

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the
City of Cambridge, Massachusetts)

Report on Examination of
Basic Financial Statements
And Additional Information
Year Ended December 31, 2016

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended December 31, 2016

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cambridge Redevelopment Authority
Cambridge, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the activities of the Cambridge Redevelopment Authority (the "CRA"), a component unit of the City of Cambridge, Massachusetts, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the activities of the CRA as of December 31, 2016, and the respective changes in financial position and, 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, the schedules of the CRA's proportionate share of net pension liability and contributions to pension plan, the schedules of funding progress and contributions for other postemployment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 CRA's basic financial statements. The supplementary schedules section 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 Expense Allocation – Project Costs Schedule is the responsibility of management and was derived from and relate 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, and included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 schedule 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 17, 2017, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the CRA's internal control over financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Cambridge Redevelopment Authority's (the "CRA") financial performance provides an overview of the CRA's financial activities for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The CRA changed the measurement date of its net pension liability under GASBs 68 and 71. In the previous year, implementation was established as the year ended December 31, 2015. However, because the measurement dates of significant underlying data used in compiling and calculating the information required to be reported under the GASBs, would result in ineligible information in alternating years the CRA elected to change the effective implementation date to December 31, 2014, and annually delay report completion until the information is made available. As a result a minor restatement was required that can be reviewed in detail in Note J.
- The assets and deferred outflows of financial resources of the CRA exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$9.3 million (*total net position*). Of this amount, almost \$8.3 million is unrestricted and may be used to meet the CRA's ongoing obligations to citizens and creditors.
- The CRA's assets are primarily comprised of cash and investments of nearly \$9.1 million, or approximately 87.6% of total assets at December 31, 2016. Capital assets comprised approximately 9.9% of total assets, and remaining amounts are not significant.
- The CRA's total net position decreased slightly over the prior year as operations were consistent with management's expectations.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the CRA's basic financial statements. This report consists of: the basic financial statements, notes to the financial statements, and various other disclosures of supplementary information. The CRA is a component unit of the City of Cambridge and is a self-supporting entity that follows enterprise fund reporting.

Financial Statements – These statements are presented in a manner similar to a private business, such as a real estate development company. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the CRA.

The *statement of net position* presents information on all of the CRA's assets and deferred outflows of financial resources and its liabilities and deferred inflows of financial resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the CRA is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the CRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave.)

The *statement of cash flows* presents information on the CRA's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the CRA's proportionate share of net pension liability, contributions to pension plan, and contribution progress of the CRA's other postemployment benefits to its employees.

Furthermore, it includes supplementary information presented by the CRA relative to the allocation of costs by each current year project program.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the CRA's financial condition. In the case of the CRA, assets and deferred outflows of financial resources exceeded liabilities and deferred inflows of financial resources by nearly \$9.3 million at the close of the most recent fiscal year. This was a decrease of almost \$0.3 million from the preceding year.

The condensed statement of net position is as follows:

	December 31, 2016	December 31, 2015
<u>Assets</u>		
Current and other assets	\$ 9,316,965	\$ 9,669,997
Capital assets, net	1,024,474	772,930
Total assets	<u>10,341,439</u>	<u>10,442,927</u>
<u>Deferred Outflows of Financial Resources</u>	<u>178,139</u>	<u>129,268</u>
<u>Liabilities</u>		
Long-term liabilities	1,106,962	944,872
Other liabilities	96,065	61,387
Total liabilities	<u>1,203,027</u>	<u>1,006,259</u>
<u>Deferred Inflows of Financial Resources</u>	<u>41,935</u>	<u>18,574</u>
<u>Net Position</u>		
Net investment in capital assets	1,024,474	772,930
Unrestricted	<u>8,250,142</u>	<u>8,774,432</u>
Net Position	<u>\$ 9,274,616</u>	<u>\$ 9,547,362</u>

By far the largest portion of the CRA's net position, almost \$8.3 million, consist of unrestricted funds that are available for spending on future development projects and administrative costs as determined and directed by the CRA's Board of Directors.

An additional portion of the CRA's net position (approximately \$1.0 million) reflects its investment in capital assets (e.g. land and improvements, and machinery and equipment); presently, there is no related outstanding debt used to acquire those assets. The CRA uses these capital assets to provide services to the citizenry of the City of Cambridge; consequently, these assets are not available to provide resources for future spending.

The condensed statement of changes in net position is as follows:

	Year Ended December 31,	
	2016	2015
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 899,418	\$ 46,257
Operating and capital grants	-	500,000
Investment income and other	134,013	46,774
Total revenues	<u>1,045,306</u>	<u>593,031</u>
 <u>Expenses</u>		
Administrative	607,133	582,396
Professional services	24,521	22,608
Project consulting	580,562	522,764
Property maintenance	11,381	42,340
Disposition of property	59,928	-
Depreciation	34,527	-
Total expenses	<u>1,318,052</u>	<u>1,170,108</u>
 Change in net position	<u>(272,746)</u>	<u>(577,077)</u>
 Net position - beginning of year	9,547,362	10,139,926
Prior period adjustment	-	(15,487)
Net position, beginning of year, as restated	<u>9,547,362</u>	<u>10,124,439</u>
 Net position - end of year	<u>\$ 9,274,616</u>	<u>\$ 9,547,362</u>

The CRA's total net position at December 31, 2016, decreased roughly \$0.3 million from the prior year. Operating revenues of over \$0.9 million primarily consisted of the sale of development rights executed in 2016; this represented an increase of over \$0.8 million in operating revenues from the prior year. There had been no proceeds reported from the sale of development rights in the previous year.

