

# **Boston Housing Authority**

Financial Report  
March 31, 2017

## Contents

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Independent auditor's report	1-2
Management's discussion and analysis (unaudited)	3-12
Financial statements	
Statement of net position	13-14
Statement of revenues, expenses and changes in net position	15
Statement of cash flows	16-17
Notes to financial statements	18-44
Required supplementary information	
Schedule of Contributions – Boston Retirement System (unaudited)	45
Schedule of the Authority's Proportionate Share of the Net Pension Liability – Boston Retirement System (unaudited)	46
Schedule of funding progress for the retiree health plan (unaudited)	47
Supplementary information	
Combining statement of net position - primary government programs	48-49
Combining statement of revenues, expenses and changes in net position - primary government programs	50
Statement of net position - building	51
Statement of revenues, expenses and changes in net position - building	52
Statement of certification of actual program costs - federally funded programs	53
Financial data submission (separate report)	

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RSM US LLP

## Independent Auditor's Report

To the Administrator  
Boston Housing Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component units of the Boston Housing Authority (the "Authority"), as of and for the year ended March 31, 2017, 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 respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority, as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 3-12, the Schedule of Contributions – Boston Retirement System on page 45, the Schedule of the Authority's Proportionate Share of the Net Pension Liability - Boston Retirement System on page 46, and the Schedule of Funding Progress for the Retiree Health Plan on page 47 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. Such information has been subjected to the auditing procedures applied in the audit 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 31, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*RSM US LLP*

Boston, Massachusetts  
December 31, 2017

## Boston Housing Authority

### Management's Discussion and Analysis (Unaudited) March 31, 2017

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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 reported collectively as business-type activities, 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, 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.

## **Boston Housing Authority**

### **Management's Discussion and Analysis (Unaudited) March 31, 2017**

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#### **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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

- Management's Discussion and Analysis (MD&A) (unaudited)
- Schedule of Contributions – Boston Retirement System (unaudited)
- Schedule of the Authority's Proportionate Share of the Net Pension Liability – Boston Retirement System (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
- 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 the fiscal year ended March 31, 2017 (FY 2017) and the fiscal year ended March 31, 2016 (FY 2016). 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.

**Boston Housing Authority**

**Management's Discussion and Analysis (Unaudited)  
March 31, 2017**

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

The schedule below shows comparative balance sheet data from FY 2017 and FY 2016 for the primary government.

**Condensed Comparative Statement of Net Position**

	<b>2017</b>	<b>2016</b>	<b>Net Change</b>	<b>Variance</b>
Cash and investments	\$ 98,487,984	\$ 85,577,982	\$ 12,910,002	15.09%
Other current assets	9,225,279	10,776,147	(1,550,868)	-14.39%
Capital assets	285,401,508	310,352,003	(24,950,495)	-8.04%
Other non-current assets	138,224,621	134,678,991	3,545,630	2.63%
<b>Total assets</b>	<u>531,339,392</u>	<u>541,385,123</u>	<u>(10,045,731)</u>	<u>-1.86%</u>
Deferred pension expense*	16,622,548	22,352,383	(5,729,835)	-25.63%
<b>Total deferred outflows of resources</b>	<u>16,622,548</u>	<u>22,352,383</u>	<u>(5,729,835)</u>	<u>-25.63%</u>
<b>Total Assets and deferred outflows of resources</b>	<u>\$ 547,961,940</u>	<u>\$ 563,737,506</u>	<u>\$ (15,775,566)</u>	<u>-2.80%</u>
Current liabilities	28,566,655	34,867,984	(6,301,329)	-18.07%
Non-current liabilities	288,974,176	297,719,870	(8,745,694)	-2.94%
<b>Total liabilities</b>	<u>317,540,831</u>	<u>332,587,854</u>	<u>(15,047,023)</u>	<u>-4.52%</u>
Deferred pension expense*	24,949,802	18,283,657	6,666,145	36.46%
<b>Total deferred Inflows of resources</b>	<u>24,949,802</u>	<u>18,283,657</u>	<u>6,666,145</u>	<u>36.46%</u>
Net position:				
Net investment in capital assets	163,485,612	183,339,704	(19,854,092)	-10.83%
Restricted net position	19,892,131	19,048,420	843,711	4.43%
Unrestricted net position	22,093,564	10,477,871	11,615,693	110.86%
<b>Total net position</b>	<u>205,471,307</u>	<u>212,865,995</u>	<u>(7,394,688)</u>	<u>-3.47%</u>
<b>Total liabilities, deferred Inflows, and net Position</b>	<u>\$ 547,961,940</u>	<u>\$ 563,737,506</u>	<u>\$ (15,775,566)</u>	<u>-2.80%</u>

**Total assets** decreased by \$10 million or 2%, from FY 2016. The significant changes in asset categories that resulted in this net decrease are discussed below.

- Cash and cash equivalents and investments realized a net increase of \$12.9 million. Significant increases include \$5.6 million increase in Low Rent Program due to increased subsidy and reduced expenditures. A \$5.7 million increase in the Housing Choice Voucher Program (HCVP) due to increased Housing Assistance Payment (HAP) subsidy due to increase vouchers usage. A \$3.7 million increase in Capital Fund due to a cash drawdown of Capital Fund Federal Program (CFFP) funds in March for a bond payment made April 1. These increases were offset by a \$800,000 decrease in state and local funds due to spending down one time funding from the City of Boston for public Safety and a \$1.5 reduction in Central Office Cost Center (COCC) funds due to funds owed by other programs not reflected in cash.

## Boston Housing Authority

### Management's Discussion and Analysis (Unaudited) March 31, 2017

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#### ANALYSIS OF AUTHORITY WIDE NET POSITION (STATEMENT OF NET POSITION) (Continued)

- Other current assets realized a decrease of \$1.5 million. The decrease is the result of HAP funding booked as a receivable in FY2016 that was received in FY2017.
- Net capital assets decreased by \$25.0 million. This decrease is mainly due to a \$30.5 million increase in accumulated depreciation in the Federal Low rent program which is offset by capital asset additions of \$14.5 million in the Federal Low Rent program and a decrease of \$7 million in construction in progress in the Capital program.
- Other non-current assets increased by \$3.5 due mainly to a \$4.3 million increase in notes receivable related to the Orient Heights Redevelopment in the State and Local program, a \$700,000 increase in the COCC for Loans, Notes Receivable on from Harbor Point, and a \$1.7 million decrease in notes receivable in the HOPE VI program

**Total liabilities** decreased in FY2017 by \$15.8 million or 3%. The significant changes in liability categories that resulted in this net decrease are discussed below.

- Current liabilities decreased by \$6.3 million. There were two primary reasons for this variance, first in FY2016 \$4.6 million was payable to the State Operating program due to an overpayment of subsidy. The second major factor relates to the fact that in FY2016 \$2.3 million of outstanding checks were recorded as a payable while in FY2017 the outstanding checks were recorded as a reduction in the Master Fund cash account.
- Non-current liabilities decreased by \$8.7 million. The main reason for the decrease was a reduction in pension liability of approximately \$12.4 million and a decrease in long-term debt of \$6 million. Additionally, there was decrease in contract retention of \$460,000 and a decrease in accrued compensated absences of \$440,000. This decrease was off-set by an increase in other post-employment benefits (OPEB) liability of \$8.8 million in FY2017 related to public safety personnel funded by City of Boston funds in FY2017.

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 FY2016 to FY2017 in total assets of \$10 million, the decrease in deferred outflows of resources of \$5.7 million, and the decrease in total liabilities of \$15.8 million net against the increase in deferred inflows of resources of \$6.7 million from FY2016 to FY2017 equals the net decrease in net position of \$7.4 million.

To conclude this section some selected liquidity and debt ratios are shown. Cash and investments and current assets showed decreases between FY 2017 and FY 2016 resulting in decreases in the current and cash ratios.

Selected Financial Ratios	2017	2016
Current ratio	3.77	2.76
Cash ratio	3.45	2.45
Cash ratio (excluding restricted cash and related current portion of debt)	3.46	2.23
Debt to equity	62%	62%
Debt ratio	60%	61%
Capitalization ratio	37%	37%

## Boston Housing Authority

### Management's Discussion and Analysis (Unaudited) March 31, 2017

#### 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 for the primary government, discussed more fully below, show that in FY2017, the BHA had total operating revenue of \$373 million, total operating expenses of \$384 million and total non-operating revenues (net of non-operating expenses) of \$3 million. The result is a \$7.4 million decrease reported as "Change in Net Position" for FY2017 on the statement of revenues, expenses and changes in net position.

#### Comparative Statement of Revenues and Expenses

	2017	2016	Net Change	Variance
Total tenant revenue	\$ 45,256,650	\$ 43,835,792	\$ 1,420,858	3.24%
HUD operating subsidies and grants	278,890,725	272,342,374	6,548,351	2.40%
Other governmental grants	36,007,952	30,806,249	5,201,703	16.89%
Other revenue	14,616,278	5,846,704	8,769,574	149.99%
Bad debt	(1,169,131)	(638,440)	(530,691)	83.12%
<b>Total Operating Revenue</b>	<b>373,602,474</b>	<b>352,192,679</b>	<b>21,409,795</b>	<b>6.08%</b>
Administration	41,494,633	39,565,389	1,929,244	4.88%
Tenant services	1,925,716	2,152,597	(226,881)	-10.54%
Utilities	35,622,218	36,078,303	(456,085)	-1.26%
Maintenance and operations	48,495,313	48,718,382	(223,069)	-0.46%
Protective services	6,380,709	6,377,401	3,308	0.05%
Insurance	3,788,846	4,959,840	(1,170,994)	-23.61%
Payment in lieu of taxes	66,660	66,661	(1)	0.00%
Housing assistance payments	198,428,444	194,836,645	3,591,799	1.84%
Pension and other post-retirement employee benefit expense	8,819,821	19,811,215	(10,991,394)	-55.48%
Other general expenses	1,585,202	1,993,754	(408,552)	-20.49%
Depreciation	37,437,285	38,789,326	(1,352,041)	-3.49%
<b>Total Operating Expenses</b>	<b>384,044,847</b>	<b>393,349,513</b>	<b>(9,304,666)</b>	<b>-2.37%</b>
<b>Total Operating Loss</b>	<b>(10,442,373)</b>	<b>(41,156,834)</b>	<b>30,714,461</b>	<b>-74.63%</b>
Capital grants	9,116,205	8,846,556	269,649	3.05%
Equity transfers	(48,105)	-	(48,105)	100.00%
Investment income - unrestricted	1,632,782	208,400	1,424,382	683.48%
Investment income - restricted	32,685	22,817	9,868	43.25%
Interest expense	(6,686,046)	(6,943,468)	257,422	-3.71%
Disposition of property	(633,850)	-	(633,850)	100.00%
Casualty losses	(365,986)	(601,730)	235,744	-39.18%
<b>Total Non-Operating Revenues</b>	<b>3,047,685</b>	<b>1,532,575</b>	<b>1,515,110</b>	<b>98.86%</b>
<b>Change in Net Position</b>	<b>(7,394,688)</b>	<b>(39,624,259)</b>	<b>32,229,571</b>	<b>-81.34%</b>
Net Position, beginning of year	212,865,995	252,490,254	(39,624,259)	-15.69%
<b>Net Position, End of Year</b>	<b>\$ 205,471,307</b>	<b>\$ 212,865,995</b>	<b>\$ (7,394,688)</b>	<b>-3.47%</b>

## Boston Housing Authority

### Management's Discussion and Analysis (Unaudited)

March 31, 2017

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#### ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

**Total operating revenue** increased by \$21 million in FY 2017 from FY 2016. Significant factors included:

- A \$1.4 million increase in tenant revenues. The increase in tenant revenues is due mainly to increased rent.
- A \$6.5 million increase in subsidies and grants from the US Department of Housing and Urban Development (HUD) due to a \$2.4 million increase in federal operating subsidy and a \$3.5 million increase in federal leased housing funds, a \$360,000 increase in Capital Funds.
- A \$5.2 million increase in other governmental grants due to a \$3.2 of additional funding in State and Local for the Orient Heights Redevelopment and a \$2 million increase in State Modernization funding.
- An \$8.8 million increase in other revenue is due increased developer fees as follows: a \$3.6 increase from Heritage and Lower Mills, a \$850,000 increase from Orient Heights redevelopment and \$150,000 from Mission Main. An additional \$4 million increase was due to additional funding from the City for Public Safety support.

