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, 2015

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended December 31, 2015

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

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DECEMBER 31, 2015

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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 Cambridge Redevelopment Authority (the "CRA"), a component unit of the City of Cambridge, Massachusetts, as of and for the year ended December 31, 2015, 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 CRA as of December 31, 2015, 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 management's discussion and analysis, the schedules of proportionate share of net pension liability and contribution to pension plan, the schedules of funding progress and contributions for other postemployment benefits 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 Expense Allocation – Project Costs Schedule 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 including 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 November 16, 2016 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
November 16, 2016

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, 2015. 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 assets and deferred outflows of resources of the CRA exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $9,562,849 *(total net position)*. This entire amount 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 $8,850,219, or approximately 84.8% of total assets at December 31, 2015. Capital assets not being depreciated related to the development of Grand Junction Park totaled $772,930, or approximately 7.4% of total assets. Short and long-term development projects held for sale totaled $278,942, or approximately 2.7%; remaining amounts are insignificant.

- The CRA's total net position decreased by $589,380. This was mostly due to operating revenues of $46,257 combined with nonoperating revenues of $546,774 being less than the CRA's operating expenses by $577,077. Additionally, nonoperating revenues were mostly comprised of one-time project grant revenues of $500,000.

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 and notes to the financial statements that explain information in the financial statements in more detail. 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 resources and its liabilities and deferred inflows of 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 government-wide and fund financial statements.

Restatements – Adjustment impacts are more fully detailed in Note J, but are summarized as follows:

Net position for net investment for capital assets was increased by reclassifying prior year expenditures spent on Grand Junction Park in the amount of $105,768. The restatement is to capitalize the cost of improvements to the park spent in prior year as a result of reclassifying the park from development projects held for sale to capital assets – land improvements in 2015.

The CRA shifted the measurement date of the required pension liability under GASBs 68 and 71. Implementation had originally occurred as part of the financial statement reporting for the year ended December 31, 2014 but has been shifted to December 31, 2015 as allowed under GASB 68 in order to accommodate more timely financial statement reporting for the CRA in future years.

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.

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 resources exceeded liabilities and deferred inflows of resources by $9,562,849 at the close of the most recent fiscal year.
This was a decrease of nearly $0.6 million over the preceding year.

The condensed statement of net position is as follows:

	December 31, 2015	December 31, 2014
Assets		
Current and other assets	$ 9,669,997	$ 10,763,951
Capital assets, net	772,930	-
Total assets	10,442,927	10,763,951
Deferred Outflows of Resources	6,978	-
Liabilities		
Long-term liabilities	801,159	545,308
Other liabilities	61,387	65,103
Total liabilities	862,546	610,411
Deferred Inflows of Resources	24,510	-
Net Position		
Net investment in capital assets	772,930	-
Unrestricted	8,789,919	10,153,540
Net Position	$ 9,562,849	$ 10,153,540

By far the largest portion of the CRA's net position, approximately $8.8 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 $0.8 million) reflects its investment in capital assets (e.g. land, building, 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 for future spending. Although the CRA's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay any such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The CRA held no outstanding debt at the end of either fiscal year.

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenues:		
Program revenues:		
Charges for services	$ 46,257	$ 39,249
Operating and capital grants	500,000	-
Investment income and other	46,774	80,040
Total revenues	593,031	119,289
Expenses:		
Administrative	582,396	518,382
Professional services	22,608	59,911
Project consulting	522,764	377,877
Property maintenance	42,340	30,837
Total expenses	1,170,108	987,007
Change in net position	(577,077)	(867,718)
Net position - beginning of year, as restated	10,153,540	10,914,179
Prior period adjustment	(13,614)	107,079
Net position, beginning of year, as restated	10,139,926	11,021,258
Net position - end of year	$ 9,562,849	$ 10,153,540

The CRA's total net position at December 31, 2015, decreased $577,077 from the prior year. Operating revenues of $46,257 primarily consisted of charges and reimbursements for services rendered in 2015; this represented a $7,008 increase in operating revenues from the prior year. In the present fiscal year, the CRA recognized a local grant of $500,000 to help in the construction of Grand Junction Park. This was a new project for fiscal year 2015, and no grants were received in prior year. During either fiscal year, there were no sales of developer rights by the CRA.