Nonoperating revenues totaled over \$0.1 million in 2016 and consisted entirely of net investment income earned on the CRA's investments. In the previous fiscal year, the CRA recognized a one-time local grant of \$500,000 to help in the construction of Grand Junction Park.

The CRA's operating expenses in 2016 were more than \$1.3 million and outpaced operating revenues by over \$0.4 million and total revenues by almost \$0.3 million. Current year expenses were reported higher than the prior year primarily due to (1) additional project consulting costs, (2) the first year of depreciation of Grand Junction Park and (3) the loss on development property previously held for sale that was deemed completely impaired.

Capital Asset and Debt Administration

The CRA's investment in capital assets as of December 31, 2016, amounts to over \$1.0 million (net of any accumulated depreciation). This investment in capital assets includes land improvements and machinery and equipment and reflects a minor increase over the prior year net of depreciation.

The CRA holds development projects held for sale that it classifies as long-term assets since they are not expected to be liquidated within twelve months of year-end.

As of December 31, 2016, the CRA did not have any outstanding debt.

Economic Factors and Next Year Activity

The CRA will continue to manage and assist with the development of the Kendall Square Urban Renewal District (KSURD) as provided within its authority and mandate. Additionally, the CRA may look to explore beyond the existing District to other areas of the City where redevelopment projects are under consideration. The CRA will make this possible through funds from the sale of development rights, as well as potential grants or other funding sources as they become available. In the subsequent year and beyond, based on known, planned building development within the KSURD; the CRA is anticipating significant proceeds from the sale of development rights (see Note K). The CRA is looking for this funding to provide for long-term and potentially larger and more enhanced programmatic endeavors.

Request for Information

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest in the CRA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Cambridge Redevelopment Authority, 255 Main Street, 4th Floor, Cambridge, Massachusetts 02142.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,204,725
Investments	5,857,948
Accounts receivable	394
Other assets	34,884
Total current assets	9,097,951
Noncurrent assets:	
Capital assets, not being depreciated	23,184
Capital assets, net of accumulated depreciation	1,001,290
Development projects held for sale	219,014
Total noncurrent assets	1,243,488
Total Assets	10,341,439
Deferred Outflows of Financial Resources:	
Pensions	178,139
Total Deferred Outflows of Financial Resources	178,139
Liabilities:	
Current liabilities:	
Accounts payable	88,812
Compensated absences	7,253
Total current liabilities	96,065
Noncurrent liabilities:	
Compensated absences	21,759
Net pension liability	284,070
Other postemployment benefits	801,133
Total noncurrent liabilities	1,106,962
Total Liabilities	1,203,027
Deferred Inflows of Financial Resources:	
Pensions	41,935
Total Deferred Inflows of Financial Resources	41,935
Net Position:	
Net investment in capital assets	1,024,474
Unrestricted net assets	8,250,142
Total Net Position	\$ 9,274,616

See accompanying notes to basic financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

Operating Revenues:

Sale of development rights	\$ 832,857
Rental income	11,875
Other income	66,561
Total Operating Revenues	<u>911,293</u>

Operating Expenses:

Administrative	607,133
Professional services	24,521
Project consulting	580,562
Property management	11,381
Depreciation	34,527
Total Operating Expenses	<u>1,258,124</u>

Operating Income (346,831)

Nonoperating Revenues (Expenses):

Investment income	134,013
Disposition of property	(59,928)
Total Nonoperating Revenues	<u>74,085</u>

Change in Net Position (272,746)

Net Position - Beginning of year, as restated 9,547,362

Net Position - End of year \$ 9,274,616

See accompanying notes to basic financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:	
Sale of development rights	\$ 832,857
Rental income and other receipts	94,654
Proceeds from program project grant	500,000
Payments to vendors	(557,019)
Payments for wages and benefits	(505,979)
Net Cash Provided by Operating Activities	364,513
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(286,071)
Net Cash Used in Capital and Related Financing Activities	(286,071)
 Cash Flows from Investing Activities:	
Investment of operating cash, net	(743,648)
Investment income	134,013
Net Cash Used in Investing Activities	(609,635)
Net Change in Cash and Cash Equivalents	(531,193)
 Cash and Cash Equivalents:	
Beginning of year	3,735,918
End of year	\$ 3,204,725
 Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating income	\$ (346,831)
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	34,527
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	516,218
Other assets	(10,660)
Deferred outflows of resources	(48,871)
Accounts payable and accrued expenses	27,425
Deferred compensation	(26,108)
Net pension benefits	61,690
Other postemployment benefits	133,761
Deferred inflows of resources	23,361
Net Cash Provided by Operating Activities	\$ 364,512

See accompanying notes to basic financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note A – Reporting Entity

The Cambridge Redevelopment Authority was established in 1955 pursuant to Chapter 121B of the Massachusetts General Laws, as amended, to administer and plan urban renewal projects and other community development projects within the City of Cambridge, Massachusetts (the “City”). The CRA was issued a Certificate of Organization by the Secretary of the Commonwealth of Massachusetts on November 20, 1956. The CRA is governed by a five-member board of directors, one of whom is appointed by the Governor of the Commonwealth of Massachusetts and the remaining four members by the Cambridge City Council.

The CRA is a component unit of the City. The City’s financial statement report may be obtained from the City Auditor’s Office, 795 Massachusetts Avenue, Cambridge, Massachusetts 02139.

Note B – Summary of Significant Accounting Policies

The basic financial statement of the CRA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the CRA:

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

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities, (2) contingent assets and liabilities at the date of the basic financial statements, and (3) revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

Revenue Recognition – Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Major revenue sources may include gains on property or developer rights held for sale.