**Total operating expense:** Total operating expense decreased by \$9.3 million or 2% from FY2016 to FY2017. This decrease is accounted for in the following programs and categories:

- Administration expense increased by \$1.9 million. This increase in FY2017 is primarily due to a reduction in employee benefits expense in FY2016 in connection with the implementation of GASB 68.
- Tenant services decreased by \$227,000. This decrease is due to a reduction in services as a result of decrease in funding in State and Local from a grant from The Commonwealth Corporation.
- Insurance expense decreased by \$1.2 million mainly due to a decrease in the worker's compensation premium adjustments for fiscal years 2011-2015 resulting in a catch-up payment made in FY2016.
- Housing assistance payments increased by \$3.6 million due to an increase in the number of units leased as well as an increase in the per unit assistance payment amount.
- Pension and other post-retirement employee benefit expense decreased \$11 million due to the decrease in pension expense in FY2017 compared to FY2016.
- Other general decreased by \$409,000 due primarily to reduced expenses from State Modernization developments and the Old Colony Hope VI development.
- Depreciation decreased by \$1.4 million attributed mainly to some Federal Low Rent properties being fully depreciated.
- Utilities, maintenance and operations, protective services and payment in lieu of taxes remained relatively consistent or decreased minimally in FY2017 compared to FY2016 due to cost saving efforts.

## **Boston Housing Authority**

### **Management's Discussion and Analysis (Unaudited) March 31, 2017**

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#### **ANALYSIS OF AUTHORITY WIDE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)**

**Total non-operating revenues and expenses:** Total non-operating revenues and expenses increased by \$1.5 million.

- Investment income increased by \$1.4 million due to the collection of accrued interest on the Harbor Point Note.
- Capital grants remained relatively consistent in FY2017 compared to FY2016.
- Interest expense decreased \$257,000 in FY2017 due to the decrease in total outstanding debt, as principal payments are made each year.
- Loss on disposition of property increased by \$634,000 relating to the partial disposal, of property, at the Orient Heights Redevelopment.
- Casualty losses decreased \$236,000 due to a reduction in the work needed, to bring units damaged by fires and flooding, back into service compared to FY2016. Major repairs were made at the Mary Ellen McCormack, the Alice Heyward Taylor, and Bromley Heath housing sites in FY2016.

#### **CAPITAL ACTIVITY**

In FY 2017 the Authority expended funds from several sources on capital improvement projects. Funding of \$5.2 million for the federal developments was received under the CFFP. Approximately \$5.1 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.

In order to ensure 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 Department of Housing and Community Development (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, 2017 the Authority had \$121 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 by individual assets and none of the debt encumbers the combined assets of the Authority. Other than repayments, there was no debt activity in FY2016. 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.

## **Boston Housing Authority**

### **Management's Discussion and Analysis (Unaudited) March 31, 2017**

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#### **BUDGET VARIATIONS**

The Administrator of the BHA approves all of the Authority's budgets including the Federal Low-Rent and State Public Housing operating budgets. Capital Budgets, Leased Housing budgets, COCC 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.

The Authority's Conventional Public Housing Operating Program supports the maintenance and management of approximately 12,665 public housing units scattered throughout the City of Boston, with 10,335 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.

Revenues under the Authority's Federal Low-Rent Operating Program in BHA FY2017 totaled approximately \$96.5 million against a total revenue budget of \$94.3 million. The positive variance in revenue of \$2.2 million was due to higher than expected rental income, \$1.5 million, unanticipated proceeds from insurance of \$431,000 along with higher than expected other income, \$216,000, due mainly to a Federal Emergency Management Agency reimbursement and increased cell tower income.

Total federal operating program expenses, excluding depreciation and amortization, were approximately \$94.9 million against a budget of \$98.2 million. Total expenses were \$3.3 million or 3% lower than budgeted. Utility expense accounted for the entirety of this variance caused by lower than budgeted utility rates.

State Consolidated Public Housing program total revenue was \$24.8 million against a budget of \$26.4 million or 6% less than budgeted. Lower utility cost accounted for most of the variance. The DHCD funds actual utility cost in determining total funding. Utility costs were lower than budgeted so subsidy was lower than budgeted.

State Consolidated public housing program total expenses, excluding depreciation, were approximately \$24.1 million against a budget of \$25.9 million or 7% less than budgeted. Utility expense was approximately \$1.5 million less than budgeted. Materials and supplies, extraordinary maintenance, and Betterments and additions were additional items that were under budgeted amounts.

The Authority's Federal Leased Housing Program administrative budget generated revenue of approximately \$15.3 million against a budget of \$15.0 million. Total expenses were \$14.3 million against a budget of \$14.5 million or 2% less than budgeted. Administrative salaries were budgeted at \$6.9 million with expense of \$6.5 million a 4% variance which was due to vacant positions.

The COCC generated approximately \$16.7 million of income from management fees from the federal and state operating, capital and leased housing programs against a budget of \$16.3 million, a 2% variance. The increase was due mainly to an increase in State Capital management fees. Expenses were \$16.6 million against a budget of \$16.4 million. The variance was mainly due to less than budgeted amounts in administrative expense other than salaries and benefits.

## **Boston Housing Authority**

### **Management's Discussion and Analysis (Unaudited) March 31, 2017**

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#### **BUDGET HIGHLIGHTS**

Federal congressional budget appropriations funded the federal low-rent operating program nation-wide at 90.21% of operating subsidy eligibility for calendar year 2016. This resulted in the BHA receiving approximately \$6.5 million less than it was eligible to receive under the HUD funding formula during 2017.

The federal operating program ended the year with net income of approximately \$1.6 million, excluding amortization and depreciation. The Authority used \$4 million from the City of Boston to help offset reduced funding.

The State DHCD funded the state operating program non-utility budgets in BHA Fiscal Year 2017. The state operating program generated net income of approximately \$700,000 in FY2017.

#### **CONDITIONS AFFECTING ONGOING OPERATIONS AND FINANCIAL POSITION**

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

- Congressional appropriation to HUD
- Appropriations of the state legislature to the DHCD
- State bond rating and the ability of the state to issue debt to provide capital improvement funds
- Collective bargaining negotiations and agreements
- Local economic 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 and 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 2017 was increased from 85.36% of eligibility in calendar year 2016 to 90.21% in calendar year 2017 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 Public Housing Authority yet Congress continues to underfund that amount. The state operating non-utility expense level was level funded for BHA FY2017 but increased funding by 3% in BHA FY2018.

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.

**Boston Housing Authority**

**Management's Discussion and Analysis (Unaudited)  
March 31, 2017**

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**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, 2017**

	Primary Government	Discrete Component Units
<b>Assets</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 51,320,772	\$ 4,527,828
Cash and cash equivalents - restricted	20,045,887	3,818,682
Investments - unrestricted	26,907,749	3,983,269
Investments - restricted	213,576	-
Accounts receivable:		
Accounts receivable - tenants	2,250,039	228,098
Allowance for doubtful accounts - tenants	(1,121,559)	(146,416)
Accounts receivable - United States Department of Housing and Urban Development (HUD) other projects	909,369	-
Accounts receivable - other government	1,964,413	-
Allowance for doubtful accounts - other government	(1,295,998)	-
Accounts receivable - HUD Public Housing Authority projects	120,317	-
Accounts receivable - miscellaneous	4,917,267	14,310
Notes, loans, and mortgages receivable - current	235,000	-
Accrued interest receivable	16,388	-
Prepaid expenses and other assets	694,460	600,170
Inventories	535,583	-
Due from primary government	-	1,339,352
<b>Total current assets</b>	<b>107,713,263</b>	<b>14,365,293</b>
Noncurrent assets:		
Capital assets:		
Land	64,288,571	11,224,330
Construction in progress	21,777,024	28,369
Buildings	1,260,680,516	81,730,695
Furniture, equipment and machinery	6,728,209	-
Accumulated depreciation	(1,068,072,812)	(46,915,844)
<b>Total capital assets</b>	<b>285,401,508</b>	<b>46,067,550</b>
Other assets:		
Notes, loans and mortgages receivable - non-current	139,877,358	126,082,220
Allowance for doubtful accounts - notes, loans and mortgages	(1,652,737)	(820,000)
<b>Total other assets</b>	<b>138,224,621</b>	<b>125,262,220</b>
<b>Total assets</b>	<b>531,339,392</b>	<b>185,695,063</b>
<b>Deferred Outflows of Resources</b>		
Deferred pension expense	16,622,548	185,051
<b>Total deferred outflows of resources</b>	<b>16,622,548</b>	<b>185,051</b>

(Continued)

**Boston Housing Authority**

**Statement of Net Position (Continued)**

**March 31, 2017**

	Primary Government	Discrete Component Units
<b>Liabilities</b>		
Current liabilities:		
Accounts payable - operating	88,998	-
Accounts payable - HUD Public Housing Authority programs	642,452	-
Accounts payable - other government	1,406,854	-
Accrued compensated absences - current portion	1,842,671	16,737
Unearned revenues	1,733,261	-
Due to component units	1,339,352	-
Accrued liabilities	11,961,606	293,328
Accrued interest payable	2,573,081	107,750
Other current liabilities	1,018,380	262,883
Current portion of long term debt - capital	5,960,000	295,753
<b>Total current liabilities</b>	<u>28,566,655</u>	<u>976,451</u>
Noncurrent liabilities:		
Long-term debt capital, net of current portion	120,975,000	27,490,314
Accrued compensated absences, net of current portion	7,033,511	70,433
Accrued pension and other post-retirement employee benefit liabilities	154,527,578	1,734,811
Non-current liabilities - other	6,438,087	840
<b>Total noncurrent liabilities</b>	<u>288,974,176</u>	<u>29,296,398</u>
<b>Total liabilities</b>	<u>317,540,831</u>	<u>30,272,849</u>
<b>Deferred Inflows of Resources</b>		
Deferred pension expense	24,949,802	290,452
<b>Total deferred inflows of resources</b>	<u>24,949,802</u>	<u>290,452</u>
<b>Commitments and Contingencies</b>		
<b>Net Position</b>		
Net investment in capital assets	163,485,612	18,281,482
Restricted	19,892,131	3,818,681
Unrestricted	22,093,564	133,216,650
<b>Total net position</b>	<u>\$ 205,471,307</u>	<u>\$ 155,316,813</u>

See notes to financial statements.

