



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

Basic Financial Statements, Required Supplementary
Information, and Supplementary Schedule

June 30, 2008

(With Independent Auditors' Report Thereon)

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

June 30, 2008

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Independent Auditors' Report

The Board of Directors
Boston Redevelopment Authority:

We have audited the accompanying statement of net assets of the Boston Redevelopment Authority (the Authority, a component unit of the City of Boston) as of June 30, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 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.

As described in note 13 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008.



The Management's Discussion and Analysis on pages 3 through 6 and the schedule of funding progress on page 22 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. Schedule 1 (operating fund statement of revenues and expenses -- budget vs. actual) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

December 15, 2008

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

The following is the management's discussion and analysis of the financial performance of the Boston Redevelopment Authority (the Authority) for the fiscal year ended June 30, 2008. This discussion is a narrative overview and analysis of the Authority's financial operations and should be read in conjunction with the accompanying financial statements.

Basic Financial Statements

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private sector business enterprises. This method of accounting has an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. This report also includes notes accompanying the statements to fully explain the activities reported in them.

The statement of net assets presents information on the assets and liabilities of the Authority. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the financial stability of the Authority.

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the nonoperating revenues of the Authority for the fiscal year. The difference—increase or decrease in net assets—then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statement of cash flows reports activities affecting cash and cash equivalents during the fiscal year.

Financial Highlights

- Assets exceeded liabilities by \$3,730,870 at the close of the fiscal year.
- Operating revenues decreased \$3,079,007 or 12.6% from the previous year due to a decrease in intergovernmental activity, sale of property revenues, and rental and other property payments.
- Operating expenses increased \$281,219 or 1.1% from the previous year primarily due to increases in accrued fringe expense.
- Net assets decreased \$3,813,402 from last year.
- Cash and cash equivalents increased by \$2,075,697 during the year.

BOSTON REDEVELOPMENT AUTHORITY
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Required Supplementary Information

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Financial Analysis of the Authority

Net Assets

The Authority's net assets at June 30, 2008 were \$3,730,870 as shown in Table A-1. Total assets increased by \$21,009,248 and total liabilities increased by \$24,822,650.

Table A-1

Boston Redevelopment Authority's Summarized Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (decrease)</u>
Assets:			
Current assets	\$ 61,840,620	48,171,405	13,669,215
Noncurrent assets:			
Notes receivable, net	69,780,420	75,488,704	(5,708,284)
Disposition receivables – development sites	33,438,127	25,612,030	7,826,097
Capital assets	<u>20,352,766</u>	<u>15,130,546</u>	<u>5,222,220</u>
Total assets	<u>\$ 185,411,933</u>	<u>164,402,685</u>	<u>21,009,248</u>
Liabilities:			
Current liabilities	\$ 6,267,775	4,609,077	1,658,698
Noncurrent liabilities:			
Due to designated projects	41,755,367	33,136,154	8,619,213
Deposits	31,189,787	31,379,305	(189,518)
Due to City of Boston	60,841,862	57,148,421	3,693,441
Deferred revenue	34,903,702	26,960,190	7,943,512
Other	<u>6,722,570</u>	<u>3,625,266</u>	<u>3,097,304</u>
Total liabilities	<u>\$ 181,681,063</u>	<u>156,858,413</u>	<u>24,822,650</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 8,396,552	7,047,596	1,348,956
Unrestricted	<u>(4,665,682)</u>	<u>496,676</u>	<u>(5,162,358)</u>
Total net assets	<u>\$ 3,730,870</u>	<u>7,544,272</u>	<u>(3,813,402)</u>

The increase in total assets is primarily due to increases in notes receivables (of which the current portion is reflected in current assets), disposition receivables, and capital assets.

The increase in total liabilities is due to an increase in deferred revenue and designated projects.

BOSTON REDEVELOPMENT AUTHORITY
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Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Capital Assets

At the end of 2008, the Authority had \$20,352,766 invested in capital assets, which consists primarily of land held for redevelopment purposes within the City of Boston. There were significant additions of capital assets during the year, including land that was acquired for a specific project.

Long-Term Obligations

At year-end, the Authority had \$175,413,288 in long-term liabilities. The major components of this balance include deferred revenue of \$34,903,702 and amounts due to the City of Boston of \$60,841,862 and amounts due to designated projects of \$41,755,367. All of these amounts are related to the Authority's redevelopment activities. The amounts due to the City of Boston and to designated projects have been established to designate where loan repayments from the Authority's borrowers are to be paid.