Deposits and Investments – Cash and cash equivalents include cash on hand and certificates of deposit with maturities of three months or less.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts Receivable – Accounts receivable are presented net of the allowance for doubtful accounts. Management’s periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible.

Capital Assets – Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. All purchases and construction costs in excess of \$5,000 and with useful lives exceeding one year are capitalized at the date of acquisition or construction. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the CRA on a straight-line-basis. The estimated useful lives of capital assets are being depreciated as follows:

Land improvements	30 years
Machinery and equipment	5 – 7 years

Development Projects Held for Sale – The CRA is the owner of certain properties (real estate - improved and land) within its project development area. Generally, properties are acquired in connection with specified development projects and the costs associated with the acquisition of properties are recorded as property held for sale. Use of the proceeds from the rental and ultimate disposition of the properties is restricted for allowable project costs.

Deferred Outflows/Inflows of Financial Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of financial resources. This separate financial statement element, *deferred outflows of financial resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The CRA has one item that is reported on the statement of net position which relates to outflows from changes in the net pension liability. This will be recognized in pension expense in future years as more fully described in Note F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of financial resources. This separate financial statement element, *deferred inflows of financial resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The CRA has one item that is reported on the statement of net position which relates to outflows from changes in the net pension liability. This will be recognized in pension expense in future years as more fully described in Note F.

Developer Deposits Held – From time to time, the CRA receives developer deposits in accordance with development agreements by and between the CRA and third parties. The deposits held consist primarily of funds placed with the CRA by third party developers for the right to a future purchase of land. Upon purchase, these deposits would be deducted from the agreed-upon purchase price.

Compensated Absences – Employees earn vacation and sick time as they provide services to the CRA. Employees may accumulate (subject to certain limitations) unused vacation and sick time earned and, upon retirement, termination or death, be compensated for unused portions of the time earned. These accumulated benefits will not necessarily be liquidated with expendable, available financial resources.

Taxes – The CRA is exempt from all federal and state income taxes and real estate taxes.

Budgetary Data – GAAP requires a budgetary comparison schedule to be presented for the general

fund and each major special relevant fund that has a legally adopted budget.

The CRA completes an operating budget that is approved by the Board of Directors; however, the budget serves primarily as a guideline for operations and is not legally restricting. Accordingly, the CRA has not presented budgetary information.

Note C – Deposits and Investments

State laws and regulations require the CRA to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and the state treasurer investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for period over ninety days and the underlying security must be a United States obligation. During the fiscal year, the CRA did not enter into any repurchase agreements.

Concentration of Credit Risk: Deposit: – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The CRA maintains a deposit policy for custodial credit risk relative to cash withholdings. The CRA carries deposits that are fully insured by the Federal Deposit Insurance Corporation, or FDIC, as well as the Depositors Insurance Fund, or DIF, as well as uninsured deposits.

At year-end, the carrying amount of the CRA's deposits was \$5,923,855 and the bank balance was \$5,943,104. Of the CRA's bank balance, \$5,920,915 was covered by either federal depository insurance or by the depositors' insurance fund, and the remainder was uninsured and uncollateralized.

Custodial Credit Risk: Investment: – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the CRA may not be able to recover the full amount of its principal investment and/or investment earnings. The CRA's common stock investments totaling \$1,019,012 are not exposed to custodial credit risk because they are held by the CRA. The CRA does not have a deposit policy for custodial credit risk relative to investments.

Fair Value of Investments – The CRA reports its investments at fair value. When actively quoted observable prices are not available, the CRA generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The CRA categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the CRA's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the CRA's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2016:

	12/31/16	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by Fair Value Level</u>				
Debt securities:				
Corporate bonds	\$ 2,119,805	\$ 2,119,805	\$ -	\$ -
Negotiable certificates of deposit	3,470,651	-	3,470,651	-
Total debt securities	5,590,456	2,119,805	3,470,651	-
Equity securities:				
Common stock	1,019,012	1,019,012	-	-
Total equity securities	1,019,012	1,019,012	-	-
Total Investments by Fair Value Level	\$ 6,609,468	\$ 3,138,817	\$ 3,470,651	\$ -

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Negotiable certificates of deposit are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The CRA does not have a formal investment policy that limits investment maturity periods as a way of managing its exposure to fair value losses arising from rising interest rates.

Interest Rate Risk: Investments – Debt security investments are subject to inherent rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of the individual debt instruments. The CRA does not have a formal investment policy that limit investment maturities as a way of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2017, the CRA had the following investments with maturities:

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less Than 1	1-5	6-10
Corporate fixed income securities	\$ 2,119,805	\$ -	\$ 2,119,805	\$ -
Certificates of deposit	5,436,471	2,717,341	2,719,130	-
Total investments with maturities	7,556,276	\$ 2,717,341	\$ 4,838,935	\$ -
<u>Other Investments:</u>				
Equities	1,019,012			
Total investments	\$ 8,575,288			

Concentration of Credit Risk – The CRA does not place a limit on the amount that may be invested in any one issuer. No issuer represented more than 5% of the CRA's total investments at December 31, 2016.

Credit Risk – The CRA has not adopted a formal policy related to credit risk.

