cost	1,610,408
One time adjustment	(4,971)
Contributions made	<u>(566,214)</u>
Change in net OPEB obligation	1,039,223
Net OPEB obligation – beginning of year	<u>2,070,331</u>
Net OPEB obligation – end of year	\$ <u><u>3,109,554</u></u>

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June 30, 2010

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

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2010	\$ 1,610,408	35%	\$ 3,109,554

(e) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, based on an actuarial valuation as of January 1, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 18,363,559
Actuarial value of plan assets	<u> </u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 18,363,559</u>
Funded ratio (actuarial value of plan assets/AAL)	—%
Covered payroll (active plan members)	\$ 10,106,809
UAAL as a percentage of covered payroll	181.7%

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.

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

Notes to Basic Financial Statements

June 30, 2010

In the January 1, 2009 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 9.0%, 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
(A Component Unit of the City of Boston)

Required Supplementary Information

Schedule of Funding Progress

June 30, 2010

Unaudited

(Dollars in thousands)

Valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	OPEB		Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
			(Funded) unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)		
January 1, 2007	\$ —	16,653	16,653	—%	\$ 9,969	167.0%
January 1, 2009	—	18,364	18,364	—	10,107	181.7

See accompanying independent auditors' report.