

# Boston Housing Authority

Financial Report

Year Ended March 31, 2014

# Boston Housing Authority

FINANCIAL REPORT  
Year Ended March 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Administrator  
Boston Housing Authority  
Boston, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business type activities and aggregate discretely presented component units of the Boston Housing Authority (the "Authority"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and the aggregate discretely presented component units of the Authority as of March 31, 2014, and the changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the Authority adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*, during the year ended March 31, 2014. Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-11 and the Schedule of Funding Progress for the Retiree Health Plan on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Boston, Massachusetts  
December 30, 2014

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Boston Housing Authority's (the Authority or BHA) financial statements are those of a special-purpose government engaged only in business-type activities, also known as the enterprise model, and are prepared on the accrual basis of accounting. As such, it is similar to a commercial entity's presentation of financial statements in that the Authority-wide financial statements are appropriately reported in single columnar format, providing both long-term and short-term information about the BHA's overall financial status.

The BHA's accounting records are organized and maintained by individual programs and account groups, each of which is considered a separate government accounting entity engaged in a business-type activity, including a component units fund comprised of separate legal entities of which the BHA is the sole member. The component units are discretely presented in the financial statements.

The financial statements included in this report are:

- **Statement of Net Position** - reports the Authority's current financial resources, capital assets and other non-current assets, current financial obligations, and long-term debt obligations. It is presented in the format where assets minus liabilities equal "Net Position". Assets are presented in order of liquidity and are classified as "Current" (convertible into cash within one year) and "Non-Current". Current liabilities are obligations that should be satisfied within one year and liabilities that do not meet this expectation are classified as "Non-Current". This statement is designed to represent the net position, net of liabilities, for the entire Authority and is reported in three categories:
  - **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - **Restricted** - Consists of net position restricted to specific uses either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation
  - **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets". In instances where unrestricted or restricted resources are available to fund expenditures, the Authority will initially use unrestricted assets.
- **Statement of Revenues, Expenses and Changes in Net Position** - reports the Authority's operating revenues, such as rental income and subsidy, and operating expenses, such as administrative, utilities and maintenance, and depreciation, and non-operating revenues and expenses such as capital grants, investment income, and interest expense. The focus of this statement is the "Change in Net Position", which is similar to net income or loss.
- **Statement of Cash Flows** - reports the net cash provided by or used by operating activities, investing, non-capital funding activities and from capital and related financing activities.

The financial statements also include notes that provide more detailed and explanatory information and are an integral part of the financial statements.

The financial statements and notes are followed with supplementary information that further supports the financial statements and is made up of the following information:

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)

Year Ended March 31, 2014

**OVERVIEW OF THE FINANCIAL STATEMENTS...continued**

- Management's Discussion and Analysis (unaudited)
- Schedule of Funding Progress for the Retiree Health Plan (unaudited)
- Combining Statement of Net Position – Primary Government Programs
- Combining Statement of Revenues, Expenses and Changes in Net Position – Primary Government Programs
- Combining Statement of Net Position – Discretely Presented Component Units
- Combining Statement of Revenues, Expenses and Changes in Net Position – Discretely Presented Component Units
- Statement of Net Position – Building
- Statement of Revenues, Expenses and Changes in Net Position – Building
- Statement of Certification of Actual Program Costs - Federally Funded Programs

The following sections examining the statement of net position and the statement of revenues, expenses and changes in net position will highlight the changes between FY 2014 and FY 2013. In looking at the causes for these changes only items of significant importance will be noted. There may be other minor, immaterial fluctuations in the other accounts associated with each line item and it should be assumed that any variation between the line item change and any amounts specifically noted and discussed would be explained by the net result of these minor fluctuations occurring in the various applicable programs.

**ANALYSIS OF AUTHORITY WIDE NET POSITION (STATEMENT OF NET POSITION)**

The schedule below shows comparative balance sheet data from the current fiscal year ended March 31, 2014 (FY 2014) and the prior year ended March 31, 2013 (FY 2013).

**Condensed Comparative Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>Net Change</u>	<u>Variance</u>
Cash and cash equivalents and Investments	\$101,171,484	\$134,499,205	\$(33,327,721)	-24.78%
Other Current Assets	8,999,687	11,224,550	(2,224,863)	-19.82%
Capital Assets	359,571,805	399,722,136	(40,150,331)	-10.04%
Other Non-current assets	<u>132,429,233</u>	<u>124,240,838</u>	<u>8,188,295</u>	<u>6.59%</u>
<b>Total Assets</b>	<u>\$602,172,209</u>	<u>\$669,686,729</u>	<u>\$(67,514,520)</u>	<u>-10.08%</u>
Current Liabilities	\$ 32,587,065	\$ 36,259,320	\$ (3,672,255)	-10.13%
Non-current liabilities	<u>194,091,134</u>	<u>220,566,448</u>	<u>(26,475,314)</u>	<u>-12.00%</u>
<b>Total Liabilities</b>	<u>226,678,199</u>	<u>256,825,768</u>	<u>(30,147,569)</u>	<u>-11.74%</u>
Net position invested in capital assets	221,780,132	236,618,947	(14,838,815)	-6.27%
Restricted net position	21,144,737	29,638,180	(8,493,443)	-28.66%
Unrestricted net position	<u>132,569,141</u>	<u>146,603,834</u>	<u>(14,034,693)</u>	<u>-9.57%</u>
<b>Total Net Position</b>	<u>375,494,010</u>	<u>412,860,961</u>	<u>(37,366,951)</u>	<u>-9.05%</u>
<b>Total Liabilities and Net Position</b>	<u>\$602,172,209</u>	<u>\$669,686,729</u>	<u>\$(67,514,520)</u>	<u>-10.08%</u>

## Boston Housing Authority

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

### ANALYSIS OF AUTHORITY WIDE NET POSITION (STATEMENT OF NET POSITION)...continued

The Authority's FY 2014 total assets decreased by \$67,514,520 or 10%, from FY 2013. The significant changes in asset categories that resulted in this net decrease are discussed below.

"Cash and cash equivalents and investments" realized a net decrease of \$33.3 million. Significant decreases include approximately \$8.8 million to draw down of operating reserves due to subsidy funding reductions in the federal operating program. The Housing Choice Voucher Program ("HCVP") cash and investments decreased by approximately \$8 million due to draw down of reserves used to make housing assistance payments. There was a decrease of \$2 million from a program used by the BHA police force. A \$10.6 million dollar decrease was due to disbursements from the Federal Capital Fund Financing Program (CFFP) bond proceeds and approximately a \$4 million decrease was from representation of Heritage and Lower Mills in FY14 in component units.

"Other current assets" realized a decrease of \$2.2 million. The decrease was due mainly to a reduction in accounts receivable from HOPE VI funds for work down in 2013.

"Capital assets" decreased by \$40.1 million. This decrease is primarily accounted for by a \$54 million increase in building improvements, primarily the result of a \$99.7 decrease in construction in progress and \$4.7 million in depreciation.

"Other non-current assets" increased by \$3.3 million mainly due to a \$15 million decrease to notes receivable in the HOPE VI Program and a \$18.3 million increase in notes receivable projects.

Total liabilities of the Authority decreased in FY2014 by \$30.1 million. In 2014 long term construction debt in the amount of \$28 million associated with Heritage and Lower Mills was presented in component units. In FY13 this debt was shown in primary government. Current liabilities decreased by \$3.8 million due mainly to a decrease in the current portion of long term debt projects related ESCO debt service.

"Non-current liabilities" decreased by \$26.5 million due mainly to the net of an increase in accrued pension and OPEB liabilities and a decrease of long-term debt, net of current due to the change in presentation of debt associated with Heritage and Lower Mills.

As previously stated above in the MD&A section "Overview of the Financial Statements", the Statement of Net Position is presented in the format where assets minus liabilities equal "Net Position". Using this formula, the decrease from FY 2013 to FY 2014 in total assets of \$67,514,520 netted against the decrease in total liabilities of \$30,147,569 from FY 2013 to FY 2014 equals the net decrease in net position of \$37.3 million. The result is the same as the difference between the FY 2013 net position of \$412,860,961 and the FY 2014 net position of \$375,494,010.

To conclude this section some selected liquidity and debt ratios are shown. Cash and investments and current assets showed decreases between FY 2014 and FY 2013 resulting in decreases in the current and cash ratios.

Selected Financial Ratios	2014	2013
Current Ratio	3.38	4.02
Cash Ratio	3.10	3.71
Cash Ratio (excluding restricted cash and related current portion of debt)	3.16	3.04
Debt to Equity	46%	42%
Debt Ratio	38%	38%
Capitalization Ratio	31%	29 %

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The major sections of the statement of revenues, expenses and changes in net position, discussed more fully below, show that in FY 2014, the BHA had total operating revenue of \$325,986,609, total operating expenses of \$365,284,798 and total non-operating revenues (net of non-operating expenses) of \$11,189,133. The result is a \$28,109,056 decrease in net position --- described as "Change in Net Position" --- for FY 2014 on the statement of revenues, expenses and changes in net position.

**Boston Housing Authority**  
Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

**ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION...continued**

**Comparative Statement of Revenues & Expenses**

	2014	2013	Net Change	Variance
Total tenant revenue - net	\$ 39,673,355	\$ 40,641,946	\$ (968,591)	-2.38%
HUD operating subsidies and grants	249,763,990	261,643,135	(11,879,145)	-4.54%
Other governmental grants	30,171,873	21,887,349	8,284,524	37.85%
Other revenue	6,377,391	5,901,261	476,130	8.07%
Bad debt	-	(39,987)	39,987	-100.00%
<b>Total Operating Revenue</b>	<b>325,986,609</b>	<b>330,033,704</b>	<b>(4,047,095)</b>	<b>-1.24%</b>
Administration	40,088,449	42,480,168	(2,391,719)	-5.63%
Tenant services	3,061,424	4,359,632	(1,298,208)	-29.78%
Utilities	37,225,369	37,003,007	222,362	0.60%
Maintenance and operations	43,497,934	45,887,076	(2,389,142)	-5.21%
Protective services	6,363,303	6,971,467	(608,164)	-8.72%
Insurance	4,145,924	4,640,234	(494,310)	-10.65%
Payment in lieu of taxes	291,816	357,312	(65,496)	-18.33%
Housing assistance payments	183,621,400	180,923,141	2,698,259	1.49%
Pension and other post-retirement employee benefit expense	6,244,013	4,422,305	1,821,708	41.19%
Other general expenses	1,989,905	5,194,611	(3,204,706)	-61.69%
Depreciation	38,755,261	34,147,784	4,607,477	13.49%
<b>Total Operating Expenses</b>	<b>365,284,798</b>	<b>366,386,737</b>	<b>(1,101,939)</b>	<b>-0.30%</b>
<b>Total Operating Loss</b>	<b>(39,298,189)</b>	<b>(36,353,033)</b>	<b>(2,945,156)</b>	<b>8.21%</b>
Capital Grants	20,292,619	25,111,050	(4,818,431)	-19.19%
Investment income - unrestricted	148,312	99,427	48,885	49.17%
Investment income - restricted	26,866	45,635	(18,769)	-41.13%
Interest expense	(7,389,624)	(3,694,854)	(3,694,770)	100.00%
Extraordinary maintenance	(473,252)	(323,595)	(149,657)	46.25%
Disposition of property	(16,511)	(934,003)	917,492	-98.23%
Casualty losses	(737,520)	(2,724,487)	1,986,967	-72.93%
Equity transfers	(661,757)	(564,424)	(97,333)	17.24%
<b>Total Non-Operating Revenues</b>	<b>11,189,133</b>	<b>17,014,749</b>	<b>(5,825,616)</b>	<b>-33.67%</b>
<b>Change in Net Position</b>	<b>(28,109,056)</b>	<b>(19,338,284)</b>	<b>(8,770,772)</b>	<b>45.06%</b>
Net Position, beginning of year (as restated)	403,603,066	432,199,245	(28,596,179)	-6.62%
<b>Net Position, End of Year</b>	<b>\$375,494,010</b>	<b>\$412,860,961</b>	<b>\$(37,366,951)</b>	<b>-9.04%</b>

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION...continued**

**Total operating revenue** decreased by \$4.1 million in FY 2014 from FY 2013. Significant factors included:

- A \$8.2 million increase in other governmental grants due to an increase in state operating subsidy and state capital funding.
- A \$.476 million increase in other revenue due to the net effect of a \$.959 increase in Portability revenue, a \$.467 increase in central office revenue from administrative oversight fee income from HOPE VI sites, a \$.679 increase at federal sites due to a worker's compensation reimbursement, and a \$.180 increase in management fees at sites due to increase occupancy. These increases were offset by a decrease of approximately \$1.8 million due to a decrease of funding from the City of Boston for Police Services.