As of December 31, 2016, the credit quality ratings of the Town’s debt securities were as follows:

Quality Ratings (S&P's)	Corporate Fixed Income	Certificates of Deposit	Totals
AA	\$ 481,146	\$ -	\$ 481,146
A	1,032,579	-	1,032,579
BBB+	606,080	-	606,080
Not rated	-	5,436,471	5,436,471
Totals - All	<u>\$ 2,119,805</u>	<u>\$ 5,436,471</u>	<u>\$ 7,556,276</u>

Note D - Receivables

Receivables as of year-end of the CRA were comprised of a combination of rental fees and other minor operational amounts due from agreements or reimbursement commitments. There was no allowance against the receivable balances recognized at December 31, 2016.

Note E – Capital Assets

Capital assets activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,184	\$ -	\$ -	\$ 23,184
Construction in process	749,746	-	(749,746)	-
Total capital assets not being depreciated	<u>772,930</u>	<u>-</u>	<u>(749,746)</u>	<u>23,184</u>
Capital assets being depreciated:				
Improvements	-	1,035,817	-	1,035,817
Machinery and equipment	6,000	-	-	6,000
Total capital assets being depreciated	<u>6,000</u>	<u>1,035,817</u>	<u>-</u>	<u>1,041,817</u>
Less accumulated depreciation for:				
Improvements	-	(34,527)	-	(34,527)
Machinery and equipment	(6,000)	-	-	(6,000)
Total accumulated depreciation	<u>(6,000)</u>	<u>(34,527)</u>	<u>-</u>	<u>(40,527)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>1,001,290</u>	<u>-</u>	<u>1,001,290</u>
Capital assets, net	<u>\$ 772,930</u>	<u>\$ 1,001,290</u>	<u>\$ (749,746)</u>	<u>\$ 1,024,474</u>

Note F – Long-Term Obligations

The following reflects the current year activity and year-end balances of the long-term obligations:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated absences	\$ 55,120	\$ 9,763	\$ (35,871)	\$ 29,012	\$ 7,253
Net pension liability (restated)	222,380	262,017	(200,327)	284,070	-
Other postemployment benefits	667,372	202,148	(68,387)	801,133	-
Total Long-Term Obligations	<u>\$ 944,872</u>	<u>\$ 473,928</u>	<u>\$ (304,585)</u>	<u>\$ 1,114,215</u>	<u>\$ 7,253</u>

Note G – Pension Plan

Pension Plan Description – The CRA contributes to the City of Cambridge Contributory Retirement System (the Retirement System), a cost-sharing, multiple-employer defined benefit pension plan for the City of Cambridge, Massachusetts. The Retirement System was established under Chapter 32 of Massachusetts General Laws (MGL) and is administered by the City and is part of the City’s reporting entity. Stand-alone financial statements for the year ended December 31, 2016 were issued and are available at the Retirement Office, 100 Cambridge Park Drive, Suite 101, Cambridge, Massachusetts 02140.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions Requirements – The CRA has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The CRA contributed \$47,698 to the Retirement System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The CRA’s contributions as a percentage of covered payroll was approximately 17.99% in fiscal year 2016.

Net Pension Liability – At December 31, 2016, the CRA reported a liability of \$284,070 for its proportionate share of the net pension liability. The net pension liability was calculated as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2016 (the measurement date). There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the Retirement System’s benefit terms since the actuarial valuation.

The CRA’s proportion of the net pension liability is based on a projection of the CRA’s long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The CRA’s proportion was approximately 0.12% at December 31, 2016, this increased from the proportion measured at January 1, 2015, which was 0.08%.

Pension Expense – The CRA recognized \$83,877 in pension expense in the statement of revenues, expenses, and changes in net position in fiscal year 2016.

Deferred Outflows/Inflows of Financial Resources – At December 31, 2016, the CRA 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	\$ -	\$ 29,237
Net difference between projected and actual earnings on pension plan investments	68,933	-
Changes of assumptions	30,264	-
Changes in proportion and differences between CRA contributions and proportionate share of contributions	78,942	12,698
Total	<u>\$ 178,139</u>	<u>\$ 41,935</u>

The deferred outflows of financial resources and deferred inflows of financial resources are expected to be recognized in the CRA's pension expense in future years as follows:

<u>Year Ended June 30,</u>	
2018	\$ 42,147
2019	42,149
2020	44,086
2021	3,102
2022	4,720
Total	<u>\$ 136,204</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary and was based on an actuarial valuation as of December 31, 2015, which was rolled forward to December 31, 2016 using update procedures. The significant actuarial assumptions in determining the total pension liability included:

Inflation:	3.50%
Salary increases:	4.50%
Investment rate of return:	7.75%, net of investment expenses, including inflation
Cost of living adjustments:	3% on the first \$14,000 of retirement income
Pre-retirement mortality rates:	RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D
Healthy retiree mortality rates:	RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D
Disabled retiree mortality	RP-2000 Combined Healthy Annuitant Mortality Table projected generally from 2015 using Scale BB2D

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 added expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2016, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	1.06%
Domestic equity	25.00%	6.44%
International developed markets equity	9.00%	7.40%
International emerging markets equity	10.00%	9.42%
Core fixed income	15.00%	2.02%
High yield fixed income	8.00%	4.43%
Real estate	10.00%	5.00%
Commodities	5.00%	4.43%
Hedge fund, GTAA, Risk parity	9.00%	3.75%
Private equity	9.00%	10.47%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2016 actuarial report was 7.75%, which was a reduction from the previous discount rate of 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’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 Analysis – The following presents the CRA’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the CRA’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
CRA's proportionate share of the net pension liability	\$ 473,598	\$ 284,070	\$ 124,493

Note H – Other Postemployment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the CRA provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries through a single-employer defined benefit healthcare plan (the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by state law and the CRA Board; all benefits are provided through the CRA’s insurance program. The Plan

does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 4 active employees and 17 retired employees or their dependents; a total of 21.

