



**City of Cambridge,  
Massachusetts**

**Comprehensive Annual  
Financial Report**

July 1, 2008 – June 30, 2009

**CITY OF CAMBRIDGE, MASSACHUSETTS**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

Fiscal Year  
July 1, 2008 through June 30, 2009

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:

### **Cambridge War Memorial Recreation Center**

Construction to renovate this late 1950's era building, located on Cambridge Street, included improving and updating building systems, providing universal accessibility and revamping the layout of the locker rooms, restrooms, classrooms and administrative offices. The 78,000 square foot facility houses three pools, a gymnasium with basketball and volleyball courts, a state-of-the-art fitness room, a multipurpose room and separate locker room facilities for school and public use.

The Cambridge Recreation Division will be offering a variety of programming and clinics for youth and adults, including tennis, volleyball, yoga, aqua aerobics and swim instruction, life conditioning, karate, volleyball and more. The 26,000 square foot field house adjacent to the War Memorial also includes basketball, tennis and volleyball courts, plus an indoor running track.

The War Memorial facility was originally named to honor Cambridge men and women who were killed in action in service to our country and city, from the Revolutionary War through the present. The grand reopening ceremony, held in January 2009, included the unveiling of a special plaque in memory of William E. Gurry (1916-1983), former Director of Recreation Programs & Pool Manager for the Cambridge War Memorial facility. A lifelong Cambridge resident, Gurry's commitment to youth, family, interscholastic athletics and public recreation was second to none.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Comprehensive  
Annual Financial Report

June 30, 2009

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# CITY OF CAMBRIDGE, MASSACHUSETTS

## Comprehensive Annual Financial Report

June 30, 2009

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# Introductory Section



# City of Cambridge

## FINANCE DEPARTMENT

LOUIS DePASQUALE

*Assistant City Manager/Finance*

December 18, 2009

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, 2009 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 and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government-wide basis as shown on pages 13 and 14. 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***

As a part of its internal control structure, the City maintains budgetary controls. The objective of these controls is to ensure compliance with the legally mandated budget adopted by the City Council. Activities of the General Fund are included in the annual budget.

Budgetary control defines the level at which expenditures cannot legally exceed the appropriated amount. For the General Fund, this control is at the department level. Budgetary controls reside within the City's financial system and are monitored by the Office of Budget Management and the Auditing Department to ensure compliance.

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 as expenditures 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 Health Alliance.

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2008 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

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*Robert W. Healy, City Manager*

*Richard C. Rossi, Deputy City Manager*

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December 18, 2009

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, 2009. 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.

**Fiscal 2009 Year in Review: Major Initiatives/Highlights**

During fiscal year 2009, the City continued the gains made in previous fiscal years. The general fund balance totaled \$156.5 million at year end, a decrease of \$11.0 million (6.6%) over fiscal year 2008.

Real property assessed valuations increased from \$23.5 billion in fiscal year 2008 to \$23.9 billion in fiscal year 2009, a \$0.4 billion or 1.7% increase. The commercial sector realized a 1.2% gain in assessed value, \$0.1 billion from fiscal year 2008. The residential sector assessed values increased by \$0.2 billion, a 1.6% increase from fiscal year 2008. Also, in fiscal 2009, the City's property tax levy limit grew to \$347.6 million from \$330.6 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$92.7 million in fiscal year 2009, an increase of \$4.4 million, or 5.0%, from fiscal year 2008.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2009 are as follows:

- In conjunction with the City's March 2009 bond sale, the three major credit rating agencies confirmed their highest rating available to cities. Moody's Investors Service noted in its rating that "The assignment of Moody's highest quality long-term rating incorporates: an exceptionally strong financial position, positioning the City to weather uncertain economic conditions more favorably than most similarly-sized cities. Cambridge's solid financial performance is supported by the City's seasoned and highly effective management team, a large and diverse tax base with a significant tax-exempt sector and a favorable debt profile supported by healthy enterprise systems and historically strong Commonwealth school building aid." While Standard and Poor's wrote in their rating "The stable outlook reflects Standard & Poor's expectation that the City will continue to manage its financial position prudently, which it has significantly demonstrated by increasing reserves over the past eight years. The City's economic and property tax base development should continue, allowing it to maintain structural balance between revenues and expenditures while maintaining ample tax levy flexibility." While Fitch Ratings noted "The long-standing presence of higher education, health care, biotechnology, and life sciences industries creates a stable, well-diversified economy. The City boasts exceptional financial management reflected in consistently strong financial results and reserve levels. Debt levels are expected to remain

manageable, aided by the City's rapid amortization rate. Key Rating Drivers - Continued, strong financial management should enable Cambridge to maintain its superior credit rating.”

- Established a Health Care Task Force, which reviewed health plan costs and opportunities to provide employees with wellness initiatives. This resulted in a recommendation to increase employee reimbursements for weight loss and fitness memberships, as well as achieving \$500,000 in budget savings in FY10 due to changes in plan design.
- The Insurance Service Organization (ISO) has continued to give a Class 1 designation to the Cambridge Fire Department, the highest rating a Fire Department can receive. In 2008, there were only 57 Class 1 communities across the country: Cambridge is the only one in Massachusetts. This rating is based on criteria related to training, equipment, facilities, water supply and communication systems. Much of the information collected by ISO is utilized by the insurance industry in underwriting and to establish fair premiums for homeowners and commercial fire insurance, which translates into lower insurance premiums for Cambridge property owners.
- In addition to assigning its 'AAA' rating, Standard and Poor's reaffirmed its "strong" Financial Management Assessment (FMA) of the City in March 2009. An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable. The strong rating indicates that the government maintains most best practices deemed critical to supporting credit quality and that these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue into the future and transcend changes in the operating environment or personnel.
- In March 2009, the City's issued \$47.4 million in general obligation bonds to finance a wide variety of projects including the Main Library Expansion, Sewer and Street Reconstruction Projects, Cambridge Rindge & Latin School (CRLS) Renovation Project, fire station and other City building renovations and the replacement of the City's radio system. The true interest cost of this issue was 3.59%.
- 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. The amount appropriated or reserved in FY09 was \$10.9 million and 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 2009, the CPA tax raised \$6.6 million from local revenues with the State contributing matching funds of \$4.4 million. Through fiscal year 2009, the City appropriated or reserved \$83.1 million in CPA funds with approximately \$34.8 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- As a result of continued strong fiscal management, the property tax levy for FY09 increased by only 5.20% when the City Council adopted the City Manager's property tax and classification recommendations in September 2009, which followed a 4.55% increase in FY08 and a 3.96% increase in FY07. During the past four years, the average property tax levy increase is 3.40%. The FY09 Budget adopted in May 2008, reflected a 5.00% increase over the FY08 adjusted budget and called for a 5.68% increase in the property tax levy. However, the City was able to use additional nonproperty tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 5.20% increase. In FY09, the continued strong commercial market, coupled with a slight decrease in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from residential taxpayers for the fourth year in a row. As a result, 85.30% of the residential taxpayers received a property tax bill that was lower, the same, or only slightly higher (less than a \$100) than the previous year.

- Developed the City's second Project Funding Agreement with the Massachusetts School Building Authority for the CRLS Renovation Project, which will yield a \$28 million reimbursement to the City.
- The City's fiscal year free cash position of \$84.6 million is a decrease of \$7.2 million from the previous fiscal year due primarily to the continued funding of the debt stabilization fund through a free cash allocation of \$8 million.
- 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 both these awards annually from the GFOA for the last 22 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 2009 with a total general fund balance of \$156.5 million, which represents 41.7% of general fund revenues, a decrease from 43.6% in fiscal year 2008. In fiscal year 2009, operations produced a \$22.8 million deficit. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$14.9 million was held as reserve accounts in fiscal year 2009, leaving an unreserved fund balance of \$141.6 million. General fund cash and short-term investments totaled \$185.0 million, while the balance of cash and short-term investments for all funds totaled \$344.4 million, which is a \$36.3 million, or 9.5% decrease from fiscal year 2008.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 2000 through 2009.

|              | <b>Unreserved<br/>general fund<br/>balance</b> |
|--------------|--|
|              | <hr/>  |
| Fiscal year: |  |
| 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                                    |
| 2006         | 120,245,450                                    |
| 2007         | 134,869,147                                    |
| 2008         | 150,312,018                                    |
| 2009         | 141,595,256                                    |

- (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.

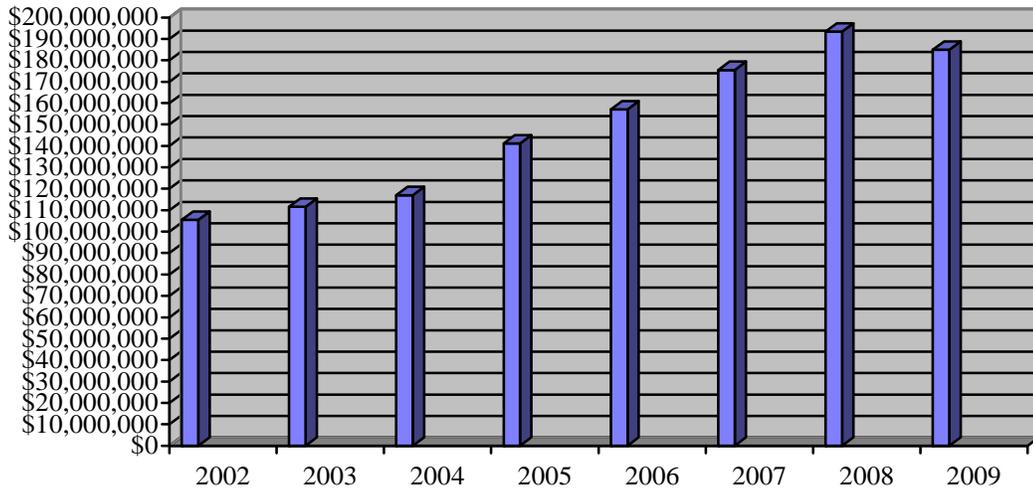
**Cash Position**

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

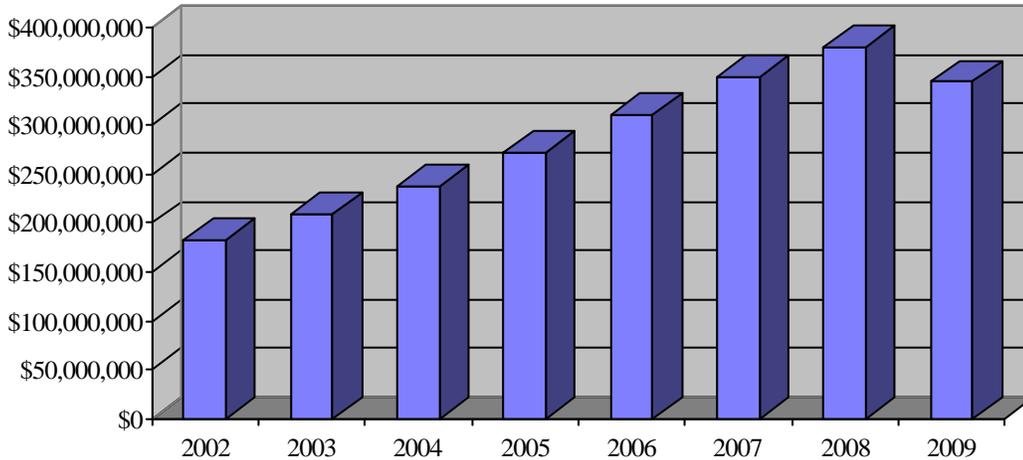
| Fiscal year: | <u>Year-end<br/>general fund<br/>cash and<br/>short-term<br/>investments</u> | <u>Year-end all<br/>funds cash<br/>and<br/>short-term<br/>investments</u> |
|--------------|--|---|
| 2002 (1)     | \$ 105,531,056   | 182,379,699   |
| 2003         | 111,601,721  | 208,777,005   |
| 2004         | 117,007,650  | 237,761,490   |
| 2005         | 141,163,873  | 272,770,097   |
| 2006         | 157,015,287  | 311,599,017   |
| 2007         | 175,514,111  | 349,547,200   |
| 2008         | 193,401,156  | 380,717,649   |
| 2009         | 184,961,474  | 344,372,924   |

- (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 2010 through fiscal year 2014, which was approved by the City Council in May 2009, has an estimated cost of \$223,075,650. Financing for the fiscal year 2010 portion of the capital plan was appropriated with the adoption of the fiscal year 2010 operating budget in May 2009.

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. The City’s outstanding bonded debt as of June 30, 2009 totaled \$326.8 million.

#### ***Property Valuations***

Based on valuations of all real and personal property as of January 1, 2008, the total value of all property in the City is \$23.9 billion. Of that total, \$0.7 billion is attributable to new construction. The table below compares fiscal year 2009 property valuations and tax rates to fiscal year 2008 valuations and tax rates.

|                       | <b>Property valuation</b> |                | <b>Tax rates</b> |                |
|-----------------------|---------------------------|----------------|------------------|----------------|
|                       | <b>FY 2009</b>            | <b>FY 2008</b> | <b>FY 2009</b>   | <b>FY 2008</b> |
|                       | (In millions)             |                |                  |                |
| Commercial/industrial | \$ 8,457                  | 8,377          | 17.97            | 17.24          |
| Personal property     | 768                       | 737            | 17.97            | 17.24          |
| Residential           | 14,651                    | 14,427         | 7.56             | 7.36           |
| Total value           | <b>\$ 23,876</b>          | <b>23,541</b>  |                  |                |

***Permanent Trust Fund***

The City's permanent trust fund has a total fund balance of \$3,440,318 at June 30, 2009 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, 2008, the City's unfunded actuarial accrued liability is approximately \$67.0 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.

***OPEB Liability***

As of June 30, 2009, the City's unfunded actuarial accrued liability is approximately \$598.9 million. The City has not established a funding schedule for this liability.

***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 and Tufts Associated Health Plan. All nonmedicare plans are paid on a claims basis. All four plans require at least 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.

***New Accounting Standards***

In 2009, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This standard requires the City to report a liability in its financial statements related to cleaning up pollution or contamination. The statement also requires restatement of beginning net assets in fiscal 2009 if an obligation exists and establishes a probability-weighted method that a government would be required to use to determine the established amount of pollution obligation liabilities to be reported in its financial statements.

In fiscal year 2009, beginning net assets were restated by approximately \$799 thousand due to the implementation of GASB 49. The majority of this pollution remediation liability is the result of City road improvements. The City is remediating the roads. The remaining liability is expected to be approximately \$163 thousand, to be expended by FY 2010.

### ***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, 2009 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, 2008.

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 U.S. 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 September 2009 unemployment rate of 6.6% that is lower than the Boston PMSA, the Commonwealth of Massachusetts, and the United States. Cambridge continues to be a net importer of jobs within the region. In calendar year 2008, the City's employment ratio was 107 jobs per 100 residents. Per capita personal income (PCPI) in the Cambridge metropolitan division is 49.1% higher than the PCPI for the USA, 17.8% 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 18.0% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge. In addition, seven of the top 25 employers fall into the Biotechnology sector, which employs approximately 8,600 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.