These increases were offset by the following decreases:

- A \$.970 million decrease in tenant revenues. The decrease in tenant revenues is due mainly to the change in the treatment of tenant revenue from discreet component units which caused a decrease of \$1.8 million. There was also an increase approximately \$830,000 in tenant revenues at the sites due to increased rent and tenant charges due to increased occupancy.
- A \$11.9 million dollars decrease HUD subsidies and grants due to a \$4.5 million decrease in federal operating subsidy and a \$3.5 million decrease in federal leased housing funds, a \$1 million decrease in Federal HOPE VI funds and a \$3 million decrease in federal ARRA funds.

**Total Operating Expense**

Total operating expense decreased by \$1.1 million or .3% from FY2013 to FY2014. This decrease is accounted for in the following programs and categories:

- Administration expense decreased by \$2.3 million or 5%. This decrease in 2014 was due to a reduction administrative salaries expense from a reduction in force and a zero increase in salaries.
- Tenant services decreased by \$1.2 million or 29%. Approximately \$500,000 of the reduction was from the federal operating program due to funding reductions, \$100,000 was from the spending down of ARRA funds, and the remaining reductions were from the HOPE VI program funds being expended.
- Utilities increased by \$222,000 million or 1%. The majority of this increase due to a colder winter in 2014 and utility cost increases.
- Maintenance and operations decreased by \$2.3 million or 5% due to reduction in force as well as decreases in expenditures for materials and supplies and maintenance contracts.
- Insurance expense decreased by \$494,000 driven mainly by a decrease in the worker's compensation premium for 2014.
- Protective services expense decreased by \$608,000 or 8 % in 2014 due to reductions in force and no salary increases.
- Housing assistance payments increased \$2.6 million due to the increase in the number of units leased as well as increase in Portability units in from other housing authorities.

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION...continued**

- Other general decreased by \$3.2 million or 61% due primarily to demolition of Old Colony Phase 2 occurring in 2013.
- Depreciation increased by \$4.6 or 13%. Capital activity for the CFFP and ARRA programs that was classified as construction in progress has now begun to depreciate.

**Total non-operating revenues and expenses** decreased by \$5.7 million. Capital Grants decreased by \$4.8 million or 19%. Interest expense also increased by \$3.6 million due to the CFFP interest, net of the bond premium. Disposal of property expense in the amount of \$16,511 was generated from Old Colony Phase 2. Other non-operating expense decreased by \$1.9 million due to the write off from taking over Bromley Heath in FY2013.

**CAPITAL ACTIVITY**

In FY 2014 the Authority expended funds from several sources on capital improvement projects. Funding of \$16.7 million for the federal developments was received under the Capital Fund Program (CFP, an annual allocation), the Capital Funding Financing Program (CFFP, bond proceeds), and the two Stimulus Grants (one time grants). Approximately \$5.8 million was also expended from the ESCO bond proceeds for energy conservation related improvements at thirteen specific federal developments. Approximately \$6.6 million was expended for capital improvements at the state developments. State capital funds derive from the proceeds of debt issued by the state and is allocated based on need. Approximately \$8.9 million was expended under the federal HOPE VI program on redevelopment projects; however, these funds do not produce capital assets for the Authority. The developer retains the new capital assets and the Authority retains possession of the land assets of the old developments, leased to the developer through ground leases, and acquires notes receivable from the developer for the grant funds disbursed.

In order to insure that capital dollars are spent to the greatest possible advantage the Authority has a Capital Construction department dedicated to the assessment of capital needs at the developments, advising BHA decision-makers of suggested priorities, and planning and implementing approved capital projects. Formal capital plans and needs assessments are submitted to HUD and DHCD and these agencies render approval to the capital plans at the respective federal and state developments. A summary of capital activity is included in note 4 of the financial statements.

**LONG TERM DEBT**

At March 31, 2014 the Authority had \$138.3 million in long term debt net of the current portion. This figure represents four bonds, each issued for a specific purpose. Each bond is secured differently and none of the debt encumbers the combined assets of the Authority. Other than repayments, there was no new debt activity in FY2014. These bonds are discussed in greater detail in note 7 to the financial statements.

The debt to equity, debt, and capitalization ratios presented above are in the acceptable range for a property management enterprise. The Authority's current Standard and Poor's issuer credit rating is A+/Stable.

**BUDGET VARIATIONS**

The Authority's Conventional Public Housing Operating Program supports the maintenance and management of approximately 12,597 public housing units scattered throughout the City of Boston, with approximately 10,267 of these units funded by HUD and 2,330 units funded by DHCD. The Administrator of the BHA approves the Authority's Federal Low-Rent and State Public Housing operating budgets. The Administrator is appointed by the Mayor of the City of Boston and is empowered to manage and control the Authority under Massachusetts's law, Chapter 88 of the Acts of 1989, approved May 23, 1989.

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**BUDGET VARIATIONS...continued**

Revenues under the Authority's Federal Low-Rent Operating Program totaled approximately \$83 million against a total revenue budget of \$81 million. The positive variance in revenue was due to higher than expected rental income, \$.700m, higher than expected subsidy, \$.550m, a workers compensation refund of \$.335m, and proceeds from insurance of \$.308m, along with higher than anticipated cell tower and tenant charges other than rent.

Total federal operating program expenses, excluding depreciation and amortization, were approximately \$95 million against a budget of \$91 million. Total expenses were \$4 million or 4.5% greater than budgeted. Utility expense accounted for \$2 million of this variance. Total Routine Maintenance expense was \$.660 m or 2% greater than the budget of \$28.8 million. Other significant variances were \$.300 in legal claims from the settlement of a lead paint case, \$.600 in protective services cost, \$.200 in unanticipated emergency maintenance, and \$.184 in collection loss.

State Consolidated public housing program total revenue was \$25 million against a budget of \$25 million.

State consolidated operating program total expenses, excluding depreciation, were approximately \$24.5 million against a budget of \$24.5 million. Unanticipated expense included \$.164 for public safety and \$88,000 of greater than anticipated expenditures in non-capitalized assets. These were offset by under expenditures in other line items.

The Authority's federal leased housing program administrative budget generated revenue of approximately \$12.4 million against a budget of \$12.4. Total expenses were \$13.2 million against a budget of \$13.7 million or 4% less than budget. Administrative salaries were budgeted at \$6.6 million with expense of \$6.2 million due to a reduction of force along with attrition. Fees to the central office cost center were budgeted at \$2.3 million with expense at \$2.2 million.

State leased housing program revenue was approximately \$.308 against a budget of \$.291, while expense was \$.375 against a budget of \$.343.

The Central Office Cost Center (COCC) generated approximately \$15.5 million of income mainly from management fees from the federal and state operating, capital and leased housing programs against a budget of \$15.5 million. Total expenditures were \$16.5 million against a budget of \$16.8 million. Administrative salaries were \$.212 or 2% less than budgeted. Workers compensation was \$64,000 less than budgeted.

**BUDGET HIGHLIGHTS**

Federal congressional budget appropriations funded the federal low-rent operating program nation-wide at 81.86% of operating subsidy eligibility for calendar year 2013. This resulted in the BHA receiving approximately \$10 million less than it was eligible to receive.

The federal operating program ended the year with a deficit of approximately \$9 million, excluding amortization and depreciation.

The State Department of Housing and Community Development increased the state operating program non-utility budgets by 6.5% in BHA Fiscal Year 2014. The state operating budget program budget generated net income of approximately \$900,000.

**Boston Housing Authority**

Management's Discussion and Analysis (Unaudited)  
Year Ended March 31, 2014

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**CONDITIONS AFFECTING ONGOING OPERATIONS AND FINANCIAL POSITION**

Significant economic factors impacting budget and strategic planning of the Authority are as follows:

- Congressional appropriation to the federal Department of Housing and Urban Development (HUD)
- Appropriations of the state legislature to the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD)
- State bond rating and the ability of the state to issue debt to provide capital improvement funds
- Collective bargaining negotiations and agreements
- Local economical trends, including employment trends affecting residents' income and resulting rental income, as well as local market rents affecting the HCVP program
- Interest rates, affecting both funds investment and debt financing
- The bond and tax credit market as they affect the Authority's ability to finance property redevelopment
- Significant fluctuation in the cost of utilities and materials & supplies
- Significant fluctuation in the cost of employer-paid employee benefits, particularly health insurance, workers' compensation, unemployment benefits
- Significant fluctuation in the cost of property and other insurance

The Authority anticipates that the continuing focus of Congress and the federal government to curtail spending and reduce debt will mean continued reductions to operating, capital and housing assistance payments subsidy for the federal program in the foreseeable future. Federal operating subsidy for calendar year 2014 was increased from 82% of eligibility in calendar year 2013 to 89% in calendar year 2014 however this amount is still significantly less than 100% of eligibility. HUD has determined that 100% of eligibility is the amount needed to properly administer a PHA yet Congress continues to underfund that amount. The state operating non-utility expense level was increased by 9% for BHA FY15 and a 3.5% increase is scheduled in FY16.

The Authority continues to pursue smaller social service grants and partnerships with city agencies and institutions in order to augment its resources and provide programs and services to its residents and clients that it couldn't do otherwise given the current fiscal climate.

**REQUESTS FOR INFORMATION**

The report is intended to provide an overview of the Authority's financial condition. Questions concerning any of the information in this report or requests for additional information should be addressed to the Boston Housing Authority, 52 Chauncy Street, Boston, MA 02111 and to the attention of the Deputy Administrator of Finance and Administration.

**Boston Housing Authority**  
**Statement of Net Position**  
**March 31, 2014**

	Primary Government	Discrete Component Units
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 33,774,908	\$ 5,615,734
Cash and cash equivalents - restricted	19,769,232	1,625,342
Investments - unrestricted	42,997,233	3,999,651
Investments - restricted	4,630,111	-
Accounts receivable:		
Accounts receivable - tenants	1,368,763	144,550
Allowance for doubtful accounts - tenants	(633,926)	(30,010)
Accounts receivable - HUD other projects	1,003,348	-
Accounts receivable - other government	1,620,666	-
Allowance for doubtful accounts - other	(1,234,970)	-
Accounts receivable - Public Housing Authority projects	639,722	-
Accounts receivable - miscellaneous	3,926,273	12,041
Notes, loans, and mortgages receivable - current	474,000	-
Accrued interest receivable	5,332	-
Prepaid expenses and other assets	835,501	606,623
Inventories	551,049	-
Due from component units	-	14,524
Total current assets	<u>109,727,242</u>	<u>11,988,455</u>
Noncurrent assets:		
Capital assets:		
Land	64,288,571	11,224,330
Construction in progress	54,817,187	33,484,412
Buildings	1,193,736,908	44,570,226
Furniture, equipment and machinery	6,077,207	-
Accumulated depreciation	(959,348,068)	(43,106,068)
Total capital assets	<u>359,571,805</u>	<u>46,172,900</u>
Other assets:		
Notes, loans and mortgages receivable - non-current, net of allowance for doubtful accounts	<u>132,429,233</u>	<u>122,989,500</u>
Total assets	<u>\$ 601,728,280</u>	<u>\$ 181,150,855</u>

(continued)

**Boston Housing Authority**  
Statement of Net Position...continued  
March 31, 2014

	Primary Government	Discrete Component Units
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable - operating	\$ 3,946,974	\$ -
Accounts payable - HUD Public Housing Authority programs	548,764	-
Accounts payable - other government	4,370,100	-
Accrued compensated absences - current portion	1,164,505	16,310
Unearned revenues	4,024,171	2,537,900
Due to primary government	14,524	-
Accrued liabilities	8,931,931	151,251
Accrued interest payable	2,890,681	123,466
Other current liabilities	1,425,415	178,416
Current portion of long term debt - capital	5,270,000	-
Total current liabilities	<u>32,587,065</u>	<u>3,007,343</u>
Noncurrent liabilities:		
Long-term debt capital - net of current portion	138,370,000	27,976,909
Accrued compensated absences, net of current portion	6,807,593	95,457
Accrued pension and other post-retirement employee benefit liabilities	40,844,217	447,775
Non-current liabilities - other	7,625,395	158,815
Total noncurrent liabilities	<u>193,647,205</u>	<u>28,678,956</u>
Total liabilities	<u>226,234,270</u>	<u>31,686,299</u>
Net position:		
Net investment in capital assets	221,780,132	17,913,711
Restricted	21,144,737	1,625,342
Unrestricted	132,569,141	129,925,503
Total net position	<u>375,494,010</u>	<u>149,464,556</u>
Total liabilities and net position	<u>\$ 601,728,280</u>	<u>\$ 181,150,855</u>

(concluded)