Funding Policy – The contribution requirements of Plan members and CRA are established and may be amended by the CRA. Retirees participate in the Commonwealth’s Group Insurance Commission (GIC) premium-based insurances and contribute between 10% and 20% of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the CRA. Retirees contribute approximately \$2 each month towards life insurance premiums; \$5,000 face value. The CRA pays the remainder. The CRA currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the CRA.

Annual OPEB Cost and Net OPEB Obligation – The CRA’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, and actuarially determined amount that is calculated in accordance with GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the CRA’s OPEB obligation:

Annual required contribution (ARC)	\$	191,557
Interest on net OPEB obligation		26,694
Adjustment to ARC		(37,110)
Amortization of Acturial Gains/Losses		21,007
Annual OPEB cost		202,148
Contributions made		(68,387)
Increase in net OPEB obligation		133,761
Net OPEB obligation at beginning of year		667,372
Net OPEB obligation at end of year	\$	801,133

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Year Ended <u>December 31,</u>	Annual OPEB Cost <u>(AOPEBC)</u>	Percentage of AOPEBC <u>Contributed</u>	Net OPEB <u>Obligation</u>
2015	\$ 195,968	36 %	\$ 667,372
2014	194,444	45 %	541,801
2013	101,123	52 %	434,773

Funding Status and Funding Progress – The funded status of the Plan at December 31, 2016 for the most recent actuarial valuation performed as of January 1, 2015, was as follows:

Actuarial value of plan assets	\$	-
Actuarial accrued liability (AAL)	\$	934,045
Unfunded actuarial accrued liability (UAAL)	\$	934,045
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (annual payroll of active, plan employees)	\$	280,000
UAAL as a percentage of covered payroll		333.59%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay
Remaining amortization period	7 years as of January 1, 2015
Interest discount rate	4%
Annual compensation increases	3%
Healthcare/medical cost trend rate	5% grading

Note I – Operating Leases

Facility Lease – The CRA leases office space in Cambridge, Massachusetts. The existing lease agreement requires monthly lease payments that increase 2% each year until 2018. The CRA pays their proportional share of the rent for common area space. The minimum annual lease commitments over the remaining lease term are as follows:

<u>December 31,</u>	<u>Amount</u>
2017	\$ 94,046
2018	<u>95,640</u>
Total	<u>\$ 189,686</u>

Note J – Risk Financing

The CRA is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the CRA carries commercial insurance. Additionally, premium-based health care plans sponsored by the CRA for its active employees and retirees is provided through the Group Insurance Commission. The amount of claim settlements has not exceeded insurance coverages in any of the previous three years.

The premium-based health care plans are administered through the Group Insurance Commission (GIC). Health care coverage provided for active employees is funded 75% through contributions by the CRA with the remaining 25% provided by participating employees. With regards to retirees' health care benefits, the retirees provide 10% – 20% of the contributions with the difference funded by the CRA.

Note K – Commitments and Contingencies

The CRA is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at December 31, 2016, cannot be determined, management believes that any resulting liability, if any should not materially affect the financial statements at December 31, 2016.

Note L – Prior Period Adjustment

Net Pension Liability – In 2016, the CRA elected to change the initial implementation measurement date of the net pension liability from 2015 to 2014. This results in multiple prior period adjustments whereby the 2016 beginning net position was decreased by \$15,487 to eliminate the financial impacts associated with recognizing the pension related deferred outflows of financial resources, deferred inflows of financial resources, and net pension liability starting with an implementation year of 2014.

The following delineates the accumulated changes to net position resulting from the above:

Net position at January 1, 2016, as previously stated	\$ 9,562,848
Reestablish beginning net pension liability (revised implementation date 1/1/14)	(15,487)
Net position at January 1, 2016, as restated	<u>\$ 9,547,361</u>

The net position restatement impacted other balances on the Statement of Net Position as follows:

	Pension Balances	Change
Deferred Outflows of Resources, as previously stated	\$ 6,978	
Deferred Outflows of Resources, as restated	129,268	\$ 122,290
Deferred Inflows of Resources, as previously stated	(24,510)	
Deferred Inflows of Resources, as restated	(18,574)	5,936
Net Pension Liability, as previously stated	(78,667)	
Net Pension Liability, as restated	(222,380)	(143,713)
Total Net Position Change		<u>\$ (15,487)</u>

Note M – Subsequent Events

Loan Program – In February 2017, the CRA board voted to initiate a pilot loan program to provide debt financing to a local entity for making fire suppression improvements to affordable housing units within the Wellington-Harrington project area. This loan program is authorized up to \$540,000.

Sale of Development Rights – On August 29, 2017, the CRA received payment of over \$23.0 million from a developer in accordance with an existing development agreement. The proceeds of the sale relate to the addition of 302,482 square feet of gross floor area at \$76.18 per square foot at 145 Broadway, within the City site known as the Mixed Use Development (MXD) District. The funds are unrestricted, and the CRA anticipates allocating these funds in future years for various to be determined projects, aimed at furthering its urban renewal and community development objectives.

Note N – Implementation of GASB Pronouncements

Current Year Implementation

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement became effective for the CRA in calendar year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*. The objective of GASB 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2015 (calendar year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (calendar year 2017). The applicable provisions of this Statement became effective for the CRA in calendar year 2016 and did not have a material effect on its financial statements.