Despite the economic crisis, the past fiscal year was another solid year for the finances of the City: with the excess levy capacity increasing, actual revenues above projections, and increased total assessed values. While the City used \$21.0 million in free cash in fiscal year 2009, it was able to replace all but \$7.2 million, which based on the economic climate, is a major accomplishment. This amount would be lower by \$2.6 million if it weren't for the mid-year \$2.6 million state aid reduction. These strong financial indicators combined with a AAA credit rating provide the City with enormous fiscal flexibility and stability.

These factors are important as we navigate through these difficult economic times, which will require us to look for ways to continue to expand nonproperty-tax revenue, encourage expansion of the tax base, exercise restraint on expenditures and strategically use our reserve funds. While Cambridge is not insulated from current economic realities, we have positioned ourselves well to respond to these challenges in order

to preserve our high level of municipal services as well as meet the needs of our infrastructure that will benefit our citizens for decades to come.

**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.

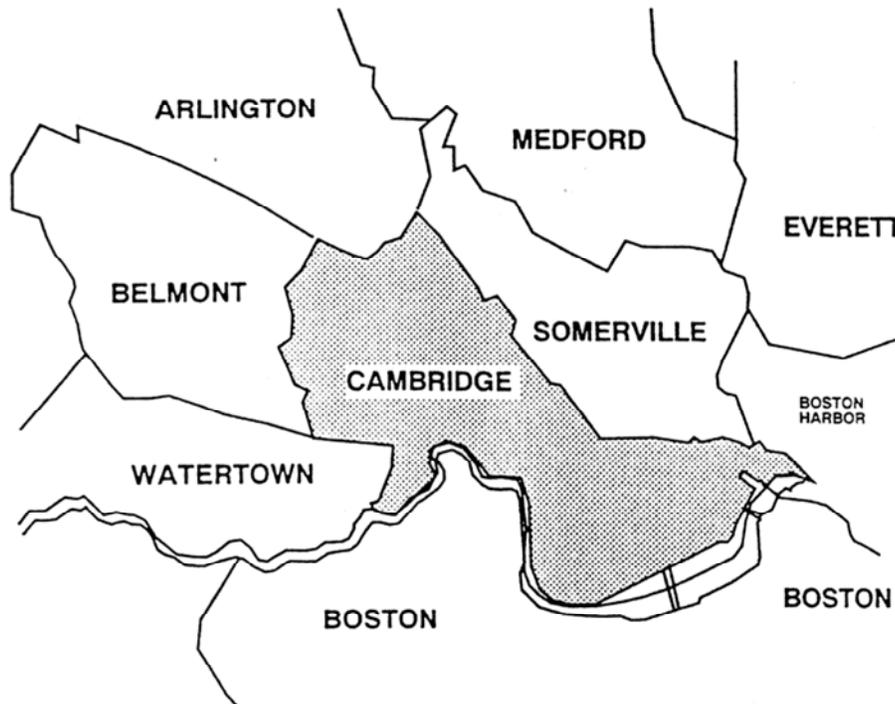
Finally, I would like to thank the City's delegation to the State Legislature, who has continually offered strong support on State fiscal matters that impact the City.

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 September 30, 2009.

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 2009**

**Directory of Officials**

**City Council**

E. Denise Simmons, Mayor

|                        |                        |
|------------------------|------------------------|
| Sam Seidel, Vice Mayor | David P. Maher         |
| Henrietta Davis        | Kenneth E. Reeves      |
| Marjorie C. Decker     | Sam Seidel             |
| Craig A. Kelley        | Timothy J. Toomey, Jr. |
| Larry Ward             |                        |

**School Committee**

E. Denise Simmons, Chair

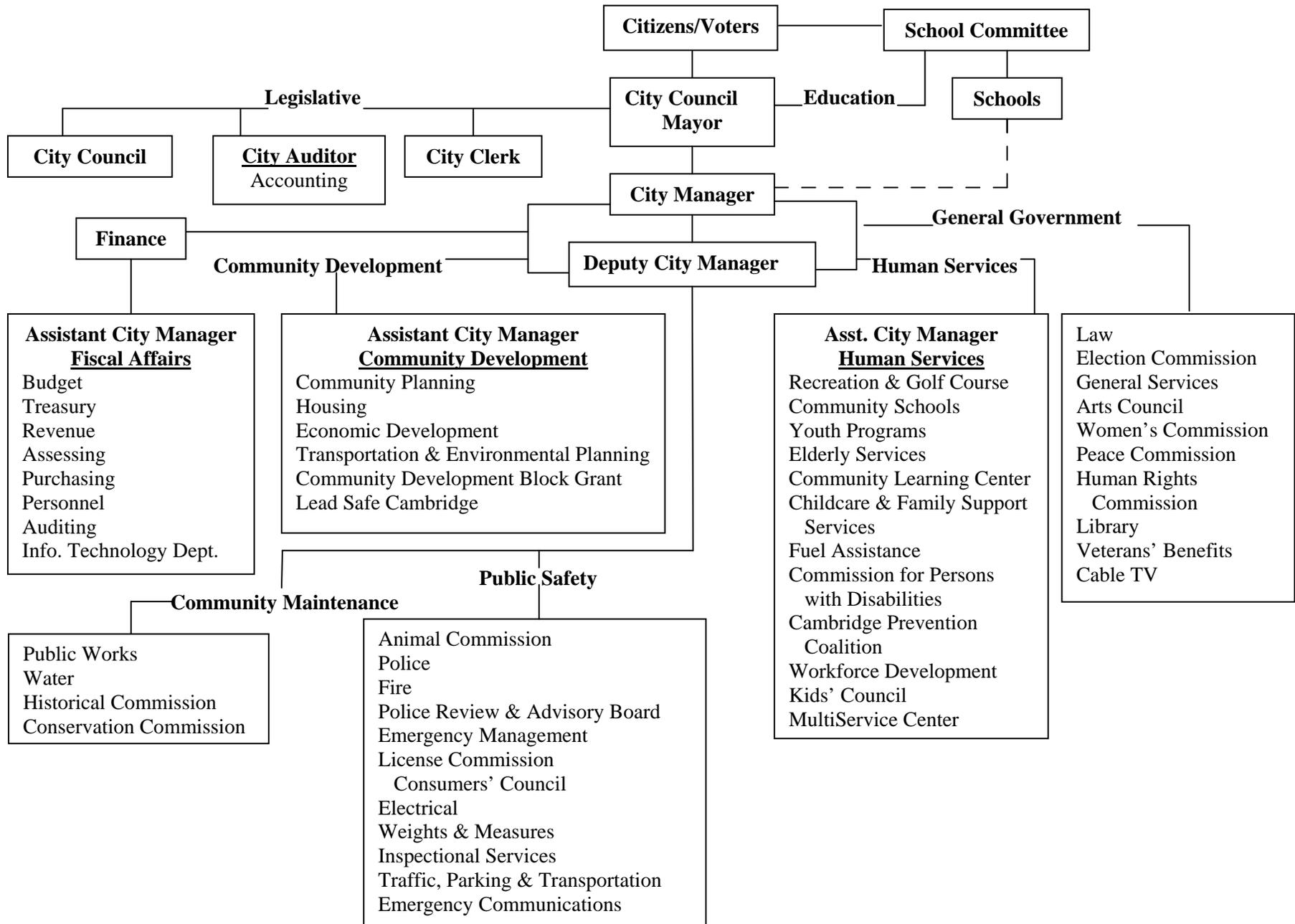
|                   |                   |
|-------------------|-------------------|
| Alfred B. Fantini | Patricia M. Nolan |
| Joseph G. Grassi  | Luc Schuster      |
| Marc McGovern     | Nancy Tauber      |

**Principal Executive Officers**

|  |                     |
|--|---------------------|
| City Manager   | Robert W. Healy     |
| Deputy City Manager  | Richard C. Rossi    |
| Assistant City Manager for Fiscal<br>Affairs and Treasurer/Collector | Louis A. DePasquale |
| Assistant City Manager for Community<br>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   |

# ORGANIZATIONAL CHART

## City of Cambridge, Massachusetts



# 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, 2008

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.



President

Executive Director

# Financial Section



**KPMG LLP**  
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## **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 (the City), as of and for the year ended June 30, 2009, 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'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, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 2(n), the City, in 2009, implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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, the schedules of funding progress and employers' contributions, and the schedule of revenues and expenditures – budgetary basis as listed in the accompanying table of contents are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 18, 2009

# CITY OF CAMBRIDGE, MASSACHUSETTS

## Required Supplementary Information Management's Discussion and Analysis

June 30, 2009

(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, 2009. 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 Financial 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 serve as a useful indicator of whether the City's 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

June 30, 2009

(Unaudited)

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 Health Alliance, (CHA) operates similar to a private sector business and the business-type activity described above.

Complete financial statements for the CHA can be obtained from its administrative offices located at 101 Station Landing, 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

June 30, 2009

(Unaudited)

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 information for the City's pension and other postemployment benefit obligations and related schedules of employers' contributions.

### **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 13.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2009

(Unaudited)

The City's combined net assets (governmental and business-type activities) exceeded its liabilities at June 30, 2009 by \$709.3 million (presented as net assets). Of this amount, \$182.7 million was reported as "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 infrastructure (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$514.9 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 \$321.1 million, down 9.5% from prior year; net receivables of \$30.4 million; and \$13.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$299.6 million in general obligation bonds and notes payable; \$17.2 million in compensated absence liabilities for unused sick and vacation; and \$17.0 million in future year workers' compensation, health benefits and possible judgments. The major increases in the long-term liabilities are the net increase in general obligation bonds of \$19.6 million which will be used for the CRLS renovations, sewer projects, library remodeling and other large capital projects, and an increase in other postemployment benefit obligations of \$21.0 million.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Business-type activity long-term liabilities include \$33.2 million in general obligation bonds, \$516 thousand in compensated absences and \$1.0 million in future year workers' compensation and health benefits. The net reduction of \$6.3 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

**Condensed Schedule of Net Assets**

June 30, 2009 and 2008

(In millions)

|   | <b>Governmental activities</b> |              | <b>Business-type activity</b> |              | <b>Total primary government</b> |                |
|---|--------------------------------|--------------|-------------------------------|--------------|---------------------------------|----------------|
|   | <b>June 30</b>                 |              | <b>June 30</b>                |              | <b>June 30</b>                  |                |
|   | <b>2009</b>                    | <b>2008</b>  | <b>2009</b>                   | <b>2008</b>  | <b>2009</b>                     | <b>2008</b>    |
| Current and other assets                | \$ 368.7                       | 402.1        | 7.9                           | 8.8          | 376.6                           | 410.9          |
| Capital assets                          | 652.8                          | 589.4        | 133.6                         | 135.0        | 786.4                           | 724.4          |
| <b>Total assets</b>                     | <b>\$ 1,021.5</b>              | <b>991.5</b> | <b>141.5</b>                  | <b>143.8</b> | <b>1,163.0</b>                  | <b>1,135.3</b> |
| Long-term liabilities                   | \$ 378.5                       | 333.0        | 35.3                          | 41.3         | 413.8                           | 374.3          |
| Other liabilities                       | 39.0                           | 42.1         | 0.9                           | 1.3          | 39.9                            | 43.4           |
| <b>Total liabilities</b>                | <b>\$ 417.5</b>                | <b>375.1</b> | <b>36.2</b>                   | <b>42.6</b>  | <b>453.7</b>                    | <b>417.7</b>   |
| Net assets:                             |                                |              |                               |              |                                 |                |
| Invested in capital assets, net of debt | \$ 415.3                       | 381.8        | 99.6                          | 94.4         | 514.9                           | 476.2          |
| Restricted                              | 11.6                           | 10.0         | —                             | —            | 11.6                            | 10.0           |
| Unrestricted                            | 177.1                          | 224.5        | 5.7                           | 6.8          | 182.8                           | 231.3          |
| <b>Total net assets</b>                 | <b>\$ 604.0</b>                | <b>616.3</b> | <b>105.3</b>                  | <b>101.2</b> | <b>709.3</b>                    | <b>717.5</b>   |

**Statement of Changes in Net Assets**

The City's total net assets decreased by \$8.2 million in fiscal year 2009 of which the governmental activities net assets decreased \$12.3 million and the business-type activity increased \$4.1 million.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2009

(Unaudited)

This summary of net changes is based upon the statement found on page 14.

**Condensed Schedule of Changes in Net Assets**

June 30, 2009 and 2008

(In millions)

|   | <b>Governmental activities</b> |              | <b>Business-type activity</b> |              | <b>Total primary government</b> |              |
|---|--------------------------------|--------------|-------------------------------|--------------|---------------------------------|--------------|
|   | <b>June 30</b>                 |              | <b>June 30</b>                |              | <b>June 30</b>                  |              |
|   | <b>2009</b>                    | <b>2008</b>  | <b>2009</b>                   | <b>2008</b>  | <b>2009</b>                     | <b>2008</b>  |
| Revenues:   |                                |              |                               |              |                                 |              |
| Program revenues:   |                                |              |                               |              |                                 |              |
| Charges for services  | \$ 71.5                        | 77.2         | 19.1                          | 19.6         | 90.6                            | 96.8         |
| Operating grants and contributions                          | 28.9                           | 27.2         | —                             | —            | 28.9                            | 27.2         |
| Capital grants and contributions                            | 10.2                           | 16.1         | —                             | —            | 10.2                            | 16.1         |
| General revenues:   |                                |              |                               |              |                                 |              |
| Taxes:  |                                |              |                               |              |                                 |              |
| Property taxes levied                                       | 252.9                          | 238.4        | —                             | —            | 252.9                           | 238.4        |
| Excises   | 12.8                           | 13.7         | —                             | —            | 12.8                            | 13.7         |
| Payment in lieu of taxes                                    | 7.0                            | 7.3          | —                             | —            | 7.0                             | 7.3          |
| Grants and contributions not restricted                     | 36.1                           | 40.1         | —                             | —            | 36.1                            | 40.1         |
| Investment income   | 5.9                            | 12.5         | 0.1                           | 0.2          | 6.0                             | 12.7         |
| Miscellaneous   | 20.0                           | 18.0         | —                             | —            | 20.0                            | 18.0         |
| Total revenues  | <u>445.3</u>                   | <u>450.5</u> | <u>19.2</u>                   | <u>19.8</u>  | <u>464.5</u>                    | <u>470.3</u> |
| Expenses:   |                                |              |                               |              |                                 |              |
| General government  | 39.1                           | 35.2         | —                             | —            | 39.1                            | 35.2         |
| Public safety   | 106.4                          | 100.5        | —                             | —            | 106.4                           | 100.5        |
| Community maintenance and development                       | 70.4                           | 61.7         | —                             | —            | 70.4                            | 61.7         |
| Human resource development                                  | 40.4                           | 37.4         | —                             | —            | 40.4                            | 37.4         |
| Education   | 156.5                          | 151.0        | —                             | —            | 156.5                           | 151.0        |
| State and district assessments                              | 35.0                           | 33.6         | —                             | —            | 35.0                            | 33.6         |
| Water department  | —                              | —            | 14.6                          | 14.4         | 14.6                            | 14.4         |
| Interest  | 9.5                            | 9.3          | —                             | —            | 9.5                             | 9.3          |
| Total expenses  | <u>457.3</u>                   | <u>428.7</u> | <u>14.6</u>                   | <u>14.4</u>  | <u>471.9</u>                    | <u>443.1</u> |
| Excess before transfers                                     | (12.0)                         | 21.8         | 4.6                           | 5.4          | (7.4)                           | 27.2         |
| Transfers   | <u>0.5</u>                     | <u>0.7</u>   | <u>(0.5)</u>                  | <u>(0.7)</u> | <u>—</u>                        | <u>—</u>     |
| Change in net assets  | (11.5)                         | 22.5         | 4.1                           | 4.7          | (7.4)                           | 27.2         |
| Net assets – beginning, as restated for adoption of GASB 49 | <u>615.5</u>                   | <u>593.8</u> | <u>101.2</u>                  | <u>96.5</u>  | <u>716.7</u>                    | <u>690.3</u> |
| Net assets – ending   | <u>\$ 604.0</u>                | <u>616.3</u> | <u>105.3</u>                  | <u>101.2</u> | <u>709.3</u>                    | <u>717.5</u> |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