**Boston Housing Authority**  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended March 31, 2014

	Primary Government	Discrete Component Units
Operating revenues:		
Tenant rental revenue, net	\$ 39,438,598	\$ 1,627,104
Tenant revenue - other	234,757	4,946,056
Total tenant revenue	<u>39,673,355</u>	<u>6,573,160</u>
HUD Public Housing Authority operating grants	178,619,060	-
HUD operating grants	71,144,930	-
Other governmental grants	30,171,873	-
Other revenue	6,381,899	2,840,667
Total operating revenues	<u>325,991,117</u>	<u>9,413,827</u>
Operating expenses:		
Administration	40,088,449	803,327
Tenant services	3,061,424	197,811
Utilities	37,225,369	1,041,447
Maintenance	43,497,934	1,144,029
Protective services	6,363,303	462,579
Insurance premiums	4,145,924	169,747
Payment in lieu of taxes	291,816	-
Housing assistance payments	183,621,400	-
Pension and other post-retirement employee benefit expense	6,244,013	16,891
Other general expenses	1,989,905	37,849
Depreciation expense	38,755,261	892,341
Total operating expenses	<u>365,284,798</u>	<u>4,766,021</u>
(Deficiency) excess of operating revenue over operating expenses	<u>(39,293,681)</u>	<u>4,647,806</u>
Non-operating (expenses) revenues:		
Investment income - unrestricted	148,312	7,790
Investment income - restricted	26,866	1,875
Interest expense	(7,389,624)	-
Extraordinary maintenance	(476,112)	(2,245)
Disposal of property	(18,159)	-
Casualty losses	(737,520)	(4,449)
Total non-operating (expenses) revenues	<u>(8,446,237)</u>	<u>2,971</u>
(Deficiency) excess of total revenue over (under) total expenses	<u>(47,739,918)</u>	<u>4,650,777</u>
Capital grants	20,292,619	-
Equity transfers	(661,757)	661,757
Change in net position	<u>(28,109,056)</u>	<u>5,312,534</u>
Net position, beginning of year	547,755,088	-
Prior period adjustments (Note 1)	(144,152,022)	144,152,022
Net position, beginning of year (as restated, Note 1)	<u>403,603,066</u>	<u>144,152,022</u>
Net position, end of year	<u>\$ 375,494,010</u>	<u>\$ 149,464,556</u>

**Boston Housing Authority**  
**Statement of Cash Flows**  
**Year Ended March 31, 2014**

	<u>Primary Government</u>
Cash flows from operating activities:	
Cash receipts:	
Tenant revenues	\$ 40,283,823
HUD rental assistance subsidy	178,155,475
HUD operating grants	73,418,926
Other governmental grants	32,797,081
Interprogram transfers	25,035,346
Other	4,916,249
	<u>354,606,900</u>
Cash disbursements:	
Administrative	43,774,284
Tenant services	3,120,899
Utilities	40,086,142
Maintenance	44,292,713
Protective services	6,363,303
Insurance premiums	4,138,397
Payment in lieu of taxes	291,816
Housing assistance payments	183,621,400
Pension and other post-retirement employee benefit expense	1,252,682
Other general	1,989,905
Interprogram transfers	29,896,451
	<u>358,827,992</u>
Net cash used in operating activities	<u>(4,221,092)</u>
Cash flows from investing activities:	
Purchase of investments	(46,996,881)
Sale of investments	14,909,491
Interest income received	185,858
Issuance of notes receivable	(6,200,322)
Repayment of notes receivable	4,104,140
Net cash used in investing activities	<u>\$ (33,997,714)</u>

See notes to financial statements.

**Boston Housing Authority**  
Statement of Cash Flows...continued  
Year Ended March 31, 2014

<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	\$ (30,387,870)
Capital grants received	20,292,619
Principal paid on capital debt	(5,025,000)
Interest expense paid	(7,389,624)
Proceeds on sale of property	(18,159)
Equity transfers	(661,757)
Non-routine maintenance and other expenses paid	(1,213,632)
Net cash used in financing activities	<u>(24,403,423)</u>
Net decrease in cash and cash equivalents	(62,622,229)
Cash and cash equivalents, beginning of year	<u>116,166,369</u>
Cash and cash equivalents, end of year	<u>\$ 53,544,140</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (39,293,681)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	38,755,261
Other postemployment healthcare benefit expense	4,991,331
Changes in:	
Accounts receivable	1,974,949
Prepaid expenses	12,102
Inventories	(85,652)
Accounts payable	(3,559,903)
Accrued liabilities and compensated absences	(1,604,498)
Other liabilities	(1,203,358)
Unearned revenues	653,462
Due to/from component units	(4,861,105)
Net cash used in operating activities	<u>\$ (4,221,092)</u>

See notes to financial statements.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

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**1. ORGANIZATION AND REPORTING ENTITY**

The Boston Housing Authority (the "BHA" or "Authority") is a public instrumentality organized under laws of the Commonwealth of Massachusetts. The Authority is governed by an Administrator who is appointed by the Mayor of the City of Boston. The Authority develops and operates low-rent housing programs in Boston, Massachusetts. At March 31, 2014, the Authority maintains 70 developments encompassing approximately 11,000 federally funded units and 2,300 state funded units. The Authority also has a leased housing program which provides housing assistance for approximately 14,000 units.

In determining how to define the reporting entity, management has considered all potential component units to the BHA. Component units are legally separate entities for which the BHA is financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a component unit in the reporting entity using the blending method or by discrete presentation was made by applying the criteria set forth in Sections 2100 and 2600 of the Government Accounting Standards Board ("GASB") *Codification of Governmental Accounting and Financial Reporting*. As of March 31, 2014, all component units are reported as discrete component units:

- Boston Housing Capital Investment Corporation ("BHCIC")
- Orchard Park Revitalization Corporation ("OPRC")
- Mission Main Revitalization Corporation ("MMRC")
- Boston Public Housing Corporation ("BPHC")
- Maverick Revitalization Corporation ("MRC")
- Franklin Hill Revitalization Corporation ("FHRC")
- Washington Beech Revitalization Corporation ("WBRC")
- Old Colony Revitalization Corporation ("OCRC")
- West Broadway Housing Corporation ("WBHC")
- Lower Mills Housing Corporation ("LMHC")
- Heritage Housing Corporation ("HHC")

The component units were established to provide financing (BHCIC) and hold title to land (OPRC, MMRC, MRC, FHRC, WBRC, OCRC, and WBHC) related to the improvements for certain mixed-financed and mixed-income housing developments. BPHC was created primarily to allow the Authority to compete for grants for which it could not do so directly.

LMHC and HHC receive a mix of federal public housing and section 8 project based vouchers subsidies through the Authority.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The BHA is a special purpose governmental entity created to provide low rent housing. The activities of the BHA are accounted for as proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from non-operating items. Under the accrual basis, revenue is recognized when earned and expenses are recognized when obligations are incurred or when benefits are received. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Authority's principal operating revenues for all the Authority's programs are charges to tenants for providing housing and related services, and subsidies from federal and state agencies for these same services. Operating expenses for programs include the cost of sales and services, administrative expenses, and depreciation on capital assets. Non-routine maintenance expenses are expensed as non-operating as incurred. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The GASB defines the basic financial statements of a business type activity as the: statement of net position, statement of revenues, expenses and changes in net position and, the statement of cash flows. These basis financial statements are supplemental by a management's discussion and analysis as required supplemental information. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses and changes in net position.

### Budgetary Control

The Administrator of the BHA approves all the Authority's budgets including the Federal Low-Rent and State Public Housing operating budgets, Capital Budgets, Leased Housing budgets, Central Office Cost Center budgets and other grant budgets. The Administrator is appointed by the Mayor of the City of Boston and is empowered to manage and control the Authority under Massachusetts law, Chapter 88 of the Acts of 1989, approved May 23, 1989. The budget is an administrative management tool used by the Authority and is not considered a legally adopted budget. Accordingly, the budget is not presented as required supplementary information to the financial statements.

### Cash and Cash Equivalents

The Authority's policy is to treat all highly liquid investments with original maturities of three months or less when purchased as cash equivalents.

### Investments

Investments, consisting principally of U.S. Government and agency obligations that have a remaining maturity at time of purchase of one year or less, are carried at amortized cost which approximates fair value, and held to maturity. The Authority also invests in external investment pools that are valued at current share price which approximates fair value.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued**

Accounts Receivable

Management reviews the collectability of all accounts receivable on a periodic basis. An allowance for doubtful accounts has been established based on the history of past write-offs and collections, and current credit conditions. This allowance totals \$633,936 for tenant receivables and \$1,234,970 for other accounts receivable at March 31, 2014.

Notes Receivable

At March 31, 2014, the outstanding balance of the notes receivable related to the Authority's redevelopment initiatives is \$255,892,733, which is net of the allowance for doubtful accounts, totaling \$1,271,428. The notes receivables include accrued ground lease rent and redevelopment fees, and bear interest at rates ranging from 0% to 6.85% per annum. Certain notes require interest to be paid upon maturity of the notes receivable, which, in some cases, exceeds twenty years. Ground lease payments are made when cash flow allows. At March 31, 2014, the accrued interest on the notes (due at maturity) and ground lease rent is \$57,807,475. An allowance has been established for the full amount of accrued interest (See Note 6).

Interfund Account

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund due from/to in the accompanying statement of net position. All significant inter-company accounts and transactions have been eliminated.

Land, Buildings and Improvements and Equipment

Land, building, improvements and equipment are recorded at historical cost. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The Authority provides for depreciation by use of the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the estimated useful life.

All buildings, improvements and equipment are depreciated over the following lives:

	<u>Years</u>
Buildings	40
Building improvements	10
Administrative equipment	3 to 7

Construction in Progress

Construction in progress represents costs incurred on open development projects or on major capital improvement projects. The Authority recognizes capital costs of the Capital Fund Programs as construction in progress on the accompanying statement of net position until such time as the assets are placed in service and transferred to the applicable fund on a development by development basis. These projects were at various stages of completion at March 31, 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

### Compensated Absences

Employees are granted vacation in varying amounts. In addition, certain employees earn compensatory time. Upon retirement, termination or death, certain employees are paid out for unused vacation (subject to certain limitations) and compensatory time at their then current rates of pay. Accordingly, the Authority recognizes an expense and accrued liability for compensated absences as earned by employees. The amount of vacation costs and compensatory time which is not currently payable is recorded as a noncurrent liability. The total amount due is calculated based on the unused days earned times the current rate of pay.

### Revenues

The Authority receives funding from the United States Department of Housing and Urban Development ("HUD") and the Commonwealth of Massachusetts Department of Housing and Community Development ("DHCD") in the form of operating subsidies and grants for capital improvements. Grants for capital improvements are reported as capital grants. Operating subsidies and grants are recognized as revenue when eligibility requirements are met.

### Tenant Rental Revenue

Rents from tenants are recognized as rentals become due. Rental payments received in advance are reflected as unearned revenue.

### Unearned Revenues

The Authority reports unearned revenues on its statement of net position. Unearned revenues arise when resources are received before the Authority has met the eligibility requirements, such as when grant money is received before the qualifying expenditure is made. In the subsequent period, when the Authority has met the eligibility requirements, the liability for unearned revenue is removed from the statement of net position, and the revenue is recognized.

### Tax Matters

The Authority, as an instrumentality of the Commonwealth of Massachusetts, is exempt from federal and state taxes under Internal Revenue Code ("IRC") Section 115 and, therefore, is not required to file federal and state income tax returns.

BHCIC, LMHC and HHC receive the same tax treatment as the Authority.

WBHC is a for-profit membership corporation, with BHA as its sole member.

BPHC, OPRC, MRC, FHRC, MMRC and WBRC are nonprofit organizations described under IRC Section 501(c)(3) and are generally exempt from income taxes under the provisions of IRC Section 501(a). OCRC is in the process of filing with the IRS for 501(c)(3) exempt status.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued**

Net Position Classifications

Net position is reported in three components in accordance with GASB 34:

- a. **Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted** - Consists of net position restricted to specific uses either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets". In instances where unrestricted or restricted resources are available to fund expenditures, the Authority will initially use unrestricted assets.

Use of Estimates

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

Recent Accounting Pronouncement Adopted in Fiscal Year 2014

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and contains amendments of GASB Statements No. 14 and No. 39. For BHA, the amendments in GASB No. 61 are effective beginning with the periods beginning after June 15, 2012. The Authority's adoption of GASB 61 resulted in its component units being classified as discrete component units, rather than blended component units. The effect was to reclass net position of \$144,152,022 from Primary Government to Discrete Component Units as of April 1, 2013.