Future Year Implementation

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective 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 OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (calendar year 2017). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (calendar year 2018). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (calendar year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the CRA's financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (calendar year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the CRA's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (calendar year 2017), although early adoption is encouraged. The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (calendar year 2017) and should be applied retroactively. The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (calendar year 2017), although early adoption is encouraged. The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (calendar year 2019). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (calendar year 2019). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (calendar year 2018). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (calendar year 2020). The CRA is currently evaluating whether adoption will have a material impact on the financial statements.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED DECEMBER 31, 2016

SCHEDULES OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2015	\$ -	\$ 934,045	\$ 934,045	0.0%	\$ 280,000	333.6%
1/1/2014	-	1,202,878	1,202,878	0.0%	208,156	577.9%
1/1/2013	-	1,234,160	1,234,160	0.0%	202,093	610.7%

SCHEDULES OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended December 31,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2016	\$ 202,148	\$ 68,387	33.8%
2015	195,968	70,397	35.9%
2014	194,444	87,416	45.0%
2013	189,756	88,633	46.7%

See accompanying independent auditor's report.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED DECEMBER 31, 2016

SCHEDULE OF THE CRA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended December 31,		
	2016	2015	2014
CRA's proportion of the net pension liability (asset)	0.12%	0.08%	0.05%
CRA's proportionate share of the net pension liability (asset)	\$ 284,070	\$ 222,380	\$ 78,667
CRA's covered-employee payroll *	\$ 265,158	\$ 181,461	\$ 109,314
CRA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.1%	122.5%	72.0%
Plan fiduciary net position as a percentage of the total pension liability	83.08%	79.60%	87.51%

SCHEDULE OF THE CRA'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended December 31,		
	2016	2015	2014
Actuarially determined contribution	\$ 47,698	\$ 30,041	\$ 17,738
Contributions in relation to the actuarially determined contribution	47,698	30,041	17,738
Contribution deficiency (excess)	\$ -	\$ -	\$ -
CRA's covered-employee payroll *	\$ 265,158	\$ 181,461	\$ 109,314
Contributions as a percentage of covered-employee payroll	17.99%	16.56%	16.23%

* Covered employee payroll as reported in the actuarial valuation report.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

SUPPLEMENTARY INFORMATION - EXPENSE ALLOCATIONS - PROJECT COSTS SCHEDULE
YEAR ENDED DECEMBER 31, 2016

Expense Categories	Allocated Project Costs														Totals
	Ames Street	Ecodistrict	Economic Development	Forward Fund	Foundry	Grand Junction	KS Open Space	MXD Design	Parcel 6	Strategic Planning	Transport	Volpe	Other		
Salaries	\$ 5,387	\$ 7,389	\$ 8,121	\$ 11,871	\$ 44,426	\$ 16,679	\$ 15,872	\$ 42,161	\$ 21,261	\$ 15,460	\$ 17,716	\$ 1,000	\$ 646	\$ 207,989	
Community Outreach	-	-	-	47	366	1,205	-	78	639	26	-	-	-	2,361	
Marketing and Professional Development	16	1,754	239	-	59	-	14	54	14	18	2,712	-	-	4,880	
Office Space and Management	-	-	6	317	-	81	144	36	186	89	-	-	-	859	
Property Management	-	-	-	-	-	3,479	2,417	-	5,617	-	-	-	-	11,513	
Professional Services: Construction Management	-	-	-	-	-	24,037	-	-	-	-	-	-	-	24,037	
Professional Services: Architects	500	-	-	-	500	-	-	2,986	-	5,000	-	-	-	8,986	
Professional Services: Landscape Architects	-	-	-	-	-	5,516	-	-	-	-	-	-	-	5,516	
Professional Services: Engineers and Survey	-	-	-	-	-	-	-	5,477	-	4,900	-	-	-	10,377	
Professional Services: Legal	765	-	14,497	2,011	63,126	-	2,970	14,880	-	3,600	12,240	4,635	-	118,724	
Professional Services: Real Estate and Finance	-	-	3,429	-	10,023	-	-	22,006	-	-	-	-	-	35,458	
Professional Services: Planning and Policy	-	-	-	-	-	-	-	10,000	-	-	-	-	-	10,000	
Professional Services: Retail Management and Wayfinding	-	-	-	-	-	-	-	11,925	-	-	-	-	-	11,925	
Professional Services: Temp and Contract Labor	-	-	-	-	-	1,032	-	-	250	-	-	-	-	1,282	
Professional Services: Web Design/GIS/IT	-	-	-	-	-	-	-	3,570	-	-	-	-	-	3,570	
Professional Services: Energy and Environmental Services	-	24,000	-	-	-	2,450	-	-	-	-	-	-	-	26,450	
Professional Services: Transportation Planning	-	-	-	-	-	-	-	-	-	-	79,092	-	-	79,092	
Redevelopment Investments: Capital Costs	-	-	-	-	-	253,036	-	-	478	-	-	-	-	253,514	
Redevelopment Investments: Forward Fund	-	-	-	50,100	-	-	-	-	-	-	-	-	-	50,100	
Totals	\$ 6,668	\$ 33,143	\$ 26,292	\$ 64,346	\$ 118,500	\$ 307,515	\$ 21,417	\$ 113,173	\$ 28,445	\$ 29,093	\$ 111,760	\$ 5,635	\$ 646	\$ 866,633	

See accompanying independent auditor's report.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Cambridge Redevelopment Authority
Cambridge, Massachusetts

We have audited, 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, the financial statements of the activities of the Cambridge Redevelopment Authority (the "CRA"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 12, 2017

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the
City of Cambridge, Massachusetts)

MANAGEMENT LETTER

DECEMBER 31, 2016

CAMBRIDGE REDEVELOPMENT AUTHORITY
(A Component Unit of the City of Cambridge, Massachusetts)

