

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year
July 1, 2004 through June 30, 2005

Robert W. Healy
City Manager

Richard C. Rossi
Deputy City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Exterior Rendering of The New Main Library

The cover features a computer-generated image of the Cambridge Public Library's new Main Library. The renovation work, scheduled to begin in early 2006, will include a major addition that will preserve the integrity of the historic building and the surrounding grounds while providing increased energy efficiency (in accordance with the LEED green building design guidelines). The project will also include enhanced pedestrian and vehicular access, as well as a 47,000 square foot underground garage. In addition to other building features, the new library will house a climate controlled Cambridge History Room, a spacious and exciting Children's Room, a dynamic Young Adult's Room, a computer training room, over 50 public access computers as well as performance and public meeting spaces. Upon completion, the Library will total over 100,000 square feet in order to better meet the growing needs of the community. Construction is expected to be completed in 2007.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2005

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CITY OF CAMBRIDGE, MASSACHUSETTS

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CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

Administration 349-4212
Tax/Utility Coll 349-4220
Treasury 349-4212
Payroll 349-4290

December 9, 2005

Mr. Robert W. Healy
City Manager
City of Cambridge
Cambridge, Massachusetts 02139

Dear Mr. Healy:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2005 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The financial information in this report is presented in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities and conforms to accounting standards as promulgated by the Governmental Accounting Standards Board (GASB).

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the general fund, capital projects fund, and other governmental funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred. The accrual basis of accounting is followed when reporting on a governmentwide basis as shown on pages 15 and 16. Agency funds are custodial in nature and do not involve measurement of results of operations.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. It is our belief that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

The City uses encumbrance accounting in its governmental funds as a method of recording commitments under purchase orders and contracts. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental fund types as a significant aspect of budgetary control.

Collateralized Deposits

The City of Cambridge requires collateral for the majority of its certificates of deposit, money market accounts, checking, or savings accounts when dealing with major banking institutions in the Boston area.

The Reporting Entity

The basic financial statements present information on the City of Cambridge, Massachusetts (the primary government) and its component units as required by GASB. Component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The inclusion of component units in the City's basic financial statements does not affect their legal standing.

The City has two component units, which are the Cambridge Retirement System and the Cambridge Public Health Commission.

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2004 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

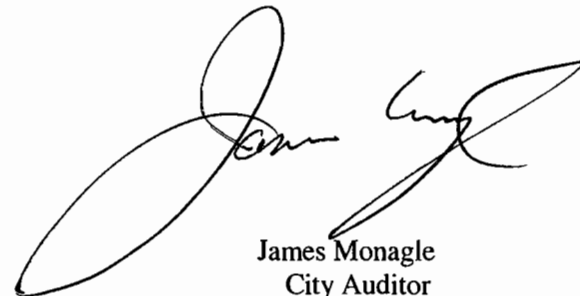
The City continues to show a strong financial position through responsible management of financial operations and through improved accounting and financial reporting practices. The sound financial decisions continued during the past fiscal year and will benefit the City in the years to come.

In closing, we would like to thank all employees of the City's Finance Department for their dedicated work and support during the past fiscal year.

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 9, 2005

The Honorable Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2005. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The CAFR is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City. Readers are further encouraged to consider this information in conjunction with the information that is supplied in the Management's Discussion and Analysis (MD&A) section of the City's basic financial statements.

The report is divided into three major sections:

1. The introductory section, including this letter, which provides an overview of the City's organizational structure, a summary of the financial condition of the City and an analysis of the City's general government operations.
2. The financial section, which contains the independent auditors' report on the City's basic financial statements, management's discussion and analysis, the basic financial statements, and combining statements and schedules including required supplementary information. These statements and schedules provide both an overview of the City's entire financial operations and details for the significant individual funds.
3. The statistical section, which presents historical financial data, debt statistics, and miscellaneous social and economic data about the City.

Fiscal 2005 Year in Review: Major Initiatives/Highlights

During fiscal year 2005, the City continued the gains made in previous fiscal years to reach the highest levels of general fund balance (\$24.3 million increase) in addition to seeing increases in special revenue and reserve fund balances such as the health claims trust (\$0.5 million increase), stabilization fund (\$1.2 million increase), school stabilization fund (\$4.6 million increase) and parking fund (\$.7 million increase).

The City saw continued growth in assessed valuations from \$19.2 billion in fiscal year 2004 to \$21.3 billion in fiscal year 2005, a \$2.1 billion increase or 11.1%. The residential sector showed the largest gain in assessed value with an increase of \$1.7 billion or 14.1% from fiscal year 2004. Also, the City's tax levy limit grew to \$268 million from \$251 million in fiscal year 2004. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$44.7 million in fiscal year 2005, an increase of \$3.3 million or 8.0% from fiscal year 2004.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2005 are as follows:

- In conjunction with the City's February 1, 2005 bond sale, the three major credit rating agencies confirmed the highest rating available to cities. In addition, Fitch Ratings added a "superior" to its AAA rating to reflect its recognition of the continually improving fiscal situation of the City with a "diversified economy characterized by a sizable and stable employment base, a substantial and growing tax base, consistently strong fiscal performance, and a low debt burden" being key factors in this decision. Moody's Investors Service and Standard & Poor's also awarded the highest ratings by citing "its exceptional management team and conservatively-based long-term fiscal planning" and "conservative budgeting and institutionalized long-term planning" respectively among the many factors that contributed to these high ratings.
- On February 1, 2005, the City issued \$46,085,000 in general obligation bonds to finance a wide range of projects including library construction, roadway, water, and sewer system improvements, and open space enhancements. The true interest cost of this issue was 3.38%.
- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA) which allows the City to impose a surcharge of 3% on real estate taxes. In fiscal year 2005, the City continued a recommended policy to allocate funds as follows: 80% to affordable housing, 10% to historic preservation, and 10% to open space. During fiscal year 2005, the CPA tax raised \$5.6 million from local revenues with the State contributing matching funds of \$5.9 million. Through fiscal year 2005, the City appropriated or reserved \$35.1 million in CPA funds with approximately \$15.0 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- During fiscal year 2005, the City completed the State-mandated triennial revaluation process to certify the full and fair cash values (as of January 1, 2004) for approximately 23,884 parcels.
- The implementation of a comprehensive investment policy was the primary factor in the increase of investment earnings from \$1.8 million in fiscal year 2004 to \$4.0 million in fiscal year 2005.
- The City's fiscal year free cash position of \$53.6 million was the largest free cash balance in the City's history.
- During fiscal year 2005, the City entered into the first ever written Payment In Lieu of Taxes (PILOT) agreement with the Massachusetts Institute of Technology (MIT) while renewing its PILOT agreement with Harvard University. Both agreements include base payments amounts with the MIT agreement escalating by 2.5% each year while the Harvard agreement increases by 3% each year. In addition to the increased revenues, the MIT PILOT agreement recognized that MIT is the City's largest taxpayer and provided a revenue protection component which includes a comprehensive set of revenue protections to ensure that conversions to tax exempt status would not dramatically impact the City's fiscal health.
- The City began implementation of an automated water meter reading system which is expected to improve the collection of water revenues in the future as well as provide better service to the customers. This project was funded through cumulative bond proceeds of \$4.2 million with the debt service being paid with water revenues.
- By continuing its aggressive pursuit of delinquent tax title accounts, the City reduced the balance in this account from \$3.8 million in FY04 to \$2.6 million in fiscal year 2005.

- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved these awards annually from the GFOA for the last 18 years.

Financial Summary

The City continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. Throughout the year, the City maintained a strong cash and investment position and once again did not issue any tax anticipation notes.

General Fund Balances and Cash Position

The City ended fiscal year 2005 with a total general fund balance of \$124,254,182, which represents 36.7% of general fund revenues, an increase from 31.7% in fiscal year 2004. In fiscal year 2005, operations produced a \$14,403,006 surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$24,203,862 was transferred to reserve accounts in fiscal year 2005, leaving an unreserved fund balance of \$100,050,320. General fund cash and short-term investments totaled \$141,163,873 while the balance of cash and short-term investments for all funds totaled \$272,770,097, which is a \$35,008,607, or 14.7% increase from fiscal year 2004.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 2000 through 2005.

Fiscal year:	<u>Unreserved general fund balance</u>
2000	\$ 25,154,076
2001	31,879,786
2002 (1)	69,586,739
2003	85,286,219
2004	90,479,144
2005	100,050,320

- (1) Upon implementation of GASB 34, fund balances from the health claims trust and City and school stabilization funds have been included in the general fund.

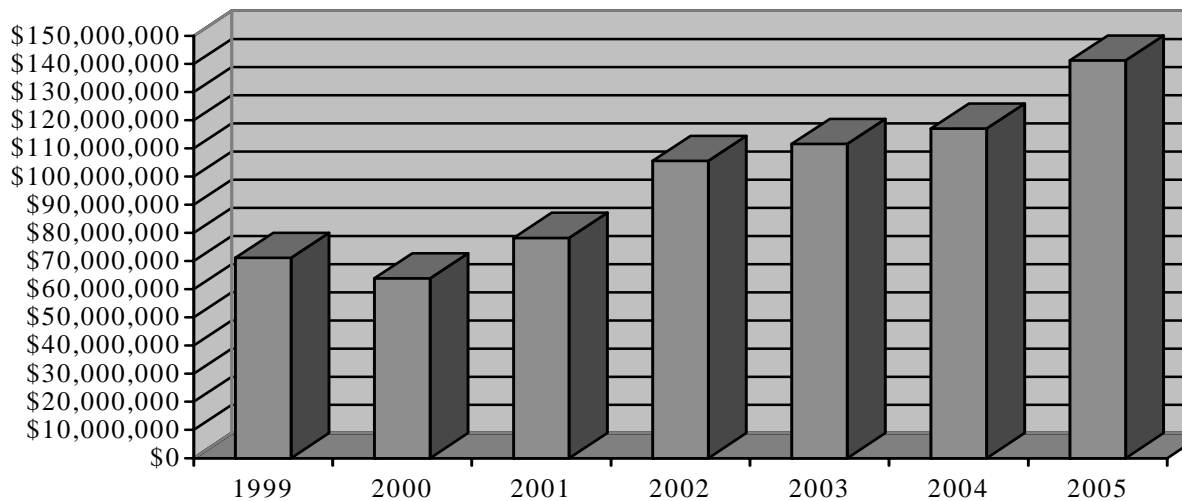
Cash Position

The table and charts displayed below present the changes in year-end general fund cash and total cash for all funds for the past six fiscal years. The table and charts do not include cash for the Cambridge Public Health Commission, a component unit.

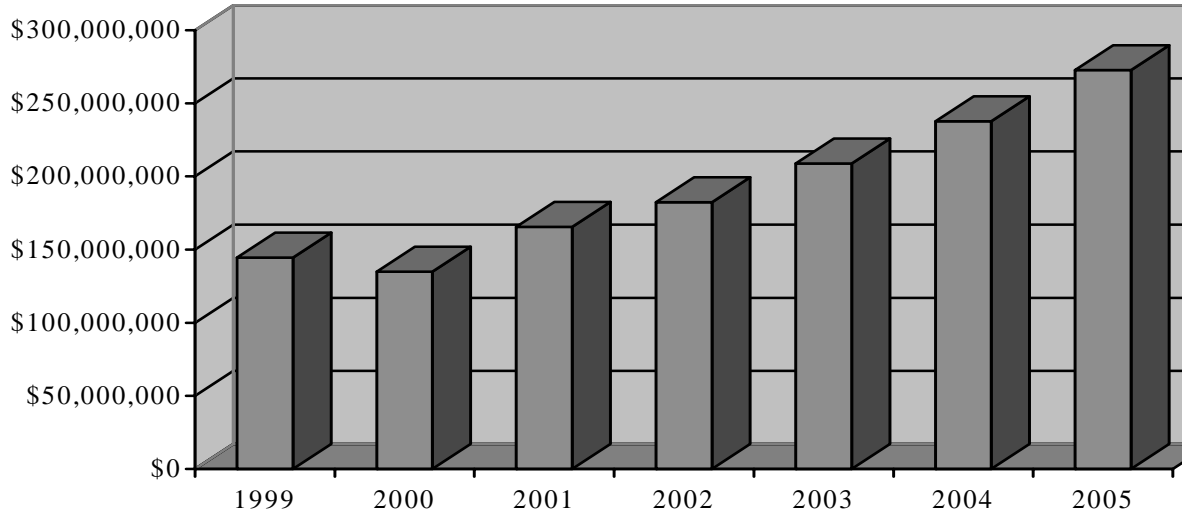
Fiscal year:	<u>Year-end general fund cash and short-term investments</u>	<u>Year-end all funds cash and short-term investments</u>
2000	\$ 63,837,512	134,939,537
2001	78,235,106	165,618,341
2002 (1)	105,531,056	182,379,699
2003	111,601,721	208,777,005
2004	117,007,650	237,761,490
2005	141,163,873	272,770,097

- (1) Upon implementation of GASB 34, fund balances from the health claims trust and City and school stabilization funds have been included in the general fund.

Year-End Cash Balance – General Fund



Year-End Cash Balance – All Funds



Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for the five-year period from fiscal year 2006 through fiscal year 2010, which was approved by the City Council in June 2005, has an estimated cost of \$159,224,490. Financing for the fiscal year 2006 portion of the capital plan was appropriated with the adoption of the fiscal year 2006 operating budget in June 2005.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. In fiscal year 2005, the City’s outstanding bonded debt as of June 30, 2005 totaled \$275,811,981.

	Key debt ratios						
	2005	2004	2003	2002	2001	2000	1999
Ratio of bonded debt to assessed value	1.3%	1.2%	1.2%	1.3%	1.6%	1.4%	1.4%
Bonded debt per capita	\$ 2,721	2,204	2,127	2,098	1,986	1,535	1,413
Ratio of bonded debt per capita to per capita income	8.7%	7.1%	6.8%	6.8%	10.0%	7.7%	7.1%
Ratio of debt service to total expenditures	11.6%	11.5%	11.3%	10.6%	9.7%	8.9%	8.6%

Property Valuations

Based on valuations of all real and personal property as of January 1, 2004, the total value of all property in the City is \$21,348,000,524. Of that total, \$662,848,397 is attributable to new construction. The table below compares fiscal year 2005 property valuations and tax rates to fiscal year 2004 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2005	FY 2004	FY 2005	FY 2004
	(In thousands)			
Commercial/industrial	\$ 7,009,539	6,625,204	18.28	19.08
Personal property	467,319	443,868	18.28	19.08
Residential	13,871,143	12,157,500	7.78	7.63
Total value	\$ 21,348,001	19,226,572		

Permanent Trust Fund

The City’s permanent trust fund has a total fund balance of \$2,830,934 at June 30, 2005 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, and providing dental hygiene for school age children.

Pension Liability

As of January 1, 2004, the City’s unfunded actuarial accrued liability is approximately \$85.6 million. In January 1991, the City established a State-approved funding schedule that will eliminate the City’s unfunded actuarial liabilities by June 30, 2013.

Risk Management

The City is self-insured for any damage to its buildings from fire, natural disasters and for theft. The City currently has sufficient reserves in several funds to cover any unanticipated costs that may arise.

Health insurance is provided to employees and retirees through managed care health plans. The City offers a variety of health maintenance organization (HMO) options including Blue Cross/Blue Shield’s Blue Choice and HMO Blue, Harvard Community Health Plan, Tufts Associated Health Plan, and US Healthcare. Both of the Blue Cross plans as well as the Tufts Associated Health Plan are paid on a claims basis while the Harvard Community Health Plan and US Healthcare are paid on a premium basis. All four plans require a 12% employee and 10% retiree contribution with the remaining balance covered by the City.

The City is self-insured in all other areas of risk including auto liability and workers’ and unemployment compensation. The City’s Law Department defends the City in most cases for legal claims, except those requiring specialized expertise, in which case the City will periodically retain outside counsel. Settlements for legal claims are paid from the City’s judgments and claims account. The City’s Personnel Department administers risk management.

Independent Audit

The City’s financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City’s annual audit was performed by the

independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2005 is included herein.

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cambridge, Massachusetts, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Economic Condition

The City continues to experience strong economic activity as evidenced by a continued decrease in the unemployment rate to 3.0% as of August 2005 from a 3.6% rate the previous year. Cambridge continues to be a net importer of jobs within the region. In FY2004, the City's employment ratio was 101 jobs per 100 residents. Per capita personal income (PCPI) in the Cambridge metropolitan division is 51% higher than the PCPI for the USA, 20% higher than the State and 10% higher than Boston. Higher Education and Biotechnology continue to be important employment sectors for the City. Harvard University and the Massachusetts Institute of Technology, who employ approximately 17% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge. In addition, six of the top 25 employers fall into the Biotechnology sector which employs approximately 6,600 individuals.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community. In fact, the overall property tax levy increased by 6.4% from the prior fiscal year with a large portion of the increase absorbed by new construction. There continue to be many reasons to be optimistic about the fiscal future of Cambridge.

As mentioned in a previous section, both the cash position of all funds and the fund equity of the general fund improved significantly during fiscal year 2005. These improvements are directly attributable to the strong financial management of the City. This was reaffirmed by all three credit agencies who awarded the City a triple A bond rating.

The City will continue to look for ways to expand its nonproperty-tax revenue, encourage expansion of the tax base, exercise restraint on expenditures and judicious use of reserve funds. These factors will enable Cambridge to maintain its high level of municipal services and remain fiscally strong.