Nonoperating revenues totaled $46,774 in 2015 and consisted entirely of net investment income earned on the CRA's investments.

The CRA's operating expenses in 2015 were $1,170,108 and exceeded operating revenues by $1,123,851. Current year expenses were significantly increased by $193,981 in comparison to previous year amounts. The significant increase from the prior year was due mainly to allocated project costs that started during the fiscal year including projects for Grand Junction Park, K2 zoning, the Foundry and other small various projects.

Capital Asset and Debt Administration

The CRA's investment in capital assets as of December 31, 2015, amounts to nearly $0.8 million (net of any accumulated depreciation). This investment in capital assets includes machinery and equipment and construction in progress for a future park, and reflects an increase of approximately $0.7 million, net of depreciation.

The CRA held nearly $0.3 million in development projects held for sale. These were classified as long-term assets since they are not expected to be liquidated within twelve months of year-end.

As of December 31, 2015, the CRA did not have any outstanding debt. The CRA maintains an active line of credit totaling $5,000.

Economic Factors and Next Year Activity

The CRA will continue to manage and assist with development within the Kendall Square Urban Renewal District 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 the CRA may assist with redevelopment projects. 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.

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, MA 02142.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2015

Assets:	
Current assets:	
Cash and cash equivalents	$ 3,735,918
Investments	5,114,301
Accounts receivable	516,612
Other assets	24,224
Total current assets	9,391,055
Noncurrent assets:	
Capital assets, not being depreciated	772,930
Development projects held for sale	278,942
Total noncurrent assets	1,051,872
Total Assets	10,442,927
Deferred Outflows of Resources:	
Net difference - projected and actual earnings on pension investments	6,978
Total Deferred Outflows of Resources	6,978
Liabilities:	
Current liabilities:	
Accounts payable	61,387
Total current liabilities	61,387
Noncurrent liabilities:	
Compensated absences	55,120
Net pension liability	78,667
Other postemployment benefits	667,372
Total noncurrent liabilities	801,159
Total Liabilities	862,546
Deferred Inflows of Resources:	
Changes in pension proportion and differences	24,510
Total Deferred Inflows of Resources	24,510
Net Position:	
Net investment in capital assets	772,930
Unrestricted net assets	8,789,919
Total Net Position	$ 9,562,849

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, 2015

Operating Revenues:	
Rental income	$ 8,933
Other income	37,324
Total Operating Revenues	46,257
Operating Expenses:	
Administrative	582,396
Professional services	22,608
Project consulting	522,764
Property maintenance	42,340
Total Operating Expenses	1,170,108
Operating Income	(1,123,851)
Nonoperating Revenues:	
Project grant	500,000
Investment income	46,774
Total Nonoperating Revenues	546,774
Change in Net Position	(577,077)
Net Position - Beginning of year, as restated	10,139,926
Net Position - End of year	$ 9,562,849

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, 2015

Cash Flows from Operating Activities:		
Rental income and other receipts	$	(466,028)
Payments to vendors		(885,978)
Payments for wages and benefits		(133,845)
Net cash provided by operating activities		(1,485,851)
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets		(643,978)
Project grant		500,000
Net cash provided by capital and related financing activities		(143,978)
Cash Flows from Investing Activities:		
Net transfers to investments		(1,862,815)
Investment income		46,774
Net cash provided by investing activities		(1,816,041)
Net Change in Cash and Cash Equivalents		(3,445,870)
Cash and Cash Equivalents:		
Beginning of year		7,181,788
End of year	$	3,735,918

Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income	$	(1,123,851)
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources		
Accounts receivable		(495,367)
Other assets		(16,918)
Deferred outflows of resources		(6,978)
Accounts payable and accrued expenses		(3,716)
Deferred compensation		51,613
Net pension benefits		(40,715)
Other postemployment benefits		125,571
Deferred inflows of resources		24,510
Net cash provided by operating activities	$	(1,485,851)

See accompanying notes to basic financial statements.