In March 2012, the GASB issued GASB No. 66 – *Technical Correction – 2012*. GASB No. 66 clarifies implementation issues that were presented in GASB No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement provides clarification of a purchase price of loans to include in the amount paid to the seller plus any fees paid, less any fees, received, is also included. For BHA, the amendments in GASB No. 66 are effective beginning with the periods beginning after December 15, 2012. The implementation of this statement did not have a material effect on the Authority's financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

### Recent Accounting Pronouncements Not Yet Adopted

In June 2012, the GASB issued GASB No. 68 – *Accounting and Financial Reporting for Pensions*. This statement replaces requirements of GASB Statements No. 27 and No. 50, related to pension plans administered through trusts or similar arrangements. The standard requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. In addition, the standard adds revised and new note disclosures and required supplementary information. For BHA, the amendments in GASB No. 68 are effective beginning with the fiscal year beginning after June 15, 2014. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

In January 2013, the GASB issued GASB No. 69 – *Government Combinations and Disposals of Government Operations*. This statement establishes reporting standards relating to government combinations and disposals of government operations. This statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged, and this statement requires use of carrying values to measure the assets and liabilities in a transfer of operations. For BHA, the amendments in GASB No. 69 are effective beginning with the fiscal year beginning after December 15, 2013. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

In April 2013, the GASB issued GASB No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. For BHA, the amendments in GASB No. 70 are effective beginning with the fiscal year beginning after June 15, 2013. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

In November 2013, the GASB issued GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* (amendment of GASB No. 68). The objective of this statement is to address amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement amends GASB No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Adoption of the amendments in GASB No. 71 should be made simultaneously with the adoption of GASB No. 68. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

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**3. CASH AND INVESTMENTS**

The Authority's Cash Management and Investment Policy (the "Policy") is based on mandatory regulations prescribed by HUD and DHCD. These regulations place certain limitations on the nature of deposits and investments available to the Authority. As a means of managing its exposure that an issuer of a debt security will not fulfill its obligations, the Authority follows HUD's credit risk requirements by investing in authorized securities with certain credit risk ratings and maturities.

Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved.

Cash and cash equivalent deposits:	
Primary Government	\$ 53,544,140
Discrete Component Units	<u>7,241,076</u>
Total	<u>\$ 60,785,216</u>

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its cash or investments that are in the possession of the counterparty. To mitigate this risk, the Authority uses one bank (the "Primary Bank") for the majority of its deposits and investments. The Primary Bank is required to execute the HUD-mandated General Depository Agreement (Form HUD-51999) (the "Agreement"). A key provision of the Agreement is the collateralization of all the Authority's deposits and investments with U.S. government securities which are held by a third party. The Primary Bank has collateralized all the Authority's deposits at March 31, 2014. The Primary Bank also maintains accounts on behalf of the Authority's component units. The amount of cash not held in the Primary Bank, which was not collateralized, amounted to \$14,949,426 at March 31, 2014, of which \$14,199,426 is in excess of amounts insured by the Federal Deposit Insurance Corporation.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by investing operating funds primarily in short term investments.

Credit risk is the risk that the Authority's investments will be negatively impacted due to the default of the Authority's investments. According to the Authority's investment policy, investments must be prime quality and rated no less than A by either Moody's, Standard and Poor's, or Fitch.

The investment policy of the Authority limits the Authority's foreign currency risk by excluding foreign investments as an investment option.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**3. CASH AND INVESTMENTS...continued**

Investments

Investments can be made in securities or repurchase agreements issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of less than one year from the date of purchase.

	<u>Primary Government</u>	<u>Discrete Component Units</u>	<u>Total</u>
U.S. Treasury Bills and repurchase agreements	\$ 46,996,883	\$ 3,999,651	\$ 50,006,534
Guaranteed investment contract held by bond trustee	<u>630,461</u>	<u>-</u>	<u>630,461</u>
Total	<u>\$ 47,627,344</u>	<u>\$ 3,999,651</u>	<u>\$ 51,626,995</u>

The Authority primarily invests in U.S. Treasury Bills with a maturity date of less than one year, with overnight repurchase agreements and guaranteed investment contracts held by bond trustees maturing through 2014. The treasury bills are in the Authority's name and held by the Primary Bank. All of the Authority's Primary Bank investments are covered by the Agreement. The Authority also maintains fiscal agent investment accounts for debt service and project funding that are not covered under any collateralization agreement. The balance for these accounts at March 31, 2014 was \$630,461 representing the balance in restricted investments.

Restricted Funds

The BHA maintains funds that are restricted in use either by contractual agreement or at the specific direction of HUD. Some of these restricted funds are held by third-party trustees. These restricted funds are available for disbursement for their intended uses. These restricted funds are as follows:

Housing Assistance Payments ("HAP")

The Authority has \$6,761,614 in residual funds restricted by HUD for use only as HAP, and only if subsidy is insufficient to support leasing for the total remaining number of unit months available, otherwise known as the baseline cap. All amounts are in the Section 8 Housing Choice Voucher program.

Family Self-Sufficiency Program

The Authority has \$1,185,449 held in escrow by the BHA on behalf of clients participating in the Family Self-Sufficiency Program, a HUD funded initiative.

Orchard Park Redevelopment Agreement

The Authority has \$1,660,984 held in trust as an Affordability Reserve to augment subsidy shortfalls pursuant to the Orchard Park Redevelopment Agreement. In addition, \$580,042 is held at the Primary Bank in restricted cash under a separate agreement.

**3. CASH AND INVESTMENTS...continued**

Restricted Funds...continued

Old Colony Redevelopment Agreement

Pursuant to an agreement made as part of the Old Colony Phase 1 redevelopment, the Authority has set aside \$2,052,377 in restricted funds as a reserve for the Old Colony Community Center.

Capital Revenue Bonds Project Fund Account

The Authority has \$9,807,470 held in trust in a Capital Revenue Bonds Project Fund account to be used to address capital needs in several developments in BHA's Federal portfolio.

West Broadway Redevelopment Agreement

The Authority has \$1,305,461 related to the BHA bond issuance and consisting of residual redevelopment funds, debt service funds, interest earned on these funds, and a debt service reserve required by the West Broadway Redevelopment Agreement to facilitate debt service payments in the event of late or inadequate subsidy receipts. These funds are held by a trustee.

Heritage Housing Corporation Agreement

Pursuant to an agreement made as part of the Heritage Housing redevelopment, the Authority has set aside \$597,378 restricted funds as a Replacement Reserve account with the Massachusetts Housing Finance Authority.

Lower Mills Housing Corporation Agreement

Pursuant to an agreement made as part of the Lower Mills Housing redevelopment, the Authority has set aside \$365,791 restricted funds as a Replacement Reserve account with the Massachusetts Housing Finance Authority.

52 Chauncy Street Funds

The Authority has \$1,708,120 in capital debt proceeds held by a trustee to be used for capital improvements at the 52 Chauncy Street headquarters.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**3. CASH AND INVESTMENTS...continued**

Below is a summarization of the information above for primary government and discrete component units combined.

Description	Total	Restricted Cash	Restricted Investments
Housing Assistance Payments -			
Section 8 Housing Choice Voucher Fund	\$ 6,761,614	\$ 2,761,964	\$ 3,999,650
Family Self-Sufficiency Program	1,185,449	1,185,449	-
Orchard Park Redevelopment Agreement	2,241,026	2,241,026	-
Old Colony Redevelopment Agreement	2,052,377	2,052,377	-
Capital Revenue Bonds Project Fund	9,807,470	9,807,470	-
West Broadway Redevelopment Agreement	1,305,461	675,000	630,461
Heritage Housing Corporation Agreement	597,378	597,378	-
Lower Mills Housing Corporation Agreement	365,791	365,791	-
52 Chauncy Street Funds	1,708,120	1,708,120	-
	<u>\$ 26,024,686</u>	<u>\$ 21,394,575</u>	<u>\$ 4,630,111</u>

**4. CAPITAL ASSET**

Capital assets are comprised of the following at March 31, 2014:

Capital Assets - Primary  
Government

	Balance April 1, 2013	Additions	Transfers	Disposals	Balance March 31, 2014
Land	\$ 64,288,571	\$ -	\$ -	\$ -	\$ 64,288,571
Buildings	1,094,432,389	6,619,229	93,881,360	(1,196,070)	1,193,736,908
Furniture, equipment & machinery	5,997,558	149,081	-	(69,432)	6,077,207
Construction in progress	125,078,851	23,619,696	(93,881,360)	-	54,817,187
	<u>1,289,797,369</u>	<u>30,388,006</u>	<u>-</u>	<u>(1,265,502)</u>	<u>1,318,919,873</u>
Less: accumulated depreciation					
Buildings	916,776,111	38,506,845	-	1,177,911	954,105,045
Furniture, equipment & machinery	5,064,049	248,406	-	69,432	5,243,023
	<u>921,840,160</u>	<u>38,755,251</u>	<u>-</u>	<u>1,247,343</u>	<u>959,348,068</u>
Total	<u>\$ 367,957,209</u>	<u>\$ (8,367,245)</u>	<u>\$ -</u>	<u>\$ (18,159)</u>	<u>\$ 359,571,805</u>

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**4. CAPITAL ASSET...continued**

Capital Assets - Component Units

	<u>Balance</u>				<u>Balance</u>
	<u>April 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>March 31, 2014</u>
Land	\$ 11,224,330	\$ -	\$ -	\$ -	\$ 11,224,330
Buildings	44,570,226	-	-	-	44,570,226
Construction in progress	29,408,428	4,075,984	-	-	33,484,412
	<u>85,202,984</u>	<u>4,075,984</u>	<u>-</u>	<u>-</u>	<u>89,278,968</u>
Less: accumulated depreciation					
Buildings	(42,213,727)	(892,341)	-	-	(43,106,068)
	<u>(42,213,727)</u>	<u>(892,341)</u>	<u>-</u>	<u>-</u>	<u>(43,106,068)</u>
Total	<u>\$ 42,989,257</u>	<u>\$ 3,183,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,172,900</u>

As of March 31, 2014, the Authority has committed approximately \$9,085,500 of additional funds to construction contracts related to these development projects.

**5. RETIREMENT PLAN**

Plan Description

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan. The System provides for retirement allowable benefits up to a maximum of 80% of an employee's consecutive highest three-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 which can be obtained through the State-Boston Retirement System, Boston City Hall, Room 816, Boston, Massachusetts 02201.

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their gross compensation. Members hired after December 31, 1978, must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts reimburses the System for a portion of benefit payments for cost-of-living increases granted before July 1, 1998. The contributions of plan members and the Authority are governed by Chapter 32 of Massachusetts General Laws. Beginning July 1, 1998, the System is locally funding the cost of living adjustments, as approved by the Systems Board of Retirement, the Mayor of the City of Boston and the Boston City Council.

The Authority's required and actual contribution to the System for the year ended March 31, 2014 was \$11,877,689.

## 6. DEVELOPMENT INITIATIVES

### Initiatives through Component Units

In accordance with HUD's HOPE VI grant program, the BHA and its component units have entered into a series of agreements such as note agreements, ground lease agreements and development and design service agreements with several private, unrelated entities for the development of mixed-financed, mixed-income housing, including replacement of public housing units, at the following properties (collectively referred to as the "Developments"):

- Mission Main
- Orchard Park
- Maverick
- Franklin Hill
- Washington Beech
- Old Colony
- West Broadway
- Harbor Point
- Long-Glen
- Lower Mills
- Heritage

These agreements are entered into through the Primary Government and Discrete Component Units identified in Note 1 and require the BHA to provide partial financing through loans and future assistance to preserve the affordable housing initiatives as outlined in its amended annual contribution contracts with HUD. The agreements also require the private entities to provide equity participation for which they receive allocations of low-income housing tax credits.

It is management's policy to fully reserve all accrued interest on notes receivable related to these initiatives. All principal and interest is due at the maturity date.