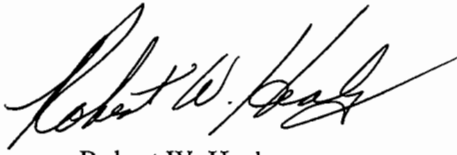
Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to thank the members of the City Council for their concern and support in planning and constructing the financial

operations of the City in a responsible and progressive manner. Additionally, I would like to acknowledge all of the City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

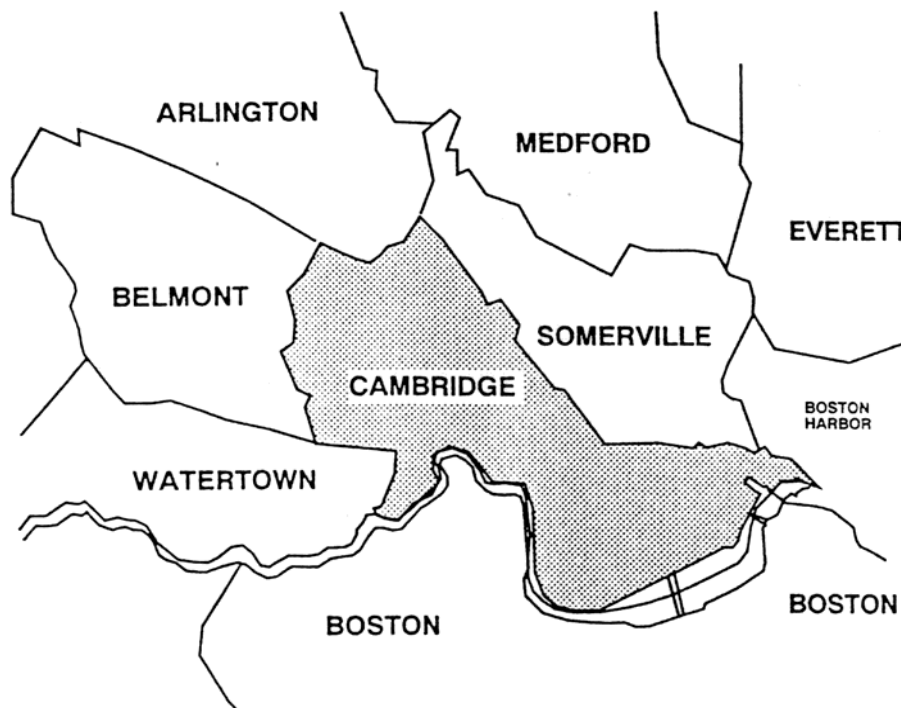
Finally, I would like to thank the City's delegation to the State Legislature, who have continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy". The signature is fluid and cursive, with a large initial "R" and "H".

Robert W. Healy
City Manager

A Few Words About Cambridge



The City of Cambridge, Massachusetts is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west, the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. Based on the 2000 Census, the City's estimated population was 101,355.

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. The City has a Council-Manager form of government. The legislative and policy making body of the City is the nine-member City Council, whose members are elected at-large for two-year terms. The City Council elects a Mayor and Vice-Mayor from among its members with the Mayor also serving as Chair of the School Committee.

The City Manager is the chief administrative officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 34 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires August 31, 2006.

The City Council also appoints members to certain boards and commissions as it deems necessary to assist in the operation of the City.

The School Committee is comprised of six elected members plus the Mayor, all of whom are elected for two-year terms. The School Superintendent is responsible for the day-to-day activities of the School Department and serves at the pleasure of the School Committee.

Fiscal Year 2005
Directory of Officials
City Council

Michael A. Sullivan, Mayor

Marjorie C. Decker, Vice Mayor	Brian Murphy
Henrietta Davis	Kenneth E. Reeves
Anthony D. Galluccio	E. Denise Simmons
David P. Maher	Timothy J. Toomey, Jr.

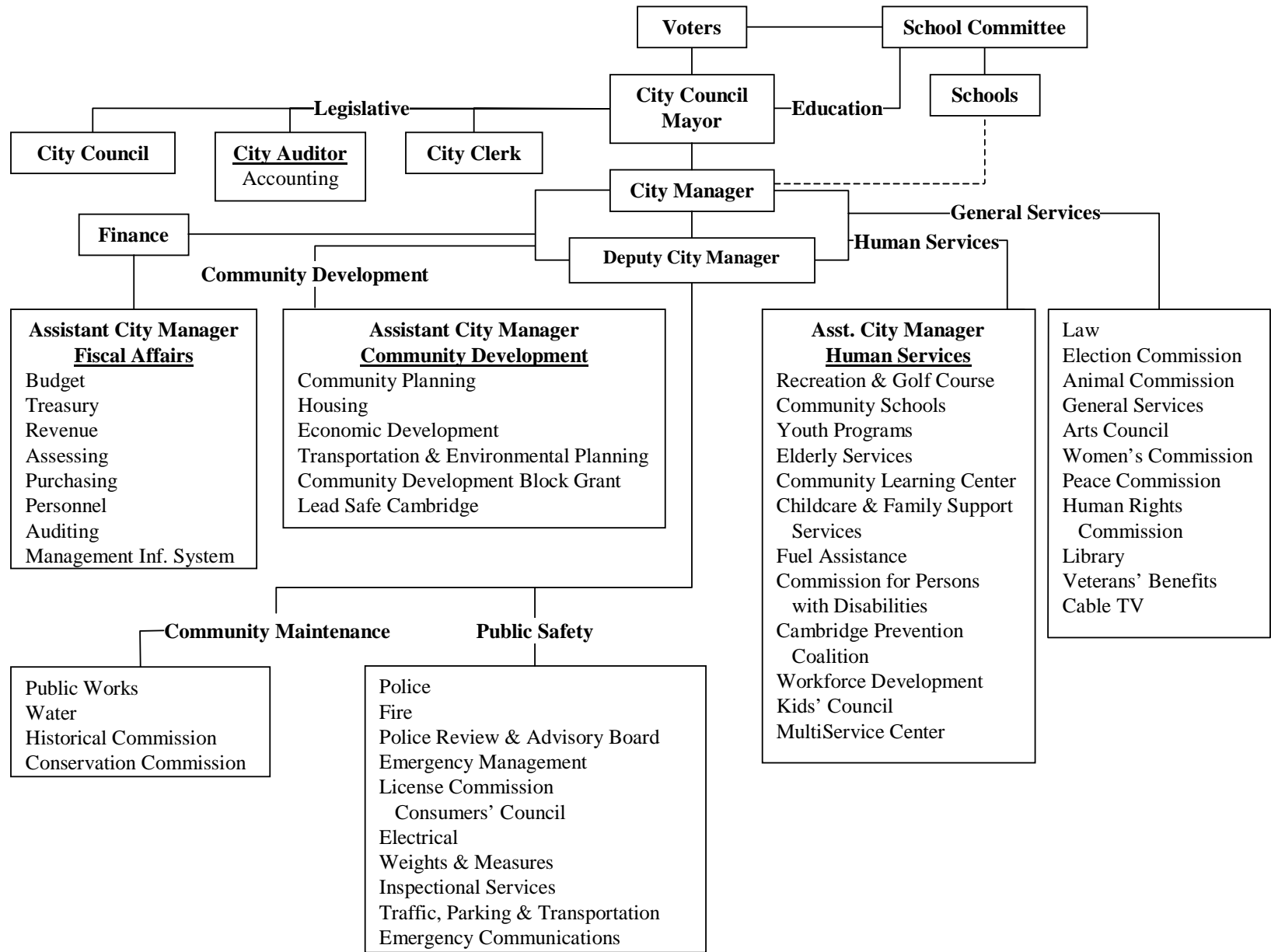
School Committee

Michael A. Sullivan, Chair

Alfred B. Fantini	Benjamin R. Lummis
Joseph G. Grassi	Marc McGovern
Richard Harding, Jr.	Nancy Walser

Principal Executive Officers

City Manager	Robert W. Healy
Deputy City Manager	Richard C. Rossi
Assistant City Manager for Fiscal Affairs and Treasurer/Collector	Louis A. DePasquale
Assistant City Manager for Community Development	Beth C. Rubenstein
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Donald A. Drisdell
City Clerk	D. Margaret Drury



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

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Internet www.us.kpmg.com

Independent Auditors' Report

The Honorable Mayor and City Council
City of Cambridge, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cambridge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for that entity, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 14, the schedules of funding progress and employers' contributions on pages 50 and 51, and the schedule of revenues and expenditures – budgetary basis on pages 52 and 53 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cambridge's basic financial statements. The introductory section, supplemental statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 9, 2005

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2005

(Unaudited)

Management of the City of Cambridge (the City) provides this Management's Discussion and Analysis as part of the City's Comprehensive Annual Financial Report (CAFR) to assist readers of the basic financial statements in understanding the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which follow this section.

Overview of the Financial Statements

The City's financial statements present two types of statements each with a different view of the City's finances. This approach focuses on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City as whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole, with the exception of Fiduciary activities, and use accounting methods similar to those used by the private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic position at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are reported even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

Statement of Net Assets – Presents all of the government's assets and liabilities, with the difference being reported as "net assets". The amount of net assets is widely considered a good measure of the City's financial health as increases and decreases in the City's net assets serves as a useful indicator of whether the financial position is improving or deteriorating. The reader should consider other nonfinancial factors, such as the condition of the City's infrastructure and changes to the property tax base, to assess the overall health of the City.

Statement of Activities – Presents information showing how the government's net assets changed during the most recent fiscal year. Revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, i.e., uncollected taxes or earned but unused sick and vacation time. This statement also presents a comparison between direct expenses and program revenues for each function of the City.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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In the government-wide statements, financial information is presented in three columns in order to summarize the City's programs or activities. The types of activities presented are as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the City's basic services are reported here including general government, public safety, public works, parks and recreation, library, schools, human services, public health programs, state and district assessments, debt service and other employee benefits.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Water Fund operation is considered a business-type activity.

Discretely Presented Component Unit – Includes a separate legal entity in which the City has financial accountability and provides operating subsidies. This entity, The Cambridge Public Health Commission, (CPHC) operates similar to a private sector business and the business-type activity described above.

Complete financial statements for the CPHC can be obtained from its administrative offices located at 10 Presidents Way, 5th Floor, Medford, Massachusetts, 02155.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities. The City uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements.

All of the funds of the City can be divided into three categories as follows:

Governmental Funds – Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the City's near-term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the City's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate the comparison.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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The reconciliations are presented on the page immediately following each respective governmental fund financial statement.

The City has several governmental funds; two are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds.

Proprietary Fund – Provides services for which the City charges customers a fee and operates like a commercial business. The proprietary fund provides the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for the business-type activity and the proprietary fund financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The full accrual basis of accounting is used for fiduciary funds and is much like that used for proprietary funds.

The City's fiduciary funds are the Employee Retirement System and the Agency Funds, which are used to account for assets held in agency capacity.

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.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the City's general fund – the only fund for which an annual budget is legally adopted. The budgetary comparison also includes a reconciliation of revenues and expenditures reported on the City's budgetary basis of accounting and the revenues and expenditures reported on a GAAP basis. Also included is historical trend information for the Cambridge Retirement System which includes the schedule of funding progress, schedule of employers' contributions and related notes.

Government – Wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed net assets based on the statement of net assets found on page 15 of the financial statements.

The City's combined net assets (government and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2005 by \$590.6 million (presented as net assets). Of this amount, \$192.6 million was reported as

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2005

(Unaudited)

“unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructures (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$394.3 million indicating the amount of capital debt does not exceed the net book value of the City's capital assets. Since most of the City's debt has a ten-year life, a considerable amount of the City's capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Included within the governmental activities current and other assets are cash and investments of \$242.6 million up 25% over prior year; receivables, net of allowance, of \$45 million up 60% over prior year due primarily to the recognition of \$16.5 million from the Commonwealth of Massachusetts School Building Authority (see note 13 for more information); and \$19.5 million due from the Cambridge Public Health Commission.

Governmental activities long term liabilities included \$224.8 million in general obligation bonds and notes payable; \$17.8 million in compensated absence liabilities for unused sick and vacation; \$6.1 million in future year workers compensation benefits. The major increase in the long-term liabilities is the net increase in general obligation bonds of \$57.2 million which will be used for a public safety building, sewer projects, library remodeling and other large capital projects. Other liabilities balance of \$27.9 million includes tax abatement refunds and other accrued liabilities, including payroll, interest and other items.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(Unaudited)

Business type activity long-term liabilities include \$58.7 million in general obligation bonds and \$.5 million in compensated absence costs and \$.5 million future year workers compensation benefits. The net reduction of \$5.1 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt, net of current year issuance of \$1.2 million to fund an automatic meter reading system for water billing.

Condensed Schedule of Net Assets

June 30, 2005 and 2004

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Current and other assets	\$ 309.7	242.3	9.2	11.6	318.9	253.9
Capital assets	473.5	412.0	137.8	137.1	611.3	549.1
Total assets	\$ 783.2	654.3	147.0	148.7	930.2	803.0
Long-term liabilities	\$ 251.0	189.5	59.8	64.6	310.8	254.1
Other liabilities	27.9	25.6	0.9	1.1	28.8	26.7
Total liabilities	\$ 278.9	215.1	60.7	65.7	339.6	280.8
Net assets:						
Invested in capital assets, net of debt	\$ 315.2	300.3	79.1	76.3	394.3	376.6
Restricted	3.7	5.4	—	—	3.7	5.4
Unrestricted	185.4	133.5	7.2	6.7	192.6	140.2
Total net assets	\$ 504.3	439.2	86.3	83.0	590.6	522.2

Statement of Changes in Net Assets

The City's total net assets increased by \$68.4 million in fiscal year 2005 of which the governmental activities net assets increased \$65.1 million and the business-type activities increased \$3.3 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2005

(Unaudited)

This summary of net changes is based upon the statement found on page 16 of the financial statements.

Condensed Schedule of Changes in Net Assets

June 30, 2005

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenues:						
Program revenues:						
Charges for services	\$ 63.3	56.1	18.2	16.9	81.5	73.0
Operating grants and contributions	24.5	23.9	—	—	24.5	23.9
Capital grants and contributions	4.6	5.5	—	—	4.6	5.5
General revenues:						
Taxes:						
Property taxes levied	214.9	211.4	—	—	214.9	211.4
Excises	11.8	10.6	—	—	11.8	10.6
Payment in lieu of taxes	6.8	6.3	—	—	6.8	6.3
Grants and contributions not restricted	43.8	42.6	—	—	43.8	42.6
Investment income	3.9	1.7	0.1	0.1	4.0	1.8
Miscellaneous	12.5	21.2	—	—	12.5	21.2
Total revenues	386.1	379.3	18.3	17.0	404.4	396.3
Expenses:						
General government	27.6	26.1	—	—	27.6	26.1
Public safety	81.9	72.6	—	—	81.9	72.6
Community maintenance and development	41.7	43.7	—	—	41.7	43.7
Human resource development	27.7	25.6	—	—	27.7	25.6
Education	124.8	123.7	—	—	124.8	123.7
Intergovernmental	33.9	33.6	—	—	33.9	33.6
Water department	—	—	14.5	13.7	14.5	13.7
Interest	6.2	5.6	—	—	6.2	5.6
Total expenses	343.8	330.9	14.5	13.7	358.3	344.6
Excess before transfers	42.3	48.4	3.8	3.3	46.1	51.7
Transfers	0.5	0.4	(0.5)	(0.4)	—	—
Special item	22.3	—	—	—	22.3	—
Change in net assets	65.1	48.8	3.3	2.9	68.4	51.7
Net assets – beginning	439.2	390.4	83.0	80.1	522.2	470.5
Net assets – ending	\$ 504.3	439.2	86.3	83.0	590.6	522.2

CITY OF CAMBRIDGE, MASSACHUSETTS

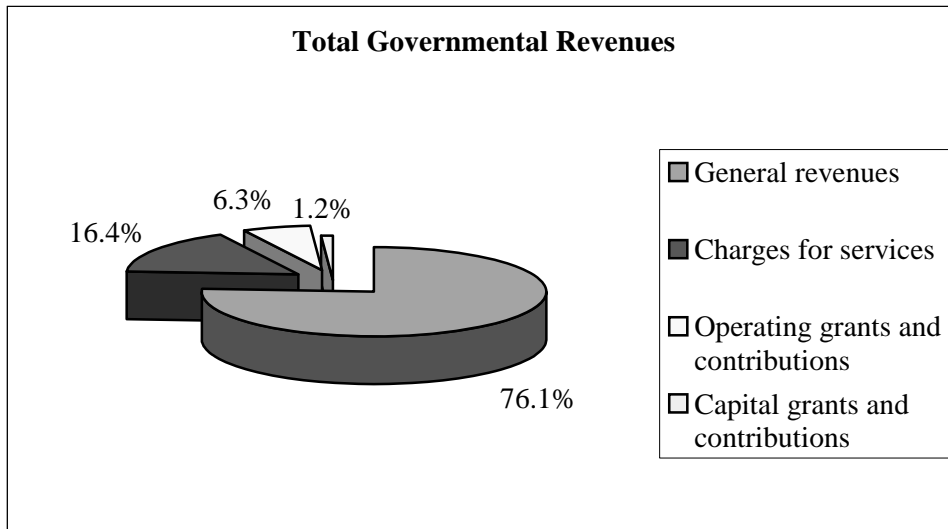
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(Unaudited)

Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$293.7 million, charges for services \$63.3 million, operating grants and contributions \$24.5 million and capital grants and contributions of \$4.6 million.



General

Real estate tax revenues are the City's largest revenue source at \$214.9 million representing 73.2% of general revenues. The assessed tax valuation base is \$21.3 billion up from \$19.2 billion assessed in the prior year showing an 11.1% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$43.8 million representing 14.9% of general revenues and includes state cherry sheet revenues of \$40.4 million, and other unrestricted contributions. The cherry sheet revenues are up 7% in the current year.

Program

Charges for services are \$63.3 million and represent a variety of department revenues. Charges for services increased in the current year by \$7.2 million or 12.8%. The public safety portion of \$26.7 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. Public safety revenues increased \$3.4 million due to an increase in building permits, plan review and inspectional certificate revenues. The community maintenance and development portion of \$31.3 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category increased by \$3.3 million due primarily to an increase in water consumption and an overall water/sewer rate increase of 7.8%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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Operating grants and contributions of \$24.5 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.3% of the total City revenues. There is an increase of \$.6 million over prior year due to the City's continuing grant monitoring efforts during 2005.

Capital grants and contributions of \$4.6 million include community development capital grants, state revolving grants, and other capital restricted revenues. There is a decrease of \$.9 million, which is the result of lower state MWRA grant revenues.

Expenses

For fiscal year ended June 30, 2005, expenses for governmental activities totaled \$343.8 million, which cover a range of services. On the whole, the City's expenditures increased \$12.9 million or 3.9% over prior year.

Education continues to be one of the City's highest priorities and commitments representing \$124.8 million or 36.3% of the total governmental activity expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the fourth year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations and the protection of open space. Expenditures related to these initiatives are recorded in the Community Maintenance and Development category. During 2005, the City spent \$4.5 million from the Affordable Housing Trust to subsidize housing projects.

General Governmental expenses increased approximately \$1.4 up approximately 5% compared to fiscal year 2004 due primarily to an increase in salary and fringe benefit costs.

Business-Type Activity

Business-type activity increased net assets by \$3.3 million, accounting for 4.8% of the total growth in the City's net assets.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$233.1 million. Of this amount, \$17.0 million is reserved for other purposes and \$35.8 million reserved for encumbrances. This leaves an unreserved balance of \$180.3 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$100.1 million, while the total fund balance was \$124.3 million. As a measure of the General Funds liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 30.9% of total General Fund expenditures, while the total balance represents 38.4% of that same amount.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2005

(Unaudited)

Proprietary Fund

The City's Proprietary Fund provides the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year was \$7.2 million and an investment in capital assets, net of related debt of \$79.1 million.