NOTE A – REPORTING ENTITY

The Cambridge Redevelopment Authority (the "CRA") 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; however, the City has elected not to include the CRA's financial position and results of operations in its financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the CRA conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Following are the accounting and reporting policies of 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 assets and liabilities, disclosure for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the 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.

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

Deposits and Investments – Cash and cash equivalents include cash on hand and certificates of deposit with maturities of three months or less. Investments are monetary holdings with varying maturity periods of greater than three months and liquidity levels; additionally the principal and/or the investment earnings may be subject to market loss or fees.

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.

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. The total value of these assets as of December 31, 2015, was $278,942.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The CRA has one item that are reported on the Statement of Net Position, this item relates to the net differences between projected and actual investment earnings on pension investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent 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 qualifies as an inflow of resource. This item relates to changes in proportion and differences between employer contributions and proportionate share of contributions.

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) are depreciated by the CRA on a straight-line-basis.

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.

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

NOTE C – DEPOSITS AND INVESTMENTS

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The CRA does not maintain any investments subject to these classifications.

Statutes 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 state treasurer investment pools. 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 does not have 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 $8,850,219 and the bank balance was $9,048,072. Of the CRA's bank balance, $4,345,713 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 does not have a deposit policy for custodial credit risk relative to investments.

Interest Rate Risk – The CRA does not have a formal investment policy as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2015, the CRA had the following investments and maturities:

		Time Until Maturity (Years)		
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**
Corporate fixed income securities	$ 889,008	$ -	$ 889,008	$ -
Certificates of deposit	6,993,551	2,980,006	4,013,545	-
Total investments with maturities	7,882,559	$ 2,980,006	$ 4,902,553	$ -
Other Investments:				
Equities	211,748			
Total investments	$ 8,094,307			

Quality Ratings (S&P's)	Corporate Fixed Income	Certificates of Deposit	Totals
AAA	$ -	$ -	$ -
AA	-	-	-
BBB+	889,008	-	889,008
A2	-	-	-
Not rated	-	6,993,551	6,993,551
Totals - All	$ 889,008	$ 6,993,551	$ 7,882,559

NOTE D – RECEIVABLES

Receivables as of year-end of the CRA in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Rental property	$ 800	$ -	$ 800
Departmental and other	15,812	-	15,812
Project grant	500,000	-	500,000
Total	$ 516,612	$ -	$ 516,612

NOTE E – FIXED ASSETS

Capital assets activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ 23,184	$ -	$ 23,184
Construction in process	105,768	643,978	-	749,746
Total capital assets not being depreciated	105,768	667,162	-	772,930
Capital assets being depreciated:				
Machinery and equipment	11,185	-	(5,185)	6,000
Total capital assets being depreciated	11,185	-	(5,185)	6,000
Less accumulated depreciation for:				
Machinery and equipment	(11,185)	-	5,185	(6,000)
Total accumulated depreciation	(11,185)	-	5,185	(6,000)
Total capital assets being depreciated, net	-	-	-	-
Capital assets, net	$ 105,768	$ 667,162	$ -	$ 772,930

NOTE F – 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). The Retirement System is administered by the City and is part of the City's reporting entity.

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. Stand-alone financial statements for the year ended December 31, 2014 were issued and are available at the Retirement Office, 100 Cambridge Park Drive, Suite 101, Cambridge, Massachusetts 02140.

Membership in the Retirement System for all employers as of December 31, 2015 was as follows:

Active and inactive employees	3,145
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,908
Total Membership	6,053

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement 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 $30,041 to the Retirement System in fiscal year 2015, which equaled the actuarially-determined contribution requirement for the fiscal year. The CRA's contributions as a percentage of covered payroll was approximately 16.23% in fiscal year 2015.

Net Pension Liability – At December 31, 2015, the CRA reported a liability of $78,667 for its proportionate share of the net pension liability. The net pension liability was calculated as of January 1, 2015, 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, 2015 (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 0.08% at December 31, 2015, which was consistent with the proportion measured at January 1, 2015.