BOSTON REDEVELOPMENT AUTHORITY
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Required Supplementary Information

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Table A-2

Changes in the Boston Redevelopment Authority's Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (decrease)</u>
Operating revenues:			
Intergovernmental	\$ 6,154,561	7,761,135	(1,606,574)
Sale of property	5,378,751	7,131,590	(1,752,839)
Rent and other property payments	7,380,828	8,906,116	(1,525,288)
Note receivable – interest income	1,038,914	—	1,038,914
Gross profit recognized on installment sale	355,586	—	355,586
Other	1,094,112	682,918	411,194
Total operating revenues	<u>21,402,752</u>	<u>24,481,759</u>	<u>(3,079,007)</u>
Operating expenses:			
Contractual services	7,875,445	9,568,488	(1,693,043)
Personnel and fringe	13,311,977	12,927,331	384,646
Other post employment benefits	1,533,200	—	1,533,200
Supplies and services	2,874,121	2,861,038	13,083
Other	229,675	186,342	43,333
Total operating expenses	<u>25,824,418</u>	<u>25,543,199</u>	<u>281,219</u>
Operating loss	<u>(4,421,666)</u>	<u>(1,061,440)</u>	<u>(3,360,226)</u>
Nonoperating revenues (expenses)	<u>608,264</u>	<u>1,130,120</u>	<u>(521,856)</u>
Change in net assets	<u>(3,813,402)</u>	<u>68,680</u>	<u>(3,882,082)</u>
Total net assets, beginning of year	<u>7,544,272</u>	<u>7,475,592</u>	<u>68,680</u>
Total net assets, end of year	<u>\$ 3,730,870</u>	<u>7,544,272</u>	<u>(3,813,402)</u>

The decrease in operating revenues is primarily due to a reduction in eminent domain takings for the City of Boston. These revenues are accounted for as intergovernmental revenue, and a reduction of lease revenues.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives to carry out the planning and economic development activities of the City of Boston. If you have any questions about this report, contact the Secretary's Office, 9th Floor, City Hall.

BOSTON REDEVELOPMENT AUTHORITY
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Statement of Net Assets

June 30, 2008

Assets

Current assets:	
Cash and cash equivalents (note 3)	\$ 45,905,426
Accounts receivable:	
Rent	240,077
Intergovernmental	2,362,341
Other accounts receivable	219,335
Prepaid assets	113,258
Notes receivable, net, current portion (note 4)	10,162,657
Disposition receivables – development sites, current portion (note 12)	<u>2,837,526</u>
Total current assets	<u>61,840,620</u>
Noncurrent assets:	
Notes receivable, net (note 4)	68,921,964
Notes receivable – Rows Wharf, net (note 5)	858,456
Disposition receivables – development sites (note 12)	33,438,127
Capital assets (note 7):	
Nondepreciable	15,074,738
Depreciable	7,765,167
Less accumulated depreciation	<u>(2,487,139)</u>
Total capital assets, net	<u>20,352,766</u>
Total noncurrent assets	<u>123,571,313</u>
Total assets	<u>\$ 185,411,933</u>

Liabilities

Current liabilities:	
Accounts payable and accrued expenses	\$ 3,430,249
Deferred revenue, current portion (note 12)	<u>2,837,526</u>
Total current liabilities	<u>6,267,775</u>
Noncurrent liabilities:	
Notes payable (notes 6 and 9)	3,375,000
Deposits (note 9)	31,189,787
Vacation and sick leave (note 9)	1,788,682
Other postemployment benefits (note 13)	966,367
Due to designated projects (notes 4 and 9)	41,755,367
Due to City of Boston (notes 4 and 9)	60,841,862
Deferred revenue (note 12)	34,903,702
Other (note 9)	<u>592,521</u>
Total noncurrent liabilities	<u>175,413,288</u>
Total liabilities	<u>\$ 181,681,063</u>

Net Assets

Invested in capital assets, net of related debt	\$ 8,396,552
Unrestricted	(4,665,682)
Commitments and contingencies (note 10)	
Total net assets	<u>\$ 3,730,870</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, 2008

Operating revenues:	
Intergovernmental	\$ 6,154,561
Sale of property	5,378,751
Rent and other property payments (note 8)	7,380,828
Notes receivable – interest income (note 5)	1,038,914
Gross profit recognized on installment sale (note 5)	355,586
Other	1,094,112
Total operating revenues	21,402,752
Operating expenses:	
Personnel	9,968,799
Fringe benefits	3,343,178
Other post employment benefits	1,533,200
Supplies and services	2,874,121
Contractual services	7,875,445
Depreciation	221,063
Other	8,612
Total operating expenses	25,824,418
Operating loss	(4,421,666)
Nonoperating revenues:	
Interest income	608,264
Total nonoperating revenues	608,264
Decrease in net assets	(3,813,402)
Net assets, beginning of year	7,544,272
Net assets, end of year	\$ 3,730,870