MANAGEMENT LETTER
YEAR ENDED DECEMBER 31, 2016

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Honorable Board of Directors
Cambridge Redevelopment Authority
Cambridge, Massachusetts

In planning and performing our audit of the financial statements of the Cambridge Redevelopment Authority (the "CRA"), a component unit of the City of Cambridge, Massachusetts, as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

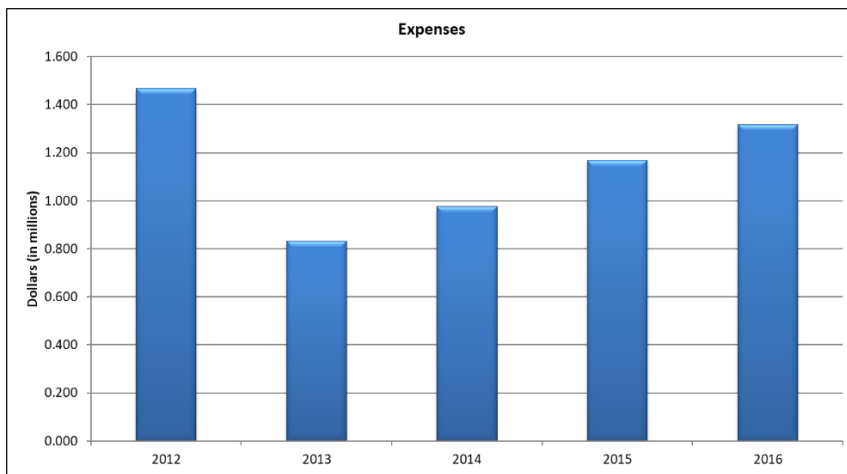
Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 12, 2017

I. OVERVIEW

The 2016 financial statements reflect the CRA as an entity that is hitting its stride with regards to its operations and activities. The office is growing in personnel, and the variety of redevelopment projects being entertained and furthered by the CRA management. Additionally, increasing private development investment presently occurring within the CRA's Kendall Square urban renewal area provided a significant influx of cash approximating \$0.83 million in 2016. Subsequent year, one-time development right purchases of over \$23 million will provide a strong foundation upon which the CRA can continue to expand the volume and range of its activities.

During the fiscal year ended December 31, 2016, the CRA's net position decreased about \$272,746. This was primarily the result of recording recurring revenues of only about \$33,000, investment earnings generating nearly \$134,000, and one-time revenues of nearly \$833,000 from the sale of developer rights. Total expenses were about \$1,300,000, an increase over the prior year by about \$148,000. The chart below reflects expenses for the most recent five years, back to the year prior to starting the CRA's rebuild activities.



A low revenue and high expense annual financial model is anticipated to drive operations most years throughout the life of the CRA. It remains imperative that strong fiscal management of those resources be achieved as long-term expense planning to maximize inconsistent revenue streams remains a key element of the CRA's operations.

Regarding the 2016 financial statement reporting, the financial statements were restated to reflect 2014 as the initial measurement/reporting year for the recognition of the net pension liability under GASB 68. Previously adjustment in the measurement date was done with the intent of expediting the issuance of the audited financial statements. However, as the impacts of GASB 68 have evolved, it was ultimately deemed that the 2014 measurement date will be the most positive option to move forward with.

This letter to management is intended to provide the CRA and its management with recommendations for improvement in accounting and financial operations and informational items. The CRA should review these recommendations and informational items, and, if determined to be cost-effective, implement these improvements.

II. INFORMATIONAL ITEMS

New Accounting Principal – OPEB

The Governmental Accounting Standards Board, or GASB, issued new pronouncements related to other postemployment benefits, or OPEB, that is substantially similar to the pension standard implemented by the CRA in 2014. OPEB typically includes health and welfare plans and other similar benefits provided to CRA retirees exclusive of pension benefits.

The first of the new pronouncements, GASB 74, requires adoption for fiscal periods beginning after June 15, 2016 (your fiscal year 2017). The primary effect that it will have on the CRA is the more extensive OPEB plan disclosures that will be necessary to include in the footnotes to the financial statements and the required supplementary information at the back of the audited financial statements. The information to generate these disclosures should be provided to us by the CRA's actuary who prepares the OPEB study.

Currently, the CRA reports a net OPEB obligation (approximately \$801,000) in its financial statements calculated under GASB 45. However, the proposed new accounting standard, GASB 75, will require that the net OPEB liability (approximately \$934,000 at this time, but subject to change because of the new GASB required calculation methods) be reported in the financial statements. Adoption of this new accounting standard is for years beginning after June 15, 2017 (your fiscal year 2017). The information to generate these disclosures should be provided to us by the CRA's actuary who prepares the OPEB study.

While this proposed accounting standard will materially affect the CRA's financial statements, the Commonwealth has now modified legislation allowing (but not requiring) entities such as the CRA to begin setting aside monies for this unfunded obligation similar to how it does with pensions. This Massachusetts General Law (MGL) revision was passed in August 2016 and became effective in November 2016; and it is our understanding that the CRA did adopt the OPEB Trust Fund legislation allowing them to set aside irrevocable funds to be used for appropriating against future OPEB costs. Additionally, it is our understanding that the CRA has also created a trust plan document and segregated investment account in 2017 into which to deposit those funds. Accordingly, it is anticipated that the OPEB Trust Fund and its related activity, will be disclosed as part of the audited financial statements for the year ended December 31, 2017.