Pension Expense – The CRA recognized $6,858 in pension expense in the statement of revenues, expenses, and changes in net position in fiscal year 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2015, the CRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 6,978	$ -
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	24,510
Total	$ 6,978	$ 24,510

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

Year ended December 31,	Amount
2016	$ (4,383)
2017	(4.383)
2018	(4,383)
2019	(4,383)
Total	$ (17,532)

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2014. The significant actuarial assumptions used in the January 1, 2014 actuarial valuation included:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Prior year's contributions increased 5.85% plus an additional contribution of $300,000.
Remaining amortization period:	12 years from July 1, 2014
Asset valuation method:	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Investment rate of return:	7.875% per annum
Projected salary increases:	4.75%
Cost of living adjustments:	3% on the first $14,000 of retirement income
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected 17 years with Scale AA (gender distinct). Previously, post-retirement rates reflected the RP-2000 Healthy Annuitant table projected 12 years with Scale AA (gender distinct).

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, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.50%	6.60%
International developed markets equity	12.00%	7.10%
Emerging markets equity	5.00%	9.40%
Core fixed income	15.00%	2.20%
High yield fixed income	5.00%	4.70%
Real estate	10.00%	4.40%
Hedge fund, GTAA, Risk parity	7.00%	3.90%
Private equity	7.50%	11.70%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.875%, which was a reduction from the previous discount rate of 8.00%. 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 7.875% as well as the CRA's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.875%) or one percentage point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
Authority's proportionate share of the net pension liability	$ 147,617	$ 78,667	$ 20,076

NOTE G – OTHER POST EMPLOYMENT BENEFITS

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 (the "Plan") in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by state law and City ordinance. All benefits are provided through the CRA's self-funded insurance program described below. 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 two active employees and twelve retired employees; a total of fourteen.

Funding Policy – The contribution requirements of Plan members and CRA are established and may be amended by the CRA. Retirees contribute between 16% and 25% 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)	$ 190,399
Interest on net OPEB obligation	21,672
Adjustment to ARC	(30,128)
Amortization of Acturial Gains/Losses	14,025
Annual OPEB cost	195,968
Contributions made	(70,397)
Increase in net OPEB obligation	125,571
Net OPEB obligation at beginning of year	541,801
Net OPEB obligation at end of year	$ 667,372

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

Year Ended December 31,	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
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, 2015 for the most recent actuarial valuation performed as of January 1, 2015, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
$ -	$ 934,045	$ 934,045	0.0%	$ 280,000	333.6%

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 H – 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:

Year	Amount
2016	$ 92,452
2017	94,046
2018	95,640
Total	$ 282,138

NOTE I – 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, 2015, cannot be determined, management believes that any resulting liability, if any should not materially affect the financial statements at December 31, 2015.

NOTE J – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of $13,614 was made to decrease the CRA's beginning net position after taking into consideration an adjustment increasing the prior year beginning net position by $107,079. The adjustments are related to two activities:

Grand Junction Park – A parcel of land historically held by the CRA with the intent of potential future development was fully converted in 2015 to a public park. This effectively changed its classification from property held for development to capital asset land improvements. The CRA now intends to keep indefinitely for itself; the parcel will have no further development use beyond being a park. In the previous fiscal year $105,768 was spent on the park and a prior period adjustment was made for this amount to recognize the expenditures as fixed assets for the CRA.

<u>*Net Pension Liability*</u> – For 2015, the CRA elected to shift the initial implementation measurement date of the net pension liability from 2014 to 2015 (the later date is allowed under GASB 68). This results in multiple prior period adjustments whereby the 2014 beginning net position was increased by $107,079 to eliminate the financial impacts associated with recognizing the net pension liability with an implementation year of 2014 and then decreasing the 2015 beginning net position by $119,382 to recognize the initial net pension liability for the revised initial measurement date of January 1, 2015.

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

Net position at January 1, 2014, as previously stated	$	10,914,179
Reverse beginning net pension liability (old implementation date 1/1/14)		107,079
Net position at January 1, 2014, as restated	$	11,021,258
Net position at January 1, 2015, after impact of 2014 restatement above	$	10,153,540
Recognize beginning net pension liability (new implementation date 1/1/15)		(119,382)
Capitalize previous year land improvement costs for Grand Junction Park		105,768
Net position at January 1, 2015, as restated	$	10,139,926

NOTE K – IMPLEMENTATION OF GASB PRONOUNCEMENTS

<u>*Current Year Implementation*</u>

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 (calendar year 2015). The CRA implemented in calendar year 2015 and implementation did have a material effect on the CRA's financial statements.