General Fund Budgetary Highlights

The City submits its budget to the City Council in April and six months later sets the tax rate at the Massachusetts Department of Revenue. During this process, the City reviews and revises its revenue and expenditure plan for final adoption before setting the tax rate. The following are some of the major changes:

1. Cherry sheet revenues and expenditures are estimated in the original budget based upon previous year's cherry sheet revenues and adjusted, if needed, for the final budget.
2. Certain other revenues were adjusted based upon the previous year's actual and slightly increased estimates this year.

The following information pertains to the revenues and expenditures of the General Fund. This data is included in the Schedule of Revenues and Expenditures-Budgetary Basis-Budget and Actual, which presents financial information on the budgetary basis of accounting.

Revenues and other Financing Sources

Fiscal year 2005 actual revenues on a budgetary basis totaled \$333.3 million. This represents an increase of \$24.0 million or 7.8% from fiscal year 2004. Property taxes are the single largest revenue source, representing approximately 65.5% of General Fund revenues, net of abatements. Real and personal property tax revenues, net of abatements, increased by \$13.3 million, or 6.5%. Intergovernmental receipts comprise the City's next largest revenue source, representing 13.1%. Sewer receipts increased by \$2.1 million to \$28.7 million.

Increase of \$1.2 million in the hotel/motel excise reflect the rebounding local economy during fiscal year 2005.

The 120.5% increase in investment income from \$1.0 million to \$2.2 million was the result of higher interest rates earned on its cash and investment balances.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

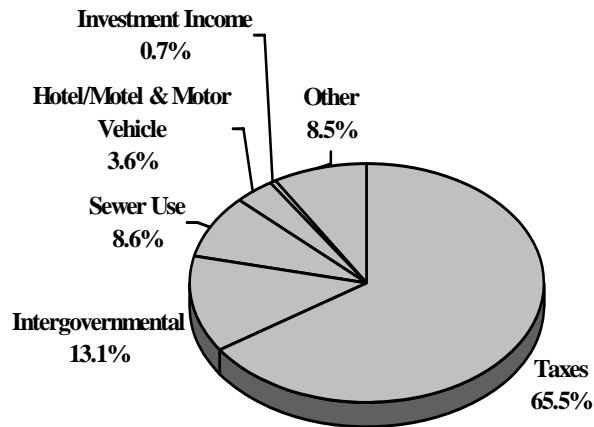
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(Unaudited)

The following table and graph display the dollar amounts received from various sources of revenue for fiscal year 2005 and compares these amounts to those received in fiscal year 2004.

General Fund Revenues
Budgetary Basis
Fiscal Year 2005
(Dollars in thousands)

Revenue source	2005		2004		Increase (decrease) from fiscal year 2004	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes, net of abatements	\$ 218,438	65.5%	\$ 205,100	66.3%	\$ 13,338	6.5%
Intergovernmental	43,802	13.1	42,601	13.8	1,201	2.8
Sewer use	28,661	8.6	26,546	8.6	2,115	8.0
Excise taxes:						
Hotel/motel	5,461	1.6	4,287	1.4	1,174	27.4
Motor vehicle	6,452	1.9	6,087	2.0	365	6.0
Investment income	2,223	0.7	1,008	0.3	1,215	120.5
Other	28,309	8.5	23,668	7.7	4,641	19.6
Total	333,346	100.0%	309,297	100.0%	24,049	7.8%
Net transfers in (out)	5,845		8,856		(3,011)	
Total, net of transfers	\$ 339,191		\$ 318,153		\$ 21,038	



Expenditures

During fiscal year 2005, total expenditures increased on a budgetary basis by 3.4% from \$324.3 million to \$335.2 million.

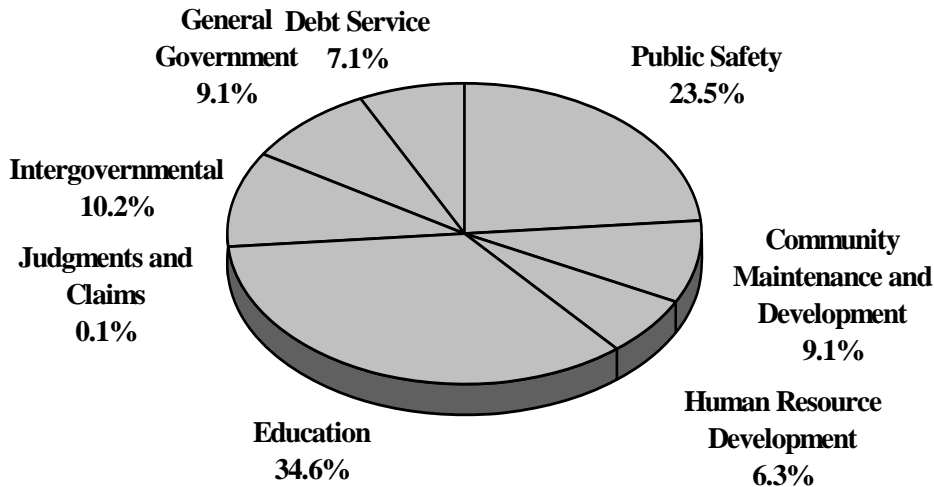
CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
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As part of the agreement between the City and the CPHC, the City will continue to subsidize the operations of the CPHC for the year ended June 30, 2005. The City's intergovernmental expenditures include \$6.5 million of subsidy to the CPHC. This amount is consistent with previous years.

**General Fund Expenditures
 Budgetary Basis
 Fiscal Year 2005
 (Dollars in thousands)**

Expenditure function	2005		2004		Increase (decrease) from fiscal year 2004	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 30,596	9.1%	\$ 29,847	9.2%	\$ 749	2.5%
Public safety	78,618	23.5	73,786	22.8	4,832	6.5
Community maintenance and development	30,674	9.1	28,130	8.7	2,544	9.0
Human resource development	21,094	6.3	19,848	6.1	1,246	6.3
Education	115,840	34.6	117,057	36.1	(1,217)	(1.0)
Judgments and claims	224	0.1	533	0.2	(309)	(58.0)
Intergovernmental	34,244	10.2	33,618	10.4	626	1.9
Debt service	23,951	7.1	21,435	6.6	2,516	11.7
Grand total	\$ 335,241	100.0%	\$ 324,254	100.0%	\$ 10,987	3.4%



Capital Asset and Debt Administration

Capital Assets

As of June 30, 2005, the City's investment in capital assets for its governmental and business-type activity amounted to \$611.3 million (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, open space, road and highways.

CITY OF CAMBRIDGE, MASSACHUSETTS

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Some of the major capital asset events during the current fiscal year included several ongoing sewer separation projects scattered throughout the City, which are funded through bonds and state grants, completion of park improvements and City building renovations.

Additional information on the City's capital assets can be found in note 5 beginning on page 37.

Debt

At year-end, the City had \$283.5 million in outstanding bonds and notes compared to \$231.4 million last year. That is an increase of \$52.1 million or 22.5%.

	Governmental activities		Business-type activity		Totals	
	2005	2004	2005	2004	2005	2004
	(In millions)					
General obligation bonds and notes payable	\$ 224.8	167.6	58.7	63.8	283.5	231.4

The City maintains bond ratings with Fitch IBCA of AAA, Moody's Investors Service Inc. of Aaa, and Standard & Poor's Corporation of AAA. The true interest rate for the current year bond sale was 3.38%.

The Commonwealth of Massachusetts statutorily limits the amount of general obligation debt a governmental entity may issue to 5.0% of the City's equalized assessed valuation. The current debt limitation is \$1.1 billion.

Additional information on the City's debt can be found in note 8 beginning on page 41.

Economic Factors and Next Year's Budgets and Rates

The City's tax levy stabilized at \$223.0 million in fiscal year 2006 due primarily to an increase of \$4.0 million in the amount of free cash used to affect the tax rate. The stabilization of the tax rate was the primary factor in the City's excess tax levy capacity, an extremely important indication of the City's financial health, increasing from \$44.7 million in FY05 to \$65.1 million for FY 06.

The operating budget increased 4.2% over FY 05 budget. The increase is attributable to a 5.0% salary increase cost for all employees; a 9.7% increase in employee health insurance; a 2.5% increase in employee pension costs; 1.6% in school spending and a debt service increase of 17.4%. The capital budget of \$27.4 million is a decrease of approximately \$11.6 million from the prior year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to: City of Cambridge, Attn: City Auditor, 795 Massachusetts Avenue, Cambridge, MA 02139-3219.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets

June 30, 2005

Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 241,993,370	5,151,605	247,144,975	151,860,207
Cash and investments held by trustees	600,000	—	600,000	24,995,696
Receivables, net:				
Property taxes	5,016,863	—	5,016,863	—
Motor vehicle excise	558,413	—	558,413	—
Tax title and possessions	2,603,326	—	2,603,326	—
Intergovernmental	23,036,519	—	23,036,519	—
Other	13,788,245	4,853,234	18,641,479	26,794,176
Other assets	1,734,276	—	1,734,276	23,142,183
Internal balances	838,611	(838,611)	—	—
Due from component unit	19,500,000	—	19,500,000	—
Capital assets:				
Nondepreciable	250,544,780	42,967,092	293,511,872	14,567,872
Depreciable, net	222,955,547	94,869,644	317,825,191	201,507,358
Total assets	783,169,950	147,002,964	930,172,914	442,867,492
Liabilities				
Warrants and accounts payable	1,258,767	16,923	1,275,690	62,686,376
Accrued liabilities:				
Tax abatement refunds	6,273,000	—	6,273,000	—
Accrued payroll	11,132,423	38,482	11,170,905	14,042,865
Accrued interest	2,429,809	931,551	3,361,360	—
Other	6,757,802	—	6,757,802	4,817,478
Deferred revenue	—	—	—	57,834,702
Due to primary government	—	—	—	19,500,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	24,822,015	6,267,332	31,089,347	—
Capital leases	—	—	—	7,484,155
Due to third parties	—	—	—	22,821,702
Compensated absences	6,363,000	147,000	6,510,000	12,316,659
Landfill	25,000	—	25,000	—
Claims	3,457,000	122,000	3,579,000	—
Due in more than one year:				
Bonds and notes payable	199,934,536	52,478,367	252,412,903	—
Capital leases	—	—	—	23,379,431
Due to third parties	—	—	—	24,372,303
Compensated absences	11,424,000	311,000	11,735,000	—
Landfill	375,000	—	375,000	—
Claims	2,623,000	396,000	3,019,000	—
Other	1,953,733	29,452	1,983,185	—
Total liabilities	278,829,085	60,738,107	339,567,192	249,255,671
Net Assets				
Investment in capital assets, net of related debt	315,270,305	79,061,585	394,331,890	165,711,644
Restricted for:				
Community preservation	260,000	—	260,000	—
Expendable permanent funds	936,366	—	936,366	—
Nonexpendable permanent funds	1,894,568	—	1,894,568	—
Other purposes	600,000	—	600,000	4,681,019
Unrestricted	185,379,626	7,203,272	192,582,898	23,219,158
Total net assets	\$ 504,340,865	86,264,857	590,605,722	193,611,821

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2005

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 27,614,108	503,519	—	—	(27,110,589)	—	(27,110,589)	—
Public safety	81,863,575	26,731,634	92,179	—	(55,039,762)	—	(55,039,762)	—
Community maintenance and development	41,674,280	31,311,866	1,439,737	4,556,870	(4,365,807)	—	(4,365,807)	—
Human resource development	27,748,356	4,786,376	8,097,437	—	(14,864,543)	—	(14,864,543)	—
Education	124,812,359	—	14,891,881	—	(109,920,478)	—	(109,920,478)	—
Intergovernmental	33,886,544	—	—	—	(33,886,544)	—	(33,886,544)	—
Interest on long term debt	6,184,656	—	—	—	(6,184,656)	—	(6,184,656)	—
Total governmental activities	<u>343,783,878</u>	<u>63,333,395</u>	<u>24,521,234</u>	<u>4,556,870</u>	<u>(251,372,379)</u>	<u>—</u>	<u>(251,372,379)</u>	<u>—</u>
Business-type activity:								
Water	14,456,090	18,153,081	—	—	—	3,696,991	3,696,991	—
Total business-type activity	<u>14,456,090</u>	<u>18,153,081</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,696,991</u>	<u>3,696,991</u>	<u>—</u>
Total primary government	<u>\$ 358,239,968</u>	<u>81,486,476</u>	<u>24,521,234</u>	<u>4,556,870</u>	<u>(251,372,379)</u>	<u>3,696,991</u>	<u>(247,675,388)</u>	<u>—</u>
Component unit:								
Cambridge Public Health Commission	\$ 646,864,899	187,300,158	463,439,622	20,000,000	—	—	—	23,874,881
Total component units	<u>\$ 646,864,899</u>	<u>187,300,158</u>	<u>463,439,622</u>	<u>20,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,874,881</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes	—	—	—	—	\$ 214,906,034	—	214,906,034	—
Excises	—	—	—	—	11,753,246	—	11,753,246	—
Payments in lieu of taxes	—	—	—	—	6,839,369	—	6,839,369	—
Grants and contributions not restricted	—	—	—	—	43,801,641	—	43,801,641	—
Investment income	—	—	—	—	3,873,379	135,426	4,008,805	2,321,270
Miscellaneous	—	—	—	—	12,480,304	—	12,480,304	—
Special item	—	—	—	—	22,293,549	—	22,293,549	—
Transfers	—	—	—	—	531,835	(531,835)	—	—
Total general revenues and transfers	—	—	—	—	<u>316,479,357</u>	<u>(396,409)</u>	<u>316,082,948</u>	<u>2,321,270</u>
Change in net assets	—	—	—	—	65,106,978	3,300,582	68,407,560	26,196,151
Net assets – beginning	—	—	—	—	<u>439,233,887</u>	<u>82,964,275</u>	<u>522,198,162</u>	<u>167,415,670</u>
Net assets – ending	—	—	—	—	<u>\$ 504,340,865</u>	<u>86,264,857</u>	<u>590,605,722</u>	<u>193,611,821</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2005

Assets	General	Capital fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 141,163,873	56,869,191	43,960,306	241,993,370
Cash and investments held by trustees	—	—	600,000	600,000
Receivables, net:				
Property taxes	5,016,863	—	—	5,016,863
Motor vehicle excise	558,413	—	—	558,413
Tax title and possessions	2,603,326	—	—	2,603,326
Intergovernmental	16,484,837	2,599,173	3,952,509	23,036,519
Departmental and other	9,339,475	—	4,448,770	13,788,245
Total receivables	<u>34,002,914</u>	<u>2,599,173</u>	<u>8,401,279</u>	<u>45,003,366</u>
Other assets	884,382	—	—	884,382
Due from other funds	—	2,501,894	—	2,501,894
Due from component unit	19,500,000	—	—	19,500,000
Total assets	<u>\$ 195,551,169</u>	<u>61,970,258</u>	<u>52,961,585</u>	<u>310,483,012</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 657,175	—	601,592	1,258,767
Accrued liabilities:				
Tax abatements	2,655,490	—	—	2,655,490
Claims	3,457,000	—	—	3,457,000
Accrued payroll	11,079,181	—	53,242	11,132,423
Other	2,059,842	3,072,057	625,903	5,757,802
Deferred revenue	51,355,574	—	140,311	51,495,885
Due to other funds	32,725	—	1,630,558	1,663,283
Total liabilities	<u>71,296,987</u>	<u>3,072,057</u>	<u>3,051,606</u>	<u>77,420,650</u>
Fund balances:				
Reserved for:				
Deposits	690,000	—	—	690,000
Encumbrances	13,404,205	17,301,713	5,110,519	35,816,437
Subsequent year expenditures	10,061,000	—	—	10,061,000
Reserved for specific purposes	48,657	—	860,000	908,657
Loans	—	—	2,412,375	2,412,375
Permanent funds	—	—	2,830,934	2,830,934
Unreserved (deficit), reported in:				
General fund	100,050,320	—	—	100,050,320
Capital fund	—	41,596,488	—	41,596,488
Special revenue funds	—	—	38,696,151	38,696,151
Total fund balances	<u>124,254,182</u>	<u>58,898,201</u>	<u>49,909,979</u>	<u>233,062,362</u>
Total liabilities and fund balances	<u>\$ 195,551,169</u>	<u>61,970,258</u>	<u>52,961,585</u>	<u>310,483,012</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005

Total fund balance – governmental funds	\$ 233,062,362
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>473,500,327</u>
Adjust deferred revenues to record tax revenues on an accrual basis	<u>51,495,885</u>
Bond issuance costs are capitalized in the government wide statements	<u>849,894</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(224,756,551)
Accrued interest on bonds	(2,429,809)
Compensated absences	(17,787,000)
Landfill	(400,000)
Claims	(2,623,000)
Tax abatements	(3,617,510)
Other	<u>(2,953,733)</u>
	<u>(254,567,603)</u>
Net assets of governmental activities	<u>\$ 504,340,865</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Real and personal property taxes	\$ 220,910,263	—	—	220,910,263
Excises:				
Hotel/motel	5,461,027	—	—	5,461,027
Motor vehicles	6,452,475	—	—	6,452,475
Payments in lieu of taxes	6,839,369	—	—	6,839,369
Intergovernmental	43,801,641	4,556,873	24,521,234	72,879,748
Investment income	2,888,184	6,287	982,910	3,877,381
Sewer use charges	28,661,479	—	—	28,661,479
Departmental and other	23,167,225	1,190,459	28,556,198	52,913,882
Total revenues	<u>338,181,663</u>	<u>5,753,619</u>	<u>54,060,342</u>	<u>397,995,624</u>
Expenditures:				
Current:				
General government	27,402,446	—	156,524	27,558,970
Public safety	77,756,125	—	697,246	78,453,371
Community maintenance and development	28,551,378	—	6,672,789	35,224,167
Human resource development	20,668,301	—	6,461,693	27,129,994
Education	111,212,837	—	15,876,199	127,089,036
Judgments and claims	224,964	—	—	224,964
State and district assessments	33,886,544	—	—	33,886,544
Capital outlays	—	74,043,756	—	74,043,756
Debt service	24,076,062	—	—	24,076,062
Total expenditures	<u>323,778,657</u>	<u>74,043,756</u>	<u>29,864,451</u>	<u>427,686,864</u>
Excess (deficiency) of revenues over expenditures	<u>14,403,006</u>	<u>(68,290,137)</u>	<u>24,195,891</u>	<u>(29,691,240)</u>
Other financing sources (uses):				
Premium on bond issuance	1,768,923	—	—	1,768,923
Bond proceeds	—	80,749,786	—	80,749,786
Transfers in	14,590,085	11,148,907	—	25,738,992
Transfers out	(6,480,462)	—	(18,726,695)	(25,207,157)
Total other financing (uses) sources	<u>9,878,546</u>	<u>91,898,693</u>	<u>(18,726,695)</u>	<u>83,050,544</u>
Excess of revenues and other financing sources over expenditures and other financing uses	24,281,552	23,608,556	5,469,196	53,359,304
Fund balance – beginning	<u>99,972,630</u>	<u>35,289,645</u>	<u>44,440,783</u>	<u>179,703,058</u>
Fund balance – ending	<u>\$ 124,254,182</u>	<u>58,898,201</u>	<u>49,909,979</u>	<u>233,062,362</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances – total governmental funds	\$ <u>53,359,304</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays, applicable to capital assets, (\$78,898,238) exceeded depreciation expense (\$17,366,018)	<u>61,532,220</u>
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds	<u>13,787,982</u>
Proceeds of long-term debt (\$80,749,786) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$23,570,424) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	<u>(57,179,362)</u>
Bond issuance costs are expenditures in the governmental funds, but are deferred assets in the statement of net assets	<u>258,714</u>
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000) and noncurrent claims of (\$241,400) offset by the increase in accrued interest (\$770,443), compensated absences (\$954,335), tax abatements (\$3,617,510), and other items (\$1,575,992)	<u>(6,651,880)</u>
Change in net assets of governmental activities	\$ <u><u>65,106,978</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2005