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**6. DEVELOPMENT INITIATIVES...continued**

Summary of Redevelopment Notes Receivable and Deferred Ground Lease/ Developer Fee Payments - Primary Government

\*AFR – Applicable Federal Rate

Component Unit	Borrower	Interest Rate	Amount	Due Date	Accrued Interest
MRC	Trinity East Boston LP	0.10%	\$ 6,500,000	09/24/2033	\$ 59,685
MRC	Trinity East Boston LP	0.10%	9,082,234	09/24/2033	87,580
MRC	Trinity East Boston Two LP	AFR*4.87%	4,959,056	09/24/2033	2,673,985
MRC	Trinity East Boston Three LP	4.70%	4,856,085	04/19/2055	2,349,412
MRC	Trinity East Boston VI	2.00%	6,914,496	04/19/2055	1,108,700
MRC	Trinity East Boston VI	2.00%	4,931,926	04/19/2055	893,592
	Total Maverick		<u>37,243,797</u>		<u>7,172,954</u>
WBHC	West Broadway Redevelopment	1%	3,570,000	12/23/2043	323,789
WBHC	West Broadway Redevelopment	1%	10,821,700	12/23/2043	980,015
WBHC	West Broadway Redevelopment	5.28%	8,596,752	12/01/2035	522,668
	Total West Broadway Redevelopment		<u>22,988,452</u>		<u>1,826,472</u>
HPACLP	Harbor Point	3%	8,700,000	12/31/2041	7,399,567
LGRLLC	Long-Glen Rental LLC	Greater of AFR or 4.68%	1,850,000	02/28/2046	873,136
TFHLP	Trinity Franklin Hill Limited Partnership	0.10%	6,247,320	12/31/2059	28,197
TFHLP	Trinity Franklin Hill Limited Partnership	5.20%	3,640,739	03/13/2057	1,480,111
TFHLP	Trinity Franklin Hill Limited Partnership	5.2% - 6.85%	1,271,428	04/25/2057	67,091
	Total Trinity Franklin Hill Limited Partnership		<u>11,159,487</u>		<u>1,575,399</u>
TWPOLP	Trinity Washington Beech Phase One LP	4.40%	-	06/10/2049	-
TWPOLP	Trinity Washington Beech Phase One LP	AFR/3.88%	196,327	06/10/2049	38,964
TWPOLP	Trinity Washington Beech Phase One LP	0.10%	4,407,747	06/10/2049	20,002
TWPOLP	Trinity Washington Beech Phase One LP	0.10%	9,751,330	06/10/2049	44,409
	Total Trinity Washington Beech Phase One LP		<u>14,355,404</u>		<u>103,375</u>

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**6. DEVELOPMENT INITIATIVES...continued**

Summary of Redevelopment Notes Receivable and Deferred Ground Lease/ Developer Fee  
Payments – Primary Government...continued

<u>Component Unit</u>	<u>Borrower</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Due Date</u>	<u>Accrued Interest</u>
TWBPTLP	Trinity Washington Beech Phase Two LP	n/a	750,000	09/30/2052	71,660
TWBPTLP	Trinity Washington Beech Phase Two LP	2.70%	2,602,537	09/30/2052	199,867
TWBPTLP	Trinity Washington Beech Phase Two LP	0.50%	4,406,053	09/30/2057	51,033
TWBPTLP	Trinity Washington Beech Phase Two LP	2.70%	2,175,083	09/30/2052	172,317
TWBPTLP	Trinity Washington Beech Phase Two LP	0.50%	<u>2,399,267</u>	09/30/2057	<u>27,124</u>
	Total Trinity Washington Beech Phase Two LP		<u>12,332,940</u>		<u>522,001</u>
	Old Colony Phase One LP	n/a	<u>18,335,000</u>	9/14/2054 Contingent upon financial closing of permanent loan	n/a
	Old Colony Phase Two LP	n/a	<u>7,209,581</u>		n/a
	Total		<u>134,174,661</u>		<u>19,472,904</u>
	Allowance for collectability: Trinity Franklin Hill Limited Partnership		<u>(1,271,428)</u>		<u>(19,472,904)</u>
	Total notes receivables – Primary Government		<u>\$132,903,233</u>		<u>\$ -</u>

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**6. DEVELOPMENT INITIATIVES...continued**

Summary of Redevelopment Notes Receivable and Deferred Ground Lease/ Developer Fee Payments – Discrete Component Units

Component Unit	Borrower	Interest Rate	Amount	Due Date	Accrued Interest
MMRC	Mission Main Phase One L.P.	0.10%	\$ 52,838,077	01/01/2040	\$ 714,520
MMRC	Mission Main Phase Two L.P.	AFR	2,320,531	04/01/2040	3,218,169
MMRC	Mission Main Phase Two L.P.	4.25%	6,741,479	04/01/2040	4,993,953
MMRC	Mission Main Phase Three L.P.	AFR	1,505,091	11/01/2040	1,640,298
MMRC	Mission Main Phase Three L.P.	4.25%	4,844,346	11/01/2040	3,315,811
	Total Mission Main		<u>68,249,524</u>		<u>13,882,751</u>
				Earlier of 9/30/36 or a sale or refinancing	
OPRC	Madison Trinity LP Phase I	6.77%	4,427,930	Earlier of 9/30/36 or a sale or refinancing	11,452,563
	Madison Trinity LP Phase I	0.10%	4,591,805	refinancing	81,029
OPRC	Madison Trinity LP Phase II	6.55%	138,000	09/15/2037	1,217,924
OPRC	Madison Trinity Phase II	0.10%	4,342,350	09/15/2037	70,524
OPRC	Madison Trinity Phase II	0.10%	3,962,000	09/15/2037	64,128
OPRC	Orchard Park Offsite Phase 1	AFR	3,725,458	11/16/2038	5,024,673
OPRC	Orchard Park Offsite Phase 1	0.10%	3,050,000	11/16/2038	44,500
OPRC	Orchard Park Offsite Phase 1	0.01%	1,762,000	11/16/2038	1,484
OPRC	Orchard Park Offsite Company LLC	0.01%	4,086,237	11/16/2038	3,464
OPRC	Adams Orchard LP	0.10%	950,000	12/28/2038	14,628
OPRC	Adams Orchard LP	0.10%	2,046,964	12/28/2038	30,972
OPRC	Adams Orchard LP	0.10%	4,225,000	12/28/2038	63,004
OPRC	Adams Orchard LP	5.25%	5,964,928	12/28/2038	5,821,485
	Total Orchard Park		<u>43,272,672</u>		<u>23,890,378</u>
TWBPTLP	Trinity Washington Beech Phase Two LP	0.01%	6,175,000	09/30/2057	21,604
				Not yet determined	
N/A	Franklin Hill Unpaid Development Fees	n/a	1,251,324		n/a
N/A	Franklin Hill Unpaid Ground Lease		2,451,640		420,972
N/A	Washington Beech Unpaid Ground Lease		1,589,340		118,864
	Total		<u>122,989,500</u>		38,334,569
	Allowance for collectability:		-		(38,334,569)
	Total notes receivables - Discrete Component Units		<u>\$122,989,500</u>		<u>\$ -</u>

**Boston Housing Authority**  
Notes to Financial Statements  
Year Ended March 31, 2014

**6. DEVELOPMENT INITIATIVES...continued**

Principal payments, based upon funds advanced under the loans and net of doubtful accounts, are due on the outstanding notes receivable as follows for the year ending March 31:

	<u>Primary Government</u>	<u>Discrete Component Units</u>
2015	\$ 474,000	\$ -
2016	210,000	-
2017	225,000	-
2018	235,000	-
2019	245,000	-
2020-2024	1,450,000	-
2025-2029	1,875,000	-
2030-2034	22,981,290	-
2035-2039	1,716,747	43,272,672
2040-2044	23,091,699	68,249,525
2045-2029	1,850,000	-
2050-2054	19,883,024	-
2055-2059	45,483,566	6,175,000
2060-2064	6,247,320	-
Thereafter	<u>6,935,587</u>	<u>5,292,303</u>
Total principal due	<u>\$132,903,233</u>	<u>\$122,989,500</u>

The buildings and improvements at the Developments secure the notes.

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 6. DEVELOPMENT INITIATIVES...continued

### Summary of Annual Ground Leases Related to Development Initiatives

Component Unit	Development	Term (Years)	Lease Expiration	Income Recognized in FY 2014	Annual Payment	Rate on Accrued Balance
MMRC	Mission Main – Phase 1	99	12/31/2097	\$ 82,723	Contingent *	N/A
MMRC	Mission Main – Phase 2	99	12/31/2099	42,427	Contingent *	N/A
MMRC	Mission Main – Phase 3	99	12/31/2099	8,760	Contingent *	N/A
	Orchard Park – Phase 1&2					N/A
OPRC		75	12/31/2071	-	Contingent *	
OPRC	Orchard Park – Phase 3	75	12/31/2073	-	Contingent *	N/A
	Orchard Park – Offside Phase 1					N/A
OPRC		100	12/31/2097	-	None	
MRC	Maverick – Phase 1	99	09/24/2102	-	None	N/A
MRC	Maverick – Phase 3	99	04/19/2104	-	None	N/A
MRC	Maverick – Phase 4	99	04/19/2104	-	None	N/A
WBHC	West Broadway	99	12/31/2102	67,000	\$ 67,000	0.00%
COCC	Harbor (Columbia) Point	99	11/26/2085	-	None **	N/A
FHRC	Franklin Hill – Phase 1A	99	04/30/2106	180,000	180,000	5.25%
FHRC	Franklin Hill – Phase 2A	99	04/30/2107	200,000	200,000	4.46%
FHRC	Franklin Hill – Phase 1B	99	04/30/2106	48,000	48,000	5.25%
FHRC	Franklin Hill – Phase 2B	99	04/30/2107	56,000	56,000	4.46%
	Washington Beech – Phase 1A					
WBRC		99	06/11/2108	70,000	70,000	1.00%
	Washington Beech – Phase 1B					
WBRC		99	06/11/2108	100,000	100,000	1.00%
	Washington Beech – Phase 2A					
WBRC		99	09/30/2109	105,840	105,840	4.03%
	Washington Beech – Phase 2B					
WBRC		99	09/30/2109	164,160	164,160	4.03%
OCRC	Old Colony – Phase 1	99	09/15/2109	-	None	N/A
COCC	West Concord	99	12/31/2102	-	None	N/A
LMHC	Lower Mills	99	05/31/2110	-	Contingent ***	N/A
HHC	Heritage	99	05/31/2110	-	Contingent ***	N/A
				<u>\$ 1,124,910</u>	<u>\$ 991,000</u>	

\* Remaining future ground lease payments are dependent upon effective gross income, as defined, at the projects and are not expected to be significant to the Authority's operations.

\*\* Additional future rent payments are contingent upon defined net cash flow.

\*\*\* The ground leases of Lower Mills and Heritage require a one-time base payment of \$279,857 and \$608,000, respectively, of which \$139,928 and \$304,000, respectively, has been received as of March 31, 2014. In addition, annual payments are payable from surplus cash flow as defined in the ground leases. The deferred outflow and the deferred inflow of resources has been eliminated in the basic financial statements

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 6. DEVELOPMENT INITIATIVES...continued

Future minimum payments due under ground leases with component units for the next five years and thereafter are as follows:

	Discrete Component <u>Units</u>
2015	\$ 991,000
2016	991,000
2017	991,000
2018	991,000
2019	991,000
2020-2024	4,955,000
2025-2029	4,955,000
2030-2034	4,955,000
2035-2039	4,955,000
2040-2044	4,955,000
2045-2029	4,955,000
2050-2054	4,955,000
2055-2059	4,955,000
2060-2064	4,955,000
2065-2069	4,955,000
2070-2074	4,955,000
2075-2079	4,955,000
2080-2084	4,955,000
2085-2089	4,955,000
2090-2094	4,955,000
2095-2099	4,955,000
2100-2104	4,871,250
Thereafter	<u>3,242,166</u>
	<u>\$ 92,348,416</u>

### Developer Fees

Through several of the redevelopment agreements, the Authority is entitled to developer and oversight fees upon completion of certain benchmarks throughout the projects or as a reimbursement for development fees paid on behalf of the projects. For the year ending March 31, 2014, the Authority earned \$1,124,910 in developer and oversight fees, which is included in other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 7. LONG TERM LIABILITIES

### Long Term Liabilities - Primary Government

	Weighted Average Interest Rate at 3/31/14	April 1, 2013	Additions	Principal Payments	Current Portion	March 31, 2014
Capital debt:						
Project and Refunding Bonds 2010	5.39%	\$ 5,335,000	\$ -	\$ (205,000)	\$ (215,000)	\$ 4,915,000
West Broadway Redevelopment Bond	5.28%	8,915,000	-	(190,000)	(200,000)	8,525,000
Capital Fund Program Revenue Bonds Series 2008	4.25%	75,410,000	-	(3,270,000)	(3,395,000)	68,745,000
Build America Bonds Series 2010	4.99%	59,005,000	-	(1,360,000)	(1,460,000)	56,185,000
Other long-term liabilities:						
Accrued pension and other post-retirement employee benefit liabilities	3.00%	35,852,886	11,235,344	(6,244,013)	-	40,844,217
Accrued Compensated Absences	n/a	8,450,830	932,518	(1,411,250)	(1,164,505)	6,807,593
Non-current liabilities other	n/a	8,845,661	-	(1,220,266)	-	7,625,395
<b>Total</b>		<b>\$ 201,814,377</b>	<b>\$ 12,167,862</b>	<b>\$ (13,900,529)</b>	<b>\$ (6,434,505)</b>	<b>\$ 193,647,205</b>