<u>*Future Year Implementation*</u>

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 are effective for financial reporting periods beginning after June 15, 2015 (calendar year 2016). 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. 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 Provision 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 are effective for financial reporting periods beginning after June 15, 2015 (fiscal 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, 2106 (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. 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 June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of GASB 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (calendar year 2016). 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 (fiscal 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 (fiscal 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 (fiscal 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 (fiscal year 2018) 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 issued raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. 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 - PENSIONS
YEAR ENDED DECEMBER 31, 2015

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

	Year Ended December 31, 2015
Authority's proportion of the net pension liability (asset)	0.05%
Authority's proportionate share of the net pension liability (asset)	$ 107,229
Authority's covered-employee payroll *	$ 109,314
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	98.1%
Plan fiduciary net position as a percentage of the total pension liability	0.05%

SCHEDULE OF THE CRA'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended December 31, 2015
Actuarially determined contribution	$ 30,041
Contributions in relation to the actuarially determined contribution	30,041
Contribution deficiency (excess)	$ -
CRA's covered-employee payroll *	$ 109,314
Contributions as a percentage of covered-employee payroll	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)

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED DECEMBER 31, 2015

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
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)

SUPPLEMENTARY INFORMATION - EXPENSE ALLOCATIONS - PROJECT COSTS SCHEDULE
YEAR ENDED DECEMBER 31, 2015

	General	Allocated Project Costs											
Expense Categories	**Project Costs**	**Ames Street**	**Ecodistrict**	**Forward Fund**	**Foundry**	**Parcel 6**	**Grand Junction**	**KSURP K2 Zoning**	**MXD Design**	**Strategic Planning**	**Other**	**Volpe**	**Totals**
Salaries	$ -	$ 2,524	$ 7,468	$ 9,203	$ 50,884	$ 1,076	$ 23,470	$ 64,682	$ 10,103	$ 3,742	$ 6,031	$ 4,242	$ 183,425
Community Outreach	24	-	-	550	674	-	1,975	662	40	38	-	-	3,963
Prof Srvcs: Construction Management	-	-	-	-	-	-	29,736	-	-	-	-	-	29,736
Prof Srvcs: Architects	-	600	-	-	-	-	-	-	-	-	-	-	600
Prof Srvcs: Landscape Architects	-	-	-		-	-	19,484	-	-	-	-	-	19,484
Prof Srvcs: Engineers and Survey	-	-	-	-	-	9,437	9,599	28,161	-	-	-	-	47,197
Prof Srvcs: Legal	-	-	-	-	47,942	1,530	11,835	124,355	-	765	-	630	187,057
Prof Srvcs: Real Estate & Finance	-	-	-	-	15,268	-	-	28,500	-	30,566	-	-	74,334
Prof Srvcs: Planning	-	-	-	-	-	-	-	7,185	3,000	-	-	-	10,185
Prof Srvcs: Accounting	-	-	-	-	-	-	-	-	-	-	-	-	-
Prof Srvcs: Marketing/Grpahic Design	-	-	-	-	-	-	-	-	5,000	-	-	-	5,000
Prof Srvcs: Temp and contract labor		-	-	1,860	-	-	3,213	985	-	-	137	-	6,195
Prof Srvcs: Web Design/GIS/IT	-	-	-	-	-	-	-	14,400	-	-	-	-	14,400
Prof Srvcs: Other	-	-	3,000	-	-	5,000	-	-	-	-	-	-	8,000
Redevelopment Investments: Capital Costs	-	-	-	-	-	-	544,666	-	-	-	-	-	544,666
Redevelopment Investments: Forward Fund	-	-	-	32,500	-	-	-	-	-	-	-	-	32,500
Totals	$ 24	$ 3,124	$ 10,468	$ 44,113	$ 114,768	$ 17,043	$ 643,978	$ 268,930	$ 18,143	$ 35,111	$ 6,168	$ 4,872	$ 1,166,742

See accompanying independent auditor's report.