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 18,512,427
Cash paid to employees	(13,705,009)
Cash paid to suppliers and consultants	<u>(8,738,457)</u>
Net cash used in operating activities	<u>(3,931,039)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(5,443,283)
Proceeds from note issuance	<u>1,900,000</u>
Net cash used in capital and related financing activities	<u>(3,543,283)</u>
Cash flows from noncapital financing activities:	
Payment to development projects	(3,370,899)
Interest earnings on escrow deposits	608,264
Program grant receipts and advances	8,619,213
Receipts from the City of Boston	<u>3,693,441</u>
Net cash provided by noncapital financing activities	<u>9,550,019</u>
Increase in cash and cash equivalents	2,075,697
Cash and cash equivalents, beginning of year	<u>43,829,729</u>
Cash and cash equivalents, end of year	<u>\$ 45,905,426</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,421,666)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	221,063
Establishment of other postemployment benefits liability	966,367
Establishment of notes receivable – Rowes Wharf, net	(858,456)
Changes in operating assets and liabilities:	
Receivables	(1,649,284)
Disposition of development sites	(8,052,629)
Prepaid assets	87,555
Accounts payable and accrued expenses	1,932,166
Vacation and sick leave	173,801
Deferred revenue	<u>7,670,044</u>
Net cash used in operating activities	<u>\$ (3,931,039)</u>

See accompanying notes to basic financial statements.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

(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) Cash and Cash Equivalents

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

(d) Capital Assets

Capital assets are valued 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.

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Notes to Basic Financial Statements

June 30, 2008

(e) Depreciation

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

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

(f) 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.

(g) Deposits

Deposits are funds given to the Authority by developers for the development of specific projects within the City of Boston.

(h) Due to Designated Projects

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

(i) Due to City

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.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

(3) Cash and Investments

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, 2008, the bank balances of uninsured deposits totaled \$20,332,894.

(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, 2008, the Authority's only investment was a fixed income money market fund. The fair value of the money market fund was \$25,961,500, and its weighted average maturity was less than one year.

(d) Credit Risk

As of June 30, 2008, the Authority's investment in the money market fund was not rated.

(4) Notes Receivable

Notes receivable as of June 30, 2008 consist of the following amounts:

	Amount
Notes receivable – real estate	\$ 4,044,546
Notes receivable – development and housing	23,112,450
Notes receivable – passed through the City of Boston	51,983,197
	79,140,193
Less allowance for uncollectibles	(55,572)
Notes receivable, net	\$ 79,084,621

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

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

	<u>Amount</u>
Year ending June 30:	
2009	\$ 10,164,657
2010	97,157
2011	97,157
2012	97,157
2013	97,157
Thereafter	68,531,336
Total principal due	\$ 79,084,621

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. Because the loan repayments are contingent upon future events (e.g., cash flows) and the collectibility of such amounts is not assured, the receivables are fully deferred on the Authority's statement of net assets.

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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June 30, 2008

The sale was consummated by the issuance of notes by the Authority to the developer in the amount 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, 2008 were as follows:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 476,671
2010	510,113
2011	545,903
2012	584,203
2013	625,191
Thereafter	<u>15,384,655</u>
Total principal due	\$ <u><u>18,126,736</u></u>

During the year ended June 30, 2008, principal payments of \$373,264 and interest payments of \$1,038,914 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, 2008	<u>(355,586)</u>
Gross profit not yet recognized	\$ <u><u>17,268,280</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 property. The Authority rents the space to various unrelated parties. The CTC is included in the Authority's capital asset balance at June 30, 2008.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

(7) Capital Assets

The following is a summary of activities by major categories of capital assets for the year ended June 30, 2008:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 436,136	35,248	(471,384)	—
Land	11,127,672	4,868,200	(921,134)	15,074,738
Total capital assets not being depreciated	<u>11,563,808</u>	<u>4,903,448</u>	<u>(1,392,518)</u>	<u>15,074,738</u>
Other capital assets:				
Land improvements	—	471,384	—	471,384
Building	3,813,231	1,391,167	—	5,204,398
Furniture and fixtures	1,428,886	57,337	—	1,486,223
Computers	512,473	12,465	—	524,938
Vehicles	78,224	—	—	78,224
Total other capital assets at historical cost	<u>5,832,814</u>	<u>1,932,353</u>	<u>—</u>	<u>7,765,167</u>
Less accumulated depreciation for:				
Land improvements	—	7,856	—	7,856
Building	923,081	72,864	—	995,945
Furniture and fixtures	831,654	91,064	—	922,718
Computers	441,497	47,803	—	489,300
Vehicles	69,844	1,476	—	71,320
Total accumulated depreciation	<u>2,266,076</u>	<u>221,063</u>	<u>—</u>	<u>2,487,139</u>
Other capital assets, net	<u>3,566,738</u>	<u>1,711,290</u>	<u>—</u>	<u>5,278,028</u>
Capital assets, net	\$ <u>15,130,546</u>	<u>6,614,738</u>	<u>(1,392,518)</u>	<u>20,352,766</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.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