### Long Term Liabilities - Component Units

	Interest Rate	April 1, 2013	Additions	Principal Payments	Current Portion	March 31, 2014
Capital debt:						
Massachusetts Housing Financing Agency - Heritage Housing Corporation	4.61%	\$ 17,805,962	\$ 1,572,515	\$ -	\$ -	\$ 19,378,477
Massachusetts Housing Financing Agency - Lower Mills Housing Corporation	4.75%	7,382,359	1,216,073	-	-	8,598,432
Other long-term liabilities:						
Accrued pension and other post-retirement employee benefit liabilities	3.00%	-	464,666	(16,891)	-	447,775
Accrued Compensated Absences	n/a	-	112,011	(244)	(16,310)	95,457
Non-current liabilities other	n/a	-	602,744	-	-	602,744
<b>Total</b>		<b>\$ 25,188,321</b>	<b>\$ 3,968,009</b>	<b>\$ (17,135)</b>	<b>\$ (16,310)</b>	<b>\$ 29,122,885</b>

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

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## 7. LONG TERM LIABILITIES...continued

### Capital Debt

#### Project and Refunding Bonds 2010

In October of 2010 the BHA refunded its Series 2005 Project and Refunding bonds. The new 2010 bond was issued in two series (A and B) and was purchased in its entirety by Bank of America. Series A, in the amount of \$3,140,000, is tax exempt and was used to refund the remaining Series 2005 principal which was paid off early. Series B, in the amount of \$2,585,000, a taxable Build America Bond ("BAB") issue, was used for capital improvements at the BHA's 52 Chauncy Street headquarters. Under the BAB program, 35% of the Series B interest will be subsidized by the U.S. Treasury. The bonds are secured by the property. Payments of principal are due annually on November 1 and interest is due semi-annually on November 1 and May 1 of each year with serial maturities through 2030. The interest rate on Series A was 4.17% and on Series B was 6.22% at March 31, 2014, and accrued and unpaid

#### West Broadway Redevelopment Bond

Included in capital debt is a bond payable in the original amount of \$10,000,000, which was used to fund acquisition and rehabilitation at the West Broadway development. The bonds are secured by the property and interest accrues on the bond at a rate of 5.28% per annum. Payments of principal and interest are due on December 1 of each year beginning in 2006 with serial maturities through 2036 interest is due semi-annually. The principal balance outstanding on the bond at March 31, 2014 is \$8,725,000, and accrued and unpaid interest totals \$153,560.

#### Capital Fund Program ("CFP") Revenue Bonds Series 2008

On April 1, 2008, the BHA issued CFP Revenue Bonds Series 2008 in the original amount of \$78,550,000 with a premium of \$2,320,185. The proceeds were used to address capital needs in several developments in the BHA's federal portfolio. The debt service on the bonds will come from future annual allocations of CFP funds. The bonds are secured by all revenues with respect to Capital Grants funds, subject to annual appropriations by the U.S. Government, and all moneys and securities held by the Trustee under the terms of the Bond Indenture. Interest rates vary from 3.50% to 5.00% per annum. Payments of interest are due on April and October 1 of each year beginning in 2008, and payments of principal are due annually on April 1 beginning in 2012 with serial maturities through 2029. The premium is amortized on the effective interest method over the term of the bonds. The principal balance outstanding on the bond at March 31, 2014 is \$72,140,000, and accrued and unpaid interest totals \$1,703,078. Interest incurred during the year ended March 31, 2014 totaled \$3,406,156.

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 7. LONG TERM LIABILITIES...continued

### Capital Debt...continued

#### Build America Bonds ("BAB") Series 2010

In March of 2010, the BHA issued \$59,005,000 in taxable municipal Build America Bonds. The bonds are classified as \$53,005,000 in Series 2010A and \$6,000,000 in Series 2010B. These bonds, part of the American Recovery and Reinvestment Act, provide a federal government subsidy of 33% towards the interest expense of the issuer. The bonds were used for the acquisition and installation of certain energy efficiency upgrades and equipment at various BHA facilities. The bonds are secured by the energy efficiency upgrades and equipment. The Custodial Receipts are payable solely from the Rental Payments received with respect to the Lease Purchase Agreement, together with the Direct Payment Subsidies, as defined in the Bond Agreement. Interest on the bonds accrues at 2.95% - 7.15% per annum. Payments of principal and interest are due on July 1st and January 1st of each year beginning in 2010 with serial maturities through 2033. The principal balance outstanding on the bond at March 31, 2014 is \$57,645,000, and accrued and unpaid interest totals \$922,822.

#### Massachusetts Housing Financing Agency ("MHFA")

In May of 2011, the BHA obtained two mortgages through MHFA to use towards the capital needs of the developments of LMHC and HHC. The loans for LMHC and HHC total \$9,000,000 and \$19,500,000, respectively. Interest on the loans for LMHC and HHC accrue at 4.75% and 4.61%, respectively and are secured by the properties. Funds will be drawn from MHFA up to the loan amounts and interest is due monthly on the outstanding principal. As of March 31, 2014, the funds drawn down on these for LMHC and HHC are \$8,598,431 and \$19,378,477. Upon completion of construction, principal payments will also be due based on a 40 year amortization period. Interest expense for the year ended March 31, 2014 amounted to \$1,385,443, of which \$123,466 has been accrued, all of which has been capitalized.

Scheduled principal, interest and subsidy repayments on the capital debt are as follows:

<u>Primary Government</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2015	\$ 5,270,000	\$ 7,750,500	\$ (1,342,932)	\$ 11,677,568
2016	5,550,000	7,519,312	(1,320,620)	11,748,692
2017	5,885,000	7,242,629	(1,294,514)	11,833,115
2018	6,225,000	6,944,985	(1,264,777)	11,905,208
2019	6,570,000	6,632,141	(1,229,671)	11,972,470
2020-2024	38,850,000	27,761,109	(5,457,011)	61,154,098
2025-2029	51,140,000	15,940,561	(3,743,538)	63,337,023
2030-2034	22,305,000	4,070,906	(1,114,261)	25,261,645
2035-2039	1,845,000	164,472	-	2,009,472
	<u>\$ 143,640,000</u>	<u>\$ 84,026,615</u>	<u>\$ (16,767,324)</u>	<u>\$ 210,899,291</u>

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 7. LONG TERM LIABILITIES...continued

<u>Discretely Presented Component Units</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2015	\$ -	\$ 1,301,773	\$ -	\$ 1,301,773
2016	-	1,301,773	-	1,301,773
2017	-	1,301,773	-	1,301,773
2018	-	1,301,773	-	1,301,773
2019	-	1,301,773	-	1,301,773
2020-2024	-	6,508,867	-	6,508,867
2025-2029	-	6,508,867	-	6,508,867
2030-2034	-	6,508,867	-	6,508,867
2035-2039	-	6,508,867	-	6,508,867
2040-2044	-	6,508,867	-	6,508,867
2045-2049	-	6,508,867	-	6,508,867
2050-2053	<u>27,976,909</u>	<u>6,508,867</u>	-	<u>34,485,776</u>
	<u>\$ 27,976,909</u>	<u>\$ 52,070,934</u>	<u>\$ -</u>	<u>\$ 80,047,843</u>

## 8. RISK MANAGEMENT

The Authority, with HUD approval, has elected to self-insure its risks for general liability claims. As of March 31, 2014, the Authority accrued a liability of \$2,181,090 (included in other liabilities) based upon the actuarial analysis for claims incurred that have not been settled or reported.

Changes in the self-insured liability are as follows:

	<u>Beginning of Fiscal Year</u>	<u>Interest and Provision for Estimates and Losses</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
2014	\$ 2,181,090	\$ 352,472	\$ 352,472	\$ 2,181,090
2013	2,181,090	356,067	356,067	2,181,090

## 9. COMMITMENTS AND CONTINGENCIES

The Authority receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and operating subsidies. Disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims would not have a material adverse impact on the overall financial position of the Authority at March 31, 2014.

The Authority is a defendant in a number of lawsuits arising from claims for personal injury, property damage, breach of contract, and personnel grievance matters. Management believes the resolution of these matters will not have a material impact on the Authority's operations.

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

## 9. COMMITMENTS AND CONTINGENCIES...continued

In relation to West Broadway Redevelopment Limited Partnership, the Authority (as Guarantor) unconditionally guarantees to the investor limited partner, the due and punctual performance by the general partner and developer of all their obligations under the partnership agreement and the development agreement. Such obligations are limited to \$1,000,000 under the Guaranty. In addition, the maximum amount to be advanced by the Authority, during the time period defined in the Guaranty, to the general partner with respect to obligations of the Partnership to discharge operating expenses is limited to \$250,000. The Partnership also agrees to pay to the BHA an annual Program Oversight Fee in the amount of \$75,000. In the event that any amounts are owed by the Authority under this Guaranty, the Program Oversight Fee owed to the Authority by the Partnership shall be deemed to be paid to the Authority. Such amounts shall then be used to satisfy the obligations of the Authority under this Guaranty.

In 1995, the Authority was awarded \$20,000,000 of Hope VI funds for use in funding the Washington Beech Grant. These funds have an expiration date of September 30, 2013. As of March 31, 2014 the funds were fully expended.

The Authority has entered into notes receivable agreements for amounts which have not yet been disbursed. As of March 31, 2014, these amounted totaled \$504,786 related to Old Colony Phase Two.

In 2008, the Authority discovered that gas charges to a development had been understated for the period from March 2005 through July 2008 in the amount of approximately \$1.2 million due to faulty meters. Of that amount, \$728,676 represents gas provided to the development by a vendor under a contractual relationship with the BHA. A payment plan has been worked out with this vendor allowing for payment of \$145,735 annually over a five year period. The final installment of completing the \$728,676 obligation was made in May 2013.

## 10. OTHER POSTEMPLOYMENT BENEFIT

### Plan Description and Funding Policy

Employees who have Authority-sponsored health coverage in force as of their termination date and meet certain age and length of service requirements may be eligible for the Authority's retiree health care coverage. Postemployment health care benefits are funded in relation to the annual required contribution ("ARC") on a pay-as-you-go basis.

### Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit ("OPEB") expense is calculated based on the ARC, which is actuarially determined in accordance with the parameters of GASB Statement No. 45. The Authority's ARC represents a level of funding that, if paid on an ongoing basis, would be projected to cover the normal cost each year and amortize the unfunded actuarial liabilities ("UAL") over a 30-year period. During 2014, 351 former employees received the postemployment healthcare benefit. Contributions in relation to the ARC totaled 35.63 percent of the 2014 ARC.

## Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

### 10. OTHER POSTEMPLOYMENT BENEFIT...continued

The table below shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation relating to the postemployment healthcare plan for the years ended March 31:

	<u>2014</u>
Annual Required Contribution (ARC)	\$ 8,476,160
Contributions Made in Relation to the ARC	(3,011,000)
Interest on Net OPEB Obligation (NOO)	1,254,850
Adjustment to NOO to ARC	<u>(1,280,904)</u>
Increase in Net OPEB Obligation	5,439,106
Net OPEB Obligation - beginning of year	<u>35,852,886</u>
Net OPEB Obligation - end of year	<u>\$ 41,291,992</u>

The table below shows the Authority's annual OPEB cost, employer contributions and the percentage of annual OPEB cost contributed to the plan, for the years ended March 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB cost	8,450,107	16,667,486	7,890,595
Contributions made in relation to the ARC	(3,011,000)	(3,319,885)	(3,045,765)
Percentage contributed	35.63%	19.7%	38.6%

#### Funded Status and Funding Progress

The actuarial accrued liability for benefits as of March 31, 2014, the most recent actuarial valuation date, was \$109,154,067. This liability will be phased in over 30 years based on the requirements of GASB 45. Contributions in relation to the ARC during 2014 totaled \$3,011,000. The unfunded actuarial accrued liability ("UAAL") as of March 31, 2014 is \$106,143,067.

The projection of future benefit payments for an ongoing plan involves 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### Actuarial Methods and Assumptions

Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# Boston Housing Authority

Notes to Financial Statements  
Year Ended March 31, 2014

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## 10. OTHER POSTEMPLOYMENT BENEFIT...continued

### Actuarial Methods and Assumptions...continued

In the January 1, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return, which is the expected long-term investment return on the Authority's own investments. An annual healthcare cost trend rate of 7.5 percent initially, reduced over ten years to an ultimate rate of 5 percent, was used.

Both rates include a 3 percent inflation assumption. Actuarial calculations assume a level percentage of projected payroll 30-year open amortization period. This has been calculated assuming the amortization payment increases at a rate of 3 percent per year. The remaining amortization period at March 31, 2014 was 26 years.