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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 information of the Cambridge Redevelopment Authority (the "CRA"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated November 16, 2016.

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
November 16, 2016

CAMBRIDGE REDEVELOPMENT AUTHORITY

MANAGEMENT LETTER

DECEMBER 31, 2015

CAMBRIDGE REDEVELOPMENT AUTHORITY

MANAGEMENT LETTER
YEAR ENDED DECEMBER 31, 2015

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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) as of and for the year ended December 31, 2015, 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
November 16, 2016

I. OVERVIEW

For 2015, the CRA had its most productive and focused year of redevelopment activities in close to a decade. The efforts of re-establishing the CRA from the ground up are now behind them, and more and more redevelopment projects and ideas are being proposed for inclusion in the pipeline of future activities for the CRA to undertake.

During the fiscal year ended December 31, 2015, the CRA's net position decreased about $577,000. This was primarily the result of operating revenues being supported by only about $46,000, which was equally matched by investment earnings of nearly $47,000, and with expenses totaling about $1,100,000. Additional nonoperating revenues in the form of a one-time grant of $500,000 were utilized to support a portion of one of the CRA's programs during 2015; this represented the first significant grant the CRA has received in a number of years.

With the exception of the grant, the CRA continues to primarily fund its current operations from income received in 2014 and prior years relative to the sale of developer rights. Such receipts are tied to development within the Kendall Square area and are not necessarily predictable in anticipating long-term revenue streams to fund operations. Expenses increased approximately $187,000 over the previous year with the change being related to project consulting activities. A low revenue and high expense model from annual operations is anticipated to occur throughout the life of the CRA, which is why it remains imperative that strong fiscal management of those resources be achieved as long-term revenue and expense planning remains a key element of the CRA's operations.

Of particular note with regard to the 2015 financial statement reporting, the financial statements were restated to reflect 2015 as the initial measurement/reporting year for the recognition of the net pension liability under GASB 68. The CRA had for 2014 implemented GASB 68 which resulted in the CRA recognizing a new liability of nearly $79,000 of on its financial statements as of December 31, 2014. As disclosed in the prior year, the implementation processes required to be followed by the Cambridge Retirement System in order to report under GASB 68 are difficult and cumbersome, but those reporting amounts are necessary to generate the CRA's financial statements. This resulted in a less timely release of the CRA's audited financial statement than generally desired, but at the time was believed that the delay would be limited to 2014. However, the delay reoccurred again in 2015, so it was decided by the CRA to reset the initial reporting year to 2015, which is allowed under GASB 68, thereby requiring a restating of 2014 financial amounts as if GASB 68 had not been implemented. It is believed that by delaying the reporting date, the Cambridge Retirement System will have completed their audit reporting prior to the start of the CRA's audit and should therefore not be the cause of any delays in financial reporting for the CRA in future years.

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, has issued a new pronouncement related to other postemployment benefits, or OPEB, that is substantially similar to the pension standard described above. OPEB typically includes health and welfare plans and other similar benefits provided to CRA retirees exclusive of pension benefits. The CRA presently contributes approximately 75% - 84% of the cost of retirees' comprehensive medical and life insurance premiums.

Currently, the CRA reports a net OPEB obligation (approximately $667,000) in its financial statements. However, the proposed new accounting standards will require that the net OPEB liability (approximately $934,000) in the financial statements. Adoption of this new accounting standard is two years away for the CRA.

While this proposed accounting standard will materially affect the CRA's financial statements, the Commonwealth has now modified legislation allowing 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 October 2016; accordingly, CRA has not yet adopted an OPEB Trust Fund under MGL 32B section 20 as of the December 31, 2015 financial statements. However, the CRA is anticipating adoption of the MGL and to allocate funding to the OPEB Trust Fund in the very near future. Other municipal entities, although while still in the minority, are becoming more and more active in this regard. The City of Cambridge is one such entity that is aggressively funding this liability.

<u>CRA's Response</u>: The CRA received its GASB 45 Analysis from Odyssey Advisors in March 2015 confirming that the CRA is at its anticipated peak annual payment level. The CRA is reviewing the revisions to state law to set a roadmap toward implementing an OPEB Trust Fund this year.