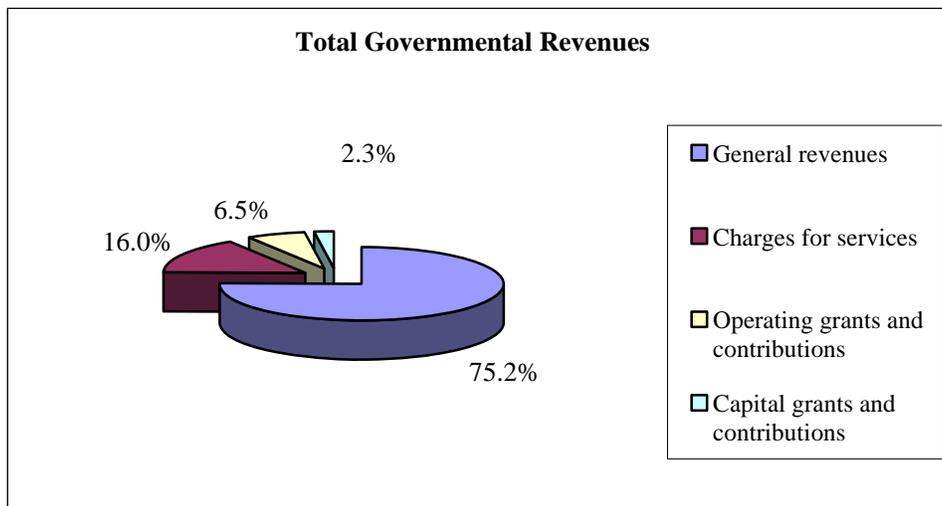
Required Supplementary Information  
Management's Discussion and Analysis

June 30, 2009

(Unaudited)

**Total Revenues**

Total governmental activities revenues for the City are comprised of general revenues of \$334.7 million, charges for services \$71.5 million, operating grants and contributions \$28.9 million and capital grants and contributions of \$10.2 million.



**General**

Real estate tax revenues are the City's largest revenue source at \$252.9 million representing 75.6% of general revenues. The assessed tax valuation base is \$23.9 billion up from \$23.5 billion assessed in the prior year showing a 1.7% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$36.1 million representing 10.8% of general revenues and include state cherry sheet revenues and other unrestricted contributions.

**Program**

Charges for services are \$71.5 million and represent a variety of department revenues. Charges for services decreased \$5.8 million from the prior year. The public safety portion of \$29.8 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$37.8 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category decreased by \$1.2 million from the prior year mainly due to a drop in sewer charges of \$816 thousand attributable to the conservation efforts throughout the City.

Operating grants and contributions of \$28.9 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.5% of the total City revenues.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Required Supplementary Information Management's Discussion and Analysis

June 30, 2009

(Unaudited)

Capital grants and contributions of \$10.2 million include community development capital grants, State revolving grants, and other capital restricted revenues.

#### ***Expenses***

For fiscal year ended June 30, 2009, expenses for governmental activities totaled \$457.3 million, which cover a range of services. On the whole, the City's expenditures increased \$28.5 million or 6.6% over prior year. This increase is primarily due to increased salary and benefits costs, increased MWRA assessment, and increases in operating costs related to opening of new facilities.

Education continues to be one of the City's highest priorities and commitments representing \$156.5 million or 34.2% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the seventh 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 2009, the City spent \$11.7 million from the Affordable Housing Trust to subsidize housing projects.

#### **Business-Type Activity**

Business-type activity increased net assets by \$4.1 million, which is consistent with prior years' increases.

#### **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 \$295.8 million. Of this amount, \$28.7 million is reserved for other purposes and \$17.5 million is reserved for encumbrances. This leaves an unreserved balance of \$249.6 million.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance was \$141.6 million, while the total fund balance was \$156.5 million. This reflects a decrease from fiscal year 2008 of \$11.0 million. A portion of the change is due to the decrease in revenues by approximately \$8.4 million, which is partly attributable to a decrease in intergovernmental revenues affected by a mid-year state funding cut of \$2.6 million. Also, the City had a decrease in investment income of \$5.0 million due to the economic downturn over the last year, which has affected almost every revenue category.

As a measure of liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 35.5% of total General Fund expenditures, while the total balance represents 39.3% of that same amount.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Required Supplementary Information Management's Discussion and Analysis

June 30, 2009

(Unaudited)

The capital fund is the fund that captures all the capital projects expenditures for the City. At the end of fiscal year 2009, the total fund balance was \$72.2 million. This reflects a decrease over the prior fiscal year of \$19.0 million. The major decrease in fund balance is due to spending of bond proceeds on Library renovations, War Memorial project and the Public Safety Headquarters.

#### ***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 \$5.7 million and an investment in capital assets, net of related debt of \$99.6 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 2009 actual revenues on a budgetary basis totaled \$368.4 million. This represents a decrease of \$7.4 million or 2.0% from fiscal year 2008. Property taxes are the single largest revenue source, representing approximately 68.0% of general fund revenues, net of abatements. Intergovernmental receipts comprise the City's next largest revenue source, representing 10.1%.

#### ***Expenditures***

During fiscal year 2009, total expenditures increased on a budgetary basis by 5.3% from \$383.4 million to \$403.9 million.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2009  
(Unaudited)

***Capital Asset and Debt Administration***

**Capital Assets**

As of June 30, 2009, the City's investment in capital assets for its governmental and business-type activity amounted to \$786.5 million (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, open space, road and highways.

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.

**Debt**

At year-end, the City had \$332.8 million in outstanding bonds and notes compared to \$322.4 million last year.

|   | <u>Governmental activities</u> |             | <u>Business-type activity</u> |             | <u>Totals</u> |             |
|---|--------------------------------|-------------|-------------------------------|-------------|---------------|-------------|
|   | <u>2009</u>                    | <u>2008</u> | <u>2009</u>                   | <u>2008</u> | <u>2009</u>   | <u>2008</u> |
|   | (In millions)                  |             |                               |             |               |             |
| General obligation bonds and notes payable \$ | 299.6                          | 282.9       | 33.2                          | 39.5        | 332.8         | 322.4       |

The City maintains bond ratings with Fitch ratings of AAA, Moody's Investors Service Inc. of Aaa, and Standard & Poor's Corporation of AAA.

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

***Economic Factors and Next Year's Budgets and Rates***

The City's tax levy increased \$13.8 million, or 5.4%, to \$268.7 million in fiscal year 2010. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$92.7 million in FY 09 to \$98.6 million in FY 10, a 6.4% increase.

The operating budget increased 2% over the FY 09 adjusted budget. The increase is attributable to a 2.5% salary increase cost for all employees, a 3.1% increase in employee health insurance, a 3.0% increase in employee pension costs, a 6.1% increase in Massachusetts Water Resources Authority assessments and a property tax-supported debt service increase of 9.8%. The capital budget of \$44.7 million is an increase of approximately \$16.1 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, 2009

| Assets  | Primary government      |                        |                      | Component unit     |
|---|-------------------------|------------------------|----------------------|--------------------|
|   | Governmental activities | Business-type activity | Total                |                    |
| Cash and investments                              | \$ 321,092,266          | 3,469,210              | 324,561,476          | 252,446,761        |
| Cash and investments held by trustees             | 600,000                 | —                      | 600,000              | 20,498,909         |
| Receivables, net:                                 |                         |                        |                      |                    |
| Property taxes                                    | 5,371,460               | —                      | 5,371,460            | —                  |
| Motor vehicle excise                              | 1,012,999               | —                      | 1,012,999            | —                  |
| Tax title and possessions                         | 2,800,018               | —                      | 2,800,018            | —                  |
| Intergovernmental                                 | 5,412,015               | —                      | 5,412,015            | —                  |
| Other   | 15,788,572              | 4,287,717              | 20,076,289           | 18,168,016         |
| Other assets                                      | 3,166,772               | 96,361                 | 3,263,133            | 25,818,656         |
| Internal balances                                 | (32,723)                | 32,723                 | —                    | —                  |
| Due from component unit                           | 13,500,000              | —                      | 13,500,000           | —                  |
| Capital assets:                                   |                         |                        |                      |                    |
| Nondepreciable                                    | 338,656,266             | 47,139,407             | 385,795,673          | 12,290,129         |
| Depreciable, net                                  | 314,176,926             | 86,488,845             | 400,665,771          | 203,322,424        |
| <b>Total assets</b>                               | <b>1,021,544,571</b>    | <b>141,514,263</b>     | <b>1,163,058,834</b> | <b>532,544,895</b> |
| <b>Liabilities</b>                                |                         |                        |                      |                    |
| Warrants and accounts payable                     | 12,512,768              | 238,822                | 12,751,590           | 121,979,583        |
| Accrued liabilities:                              |                         |                        |                      |                    |
| Tax abatements                                    | 4,500,000               | —                      | 4,500,000            | —                  |
| Accrued payroll                                   | 12,958,406              | 116,414                | 13,074,820           | 17,811,235         |
| Accrued interest                                  | 4,450,398               | 572,494                | 5,022,892            | —                  |
| Other   | 4,561,897               | —                      | 4,561,897            | 10,390,825         |
| Unearned revenue                                  | —                       | —                      | —                    | 46,584,331         |
| Due to primary government                         | —                       | —                      | —                    | 13,500,000         |
| Long-term liabilities:                            |                         |                        |                      |                    |
| Due within one year:                              |                         |                        |                      |                    |
| Bonds and notes payable                           | 35,317,907              | 6,347,529              | 41,665,436           | 533,333            |
| Capital leases                                    | —                       | —                      | —                    | 6,555,807          |
| Due to third parties                              | —                       | —                      | —                    | 31,208,054         |
| Compensated absences                              | 6,368,000               | 187,000                | 6,555,000            | 15,021,498         |
| Landfill  | 25,000                  | —                      | 25,000               | —                  |
| Judgments and claims                              | 5,386,000               | 239,000                | 5,625,000            | —                  |
| Pollution remediation                             | 163,359                 | —                      | 163,359              | —                  |
| Due in more than one year:                        |                         |                        |                      |                    |
| Bonds and notes payable                           | 267,152,882             | 27,396,450             | 294,549,332          | 6,400,000          |
| Capital leases                                    | —                       | —                      | —                    | 19,506,934         |
| Due to third parties                              | —                       | —                      | —                    | 16,153,982         |
| Compensated absences                              | 10,850,000              | 329,000                | 11,179,000           | —                  |
| Landfill  | 275,000                 | —                      | 275,000              | —                  |
| Judgments and claims                              | 11,674,000              | 799,000                | 12,473,000           | —                  |
| Other postemployment benefit obligation           | 41,332,364              | —                      | 41,332,364           | 25,747,605         |
| <b>Total liabilities</b>                          | <b>417,527,981</b>      | <b>36,225,709</b>      | <b>453,753,690</b>   | <b>331,393,187</b> |
| <b>Net Assets</b>                                 |                         |                        |                      |                    |
| Investment in capital assets, net of related debt | 415,315,555             | 99,633,725             | 514,949,280          | 169,121,479        |
| Restricted for:                                   |                         |                        |                      |                    |
| Community preservation                            | 7,605,992               | —                      | 7,605,992            | —                  |
| Expendable permanent funds                        | 1,389,736               | —                      | 1,389,736            | —                  |
| Nonexpendable permanent funds                     | 2,050,582               | —                      | 2,050,582            | —                  |
| Other purposes                                    | 600,000                 | —                      | 600,000              | 5,639,310          |
| Unrestricted                                      | 177,054,725             | 5,654,829              | 182,709,554          | 26,390,919         |
| <b>Total net assets</b>                           | <b>\$ 604,016,590</b>   | <b>105,288,554</b>     | <b>709,305,144</b>   | <b>201,151,708</b> |