**Boston Housing Authority**

**Statement of Revenues, Expenses and Changes in Net Position  
Year Ended March 31, 2017**

	Primary Government	Discrete Component Units
Operating revenues:		
Tenant rental revenue, net	\$ 44,008,556	\$ 1,625,150
Tenant revenue - other	78,963	700
<b>Total tenant revenue</b>	<u>44,087,519</u>	<u>1,625,850</u>
HUD Public Housing Authority operating grants	191,874,616	-
HUD operating grants	87,016,109	4,749,245
Other governmental grants	36,007,952	-
Other revenue	14,616,278	1,493,437
<b>Total operating revenues</b>	<u>373,602,474</u>	<u>7,868,532</u>
Operating expenses:		
Administrative	41,494,633	858,067
Tenant services	1,925,716	281,165
Utilities	35,622,218	954,873
Maintenance	48,495,313	1,245,540
Protective services	6,380,709	381,175
Insurance premiums	3,788,846	212,853
Payment in lieu of taxes	66,660	-
Housing assistance payments	198,428,444	-
Pension and other post-retirement employee benefit expense	8,819,821	113,751
Other general expenses	1,585,202	23,865
Depreciation	37,437,285	1,019,574
<b>Total operating expenses</b>	<u>384,044,847</u>	<u>5,090,863</u>
<b>(Deficiency) excess of operating revenue over (under) operating expenses</b>	<u>(10,442,373)</u>	<u>2,777,669</u>
Non-operating (expenses) revenues:		
Investment income - unrestricted	1,632,782	23,712
Investment income - restricted	32,685	7,348
Interest expense	(6,686,046)	(1,312,540)
Casualty losses	(365,986)	(829)
Loss on Disposal of Real Property	(633,850)	-
<b>Total non-operating (expenses) revenues</b>	<u>(6,020,415)</u>	<u>(1,282,309)</u>
<b>(Deficiency) excess of total revenue over (under) total expenses</b>	<u>(16,462,788)</u>	<u>1,495,360</u>
Capital grants	9,116,205	-
Equity transfers	(48,105)	48,105
<b>Change in net position</b>	<u>(7,394,688)</u>	<u>1,543,465</u>
Net position, beginning of year	<u>212,865,995</u>	<u>153,773,348</u>
<b>Net position, end of year</b>	<u>\$ 205,471,307</u>	<u>\$ 155,316,813</u>

See notes to financial statements.

**Boston Housing Authority**

**Statement of Cash Flows  
Year Ended March 31, 2017**

	Primary Government
<hr/>	
Cash flows from operating activities:	
Cash receipts:	
Tenant revenues	\$ 44,229,868
HUD rental assistance subsidy	191,368,922
HUD operating grants	89,380,722
Other governmental grants	28,877,228
Other	13,609,347
	<hr/>
	367,466,087
Cash disbursements:	
Administrative	38,308,286
Tenant services	1,959,389
Utilities	35,978,496
Maintenance	49,214,341
Protective services	6,481,727
Insurance premiums	3,764,399
Payment in lieu of taxes	66,660
Housing assistance payments	198,428,444
Pension and other post-retirement employee benefit expense	(77)
Other general	1,585,202
	<hr/>
	335,786,867
	<hr/>
	31,679,220
	<hr/>
	31,679,220
	<hr/>
Cash flows from investing activities:	
Purchase of investments	(38,979,491)
Sale of investments	26,404,939
Interest income received	1,684,604
Issuance of notes receivable	(4,730,368)
Repayment of notes receivable	1,873,184
	<hr/>
	(13,747,132)
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(Continued)

**Boston Housing Authority**

**Statement of Cash Flows (Continued)**

**Year Ended March 31, 2017**

	Primary Government
Cash flows from capital and related financing activities:	
Purchases of capital assets	(13,400,628)
Capital grants received	9,116,205
Principal paid on capital debt	(5,885,000)
Interest expense paid	(6,807,557)
Non-routine maintenance and other expenses paid	(365,986)
Due to component units	(164,130)
<b>Net cash used in financing activities</b>	<u>(17,507,096)</u>
<b>Net increase in cash and cash equivalents</b>	424,992
Cash and cash equivalents, beginning of year	<u>70,941,667</u>
Cash and cash equivalents, end of year	<u><u>\$ 71,366,659</u></u>
Reconciliation of deficiency of operating revenue over operating expenses provided by operating activities:	
Deficiency of operating revenue under operating expenses	\$ (10,442,373)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	37,437,285
Other postemployment healthcare benefit expense	(3,576,082)
Changes in:	
Accounts receivable	990,534
Prepaid expenses	132,200
Inventories	41,976
Accounts payable	(7,312,026)
Accrued liabilities and compensated absences	3,386,355
Other liabilities	685,115
Unearned revenues	(2,059,744)
Deferred outflows of resources	5,729,835
Deferred inflows of resources	6,666,145
<b>Net cash provided by operating activities</b>	<u><u>\$ 31,679,220</u></u>
<b>Supplemental Disclosure of Noncash Activities</b>	
Loss on disposal of capital asset	<u><u>\$ 633,850</u></u>

See notes to financial statements.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 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 “Commonwealth”). 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, 2017, the Authority maintains 63 developments encompassing approximately 10,300 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, 2017, 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”)
- Boston Housing Development Corporation (“BHDC”)

The discrete 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 and BHCD were 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.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 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 a 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 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 non-operating 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 consist of U.S. Government 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. Restricted investments consist of a guaranteed investment contract that is reported at contract value. Contract value represents contributions made under the contract plus accrued interest.

**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 \$1,121,559 and \$146,416 for the Primary Government and the Discrete Component Units, respectively, for tenant receivables and \$1,295,998 and \$0 for the Primary Government and the Discrete Component Units, respectively, for other government accounts receivable at March 31, 2017.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Notes receivable:** At March 31, 2017, the outstanding balance of the notes receivable related to the Authority's redevelopment initiatives is \$138,459,621 and \$125,262,220 for the Primary Government and Discrete Component Units, respectively, which is net of the allowance for doubtful accounts, totaling \$1,652,737 and \$820,000 for the Primary Government and Discrete Component Units, respectively. The notes receivables for the Discrete Component Units include accrued ground lease rent and redevelopment fees, and bear interest at rates ranging from 0% to 6.77% per annum. The Primary Government notes receivables 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, 2017, the accrued interest on the notes (due at maturity) and ground lease rent is \$25,167,148 and \$51,268,201 for the Primary Government and Discrete Component Units, respectively. An allowance has been established for the full amount of accrued interest (See Note 6).

**Interfund account:** Transactions between asset management projects 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 combining statement of net position. All significant interfund accounts and transactions have been eliminated

**Land, buildings and improvements and equipment:** Land, building, improvements and equipment are recorded at historical cost. Donated assets are recorded at acquisition value at the date of the donation. 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, 2017.

**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.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**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.

**Net pension liability:** The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**Deferred outflows/inflows of resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports a deferred charge on refunding and deferred outflows related to pension in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Deferred outflows related to the difference between expected and actual investment returns are amortized over a 5 year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports a deferred inflow of resources related to pensions in the statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Deferred inflows related to the difference between expected and actual investment returns are amortized over a 5 year period.

**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.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

BPHC, BHDC, 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.

**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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- 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.

#### Recently Issued Accounting Pronouncements:

##### Accounting Standards Effective in Current Year

In February 2015, the GASB issued GASB No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes in the financial statements. This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primary for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of the statement, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative ability and to describe positions held in many alternative investments. The provisions of this standard were effective for reporting periods beginning after June 15, 2015. The implementation of this standard did not have a material effect on the Authority's financial statements.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In June 2015, the GASB issued GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB No. 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decision and assessing accountability. This statement also clarifies the application of certain provisions of GASBs No. 67 and No. 68. The requirements of this standard that addresses accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this standard that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this standard for pension plans that are within the scope of GASB No. 67 or 68 are effective for fiscal years beginning after June 15, 2015. The adoption of this standard did not have a significant impact on the Authority's financial statements.

In June 2015, the GASB issued GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this standard is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This standard establishes the hierarchy of GAAP for state and local governmental entities. This standard supersedes GASB No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraphs 64, 74 and 82*. This standard is effective for financial statements for fiscal years beginning after June 15, 2015. The adoption of this standard did not have a significant impact on the Authority's financial statements.

In August 2015, the GASB issued GASB No. 77, *Tax Abatement Disclosures*. This standard establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures encompass tax abatements resulting from both a) agreements that are entered into by the reporting government and b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. This standard is effective for financial statements for fiscal years beginning after December 15, 2015. The adoption of this standard did not have a significant impact on the Authority's financial statements.

In December 2015, the GASB issues GASB No.78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this standard is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The adoption of this standard did not have a significant impact on the Authority's financial statements.

In December 2015, the GASB issued GASB No. 79, *Certain External Investment Pools and Pool Participants*. This standard addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investment at amortized cost for financial reporting purposes. This standard is effective for financial statements for fiscal years beginning after December 15, 2015. The adoption of this standard did not have a significant impact in the Authority's financial statements.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

##### **The GASB has issued the following standards that will be effective in future periods**

In June 2015, the GASB issued GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this standard is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental plans for making decisions and assessing accountability. This statement replaces GASB No. 43, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, as amended* and GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This standard is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The adoption of this standard is not expected to have a significant impact on the Authority's financial statements.

In June 2015, the GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of the standard is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The standard establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This statement replaces GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This standard is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Authority's adoption of the standard will have a significant impact on its financial statements.

In January, 2016, the GASB issued GASB No. 80 *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*. The Statement clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.

Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

This Statement is effective for financial statement periods beginning after June 15, 2016. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

In March 2016, the GASB issued GASB No. 81, *Irrevocable Split-Interest Agreements*. This standard establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts or other legally enforceable agreements with characteristics equivalent to irrevocable split-interest agreements. This standard is effective for financial statements for fiscal years beginning after December 15, 2016. Earlier adoption is encouraged. The adoption of this standard is not expected to have a significant impact on the Authority's financial statements.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In March, 2016, the GASB issued GASB No. 82 *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. This Statement is effective for financial statement periods beginning after June 15, 2017. The Authority's management is currently evaluating the impact of adoption of the standard will have on its financial statements.