Accounting Consultant

Over the past nearly two years, the CRA has contracted with a few different accounting consultants to provide temporary guidance and to assist with enhancing the internal controls and providing additional accounting assistance relative to processing and procedures. In 2015 and through most of 2016, the CRA did contract with an individual to perform this function on a part-time basis in a more permanent role. At this time, the position is once again open, but we would like to encourage the on-going utilization of an accounting consultant so as to provide a more substantial level of checks and balances within the accounting and financial activities of the CRA and to supplement the accounting efforts within the office that would otherwise be effectively limited to just a sole individual, with no option for cross-training or continuance of the accounting function during the office manager's vacation time. Furthermore, as the Treasurer and Assistant Treasurer are volunteer board members who have other significant, external commitments beyond their involvement on the CRA board, so their involvement in the daily financial operations can be complicated and limited. Therefore, the inclusion of the accounting consultant position helps to mitigate these challenges by maintaining a higher level of internal controls and providing further accounting expertise.

CRA's Response: The CRA is actively seeking to fill this role of accounting consultant.

Cash Disbursement: Purchase Orders

The CRA does not utilize a purchase order system. Implementing a purchase order system can enhance the controls surrounding the cash disbursements cycle, as it will add additional layers of control to initiating the payment of an invoice and the purchase of goods and services. The CRA should determine if the implementation of such a system would be both cost effective and appropriate in regards to the normal operations.

CRA's Response: The CRA outside accountant was unable to help determine how best to conduct its bookkeeping such that Purchase Orders may be appropriately handled in the accrual ledger in its electronic bookkeeping system, especially for longer term service contracts. In the meantime, the CRA continues to use the parallel contract tracking and budget system for contracts.

Due to the small staff size of the CRA, the Office Manager acts as the purchase manager for goods and supplies. The Executive Director is informed and signs off on any purchases or disbursements up to $1,000. These smaller transactions will be reviewed monthly by the Treasurer (see below) to provide additional over site. Check disbursements over $1,000 require the approval of the Executive Director and the signature of the Treasurer or Assistant Treasurer. The CRA will further evaluate the appropriate threshold for efficiently using a Purchase Order system.

III. GENERAL FINDINGS

Certified Procurement Officer (repeated from prior year)

The Inspector General holds a procurement course several times during the course of a year. These courses 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 in our State. Successful completion of such a course would also allow the Executive Director to earn the distinction of becoming a Certified Procurement Officer.

CRA's Response: The CRA utilizes its legal counsel extensively to review its procurement processes for various new contracting activities from park construction to developer selection.

Accounting Function

The following were accounting balances, transactions, or reporting items that were identified during the audit which we believe the CRA should consider adjusting on its ledgers, investigating to ascertain a better understanding, or modifying so as to improve operational procedures within the accounting function activities:

1) We noted that in order to reserve a certain portion of CRA monies for specific projects to be performed in current and subsequent years, the "reserve" was accomplished on the general ledger through debiting an expense account and crediting a fund balance (equity) account. However, as there were no actual check payments or expenses incurred with regards to these entries, the result was that the expenses of the CRA were overstated on expense account lines within the income statement. In the future, such an entry should be made between two fund balance accounts by creating a specific reservation account within the fund balance section of the balance sheet, but then offsetting that amount against the existing unreserved fund balance account.

   Quickbooks can be somewhat limited when it comes to long-term (multiple-year spending) budgets, but allocating funds for projects may be accomplished through a budget tracking process that fits more within Quickbooks processes; or supplemental budget tracking schedules can be development outside of the general ledger in Excel. Either of these two methods would preclude the need to make formal adjusting journal entries to the actual general ledger accounts.

   CRA's Response: If the situation presents itself again, the suggested action will be taken.