Minimum future rentals to be received on all noncancelable operating leases as of June 30, 2008 for each of the next five years and thereafter are as follows:

	Amount
Year ending June 30:	
2009	\$ 1,635,509
2010	1,635,509
2011	1,635,509
2012	1,635,509
2013	1,635,509
Thereafter	81,388,919
	\$ 89,566,464

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 \$823,408 for the year ended June 30, 2008.

The Authority receives a percentage of revenues from the sale and resale of real estate. The Authority received payments amounting to \$809,727 for the year ended June 30, 2008.

(9) Long-Term Liabilities

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

	Beginning balance	Additions	Reductions	Ending balance
Notes payable	\$ 1,475,000	1,900,000	—	3,375,000
Deposits	31,379,305	3,483,240	3,672,758	31,189,787
Vacation and sick leave	1,614,881	173,801	—	1,788,682
Unfunded health liability	—	966,367	—	966,367
Due to designated projects	33,136,154	9,838,323	1,219,110	41,755,367
Due to the City	57,148,441	6,805,912	3,112,491	60,841,862
Deferred revenue	26,960,190	10,781,038	2,837,526	34,903,702
Other	535,385	147,136	90,000	592,521
	\$ 152,249,356	34,095,817	10,931,885	175,413,288

The Authority purchased 8.3 acres of land from an unrelated party. In connection with the transaction, the Authority received a noninterest-bearing mortgage note of \$1,900,000 from the City due or deemed repaid upon certain milestones being met. The land is included in the Authority's capital asset balance at June 30, 2008.

The timing of the repayment for both the notes payable will be determined when certain future events occur (e.g., sale of related property). There is no established repayment schedule for the other noncurrent liabilities.

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

Notes to Basic Financial Statements

June 30, 2008

(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, 2008, 2007, and 2006 were \$2,086,434, \$1,908,177, and \$1,723,571, respectively, which equaled its required contribution for those years.

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

(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, 2008, the Authority recorded \$36,275,653 of disposition receivables of which \$166,000 will become due upon the achievement of certain milestones and the remaining \$36,109,653 will be due as follows:

	Amount
Year ending June 30:	
2009	\$ 2,837,526
2010	2,837,526
2011	2,487,526
2012	2,438,621
2013	2,183,287
Thereafter	23,325,167
	\$ 36,109,653

For the year ended June 30, 2008, the Authority recorded a revenue of \$3,270,000, 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*, is 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 use 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, 2008, 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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Notes to Basic Financial Statements

June 30, 2008

(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 2008 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, 2008, 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	\$ 1,533,200
Interest on net OPEB obligation	—
Adjustment to ARC	—
Annual OPEB cost	1,533,200
Contributions made	(566,833)
Change in net OPEB obligation	966,367
Net OPEB obligation – beginning of year	—
Net OPEB obligation – end of year	\$ 966,367

BOSTON REDEVELOPMENT AUTHORITY
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Notes to Basic Financial Statements

June 30, 2008

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>
2008	\$ 1,533,200	37%	\$ 966,367

(e) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, 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	<u> </u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>16,652,800</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
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.

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Notes to Basic Financial Statements

June 30, 2008

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, 2008

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	\$ ---	16,652,800	16,652,800	---%	\$ 9,968,799	167.0%

See accompanying independent auditors' report.

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

Operating Fund Statement of Revenues and Expenses – Budget vs. Actual

Year ended June 30, 2008

(Unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance over (under)</u>
Revenues:			
Rental, leases, and long-term agreements	\$ 6,571	12,015	(5,444)
Equity participation	810	1,492	(682)
Project income	6,751	3,384	3,367
Interest income	458	200	258
Other income	1,094	100	994
	<hr/>	<hr/>	<hr/>
Total revenues	15,684	17,191	(1,507)
Expenses:			
Personnel and fringe	14,393	13,373	1,020
Supplies and services	2,691	1,992	699
Contractual services	2,106	1,659	447
	<hr/>	<hr/>	<hr/>
Total expenses	19,190	17,024	2,166
	<hr/>	<hr/>	<hr/>
Excess expenses over revenues	\$ (3,506)	167	(3,673)

See accompanying independent auditors' report.