	Enterprise fund
	Water fund
	<hr/>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,151,605
Receivables, net	4,853,234
Total current assets	<hr/> 10,004,839 <hr/>
Noncurrent assets:	
Capital assets:	
Nondepreciable	42,967,092
Depreciable, net	94,869,644
Total noncurrent assets	<hr/> 137,836,736 <hr/>
Total assets	<hr/> 147,841,575 <hr/>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	16,923
Accrued liabilities:	
Claims	122,000
Compensated absences	147,000
Accrued payroll	38,482
Interest	931,551
Due to other funds	838,611
Current portion of long-term debt	6,267,332
Total current liabilities	<hr/> 8,361,899 <hr/>
Noncurrent liabilities:	
Bonds payable	52,478,367
Accrued liabilities:	
Compensated absences	311,000
Other	396,000
Other liabilities	29,452
Total noncurrent liabilities	<hr/> 53,214,819 <hr/>
Total liabilities	<hr/> 61,576,718 <hr/>
Net assets:	
Investment in capital assets, net of related debt	79,061,585
Unrestricted	7,203,272
Total net assets	<hr/> \$ 86,264,857 <hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund

Year ended June 30, 2005

	<u>Enterprise fund</u> <u>Water fund</u>
Operating revenues:	
Charges for services	\$ 16,728,358
Other	1,424,723
Total operating revenues	<u>18,153,081</u>
Operating expenses:	
Administration	2,482,237
Service and support programs	6,381,827
Other general services	44,978
Depreciation	2,747,803
Total operating expenses	<u>11,656,845</u>
Operating income	<u>6,496,236</u>
Nonoperating revenue (expense):	
Investment earnings – other	135,426
Interest expense	(2,799,245)
Nonoperating expense	<u>(2,663,819)</u>
Income before transfers	3,832,417
Transfers to other funds	<u>(531,835)</u>
Change in net assets	3,300,582
Total net assets – beginning	<u>82,964,275</u>
Total net assets – ending	<u>\$ 86,264,857</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2005

	Enterprise fund
	Water fund
	<hr/>
Cash flows from operating activities:	
Cash received from customers	\$ 15,632,491
Cash paid to vendors	(2,355,197)
Cash paid to employees	(2,591,123)
	<hr/>
Net cash provided by operating activities	10,686,171
	<hr/>
Cash flows from noncapital financing activities:	
Transfers	(531,835)
	<hr/>
Net cash used in noncapital financing activities	(531,835)
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,464,907)
Interest paid on debt	(2,870,145)
Proceeds from issuance of long-term debt	1,200,000
Repayment of long-term debt	(6,273,814)
	<hr/>
Net cash used in capital and related financing activities	(11,408,866)
	<hr/>
Cash flows from investing activities:	
Investment income	135,426
	<hr/>
Net cash provided by investing activities	135,426
	<hr/>
Decrease in cash and cash equivalents	(1,119,104)
	<hr/>
Cash and cash equivalents, beginning of year	6,270,709
	<hr/>
Total cash and cash equivalents, end of year	\$ 5,151,605
	<hr/> <hr/>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,496,236
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	2,747,803
Changes in operating assets and liabilities:	
Accounts receivable	(1,095,867)
Due to/from other funds	2,416,154
Other liabilities	121,845
	<hr/>
Net cash provided by operating activities	\$ 10,686,171
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2005

Assets	Employee retirement plan (as of December 31, 2004)	Agency funds
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 20,688,139	4,336,983
Dividend and interest receivable	1,325,088	—
Contributions receivable:		
City of Cambridge	3,529,335	—
Cambridge Public Health Commission	2,267,268	—
Other	230,333	—
Other assets	1,688,874	—
Investments, at fair value:		
Fixed income securities	91,864,182	—
Equities	180,973,979	—
Pooled investments:		
Fixed income	96,212,827	—
Real estate	34,084,881	—
Domestic equities	84,513,359	—
International equities	58,457,394	—
Other	9,800,332	—
Total investments	<u>555,906,954</u>	<u>—</u>
Cash collateral on security lending	10,469,334	—
Total assets	<u>\$ 596,105,325</u>	<u>4,336,983</u>
Liabilities		
Accrued liabilities	\$ 589,851	—
Guarantee deposits	—	4,336,983
Due to brokers for securities purchased	441,516	—
Cash collateral on security lending	10,469,334	—
Total liabilities	<u>11,500,701</u>	<u>\$ 4,336,983</u>
Net Assets		
Held in trust for pension benefits	<u>\$ 584,604,624</u>	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2005

	Employee retirement plan (as of December 31, 2004)
Additions:	
Contributions:	
Employers	\$ 23,977,875
Plan members	16,615,165
Other systems	1,293,400
Commonwealth of Massachusetts	1,373,894
Total contributions	<u>43,260,334</u>
Investment earnings:	
Interest and dividends	12,772,075
Securities lending income	212,154
Net appreciation in the fair value of investments	39,589,163
Less management fees	(3,009,930)
Less borrower rebates and fees under securities lending program	(183,823)
Net investment earnings	<u>49,379,639</u>
Total additions	<u>92,639,973</u>
Deductions:	
Benefits	36,053,527
Refunds of contributions	2,738,444
Other systems	1,306,931
Administrative expenses	708,461
Total deductions	<u>40,807,363</u>
Change in net assets	51,832,610
Net assets, beginning of year	<u>532,772,014</u>
Net assets, end of year	<u><u>\$ 584,604,624</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(1) The Financial Reporting Entity

(a) *Primary Government*

Settled in 1630 by a group from the Massachusetts Bay Company, the City of Cambridge (the City) was incorporated as a town in 1636 and became a city in 1846. Since 1940, the City has operated under a Council Manager form of government. The legislative body of the City is the City Council, consisting of nine members elected at large every two years; the Mayor and Vice-Mayor are elected by the Council from among its members for a two-year term. Executive authority resides with the City Manager, who is appointed by the Council and is responsible for the delivery of services to City residents.

The Mayor also serves as Chair of the School Committee. The School Committee, whose members are elected, have full authority for operations of the school system and appoint a superintendent to administer the system's day-to-day operations.

The accompanying basic financial statements present the City of Cambridge and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

(b) *Blended Component Unit*

The following component unit has been presented as a blended component unit (included in the primary government) because the component unit provides services almost exclusively to the primary government.

The Cambridge Retirement System (the System) is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprised of five members: the City Auditor who serves as ex officio; two individuals elected by participants in the System; a fourth member appointed by the City Manager and a fifth member chosen by the other members of the Board. The System provides pension benefits to retired City, Cambridge Housing Authority, Cambridge Redevelopment Authority and Cambridge Public Health Commission employees. Although legally separate, the System provides services entirely or almost entirely to the City and thus has been reported as if it were part of the primary government; a method of inclusion known as blending.

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ended December 31, 2004. The System does not issue stand-alone financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(c) ***Discretely Presented Component Unit***

This component unit is reported in a separate column to emphasize that it is legally separate from the City, but is included because the City is financially accountable for and is able to impose its will on the organization. Unless otherwise indicated, the notes to the basic financial statements pertain only to the primary government because certain disclosures of the component unit are not significant relative to the primary government. A description of the component unit, criteria for inclusion and its relationship with the City are as follows:

The Cambridge Public Health Commission (CPHC) is a body politic and corporate and public instrumentality of the Commonwealth established by Chapter 147 of the Acts of 1996. CPHC is governed by a nineteen-member board, all of whom are appointed by the City Manager. CPHC is responsible for the implementation of public health programs in the City.

Complete financial statements for the CPHC for its fiscal year ended June 30, 2005 are available from its offices on 10 Presidents Way, 5th Floor, Medford, Massachusetts 02155.

(d) ***Related Organizations***

The Manager is also responsible for appointing four of five board members to the Cambridge Housing Authority, subject to confirmation by the Council. However, the City's accountability for this organization does not extend beyond making these appointments.

(2) **Summary of Significant Accounting Policies**

The following is a summary of the more significant policies followed by the City:

(a) ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

individual governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements.

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The agency fund, although it uses the full accrual basis of accounting only reports assets and liabilities and can therefore not be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as *program revenues*. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurements focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are “susceptible to accrual” (i.e., both measurable and available). Revenues not considered to be available are recorded as deferred revenue.

The City applies the susceptible-to-accrual criteria to intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible-to-accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth.

Property taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures are recorded when the related fund liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) tax abatements and judgments and claims, all of which are recorded as expenditures to the extent that they have matured or are expected to be paid with expendable available financial resources.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

Proprietary Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for water service. Operating expenses for the enterprise fund include the cost of preparing and delivering the water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental funds – The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital fund accounts* for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary fund – The City reports the following major proprietary fund:

The water fund accounts for activities related to the preparation and delivery of water to City residents.

Fiduciary funds – Additionally, the City reports the following fiduciary fund types:

The pension trust fund accounts principally for the activities of the Cambridge Retirement System, which accumulates resources for pension benefit payments to retired City employees.

The agency fund is used to report assets held in a trustee or agency capacity for others.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Cash Equivalents

For purposes of the statement of cash flows, investments with original maturities of three months or less when purchased are considered to be cash equivalents.

The System considers short-term pooled money market funds to be cash equivalents. At December 31, 2004, such funds amounts to approximately \$20,605,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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(d) Basis of Investment Valuation

Investments are presented in the accompanying basic financial statements at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments of the System, which are described in note 9. Further, income from investments is recognized in the same fund as the related investments.

(e) Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activity are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(f) Uncollectible Tax and Other Receivables

All receivables are shown net of an allowance for uncollectibles. Amounts considered to be uncollectible are based on the type and age of the related receivable.

(g) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Infrastructure	15-50
Furniture and equipment	5-15

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(h) *Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The cost of compensated absences for employees is recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured (i.e., come due for payment). The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

(i) *Long-Term Obligations and Related Costs*

Premiums, discounts, and issue costs – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(j) *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) *Securities Lending Transactions*

Collateral received on securities lending transactions is reported as an asset with a corresponding liability to the borrower. The underlying securities lent to the borrower under these transactions are reported as investments. Borrower rebates and administrative fees are reported as expenses; interest and dividends on the underlying securities and related collateral are reported as revenues.

(l) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2005, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The liability for postclosure care is estimated based on current costs to perform certain maintenance and monitoring over the next twenty years. The total liability is reported in the Statement of Net Assets.

(m) Use of Estimates

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

(3) Deposits and Investments

In fiscal 2005, the City adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

(a) Deposits

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved.

(i) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized with securities held by the City or the City's agent in the City's name. The City also carries deposits that are not collateralized and are uninsured. As of June 30, 2005, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$ 2,624,930
Discretely presented component unit (CPHC)	<u>10,805,337</u>
	<u>\$ 13,430,267</u>

(b) Investments

Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The City's pension system has additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

(i) *System Investment Policy*

The provisions of Massachusetts General Laws (M.G.L.) c. 32, sec 23(2) govern the System's investment practice.

Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. c. 32, sec 23(3), the "Prudent Person" rule.

The System has retained an investment consultant to work with the Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

(ii) *Interest Rate Risk*

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2005:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
City:					
Money market	\$ 42,537,363	42,537,363	—	—	—
Certificates of deposit	1,250,000	1,250,000	—	—	—
MMDT	107,688,433	107,688,433	—	—	—
Subtotal City	<u>151,475,796</u>	<u>151,475,796</u>	<u>—</u>	<u>—</u>	<u>—</u>
System (as of December 31, 2004):					
Cash collateral pool	10,469,334	10,469,334	—	—	—
U.S. Treasury notes and bonds	1,344,790	1,344,790	—	—	—
U.S. agencies	9,358,840	—	1,299,605	—	8,059,235
Domestic corporate	69,672,007	4,489,669	19,196,399	18,731,309	27,254,630
International government	1,611,581	—	—	—	1,611,581
Asset-backed:					
CMOs	5,471,301	—	—	—	5,471,301
Other	4,405,663	—	2,251,353	1,684,430	469,880
Pooled fixed-income investments	96,212,827	—	96,212,827	—	—
Subtotal System	<u>198,546,343</u>	<u>16,303,793</u>	<u>118,960,184</u>	<u>20,415,739</u>	<u>42,866,627</u>
Total primary government	\$ <u>350,022,139</u>	<u>167,779,589</u>	<u>118,960,184</u>	<u>20,415,739</u>	<u>42,866,627</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>
Discretely presented component unit (CPHC):			
Money market	\$ 34,796,962	34,796,962	—
MMDT	46,075,440	46,075,440	—
U.S. Treasury notes and bonds	7,854,000	—	7,854,000
U.S. agencies	35,581,707	26,923,120	8,658,587
Domestic corporate	48,113,713	48,113,713	—
Total discretely presented component unit (CPHC)	<u>\$ 172,421,822</u>	<u>155,909,235</u>	<u>16,512,587</u>

The System’s guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

The collateralized mortgage obligations (CMOs) held by the System are highly sensitive to changes in interest rates.

(iii) Credit Risk

The System allows investment managers to apply discretion under the “Prudent Person” rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The primary government's fixed income investments as of June 30, 2005 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale:

Investment type	Fair value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not rated
City:												
Money market	\$ 42,537,363	—	—	—	—	—	—	—	—	—	—	42,537,363
Certificates of deposit	1,250,000	—	—	—	—	—	—	—	—	—	—	1,250,000
MMDT	107,688,433	—	—	—	—	—	—	—	—	—	—	107,688,433
Subtotal City	151,475,796	—	—	—	—	—	—	—	—	—	—	151,475,796
System (as of December 31, 2004):												
Cash collateral pool	10,469,334	—	—	—	—	—	—	—	—	—	—	10,469,334
U.S. agencies	9,358,840	9,358,840	—	—	—	—	—	—	—	—	—	—
Domestic corporate	69,672,007	2,452,141	2,886,133	19,546,242	14,489,246	5,481,738	17,715,492	5,589,613	428,295	416,995	—	666,112
International gov't	1,611,581	—	—	1,611,581	—	—	—	—	—	—	—	—
Asset-backed:												
CMOs	5,471,301	5,471,301	—	—	—	—	—	—	—	—	—	—
Other	4,405,663	3,245,942	—	—	415,477	559,141	86,736	—	90,493	—	7,874	—
Pooled fixed-income investments	96,212,827	—	—	—	—	—	—	—	—	—	—	96,212,827
Subtotal System	197,201,553	20,528,224	2,886,133	21,157,823	14,904,723	6,040,879	17,802,228	5,589,613	518,788	416,995	7,874	107,348,273
Total primary government	\$ 348,677,349	20,528,224	2,886,133	21,157,823	14,904,723	6,040,879	17,802,228	5,589,613	518,788	416,995	7,874	258,824,069
Discretely presented component unit (CPHC):												
Money market	\$ 34,796,962	34,796,962	Not rated	—	—	—	—	—	—	—	—	—
MMDT	46,075,440	46,075,440	Not rated	—	—	—	—	—	—	—	—	—
U.S. agencies	35,581,707	35,581,707	Rated "A" or better	—	—	—	—	—	—	—	—	—
Domestic corporate	48,113,713	48,113,713	Rated "A" or better	—	—	—	—	—	—	—	—	—
Total discretely presented component unit (CPHC):	\$ 164,567,822	164,567,822	—	—	—	—	—	—	—	—	—	—

In addition to the above schedule, the System and CPHC had \$1,344,790 and \$7,854,000, respectively, invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

(iv) *Concentration Risk*

The System has no individual investments, at fair value, that exceed 5% of the System's net assets held in trust for pension benefits as of December 31, 2004.

The System adheres to the provisions of M.G.L. c. 32, sec 23(2) when managing concentration risk.

(v) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2004, there were no open forward currency contracts.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk is presented on the following table.

<u>Currency</u>	<u>Fixed income</u>	<u>Equity</u>	<u>Total</u>
International equity pooled funds (various currencies)	\$ —	58,457,394	58,457,394
Total securities subject to foreign currency risk	—	58,457,394	58,457,394
Canadian government bond denominated in United States dollars	1,611,581	—	1,611,581
Total international investment securities	\$ 1,611,581	58,457,394	60,068,975

(4) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the modified accrual basis of accounting, described in note 2.