2) From our audit testing, we noted that there were different processes being utilized for the filing of expenses paid via debit card purchases versus those paid via check, and furthermore that those categories of transactions did not contain a consistent level of descriptive information within the Quickbooks system and reports because of the manner in which they were processed. Specifically, we noted:

a. Invoices supporting payments to vendors were filed in a file cabinet, but the supporting documents validating the expenses paid on a debit card (receipts from vendors) were filed in a separate location with bank statements and receipts. Because the nature of debit and credit card information on statements is to provide summary information, we found the audit trail a bit confusing because supporting expense documents were not all being filed similarly.

b. Debit card transactions were entered into Quickbooks via regular journal entries; this is not out of the ordinary for those using the Quickbooks system; however, when the journal entries were generated on the system, the Description/Memo field of the journal entry screen wasn't being utilized to provide information that would assist in expediting the location of where the debit card supporting documentation was or what the transaction necessarily related to for activity. Additionally, there was no information written on the expense supporting documents to assist in matching the source document to the journal transaction either. We would suggest that the CRA adopt a process whereby special, consecutively numbered tracking information be both entered into the Description/Memo database fields within Quickbooks and then also have the same tracking number written on the expense supporting document/receipt. Those two pieces of information can then be matched; thereby linking the two portions of the audit trail that are presently disconnected.

<u>CRA's Response</u>: *The office manager developed a system for filing checks versus a system for filing debit card payments. This system has proven effective for her work. The CRA will enhance the Descriptive/Memo field of the journal entry made for debit card purchases to provide information that would assist the auditors in expediting the location of where the debit card supporting documentation was or what the transaction necessarily related to for activity.*

3) We noted that for the first time in many years, the CRA updated the liability on their general ledger relative to the value of the compensated absence liabilities (unused sick, vacation, and comp time). It should be acknowledged that significant effort has been put forward by the CRA personnel in establishing new compensated absences policies and creating a tracking mechanism within their payroll system.

As a final phase towards proper implementation of recording a GASB compliant liability amount on the general ledger, we would note that a consistent shortcoming in most traditional accrued sick and vacation time tracking modules is that they do not always follow the actual payout policy. For example, an employee may have accumulated 120 days of sick time on the electronic tracking system, but the employer will only pay out an amount based on the maximum limit 90 days and even then only when discounted by 50%. This generally requires than a secondary tracking sheet be generated that utilizes only the maximum payout limits and not actual unused time when calculating the liability for reporting on the CRA's financial ledgers. As of December 31, 2015, the CRA had recorded a total compensated absence liability of $55,120, when in fact, the calculated liability when factoring in the employment policies was only $26,424 because of caps and limits placed on the potential future payouts.

<u>CRA's Response</u>: *The suggested modification will be made with the assistance of a hired-to-be accounting consultant.*

IV. CLOSED OUT PRIOR YEARS' FINDINGS

The below topics were noted as findings in the prior year, but are now deemed to be closed out and no longer operational deficiencies as a result of actions taken by the CRA through the date of this letter.

Secure Location

The CRA does not maintain a safe within their office to hold important documents or monies received or being held for later processing. While the CRA may not have many of such items, safes come in various sizes, and it is important that certain financial items be able to be securely maintained.

This came to our attention during the audit because it was represented that an employee usually takes money to the bank for deposit at night; however, if they cannot always make it that night so they take the money home and then deposit it the next morning. We would note that this is a process that is not acceptable under a good internal control structure, so we suggested a safe to keep the money in overnight and then make deposits during the day as the bank is only a five minute walk away. This is when the lack of a safe was brought up and the fact that the employee did not feel they had the time in the middle of the day to leave the office to go to the bank and return to the office – something that should be only a 15 – 20 minute activity. Therefore, we suggest the CRA review this overall process and allow the employee adequate time during regular working hours to make deposits as needed.

Employee Records

We noted that the CRA is maintaining employee payroll related files all in one single folder for each employee. In particular, we noted that the Form I-9 document that is required to be completed when an employee is hired was also included in these folders. The Department of Homeland Security instructs that I-9 forms are to be maintained in a separate folder away from other employment documentation. Accordingly, the CRA should create a separate folder in which to maintain these forms.

Development Assets Held for Sale

During the year, 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 had not been reflected on the CRA's previous lists of property owned by the CRA. Some of these were remainder parcels that are the residual of past CRA projects. Working with the Executive Director and the historical records maintained within the office, we were able to estimate proportionate cost basis for the parcels to develop amounts upon which the assets and net position equity could be restated to include those parcels. The resulting restatement was for $66,997 which has been reflected within the 2014 financial statements.