## 12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 30, 2014, the date on which the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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**Boston Housing Authority**  
 Schedule of Funding Progress for the Retiree Health Plan (Unaudited)  
 Last Four Years  
 Required Supplementary Information

	Actuarial Valuation Date - April 1			
	2011	2012	2013	2014
Actuarial value of assets (AVA)	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL) entry age normal cost method	\$ 94,789,721	\$ 103,680,906	\$ 100,732,376	\$ 109,154,067
Unfunded ALL (UAAL)	\$ 94,789,721	\$ 109,732,376	\$ 111,269,971	\$ 109,154,067
AVA as a percentage of AAL	0%	0%	0%	0%
Estimated covered payroll	N/A	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A	N/A
	Years Ended March 31			
	2011	2012	2013	2014
Annual Required Contribution (ARC)	\$ 7,318,971	\$ 15,479,680	\$ 16,667,486	\$ 8,476,160
Employer contributions	\$ 2,577,285	\$ 3,045,765	\$ 3,319,885	\$ 3,011,000
Contributions as a percentage of the ARC	35%	20%	20%	36%
Net OPEB obligation	\$ 26,522,712	\$ 31,430,581	\$ 35,852,893	\$ 41,291,992

**Notes:**

See Note 12 in the notes to the financial statements for additional information relating to the plan description, funding, cost, obligation and actuarial methods/assumptions.

**Boston Housing Authority**  
 Combining Statement of Net Position - Primary Government Programs  
 March 31, 2014  
 Supplementary Information

	Low Rent Public Housing	Section 8 Housing Choice Vouchers	State and Local Public Housing	Central Office Cost Center	Section 8 HOPE VI	Section 8 Moderate Rehab	Other Federal Program 1	Other Federal Program 2	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Capital Fund Competitive Recovery Act Funded	Section 8 Shelter Plus	Other Federal	Capital Fund	Eliminations	Total Primary Government
<b>ASSETS</b>																	
Current assets:																	
Cash and cash equivalents - unrestricted	\$ 7,978,866	\$ 859,748	\$ 19,553,353	\$ 3,737,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,645,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,774,908
Cash and cash equivalents - restricted	14,324,148	2,781,964	2,883,120	-	-	-	-	-	-	-	-	-	-	-	-	-	19,769,232
Investments - unrestricted	31,386,328	-	4,095,561	3,469,694	-	2,400,325	-	-	335,462	-	1,263,663	-	-	-	-	-	42,997,233
Investments - restricted	-	3,969,650	630,461	-	-	-	-	-	-	-	-	-	-	-	-	-	4,630,111
Accounts Receivable:																	
Accounts receivable - tenants	816,666	-	552,097	-	-	-	-	-	-	-	-	-	-	-	-	-	1,368,763
Allowance for doubtful accounts - tenants	(325,359)	-	(308,567)	-	-	-	-	-	-	-	-	-	-	-	-	-	(633,926)
Accounts receivable - HUD other projects	-	-	-	-	61,814	12,202	8,314	32,118	5,792	-	-	-	-	-	883,108	-	1,003,346
Accounts receivable - other government	-	-	1,620,666	-	-	-	-	-	-	-	-	-	-	-	-	-	1,620,666
Allowance for doubtful accounts - other	-	(1,215,739)	(1,827)	-	-	(14,372)	-	-	-	-	(8,032)	-	-	-	-	-	(1,234,970)
Accounts receivable - Public Housing Authority projects	577,770	2,383,665	432,782	529,768	-	16,135	-	-	-	-	6,153	-	-	-	-	-	639,722
Accounts receivable - miscellaneous	274,000	60	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	474,000
Notes, loans, and mortgages receivable - current	531	3,387	160,992	25,239	-	227	-	-	-	-	503	-	-	-	-	-	5,332
Accrued interest receivable	645,153	-	32,674	518,375	-	-	-	-	-	-	-	-	-	-	-	-	835,501
Prepaid expenses and other assets	-	-	5,013,273	1,786,915	-	-	25,673	-	61,336	3,762	27,283	-	-	74,295	-	-	551,049
Inventories	6,099,540	992,170	10,087,129	10,087,129	3,053,983	2,549,703	33,987	32,118	67,128	339,224	2,940,193	-	-	883,117	-	(17,211,381)	106,727,242
Inter program due from	61,789,763	10,404,627	34,673,366	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets																	
Noncurrent assets:																	
Capital assets:																	
Land	47,406,387	-	9,713,382	7,168,802	-	-	-	-	-	-	-	-	-	-	-	-	64,288,571
Construction in progress	932,407,632	-	1,077,792	-	-	-	-	-	-	-	-	-	-	-	53,738,385	-	54,817,187
Buildings	1,834,886	514,680	261,324,278	4,897	-	-	-	-	-	-	-	-	-	-	-	-	1,193,736,908
Furniture, equipment and machinery	(733,196,374)	(489,257)	(222,502,670)	(3,077,767)	-	-	-	-	-	-	-	-	-	-	-	-	6,077,207
Accumulated depreciation	248,450,531	45,423	49,995,466	7,339,990	-	-	-	-	-	-	-	-	-	-	53,739,395	-	(959,348,068)
Total capital assets																	389,571,805
Other assets:																	
Notes, loans and mortgages receivable - non-current	109,860,310	-	22,788,447	8,700,000	80,476	-	-	-	-	-	-	-	-	-	-	-	132,429,233
net of allowance for doubtful accounts																	
Total assets	\$ 411,100,604	\$ 10,450,050	\$ 107,458,279	\$ 26,137,119	\$ 3,134,459	\$ 2,549,703	\$ 33,987	\$ 32,118	\$ 67,128	\$ 339,224	\$ 2,940,193	\$ -	\$ -	\$ 74,295	\$ 54,622,512	\$ (17,211,381)	\$ 601,729,280

**Boston Housing Authority**  
 Combining Statement of Net Position - Primary Government Programs  
 March 31, 2014  
 Supplementary Information

	Low Rent Public Housing	Section 8 Housing Choice Vouchers	State and Local Public Housing	Central Office Cost Center	HOPE VI	Section 8 Moderate Rehab	Other Federal Program 1	Other Federal Program 2	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Capital Fund Competitive Recovery Act Funded	Section 8 Shelter Plus	Other Federal	Capital Fund	Eliminations	Total Primary Government
<b>LIABILITIES AND NET POSITION</b>																	
Current liabilities:																	
Accounts payable - operating	\$ 540	\$ -	\$ 3,946,331	\$ 103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,946,874
Accounts payable - HUD Public Housing Authority programs	-	-	4,370,100	-	-	242,711	-	-	-	-	306,053	-	-	-	-	-	548,764
Accounts payable - other government	536,000	138,861	176,798	307,201	-	1,795	-	-	-	-	3,850	-	-	-	-	-	4,370,100
Accrued compensated absences - current portion	1,365,711	-	2,498,460	-	-	-	-	-	-	-	-	-	-	-	-	-	1,194,505
Accrued interest payable	9,651,694	862,866	5,853,589	142,394	61,239	72,862	153,781	32,118	67,128	25,952	14,979	-	-	15,860	71,502	(17,211,361)	14,524
Other current liabilities	822,829	400,494	1,254,772	893,894	-	5,351	-	-	-	-	12,741	-	-	-	1,703,078	-	8,951,931
Current portion of long term debt - capital	339,175	457,950	501,645	126,645	-	-	-	-	-	-	-	-	-	-	-	-	1,425,115
Total current liabilities	4,855,000	1,860,171	19,674,452	1,570,267	61,239	323,319	153,781	32,118	67,128	25,952	337,614	-	-	15,860	1,774,580	(17,211,361)	5,270,000
Noncurrent liabilities:																	
Long-term debt, net of current portion	124,930,000	-	13,440,000	-	-	-	-	-	-	-	-	-	-	-	-	-	138,370,000
Accrued compensated absences - net of current portion	3,350,765	775,631	764,590	1,884,087	-	7,128	-	-	-	-	15,391	-	-	-	-	-	6,007,693
Accrued pension and other postretirement employee benefit liab	22,371,037	5,658,661	5,163,403	7,457,113	-	65,657	-	-	-	-	127,346	-	-	-	-	-	40,844,317
Non-current liabilities - other	3,708,807	1,240,385	1,764,520	99,980	-	-	-	-	-	-	-	-	-	-	811,623	-	7,695,305
Total noncurrent liabilities	154,370,710	7,674,677	21,132,513	9,441,180	-	73,785	-	-	-	-	142,737	-	-	-	811,623	-	183,847,235
Total liabilities	179,272,665	9,534,848	40,806,965	11,011,427	61,239	397,104	153,781	32,118	67,128	25,952	480,351	-	-	15,860	2,586,203	(17,211,361)	226,234,270
Net position:																	
Net investment in capital assets, net of related debt	117,648,393	45,423	44,710,098	7,339,990	-	-	-	-	-	-	-	-	-	-	52,035,317	-	221,760,132
Restricted	12,586,999	5,521,229	3,036,509	-	-	-	-	-	-	-	-	-	-	-	-	-	21,144,137
Unrestricted	102,582,547	(4,651,450)	18,904,768	7,785,702	3,073,220	2,152,599	(119,794)	-	-	313,272	2,459,842	-	-	56,415	(8)	-	132,569,141
Total net position	232,827,939	915,202	66,651,314	15,125,692	3,073,220	2,152,599	(119,794)	-	-	313,272	2,459,842	-	-	56,415	52,035,309	-	375,484,610
	\$ 411,100,604	\$ 10,450,050	\$ 107,458,279	\$ 26,137,119	\$ 3,134,459	\$ 2,549,703	\$ 33,987	\$ 32,118	\$ 67,128	\$ 339,224	\$ 2,940,193	\$ -	\$ -	\$ 74,295	\$ 54,622,512	\$ (17,211,361)	\$ 601,728,980

**Boston Housing Authority**  
**Combining Statement of Revenues, Expenses and Changes in Net Position - Primary Government Programs**  
**Year Ended March 31, 2014**  
**Supplementary Information**

	Low Rent Public Housing	Section 8 Housing Choice Vouchers	State and Local Public Housing	Central Office Cost Center	HOPE VI	Section 8 Moderate Rehab	Other Federal Program 1	Other Federal Program 2	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Section 8 Shelter Plus	Other Federal	Capital Fund	Eliminations	Total Primary Government
<b>Operating revenues:</b>																
Tenant rental revenue, net	\$ 31,002,809	\$ -	\$ 8,432,364	\$ 3,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,438,598
Tenant revenue - other	180,547	-	54,210	-	-	-	-	-	-	-	-	-	-	-	-	234,757
Total tenant revenue	31,183,356	-	8,486,574	3,425	-	-	-	-	-	-	-	-	-	-	-	39,673,355
HUD Public Housing Authority operating grants	-	171,858,167	-	-	8,939,241	3,191,598	-	219,758	-	-	3,249,537	-	-	-	-	178,619,060
HUD operating grants	49,821,813	2,287,736	-	-	-	344,495	-	138	300,057	-	607,716	-	76,141	8,647,994	-	71,144,030
Other governmental grants	1,199,012	-	28,972,861	-	-	-	-	-	-	-	-	-	-	-	-	30,171,873
Other revenue	1,527,745	2,973,446	2,783,830	15,897,462	-	6,259	-	-	-	-	2,662	-	-	-	(16,809,605)	6,381,569
Total operating revenues	83,731,926	177,199,349	40,243,965	15,900,887	8,939,241	3,542,352	137,599	219,896	300,057	-	3,859,915	-	76,141	8,647,994	(16,809,605)	325,961,117
<b>Operating expenses:</b>																
Administrative	18,701,891	12,507,024	6,625,981	15,707,057	864,264	184,738	36,516	138	16,511	-	368,572	-	39,985	1,813,277	(16,809,605)	40,088,949
Tenant services	1,374,676	32,758	676,676	4,304	629,345	-	60,194	-	283,471	-	-	-	-	-	-	3,061,024
Utilities	27,422,535	-	9,802,834	-	-	-	-	-	-	-	-	-	-	-	-	37,225,369
Maintenance	35,444,707	11,431	7,878,752	139,458	-	7,870	-	-	-	-	15,656	-	-	-	-	43,497,934
Protective services	4,044,008	-	2,319,295	-	-	-	-	-	-	-	-	-	-	-	-	6,363,303
Insurance premiums	2,683,504	278,925	680,170	477,940	35	3,294	4,030	-	-	-	6,547	-	1,479	-	-	4,145,024
Payment in lieu of taxes	225,156	-	-	-	66,660	-	-	-	-	-	-	-	-	-	-	291,816
Housing assistance payments	5,488,727	171,958,167	5,002,340	-	-	3,191,598	-	219,758	-	-	3,249,537	-	-	-	-	183,621,000
Pension and other postretirement employee benefit expense	816	800,305	(423,149)	316,265	-	5,445	-	-	-	-	5,091	-	-	-	-	6,244,013
Other general expenses	(650,829)	816	1,112,891	59,329	1,450,681	16,942	-	-	75	-	(8,671)	-	-	-	-	1,989,005
Depreciation	32,241,392	16,302	6,428,025	67,942	-	-	-	-	-	-	-	-	-	-	-	38,755,361
Total operating expenses	128,985,867	185,665,788	40,172,075	16,772,295	2,974,925	3,409,887	102,740	219,896	300,057	-	3,859,732	-	41,464	1,813,277	(16,809,605)	365,284,198
(Deficiency) excess of operating revenue over operating expenses	(49,253,941)	(8,466,439)	71,290	(871,008)	5,964,916	132,465	34,859	-	-	-	223,183	-	36,677	6,834,717	-	(99,293,081)
<b>Non-operating (expense) revenues:</b>																
Investment income - unrestricted	135,758	167	11,923	404	-	-	-	-	-	-	60	-	-	-	-	148,312
Investment income - restricted	4,452	-	22,414	-	-	-	-	-	-	-	-	-	-	-	-	26,866
Interest expense	(3,711,568)	-	(271,500)	-	-	-	-	-	-	-	-	-	-	(3,406,156)	-	(7,389,024)
Extraordinary maintenance	(416,720)	-	(59,392)	-	-	-	-	-	-	-	-	-	-	-	-	(476,112)
Disposition of property	(18,159)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,159)
Casualty losses and other	(713,876)	-	(1,428)	(22,416)	-	-	-	-	-	-	-	-	-	-	-	(737,520)
Total non-operating (expense) revenues	(4,720,113)	167	(288,383)	(21,412)	-	-	-	-	-	-	60	-	-	(3,406,156)	-	(8,446,537)
(Deficiency) excess of total revenue over (under) total expense	(47,974,054)	(8,466,272)	(227,093)	(893,220)	5,964,916	132,465	34,859	-	-	-	223,243	-	36,677	3,428,561	-	(47,739,918)
<b>Capital grants</b>																
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	20,292,619	-	20,292,619
Equity transfers	87,455,732	-	230,401	451	(19,670,617)	-	(154,633)	-	-	-	403	(403)	(76,198)	(68,446,873)	-	(661,757)
Change in net position	39,481,678	(8,466,272)	3,308	(692,769)	(13,705,701)	132,465	(119,794)	-	-	-	223,846	(403)	(39,521)	(44,725,693)	-	(28,109,056)
Net position, beginning of year*	193,346,261	9,381,474	75,905,801	16,018,461	16,778,921	2,020,134	-	-	-	313,272	2,236,196	403	97,936	96,782,002	-	412,860,961
Prior period adjustments (Note 1)*	-	-	9,257,895	-	-	-	-	-	-	-	-	-	-	-	-	(9,257,895)
Net position, beginning of year (as restated, Note 1)	193,346,261	9,381,474	85,163,696	16,018,461	16,778,921	2,020,134	-	-	-	313,272	2,236,196	403	97,936	96,782,002	-	403,603,066
Net position, end of year	\$ 232,827,639	\$ 915,202	\$ 86,651,314	\$ 15,125,692	\$ 3,073,220	\$ 2,152,599	\$ (119,794)	\$ -	\$ -	\$ 313,272	\$ 2,459,842	\$ -	\$ 58,415	\$ 52,036,309	\$ -	\$ 375,494,010