In November 2016, the GASB issued No. 83, *Certain Asset Retirement Obligations ("AROs")*. This standard addresses accounting and financial reporting for certain asset retirement obligations. The objective of this standard is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs. This standard is effective for financial statements for fiscal years beginning after June 15, 2018. Earlier adoptions is encouraged. The Authority's management is currently evaluating the effect that the Statement will have on the financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. Earlier application is permitted. The Authority's management is currently evaluating the effect that the Statement will have on the financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements and includes a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier adoption is permitted. The Authority's management is currently evaluating the effect that the Statement will have on the financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier adoption is permitted. The adoption of this standard is not expected to have a significant impact on the Authority's financial statements.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement was established to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier adoption is permitted. The Authority's management is currently evaluating the effect that the Statement will have on the financial statements.

#### Note 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	\$ 71,366,659
Discrete Component Units	8,346,510
Total	<u>\$ 79,713,169</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, 2017. 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 \$19,130,985 at March 31, 2017, of which \$18,380,985 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. Investments consist principally of U.S. Government treasury bills that have a remaining maturity at the time of purchase of one year or less.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 3. Cash and Investments (Continued)

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 Policy, investments must be prime quality and rated no less than A by either Moody's, Standard and Poor's, or Fitch. The Authority's investments are not subject to credit risk as they are U.S. Treasury Bills which are explicitly backed by the U.S. government.

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

**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. In accordance with GASB No. 72, these investments are measured at amortized cost outside of the fair value hierarchy. The balance of these investments at March 31, 2017 totaled \$26,907,749 for the Primary Government and \$3,983,269 for the Discretely Presented Component Units.

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 2017. 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 has a guaranteed investment contract, measured at contract value. The contract value represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. In accordance with GASB No. 72, these investments are measured at such contract value outside of the fair value hierarchy. The balance for this account at March 31, 2017 was \$213,576 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 \$49,165 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 \$158,503 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 \$2,243,605 held in trust as an Affordability Reserve to augment subsidy shortfalls pursuant to the Orchard Park Redevelopment Agreement.

**Old Colony Redevelopment Agreement:** Pursuant to an agreement made as part of the Old Colony Phase 1 redevelopment, the Authority has set aside \$3,245,147 in restricted funds as a reserve for the Old Colony Community Center.

**Capital Revenue Bonds Project Fund Account:** The Authority has \$12,671,280 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.

## Boston Housing Authority

### Notes to Financial Statements

#### Note 3. Cash and Investments (Continued)

**West Broadway Redevelopment Agreement:** The Authority has \$675,196 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.

The Authority also has a guaranteed investment contract for debt service and project funding. The balance for these accounts at March 31, 2017 was \$213,576 representing the balance in restricted investments.

**Washington Beech Endowment Trust:** Pursuant to an agreement made with WBRC, the Authority has set aside \$607,633 of its grant funds into an endowment trust which will be utilized solely for planning, providing, and evaluating community and supportive services for the benefit of the public housing residents living at the Washington Beech redevelopment.

**Heritage Housing Corporation Agreement:** Pursuant to an agreement made as part of the Heritage Housing redevelopment, the Authority has set aside \$2,260,798 restricted funds as a Replacement Reserve account with the Massachusetts Housing Finance Authority (MHFA).

**Lower Mills Housing Corporation Agreement:** Pursuant to an agreement made as part of the Lower Mills Housing redevelopment, the Authority has set aside \$950,251 restricted funds as a Replacement Reserve account with the MHFA.

**52 Chauncy Street Funds:** The Authority has \$1,002,991 in capital debt proceeds held by a trustee to be used for capital improvements at the 52 Chauncy Street headquarters.

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

<u>Description</u>	<u>Total</u>	<u>Primary Government Restricted Cash</u>	<u>Primary Government Restricted Investments</u>	<u>Discrete Component Units Restricted Cash</u>
Housing Assistance Payments -				
Section 8 Housing Choice Voucher Fund	\$ 49,165	\$ 49,165	\$ -	\$ -
Family Self-Sufficiency Program	158,503	158,503	-	-
Orchard Park Redevelopment Agreement	2,243,605	2,243,605	-	-
Old Colony Redevelopment Agreement	3,245,147	3,245,147	-	-
Capital Revenue Bonds Project Fund	12,671,280	12,671,280	-	-
West Broadway Redevelopment Agreement	888,772	675,196	213,576	-
Heritage Housing Corporation Agreement	2,260,798	-	-	2,260,798
Lower Mills Housing Corporation Agreement	950,251	-	-	950,251
Washington Beech Endowment Trust	607,633	-	-	607,633
52 Chauncy Street Funds	1,002,991	1,002,991	-	-
	<u>\$ 24,078,145</u>	<u>\$ 20,045,887</u>	<u>\$ 213,576</u>	<u>\$ 3,818,682</u>

**Boston Housing Authority**

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital assets are comprised of the following at March 31, 2017:

**Capital assets - primary government:**

	Balance April 1, 2016	Additions	Transfers	Disposals	Balance March 31, 2017
Land	\$ 64,288,571	\$ -	\$ -	\$ -	\$ 64,288,571
Buildings	1,246,206,466	8,024,299	12,215,286	(5,765,535)	1,260,680,516
Furniture, equipment and machinery	6,547,556	180,653	-	-	6,728,209
Construction in progress	28,796,634	5,195,676	(12,215,286)	-	21,777,024
	<u>1,345,839,227</u>	<u>13,400,628</u>	<u>-</u>	<u>(5,765,535)</u>	<u>1,353,474,320</u>
Less accumulated depreciation:					
Buildings	(1,030,013,343)	(37,114,897)	-	4,851,697	(1,062,276,543)
Furniture, equipment and machinery	(5,473,881)	(322,388)	-	-	(5,796,269)
	<u>(1,035,487,224)</u>	<u>(37,437,285)</u>	<u>-</u>	<u>4,851,697</u>	<u>(1,068,072,812)</u>
<b>Total</b>	<b>\$ 310,352,003</b>	<b>\$ (24,036,657)</b>	<b>\$ -</b>	<b>\$ (913,838)</b>	<b>\$ 285,401,508</b>

**Capital Assets - Component Units**

	Balance April 1, 2016	Additions	Transfers	Disposals	Balance March 31, 2017
Land	\$ 11,224,330	\$ -	\$ -	\$ -	\$ 11,224,330
Buildings	78,072,942	3,588,678	69,075	-	81,730,695
Construction in progress	97,444	-	(69,075)	-	28,369
	<u>89,394,716</u>	<u>3,588,678</u>	<u>-</u>	<u>-</u>	<u>92,983,394</u>
Less accumulated depreciation:					
Buildings	(45,896,270)	(1,019,574)	-	-	(46,915,844)
	<u>(45,896,270)</u>	<u>(1,019,574)</u>	<u>-</u>	<u>-</u>	<u>(46,915,844)</u>
<b>Total</b>	<b>\$ 43,498,446</b>	<b>\$ 2,569,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,067,550</b>

As of March 31, 2017, the Authority has committed approximately \$4,816,151 of additional funds to construction contracts related to these development projects. The construction projects are expected to be completed at various times ranging from August 2017 to October 2022.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 5. Retirement Plan

**Plan description:** All full-time employees of the Authority are eligible to participate in the State-Boston Retirement System (the "System" or "Plan"), a cost-sharing multiple-employer defined benefit pension plan. Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employer's payment of its pension obligation to the plan. The plan provides retirement benefits, death benefits, and disability benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the State-Boston Retirement System, Boston City Hall, Room 816, Boston, Massachusetts 02201.

**Contributions:** Contributions are set by the Commonwealth. Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

As a condition of participation, employees are required to contribute 5% of their salary if hired prior to January 1, 1975; 7% if hired after January 1, 1975, and before January 1, 1984; 8% if hired after January 1, 1984, and before July 1, 1996; and 9% if hired after July 1, 1996. Employees hired after January 1, 1979, contribute an additional 2% of earnings in excess of \$30,000 per year. Overtime and certain additional earnings are not subject to these assessments and are not considered in the determination of final average salary.

The Authority's required and actual contribution to the System for the year ended March 31, 2017 was \$11,652,105 for the Primary Government and \$142,750 for the Discrete Component Units.

**Benefits provisions:** Plan provisions are set by Statute of the Commonwealth. Participation in the System is mandatory for all permanent, full-time, and certain part-time employees immediately upon the commencement of employment. Participants who resign from employment or are receiving workers' compensation benefits and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. In addition, those participants who resign voluntarily with less than ten years of service are entitled to receive 3% per year interest; all others receive interest that has accrued on their cumulative deductions at the regular rate (0.10% at December 31, 2016).

Employees with ten or more years of service having attained age 55 are entitled to pension benefits; an earlier retirement is allowed upon completion of 20 years of service. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation (highest consecutive five-year average for those members who join the System on or after April 2, 2013). Benefit payments are based upon a participant's age, length of creditable service, regular compensation, and group classification. Participants become vested after ten years of creditable service. Effective July 1, 1998, the Statute of the Commonwealth assigned the authority to establish and amend benefit provision and grant cost-of-living increases for the Plan to the Boston Retirement System.

If a member in service dies due to causes unrelated to his or her job, the surviving spouse and/or surviving dependent children may receive retirement allowance benefits, either in a lump sum or in the form of an annuity, based on the length of service, contributions, and age. In the event there are no spouse and/or dependent children named, other beneficiaries may be entitled to a lump-sum distribution. Participants who become permanently and totally disabled from further duty may be eligible to receive accidental or ordinary disability retirement benefits.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 5. Retirement Plan (Continued)

Accidental disability is provided to members with incapacitation resulting from a work related injury or hazard. Generally, annual pension benefits are provided based on 72% of the annual rate of regular compensation a member earned while an active employee on date of injury or average annual rate of regular compensation. Ordinary disability is available to any member whose permanent incapacitation is not work-related and has attained the age of 55 (or actual age of over 55) based on the amount of creditable service actually earned. Limits are placed on how much a disability employee can earn from other sources while collecting a disability retirement pension.

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2016, with update procedures used to roll forward the total pension liability to December 31, 2016. These valuations used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%
Investment rate of return	7.75%, net of investment expenses, including inflation
Cost of living adjustments	3.00% of first \$13,000
Mortality rates	
Healthy:	RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009
Disabled:	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015

**The long-term expected rate of return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	25%	6.44%
International developed markets equity	19	7.40
Emerging markets equity	8	9.42
Core fixed income	11	2.03
High yield fixed income	13	4.43
Real estate	10	5.00
Commodities	—	4.43
Hedge fund, GTAA, Risk parity	7	3.75
Private equity	7	10.47

## Boston Housing Authority

### Notes to Financial Statements

#### Note 5. Retirement Plan (Continued)

**Discount rate:** The discount rate used to measure the total pension liability was 7.75% for the System. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the collective net pension liability to changes in the discount rate:** The following presents the net pension liability of the System, calculated using the discount rate of 7.75% for the System, as well as what the Boston Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Net pension liability	\$ 126,814,811	\$ 91,747,156	\$ 62,023,551

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources:** At March 31, 2017, the Authority report a liability of \$91,747,156 for its proportionate share of the net pension liability related to its participation in the System. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on its share of contributions to the System for calendar year 2016 relative to the total contributions of all participating employers for that fiscal year. At December 31, 2016, the Authority's proportion was 5.3%.