The City bills and collects its property taxes on a semiannual basis following the January 1 assessment. The due dates for those tax billings are November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2-1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2-1/2 limits the total levy to an amount not greater than 2-1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2-1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2-1/2 can be overridden by a Citywide referendum.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(5) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,554,121	—	—	162,554,121
Construction in progress	<u>87,641,011</u>	<u>38,344,023</u>	<u>(37,994,375)</u>	<u>87,990,659</u>
Total capital assets not being depreciated	<u>250,195,132</u>	<u>38,344,023</u>	<u>(37,994,375)</u>	<u>250,544,780</u>
Capital assets being depreciated:				
Buildings and improvements	151,454,786	37,687,472	—	189,142,258
Improvements – nonbuilding	26,877,759	2,810,802	—	29,688,561
Furniture and equipment	31,627,726	7,591,480	—	39,219,206
Infrastructure	<u>134,308,881</u>	<u>30,458,836</u>	<u> </u>	<u>164,767,717</u>
Total capital assets being depreciated	<u>344,269,152</u>	<u>78,548,590</u>	<u> </u>	<u>422,817,742</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,645,761)	(4,427,654)	—	(65,073,415)
Improvements – nonbuilding	(4,993,652)	(1,362,965)	—	(6,356,617)
Furniture and equipment	(19,669,323)	(4,142,418)	—	(23,811,741)
Infrastructure	<u>(97,187,441)</u>	<u>(7,432,981)</u>	<u> </u>	<u>(104,620,422)</u>
Total accumulated depreciation	<u>(182,496,177)</u>	<u>(17,366,018)</u>	<u> </u>	<u>(199,862,195)</u>
Total capital assets being depreciated, net	<u>161,772,975</u>	<u>61,182,572</u>	<u> </u>	<u>222,955,547</u>
Governmental activities capital assets, net	<u>\$ 411,968,107</u>	<u>99,526,595</u>	<u>(37,994,375)</u>	<u>473,500,327</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,184,962
Public safety	1,925,250
Community maintenance and development	10,505,951
Human resource development	285,654
Education	<u>3,464,201</u>
Total depreciation expense – governmental activities	\$ <u><u>17,366,018</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,264,325	—	—	39,264,325
Construction in progress	<u>1,148,486</u>	<u>2,964,125</u>	<u>(409,844)</u>	<u>3,702,767</u>
Total capital assets not being depreciated	<u>40,412,811</u>	<u>2,964,125</u>	<u>(409,844)</u>	<u>42,967,092</u>
Capital assets being depreciated:				
Buildings and improvements	80,319,596	—	—	80,319,596
Furniture and equipment	1,023,034	73,922	—	1,096,956
Infrastructure	<u>30,850,378</u>	<u>836,704</u>	<u>—</u>	<u>31,687,082</u>
Total capital assets being depreciated	<u>112,193,008</u>	<u>910,626</u>	<u>—</u>	<u>113,103,634</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,882,458)	(2,007,922)	—	(7,890,380)
Furniture and equipment	(680,223)	(114,827)	—	(795,050)
Infrastructure	<u>(8,923,506)</u>	<u>(625,054)</u>	<u>—</u>	<u>(9,548,560)</u>
Total accumulated depreciation	<u>(15,486,187)</u>	<u>(2,747,803)</u>	<u>—</u>	<u>(18,233,990)</u>
Total capital assets being depreciated, net	<u>96,706,821</u>	<u>(1,837,177)</u>	<u>—</u>	<u>94,869,644</u>
Business-type activity capital assets, net	\$ <u><u>137,119,632</u></u>	<u><u>1,126,948</u></u>	<u><u>(409,844)</u></u>	<u><u>137,836,736</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(6) Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Government Funds			Total governmental funds	Enterprise fund
	General	Capital fund	Other governmental funds		Water fund
Receivables:					
Property taxes	\$ 8,812,181	—	—	8,812,181	—
Motor vehicle taxes	3,706,265	—	—	3,706,265	—
Other taxes	2,892,584	—	—	2,892,584	—
Intergovernmental	16,484,837	2,599,173	3,952,509	23,036,519	—
Other	9,757,763	—	7,830,826	17,588,589	5,847,250
Gross receivables	41,653,630	2,599,173	11,783,335	56,036,138	5,847,250
Less allowance for uncollectibles	7,650,716	—	3,382,056	11,032,772	994,016
Net total receivables	\$ 34,002,914	2,599,173	8,401,279	45,003,366	4,853,234

Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance to the City to build and/or renovate schools. As of June 30, 2005, under this program, the City was due funds totaling \$16.5 million.

In the General Fund, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the three-year paydown as of June 30, 2005:

2006	\$ 4,590,114
2007	8,001,968
2008	3,892,755
Total	\$ 16,484,837

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 6,031,262	—
Due from component units	19,500,000	—
School building assistance receivable	16,484,837	—
Other	<u>9,339,475</u>	<u>140,311</u>
Total deferred/unearned revenue for governmental funds	\$ <u>51,355,574</u>	<u>140,311</u>

(7) Receivable and Payable Balances Between Funds and Component Unit

Individual fund receivable and payable balances at June 30, 2005, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General fund – payable to Capital fund – for capital items	\$ —	32,725
Capital fund – receivable from governmental funds – for capital items	2,501,894	—
Enterprise fund – payable to Capital fund – for capital items	—	838,611
Other governmental fund – Community Development Block Grant payable to Capital fund – for capital items	<u>—</u>	<u>1,630,558</u>
Balance at June 30, 2005	\$ <u>2,501,894</u>	<u>2,501,894</u>

At December 31, 2004, the System has a receivable from the City's General Fund. At June 30, 2005, this amount has been paid by the City. As a result, there is no corresponding payable to the System at June 30, 2005.

Receivable and payable balances between the primary government and CPHC at June 30, 2005 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 19,500,000	—
Discretely presented component unit:		
CPHC	<u>—</u>	<u>19,500,000</u>
Balance at June 30, 2005	\$ <u>19,500,000</u>	<u>19,500,000</u>

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CPHC for the construction of an ambulatory care center. CPHC has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. These general obligation bonds amounted to \$19,500,000 at June 30, 2005.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(8) Long-Term Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2005:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds and notes payable:							
General purpose, serial maturities through January 1, 2025	6/15/92 to 5/15/05	2.25-5.9%	\$ 36,925,000	46,100,000	5,470,000	77,555,000	5,415,000
Urban redevelopment, serial maturities through January 1, 2015	6/15/92 to 2/1/05	2.25-5.9%	25,295,000	14,295,500	3,095,000	36,495,500	4,505,000
Schools, serial maturities through December 1, 2010	6/15/92 to 12/1/00	4.5-5.9%	19,383,000	—	4,808,000	14,575,000	3,485,000
Sewer, serial maturities through January 1, 2015	2/1/94 to 2/1/05	2.25-5.9%	56,914,629	20,354,286	8,328,133	68,940,782	9,522,767
Hospital, serial maturities through February 1, 2018	2/1/98	4.50%	21,000,000	—	1,500,000	19,500,000	1,500,000
Section 108 HUD notes payable, serial maturities through August 15, 2014	2/1/95	7.71-9.03%	395,000	—	10,000	385,000	10,000
School equipment notes, serial maturities through October 15, 2008	6/15/98	6.85%	1,664,560	—	359,291	1,305,269	384,248
Note payable serial maturities April 2010 through April 15, 2021	4/15/00	2.00%	6,000,000	—	—	6,000,000	—
Total governmental obligation bonds and notes payable			<u>167,577,189</u>	<u>80,749,786</u>	<u>23,570,424</u>	<u>224,756,551</u>	<u>24,822,015</u>
Other long-term obligations:							
Claims			4,296,400	28,715,166	26,931,566	6,080,000	3,457,000
Compensated absences, net			16,832,665	25,790,063	24,835,728	17,787,000	6,363,000
Landfill postclosure care costs			425,000	—	25,000	400,000	25,000
Total other governmental long-term obligations			<u>21,554,065</u>	<u>54,505,229</u>	<u>51,792,294</u>	<u>24,267,000</u>	<u>9,845,000</u>
Total governmental long-term obligations			<u>\$ 189,131,254</u>	<u>135,255,015</u>	<u>75,362,718</u>	<u>249,023,551</u>	<u>34,667,015</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

Following is a summary of the business-type long-term obligations of the City as of June 30, 2005:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through November 1, 2019	2/1/94 to 2/1/05	2.5-5.9%	\$ 63,819,513	1,200,000	6,273,814	58,745,699	6,267,332
Total business-type bonds payable			<u>63,819,513</u>	<u>1,200,000</u>	<u>6,273,814</u>	<u>58,745,699</u>	<u>6,267,332</u>
Other long-term obligations:							
Claims			390,800	249,503	122,303	518,000	122,000
Compensated absences, net			349,796	394,642	286,438	458,000	147,000
Total other long-term obligations			<u>740,596</u>	<u>644,145</u>	<u>408,741</u>	<u>976,000</u>	<u>269,000</u>
Total business-type long-term obligations			<u>\$ 64,560,109</u>	<u>1,844,145</u>	<u>6,682,555</u>	<u>59,721,699</u>	<u>6,536,332</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The payment of liabilities for judgments and claims, compensated absences and landfill postclosure costs are primarily the responsibility of the City's general fund.

General obligation bonds are backed by the full faith and credit of the City. The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2006	\$ 24,822,015	7,172,577	31,994,592
2007	25,713,012	7,891,844	33,604,856
2008	23,997,438	6,880,775	30,878,213
2009	22,388,671	5,951,820	28,340,491
2010	22,220,928	5,061,371	27,282,299
2011-2015	69,650,106	14,647,093	84,297,199
2016-2020	20,971,447	5,712,495	26,683,942
2021-2025	14,992,934	2,182,125	17,175,059
	<u>\$ 224,756,551</u>	<u>55,500,100</u>	<u>280,256,651</u>

The City has entered into loan agreements with the President and Fellows of Harvard College. The loans provide funding to further the development of affordable housing within the City. The notes carry interest at 2% per year for a period of twenty years with principal payments beginning in 2010. Interest costs will be \$120,000 annually. At June 30, 2005, the principal amount outstanding is \$6,000,000.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$18,403,133 and education expenditures of \$5,167,291 totaling \$23,570,424 of principal costs.

In February 2005, the City issued \$46,085,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each January 1 and July 1, with principal payments due each January 1 until maturity in fiscal 2025. A portion of these bonds totaling \$1,200,000 was used to fund an automated meter reading system for the water fund.

In fiscal 2005, the City borrowed \$4,864,786 from the Massachusetts Water Pollution Abatement Trust (MWPAT) and the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments through August 2014.

In May 2005, the City issued \$31,000,000 of bond anticipation notes (BAN) to fund the acquisition/construction of a new police headquarters. The City has the ability and intent to refinance this BAN on a long-term basis. As such, this BAN is presented as a long-term obligation at June 30, 2005.

The City enters into loan agreements with the MWPAT to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$3,212,951 in subsidies during 2005 and expects to receive subsidies totaling approximately \$12,518,000 (water portion \$5,479,000) through 2011. Loan payments

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

commenced on February 1, 1994 and end on August 1, 2011, with interest rates ranging from 4.0% to 5.0%.

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the State Municipal Finance Oversight Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit, but are subject to other limitations.

As of June 30, 2005, the City may issue approximately \$363.5 million additional general obligation debt under the normal debt limit. The City has approximately \$73.3 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2005 are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	\$ 6,267,332	2,641,373	8,908,705
2007	6,034,004	2,364,588	8,398,592
2008	6,203,673	2,089,767	8,293,440
2009	6,284,829	1,802,425	8,087,254
2010	6,347,529	1,506,822	7,854,351
2011-2015	17,108,332	4,522,773	21,631,105
2016-2020	10,500,000	1,151,065	11,651,065
	\$ 58,745,699	16,078,813	74,824,512

The City's commitment under operating leases is not significant.

(9) Retirement Plan

(a) Plan Description

The City contributes to the Cambridge Retirement System (System), a cost-sharing, multi-employer public employee retirement system. The System provides retirement, disability, and death benefits to plan members and beneficiaries of the following governmental units:

- (1) City of Cambridge
- (2) Cambridge Redevelopment Authority
- (3) Cambridge Housing Authority
- (4) Cambridge Public Health Commission

The System is a member of the Massachusetts Contributory System, which is governed by Chapter 32 of the Massachusetts General Laws (MGL).

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The System is administered by a five-person Board of Retirement consisting of the City Auditor who serves as a member *ex officio*, two members who are elected by the participants, in or retired from the service of the System, a fourth member appointed by the Mayor and a fifth member chosen by the other members.

(b) Basis of Accounting

The System's financial statements are prepared using the full accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments of the System are stated as follows:

- (a) Fixed-income securities are stated at quoted market value.
- (b) Equity securities are stated at quoted market value.
- (c) Real estate funds are stated at appraised value or partner's account value.
- (d) Venture capital funds are stated at the lower of contributed cost or fair value.
- (e) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (f) Other pooled funds are stated at unit value.

(c) Membership

Membership in the System consisted of the following at January 1, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,746
Terminated plan members entitled to, but not receiving benefits	822
Active plan members	3,825
Total membership	<u>6,393</u>
Total number of participating employers	<u>4</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. Effective July 1, 1998 Chapter 32 of the Massachusetts General Laws assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CPHC's required and actual contributions to the System for the years ended June 30, 2005, 2004, and 2003 were \$13,962,802, \$13,241,325, and \$13,277,195, respectively, and \$9,055,006, \$8,808,317, and \$8,121,556, respectively.

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2004 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 145,472,784	Active members' contribution balance
Annuity reserve fund	40,174,151	Retired members' contribution account
Military service credit	1,833	Members' contribution account while on military leave
Pension reserve fund	345,347,473	Amounts appropriated to fund future retirement benefits
Pension fund	<u>53,608,383</u>	Remaining net assets
	<u>\$ 584,604,624</u>	

All reserve accounts are funded at levels required by State statute.

(f) Securities Lending

The Public Employment Retirement Administration Commission of Massachusetts (PERAC) has issued supplemental regulations that permit the System to engage in securities lending transactions. These transactions are conducted by the System's custodian, which lends certain securities owned by the System to other broker-dealers and banks pursuant to a form of loan agreement. The System and the borrowers maintain the right to terminate all securities lending transactions on demand.

At the System's direction, the custodian lends the System's securities and receives cash (including both U.S. and foreign currency), U.S. government securities, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The custodian does not have the ability to pledge or sell collateral unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 100% of the market value of the loaned securities.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2004. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2004, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2004 were \$183,823.

At December 31, 2004, the fair value of securities loaned by the System amounted to \$10,219,449, against which was held collateral of \$10,469,334.

For loans having collateral other than cash, the related collateral securities are not recorded as assets in the statement of fiduciary net assets, and a corresponding liability is not recorded, since the System cannot pledge or sell the collateral securities except in the event of a borrower's default.

(g) *Massachusetts Teachers' Retirement System*

In addition, teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. However, the Commonwealth does not separately calculate the amount of its annual contribution attributable to benefits earned by City employees.

(h) *Administrative Costs*

The System's administrative costs are funded from investment earnings.

(10) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 1,746 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 90% of Blue Cross/Blue Shield of Massachusetts (BC/BS) premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree.

Expenditures of approximately \$13.1 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2005.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

(11) Transfers

Transfers and their purposes during the year ended June 30, 2005 were as follows:

	<u>Governmental funds</u>			<u>Enterprise</u>
	<u>General</u>	<u>Capital</u>	<u>Other</u>	<u>fund</u>
				<u>Water</u>
Capital – to fund capital expenditures	\$ (6,480,462)	6,480,462	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	14,013,250	—	(14,013,250)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	45,000	—	(45,000)	—
CDBG – transfer of revenues to reimburse eligible capital costs	—	42,445	(42,445)	—
Water – reimbursement of administrative costs	531,835	—	—	(531,835)
Community Preservation Act – for affordable housing	—	4,086,000	(4,086,000)	—
Parking – to replace obsolete equipment	—	540,000	(540,000)	—
Total	<u>\$ 8,109,623</u>	<u>11,148,907</u>	<u>(18,726,695)</u>	<u>(531,835)</u>

(12) Risk Management

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health insurance claims. The City is self-insured for other general liability; however, Chapter 258 of the MGL limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain and breach of contract. The City is also self-insured for workers' compensation and unemployment claims.

The City has medical plans with Tufts, Harvard-Pilgrim and Blue Cross/Blue Shield under which it makes actual claims payments. The medical plan providers act as claim processors and a transfer of risk does not occur. Approximately 90% of the City's employees participate in the self-insured plan with the remainder electing preferred provider plans that are premium based.

Employees contribute approximately 12% of the cost of healthcare with the remainder paid by the City. These costs are accounted for in the general fund. The contribution rate for retirees is 1% for those who enroll in indemnity plans and 10% for those who enroll in HMO-type plans. The City does not carry stop-loss insurance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2005

Changes in the self-insurance liability for the years ended June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Accrued claims, beginning of year	\$ 4,687,200	4,755,988
Incurred claims	28,964,669	31,515,009
Less payments of claims attributable to events of both current and prior fiscal years	<u>(27,053,869)</u>	<u>(31,583,797)</u>
Accrued claims, end of year	<u>\$ 6,598,000</u>	<u>4,687,200</u>

There are numerous cases pending in courts throughout the Commonwealth where the City of Cambridge is a defendant. In the opinion of the City Solicitor, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the City that would materially affect its financial position.

(13) Special Item

Change in Legislation

In fiscal 2005, the City recorded a receivable for amounts owed under the Commonwealth's school building assistance program by the MSBA.

The recognition of the MSBA receivable of \$22.3 million resulted from a change in legislation in July 2005. The change in legislation was not within the control of the City's management.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

June 30, 2005

(Unaudited)

Schedule of Funding Progress
(Dollars in thousands)

<u>Actuarial stock valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
1/1/2004	\$ 569,500	655,107	85,607	86.9%	\$ 184,254	46.5%
1/1/2002	516,947	578,050	61,103	89.4	167,303	36.5
1/1/2000	424,606	510,973	86,367	83.1	140,489	61.5
1/1/1998	342,788	436,216 (1)	93,428	78.6	132,440	70.5
1/1/1996	233,883	361,885	128,002	64.6	114,485	111.8
1/1/1994	182,632	323,644	141,012	56.4	109,775	128.5

(1) Future cost of living increases assumed by the City.