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Activities

Year ended June 30, 2009

| 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  | \$ 39,085,426           | 499,322              | —                                  | —                                | (38,586,104)                                    | —                      | (38,586,104)         | —                   |
| Public safety   | 106,362,564             | 29,786,501           | —                                  | —                                | (76,576,063)                                    | —                      | (76,576,063)         | —                   |
| Community maintenance and development                       | 70,461,598              | 37,767,491           | 5,983,470                          | 8,558,799                        | (18,151,838)                                    | —                      | (18,151,838)         | —                   |
| Human resource development                                  | 40,393,841              | 3,397,736            | 9,315,318                          | —                                | (27,680,787)                                    | —                      | (27,680,787)         | —                   |
| Education   | 156,458,805             | —                    | 13,611,398                         | 1,632,609                        | (141,214,798)                                   | —                      | (141,214,798)        | —                   |
| State and district assessments                              | 35,020,229              | —                    | —                                  | —                                | (35,020,229)                                    | —                      | (35,020,229)         | —                   |
| Interest on long-term debt                                  | 9,503,428               | —                    | —                                  | —                                | (9,503,428)                                     | —                      | (9,503,428)          | —                   |
| Total governmental activities                               | <u>457,285,891</u>      | <u>71,451,050</u>    | <u>28,910,186</u>                  | <u>10,191,408</u>                | <u>(346,733,247)</u>                            | <u>—</u>               | <u>(346,733,247)</u> |                     |
| Business-type activity:                                     |                         |                      |                                    |                                  |   |                        |                      |                     |
| Water   | 14,620,020              | 19,070,169           | —                                  | —                                | —   | 4,450,149              | 4,450,149            | —                   |
| Total business-type activity                                | <u>14,620,020</u>       | <u>19,070,169</u>    | <u>—</u>                           | <u>—</u>                         | <u>—</u>  | <u>4,450,149</u>       | <u>4,450,149</u>     |                     |
| Total primary government                                    | <u>\$ 471,905,911</u>   | <u>90,521,219</u>    | <u>28,910,186</u>                  | <u>10,191,408</u>                | <u>(346,733,247)</u>                            | <u>4,450,149</u>       | <u>(342,283,098)</u> |                     |
| Component unit:   |                         |                      |                                    |                                  |   |                        |                      |                     |
| Cambridge Public Health Commission                          | \$ 1,219,662,286        | 243,857,512          | 947,938,694                        | 3,500,000                        |   |                        |                      | (24,366,080)        |
| Total component units                                       | <u>\$ 1,219,662,286</u> | <u>243,857,512</u>   | <u>947,938,694</u>                 | <u>3,500,000</u>                 |   |                        |                      | <u>(24,366,080)</u> |
| General revenues:   |                         |                      |                                    |                                  |   |                        |                      |                     |
| Taxes:  |                         |                      |                                    |                                  |   |                        |                      |                     |
| Property taxes, levied for general purposes                 |                         |                      |                                    |                                  | 252,948,784                                     | —                      | 252,948,784          | —                   |
| Excises   |                         |                      |                                    |                                  | 12,801,715                                      | —                      | 12,801,715           | —                   |
| Payments in lieu of taxes                                   |                         |                      |                                    |                                  | 7,011,953                                       | —                      | 7,011,953            | —                   |
| Grants and contributions not restricted                     |                         |                      |                                    |                                  | 36,085,639                                      | —                      | 36,085,639           | —                   |
| Investment income   |                         |                      |                                    |                                  | 5,865,388                                       | 118,828                | 5,984,216            | 2,952,544           |
| Miscellaneous   |                         |                      |                                    |                                  | 20,038,690                                      | —                      | 20,038,690           | —                   |
| Transfers   |                         |                      |                                    |                                  | 482,585   | (482,585)              | —                    | —                   |
| Total general revenues and transfers                        |                         |                      |                                    |                                  | <u>335,234,754</u>                              | <u>(363,757)</u>       | <u>334,870,997</u>   | <u>2,952,544</u>    |
| Change in net assets  |                         |                      |                                    |                                  | (11,498,493)                                    | 4,086,392              | (7,412,101)          | (21,413,536)        |
| Net assets – beginning, as restated for adoption of GASB 49 |                         |                      |                                    |                                  | <u>615,515,083</u>                              | <u>101,202,162</u>     | <u>716,717,245</u>   | <u>222,565,244</u>  |
| Net assets – ending   |                         |                      |                                    |                                  | <u>\$ 604,016,590</u>                           | <u>105,288,554</u>     | <u>709,305,144</u>   | <u>201,151,708</u>  |

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Balance Sheet – Governmental Funds

June 30, 2009

| <b>Assets</b>                         | <b>General</b>        | <b>Capital<br/>fund</b> | <b>Other<br/>governmental<br/>funds</b> | <b>Total<br/>governmental<br/>funds</b> |
|---------------------------------------|-----------------------|-------------------------|---|---|
| Cash and investments                  | \$ 184,961,474        | 74,097,115              | 62,033,677                              | 321,092,266                             |
| Cash and investments held by trustees | —                     | —                       | 600,000                                 | 600,000                                 |
| Receivables, net:                     |                       |                         |   |   |
| Property taxes                        | 5,371,460             | —                       | —                                       | 5,371,460                               |
| Motor vehicle excise                  | 1,012,999             | —                       | —                                       | 1,012,999                               |
| Tax title and possessions             | 2,800,018             | —                       | —                                       | 2,800,018                               |
| Intergovernmental                     | —                     | 3,119,979               | 2,292,036                               | 5,412,015                               |
| Departmental and other                | 10,627,764            | —                       | 5,160,808                               | 15,788,572                              |
| Total receivables                     | 19,812,241            | 3,119,979               | 7,452,844                               | 30,385,064                              |
| Other assets                          | 1,549,978             | —                       | —                                       | 1,549,978                               |
| Due from other funds                  | —                     | 884,969                 | —                                       | 884,969                                 |
| Due from component unit               | 13,500,000            | —                       | —                                       | 13,500,000                              |
| Total assets                          | <u>\$ 219,823,693</u> | <u>78,102,063</u>       | <u>70,086,521</u>                       | <u>368,012,277</u>                      |
| <b>Liabilities and Fund Balances</b>  |                       |                         |   |   |
| Liabilities:                          |                       |                         |   |   |
| Warrants and accounts payable         | \$ 4,809,911          | 5,888,334               | 1,814,523                               | 12,512,768                              |
| Accrued liabilities:                  |                       |                         |   |   |
| Tax abatements                        | 3,500,000             | —                       | —                                       | 3,500,000                               |
| Judgments and Claims                  | 5,386,000             | —                       | —                                       | 5,386,000                               |
| Accrued payroll                       | 12,829,470            | 18,585                  | 110,351                                 | 12,958,406                              |
| Other                                 | 4,524,273             | —                       | 37,624                                  | 4,561,897                               |
| Deferred revenue                      | 32,245,978            | —                       | 108,635                                 | 32,354,613                              |
| Due to other funds                    | 32,723                | —                       | 884,969                                 | 917,692                                 |
| Total liabilities                     | <u>63,328,355</u>     | <u>5,906,919</u>        | <u>2,956,102</u>                        | <u>72,191,376</u>                       |
| Fund balances:                        |                       |                         |   |   |
| Reserved for:                         |                       |                         |   |   |
| Deposits                              | 1,469,978             | —                       | —                                       | 1,469,978                               |
| Encumbrances                          | 2,381,447             | 12,876,129              | 2,283,720                               | 17,541,296                              |
| Future appropriations                 | 11,000,000            | —                       | —                                       | 11,000,000                              |
| Reserved for specific purposes        | 48,657                | —                       | 8,205,992                               | 8,254,649                               |
| Loans                                 | —                     | —                       | 4,509,384                               | 4,509,384                               |
| Permanent funds                       | —                     | —                       | 3,440,318                               | 3,440,318                               |
| Unreserved, reported in:              |                       |                         |   |   |
| General fund                          | 141,595,256           | —                       | —                                       | 141,595,256                             |
| Capital fund                          | —                     | 59,319,015              | —                                       | 59,319,015                              |
| Special revenue funds                 | —                     | —                       | 48,691,005                              | 48,691,005                              |
| Total fund balances                   | <u>156,495,338</u>    | <u>72,195,144</u>       | <u>67,130,419</u>                       | <u>295,820,901</u>                      |
| Total liabilities and fund balances   | <u>\$ 219,823,693</u> | <u>78,102,063</u>       | <u>70,086,521</u>                       | <u>368,012,277</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, 2009

|   |                              |
|---|------------------------------|
| Total fund balance – governmental funds   | \$ <u>295,820,901</u>        |
| 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>652,833,192</u>           |
| Adjust deferred revenues to record revenues on an accrual basis   | <u>32,354,613</u>            |
| Bond issuance costs are capitalized in the government-wide statements   | <u>1,616,794</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, net   | 302,470,789                  |
| Accrued interest on bonds   | 4,450,398                    |
| Compensated absences  | 17,218,000                   |
| Landfill  | 300,000                      |
| Judgments and claims  | 11,674,000                   |
| Tax abatements  | 1,000,000                    |
| Other postemployment benefits   | 41,332,364                   |
| Pollution remediation   | <u>163,359</u>               |
|   | <u>378,608,910</u>           |
| Net assets of governmental activities   | \$ <u><u>604,016,590</u></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, 2009

|  | <u>General</u>        | <u>Capital<br/>fund</u> | <u>Other<br/>governmental<br/>funds</u> | <u>Total<br/>governmental<br/>funds</u> |
|--|-----------------------|-------------------------|---|---|
| Revenues:  |                       |                         |   |   |
| Real and personal property taxes   | \$ 251,255,629        | —                       | —                                       | 251,255,629                             |
| Excises:   |                       |                         |   |   |
| Hotel/motel  | 6,802,768             | —                       | —                                       | 6,802,768                               |
| Motor vehicles   | 6,139,573             | —                       | —                                       | 6,139,573                               |
| Payments in lieu of taxes  | 7,011,953             | —                       | —                                       | 7,011,953                               |
| Intergovernmental  | 37,234,500            | 10,191,408              | 28,910,186                              | 76,336,094                              |
| Investment income  | 4,256,527             | 296,377                 | 1,312,484                               | 5,865,388                               |
| Sewer use charges  | 36,058,033            | —                       | —                                       | 36,058,033                              |
| Departmental and other   | 26,889,246            | 1,798,515               | 27,112,131                              | 55,799,892                              |
| Total revenues   | <u>375,648,229</u>    | <u>12,286,300</u>       | <u>57,334,801</u>                       | <u>445,269,330</u>                      |
| Expenditures:  |                       |                         |   |   |
| Current:   |                       |                         |   |   |
| General government   | 31,765,295            | —                       | 151,362                                 | 31,916,657                              |
| Public safety  | 95,816,587            | —                       | 1,323,843                               | 97,140,430                              |
| Community maintenance and development  | 35,040,010            | —                       | 15,738,965                              | 50,778,975                              |
| Human resource development   | 25,464,435            | —                       | 8,301,709                               | 33,766,144                              |
| Education  | 129,030,651           | —                       | 14,350,419                              | 143,381,070                             |
| Judgments and claims   | 170,865               | —                       | —                                       | 170,865                                 |
| State and district assessments   | 41,020,229            | —                       | —                                       | 41,020,229                              |
| Capital outlays  | —                     | 89,759,648              | —                                       | 89,759,648                              |
| Debt service   | 40,169,174            | —                       | —                                       | 40,169,174                              |
| Total expenditures   | <u>398,477,246</u>    | <u>89,759,648</u>       | <u>39,866,298</u>                       | <u>528,103,192</u>                      |
| Excess (deficiency) of revenues<br>over expenditures   | <u>(22,829,017)</u>   | <u>(77,473,348)</u>     | <u>17,468,503</u>                       | <u>(82,833,862)</u>                     |
| Other financing sources (uses):  |                       |                         |   |   |
| Premium on debt issuance   | 792,996               | —                       | —                                       | 792,996                                 |
| Issuance of debt   | —                     | 49,485,000              | —                                       | 49,485,000                              |
| Transfers in   | 17,533,240            | 9,170,605               | 8,737,279                               | 35,441,124                              |
| Transfers out  | (6,520,605)           | (217,279)               | (28,220,655)                            | (34,958,539)                            |
| Total other financing (uses) sources   | <u>11,805,631</u>     | <u>58,438,326</u>       | <u>(19,483,376)</u>                     | <u>50,760,581</u>                       |
| Excess (deficiency) of revenues and other<br>financing sources over expenditures<br>and other financing uses | <u>(11,023,386)</u>   | <u>(19,035,022)</u>     | <u>(2,014,873)</u>                      | <u>(32,073,281)</u>                     |
| Fund balance – beginning   | <u>167,518,724</u>    | <u>91,230,166</u>       | <u>69,145,292</u>                       | <u>327,894,182</u>                      |
| Fund balance – ending  | \$ <u>156,495,338</u> | <u>72,195,144</u>       | <u>67,130,419</u>                       | <u>295,820,901</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, 2009

|   |                               |
|---|-------------------------------|
| Net change in fund balances – total governmental funds  | \$ <u>(32,073,281)</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, (\$85,028,601) exceeded depreciation expense (\$21,608,636)  | <u>63,419,965</u>             |
| Revenues are recorded on an accrual basis   | <u>35,484</u>                 |
| Proceeds of long-term debt (\$49,485,000) 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 (\$32,715,060) 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>(16,769,940)</u>           |
| Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net assets   | <u>(438,417)</u>              |
| Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds  | <u>(32,451)</u>               |
| Bond issuance costs are expenditures in the governmental funds, but are deferred assets, net of amortization, in the statement of net assets  | <u>57,909</u>                 |
| Other postemployment benefits expense reported in the statement of activities does require the use of current financial resources, and therefore, is not reported as an expenditure in the governmental funds   | <u>(20,968,860)</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 accrued interest (\$140,725) and pollution remediation (\$635,373) offset by the increase in compensated balances (\$188,000), and noncurrent claims of (\$5,342,000) | <u>(4,728,902)</u>            |
| Change in net assets of governmental activities   | \$ <u><u>(11,498,493)</u></u> |

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Net Assets – Proprietary Fund

June 30, 2009

|   | <b>Enterprise<br/>fund</b> |
|---|----------------------------|
|   | <b>Water<br/>fund</b>      |
|   | <b>fund</b>                |
|   | <hr/>                      |
| Assets:   |                            |
| Current assets:                                   |                            |
| Cash and cash equivalents                         | \$ 3,469,210               |
| Receivables, net                                  | 4,287,717                  |
| Due from other funds                              | 32,723                     |
|   | <hr/>                      |
| Total current assets                              | 7,789,650                  |
|   | <hr/>                      |
| Noncurrent assets:                                |                            |
| Other   | 96,361                     |
| Capital assets:                                   |                            |
| Nondepreciable                                    | 47,139,407                 |
| Depreciable, net                                  | 86,488,845                 |
|   | <hr/>                      |
| Total noncurrent assets                           | 133,724,613                |
|   | <hr/>                      |
| Total assets                                      | \$ 141,514,263             |
|   | <hr/> <hr/>                |
| Liabilities:                                      |                            |
| Current liabilities:                              |                            |
| Warrants and accounts payable                     | \$ 238,822                 |
| Accrued liabilities:                              |                            |
| Claims  | 239,000                    |
| Compensated absences                              | 187,000                    |
| Accrued payroll                                   | 116,414                    |
| Interest  | 572,494                    |
| Current portion of long-term debt                 | 6,347,529                  |
|   | <hr/>                      |
| Total current liabilities                         | 7,701,259                  |
|   | <hr/>                      |
| Noncurrent liabilities:                           |                            |
| Bonds payable                                     | 27,396,450                 |
| Accrued liabilities:                              |                            |
| Claims  | 799,000                    |
| Compensated absences                              | 329,000                    |
|   | <hr/>                      |
| Total noncurrent liabilities                      | 28,524,450                 |
|   | <hr/>                      |
| Total liabilities                                 | \$ 36,225,709              |
|   | <hr/> <hr/>                |
| Net assets:                                       |                            |
| Investment in capital assets, net of related debt | \$ 99,633,725              |
| Unrestricted                                      | 5,654,829                  |
|   | <hr/>                      |
| Total net assets                                  | \$ 105,288,554             |
|   | <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, 2009

|                                 | <b>Enterprise<br/>fund<br/>Water<br/>fund</b> |
|---------------------------------|---|
| Operating revenues:             |   |
| Charges for services            | \$ 19,070,169                                 |
| Total operating revenues        | <u>19,070,169</u>                             |
| Operating expenses:             |   |
| Administration                  | 3,380,698                                     |
| Service and support programs    | 6,886,985                                     |
| Depreciation                    | 2,791,948                                     |
| Total operating expenses        | <u>13,059,631</u>                             |
| Operating income                | <u>6,010,538</u>                              |
| Nonoperating revenue (expense): |   |
| Investment earnings – other     | 118,828                                       |
| Interest expense                | (1,560,389)                                   |
| Nonoperating expense            | <u>(1,441,561)</u>                            |
| Income before transfers         | 4,568,977                                     |
| Transfer from other funds       | 200,000                                       |
| Transfers to other funds        | (682,585)                                     |
| Total transfers                 | <u>(482,585)</u>                              |
| Change in net assets            | 4,086,392                                     |
| Total net assets – beginning    | <u>101,202,162</u>                            |
| Total net assets – ending       | <u>\$ 105,288,554</u>                         |