For the year ended March 31, 2017, the Authority recognized pension expense of \$39,601. At March 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 16,465,265	\$ -
Differences between expected and actual experience	-	7,534,275
Changes of assumptions	233,439	3,144,502
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	14,561,477
Contributions made subsequent to measurement date	108,895	-
Total	<u>\$ 16,807,599</u>	<u>\$ 25,240,254</u>

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 5. Retirement Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended March 31:

2018	\$ (4,902,515)
2019	(4,902,515)
2020	(2,969,973)
2021	2,231,561
2022	2,110,787
Total	<u>\$ (8,432,655)</u>

#### Note 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
- Orient Heights

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. In relation to these agreements, the Discrete Component Units have a receivable due from the Primary Government totaling \$3,083,442 and the Primary Government has a corresponding receivable to the Discrete Component units totaling \$1,744,090 at March 31, 2017 which have been offset on the statement of position.

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

#### Note 6. Development Initiatives (Continued)

#### Summary of redevelopment notes receivable and deferred ground lease/ developer fee payments - Primary Government:

\* AFR – Applicable Federal Rate

Borrower	Interest Rate	Amount	Due Date	Accrued Interest
Trinity East Boston LP	0.10%	\$ 6,500,000	09/24/2033	\$ 79,150
Trinity East Boston LP	0.10%	9,082,234	09/24/2033	114,827
Trinity East Boston Two LP	AFR*/4.87%	4,959,056	09/24/2033	3,847,085
Trinity East Boston Three LP	4.70%	4,856,085	04/19/2055	3,413,886
Trinity East Boston VI	2.00%	6,914,496	04/19/2055	1,599,784
Trinity East Boston VI	2.00%	4,931,926	04/19/2055	1,250,160
Total Maverick		<u>37,243,797</u>		<u>10,304,892</u>
West Broadway Redevelopment	1%	3,570,000	12/23/2043	443,430
West Broadway Redevelopment	1%	10,821,700	12/23/2043	1,337,619
West Broadway Redevelopment	5.28%	8,104,477	12/01/2035	522,411
Total West Broadway		<u>22,496,177</u>		<u>2,303,460</u>
Harbor Point	3%	8,700,000	12/31/2041	7,478,074
Long-Glen Rental LLC	Greater of AFR or 4.68%	1,850,000	02/28/2046	1,306,939
Trinity Franklin Hill Limited Partnership	0.10%	6,256,406	12/31/2059	48,358
Trinity Franklin Hill Limited Partnership	5.20%	3,640,739	03/13/2057	2,329,769
Trinity Franklin Hill Limited Partnership	5.2% - 6.85%	1,271,428	04/25/2057	67,091
Total Trinity Franklin Hill		<u>11,168,573</u>		<u>2,445,218</u>
Trinity Washington Beech Phase One LP	AFR/3.88%	196,327	06/10/2049	67,374
Trinity Washington Beech Phase One LP	0.10%	4,407,763	06/10/2049	33,375
Trinity Washington Beech Phase One LP	0.10%	9,751,330	06/10/2049	73,853
Total Trinity Washington Beech		<u>14,355,420</u>		<u>174,602</u>
Trinity Washington Beech Phase Two LP	2.70%	750,000	09/30/2057	139,899
Trinity Washington Beech Phase Two LP	2.70%	2,602,537	09/30/2052	433,264
Trinity Washington Beech Phase Two LP	0.50%	4,406,053	09/30/2057	118,285
Trinity Washington Beech Phase Two LP	2.70%	2,175,082	09/30/2052	367,271
Trinity Washington Beech Phase Two LP	0.50%	2,399,267	09/30/2057	63,736
Total Trinity Washington Beech Phase Two LP		<u>12,332,939</u>		<u>1,122,455</u>
Old Colony Phase One LP	N/A	18,335,000	09/14/2054 Contingent upon financial closing of permanent loan	N/A
Old Colony Phase Two LP	N/A	8,898,831		N/A
Total Old Colony		<u>27,233,831</u>		<u>N/A</u>
Trinity Orient Heights	2.85%	4,731,621		31,508
Total		<u>140,112,358</u>		<u>25,167,148</u>
Allowance for collectability		<u>(1,652,737)</u>		<u>(25,167,148)</u>
Total notes, loans and mortgage receivables – Primary Government		<u>\$ 138,459,621</u>		<u>\$ -</u>

## Boston Housing Authority

### Notes to Financial Statements

#### Note 6. Development Initiatives (Continued)

#### Summary of redevelopment notes receivable and deferred ground lease/ developer fee payments – discrete component units:

Borrower	Interest Rate	Amount	Due Date	Accrued Interest
Mission Main Phase One L.P.	0.10%	\$ 52,838,077	01/01/2040	\$ 875,485
Mission Main Phase Two L.P.	AFR	2,320,531	04/01/2040	4,378,402
Mission Main Phase Two L.P.	4.25%	6,741,479	04/01/2040	6,554,712
Mission Main Phase Three L.P.	AFR	1,505,091	11/01/2040	2,301,014
Mission Main Phase Three L.P.	4.25%	4,844,346	11/01/2040	4,497,331
Total Mission Main		<u>68,249,524</u>		<u>18,606,944</u>
			Earlier of 9/30/36 or a sale or refinancing	
Madison Trinity LP Phase I	6.77%	4,427,930		14,904,532
			Earlier of 9/30/36 or a sale or refinancing	
Madison Trinity LP Phase I	0.10%	4,591,805		95,074
Madison Trinity LP Phase II	6.55%	138,000	09/15/2037	1,502,474
Madison Trinity Phase II	0.10%	4,342,350	09/15/2037	83,789
Madison Trinity Phase II	0.10%	3,962,000	09/15/2037	76,230
Orchard Park Offsite Phase 1	AFR	3,725,458	11/16/2038	6,675,613
Orchard Park Offsite Phase 1	0.10%	3,050,000	11/16/2038	53,793
Orchard Park Offsite Phase 1	0.01%	1,762,000	11/16/2038	2,013
Orchard Park Offsite Company LLC	0.01%	4,086,237	11/16/2038	4,690
Adams Orchard LP	0.10%	950,000	12/28/2038	17,527
Adams Orchard LP	0.10%	2,046,964	12/28/2038	37,218
Adams Orchard LP	0.10%	4,225,000	12/28/2038	75,893
Adams Orchard LP	5.25%	5,964,928	12/28/2038	7,778,888
Total Orchard Park		<u>43,272,672</u>		<u>31,307,734</u>
Trinity Washington Beech Phase Two LP	0.01%	<u>6,175,000</u>	09/30/2057	<u>40,129</u>
			Not yet determined	
Franklin Hill Unpaid Development Fees	N/A	<u>2,071,324</u>		<u>N/A</u>
Franklin Hill Unpaid Ground Lease	N/A	<u>3,731,862</u>		<u>1,004,127</u>
Washington Beech Unpaid Ground Lease	N/A	<u>2,581,838</u>		<u>309,267</u>
Total		<u>126,082,220</u>		<u>51,268,201</u>
Allowance for collectability		<u>(820,000)</u>		<u>(51,268,201)</u>
Total notes, loans and mortgage receivables – Discrete Component Units		<u>\$125,262,220</u>		<u>\$ -</u>

All principal and interest associated with the Discrete Component Units is due at the maturity date.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 6. Development Initiatives (Continued)

Principal payments, based upon funds advanced under the loans are due on the outstanding notes receivable as follows for the year ending March 31, 2017:

	Primary Government	Discrete Component Units
2018	\$ 235,000	\$ -
2019	245,000	-
2020	260,000	-
2021	275,000	-
2022	290,000	-
2023-2027	1,690,000	-
2028-2032	2,195,000	-
2033-2037	23,455,767	9,019,735
2038-2042	8,700,000	102,502,461
2043-2047	16,241,700	-
2048-2052	14,355,420	-
2053-2057	51,028,311	-
2058-2062	13,811,726	6,175,000
Thereafter	7,329,434	8,385,024
Total principal due	140,112,358	126,082,220
Allowance for collectability	(1,652,737)	(820,000)
Total principal due, net	<u>\$ 138,459,621</u>	<u>\$ 125,262,220</u>

The buildings and improvements at the Developments secure the notes.

## Boston Housing Authority

### Notes to Financial Statements

#### Note 6. Development Initiatives (Continued)

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

Tenant	Term (Years)	Lease Expiration	Income Recognized in FY 2017	Annual Payment	Rate on Accrued Balance
Mission Main Phase One L.P.	99	12/31/2097	\$ 282,190	Contingent *	N/A
Mission Main Phase Two L.P.	99	12/31/2099	42,100	Contingent *	N/A
Mission Main Phase Three L.P.	99	12/31/2099	32,534	Contingent *	N/A
Orchard Park Phase One & Two	75	12/31/2071	-	Contingent *	N/A
Orchard Park Phase Three	75	12/31/2073	-	Contingent *	N/A
Orchard Park Offsite Phase One	100	12/31/2097	-	None	N/A
Trinity East Boston L.P.	99	09/24/2102	-	None	N/A
Trinity East Boston Three L.P.	99	04/19/2104	-	None	N/A
Trinity East Boston Four L.P.	99	04/19/2104	-	None	N/A
West Broadway Redevelopment	99	12/31/2102	67,000	\$ 67,000	0.00%
Harbor Point LP	99	11/26/2085	-	None **	N/A
Trinity Franklin Hill L.P. - Phase One A	99	04/30/2106	180,000	180,000	5.25%
Trinity Franklin Hill L.P. - Phase Two A	99	04/30/2107	200,000	200,000	4.46%
Trinity Franklin Hill L.P. - Phase One B	99	04/30/2106	48,000	48,000	5.25%
Trinity Franklin Hill L.P. - Phase Two B	99	04/30/2107	56,000	56,000	4.46%
Trinity Washington Beech - Phase One A	99	06/11/2108	70,000	70,000	1.00%
Trinity Washington Beech - Phase One B	99	06/11/2108	100,000	100,000	1.00%
Trinity Washington Beech - Phase Two A	99	09/30/2109	105,840	105,840	4.03%
Trinity Washington Beech - Phase Two B	99	09/30/2109	164,160	164,160	4.03%
Old Colony Phase One L.P.	99	09/15/2109	-	None	N/A
West Concord L.P.	99	12/31/2102	-	None	N/A
Lower Mills Housing Corporation	99	05/31/2110	-	Contingent ***	N/A
Heritage Housing Corporation	99	05/31/2110	-	Contingent ***	N/A
			<u>\$ 1,347,824</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, 2017. In addition, annual payments are payable from surplus cash flow as defined in the ground leases.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 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 Units
2018	\$ 991,000
2019	991,000
2020	991,000
2021	991,000
2022	991,000
2023-2027	4,955,000
2028-2032	4,955,000
2033-2037	4,955,000
2038-2042	4,955,000
2043-2047	4,955,000
2048-2052	4,955,000
2053-2057	4,955,000
2058-2062	4,955,000
2063-2067	4,955,000
2068-2072	4,955,000
2073-2077	4,955,000
2078-2082	4,955,000
2083-2087	4,955,000
2088-2092	4,955,000
2093-2097	4,955,000
2098-2102	4,955,000
2103-2107	4,480,250
Thereafter	660,167
	<u>\$ 89,375,417</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, 2017, the Authority earned \$3,936,614 and \$190,540 for Primary Government and Discrete Component Units, respectively, 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