Schedule of Employers' Contributions
(Dollars in thousands)

<u>Year ended December 31:</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2004	\$ 23,978	100%
2003	23,762	100
2002	21,399	100
2001	22,030	100
2000	21,669	100
1999	21,284	100

See accompanying notes to required supplementary pension information.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

June 30, 2005

(Unaudited)

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2004
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization of ERI liabilities and increasing amortization for remaining unfunded liability.
Remaining amortization period	4 years from July 1, 2004 for 1992 ERI, 4 1/2 years from July 1, 2004 ERI, 5 years from July 1, 2004 for 2003 ERI, and 9 years from July 1, 2004 for remaining unfunded liability. Amortization period is closed.
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5%
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
(Unaudited)

Schedule of Revenues and Expenditures – Budgetary Basis
General Fund – Budget and Actual

Year ended June 30, 2005
(with comparative actual amounts for 2004)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>	<u>2004 Actual</u>
Revenues and other available funds:					
Property taxes	\$ 224,335,570	222,953,435	222,953,435	—	209,599,396
Provision for abatements and adjustments	(4,515,930)	(4,515,930)	(4,515,930)	—	(4,499,396)
Payment in lieu of tax receipts	3,600,000	3,600,000	6,839,369	3,239,369	6,329,176
Hotel/motel excise tax	5,800,000	5,800,000	5,461,027	(338,973)	4,286,681
Intergovernmental	38,967,120	40,753,232	43,801,641	3,048,409	42,601,103
Sewer use	26,769,545	27,769,545	28,661,479	891,934	26,546,224
Motor vehicle excise	5,600,000	5,651,906	6,452,475	800,569	6,087,063
Investment income	800,000	800,000	2,223,238	1,423,238	1,008,439
Other	23,942,640	23,631,777	21,469,794	(2,161,983)	17,338,702
Total revenues	<u>325,298,945</u>	<u>326,443,965</u>	<u>333,346,528</u>	<u>6,902,563</u>	<u>309,297,388</u>
Expenditures:					
Current:					
General government	36,798,015	34,396,380	30,595,775	3,800,605	29,846,608
Public safety	77,450,040	79,158,115	78,618,557	539,558	73,785,582
Community maintenance and development	29,743,800	31,323,470	30,673,694	649,776	28,130,441
Human resource development	20,868,495	21,214,152	21,093,962	120,190	19,848,202
Education	122,053,195	117,503,195	115,839,781	1,663,414	117,057,354
Judgments and claims	250,000	250,000	224,397	25,603	533,419
Intergovernmental	34,247,415	35,868,158	34,243,618	1,624,540	33,617,517
Debt service:					
Principal	18,403,135	18,403,135	18,403,133	2	16,192,014
Interest	5,513,935	5,550,945	5,548,075	2,870	5,242,504
Total expenditures	<u>345,328,030</u>	<u>343,667,550</u>	<u>335,240,992</u>	<u>8,426,558</u>	<u>324,253,641</u>
Excess (deficiency) of revenues over expenditures	<u>(20,029,085)</u>	<u>(17,223,585)</u>	<u>(1,894,464)</u>	<u>15,329,121</u>	<u>(14,956,253)</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	15,592,250	15,642,250	14,013,250	(1,629,000)	13,531,350
Capital projects funds	—	(4,037,500)	(6,480,462)	(2,442,962)	(6,956,935)
Permanent funds	3,905,000	3,405,000	3,405,000	—	1,905,000
Enterprise fund	531,835	531,835	531,835	—	377,000
Stabilization – city	—	(1,000,000)	(1,000,000)	—	—
Stabilization – school	—	(4,625,000)	(4,625,000)	—	—
Total other financing sources (uses)	<u>20,029,085</u>	<u>9,916,585</u>	<u>5,844,623</u>	<u>(4,071,962)</u>	<u>8,856,415</u>
Excess (deficiency) of revenues and other financing source over expenditures and other financing uses	<u>\$ —</u>	<u>(7,307,000)</u>	<u>3,950,159</u>	<u>11,257,159</u>	<u>(6,099,838)</u>
Other budget items:					
Free cash appropriations		6,307,000			
Prior year deficits raised		(987,095)			
Overlay surplus		1,987,095			
Total other budget items		<u>7,307,000</u>			
Net budget and actual		<u>\$ —</u>			

See accompanying notes to required supplementary budget information.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Budget Information

Year ended June 30, 2005

The City’s general fund budget is prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column in the statement of revenues and expenditures – budgetary basis – general fund is presented on a “budgetary basis” to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis, where applicable, are that:

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations, which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).
- (d) Amounts raised for the prior years’ deficits and available funds from prior years’ surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures, and transfers.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2005:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 333,346,528	335,240,992	5,844,623
Adjustments:			—
Revenues to modified accrual basis	6,604,058	—	—
Expenditures, encumbrances and accruals, net	—	(11,462,335)	—
Bond premium reclassification	(1,768,923)	—	1,768,923
Budgetary transfers not reported on a GAAP basis:			
Stabilization Trust Funds	—	—	5,625,000
Permanent Trust funds	—	—	(3,405,000)
Other	—	—	45,000
As reported on a GAAP basis	<u>\$ 338,181,663</u>	<u>323,778,657</u>	<u>9,878,546</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2005

The following section provides detailed information on the General Fund, Other Governmental Funds and Agency funds included in the basic financial statements. Information on real, personal, and excise tax collections, and a schedule of the bonds and notes payable of the City is also provided in this section.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 298,095	266,068	32,027
Other ordinary maintenance	111,440	110,104	1,336
Travel and training	20,500	12,446	8,054
Total Mayor	<u>430,035</u>	<u>388,618</u>	<u>41,417</u>
City Manager:			
Salaries and wages	933,225	910,125	23,100
Other ordinary maintenance	385,450	381,328	4,122
Travel and training	34,465	30,459	4,006
Total City Manager	<u>1,353,140</u>	<u>1,321,912</u>	<u>31,228</u>
City Council:			
Salaries and wages	888,170	884,851	3,319
Other ordinary maintenance	41,900	32,079	9,821
Travel and training	45,500	44,934	566
Total City Council	<u>975,570</u>	<u>961,864</u>	<u>13,706</u>
City Clerk:			
Salaries and wages	660,382	654,826	5,556
Other ordinary maintenance	59,793	58,888	905
Travel and training	750	485	265
Total City Clerk	<u>720,925</u>	<u>714,199</u>	<u>6,726</u>
Law:			
Salaries and wages	1,012,075	932,344	79,731
Other ordinary maintenance	509,225	505,753	3,472
Travel and training	9,675	7,757	1,918
Total Law	<u>1,530,975</u>	<u>1,445,854</u>	<u>85,121</u>
Finance:			
Salaries and wages	6,313,255	6,313,251	4
Other ordinary maintenance	2,367,860	2,364,740	3,120
Travel and training	154,980	134,111	20,869
Extraordinary expenditures	77,800	77,572	228
Total Finance	<u>8,913,895</u>	<u>8,889,674</u>	<u>24,221</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Employment Benefits:			
Salaries and wages	\$ 17,081,560	13,634,683	3,446,877
Other ordinary maintenance	686,630	623,861	62,769
Total Employment Benefits	<u>17,768,190</u>	<u>14,258,544</u>	<u>3,509,646</u>
General Services:			
Salaries and wages	405,680	405,675	5
Other ordinary maintenance	592,555	541,292	51,263
Total General Services	<u>998,235</u>	<u>946,967</u>	<u>51,268</u>
Election Commission:			
Salaries and wages	526,300	526,299	1
Other ordinary maintenance	254,970	252,960	2,010
Travel and training	2,270	993	1,277
Total Election Commission	<u>783,540</u>	<u>780,252</u>	<u>3,288</u>
Public Celebrations:			
Salaries and wages	389,670	375,836	13,834
Other ordinary maintenance	284,105	284,097	8
Travel and training	455	451	4
Total Public Celebrations	<u>674,230</u>	<u>660,384</u>	<u>13,846</u>
Reserve:			
Other ordinary maintenance	18,775	—	18,775
Total Reserve	<u>18,775</u>	<u>—</u>	<u>18,775</u>
Animal Commission:			
Salaries and wages	216,155	215,724	431
Other ordinary maintenance	12,565	11,633	932
Travel and training	150	150	—
Total Animal Commission	<u>228,870</u>	<u>227,507</u>	<u>1,363</u>
Total General Government	<u>34,396,380</u>	<u>30,595,775</u>	<u>3,800,605</u>
Public Safety:			
Fire:			
Salaries and wages	28,728,015	28,727,764	251
Other ordinary maintenance	831,140	831,065	75
Travel and training	458,400	457,505	895
Extraordinary expenditures	95,000	95,000	—
Total Fire	<u>30,112,555</u>	<u>30,111,334</u>	<u>1,221</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	Budget	Actual	Variance positive (negative)
Police:			
Salaries and wages	\$ 30,158,665	29,917,852	240,813
Other ordinary maintenance	846,955	818,107	28,848
Travel and training	477,500	465,218	12,282
Extraordinary expenditures	312,100	311,610	490
Total Police	<u>31,795,220</u>	<u>31,512,787</u>	<u>282,433</u>
Traffic and Parking:			
Salaries and wages	4,982,055	4,874,955	107,100
Other ordinary maintenance	3,107,640	3,099,949	7,691
Travel and training	60,400	29,694	30,706
Extraordinary expenditures	75,000	74,999	1
Total Traffic and Parking	<u>8,225,095</u>	<u>8,079,597</u>	<u>145,498</u>
Police Review and Advisory Board:			
Salaries and wages	70,690	69,458	1,232
Other ordinary maintenance	3,520	2,834	686
Travel and training	3,000	300	2,700
Total Police Review and Advisory Board	<u>77,210</u>	<u>72,592</u>	<u>4,618</u>
Inspectional Services:			
Salaries and wages	2,230,580	2,230,577	3
Other ordinary maintenance	107,100	89,151	17,949
Travel and training	51,825	51,810	15
Total Inspectional Services	<u>2,389,505</u>	<u>2,371,538</u>	<u>17,967</u>
License:			
Salaries and wages	656,845	591,374	65,471
Other ordinary maintenance	111,090	102,668	8,422
Travel and training	8,800	6,807	1,993
Total License	<u>776,735</u>	<u>700,849</u>	<u>75,886</u>
Weights and Measures:			
Salaries and wages	89,485	89,485	—
Other ordinary maintenance	7,780	7,768	12
Travel and training	1,745	1,744	1
Total Weights and Measures	<u>99,010</u>	<u>98,997</u>	<u>13</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Electrical:			
Salaries and wages	\$ 1,032,265	1,032,261	4
Other ordinary maintenance	1,370,040	1,368,478	1,562
Travel and training	4,695	3,449	1,246
Total Electrical	<u>2,407,000</u>	<u>2,404,188</u>	<u>2,812</u>
Emergency Management:			
Salaries and wages	129,245	129,241	4
Other ordinary maintenance	13,635	13,618	17
Travel and training	100	—	100
Total Emergency Management	<u>142,980</u>	<u>142,859</u>	<u>121</u>
Emergency Communications:			
Salaries and wages	2,930,945	2,930,941	4
Other ordinary maintenance	166,010	164,488	1,522
Travel and training	31,850	24,762	7,088
Extraordinary expenditures	4,000	3,625	375
Total Emergency Communications	<u>3,132,805</u>	<u>3,123,816</u>	<u>8,989</u>
Total Public Safety	<u>79,158,115</u>	<u>78,618,557</u>	<u>539,558</u>
Community Maintenance and Development:			
Public Works:			
Salaries and wages	14,616,065	14,478,051	138,014
Other ordinary maintenance	9,473,435	9,487,319	(13,884)
Travel and training	150,625	135,709	14,916
Extraordinary expenditures	485,000	476,162	8,838
Total Public Works	<u>24,725,125</u>	<u>24,577,241</u>	<u>147,884</u>
Community Development:			
Salaries and wages	3,830,920	3,899,737	(68,817)
Other ordinary maintenance	616,140	580,576	35,564
Travel and training	27,600	19,516	8,084
Extraordinary expenditures	512,432	—	512,432
Total Community Development	<u>4,987,092</u>	<u>4,499,829</u>	<u>487,263</u>
Historical Commission:			
Salaries and wages	423,290	423,287	3
Other ordinary maintenance	34,830	34,821	9
Travel and training	750	370	380
Total Historical Commission	<u>458,870</u>	<u>458,478</u>	<u>392</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	Budget	Actual	Variance positive (negative)
Conservation Commission:			
Salaries and wages	\$ 85,010	83,898	1,112
Other ordinary maintenance	3,865	2,129	1,736
Travel and training	885	345	540
Total Conservation Commission	89,760	86,372	3,388
Peace Commission:			
Salaries and wages	63,585	63,513	72
Other ordinary maintenance	11,280	11,112	168
Travel and training	1,350	627	723
Total Peace Commission	76,215	75,252	963
Cable Television:			
Salaries and wages	362,675	353,320	9,355
Other ordinary maintenance	620,283	619,757	526
Travel and training	3,450	3,445	5
Total Cable Television	986,408	976,522	9,886
Total Community Maintenance and Development	31,323,470	30,673,694	649,776
Human Resource Development:			
Library:			
Salaries and wages	4,538,575	4,538,573	2
Other ordinary maintenance	945,545	943,354	2,191
Travel and training	40,150	36,804	3,346
Total Library	5,524,270	5,518,731	5,539
Human Services:			
Salaries and wages	12,028,693	11,956,660	72,033
Other ordinary maintenance	2,701,145	2,692,166	8,979
Travel and training	75,559	51,351	24,208
Extraordinary expenditures	25,000	24,990	10
Total Human Services	14,830,397	14,725,167	105,230
Women's Commission:			
Salaries and wages	145,405	145,403	2
Other ordinary maintenance	9,860	9,756	104
Travel and training	1,000	125	875
Total Women's Commission	156,265	155,284	981

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human Rights Commission:			
Salaries and wages	\$ 156,200	156,196	4
Other ordinary maintenance	4,055	2,572	1,483
Travel and training	700	645	55
Total Human Rights Commission	<u>160,955</u>	<u>159,413</u>	<u>1,542</u>
Veterans Benefits:			
Salaries and wages	242,565	242,561	4
Other ordinary maintenance	48,900	48,530	370
Travel and training	250,800	244,276	6,524
Total Veterans Benefits	<u>542,265</u>	<u>535,367</u>	<u>6,898</u>
Total Human Resource Development	<u>21,214,152</u>	<u>21,093,962</u>	<u>120,190</u>
Education:			
Salaries and wages	85,392,445	83,964,962	1,427,483
Other ordinary maintenance	22,934,722	22,903,599	31,123
Travel and training	1,429,010	1,228,152	200,858
Extraordinary expenditures	7,747,018	2,087,382	5,659,636
Debt:			
Principal payments	—	4,808,000	(4,808,000)
Interest payments	—	847,686	(847,686)
Total Education	<u>117,503,195</u>	<u>115,839,781</u>	<u>1,663,414</u>
Judgments and Claims	<u>250,000</u>	<u>224,397</u>	<u>25,603</u>
Debt Retirement:			
Principal payments	18,403,135	18,403,133	2
Interest payments	5,550,945	5,548,075	2,870
Total Debt Retirement	<u>23,954,080</u>	<u>23,951,208</u>	<u>2,872</u>
State assessments:			
MBTA assessment	7,421,202	7,421,202	—
MWRA assessment	16,177,455	16,012,292	165,163
Other State assessments	5,769,501	4,310,124	1,459,377
Cambridge Public Health Commission	6,500,000	6,500,000	—
Total Intergovernmental	<u>35,868,158</u>	<u>34,243,618</u>	<u>1,624,540</u>
Total General Fund Expenditures	<u>\$ 343,667,550</u>	<u>335,240,992</u>	<u>8,426,558</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2005

OTHER GOVERNMENTAL FUNDS

Community Development Block Grant

Revenues from the Community Development Block Grant Program are recorded in this fund. A transfer of revenues is made at the end of the fiscal year to the Capital Projects Funds to cover Block Grant-related expenditures in these funds during the fiscal year. All operating expenditures are recorded within this Fund.

School Grants

This fund accounts for both the receipt and expenditure of funds received from numerous federal and state agencies to support a wide range of elementary and secondary school programs.

Fuel Assistance

This fund is used to account for revenues and expenditures for a federal program designed to provide low-income families with assistance in purchasing fuel supplies.

Parking Fund

Receipts from the Parking Fund, which consist primarily of meter collections, parking fines, and miscellaneous revenues, are recorded in this fund and support a wide range of City programs in accordance with Chapter 844 of the Massachusetts General Laws. In a similar manner to the Block Grant Funds, an amount equal to that which is appropriated to the General and Capital Projects Funds, is transferred to those funds at the end of the fiscal year.

Community Preservation Act

Receipts from added 3% tax and the matching funds from the State for the preservation of open space, historic locations and affordable housing are recorded in this fund. In a similar manner to the Parking fund, an amount equal to the amount appropriated to the Capital Projects and Other Grants funds, is transferred to those funds at the end of the fiscal year.

Other Grants

Funds from a wide range of federal and state grants provide additional support to several City programs, including the Arts Council, Historical Commission, and Library. Both the receipt and expenditure of these funds are accounted for in this fund.

Permanent Funds

This fund accumulates all the City of Cambridge Trust Funds that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2005

Special revenue

Assets	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Cash and short-term investments	\$ 563,044	2,014,626	374,194	8,728,593	2,840,900	26,608,015	2,830,934	43,960,306
Restricted cash and investments	—	—	—	—	—	600,000	—	600,000
Accounts receivable	1,000,000	—	—	—	140,311	3,308,459	—	4,448,770
Due from other governments	130,704	3,821,805	—	—	—	—	—	3,952,509
Total assets	\$ 1,693,748	5,836,431	374,194	8,728,593	2,981,211	30,516,474	2,830,934	52,961,585
Liabilities and Fund Balances								
Warrants payable	\$ 63,190	538,402	—	—	—	—	—	601,592
Accrued liabilities	—	—	—	—	—	679,145	—	679,145
Deferred revenue	—	—	—	—	140,311	—	—	140,311
Due to other funds	1,630,558	—	—	—	—	—	—	1,630,558
Total liabilities	1,693,748	538,402	—	—	140,311	679,145	—	3,051,606
Fund balances:								
Reserved for encumbrances	—	999,240	—	—	—	4,111,279	—	5,110,519
Reserved for specific purposes	—	—	—	—	260,000	600,000	2,830,934	3,690,934
Reserved for loans	—	—	—	—	—	2,412,375	—	2,412,375
Unreserved	—	4,298,789	374,194	8,728,593	2,580,900	22,713,675	—	38,696,151
Total fund balances	—	5,298,029	374,194	8,728,593	2,840,900	29,837,329	2,830,934	49,909,979
Total liabilities and fund balances	\$ 1,693,748	5,836,431	374,194	8,728,593	2,981,211	30,516,474	2,830,934	52,961,585

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity
Other Governmental Funds
Year ended June 30, 2005