CRA's Response:

Once the MGL became effective in November 2016, the CRA started the process of creating an OPEB Trust Fund with Morgan Stanley. The account was opened at the end of 2016. There is also a trust plan document for this fund. Upon the recommendation of Odyssey Advisors, a total of \$14,000 was put into this fund in 2017 - \$7,000 for 2016 and \$7,000 for 2017. The CRA has been in contact with Odyssey Advisor's as of November 2017; they are aware of the requirements requested for 2017.

Financial Statement Reporting

As previously discussed with the Board over the last few years, the recently issued GASB pronouncements, GASB's 67 and 68, significantly changed how pension system plans are reported with member entities' financial statements. These changes required both new reporting by actuaries and audit firms, and they created significant new audit testing to be performed by auditors. This has resulted in an ongoing challenge to issue the CRA audited financial statements timely with respect to the CRA's fiscal year end being December 31. It is required for the Cambridge Contributory Retirement System (the "System"), which likewise have a December 31 year-end, to first issue their final audits, as information within those audits comprise a significant amount of the information reported within the CRA audited financial statements. For the past few years, our firm has effectively been able to complete on-sight audit fieldwork with the CRA management by June annually; however, both our firm and the CRA have no control over when the System's audit reports are issued. However, in that same time span, the System's reports have been issued later into the subsequent year with the 2016 reports not issued and provided to us until December 6, 2017. Due to restrictions within the GASB, our initial attempts to shift the measurement period used by the CRA within their audited financial statements was found to have drawbacks and was discarded as part of the 2016 reporting period.

Options were discussed between the auditor and the CRA's management, with the present decision being that having to wait until the subsequent December to complete the audit being the significantly least invasive option, albeit not a preferred result. It was determined that historically there have been no formal, external reporting deadlines, with the exception of the annual reporting to the State Department of Housing and Economic Development, which consistently has allowed up to a 15-month gap in the submission of the annual, audited financial statements without issue. However, with the significant influx of cash into the CRA in 2017, it is highly anticipated that the CRA's status will be changed to that of a material, component unit of the City of Cambridge, and the CRA's audited financial statement information will then most likely have to be included within the City's CAFR financial statements, which have a deadline of December 31st annually. We are giving the CRA Board advanced notice that delays into December of receiving the System's audit reports will likely jeopardize the CRA's ability to timely provide their final, audited financial statements to the City of Cambridge for inclusion in their CAFR. We would note that the same audit firm performs both the City's and the System's annual audits, and from discussions we have had with that firm, they are aware of the unreasonable timing conflicts that could occur if in the future, there is a significant delay in providing the System's audit reports to the CRA timely.

CRA's Response:

The CRA will look into the options for resolving the timing issues with the System's audit, as well as, other audit coordination issues with the City of Cambridge. One option to evaluate is for the CRA to change its fiscal year from a calendar year to a July 1st – June 30th year.

III. OPERATIONAL COMMENTS

Certified Procurement Officer (repeated from prior year)

Entities subject to Chapter 30B procurement laws are required to formally identify a chief procurement officer for their entity. To qualify, the person selected must attend and pass the certified procurement officer course sponsored by the Massachusetts Inspector General Office. The 3-day courses are held multiple times in Boston throughout the year and are intended to give public officials an in-depth overview of procurement in Massachusetts. We suggest the Executive Director attend these courses to gain a better understanding of the complex aspects of procurement.

CRA's Response:

There are three 3-day classes that the Executive Director is interested in taking but the 2017 timing was impossible to attend. At the present, there are no 2018 dates yet offered for any Massachusetts Inspector General Office classes. The CRA will continue to utilize its legal counsel extensively to review its procurement processes for various new contracting activities from park construction to developer selection.

Land Held for Development

In 2014, the Executive Director was notified by the City of Cambridge's Assessor's Office that certain land parcels within the City listed the CRA as the property owner. Such parcels totaling a reportable value of \$66,997 had not been reflected on the CRA's previous lists of property owned by the CRA, and the financial statements were adjusted accordingly at that time. In 2016, the CRA identified for itself, that one of those parcels had been given to the City by the CRA years ago, but the City's Assessor's Office had not recorded the change in ownership on their records as a result of the donated land. Therefore, \$59,928 has been reflected as a reduction of that land held for development asset within the 2016 audited financial statements as a disposal of property to reflect that the CRA is not the owner.

CRA's Response:

The CRA has assigned a new staff planner to work on resolving the discrepancies with the City Assessor's Department, utilizing research in the CRA archives and the Suffolk County deed records.

IV. CLOSED OUT PRIOR YEARS' FINDINGS

The below was noted with findings in the prior year, but are now deemed to be closed out and/or no longer operational deficiencies because of actions taken by the CRA through the date of this letter.

Accounting Functions

For the past few years, during the CRA's rebuilding period, there have been a variety of accounting system improvements suggested by our firm as part of the audit process; some we believed necessary, others were optional depending upon their usefulness to the CRA. We are pleased to report that with the conclusion and final close out of 2016 after the post-audit adjustments to the general ledger, we have identified no significant areas where we believe the CRA must look to adjust their accounting processes for necessary corrective action. We would highlight that this is a significant accomplishment for the CRA.

Obviously, accounting is a very dynamic field with constant regulatory or GAAP changes requiring revisions and adjustments to accounting processes on an annual basis; as well as, those changes that will be forthcoming with the CRA's own operational activities such as the addition of loan receivable programs and influx of significant financial resources to be allocated to further activities. Our efforts will in the future continue to focus on identifying areas for financial operations change and improvement when they are identified during the audit, or when we can provide value-added suggestions that may enhance the efficiency and effectiveness of financial operations.