#### Note 7. Long Term Liabilities

##### Long Term Liabilities - Primary Government

	Weighted Average Interest Rate at 3/31/17	April 1, 2016	Additions	Principal Payments	March 31, 2017	Current Portion
Capital debt:						
Project and Refunding Bond 2010	5.36%	\$ 4,690,000	\$ -	\$ (235,000)	\$ 4,455,000	\$ 235,000
West Broadway Redevelopment Bond	5.28%	8,315,000	-	(225,000)	8,090,000	235,000
Capital Fund Program Revenue Bonds Series 2008	4.25%	65,205,000	-	(3,725,000)	61,480,000	3,915,000
Build America Bonds Series 2010	4.98%	54,610,000	-	(1,700,000)	52,910,000	1,575,000
Other long-term liabilities:						
Accrued pension and other post-retirement employee benefit liabilities	N/A	158,103,660	16,972,884	(20,548,966)	154,527,578	-
Accrued compensated absences	N/A	6,587,079	4,079,771	(1,790,668)	8,876,182	1,842,671
Retention and other non- current liabilities	N/A	5,969,131	1,386,835	(917,879)	6,438,087	-
Total		\$ 303,479,870	\$ 22,439,490	\$ (29,142,513)	\$ 296,776,847	\$ 7,802,671

##### Long Term Liabilities – Discretely Presented Component Units

	Interest Rate	April 1, 2016	Additions	Principal Payments	March 31, 2017	Current Portion
Capital debt:						
Massachusetts Housing Financing Agency - Heritage Housing Corporation	4.61%	\$ 19,593,369	\$ -	\$ (421,457)	\$ 19,171,912	\$ 200,137
Massachusetts Housing Financing Agency - Lower Mills Housing Corporation	4.75%	8,790,078	-	(175,923)	8,614,155	95,616
Other long-term liabilities:						
Accrued pension and other post-retirement employee benefit liabilities	N/A	1,772,923	134,659	(172,771)	1,734,811	-
Accrued compensated absences	N/A	85,931	21,678	(20,439)	87,170	16,737
Retention and other non- current liabilities	N/A	841	-	-	841	-
Total		\$ 30,243,142	\$ 156,337	\$ (790,590)	\$ 29,608,889	\$ 312,490

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 7. Long Term Liabilities (Continued)

##### Capital debt:

##### Primary Government:

**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 principal balance outstanding on the bonds at March 31, 2017 is \$4,455,000. The interest rate on Series A was 4.17% and on Series B was 6.22% and accrued interest totals \$99,486. Interest incurred during the year ended March 31, 2017 totaled \$244,483.

**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, 2017 is \$8,090,000, and accrued and unpaid interest totals \$142,384.

**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, 2017 is \$61,480,000, and accrued and unpaid interest totals \$1,462,041. Interest incurred during the year ended March 31, 2017 totaled \$2,924,081.

**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, 2017 is \$52,910,000, and accrued and unpaid interest totals \$869,170. Interest incurred during the year ended March 31, 2017 totaled \$3,517,482.

**Boston Housing Authority**

**Notes to Financial Statements**

**Note 7. Long Term Liabilities (Continued)**

**Discretely Presented Component Units**

**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 totaling \$8,790,078 for LMHC and \$19,593,639 were drawn from MHFA. Principal payments and interest are due monthly based on a 40 year amortization period. The principal balance outstanding on the mortgages at March 31, 2017 is \$27,786,067. Interest expense for the year ended March 31, 2017 amounted to \$1,312,540, of which \$107,750 has been accrued.

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

Primary Government	Principal	Interest	Subsidy	Total
2018	\$ 5,960,000	\$ 6,944,985	\$ (1,264,776)	\$ 11,640,209
2019	6,570,000	6,632,141	(1,229,670)	11,972,471
2020	6,950,000	6,303,837	(1,189,051)	12,064,786
2021	7,350,000	5,941,891	(1,144,284)	12,147,607
2022	7,760,000	5,568,461	(1,096,134)	12,232,327
2023-2037	45,765,000	21,218,301	(3,543,423)	63,439,878
2028-2032	38,180,000	8,185,220	(2,243,732)	44,121,488
2033-2036	8,400,000	719,438	(96,571)	9,022,867
	<u>\$ 126,935,000</u>	<u>\$ 61,514,274</u>	<u>\$ (11,807,641)</u>	<u>\$ 176,641,633</u>

**Discretely Presented Component Units**

	Principal	Interest	Subsidy	Total
2018	\$ 295,753	\$ 1,286,445	\$ -	\$ 1,582,198
2019	324,541	1,271,718	-	1,596,259
2020	339,970	1,256,289	-	1,596,259
2021	356,131	1,240,126	-	1,596,257
2022	373,062	1,223,196	-	1,596,258
2023-2027	2,136,310	5,803,061	-	7,939,371
2028-2032	2,723,081	5,300,126	-	8,023,207
2033-2037	3,399,093	4,540,278	-	7,939,371
2038-2042	4,307,752	3,673,537	-	7,981,289
2043-2047	5,466,315	2,556,892	-	8,023,207
2048-2052	6,863,459	1,117,832	-	7,981,291
2053-2054	1,200,600	25,186	-	1,225,786
	<u>\$ 27,786,067</u>	<u>\$ 29,294,686</u>	<u>\$ -</u>	<u>\$ 57,080,753</u>

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 8. Risk Management

The Authority, with HUD approval, has elected to self-insure its risks for general liability claims. As of March 31, 2017, the Authority accrued a liability of \$2,181,090 (included in non-current liabilities-other) based upon the actuarial analysis for claims incurred that have not been settled or reported.

Changes in the self-insured liability are as follows:

	Beginning of Fiscal Year	Interest and Provision for Estimates and Losses	Claim Payments	End of Fiscal Year
2017	\$ 2,181,090	\$ 40,479	\$ (40,479)	\$ 2,181,090
2016	\$ 2,181,090	\$ 95,911	\$ (95,911)	\$ 2,181,090

#### Note 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, 2017.

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.

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.

The Authority has entered into notes receivable agreements for amounts which have not yet been disbursed. As of March 31, 2017, these amounted totaled \$27,993,379 related to Trinity Orient Heights.

#### Note 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.

## Boston Housing Authority

### Notes to Financial Statements

#### Note 10. Other Postemployment Benefit (Continued)

**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. Contributions in relation to the ARC totaled 29 percent of the 2017 ARC.

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:

	2017
Annual Required Contribution (ARC)	\$ 13,117,833
Contributions Made in Relation to the ARC	(3,745,000)
Interest on Net OPEB Obligation (NOO)	1,946,744
Adjustment to NOO to ARC	(2,425,608)
Increase in Net OPEB Obligation	8,893,969
Net OPEB Obligation - beginning of year	55,621,264
Net OPEB Obligation - end of year	\$ 64,515,233

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:

	2017	2016	2015
Annual OPEB cost	12,638,969	12,716,118	8,446,154
Contributions made in relation to the ARC	(3,745,000)	(3,755,000)	(3,078,000)
Percentage contributed	30%	30%	36%

**Funded status and funding progress:** The actuarial accrued liability for benefits as of March 31, 2017, the most recent actuarial valuation date, was \$172,202,827. This liability will be phased in over 30 years based on the requirements of GASB 45. Contributions in relation to the ARC during 2017 totaled \$3,745,000. The unfunded actuarial accrued liability ("UAAL") as of March 31, 2017 is \$172,202,827.

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.

## Boston Housing Authority

### Notes to Financial Statements

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#### Note 10. Other Postemployment Benefit (Continued)

**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.

In the March 31, 2016 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 seven years to an ultimate rate of 5 percent, was used.

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 1.5 percent per year. The remaining amortization period at March 31, 2017 was 29 years.

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Required Supplementary Information

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**Boston Housing Authority**

**Schedule of Contributions - Boston Retirement System  
Required Supplementary Information (unaudited)  
For the Year Ended March 31, 2017**

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	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 11,794,855	\$ 11,587,611
Contributions in relation to the actuarially determined contribution	<u>11,794,855</u>	<u>11,587,611</u>
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 42,190,564</u>	<u>\$ 37,390,539</u>
Contributions as a percentage of covered-employee payroll	<u>28%</u>	<u>31%</u>

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2016; therefore, only fiscal years 2016 and 2017 are presented. The full trend information will be accumulated over the next seven years.

**Boston Housing Authority**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability -**

**Boston Retirement System**

**Required Supplementary Information (unaudited)**

**For the Year Ended March 31, 2017**

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	<u>2017</u>	<u>2016*</u>
BHA's proportion of the net pension liability	5.13%	5.30%
BHA's proportionate share of the net pension liability	<u>\$ 91,747,156</u>	<u>\$ 104,255,320</u>
BHA's covered employee-payroll	<u>\$ 42,190,564</u>	<u>\$ 37,390,539</u>
BHA's proportionate share of the net pension liability as a percentage of its covered payroll	<u>46%</u>	<u>36%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>58%</u>	<u>56%</u>

Note: GASB Statement No. 68 requires this schedule to be presented for a 10-year period. The Authority adopted GASB Statement No. 68 during fiscal year 2016; therefore, only fiscal years 2016 and 2017 are presented. The full trend information will be accumulated over the next seven years.