	Special revenue							
	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 1,439,737	14,891,881	908,893	92,179	—	7,188,544	—	24,521,234
Investment income	29,697	—	4,686	276,541	78,003	533,119	60,864	982,910
Other:								
Permits	—	—	—	302,318	—	—	—	302,318
Fines	—	—	—	8,620,708	—	—	—	8,620,708
Charges for services	—	—	—	5,883,706	—	—	—	5,883,706
Miscellaneous	—	1,386,555	—	52,100	11,446,262	585,922	278,627	13,749,466
Total revenues	<u>1,469,434</u>	<u>16,278,436</u>	<u>913,579</u>	<u>15,227,552</u>	<u>11,524,265</u>	<u>8,307,585</u>	<u>339,491</u>	<u>54,060,342</u>
Expenditures:								
General government	—	—	—	—	—	38,401	118,123	156,524
Public safety	—	—	—	—	—	697,246	—	697,246
Community maintenance and development	822,647	—	—	—	—	5,850,142	—	6,672,789
Human services	604,342	—	815,661	—	—	5,041,690	—	6,461,693
Education	—	15,876,199	—	—	—	—	—	15,876,199
Total expenditures	<u>1,426,989</u>	<u>15,876,199</u>	<u>815,661</u>	<u>—</u>	<u>—</u>	<u>11,627,479</u>	<u>118,123</u>	<u>29,864,451</u>
Excess (deficiency) of revenues over expenditures	42,445	402,237	97,918	15,227,552	11,524,265	(3,319,894)	221,368	24,195,891
Other financing sources (uses):								
Transfers from other funds	—	—	—	—	—	8,800,000	46,318	8,846,318
Transfers to other funds	(42,445)	—	—	(14,553,250)	(12,886,000)	—	(91,318)	(27,573,013)
Excess of revenues over expenditures and transfers	—	402,237	97,918	674,302	(1,361,735)	5,480,106	176,368	5,469,196
Fund balances at beginning of year	—	4,895,792	276,276	8,054,291	4,202,635	24,357,223	2,654,566	44,440,783
Fund balances at end of year	<u>\$ —</u>	<u>5,298,029</u>	<u>374,194</u>	<u>8,728,593</u>	<u>2,840,900</u>	<u>29,837,329</u>	<u>2,830,934</u>	<u>49,909,979</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2005

AGENCY FUNDS

The City's Agency Funds are used to account for assets received and disbursed by the City acting in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2005

Assets	Balance at June 30, 2004	Additions	Deductions	Balance at June 30, 2005
Contract Bids	\$ 114,015	—	800	113,215
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	19,753	34,501	45,654	8,600
Street Openings	74,584	—	74,584	—
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(369,602)	4,264,915	4,140,676	(245,363)
Cambridge Fire Detail	268,234	941,766	997,245	212,755
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,082	1,246	1,179	3,149
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	197,338	19,865	19,062	198,141
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	54,790	3,169	—	57,959
Accident and life Insurance	440,865	103,050	31,770	512,145
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	17,054	4,474	—	21,528
Retirement Office Payroll	115,554	254,138	—	369,692
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,199,177	259,832	—	1,459,009
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	37,774	8,356	—	46,130
Retroactive Wages	6	—	—	6
Land Court Fees	51,752	2,616	—	54,368
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	396,193	95	107	396,181
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,899	—	90	2,809
Police – Recovered Cash	442	456,104	—	456,546
Police – Found Cash	4,012	—	—	4,012
Firearms Recordkeeping Fund	4,053	8,212	—	12,265
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(245,097)	—	66,811	(311,908)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>3,352,622</u>	<u>6,362,339</u>	<u>5,377,978</u>	<u>4,336,983</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2005

<u>Liabilities</u>	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2005</u>
Guarantee deposits and amounts due other:				
Contract Bids	\$ 114,015	—	800	113,215
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	19,753	34,501	45,654	8,600
Street Openings	74,584	—	74,584	—
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(369,602)	4,264,915	4,140,676	(245,363)
Cambridge Fire Detail	268,234	941,766	997,245	212,755
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,082	1,246	1,179	3,149
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	197,338	19,865	19,062	198,141
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	54,790	3,169	—	57,959
Accident and life Insurance	440,865	103,050	31,770	512,145
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	17,054	4,474	—	21,528
Retirement Office Payroll	115,554	254,138	—	369,692
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,199,177	259,832	—	1,459,009
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	37,774	8,356	—	46,130
Retroactive Wages	6	—	—	6
Land Court Fees	51,752	2,616	—	54,368
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	396,193	95	107	396,181
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,899	—	90	2,809
Police – Recovered Cash	442	456,104	—	456,546
Police – Found Cash	4,012	—	—	4,012
Firearms Recordkeeping Cash	4,053	8,212	—	12,265
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(245,097)	—	66,811	(311,908)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 3,352,622	6,362,339	5,377,978	4,336,983

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2005

OTHER SCHEDULES

The following schedules present detailed information on the City's real estate, personal property and motor vehicle excise taxes, and bonds and notes payable, as of June 30, 2005.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2005

	Uncollected June 30, 2004	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2005
Real estate taxes:								
1979 and prior	\$ 5,380	—	—	—	—	—	—	5,380
1980	—	—	—	—	—	—	—	—
1981	1,017	—	—	—	—	—	—	1,017
1982	465	—	—	—	—	—	—	465
1983	1,971	—	—	—	—	—	—	1,971
1984	11,578	—	—	—	—	—	—	11,578
1985	1,025	—	—	—	—	—	—	1,025
1987	—	—	—	—	—	—	—	—
1992	13,911	—	—	—	—	—	—	13,911
1993	—	—	—	—	—	—	—	—
1995	—	—	—	—	—	—	—	—
1996	—	—	—	—	—	—	—	—
1997	660	—	—	—	—	—	—	660
1998	3,136	—	—	—	—	—	—	3,136
1999	2,196	—	—	—	—	(1,590)	—	606
2000	5,051	—	—	—	593	(3,527)	614	2,731
2001	3,995	—	—	—	—	(767)	4,785	8,013
2002	(362,593)	—	(277,123)	—	180,629	280,152	186,522	7,587
2003	347,359	—	(510,825)	—	620,737	89,430	(142,882)	403,819
2004	3,640,662	—	(856,809)	—	1,204,040	(2,376,040)	(317,277)	1,294,576
2005	—	214,554,546	(3,046,319)	—	1,154,965	(208,090,736)	(520,984)	4,051,472
Total real estate	<u>3,675,813</u>	<u>214,554,546</u>	<u>(4,691,076)</u>	<u>—</u>	<u>3,160,964</u>	<u>(210,103,078)</u>	<u>(789,222)</u>	<u>5,807,947</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2005

	<u>Uncollected June 30, 2004</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2005</u>
Personal property taxes:								
1988	\$ —	—	—	—	—	—	—	—
1989	75	—	—	—	—	—	—	75
1990	1	—	—	—	—	—	(1)	—
1991	139	—	—	—	—	—	—	139
1992	273	—	—	—	—	—	—	273
1993	124	—	—	—	—	—	—	124
1994	202	—	—	—	—	—	—	202
1995	672	—	—	—	—	—	—	672
1996	3,155	—	—	—	—	—	(156)	2,999
1997	20,072	—	—	—	—	—	(272)	19,800
1998	31,244	—	—	—	—	—	(314)	30,930
1999	27,213	—	—	—	—	—	(321)	26,892
2000	29,386	—	—	—	—	(1,374)	(19)	27,993
2001	58,974	—	—	—	—	(1,883)	(2,324)	54,767
2002	72,961	—	—	—	—	(1,902)	669	71,728
2003	200,051	—	—	—	—	(47,797)	26,696	178,950
2004	1,663,121	—	(10,173)	—	50,407	(33,745)	(46,311)	1,623,299
2005	—	8,539,958	(372,769)	—	67,182	(7,252,096)	(39,489)	942,786
Total personal property	2,107,663	8,539,958	(382,942)	—	117,589	(7,338,797)	(61,842)	2,981,629
Tax deferrals	22,602	—	—	—	—	—	3	22,605
Property taxes	\$ 5,806,078	223,094,504	(5,074,018)	—	3,278,553	(217,441,875)	(851,061)	8,812,181

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2005

	Uncollected June 30, 2004	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2005
Motor vehicle excise taxes:								
1986	\$ 2,776	—	—	—	—	(100)	—	2,676
1987	152,616	—	—	—	—	(1,401)	—	151,215
1988	164,234	—	(111)	—	—	(1,201)	—	162,922
1989	194,966	—	—	—	—	(582)	—	194,384
1990	148,687	—	—	—	—	(711)	—	147,976
1991	152,925	—	—	—	—	(633)	—	152,292
1992	112,635	—	—	—	—	(1,093)	—	111,542
1993	100,136	—	—	—	—	(645)	—	99,491
1994	107,398	—	(90)	—	—	(777)	—	106,531
1995	116,280	—	—	—	—	(1,063)	—	115,217
1996	120,654	—	(30)	—	—	(946)	—	119,678
1997	129,973	—	(285)	—	—	(1,854)	—	127,834
1998	134,966	—	(154)	—	—	(3,000)	—	131,812
1999	148,330	—	(137)	—	—	(5,648)	—	142,545
2000	195,605	—	(1,002)	—	751	(15,950)	(707)	178,697
2001	318,786	—	(2,193)	—	95	(56,027)	244	260,905
2002	346,451	—	(3,901)	—	443	(57,121)	88	285,960
2003	379,066	26,389	(16,037)	—	13,768	(106,509)	11,780	308,457
2004	718,668	1,134,003	(94,930)	—	45,532	(1,462,488)	6,935	347,720
2005	—	5,268,554	(93,391)	—	—	(4,635,326)	18,574	558,411
Total motor vehicle	\$ 3,745,152	6,428,946	(212,261)	—	60,589	(6,353,075)	36,914	3,706,265

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2005

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2004	Additions	Retired	Balance June 30, 2005
Inside debt limit:							
Senior Center/City Hall Renovations	4.75-5.75%	6/15/1996	6/15/2006	\$ 90,000	—	45,000	45,000
Emergency Communications	4.75-5.75%	6/15/1996	6/15/2006	660,000	—	330,000	330,000
Acquisition of computers	4.75-5.75%	6/15/1996	6/15/2006	120,000	—	60,000	60,000
Frisoli Youth Center	4.0-5.0%	6/15/1997	6/15/2007	1,080,000	—	360,000	720,000
Area 4 Youth Center Renovations	4.0-5.0%	6/15/1997	6/15/2007	60,000	—	20,000	40,000
Building Renovations	4.0-5.0%	6/15/1997	6/15/2007	150,000	—	50,000	100,000
Fiber Optics Network	4.0-5.0%	6/15/1997	6/15/2007	300,000	—	100,000	200,000
Frisoli Youth Center	4.3-5.0%	8/1/1998	8/1/2018	350,000	—	70,000	280,000
Personal Computer Acquisition	4.75%	11/1/1999	11/1/2004	450,000	—	450,000	—
Public Art	4.75-5.0%	11/1/1999	11/1/2009	30,000	—	5,000	25,000
City Hall Renovations	4.75-5.0%	11/1/1999	11/1/2009	300,000	—	50,000	250,000
Gately Center Renovations	4.5-5.0%	12/1/2000	12/1/2010	1,750,000	—	250,000	1,500,000
City Hall Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,100,000	—	300,000	1,800,000
City Hall Renovations	5.5-5.9%	11/1/1994	11/1/2004	30,000	—	30,000	—
Senior Center Renovations	5.5-5.9%	11/1/1994	11/1/2004	385,000	—	385,000	—
Open Space Improvements	5.5-5.9%	11/1/1994	11/1/2004	25,000	—	25,000	—
Central Square Enhancements	4.0-5.0%	6/15/1997	6/15/2007	1,065,000	—	355,000	710,000
Yerxa Road Underpass	4.5-5.0%	12/1/2000	12/1/2010	1,330,000	—	190,000	1,140,000
Open Space Improvements	4.5-5.0%	12/1/2000	12/1/2010	3,150,000	—	450,000	2,700,000
MWPAT/Sewer Loan	5.5-5.9%	11/1/1994	11/1/2004	50,000	—	50,000	—
MWPAT/Sewer Loan	4.0-6.13%	5/1/1995	2/1/2005	811,138	—	811,138	—
MWPAT/Sewer Loan	4.25-5.75%	6/15/1996	6/15/2006	150,000	—	75,000	75,000
MWPAT/Sewer Loan	4.0-5.0%	6/15/1997	6/15/2007	150,000	—	50,000	100,000
MWPAT/Sewer Loan	4.0-5.0%	5/1/1997	2/1/2007	1,497,721	—	485,599	1,012,122
MWPAT/Sewer Loan	4.0-5.75%	10/6/1999	8/1/2009	273,778	—	43,100	230,678
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	1,495,206	—	199,631	1,295,575
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	856,993	—	114,406	742,587
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	178,293	—	23,795	154,498
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	6,103,160	—	814,875	5,288,285
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	2,781,659	—	371,397	2,410,262
MWPAT/Sewer Loan	4.5-5.0%	12/1/2000	12/1/2010	10,920,000	—	1,560,000	9,360,000
Hospital (Ambulatory Center)	4.5%	2/1/1998	2/1/2018	21,000,000	—	1,500,000	19,500,000
MWRA Loan	N/A	10/18/2001	10/18/2006	747,849	—	249,283	498,566
Improvements to War Memorial	3.5-5.0%	12/15/2001	12/15/2011	600,000	—	200,000	400,000
City Hall Renovations	3.5-5.0%	12/15/2001	12/15/2011	10,580,000	—	1,325,000	9,255,000
Sewer Loan	3.5-5.0%	12/15/2001	12/15/2011	8,645,000	—	1,015,000	7,630,000
Traffic Improvement	3.5-5.0%	12/15/2001	12/15/2011	1,000,000	—	125,000	875,000
MWRA Loan	N/A	9/5/2002	8/15/2007	302,852	—	75,713	227,139
Sewer Renovations	2.25-4.00%	1/15/2003	1/15/2013	11,935,000	—	1,325,000	10,610,000
Fire Station Renovations	2.25-4.00%	1/15/2003	1/15/2013	4,385,000	—	490,000	3,895,000
Building Renovations	2.25-4.00%	1/15/2003	1/15/2013	855,000	—	95,000	760,000
City Hall Annex Renovations	2.25-4.00%	1/15/2003	1/15/2013	1,755,000	—	195,000	1,560,000
Street Reconstruction	2.25-4.00%	1/15/2003	1/15/2013	5,435,000	—	605,000	4,830,000
Golf Course Improvements	2.25-4.00%	1/15/2003	1/15/2013	765,000	—	85,000	680,000
Open Space Improvements	2.25-4.00%	1/15/2003	1/15/2013	225,000	—	25,000	200,000
Harvard Square Enhancements	2.25-4.00%	1/15/2003	1/15/2013	450,000	—	50,000	400,000
Fiber Optic Network Infrastructure	2.5-3.3%	1/15/2004	1/1/2014	350,000	—	35,000	315,000
Fire Station Renovations	2.5-3.3%	1/15/2004	1/1/2014	155,000	—	15,000	140,000
War Memorial Renovations	2.5-3.3%	1/15/2004	1/1/2014	1,200,000	—	120,000	1,080,000
Building Renovations	2.5-3.3%	1/15/2004	1/1/2014	540,000	—	55,000	485,000
Library Construction	2.5-4.25%	1/15/2004	1/1/2014	8,650,000	—	435,000	8,215,000
Russell Donnelly Field Improvements	2.5-3.3%	1/15/2004	1/1/2014	9,100,000	—	910,000	8,190,000
Yerxa Road Underpass Construction	2.5-3.3%	1/15/2004	1/1/2014	1,250,000	—	125,000	1,125,000
Cambridge Street Improvements	2.5-3.3%	1/15/2004	1/1/2014	1,500,000	—	150,000	1,350,000
Sewer Reconstruction	2.5-3.3%	1/15/2004	1/1/2014	9,420,000	—	945,000	8,475,000
MWRA Loan	N/A	2/26/2004	2/26/2009	595,980	—	119,196	476,784
Harvard Square Enhancements	3-4%	2/1/2005	1/1/2015	—	2,000,000	—	2,000,000
Gold Star Pool Improvements	3-4%	2/1/2005	1/1/2015	—	1,100,000	—	1,100,000
Library Construction	3-4%	2/1/2005	1/1/2025	—	14,000,000	—	14,000,000
Facility for Police Headquarters	3.75%	5/15/2005	3/1/2006	—	31,000,000	—	31,000,000
Area 4 Park Improvements	3-4%	2/1/2005	1/1/2015	—	2,000,000	—	2,000,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2005

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2005</u>
Russell Field Improvements	3-4%	2/1/2005	1/1/2015	\$ —	3,430,500	—	3,430,500
Cambridge Street Improvements	3-4%	2/1/2005	1/1/2015	—	2,365,000	—	2,365,000
Porter Square Enhancements	3-4%	2/1/2005	1/1/2015	—	2,300,000	—	2,300,000
Yerxa Road Underpass	3-4%	2/1/2005	1/1/2015	—	2,200,000	—	2,200,000
MWPAT Loan	N/A	10/1/2004	8/1/2010	—	183,562	—	183,562
MWPAT Loan	N/A	11/23/2004	8/1/2014	—	2,466,360	—	2,466,360
MWPAT Loan	N/A	11/23/2004	8/1/2014	—	1,919,284	—	1,919,284
MWPAT Loan	N/A	11/23/2004	8/1/2014	—	131,570	—	131,570
MWPAT Loan	N/A	12/2/2004	11/15/2009	—	164,010	—	164,010
Sewer Reconstruction	3-4%	2/1/2005	1/1/2015	—	15,489,500	—	15,489,500
Total inside debt limit				<u>140,134,629</u>	<u>80,749,786</u>	<u>18,393,133</u>	<u>202,491,282</u>
Outside debt limit:							
School:							
Elementary school construction	5.5-5.9%	11/1/1994	11/1/2004	1,323,000	—	1,323,000	—
Elementary school construction	4.75-5.75%	6/15/1996	6/15/2006	480,000	—	240,000	240,000
Elementary school construction	4.5%	2/1/1998	2/1/2008	4,800,000	—	1,200,000	3,600,000
Elementary school renovation-Fitz	4.75-5.0%	11/1/1999	11/1/2009	8,650,000	—	1,445,000	7,205,000
Elementary school renovation-Morse	4.75-5.0%	11/1/1999	11/1/2009	420,000	—	70,000	350,000
Elementary school renovations	4.5-5.0%	12/1/2000	12/1/2010	3,710,000	—	530,000	3,180,000
Total school				<u>19,383,000</u>	<u>—</u>	<u>4,808,000</u>	<u>14,575,000</u>
Water:							
Water Plant Equipment	5.5-5.9%	11/1/1994	11/1/2004	87,000	—	87,000	—
Water Main Replacements	5.5-5.9%	11/1/1994	11/1/2004	100,000	—	100,000	—
Water Main Replacements	4.25-5.75%	6/15/1996	6/15/2006	600,000	—	300,000	300,000
New Water Treatment Plant	4.3-5.0%	8/1/1998	8/1/2018	30,000,000	—	2,000,000	28,000,000
MWPAT/Water Loan	4.0-5.75%	10/6/1999	8/1/2009	7,548,531	—	1,179,198	6,369,333
Construction/Water Treatment Plant	4.75-5.75%	11/1/1999	11/1/2019	8,000,000	—	500,000	7,500,000
MWPAT/Water Loan	4.25-5.63%	11/1/2000	11/1/2010	9,208,982	—	1,207,616	8,001,366
Construction/Stoney Brook	3.5-5.0%	12/15/2001	12/15/2011	5,275,000	—	600,000	4,675,000
Automated Meter Reading System	2.5-3.3%	1/15/2004	1/1/2014	3,000,000	—	300,000	2,700,000
Automated Meter Reading System	3-4%	2/1/2005	1/1/2015	—	1,200,000	—	1,200,000
Total water				<u>63,819,513</u>	<u>1,200,000</u>	<u>6,273,814</u>	<u>58,745,699</u>
HUD Sec 108 Notes	7.71-9.03%	2/1/1995	8/1/2014	395,000	—	10,000	385,000
School Equipment Notes	6.85%	6/15/1998	10/15/2008	1,664,560	—	359,291	1,305,269
Housing Trust Fund:							
Note payable	2.00%	4/15/2000	4/15/2021	6,000,000	—	—	6,000,000
Total outside debt limit				<u>91,262,073</u>	<u>1,200,000</u>	<u>11,451,105</u>	<u>81,010,968</u>
Total debt outstanding				<u>\$ 231,396,702</u>	<u>81,949,786</u>	<u>29,844,238</u>	<u>283,502,250</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2005