\* Does not include the beginning net position and related prior period adjustment of \$134,894,127 for the component units that were presented separately in the prior year as blended component units.

Boston Housing Authority  
 Combined Statement of Net Position - Discretely Component Units  
 March 31, 2014  
 Supplementary Information

	BHCC Partnership Capital	Boston Housing Development Corp 1 Development Corp	Boston Housing Development Corp 2 Development Corp	Mission Main Revolving Corp	Boston - MT - Pleasant H.D.C.	Franklin Hill Revitalize Corp	Maverick Rehabilitation Corp	West Broadway Housing Corp	Boston Public Housing Corp	Orchard Park Rehabilitation Corp	Old Colony Rehabilitation Corp	Wash/Beech Revitalization Corp	Lower Mills Housing Corp - Publ Hsg	Lower Mills Housing Corp - Housing Corp - Publ Hsg	Heritage Housing Corp - Publ Hsg	Heritage Housing Corp - LSD Hsg	Eliminations	Total Component Units
<b>ASSETS</b>																		
Current assets:																		
Cash and cash equivalents - unrestricted	\$ -	\$ -	\$ -	\$ 783,358	\$ -	\$ -	\$ 206,639	\$ -	\$ -	\$ -	\$ 191,352	\$ 481,729	\$ 45,993	\$ 743,744	\$ 91,560	\$ 3,029,848	\$ -	\$ 5,615,734
Investments - unrestricted	-	-	-	-	-	899,013	-	-	-	-	1,499,869	1,499,869	-	365,774	-	367,766	-	3,899,651
Accounts receivable - tenants	-	-	-	-	-	15	-	-	-	-	22	22	251	54,266	7,186	155,535	-	144,550
Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-	-	-	-	-	(827)	(827)	(1,146)	(1,146)	(19,837)	-	(22,041)
Accounts receivable - miscellaneous	-	-	-	-	-	-	1,564	-	1,564	-	-	-	1,052	8,170	255	-	-	656,623
Prepaid expenses and other assets	-	-	-	-	-	-	30,841	-	30,841	-	1,170	80,347	3,013	185,278	4,022	409,880	-	659,741
Total current assets	-	-	-	783,358	-	1,208,667	62,053	-	62,053	8,000	1,692,363	2,779,735	66,954	1,331,787	110,824	4,253,924	(507,782)	11,989,552
Noncurrent assets:																		
Capital assets:																		
Land	942,021	-	-	1,542,291	-	1,142,034	-	-	-	4,803,002	897,804	897,001	-	-	-	-	-	11,224,330
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	8,972,853	-	-	-	23,511,469
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	1,422,523	-	-	-	33,484,412
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,542,271)	-	-	-	(13,542,271)
Total capital assets	942,021	-	-	1,542,291	-	1,142,034	-	-	-	4,803,002	897,804	897,001	-	10,447,115	-	-	-	44,170,288
Other assets:																		
Notes, loans and mortgages receivable - noncurrent, net of allowance for doubtful accounts	111,522.96	-	-	-	-	3,702,669	-	6,175,000	-	-	-	1,569,335	-	-	-	-	-	122,899,500
Total assets	\$ 112,464,217	\$ -	\$ -	\$ 2,305,649	\$ -	\$ 6,054,402	\$ 1,018,817	\$ -	\$ 6,237,053	\$ 4,811,002	\$ 2,890,167	\$ 5,000,131	\$ 66,954	\$ 11,778,922	\$ 110,824	\$ 28,255,179	\$ (507,782)	\$ 181,150,685

**Boston Housing Authority**  
 Combining Statement of Net Position - Discretely Component Units  
 March 31, 2014  
 Supplementary Information

	BHQC Partnerships	BHQC IV Capital	Boston Housing Development Corp. 1	Boston Housing Development Corp. 2	Mission Main Revaliaze Corp.	Boston - MT. Pleasant H.D.C. Revaliaze Corp.	Franklin Hill Revaliaze Corp.	Merricks Revaliaze Corp.	West Broadway Housing Corp.	Boston Public Housing Corp.	Orchard Park Revaliaze Corp.	Old Colony Revaliaze Corp.	WestBeach Revaliaze Corp.	Lower Mills Housing Corp. - Pull Hqs.	Lower Mills Housing Corp. - Public Hqs.	Heritage Housing - Pull Hqs.	Heritage Housing - Public Hqs.	Heritage Housing - Eliminations	Total Component Units
<b>LIABILITIES AND NET POSITION</b>																			
Current liabilities:																			
Accrued compensated absences - current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inter program due to	383	-	15	274	4,125	60	(10,083)	4,934	20,323	4,780	12,275	5,383	-	175,902	382	134,057	(150,048)	(202,782)	2,537,800
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	6,302	80,226	8,597	4,126	-	151,258
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	27	15,125	17,847	146,417	-	178,416
Current portion of long term debt - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	383	-	15	274	4,125	60	(10,083)	4,934	20,323	2,762,229	12,275	5,383	-	183,446	157,731	182,895	194,115	(202,782)	3,007,343
Noncurrent liabilities:																			
Long term debt capital, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued compensated absences, non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued pension and other post-retirement benefit liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	383	-	15	274	4,125	60	(10,083)	4,934	20,323	2,476,229	12,275	5,383	-	237,441	9,329,802	174,281	19,633,619	(202,782)	31,656,259
Net position:																			
Investment in capital assets	940,021	-	-	-	1,542,292	-	1,142,894	1,018,617	-	-	4,933,602	987,804	687,051	1,795,575	365,980	-	4,889,895	-	17,019,711
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	111,527,813	-	(15)	(274)	759,232	(60)	4,921,619	(4,934)	(20,323)	3,760,796	(4,275)	1,686,980	3,651,313	(170,487)	377,425	(63,457)	3,510,150	-	1,625,342
Total net position	112,468,834	-	(15)	(274)	2,301,524	(60)	6,064,553	1,013,683	(20,323)	3,760,796	4,989,327	2,674,784	5,000,131	(170,487)	2,448,980	(63,457)	9,091,560	-	129,925,503
Total	\$ 112,464,217	\$ -	\$ -	\$ -	\$ 2,305,649	\$ -	\$ 6,054,470	\$ 1,018,617	\$ -	\$ 6,237,025	\$ 4,911,602	\$ 2,680,167	\$ 5,000,131	\$ 66,954	\$ 11,779,782	\$ 110,824	\$ 28,725,179	\$ (202,782)	\$ 181,159,855



**Boston Housing Authority**  
Statement of Net Position - Building  
March 31, 2014  
Supplementary Information

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**ASSETS**

Current assets:

Cash - operations	\$ 1,185,996
Cash - restricted	1,708,120
Accounts receivable	6,679
Interfund due from	26,112
Total current assets	<u>2,926,907</u>

Noncurrent assets:

Capital assets:

Land	2,157,100
Construction in progress	1,077,792
Structures and equipment, net	1,815,669
Total capital assets	<u>5,050,561</u>

Total assets	<u>\$ 7,977,468</u>
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**LIABILITIES AND NET POSITION**

Current liabilities:

Current portion of accrued compensated absences	\$ 6,635
Interfund due to	1,548
Accrued liabilities	87,329
Accrued interest	111,214
Current portion of capital debt	215,000
Total current liabilities	<u>421,726</u>

Noncurrent liabilities:

Capital debt, net of current portion	4,915,000
Accrued compensated absences, net of current portion	21,163
Post employment healthcare benefits	430,228
Total noncurrent liabilities	<u>5,366,391</u>

Total liabilities	<u>5,788,117</u>
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Net position:

Net investment in capital assets	(79,439)
Unrestricted	1,708,120
Restricted	560,670
Total net position	<u>2,189,351</u>

	<u>\$ 7,977,468</u>
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**Boston Housing Authority**

## Statement of Revenues, Expenses and Changes in Net Position - Building

Year Ended March 31, 2014

Supplementary Information

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Operating revenues:	
Other governmental grants	\$ 51,802
Other	<u>1,504,297</u>
Total operating revenues	<u>1,556,099</u>
Operating expenses:	
Administration	163,257
Utilities	198,073
Maintenance and operations	295,739
Protective services	140,831
Insurance	12,374
Other general expenses	39,468
Depreciation	<u>352,297</u>
Total operating expenses	<u>1,202,039</u>
Operating income	<u>354,060</u>
Non-operating expenses:	
Interest expense	<u>271,900</u>
Total non-operating revenues (expenses)	<u>271,900</u>
Change in net position	82,160
Net position, beginning of year (as restated)	<u>2,107,191</u>
Net position, end of year	<u><u>\$ 2,189,351</u></u>

**Boston Housing Authority**  
Statement of Certification of Actual Program Costs - Federally Funded Programs  
March 31, 2014  
Supplementary Information

	Public Housing Capital Fund Program MA06P002501-09	Capital Fund Education and Training Community Facilities (CFCF Program) MA06C002501-10	Resident Opportunity & Self Sufficiency MA002RPS077A009
Funds approved and advanced	\$ 25,861,172	\$ 5,000,000	\$ 480,000
Funds expended	25,861,172	5,000,000	480,000
Excess funds approved and advanced	\$ -	\$ -	\$ -
	Resident Opportunity & Self Sufficiency MA002RFS059A011	Resident Opportunity & Self Sufficiency MA002RFS097A012	Public Housing Capital Fund Competitive Recovery Act MA00200012409G
Funds approved and advanced	\$ 69,000	\$ 69,000	\$ 22,196,000
Funds expended	69,000	69,000	22,196,000
Excess funds approved and advanced	\$ -	\$ -	\$ -
	Public Housing Capital Fund Program MA06R002502-11		
Funds approved and advanced	\$ 615,066		
Funds expended	615,066		
Excess funds approved and advanced	\$ -		