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2009

|  | <b>Enterprise<br/>fund</b> |
|--|----------------------------|
|  | <b>Water<br/>fund</b>      |
|  | <u>fund</u>                |
| Cash flows from operating activities:  |                            |
| Cash received from customers   | \$ 19,390,653              |
| Cash paid to vendors   | (7,097,892)                |
| Cash paid to employees   | (3,008,780)                |
|  | <u>9,283,981</u>           |
| Cash flows from noncapital financing activities:                                 |                            |
| Transfers from other funds   | 200,000                    |
| Transfers to other funds   | (682,585)                  |
|  | <u>(482,585)</u>           |
| Cash flows from capital and related financing activities:                        |                            |
| Acquisition and construction of capital assets                                   | (1,441,382)                |
| Interest paid on debt  | (1,839,278)                |
| Repayment of long-term debt  | (6,284,829)                |
|  | <u>(9,565,489)</u>         |
| Cash flows from investing activities:  |                            |
| Investment income  | 118,828                    |
|  | <u>118,828</u>             |
| Decrease in cash and cash equivalents  | (645,265)                  |
| Cash and cash equivalents, beginning of year                                     | <u>4,114,475</u>           |
| Cash and cash equivalents, end of year   | \$ <u><u>3,469,210</u></u> |
| Reconciliation of operating income to cash provided by operating activities:     |                            |
| Operating income   | \$ 6,010,538               |
| Reconciliation of operating income to net cash provided by operating activities: |                            |
| Depreciation   | 2,791,948                  |
| Amortization of deferred loss on refunding                                       | 98,104                     |
| Changes in operating assets and liabilities:                                     |                            |
| Accounts receivable  | 320,484                    |
| Other liabilities  | 62,907                     |
|  | <u>9,283,981</u>           |
| Net cash provided by operating activities  | \$ <u><u>9,283,981</u></u> |

See accompanying notes to basic financial statements.



**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2009

|   | <b>Employee<br/>retirement<br/>plan (as of<br/>December 31,<br/>2008)</b> |
|---|---|
| Additions:  |   |
| Contributions:  |   |
| Employers   | \$ 26,725,933   |
| Plan members  | 23,863,658  |
| Other systems   | 1,742,023   |
| Commonwealth of Massachusetts                                   | 1,137,125   |
| Total contributions   | <u>53,468,739</u>   |
| Investment earnings:  |   |
| Interest and dividends  | 14,636,532  |
| Securities lending income                                       | 3,504,479   |
| Net depreciation in the fair value of investments               | (237,963,231)   |
| Less management fees  | (4,211,954)   |
| Less borrower rebates and fees under securities lending program | (2,890,752)   |
| Net investment earnings   | <u>(226,924,926)</u>  |
| Total additions   | <u>(173,456,187)</u>  |
| Deductions:   |   |
| Benefits  | 42,372,352  |
| Refunds of contributions  | 2,581,235   |
| Other systems   | 1,635,423   |
| Administrative expenses   | 859,128   |
| Total deductions  | <u>47,448,138</u>   |
| Change in net assets  | <u>(220,904,325)</u>  |
| Net assets, beginning of year                                   | <u>789,326,163</u>  |
| Net assets, end of year   | <u>\$ 568,421,838</u>   |

See accompanying notes to basic financial statements.

# CITY OF CAMBRIDGE, MASSACHUSETTS

## Notes to Basic Financial Statements

June 30, 2009

### (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, has full authority for operations of the school system and appoints 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) *Retirement System*

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 Retirement Board. The System provides pension benefits to retired City, Cambridge Housing Authority, Cambridge Redevelopment Authority and Cambridge Health Alliance 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, 2008. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2009

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

The Cambridge Health Alliance (CHA) 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:

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

Complete financial statements for the CHA for its fiscal year ended June 30, 2009 are available from its offices on 101 Station Landing, 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*.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2009

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 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 Nonagency fiduciary fund financial statements. The agency fund has no basis of accounting and only reports assets and liabilities. 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, 2009

### **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 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, 2008, such funds amount to approximately \$7,040,281.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(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, 2009

**(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 general government 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, 2009, 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, 2009

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.

**(n) Adoption of New Accounting Pronouncements and Restatements**

During the fiscal year ended June 30, 2009, the City adopted GASB Statement 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care.

The provision of GASB 49 requires the measurement of pollution remediation liabilities at July 1, 2008; therefore, the City's beginning net assets have been restated. The following is a reconciliation of the total governmental activities net assets as previously reported as of June 30, 2008 to the beginning net assets balance (in thousands):

|                                  |                       |
|----------------------------------|-----------------------|
| Net assets at June 30, 2008      | \$ 616,313,815        |
| Adoption of GASB 49              | <u>(798,732)</u>      |
| Total net assets at July 1, 2008 | <u>\$ 615,515,083</u> |

The adoption of GASB 49 is now reflected in the City's long-term obligations, which can be seen in footnote 8.

**(o) Reclassifications**

Certain prior year footnote amounts have been reclassified to conform with the current year presentation.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(3) Deposits and Investments**

**(a) Deposits**

State and local statutes place certain limitations on the nature of deposits and investments available to the City. The City's policies require that deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized or insured 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. As of June 30, 2009, the bank balances of uninsured and uncollateralized deposits are as follows:

|  |                      |
|--|----------------------|
| Primary government                           | \$ 2,249,853         |
| Discretely presented component unit<br>(CHA) | <u>64,860,181</u>    |
|  | <u>\$ 67,110,034</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.

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 3(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.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

The System has retained an investment consultant to work with the Retirement 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, 2009:

| <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/MMDT                               | \$ 223,417,565        | 223,417,565        | —                 | —                  | —                   |
| Certificates of deposit                         | 26,402,785            | 20,849,726         | 5,553,059         | —                  | —                   |
| U.S. Agencies                                   | 3,982,520             | 3,982,520          | —                 | —                  | —                   |
| Mutual Funds                                    | 18,675                | 18,675             | —                 | —                  | —                   |
| Subtotal city                                   | <u>253,821,545</u>    | <u>248,268,486</u> | <u>5,553,059</u>  | <u>—</u>           | <u>—</u>            |
| System (as of December 31, 2008):               |                       |                    |                   |                    |                     |
| Cash collateral pool                            | 57,493,963            | 57,493,963         | —                 | —                  | —                   |
| U.S. Treasury notes and bonds                   | 1,262,984             | 1,262,984          | —                 | —                  | —                   |
| U.S. Agencies                                   | 3,297,464             | —                  | 658,349           | 1,026,582          | 1,612,533           |
| Domestic corporate                              | 46,256,940            | 224,458            | 15,940,140        | 18,381,404         | 11,710,938          |
| Asset-backed:                                   |                       |                    |                   |                    |                     |
| CMOs  | 9,377,650             | —                  | —                 | 959,015            | 8,418,635           |
| Other   | 798,348               | —                  | 229,287           | 222,013            | 347,048             |
| Pooled fixed-income investments                 | <u>79,621,754</u>     | <u>—</u>           | <u>—</u>          | <u>79,621,754</u>  | <u>—</u>            |
| Subtotal system                                 | <u>198,109,103</u>    | <u>58,981,405</u>  | <u>16,827,776</u> | <u>100,210,768</u> | <u>22,089,154</u>   |
| Total   | <u>\$ 451,930,648</u> | <u>307,249,891</u> | <u>22,380,835</u> | <u>100,210,768</u> | <u>22,089,154</u>   |
| Discretely presented component unit (CHA):      |                       |                    |                   |                    |                     |
| Money market                                    | \$ 30,918,522         | 30,918,522         | —                 | —                  | —                   |
| MMDT  | 190,357,335           | 190,357,335        | —                 | —                  | —                   |
| U.S. Agencies                                   | 100,469               | 100,469            | —                 | —                  | —                   |
| Total discretely presented component unit (CHA) | <u>\$ 221,376,326</u> | <u>221,376,326</u> | <u>—</u>          | <u>—</u>           | <u>—</u>            |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

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.

The primary government's fixed income investments as of June 30, 2009 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:

| <u>Investment type</u>                          | <u>Fair value</u>     | <u>AAA</u>          | <u>AA</u>        | <u>A</u>          | <u>BBB</u>       | <u>BB</u>        | <u>Less than BB</u> | <u>Not rated</u>   |
|---|-----------------------|---------------------|------------------|-------------------|------------------|------------------|---------------------|--------------------|
| City:   |                       |                     |                  |                   |                  |                  |                     |                    |
| Money market/MMDT                               | \$ 223,417,565        | —                   | —                | —                 | —                | —                | —                   | 223,417,565        |
| Certificates of deposit                         | 26,402,785            | —                   | —                | —                 | —                | —                | —                   | 26,402,785         |
| US Agencies                                     | 3,982,520             | 3,982,520           | —                | —                 | —                | —                | —                   | —                  |
| Mutual Funds                                    | 18,675                | —                   | —                | —                 | —                | —                | —                   | 18,675             |
| Subtotal city                                   | <u>253,821,545</u>    | <u>3,982,520</u>    | <u>—</u>         | <u>—</u>          | <u>—</u>         | <u>—</u>         | <u>—</u>            | <u>249,839,025</u> |
| System (as of December 31, 2008):               |                       |                     |                  |                   |                  |                  |                     |                    |
| Cash collateral pool                            | 57,493,963            | —                   | —                | —                 | —                | —                | —                   | 57,493,963         |
| U.S. agencies                                   | 3,297,464             | 3,297,464           | —                | —                 | —                | —                | —                   | —                  |
| Domestic corporate                              | 46,256,940            | 2,581,349           | 5,296,889        | 11,683,068        | 4,710,889        | 7,519,952        | 14,027,942          | 436,851            |
| Asset-backed:                                   |                       |                     |                  |                   |                  |                  |                     |                    |
| CMOs  | 9,377,650             | 6,865,284           | —                | —                 | —                | —                | —                   | 2,512,366          |
| Other   | 798,348               | 208,587             | —                | 318,698           | —                | 192,101          | 78,962              | —                  |
| Pooled fixed-income investments                 | <u>79,621,754</u>     | <u>—</u>            | <u>—</u>         | <u>—</u>          | <u>—</u>         | <u>—</u>         | <u>—</u>            | <u>79,621,754</u>  |
| Subtotal system                                 | <u>196,846,119</u>    | <u>12,952,684</u>   | <u>5,296,889</u> | <u>12,001,766</u> | <u>4,710,889</u> | <u>7,712,053</u> | <u>14,106,904</u>   | <u>140,064,934</u> |
| Total   | <u>\$ 450,667,664</u> | <u>16,935,204</u>   | <u>5,296,889</u> | <u>12,001,766</u> | <u>4,710,889</u> | <u>7,712,053</u> | <u>14,106,904</u>   | <u>389,903,959</u> |
| Discretely presented component unit (CHA):      |                       |                     |                  |                   |                  |                  |                     |                    |
| Money market                                    | \$ 30,918,522         | Not rated           |                  |                   |                  |                  |                     |                    |
| MMDT  | 190,357,335           | Not rated           |                  |                   |                  |                  |                     |                    |
| U.S. agencies                                   | <u>100,469</u>        | Rated "A" or better |                  |                   |                  |                  |                     |                    |
| Total discretely presented component unit (CHA) | <u>\$ 221,376,326</u> |                     |                  |                   |                  |                  |                     |                    |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

In addition to the above schedule, the System had \$1,262,984 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, 2008.

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. The System's asset allocation model which serves as a proxy for a foreign currency policy, limits the amount of foreign currency exposure to 18% of the System's total investments. 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, 2008, there were no open forward currency contracts.

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

| <u>Currency</u>  |                      |
|--|----------------------|
| International equity pooled funds (various currencies)       | \$ 73,528,054        |
| International fixed income pooled funds (various currencies) | <u>23,587,927</u>    |
|  | <u>\$ 97,115,981</u> |

**(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.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Citywide referendum.