STATISTICAL SECTION

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and the fiscal capacity of the City.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Expenditures by Function – Budgetary Basis (1)

Last Ten Fiscal Years

Fiscal year	General government, inter-governmental and judgments and claims	Public safety	Community maintenance and development	Health, hospital, and Neville Manor	Human resource development	Education	Debt service	Total
1996	\$ 38,707,201	54,986,388	20,317,721	10,896,015	10,713,945	85,952,725	7,486,944	229,060,939
1997	46,441,468	56,250,701	21,544,794	—	11,912,355	86,933,392	9,908,476	232,991,186
1998	47,913,478	61,549,659	19,925,112	—	12,984,351	89,886,002	10,296,287	242,554,889
1999	50,685,628	62,625,823	21,433,013	—	13,478,195	94,377,533	12,648,513	255,248,705
2000	51,522,351	67,003,685	23,387,335	—	15,720,011	101,032,870	11,499,738	270,165,990
2001	52,394,957	66,713,078	23,832,988	—	16,655,361	105,521,654	11,366,687	276,484,725
2002	55,745,479	70,409,269	26,039,634	—	18,257,711	112,573,192	16,388,633	299,413,918
2003	57,043,519	72,909,499	27,625,956	—	19,519,291	117,137,186	19,070,898	313,306,349
2004	63,997,544	73,785,582	28,130,441	—	19,848,202	117,057,354	21,434,518	324,253,641
2005	65,063,790	78,618,557	30,673,694	—	21,093,962	115,839,781	23,951,208	335,240,992

- (1) The figure in the Health, Hospital and Neville Manor column for 1996 represents the subsidies from the General Fund to the Hospital and Neville Manor Enterprise Funds. In 1997, the Cambridge Public Health Commission, which includes the Cambridge Hospital, Health Department, and Neville Manor, was established as a separate authority. The City's transfer to the CPHC is shown as an intergovernmental expenditure.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Expenditures by Function – General and Selected Other Governmental Funds – GAAP Basis (1)

Last Ten Fiscal Years

(In thousands)

Fiscal year	General government	Public safety	Community maintenance and development	Human resource development	Education	Fuel assistance	Judgments and claims	State assessments	Other	Debt service	Total
1996	\$ 17,842	55,362	19,229	10,153	85,836	837	846	21,067	5,369	7,383	223,924
1997	16,719	55,931	19,076	11,169	85,514	744	936	20,660	4,350	9,884	224,983
1998	17,475	62,070	19,328	12,343	90,481	650	537	20,826	4,268	10,280	238,258
1999	21,752	61,995	19,379	12,602	93,371	614	1,000	21,223	—	12,683	244,619
2000	18,032	66,443	21,582	14,699	100,200	907	2,479	21,407	—	11,492	257,241
2001	22,544	66,776	24,592	15,970	105,324	1,308	709	21,107	—	11,369	269,699
2002	26,805	70,387	24,172	17,531	112,961	964	205	28,019	—	16,387	297,431
2003	20,820	72,870	26,957	19,056	117,721	1,135	156	29,698	—	19,069	307,482
2004	23,987	74,324	27,019	19,127	114,519	939	533	33,618	—	21,427	315,493
2005	27,402	77,756	28,551	20,668	111,213	816	225	33,887	—	24,076	324,594

(1) Includes General and selected Special Revenue Funds.

Note: Certain functions have been reclassified to conform with the more recent fiscal year's presentation.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Revenues by Source – Budgetary Basis

Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Taxes (1)</u>	<u>Licenses and permits</u>	<u>Inter-governmental revenue</u>	<u>Charges for service</u>	<u>Fines and forfeits (2)</u>	<u>Miscellaneous revenue</u>	<u>Total revenues</u>
1996	\$ 150,282,907	4,019,555	35,464,750	21,976,741	7,270,904	7,558,188	226,573,045
1997	154,534,476	6,094,715	36,420,810	21,908,242	7,336,024	9,739,440	236,033,707
1998	160,453,362	6,738,798	37,207,164	22,688,087	7,281,070	8,714,293	243,082,774
1999	167,834,981	6,233,681	41,403,415	22,940,870	7,317,736	13,960,295	259,690,978
2000	174,987,441	10,201,219	39,820,586	20,716,194	7,316,708	12,477,812	265,519,960
2001	190,574,030	11,731,007	47,022,550	20,563,466	8,943,462	13,357,728	292,192,243
2002	199,245,566	7,200,524	46,822,454	23,836,866	8,538,450	11,304,914	296,948,774
2003	208,652,274	12,386,635	42,690,197	27,061,324	8,171,791	10,860,234	309,822,455
2004	221,802,920	7,789,553	42,601,103	26,546,224	8,732,360	10,017,878	317,490,038
2005	237,190,376	8,976,262	43,801,641	28,661,479	8,973,390	14,364,088	341,967,236

(1) Includes property taxes, net of abatements, hotel/motel and motor vehicle excise taxes, and payments in lieu of taxes.

(2) Includes parking fines reported in the Special Revenue Fund as follows: \$6,620,432 in 1996, \$6,722,343 in 1997, \$6,643,771 in 1998, \$6,714,453 in 1999, \$6,620,191 in 2000, \$7,288,425 in 2001, \$8,002,287 in 2002, \$8,071,817 in 2003, \$8,192,650 in 2004, and \$8,620,708 in 2005.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Fiscal year	Net tax (2) levy	Current tax (3) collections	Percent of net levy collected	Prior year tax collections (refunds) (4)	Total tax collections	Total collections as a% of net levy	Outstanding and/or delinquent taxes (5)	Outstanding delinquent taxes as a% of net levy
1996	\$ 140,191,464	139,860,593	100%	\$ (1,618,909)	138,241,684	99%	\$ 4,447,397	3%
1997	143,820,000	143,985,981	100	(6,610,010)	137,375,971	96	4,531,992	3
1998	150,053,550	150,900,173	101	(392,618)	150,507,555	100	4,451,252	3
1999	154,749,999	155,715,163	101	173,390	155,888,553	101	3,799,562	2
2000	159,750,000	161,042,071	101	533,202	161,575,273	101	4,424,002	3
2001	174,311,575	173,621,734	100	190,578	173,812,312	100	5,403,720	3
2002	183,678,342	182,954,775	100	2,083,030	185,037,805	101	6,095,610	3
2003	193,746,192	192,373,785	99	2,641,375	195,015,160	101	4,816,887	2
2004	205,100,000	203,921,561	99	663,015	204,584,576	100	5,806,078	3
2005	218,437,505	214,120,685	98%	42,637	214,163,322	98%	8,812,181	4%

- (1) Real and personal property taxes.
- (2) Total tax levy less overlay reserve for abatements.
- (3) Current tax collections reflect the amount of a fiscal year's tax levy collected during the fiscal year, net of related refunds.
- (4) Prior year tax collections for any fiscal year exclude interest and penalties, and relate to collections in the current year that relate to prior year levies, net of refunds.
- (5) Outstanding and/or delinquent taxes exclude accrued interest and penalties.

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Equalized Valuation of Taxable Property

Last Ten Fiscal Years

Fiscal year	Real property	Personal property	Total assessed value (1)	Equalized valuation (2)	% of total assessed value to equalized
1996	\$ 6,782,990,307	227,040,000	7,010,030,307	7,508,093,800	93%
1997	7,006,073,437	236,051,000	7,242,124,437	7,593,801,600	95
1998	7,254,711,431	248,991,150	7,503,702,581	7,593,801,600	99
1999	9,286,634,355	256,202,460	9,542,836,815	8,505,892,500	112
2000	10,763,157,000	274,785,030	11,037,942,030	8,505,892,500	130
2001	12,410,137,200	293,000,330	12,703,137,530	12,681,060,300	100
2002	16,531,950,616	305,136,510	16,837,087,126	12,681,060,300	133
2003	17,382,808,566	367,927,030	17,750,735,596	18,243,245,900	97
2004	18,782,704,000	443,868,680	19,226,572,680	18,243,245,900	105
2005	20,880,681,074	467,319,450	21,348,000,524	21,282,513,300	100%

(1) As of January 1st.

(2) As of January 1, 1996, 1998, 2000, 2002, and 2004, respectively. Equalized valuations are determined biannually by the Commissioner of Revenue.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates (1)

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
1996	\$	13.32	34.89	34.89	25.00
1997		13.02	35.78	35.78	25.00
1998		13.43	35.98	35.78	25.00
1999		11.05	27.25	27.25	25.00
2000		9.64	25.16	25.16	25.00
2001		9.21	23.39	23.39	25.00
2002		7.22	18.81	18.81	25.00
2003		7.26	18.67	18.67	25.00
2004		7.63	19.08	19.08	25.00
2005		7.78	18.28	18.28	25.00

(1) Real and personal property tax rate applicable to each \$1,000 of assessed value. Motor vehicle excise tax is assessed on a calendar year basis, applicable to each \$1,000 of assessed value.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal year	Population (1)	Assessed value	Net bonded debt (2)	Ratio of net bonded debt to assessed valuation	Net bonded debt per capita
1996	99,890	\$ 7,010,030,307	80,567,165	1.1	807
1997	99,890	7,242,124,437	79,134,995	1.1	792
1998	93,793	7,503,702,581	106,181,111	1.4	1,132
1999	93,793	9,542,836,815	132,517,560	1.4	1,413
2000	102,202	11,037,942,030	156,852,807	1.4	1,535
2001	101,355	12,703,137,530	201,254,166	1.6	1,986
2002	101,355	16,837,087,126	212,729,858	1.3	2,098
2003	101,355	17,750,735,596	215,605,958	1.2	2,127
2004	101,355	19,226,572,680	223,337,142	1.2	2,204
2005	101,355	21,348,000,524	275,811,981	1.3	2,721

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports, Local Population Estimates for 1994 through 2000 and U.S. Department of Commerce, Bureau of the Census, Decennial Census for 2001 through 2005.

(2) Includes general obligation bonds that are reported as debt of the Enterprise Fund.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures (3)

Last Ten Fiscal Years

Fiscal year	Principal (1)	Interest (1)	Total debt service (2)	Total expenditures (3)	Ratio of debt service to total expenditures
1996	\$ 13,130,099	4,005,353	17,135,452	229,060,939	7.5
1997	15,955,828	4,160,269	20,116,097	224,394,170	9.0
1998	13,963,884	3,932,297	17,896,181	233,957,889	7.6
1999	15,165,156	5,948,723	21,113,879	246,651,705	8.6
2000	16,064,380	7,100,178	23,164,558	261,568,990	8.9
2001	17,829,926	8,384,966	26,214,892	268,886,725	9.7
2002	22,510,723	9,281,559	31,792,282	299,413,918	10.6
2003	25,825,664	9,550,789	35,376,453	313,306,349	11.3
2004	28,039,796	9,223,497	37,263,293	324,433,265	11.5
2005	29,484,947	9,276,537	38,761,484	335,240,992	11.6

- (1) Includes principal and interest on all general obligation notes and bonds outstanding, including bonds payable reported in the Enterprise Fund, except for the school equipment notes.
- (2) Does not include debt service on short-term borrowing, such as revenue anticipation notes, which are retired during the fiscal year.
- (3) Includes all categories of General Fund budgetary expenditures from 1996 to 2005.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Legal Debt Margin

June 30, 2005

Fiscal year 2005 equalized valuation (1)	\$ 21,282,513,300
Normal debt limit (5% of equalized valuation)	1,064,125,665
Amount of debt applicable to debt limit:	
Total bonded debt	275,811,981
Total authorized/unissued	161,044,922
Less:	
General obligation bonds exempted by authority of the state legislature	73,320,699
Amount within debt limit	363,536,204
Legal debt margin	\$ 700,589,461

- (1) In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biannually makes his own determination of fair cash value of the taxable property in each municipality. This is known as “equalized valuation.” The last redetermination of “equalized valuation” for the City was made as of January 1, 2004.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Direct and Overlapping Debt

June 30, 2005

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 275,811,981	—	100.00%	\$ 275,811,981
Massachusetts Water Resources Authority	—	3,529,647,000	4.86	171,494,612
Total direct and overlapping debt	\$ <u>275,811,981</u>	<u>3,529,647,000</u>		\$ <u>447,306,593</u>

(1) Includes general obligation bonds that are reported as debt of the Enterprise Fund.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

(Dollars in thousands)

Fiscal year	Real property assessed value	Building permits issued (1)	Construction value	% Distribution (1)		Bank deposits (2)
				Residential	Commercial	
1996	\$ 6,782,990	1,664	\$ 185,205	33	67	2,267,170
1997	7,006,073	1,995	388,057	25	75	1,949,015
1998	7,254,711	2,460	430,160	38	62	2,452,040
1999	9,286,634	2,572	321,835	31	69	2,595,209
2000	10,763,157	2,135	720,647	29	71	2,685,395
2001	12,410,137	1,946	825,696	28	72	2,946,832
2002	16,531,951	1,878	462,909	26	74	3,225,932
2003	17,382,809	1,948	844,863	33	67	3,498,380
2004	18,782,704	1,922	412,337	40	60	3,808,517
2005	20,880,681	2,034	559,360	79	21	3,382,861

(1) Source: Inspection Services Department.

(2) Source: Federal Deposit Insurance Corporation. These figures do not include deposits in credit unions and savings and loan institutions, and they include only banks whose headquarters are in Cambridge.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Taxpayers (1)

June 30, 2005

<u>Property Owner</u>	<u>Business</u>	<u>Assessed valuation</u>	<u>Real & Personal taxes</u>	<u>% of total tax levy</u>
Mass. Institute of Technology	Education	\$ 1,357,675,100	23,322,837 (1)	10.46%
Lyme Properties	Commercial	438,954,800	7,804,685	3.50
Boston Properties	Commercial	380,353,900	6,952,869	3.12
Equity Partners	Commercial	212,021,600	4,221,040	1.89
New England Development Presidents & Fellows of Harvard College	Commercial Education	203,047,200 260,194,600	3,711,703 3,383,210 (2)	1.66 1.52
Riverfront LLC	Commercial	180,000,400	3,290,407	1.48
One Kendall LLC	Commercial	177,489,400	3,221,426	1.44
The Bullfinch Company	Commercial	130,205,900	2,380,164	1.07
GE Capital Investments Advisors	Commercial	112,527,700	2,057,006	0.92%
Totals		<u>\$ 3,452,470,600</u>	<u>60,345,347</u>	<u>27.06%</u>

(1) As of January 1, 2004.

(2) Excludes in lieu payments on exempt property.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Salaries of Principal Officials

June 30, 2005

City Council:		
Chairman (Mayor)	\$	89,663
Members		60,042
City Clerk		89,382
City Auditor		95,655
Executive:		
City Manager		210,075
Deputy City Manager		172,335
Assistant City Manager/Fiscal Affairs		123,229
Assistant City Manager/Community Development		123,229
Assistant City Manager/Human Services		123,229
Budget Director		102,907
Personnel Director		105,581
Director of Assessment		100,500
City Solicitor		110,758
Commissioner of Public Works		107,175
Commissioner of Inspectional Services		92,000
Superintendent of Schools		180,250
Police Commissioner		154,288
Fire Chief		145,739
Director of Libraries/Communications		97,779

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

Characteristic	Cambridge	Massachusetts	United States
Population (1):	101,355	6,349,097	281,421,906
Median age (1):			
2000	30.4	36.5	35.3
1990	31.1	33.6	32.9
1980	28.6	31.2	30.0
1970	26.8	28.0	28.0
1960	29.6	32.1	29.5
Age group (1):			
0-4	4.1%	6.3%	6.8%
5-17	9.2	17.4	18.9
18-44	38.6	31.3	30.2
45-64	39.0	31.5	31.7
65 and over	9.2	13.5	12.4
Median family income (2):			
1999	\$ 59,423	61,664	50,046
1989	39,990	44,367	37,919
1979	17,845	21,166	19,917
Per capita income (2):			
1999	\$ 31,156	25,952	21,587
1989	19,879	22,236	17,592
1979	7,957	10,096	9,494
Unemployment rates (3):			
2005 (August)	3.0%	4.1%	4.9%
2004 (August)	3.6	5.3	5.4
2003	3.8	5.6	6.0
2002	3.6	4.8	6.0
2001	2.6	3.7	4.9
2000	1.7	2.5	3.8
1999	1.9	3.2	4.2
1998	1.9	3.3	4.5
1997	2.4	4.0	4.9
1996	2.7	4.3	5.4
1995	3.5	5.4	5.6
1994	3.8	6.0	6.1
Four or more years of college education, 25 years old and over (3)	65.1	33.2	24.4
High school graduates 25 years old and over (3)	89.5	84.8	80.4

(1) Source: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000

(2) Source: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000, 1990, 1980

(3) Source: Massachusetts Division of Labor and Industries

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

	<u>K-8</u>	<u>9-12</u>	<u>Special</u>	<u>Total</u>
Public school enrollments (1):				
2005	4,361	1,827	262	6,450
2004	4,557	1,887	312	6,756
2003	4,888	1,889	334	7,111
2002	5,073	1,904	319	7,296
2001	5,109	1,951	248	7,308
2000	5,119	1,930	442	7,491
1999	5,271	1,910	457	7,638
1998	5,497	1,910	459	7,866
1997	5,539	1,983	531	8,053
1996	5,528	1,989	651	8,168
1995	5,574	2,047	670	8,291
1994	5,460	2,036	688	8,184

(1) Enrollments are as of October 1 for the fiscal years shown.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2005

Electronic Publishing	KPMG LLP
Paper	70 pound Finch
Covers and Dividers	80 pound coated
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Printing – Covers and Dividers	KPMG LLP
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