**Boston Housing Authority**

**Schedule of Funding Progress for the Retiree Health Plan**

**Last Ten Years**

**Required Supplementary Information (unaudited)**

	Actuarial Valuation Date - April 1*									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarial Value of Assets (AVA)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial Accrued Liability (AAL)	\$ 105,557,300	\$ 105,557,300	\$ 90,685,284	\$ 94,789,721	\$ 103,680,906	\$ 100,732,376	\$ 109,154,067	\$ 109,154,067	\$ 172,202,827	\$ 172,202,827
Unfunded ALL (UAAL)	\$ 103,446,700	\$ 103,446,700	\$ 88,188,391	\$ 92,212,436	\$ 103,680,906	\$ 100,732,376	\$ 109,154,067	\$ 109,154,067	\$ 172,202,827	\$ 172,202,827
AVA as a Percentage of AAL	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Estimated Covered Payroll*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
UAAL as a Percentage of Covered Payroll*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

  

	Years Ended March 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Annual Required Contribution (ARC)	\$ 10,410,200	\$ 11,214,301	\$ 6,987,897	\$ 7,318,971	\$ 15,479,680	\$ 16,667,486	\$ 8,476,160	\$ 8,476,160	\$ 13,117,833	\$ 13,117,833
Employer Contributions	\$ 2,110,600	\$ 2,316,400	\$ 2,496,901	\$ 2,577,285	\$ 3,045,765	\$ 3,319,885	\$ 3,011,000	\$ 3,078,000	\$ 3,755,000	\$ 3,745,000
Contributions as a Percentage of the ARC	20%	21%	36%	35%	20%	20%	36%	36%	29%	29%
Net OPEB Obligation	\$ 8,299,600	\$ 17,197,501	\$ 21,729,372	\$ 26,522,712	\$ 31,430,581	\$ 35,852,893	\$ 41,291,992	\$ 46,660,146	\$ 55,621,262	\$ 64,515,233

**Notes:**

See Note 10 in the notes to the financial statements for additional information relating to the plan description, funding, cost, obligation and actuarial methods/assumptions.

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Supplementary Information

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Boston Housing Authority

Combining Statement of Net Position - Primary Government Programs  
March 31, 2017  
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	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Capital Fund	Eliminations	Total Primary Government
<b>Assets</b>													
Current assets:													
Cash and cash equivalents - unrestricted	\$ 15,626,396	\$ 6,714,452	\$ 21,163,810	\$ 5,873,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,946,326	\$ (3,880)	\$ -	\$ 51,320,772
Cash and cash equivalents - restricted	5,611,589	49,165	1,767,722	-	-	-	-	-	-	-	12,617,411	-	20,045,887
Investments - unrestricted	18,939,279	-	2,989,738	-	-	3,044,269	-	-	335,723	1,598,740	-	-	26,907,749
Investments - restricted	-	-	213,576	-	-	-	-	-	-	-	-	-	213,576
Accounts receivable:													
Accounts receivable - tenants	1,786,643	-	463,834	(438)	-	-	-	-	-	-	-	-	2,250,039
Allowance for doubtful accounts - tenants	(862,727)	-	(258,832)	-	-	-	-	-	-	-	-	-	(1,121,559)
Accounts receivable - HUD other projects	-	-	-	-	-	2,071	18,454	70,788	-	8,007	810,049	-	909,369
Accounts receivable - other government	-	-	1,964,413	-	-	-	-	-	-	-	-	-	1,964,413
Allowance for doubtful accounts - other government	-	(1,293,243)	1,353	-	-	(911)	-	-	-	(3,197)	-	-	(1,295,998)
Accounts receivable - HUD Public Housing Authority projects	-	120,317	-	-	-	-	-	-	-	-	-	-	120,317
Accounts receivable - miscellaneous	794,269	2,997,563	814,311	303,670	-	178	-	-	-	7,276	-	-	4,917,267
Notes, loans, and mortgages receivable - current	-	-	235,000	-	-	-	-	-	-	-	-	-	235,000
Accrued interest receivable	4,669	-	5,592	-	-	2,683	-	-	423	3,021	-	-	16,388
Prepaid expenses and other assets	463,434	5,059	187,333	38,196	100	120	-	-	-	218	-	-	694,460
Inventories	-	-	15,444	520,139	-	-	-	-	-	-	-	-	535,583
Due from asset management projects	25,749,461	5,509,653	9,528,647	4,232,203	1,916,155	49,245	445,941	189,515	1,786	80,758	72,472	(47,775,836)	-
<b>Total current assets</b>	<b>68,113,013</b>	<b>14,102,966</b>	<b>39,091,941</b>	<b>10,967,438</b>	<b>1,916,255</b>	<b>3,097,655</b>	<b>464,395</b>	<b>260,303</b>	<b>337,932</b>	<b>3,641,149</b>	<b>13,496,052</b>	<b>(47,775,836)</b>	<b>107,713,263</b>
Noncurrent assets:													
Capital assets:													
Land	47,406,387	-	9,713,382	7,168,802	-	-	-	-	-	-	-	-	64,288,571
Construction in progress	-	-	-	-	-	-	-	-	-	-	21,777,024	-	21,777,024
Buildings	985,150,672	-	275,524,847	4,997	-	-	-	-	-	-	-	-	1,260,680,516
Furniture, equipment and machinery	2,188,007	462,887	599,606	3,477,709	-	-	-	-	-	-	-	-	6,728,209
Accumulated depreciation	(826,963,598)	(458,657)	(237,467,503)	(3,183,054)	-	-	-	-	-	-	-	-	(1,068,072,812)
<b>Total capital assets</b>	<b>207,781,468</b>	<b>4,230</b>	<b>48,370,332</b>	<b>7,468,454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,777,024</b>	<b>-</b>	<b>285,401,508</b>
Other assets:													
Notes, loans and mortgages receivable - non-current	101,586,747	-	26,992,798	8,700,000	2,597,813	-	-	-	-	-	-	-	139,877,358
Allowance for doubtful accounts - notes, loans and mortgages	(1,271,428)	-	(381,309)	-	-	-	-	-	-	-	-	-	(1,652,737)
<b>Total other assets</b>	<b>100,315,319</b>	<b>-</b>	<b>26,611,489</b>	<b>8,700,000</b>	<b>2,597,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,224,621</b>
<b>Total assets</b>	<b>376,209,800</b>	<b>14,107,196</b>	<b>114,073,762</b>	<b>27,135,892</b>	<b>4,514,068</b>	<b>3,097,655</b>	<b>464,395</b>	<b>260,303</b>	<b>337,932</b>	<b>3,641,149</b>	<b>35,273,076</b>	<b>(47,775,836)</b>	<b>531,339,392</b>
Deferred Outflows of Resources													
Deferred pension expense	8,059,201	2,516,591	1,869,461	4,058,786	-	54,800	-	-	-	63,709	-	-	16,622,548
<b>Total deferred outflows of resources</b>	<b>8,059,201</b>	<b>2,516,591</b>	<b>1,869,461</b>	<b>4,058,786</b>	<b>-</b>	<b>54,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,709</b>	<b>-</b>	<b>-</b>	<b>16,622,548</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 384,269,001</b>	<b>\$ 16,623,787</b>	<b>\$ 115,943,223</b>	<b>\$ 31,194,678</b>	<b>\$ 4,514,068</b>	<b>\$ 3,152,455</b>	<b>\$ 464,395</b>	<b>\$ 260,303</b>	<b>\$ 337,932</b>	<b>\$ 3,704,858</b>	<b>\$ 35,273,076</b>	<b>\$ (47,775,836)</b>	<b>\$ 547,961,940</b>

**Boston Housing Authority**

**Combining Statement of Net Position - Primary Government Programs (Continued)**  
**March 31, 2017**  
**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	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Capital Fund	Eliminations	Total Primary Government
<b>Liabilities</b>													
Current liabilities:													
Accounts payable - operating	\$ 9,488	\$ 6	\$ 79,076	\$ 298	\$ -	\$ 130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,998
Accounts payable - HUD Public Housing Authority programs	-	-	-	-	12,213	379,675	-	-	-	250,564	-	-	642,452
Accounts payable - other government	-	-	1,406,854	-	-	-	-	-	-	-	-	-	1,406,854
Accrued compensated absences - current portion	1,059,807	122,145	402,632	253,392	-	1,693	-	-	(178)	3,180	-	-	1,842,671
Unearned revenues	7	-	1,734,104	-	-	(850)	-	-	-	-	-	-	1,733,261
Due to asset management projects	26,699,102	5,322,307	12,944,125	186,644	809,560	42,388	491,745	254,478	24,102	8,343	2,332,394	(47,775,836)	1,339,352
Accrued liabilities	7,963,475	466,996	2,400,138	1,098,320	-	7,054	746	5,825	-	19,052	-	-	11,961,606
Accrued interest payable	869,170	-	241,870	-	-	-	-	-	-	-	1,462,041	-	2,573,081
Other current liabilities	311,670	174,404	405,824	126,645	-	(163)	-	-	-	-	-	-	1,018,380
Current portion of long term debt - capital	5,490,000	-	470,000	-	-	-	-	-	-	-	-	-	5,960,000
<b>Total current liabilities</b>	<b>42,402,719</b>	<b>6,085,858</b>	<b>20,084,623</b>	<b>1,665,299</b>	<b>821,773</b>	<b>429,927</b>	<b>492,491</b>	<b>260,303</b>	<b>23,924</b>	<b>281,139</b>	<b>3,794,435</b>	<b>(47,775,836)</b>	<b>28,566,655</b>
Noncurrent liabilities:													
Long-term debt capital, net of current portion	108,900,000	-	12,075,000	-	-	-	-	-	-	-	-	-	120,975,000
Accrued compensated absences, net of current portion	3,026,148	842,603	1,191,343	1,934,193	-	14,162	-	-	-	25,062	-	-	7,033,511
Accrued pension and other postretirement employee benefit liabilities	73,086,396	21,946,204	22,458,828	36,063,822	-	349,553	-	-	-	622,775	-	-	154,527,578
Non-current liabilities - other	3,471,144	214,710	2,434,075	100,265	-	-	-	-	-	-	217,893	-	6,438,087
<b>Total noncurrent liabilities</b>	<b>188,483,688</b>	<b>23,003,517</b>	<b>38,159,246</b>	<b>38,098,280</b>	<b>-</b>	<b>363,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>647,837</b>	<b>217,893</b>	<b>-</b>	<b>288,974,176</b>
<b>Total liabilities</b>	<b>230,886,407</b>	<b>29,089,375</b>	<b>58,243,869</b>	<b>39,763,579</b>	<b>821,773</b>	<b>793,642</b>	<b>492,491</b>	<b>260,303</b>	<b>23,924</b>	<b>928,976</b>	<b>4,012,328</b>	<b>(47,775,836)</b>	<b>317,540,831</b>
Deferred inflows of resources:													
Deferred pension expense	11,833,992	3,567,492	3,548,432	5,840,814	-	57,191	-	-	-	101,881	-	-	24,949,802
<b>Total deferred inflows of resources</b>	<b>11,833,992</b>	<b>3,567,492</b>	<b>3,548,432</b>	<b>5,840,814</b>	<b>-</b>	<b>57,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,881</b>	<b>-</b>	<b>-</b>	<b>24,949,802</b>
<b>Net Position</b>													
Net investment in capital assets	92,125,927	4,230	43,915,332	7,468,454	-	-	(1,805,355)	-	-	-	21,777,024	-	163,485,612
Restricted	5,611,589	49,165	1,613,966	-	-	-	-	-	-	-	12,617,411	-	19,892,131
Unrestricted	43,811,086	(16,086,475)	8,621,624	(21,878,169)	3,692,295	2,301,622	1,777,259	-	314,008	2,674,001	(3,133,687)	-	22,093,564
<b>Total net position</b>	<b>141,548,602</b>	<b>(16,033,080)</b>	<b>54,150,922</b>	<b>(14,409,715)</b>	<b>3,692,295</b>	<b>2,301,622</b>	<b>(28,096)</b>	<b>-</b>	<b>314,008</b>	<b>2,674,001</b>	<b>31,260,748</b>	<b>-</b>	<b>205,471,307</b>
<b>Total liabilities and net position</b>	<b>\$ 384,269,001</b>	<b>\$ 16,623,787</b>	<b>\$ 115,943,223</b>	<b>\$ 31,194,678</b>	<b>\$ 4,514,068</b>	<b>\$ 3,152,455</b>	<b>\$ 464,395</b>	<b>\$ 260,303</b>	<b>\$ 337,932</b>	<b>\$ 3,704,858</b>	<b>\$ 35,273,076</b>	<b>\$ (47,775,836)</b>	<b>\$ 547,961,940</b>