**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

***Primary Government***

|  | <b>Beginning<br/>balance</b> | <b>Increases</b>            | <b>Decreases</b>            | <b>Ending<br/>balance</b>   |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>                    </u>  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Governmental activities:                       |                              |                             |                             |                             |
| Capital assets not being depreciated:          |                              |                             |                             |                             |
| Land   | \$ 165,207,775               | —                           | —                           | 165,207,775                 |
| Construction in progress                       | 171,725,980                  | 84,503,383                  | (82,780,872)                | 173,448,491                 |
|  | <u>336,933,755</u>           | <u>84,503,383</u>           | <u>(82,780,872)</u>         | <u>338,656,266</u>          |
| Total capital assets not<br>being depreciated  |                              |                             |                             |                             |
| Capital assets being depreciated:              |                              |                             |                             |                             |
| Buildings and improvements                     | 200,976,817                  | 58,328,537                  | —                           | 259,305,354                 |
| Improvements – nonbuilding                     | 45,927,405                   | 6,334,428                   | —                           | 52,261,833                  |
| Furniture and equipment                        | 47,730,289                   | 91,307                      | —                           | 47,821,596                  |
| Infrastructure                                 | 216,647,988                  | 18,551,818                  | —                           | 235,199,806                 |
|  | <u>511,282,499</u>           | <u>83,306,090</u>           | <u>—</u>                    | <u>594,588,589</u>          |
| Total capital assets<br>being depreciated      |                              |                             |                             |                             |
| Less accumulated depreciation for:             |                              |                             |                             |                             |
| Buildings and improvements                     | (82,478,513)                 | (6,761,304)                 | —                           | (89,239,817)                |
| Improvements – nonbuilding                     | (12,027,301)                 | (2,350,512)                 | —                           | (14,377,813)                |
| Furniture and equipment                        | (33,805,078)                 | (2,540,426)                 | —                           | (36,345,504)                |
| Infrastructure                                 | (130,492,135)                | (9,956,394)                 | —                           | (140,448,529)               |
|  | <u>(258,803,027)</u>         | <u>(21,608,636)</u>         | <u>—</u>                    | <u>(280,411,663)</u>        |
| Total accumulated<br>depreciation              |                              |                             |                             |                             |
| Total capital assets<br>being depreciated, net | <u>252,479,472</u>           | <u>61,697,454</u>           | <u>—</u>                    | <u>314,176,926</u>          |
| Governmental activities<br>capital assets, net | \$ <u>589,413,227</u>        | <u>146,200,837</u>          | <u>(82,780,872)</u>         | <u>652,833,192</u>          |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

|  |  |                      |
|--|--|----------------------|
| Governmental activities:                             |  |                      |
| General government                                   |  | \$ 747,354           |
| Public safety  |  | 2,676,704            |
| Community maintenance and development                |  | 14,122,045           |
| Human resource development                           |  | 608,893              |
| Education  |  | <u>3,453,640</u>     |
| Total depreciation expense – governmental activities |  | <u>\$ 21,608,636</u> |

|   | <u>Beginning<br/>balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Business-type activity:                     |                              |                    |                  |                           |
| Capital assets not being depreciated:       |                              |                    |                  |                           |
| Land  | \$ 39,264,325                | —                  | —                | 39,264,325                |
| Construction in progress                    | 6,974,965                    | 1,202,525          | (302,408)        | <u>7,875,082</u>          |
| Total capital assets not being depreciated  | <u>46,239,290</u>            | <u>1,202,525</u>   | <u>(302,408)</u> | <u>47,139,407</u>         |
| Capital assets being depreciated:           |                              |                    |                  |                           |
| Buildings and improvements                  | 80,342,015                   | 126,773            | —                | 80,468,788                |
| Furniture and equipment                     | 1,453,681                    | 58,701             | —                | 1,512,382                 |
| Infrastructure                              | 33,468,877                   | 355,791            | —                | <u>33,824,668</u>         |
| Total capital assets being depreciated      | <u>115,264,573</u>           | <u>541,265</u>     | <u>—</u>         | <u>115,805,838</u>        |
| Less accumulated depreciation for:          |                              |                    |                  |                           |
| Buildings and improvements                  | (13,914,656)                 | (2,019,266)        | —                | (15,933,922)              |
| Furniture and equipment                     | (1,070,746)                  | (79,703)           | —                | (1,150,449)               |
| Infrastructure                              | (11,539,643)                 | (692,979)          | —                | <u>(12,232,622)</u>       |
| Total accumulated depreciation              | <u>(26,525,045)</u>          | <u>(2,791,948)</u> | <u>—</u>         | <u>(29,316,993)</u>       |
| Total capital assets being depreciated, net | <u>88,739,528</u>            | <u>(2,250,683)</u> | <u>—</u>         | <u>86,488,845</u>         |
| Business-type activity capital assets, net  | <u>\$ 134,978,818</u>        | <u>(1,048,158)</u> | <u>(302,408)</u> | <u>133,628,252</u>        |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(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                    | \$ 5,840,301      | —                | —                        | 5,840,301                | —                |
| Motor vehicle taxes               | 3,020,183         | —                | —                        | 3,020,183                | —                |
| Other taxes                       | 3,111,131         | —                | —                        | 3,111,131                | —                |
| Intergovernmental                 | —                 | 8,747,340        | 2,292,036                | 11,039,376               | —                |
| Other                             | 10,717,237        | —                | 8,542,808                | 19,260,045               | 4,395,702        |
| Gross receivables                 | 22,688,852        | 8,747,340        | 10,834,844               | 42,271,036               | 4,395,702        |
| Less allowance for uncollectibles | 2,876,611         | 5,627,361        | 3,382,000                | 11,885,972               | 107,985          |
| Net total receivables \$          | <u>19,812,241</u> | <u>3,119,979</u> | <u>7,452,844</u>         | <u>30,385,064</u>        | <u>4,287,717</u> |

**(7) Receivable and Payable Balances between Funds and Component Unit**

Individual fund receivable and payable balances at June 30, 2009, are as follows:

| Interfund balances   | Receivable        | Payable        |
|--|-------------------|----------------|
| General fund – payable to water fund – for bond premium transfer   | \$ —              | 32,723         |
| Capital fund – receivable from other governmental funds – for capital items                              | 884,969           | —              |
| Enterprise fund – receivable from general fund for bond premium  | 32,723            | —              |
| Other governmental funds – community development block grant payable to capital fund – for capital items | —                 | 884,969        |
| Balance at June 30, 2009   | <u>\$ 917,692</u> | <u>917,692</u> |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

Receivable and payable balances between the primary government and CHA at June 30, 2009 are as follows:

| <b>Discrete component unit balances</b> | <b>Receivable</b> | <b>Payable</b> |
|---|-------------------|----------------|
| Primary government:                     |                   |                |
| General                                 | \$ 13,500,000     | —              |
| Discretely presented component unit:    |                   |                |
| CHA                                     | —                 | 13,500,000     |
| Balance at June 30, 2009                | \$ 13,500,000     | 13,500,000     |

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CHA for the construction of an ambulatory care center. CHA 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. In 2007, the City refunded a portion of the original general obligation hospital bond. As of June 30, 2009, the amount outstanding on hospital related debt is \$13,495,000.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(8) Long-Term Obligations**

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2009:

|   | <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 March 15, 2029               | 11/1/99 to 6/25/09   | 2.0% – 5.0%           | \$ 163,265,972                        | 44,675,000        | 12,727,598        | 195,213,374                     | 14,887,598                 |
| Urban redevelopment, serial maturities through February 1, 2018         | 12/1/00 to 2/1/08    | 2.25% – 5.0%          | 28,565,500                            | —                 | 4,745,000         | 23,820,500                      | 4,745,000                  |
| Schools, serial maturities through February 1, 2018                     | 11/1/99 to 2/1/08    | 3.0% – 5.0%           | 9,331,670                             | —                 | 2,512,167         | 6,819,503                       | 2,512,167                  |
| Sewer, serial maturities through March 15, 2009                         | 10/6/99 to 3/15/09   | 2.25% – 5.0%          | 60,382,773                            | 4,810,000         | 11,210,295        | 53,982,478                      | 11,617,978                 |
| Hospital, serial maturities through February 1, 2018                    | 2/1/98 to 3/15/07    | 4.5% – 4.65%          | 14,995,000                            | —                 | 1,500,000         | 13,495,000                      | 1,500,000                  |
| Sub-total general obligation bonds                                      |                      |                       | <u>276,540,915</u>                    | <u>49,485,000</u> | <u>32,695,060</u> | <u>293,330,855</u>              | <u>35,262,743</u>          |
| Notes payable:  |                      |                       |                                       |                   |                   |                                 |                            |
| Section 108 HUD notes payable, serial maturities through August 1, 2014 | 9/14/06              | 5.07%                 | 335,000                               | —                 | 20,000            | 315,000                         | 25,000                     |
| Note payable serial maturities April 2010 through August 1, 2021        | 4/20/00 to 6/30/01   | 2.00%                 | <u>6,000,000</u>                      | <u>—</u>          | <u>—</u>          | <u>6,000,000</u>                | <u>30,164</u>              |
| Sub-total notes payable   |                      |                       | <u>6,335,000</u>                      | <u>—</u>          | <u>20,000</u>     | <u>6,315,000</u>                | <u>55,164</u>              |
| Total governmental obligation bonds and notes payable                   |                      |                       | <u>\$ 282,875,915</u>                 | <u>49,485,000</u> | <u>32,715,060</u> | <u>299,645,855</u>              | <u>35,317,907</u>          |
| Add (deduct):   |                      |                       |                                       |                   |                   |                                 |                            |
| Unamortized bond premium  |                      |                       |                                       |                   |                   | 3,081,946                       |                            |
| Deferred loss on refunding  |                      |                       |                                       |                   |                   | (257,012)                       |                            |
| Current portion of long-term debt                                       |                      |                       |                                       |                   |                   | <u>(35,317,907)</u>             |                            |
|   |                      |                       |                                       |                   |                   | <u>\$ 267,152,882</u>           |                            |
| Other long-term obligations:  |                      |                       |                                       |                   |                   |                                 |                            |
| Judgments and claims  |                      |                       | \$ 11,575,000                         | 40,471,779        | 34,986,779        | 17,060,000                      | 5,386,000                  |
| Compensated absences  |                      |                       | 17,030,000                            | 17,623,800        | 17,435,800        | 17,218,000                      | 6,368,000                  |
| Landfill postclosure care costs   |                      |                       | 325,000                               | —                 | 25,000            | 300,000                         | 25,000                     |
| Other postemployment benefits   |                      |                       | 20,363,504                            | 39,526,820        | 18,557,960        | 41,332,364                      | —                          |
| Pollution remediation   |                      |                       | 798,732                               | —                 | 635,373           | 163,359                         | 163,359                    |
| Total other governmental long-term obligations                          |                      |                       | <u>\$ 50,092,236</u>                  | <u>97,622,399</u> | <u>71,640,912</u> | <u>76,073,723</u>               | <u>11,779,000</u>          |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2009:

|   | <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 | 8/1/98 to 3/15/07    | 4.0 – 5.75%           | \$ 39,485,690                         | —                | 6,284,829         | 33,200,861                      | 6,347,529                  |
| Total business-type bonds payable                           |                      |                       | <u>\$ 39,485,690</u>                  | <u>—</u>         | <u>6,284,829</u>  | 33,200,861                      | <u>6,347,529</u>           |
| Add (deduct):   |                      |                       |                                       |                  |                   |                                 |                            |
| Unamortized bond premium                                    |                      |                       |                                       |                  |                   | 1,327,951                       |                            |
| Deferred loss on refunding                                  |                      |                       |                                       |                  |                   | (784,833)                       |                            |
| Current portion of long-term debt                           |                      |                       |                                       |                  |                   | <u>(6,347,529)</u>              |                            |
|   |                      |                       |                                       |                  |                   | <u>\$ 27,396,450</u>            |                            |
| Other long-term obligations:                                |                      |                       |                                       |                  |                   |                                 |                            |
| Judgments and claims  |                      |                       | \$ 734,000                            | 2,077,302        | 1,773,302         | 1,038,000                       | 239,000                    |
| Compensated absences  |                      |                       | <u>478,000</u>                        | <u>422,500</u>   | <u>384,500</u>    | <u>516,000</u>                  | <u>187,000</u>             |
| Total other long-term obligations                           |                      |                       | <u>\$ 1,212,000</u>                   | <u>2,499,802</u> | <u>2,157,802</u>  | <u>1,554,000</u>                | <u>426,000</u>             |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

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, 2009, are as follows:

|                      | Principal             |                  | Interest          |                | Total              |                  |
|----------------------|-----------------------|------------------|-------------------|----------------|--------------------|------------------|
|                      | G/O bonds             | Notes            | G/O bonds         | Notes          | G/O bonds          | Notes            |
| Year ending June 30: |                       |                  |                   |                |                    |                  |
| 2010                 | \$ 35,262,743         | 55,164           | 10,569,221        | 135,244        | 45,831,964         | 190,408          |
| 2011                 | 33,868,095            | 208,108          | 9,384,509         | 131,749        | 43,252,604         | 339,857          |
| 2012                 | 28,786,621            | 551,106          | 8,233,797         | 123,900        | 37,020,418         | 675,006          |
| 2013                 | 26,228,404            | 592,320          | 7,280,793         | 111,317        | 33,509,197         | 703,637          |
| 2014                 | 23,027,774            | 608,671          | 6,369,298         | 98,329         | 29,397,072         | 707,000          |
| 2015 – 2019          | 76,582,218            | 3,216,786        | 21,417,234        | 271,009        | 97,999,452         | 3,487,795        |
| 2020 – 2024          | 43,060,000            | 1,082,845        | 10,647,204        | 21,316         | 53,707,204         | 1,104,161        |
| 2025 – 2029          | 26,515,000            | —                | 2,672,314         | —              | 29,187,314         | —                |
|                      | <u>\$ 293,330,855</u> | <u>6,315,000</u> | <u>76,574,370</u> | <u>892,864</u> | <u>369,905,225</u> | <u>7,207,864</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, 2009, 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 \$30.7 million and education expenditures of \$2.0 million totaling \$32.7 million of principal costs.

In March 2009, the City issued \$47,385,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest on the general obligation bonds is due semiannually on each February 1 and August 1, with principal payments due each February 1 until maturity in fiscal 2029.

In fiscal 2009, the City borrowed \$2,100,000 from the Massachusetts School Building Authority (MSBA) to fund renovations to the war memorial. Principal is due in annual installments through November 2019.

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (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 \$2,133,000 in subsidies during 2009 and expects to receive subsidies totaling approximately \$3,802,000 (water portion \$1,320,000) through 2014. Loan payments commenced on February 1, 1994 and end on August 1, 2014, 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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

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, 2009, the City may issue approximately \$903.4 million additional general obligation debt under the normal debt limit. The City has approximately \$35.8 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2009 are as follows:

|                      | <u>Principal</u>     | <u>Interest</u>  | <u>Total</u>      |
|----------------------|----------------------|------------------|-------------------|
| Year ending June 30: |                      |                  |                   |
| 2010                 | \$ 6,347,529         | 1,445,572        | 7,793,101         |
| 2011                 | 4,958,332            | 1,188,257        | 6,146,589         |
| 2012                 | 3,535,000            | 994,976          | 4,529,976         |
| 2013                 | 2,840,000            | 842,801          | 3,682,801         |
| 2014                 | 2,840,000            | 708,000          | 3,548,000         |
| 2015 – 2019          | 12,220,000           | 1,632,305        | 13,852,305        |
| 2020                 | 460,000              | 11,501           | 471,501           |
|                      | <u>\$ 33,200,861</u> | <u>6,823,412</u> | <u>40,024,273</u> |

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

In 2007, the CHA entered into a commercial loan of \$8 million to finance renovations at one of its leased facilities. CHA has swapped its variable rate (30 day LIBOR +0.50 basis points) for a fixed rate of 5.69%. The annual scheduled debt service requirements as of June 30, 2009 are as follows:

|                      | <u>Principal</u>    | <u>Interest</u>  | <u>Total</u>     |
|----------------------|---------------------|------------------|------------------|
| Year ending June 30: |                     |                  |                  |
| 2010                 | \$ 533,333          | 380,598          | 913,931          |
| 2011                 | 533,333             | 350,251          | 883,584          |
| 2012                 | 533,333             | 319,905          | 853,238          |
| 2013                 | 533,333             | 289,558          | 822,891          |
| 2014                 | 533,334             | 259,211          | 792,545          |
| 2015 – 2019          | 2,666,667           | 840,856          | 3,507,523        |
| 2020 – 2022          | 1,600,000           | 140,353          | 1,740,353        |
|                      | <u>\$ 6,933,333</u> | <u>2,580,732</u> | <u>9,514,065</u> |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(9) Retirement Plan**

**(a) Plan Description**

The City contributes to the 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:

- (i) City of Cambridge
- (ii) Cambridge Redevelopment Authority
- (iii) Cambridge Housing Authority
- (iv) Cambridge Health Alliance

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

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:

- (i) Fixed income securities are stated at quoted market value.
- (ii) Equity securities are stated at quoted market value.
- (iii) Real estate funds are stated at partner's account value based upon the appraised value of the underlying investments.
- (iv) Venture capital funds are stated at the lower of contributed cost or fair value.
- (v) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (vi) Alternative investments are stated at partner's account or unit value.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(c) Membership**

Membership in the System consisted of the following at January 1, 2008, the date of the latest actuarial valuation:

|   |             |
|---|-------------|
| Retirees and beneficiaries receiving benefits                   | 1,756       |
| Terminated plan members entitled to, but not receiving benefits | 918         |
| Active plan members   | 4,119       |
|   | <hr/>       |
| Total membership  | 6,793       |
|   | <hr/> <hr/> |
| Total number of participating employers                         | 4           |

**(d) Contributions**

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 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. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$20,876,886, \$20,406,365, and \$19,774,476 respectively, and \$4,792,800, \$4,592,040, and \$4,458,290 respectively.