Boston Housing Authority

Combining Statement of Revenues, Expenses and Changes in Net Position - Primary Government Programs

Year Ended March 31, 2017

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	ROSS Grant	Section 8 NC/SR	Section 8 Moderate Rehab SRO	Capital Fund	Eliminations	Total Primary Government
Operating revenues:													
Tenant rental revenue, net	\$ 35,032,804	\$ -	\$ 8,969,306	\$ 6,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,008,556
Tenant revenue - other	68,171	-	10,792	-	-	-	-	-	-	-	-	-	78,963
<b>Total tenant revenue</b>	<b>35,100,975</b>	<b>-</b>	<b>8,980,098</b>	<b>6,446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,087,519</b>
HUD Public Housing Authority operating grants	-	185,190,350	-	-	-	3,283,236	-	-	-	3,401,030	-	-	191,874,616
HUD operating grants	59,486,633	15,322,336	-	-	390,759	381,573	236,833	735,024	-	673,010	9,789,941	-	87,016,109
Other governmental grants	1,153,423	-	34,854,529	-	-	-	-	-	-	-	-	-	36,007,952
Other revenue	3,023,151	2,088,753	10,759,796	16,684,840	-	1,050	71,475	-	-	-	-	(18,012,787)	14,616,278
<b>Total operating revenues</b>	<b>98,764,182</b>	<b>202,601,439</b>	<b>54,594,423</b>	<b>16,691,286</b>	<b>390,759</b>	<b>3,665,859</b>	<b>308,308</b>	<b>735,024</b>	<b>-</b>	<b>4,074,040</b>	<b>9,789,941</b>	<b>(18,012,787)</b>	<b>373,602,474</b>
Operating expenses:													
Administrative	19,701,086	13,277,727	7,197,884	15,466,674	390,760	225,927	255,231	75,288	-	397,108	2,519,735	(18,012,787)	41,494,633
Tenant services	449,507	23,329	729,552	16,343	-	-	47,249	659,736	-	-	-	-	1,925,716
Utilities	26,609,876	-	9,009,912	2,430	-	-	-	-	-	-	-	-	35,622,218
Maintenance	38,467,505	9,847	9,841,991	173,119	-	869	-	-	-	1,982	-	-	48,495,313
Protective services	2,732,137	-	3,647,816	753	-	-	-	-	3	-	-	-	6,380,709
Insurance premiums	2,481,840	243,346	668,793	374,595	3,335	3,556	7,047	-	-	6,334	-	-	3,788,846
Payment in lieu of taxes	-	-	66,660	-	-	-	-	-	-	-	-	-	66,660
Housing assistance payments	-	185,190,350	6,553,828	-	-	3,283,236	-	-	-	3,401,030	-	-	198,428,444
Pension and other postretirement employee benefit expense	1,756,195	1,221,334	4,290,470	1,521,665	-	10,639	-	-	-	19,518	-	-	8,819,821
Other general expenses	173,364	-	1,088,833	(6,910)	329,839	77	-	-	-	(1)	-	-	1,585,202
Depreciation	30,548,971	13,058	6,779,736	95,520	-	-	-	-	-	-	-	-	37,437,285
<b>Total operating expenses</b>	<b>122,920,481</b>	<b>199,978,991</b>	<b>49,875,475</b>	<b>17,644,189</b>	<b>723,934</b>	<b>3,524,304</b>	<b>309,527</b>	<b>735,024</b>	<b>3</b>	<b>3,825,971</b>	<b>2,519,735</b>	<b>(18,012,787)</b>	<b>384,044,847</b>
<b>(Deficiency) excess of operating revenue over operating expenses</b>	<b>(24,156,299)</b>	<b>2,622,448</b>	<b>4,718,948</b>	<b>(952,903)</b>	<b>(333,175)</b>	<b>141,555</b>	<b>(1,219)</b>	<b>-</b>	<b>(3)</b>	<b>248,069</b>	<b>7,270,206</b>	<b>-</b>	<b>(10,442,373)</b>
Non-operating (expenses) revenues:													
Investment income - unrestricted	202,940	-	14,701	1,408,336	-	2,983	-	-	436	3,386	-	-	1,632,782
Investment income - restricted	18,444	-	14,241	-	-	-	-	-	-	-	-	-	32,685
Interest expense	(3,517,483)	-	(244,482)	-	-	-	-	-	-	-	(2,924,081)	-	(6,686,046)
Casualty losses	(359,904)	-	(6,082)	-	-	-	-	-	-	-	-	-	(365,986)
Loss on Disposal of Real Property	-	-	(633,850)	-	-	-	-	-	-	-	-	-	(633,850)
<b>Total non-operating (expenses) revenues</b>	<b>(3,656,003)</b>	<b>-</b>	<b>(855,472)</b>	<b>1,408,336</b>	<b>-</b>	<b>2,983</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>3,386</b>	<b>(2,924,081)</b>	<b>-</b>	<b>(6,020,415)</b>
<b>(Deficiency) excess of total revenue over (under) total expenses</b>	<b>(27,812,302)</b>	<b>2,622,448</b>	<b>3,863,476</b>	<b>455,433</b>	<b>(333,175)</b>	<b>144,538</b>	<b>(1,219)</b>	<b>-</b>	<b>433</b>	<b>251,455</b>	<b>4,346,125</b>	<b>-</b>	<b>(16,462,788)</b>
Capital grants	-	-	-	-	-	-	-	-	-	-	9,116,205	-	9,116,205
Equity transfers	16,511,531	-	-	-	-	-	-	-	-	-	(16,559,636)	-	(48,105)
<b>Change in net position</b>	<b>(11,300,771)</b>	<b>2,622,448</b>	<b>3,863,476</b>	<b>455,433</b>	<b>(333,175)</b>	<b>144,538</b>	<b>(1,219)</b>	<b>-</b>	<b>433</b>	<b>251,455</b>	<b>(3,097,306)</b>	<b>-</b>	<b>(7,394,688)</b>
Net position, beginning of year	152,849,373	(18,655,528)	50,287,446	(14,865,148)	4,025,470	2,157,084	(26,877)	-	313,575	2,422,546	34,358,054	-	212,865,995
<b>Net position, end of year</b>	<b>\$ 141,548,602</b>	<b>\$ (16,033,080)</b>	<b>\$ 54,150,922</b>	<b>\$ (14,409,715)</b>	<b>\$ 3,692,295</b>	<b>\$ 2,301,622</b>	<b>\$ (28,096)</b>	<b>\$ -</b>	<b>\$ 314,008</b>	<b>\$ 2,674,001</b>	<b>\$ 31,260,748</b>	<b>\$ -</b>	<b>\$ 205,471,307</b>

**Boston Housing Authority**

**Statement of Net Position - Building**

**March 31, 2017**

**Supplementary Information**

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**Assets**

Current assets:

Cash - operations	\$ 1,119,634
Cash - restricted	1,002,991
Accounts receivable	250,002
Interfund due from	<u>(107,163)</u>
<b>Total current assets</b>	<b><u>2,265,464</u></b>

Noncurrent assets

Capital assets:

Land	2,157,100
Structures and equipment, net	<u>2,627,223</u>
<b>Total capital assets</b>	<b><u>4,784,323</u></b>

**Total assets**

**7,049,787**

**Deferred outflows of resources**

Deferred pension expense	<u>134,909</u>
<b>Total deferred outflows of resources</b>	<b><u>134,909</u></b>

**Liabilities**

Current liabilities:

Current portion of accrued compensated absences	10,449
Interfund due to	11,813
Accrued liabilities	87,847
Accrued interest	99,486
Current portion of capital debt	<u>235,000</u>
<b>Total current liabilities</b>	<b><u>444,595</u></b>

Noncurrent liabilities:

Capital debt, net of current portion	4,220,000
Accrued compensated absences, net of current portion	29,180
Post employment healthcare benefits	1,188,214
Other noncurrent liabilities	<u>2,257</u>
<b>Total noncurrent liabilities</b>	<b><u>5,439,651</u></b>

**Total liabilities**

**5,884,246**

**Deferred inflow of resources**

Deferred pension expense	<u>192,956</u>
<b>Total deferred outflows of resources</b>	<b><u>192,956</u></b>

**Net Position**

Net investment in capital assets	(229,837)
Unrestricted	334,341
Restricted	<u>1,002,990</u>
<b>Total net position</b>	<b><u>\$ 1,107,494</u></b>

**Boston Housing Authority**

**Statement of Revenues, Expenses and Changes in Net Position - Building  
Year Ended March 31, 2017  
Supplementary Information**

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Operating revenues:	
Other governmental grants	\$ 52,449
Other	<u>1,500,006</u>
<b>Total operating revenues</b>	<u><u>1,552,455</u></u>
Operating expenses:	
Administration	179,851
Utilities	187,975
Maintenance and operations	343,296
Protective services	160,343
Insurance	11,585
Other general expenses	78,015
Depreciation	<u>477,629</u>
<b>Total operating expenses</b>	<u><u>1,438,694</u></u>
<b>Operating income</b>	<u><u>113,761</u></u>
Non-operating expenses:	
Interest expense	<u>244,482</u>
<b>Total non-operating expenses</b>	<u><u>244,482</u></u>
<b>Change in net position</b>	(130,721)
Net position, beginning of year	<u><u>1,238,215</u></u>
Net position, end of year	<u><u>\$ 1,107,494</u></u>

**Boston Housing Authority**

**Statement of Certification of Actual Program Costs - Federally Funded Programs**

**March 31, 2017**

**Supplementary Information**

	Public Housing Capital Fund Program MA06P002501-12	Resident Opportunity & Self Sufficiency MA002FSH036A015
Funds approved and advanced	\$ 17,058,105	\$ 275,040
Funds expended	17,058,105	275,040
<b>Excess funds approved and advanced</b>	<b>\$ -</b>	<b>\$ -</b>
	Resident Opportunity & Self Sufficiency MA002FSH275A014	Resident Opportunity & Self Sufficiency MA002RFS119A013
Funds approved and advanced	\$ 272,746	\$ 65,498
Funds expended	272,746	65,498
<b>Excess funds approved and advanced</b>	<b>\$ -</b>	<b>\$ -</b>