The Commonwealth reimburses the System for a portion of the benefits payments for cost of living increases granted before July 1998.

**(e) Legally Required Reserve Accounts**

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2007 are as follows:

| <u>Description</u>           | <u>Amount</u>  | <u>Purpose</u>  |
|------------------------------|----------------|---|
| Annuity savings fund         | \$ 197,490,100 | Active members' contribution balance                    |
| Annuity reserve fund         | 43,580,508     | Retired members' contribution account                   |
| Military service credit fund | 5,836          | Members' contribution account while on military leave   |
| Pension reserve fund         | 300,643,619    | Amounts appropriated to fund future retirement benefits |
| Pension fund                 | 26,701,775     | Remaining net assets                                    |
|                              | <hr/>          |   |
|                              | \$ 568,421,838 |   |
|                              | <hr/> <hr/>    |   |

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

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2009

**(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.

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, 2008. 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, 2008, 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, 2008 were \$2,890,752.

At December 31, 2008, the fair value of securities loaned by the System amounted to \$57,340,715 against which was held collateral of \$57,493,963.

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.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

(i) ***Funded Status and Funding Progress***

The funded status of the System as of January 1, 2008, the most recent actuarial valuation, is as follows:

|   |                      |
|---|----------------------|
| Actuarially accrued liability (AAL)               | \$ 833,034,229       |
| Actuarial value of plan assets                    | <u>766,030,562</u>   |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 67,003,667</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 92.0%                |
| Covered payroll (active plan members)             | \$ 222,115,415       |
| UAAL as a percentage of covered payroll           | 30.2%                |

In the January 1, 2008 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.5% investment rate of return, projected salary increases of 4.5% over the next year and 5.5% thereafter, and cost of living adjustments of 3% of first \$12,000 of retirement income. The actuarial value of assets was determined using the market value of assets less unrecognized returns in each of the last five years. The System's unfunded actuarial accrued liability is being amortized as a level dollar amortization of ERI liabilities and increasing amortization for remaining unfunded liability. The remaining amortization period at January 1, 2008 is 1/2 year from July 1, 2008 for 2002 ERI, 1 year from July 1, 2008 for 2003 ERI, and 5 years from July 1, 2008 for remaining unfunded liability.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about termination rates, retirement rates, mortality and salary increases. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**(10) Other Postemployment Benefit Disclosures**

In addition to the pension benefits described in note 9, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. As of the valuation date, approximately 2,168 retirees and 2,786 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2009

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan.

Groups 1 and 4 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

#### *Changes in Plan Provision*

##### **Group 4 Eligibility**

As of January 1, 2007, Group 4 employees were assumed to be eligible for benefits at age 45 with 10 years of services. As of January 1, 2009, the City has confirmed that the correct eligibility is age 55 with 10 years of service. This difference in eligibility decreases the liability because the majority of the 559 employees in Group 4 become eligible for benefits later. This change resulted in a gain in the liability.

##### **City Premium Reimbursement**

As of January 1, 2007, the City reimbursed most retirees 90% of their premiums. As of January 1, 2009, the City changed this provision to reimburse employees retiring after October 1, 2009 85% of their premiums. Applying this change to the 2,786 active employees lowers the City's liability. This change resulted in a gain.

##### **(a) Funding Policy**

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(b) Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of December 31, 2006 rolled forward to July 1, 2008:

|   |                             |
|---|-----------------------------|
| Annual Required Contribution (ARC)      | \$ 39,271,792               |
| Interest on net OPEB obligation         | 1,018,175                   |
| Adjustment to ARC                       | <u>(763,147)</u>            |
| Annual OPEB cost                        | 39,526,820                  |
| Contributions made                      | <u>(18,557,960)</u>         |
| Change in net OPEB obligation           | 20,968,860                  |
| Net OPEB obligation – beginning of year | <u>20,363,504</u>           |
| Net OPEB obligation – end of year       | <u><u>\$ 41,332,364</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| <u>Fiscal year ended</u> | <u>Annual OPEB cost</u> | <u>Percentage of OPEB cost contributed</u> | <u>Net OPEB obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 2009                     | \$ 39,526,820           | 46.87%                                     | \$ 41,332,364              |
| 2008                     | 37,485,904              | 45.68                                      | 20,363,504                 |

**(c) Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009, based on an actuarial valuation as of January 1, 2009 was as follows:

|   |                              |
|---|------------------------------|
| Actuarially accrued liability (AAL)               | \$ 598,995,000               |
| Actuarial value of plan assets                    | <u>—</u>                     |
| Unfunded actuarial accrued liability (UAAL)       | <u><u>\$ 598,995,000</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | —%                           |
| Covered payroll (active plan members)             | \$ 152,151,309               |
| UAAL as a percentage of covered payroll           | 393.7%                       |

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2009

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**(d) *Actuarial Methods and Assumptions and Changes in Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of January 1, 2007, the discount rate was 5%. As of January 1, 2009, the discount rate was 4.5%. In general, the discount rate is to be equal to the long term rate of return of the assets paying retiree costs. Since the City has not implemented a qualified OPEB trust, it was assumed the City pays retiree costs from general assets, with a combined long-term rate of return of approximately 4.5%. This change resulted in a loss.

As of January 1, 2007, the healthcare cost trend rates were 10% in 2007, 9% in 2008, 8% in 2009, 7% in 2010, 6% in 2011, and 5% in 2012 and later. As of January 1, 2009, the healthcare cost trend rates begin with 11% in 2009 and decrease 0.5% annually to an ultimate rate of 5%. The healthcare cost trend rates as of January 1, 2009 are based on current market conditions and updated normative trend data and studies. This change resulted in a loss.

As of January 1, 2007, the expected annual trend rate for the Medicare Part B premium was 6%. As of January 1, 2009, the expected annual trend rates begin with 6% in 2009 and decreases 0.25% annually to an ultimate rate of 5.0%. The healthcare cost trend rates as of January 1, 2009 are based on past annual increases in the Medicare Part B premium. This change resulted in a gain.

As of January 1, 2007, the payroll growth rate was 4.5%. As of January 1, 2009, the payroll growth rate was 3.5%. It was assumed that this rate is usually in the 3.0% to 3.5% range and the City's recent salary increases were 2.5% and there are expected to be increases of 3.0%. This assumption should represent long-term expectations of the City's payroll growth. Therefore, recent salary increase rates, current economic environment, and the prior 4.5% were considered. In addition, 3.5% appears to be a reasonable long-term rate of return for the City. This assumption does not affect the liability of the plan, but does affect the amortization of the unfunded actuarial accrued liability and, consequently, the annual costs.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

As of January 1, 2007, the percent of future retirees electing spouse coverage was 70%. As of January 1, 2009, future retirees electing spouse coverage is based on the employees' current coverage election. In other words, employees in the current census data with spouse coverage are assumed to have spouse coverage at retirement. Currently, 54% of employees have a spouse covered, which is 16% lower than the assumption used in the January 1, 2007 valuation resulting in a gain.

As of January 1, 2007, the percent of participants assumed to not be Medicare eligible at 65 was 15%. As of January 1, 2009, the percent was 9% based on the current 140 retirees over 65 in the non-Medicare plans divided by the total 1,605 retirees over age 65. Based on this updated information, the percent of new retirees not being Medicare eligible at 65 decreased and is likely to continue to decrease. Therefore, it was assumed that 7% of retirees attaining 65 in the future would not be eligible for Medicare. This change resulted in a gain.

The experience analysis of the non-Medicare plans resulted in pre-65 and post-65 per capita health claim costs that are approximately 11% and 20% higher, respectively, than the amounts expected based on the January 1, 2007 valuation resulting in a loss.

Current and future retirees contribute an amount based on the costs or premiums of the plan they elect. The non-Medicare plans premiums weighted average as of January 1, 2009 is approximately 3% lower than the amount expected based on the January 1, 2007 valuation creating a loss to the plan.

The experience analysis of the Medex plan resulted in per capita health claim costs that are approximately 7% higher than the amounts expected based on the January 1, 2007 valuation resulting in a loss. The analysis of the other Medicare plans resulted in costs that are very close to the amounts expected based on the January 1, 2007 valuation.

The Part B premium as of January 1, 2009 is approximately 7% lower than the amount expected based on the January 1, 2007 valuation creating a gain to the plan.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2009

**(11) Transfers**

Transfers and their purposes during the year ended June 30, 2009 were as follows:

|  | <u>Governmental funds</u> |                  |                     | <u>Enterprise<br/>fund Water</u> |
|--|---------------------------|------------------|---------------------|----------------------------------|
|  | <u>General</u>            | <u>Capital</u>   | <u>Other</u>        |                                  |
| Capital – to fund capital expenditures   | \$ (6,520,605)            | 6,520,605        | —                   | —                                |
| Water – to fund plant maintenance expenditures   | —                         | (200,000)        | —                   | 200,000                          |
| Parking – reimbursement of administrative costs and other eligible City expenditures                       | 16,805,655                | 2,650,000        | (19,455,655)        | —                                |
| Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds | 45,000                    | —                | (45,000)            | —                                |
| CDBG – reimbursement of eligible capital costs   | —                         | (17,279)         | 17,279              | —                                |
| Water – reimbursement of administrative costs  | 682,585                   | —                | —                   | (682,585)                        |
| Affordable housing fund – from CPA Fund  | —                         | —                | 8,720,000           | —                                |
| CPA Fund – to affordable housing fund  | —                         | —                | (8,720,000)         | —                                |
| Total  | <u>\$ 11,012,635</u>      | <u>8,953,326</u> | <u>(19,483,376)</u> | <u>(482,585)</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 property and casualty, 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. The amount of settlements exceeded insurance coverage for premium based health insurance elections by \$0, \$0, and \$4,157 for fiscal years ended June 30, 2009, 2008 and 2007, respectively.

Employees contribute at least 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, 2009

The City has established a liability based on historical trends of previous years and attorney's estimates of pending matters and lawsuits in which the City is involved.

Changes in the self insurance liability for the years ended June 30, 2009 and 2008 are as follows:

|  | <u>2009</u>          | <u>2008</u>         |
|--|----------------------|---------------------|
| Judgments and accrued claims, beginning of year  | \$ 12,309,000        | 7,730,000           |
| Incurred claims  | 42,549,081           | 38,274,000          |
| Less payments of claims attributable to events of both<br>current and prior fiscal years | <u>(36,760,081)</u>  | <u>(33,695,000)</u> |
| Judgments and accrued claims, end of year  | <u>\$ 18,098,000</u> | <u>12,309,000</u>   |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

June 30, 2009

(Unaudited)

**Schedules of Funding Progress**

(Dollars in thousands)

**Pension**

| <u>Actuarial 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> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| January 1, 2008                 | \$ 766,031                           | 833,034                                      | 67,003                           | 92.0                      | \$ 222,115                 | 30.2   |
| January 1, 2006                 | 632,059                              | 740,320                                      | 108,261                          | 85.4                      | 201,088                    | 53.8   |
| January 1, 2004                 | 569,500                              | 655,107                                      | 85,607                           | 86.9                      | 184,254                    | 46.5   |
| January 1, 2002                 | 516,947                              | 578,050                                      | 61,103                           | 89.4                      | 167,303                    | 36.5   |
| January 1, 2000                 | 424,606                              | 510,973                                      | 86,367                           | 83.1                      | 140,489                    | 61.5   |
| January 1, 1998                 | 342,788                              | 436,216 (1)                                  | 93,428                           | 78.6                      | 132,440                    | 70.5   |

**OPEB**

| <u>Actuarial 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> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| January 1, 2009                 | \$ —                                 | 598,995                                      | 598,995                          | —%                        | \$ 152,151                 | 393.7%   |
| December 31, 2006               | —                                    | 602,697                                      | 602,697                          | —%                        | 155,456                    | 387.7%   |

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

**Schedule of Employers' Contributions – Pension**

(Dollars in thousands)

| <u>Year ended December 31:</u> | <u>Annual required contribution</u> | <u>Percentage contributed</u> |
|--------------------------------|-------------------------------------|-------------------------------|
| 2008                           | \$ 26,926                           | 100%                          |
| 2007                           | 28,067                              | 100                           |
| 2006                           | 25,220                              | 100                           |
| 2005                           | 24,577                              | 100                           |
| 2004                           | 23,978                              | 100                           |
| 2003                           | 23,762                              | 100                           |
| 2002                           | 21,399                              | 100                           |

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Revenues and Expenditures – Budgetary Basis  
Required Supplementary Information  
General Fund – Budget and Actual  
Year ended June 30, 2009  
Unaudited  
(with comparative actual amounts for 2008)

|  | <b>2009<br/>Original<br/>budget</b> | <b>2009<br/>Final<br/>budget</b> | <b>2009<br/>Actual</b> | <b>Variance<br/>favorable<br/>(unfavorable)</b> | <b>2008<br/>Actual</b> |
|--|-------------------------------------|----------------------------------|------------------------|---|------------------------|
| <b>Revenues:</b>   |                                     |                                  |                        |   |                        |
| Property taxes   | \$ 254,945,578                      | 254,945,578                      | 254,945,578            | —   | 242,334,374            |
| Provisions for tax abatements and adj.   | (4,445,578)                         | (4,445,578)                      | (4,445,578)            | —   | (4,535,813)            |
| Payments in lieu of tax receipts   | 4,850,000                           | 4,850,000                        | 7,011,953              | 2,161,953                                       | 7,318,567              |
| Hotel/motel excise tax   | 8,390,000                           | 8,410,000                        | 6,802,768              | (1,607,232)                                     | 6,862,581              |
| Intergovernmental  | 39,778,336                          | 39,778,336                       | 37,234,500             | (2,543,836)                                     | 47,575,390             |
| Sewer use  | 36,772,500                          | 36,772,500                       | 36,058,033             | (714,467)                                       | 36,874,045             |
| Motor vehicle excise   | 6,053,738                           | 6,053,738                        | 6,139,574              | 85,836  | 6,649,769              |
| Investment income  | 3,800,000                           | 3,800,000                        | 3,417,679              | (382,321)                                       | 7,818,269              |
| Other  | 24,958,295                          | 23,990,288                       | 21,282,849             | (2,707,439)                                     | 24,950,699             |
| Total revenues   | <u>375,102,869</u>                  | <u>374,154,862</u>               | <u>368,447,356</u>     | <u>(5,707,506)</u>                              | <u>375,847,881</u>     |
| <b>Expenditures:</b>   |                                     |                                  |                        |   |                        |
| <b>Current:</b>  |                                     |                                  |                        |   |                        |
| General government   | 47,267,470                          | 44,039,765                       | 36,294,202             | 7,745,563                                       | 37,037,625             |
| Public safety  | 93,253,190                          | 96,231,540                       | 95,243,562             | 987,978   | 89,585,457             |
| Community maintenance and development  | 36,080,554                          | 36,585,507                       | 36,008,200             | 577,307   | 34,088,266             |
| Human resource development   | 26,404,491                          | 26,319,960                       | 26,004,687             | 315,273   | 24,345,666             |
| Education  | 130,704,170                         | 129,519,387                      | 128,964,796            | 554,591   | 124,430,580            |
| Judgments and claims   | 250,000                             | 250,000                          | 171,015                | 78,985  | 214,132                |
| State and district assessments   | 42,646,164                          | 42,651,615                       | 41,020,229             | 1,631,386                                       | 39,567,157             |
| <b>Debt service:</b>   |                                     |                                  |                        |   |                        |
| Principal  | 30,202,890                          | 30,202,892                       | 30,202,892             | —   | 25,381,700             |
| Interest   | 10,008,570                          | 10,008,568                       | 10,000,560             | 8,008   | 8,749,189              |
| Total expenditures   | <u>416,817,499</u>                  | <u>415,809,234</u>               | <u>403,910,143</u>     | <u>11,899,091</u>                               | <u>383,399,772</u>     |
| Excess (deficiency) of revenues<br>over expenditures   | <u>(41,714,630)</u>                 | <u>(41,654,372)</u>              | <u>(35,462,787)</u>    | <u>6,191,585</u>                                | <u>(7,551,891)</u>     |
| <b>Other financing sources (uses):</b>   |                                     |                                  |                        |   |                        |
| <b>Operating transfers in (out):</b>   |                                     |                                  |                        |   |                        |
| General Fund   | —                                   | 341,141                          | —                      | (341,141)                                       |                        |
| Special revenue funds  | 18,407,705                          | 18,407,705                       | 16,805,655             | (1,602,050)                                     | 16,160,200             |
| Capital projects funds   | (3,840,000)                         | (4,339,201)                      | (6,520,605)            | (2,181,404)                                     | (8,781,700)            |
| Trust funds  | 15,464,340                          | 14,148,142                       | 7,464,340              | (6,683,802)                                     | (406,200)              |
| Enterprise fund  | 682,585                             | 682,585                          | 682,585                | —   | 678,130                |
| Total other financing sources (uses)   | <u>30,714,630</u>                   | <u>29,240,372</u>                | <u>18,431,975</u>      | <u>(10,808,397)</u>                             | <u>7,650,430</u>       |
| Excess (deficiency) of revenues and<br>other financing sources over expenditures<br>and other financing uses | <u>(11,000,000)</u>                 | <u>(12,414,000)</u>              | <u>(17,030,812)</u>    | <u>(4,616,812)</u>                              | <u>98,539</u>          |
| <b>Other budget items:</b>   |                                     |                                  |                        |   |                        |
| Free cash appropriations   | 9,000,000                           | 10,414,000                       |                        |   |                        |
| Overlay Surplus  | 2,000,000                           | 2,000,000                        |                        |   |                        |
| Total other budget items   | <u>11,000,000</u>                   | <u>12,414,000</u>                |                        |   |                        |
| Net budget and actual  | <u>\$ —</u>                         | <u>—</u>                         |                        |   |                        |

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Required Supplementary Information

Year ended June 30, 2009

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, 2009:

|   | <u>Revenues</u>       | <u>Expenditures</u> | <u>Other<br/>financing<br/>sources<br/>(uses), net</u> |
|---|-----------------------|---------------------|--|
| As reported on a budgetary basis                    | \$ 368,447,356        | 403,910,143         | 18,431,975   |
| Adjustments:  |                       |                     |  |
| Revenues to modified accrual basis                  | 7,993,869             | —                   | —  |
| Expenditures, encumbrances<br>and accruals, net     | —                     | (5,432,897)         | —  |
| Reclassification:                                   |                       |                     |  |
| Premium on debt issuance                            | (792,996)             | —                   | 792,996  |
| Transfers not reported on a<br>Budgetary/GAAP basis | —                     | —                   | (7,419,340)  |
| As reported on a GAAP basis                         | <u>\$ 375,648,229</u> | <u>398,477,246</u>  | <u>11,805,631</u>                                      |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2009

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, 2009

|                            | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>positive<br/>(negative)</u> |
|----------------------------|-------------------|-------------------|---|
| General Government:        |                   |                   |   |
| Mayor:                     |                   |                   |   |
| Salaries and wages         | \$ 651,205        | 524,849           | 126,356                                     |
| Other ordinary maintenance | 111,130           | 109,311           | 1,819                                       |
| Travel and training        | 29,500            | 28,040            | 1,460                                       |
| Total Mayor                | <u>791,835</u>    | <u>662,200</u>    | <u>129,635</u>                              |
| City Manager:              |                   |                   |   |
| Salaries and wages         | 1,329,925         | 1,329,917         | 8   |
| Other ordinary maintenance | 479,950           | 472,426           | 7,524                                       |
| Travel and training        | 40,500            | 29,456            | 11,044                                      |
| Total City Manager         | <u>1,850,375</u>  | <u>1,831,799</u>  | <u>18,576</u>                               |
| City Council:              |                   |                   |   |
| Salaries and wages         | 1,066,635         | 1,066,634         | 1   |
| Other ordinary maintenance | 41,900            | 36,145            | 5,755                                       |
| Travel and training        | 59,855            | 51,195            | 8,660                                       |
| Total City Council         | <u>1,168,390</u>  | <u>1,153,974</u>  | <u>14,416</u>                               |
| City Clerk:                |                   |                   |   |
| Salaries and wages         | 821,475           | 821,472           | 3   |
| Other ordinary maintenance | 57,935            | 45,961            | 11,974                                      |
| Travel and training        | 2,595             | 2,480             | 115   |
| Total City Clerk           | <u>882,005</u>    | <u>869,913</u>    | <u>12,092</u>                               |
| Law:                       |                   |                   |   |
| Salaries and wages         | 1,252,950         | 1,252,947         | 3   |
| Other ordinary maintenance | 509,225           | 509,225           | —   |
| Travel and training        | 9,675             | 5,144             | 4,531                                       |
| Total Law                  | <u>1,771,850</u>  | <u>1,767,316</u>  | <u>4,534</u>                                |
| Finance:                   |                   |                   |   |
| Salaries and wages         | 8,089,545         | 8,084,909         | 4,636                                       |
| Other ordinary maintenance | 2,755,140         | 2,440,455         | 314,685                                     |
| Travel and training        | 216,900           | 183,254           | 33,646                                      |
| Extraordinary expenditures | 77,800            | 75,256            | 2,544                                       |
| Total Finance              | <u>11,139,385</u> | <u>10,783,874</u> | <u>355,511</u>                              |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2009

|                            | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>positive<br/>(negative)</u> |
|----------------------------|-------------------|-------------------|---|
| Employment Benefits:       |                   |                   |   |
| Salaries and wages         | \$ 22,753,585     | 15,857,734        | 6,895,851                                   |
| Other ordinary maintenance | 708,960           | 549,897           | 159,063                                     |
| Total Employment Benefits  | <u>23,462,545</u> | <u>16,407,631</u> | <u>7,054,914</u>                            |
| General Services:          |                   |                   |   |
| Salaries and wages         | 340,970           | 340,969           | 1   |
| Other ordinary maintenance | 626,200           | 601,372           | 24,828                                      |
| Total General Services     | <u>967,170</u>    | <u>942,341</u>    | <u>24,829</u>                               |
| Election Commission:       |                   |                   |   |
| Salaries and wages         | 622,085           | 622,082           | 3   |
| Other ordinary maintenance | 276,190           | 266,137           | 10,053                                      |
| Travel and training        | 2,270             | 1,757             | 513   |
| Total Election Commission  | <u>900,545</u>    | <u>889,976</u>    | <u>10,569</u>                               |
| Public Celebrations:       |                   |                   |   |
| Salaries and wages         | 396,820           | 357,231           | 39,589                                      |
| Other ordinary maintenance | 410,900           | 355,117           | 55,783                                      |
| Travel and training        | 1,125             | 952               | 173   |
| Total Public Celebrations  | <u>808,845</u>    | <u>713,300</u>    | <u>95,545</u>                               |
| Reserve:                   |                   |                   |   |
| Other ordinary maintenance | 24,000            | —                 | 24,000                                      |
| Total Reserve              | <u>24,000</u>     | <u>—</u>          | <u>24,000</u>                               |
| Animal Commission:         |                   |                   |   |
| Salaries and wages         | 259,365           | 259,363           | 2   |
| Other ordinary maintenance | 13,305            | 12,365            | 940   |
| Travel and training        | 150               | 150               | —   |
| Total Animal Commission    | <u>272,820</u>    | <u>271,878</u>    | <u>942</u>                                  |
| Total General Government   | <u>44,039,765</u> | <u>36,294,202</u> | <u>7,745,563</u>                            |
| Public Safety:             |                   |                   |   |
| Fire:                      |                   |                   |   |
| Salaries and wages         | 34,035,970        | 33,776,424        | 259,546                                     |
| Other ordinary maintenance | 1,085,970         | 1,075,870         | 10,100                                      |
| Travel and training        | 1,031,750         | 1,031,750         | —   |
| Extraordinary expenditures | 110,000           | 109,969           | 31  |
| Total Fire                 | <u>36,263,690</u> | <u>35,994,013</u> | <u>269,677</u>                              |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2009

|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>positive<br/>(negative)</u> |
|---|-------------------|-------------------|---|
| Police:                                   |                   |                   |   |
| Salaries and wages                        | \$ 37,078,575     | 37,078,575        | —   |
| Other ordinary maintenance                | 1,772,400         | 1,645,350         | 127,050                                     |
| Travel and training                       | 366,500           | 353,517           | 12,983                                      |
| Extraordinary expenditures                | 532,100           | 457,084           | 75,016                                      |
| Total Police                              | <u>39,749,575</u> | <u>39,534,526</u> | <u>215,049</u>                              |
| Traffic and Parking:                      |                   |                   |   |
| Salaries and wages                        | 6,200,190         | 6,163,949         | 36,241                                      |
| Other ordinary maintenance                | 3,285,040         | 3,101,106         | 183,934                                     |
| Travel and training                       | 56,400            | 46,055            | 10,345                                      |
| Extraordinary expenditures                | 75,000            | 59,748            | 15,252                                      |
| Total Traffic and Parking                 | <u>9,616,630</u>  | <u>9,370,858</u>  | <u>245,772</u>                              |
| Police Review and Advisory Board:         |                   |                   |   |
| Salaries and wages                        | 87,195            | 87,099            | 96  |
| Other ordinary maintenance                | 1,000             | 808               | 192   |
| Travel and training                       | 3,000             | 300               | 2,700                                       |
| Total Police Review and<br>Advisory Board | <u>91,195</u>     | <u>88,207</u>     | <u>2,988</u>                                |
| Inspectional Services:                    |                   |                   |   |
| Salaries and wages                        | 2,446,500         | 2,446,496         | 4   |
| Other ordinary maintenance                | 124,400           | 77,460            | 46,940                                      |
| Travel and training                       | 51,825            | 49,147            | 2,678                                       |
| Total Inspectional Services               | <u>2,622,725</u>  | <u>2,573,103</u>  | <u>49,622</u>                               |
| License:                                  |                   |                   |   |
| Salaries and wages                        | 807,755           | 752,115           | 55,640                                      |
| Other ordinary maintenance                | 59,775            | 59,034            | 741   |
| Travel and training                       | 11,115            | 8,974             | 2,141                                       |
| Total License                             | <u>878,645</u>    | <u>820,123</u>    | <u>58,522</u>                               |
| Weights and Measures:                     |                   |                   |   |
| Salaries and wages                        | 107,835           | 107,834           | 1   |
| Other ordinary maintenance                | 7,780             | 6,831             | 949   |
| Travel and training                       | 2,245             | 2,213             | 32  |
| Total Weights and Measures                | <u>117,860</u>    | <u>116,878</u>    | <u>982</u>                                  |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2009

|  | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>positive<br/>(negative)</u> |
|--|-------------------|-------------------|---|
| Electrical:                            |                   |                   |   |
| Salaries and wages                     | \$ 1,458,390      | 1,458,387         | 3   |
| Other ordinary maintenance             | 1,286,460         | 1,241,727         | 44,733                                      |
| Travel and training                    | 14,670            | 13,842            | 828   |
| Extraordinary expenditures             | 25,000            | 25,000            | —   |
| Total Electrical                       | <u>2,784,520</u>  | <u>2,738,956</u>  | <u>45,564</u>                               |
| Emergency Management:                  |                   |                   |   |
| Salaries and wages                     | 159,855           | 159,853           | 2   |
| Other ordinary maintenance             | 14,065            | 9,379             | 4,686                                       |
| Travel and training                    | 570               | 300               | 270   |
| Total Emergency Management             | <u>174,490</u>    | <u>169,532</u>    | <u>4,958</u>                                |
| Emergency Communications:              |                   |                   |   |
| Salaries and wages                     | 3,716,850         | 3,667,410         | 49,440                                      |
| Other ordinary maintenance             | 195,510           | 159,766           | 35,744                                      |
| Travel and training                    | 15,850            | 7,005             | 8,845                                       |
| Extraordinary expenditures             | 4,000             | 3,185             | 815   |
| Total Emergency Communications         | <u>3,932,210</u>  | <u>3,837,366</u>  | <u>94,844</u>                               |
| Total Public Safety                    | <u>96,231,540</u> | <u>95,243,562</u> | <u>987,978</u>                              |
| Community Maintenance and Development: |                   |                   |   |
| Public Works:                          |                   |                   |   |
| Salaries and wages                     | 17,492,620        | 17,492,614        | 6   |
| Other ordinary maintenance             | 11,477,125        | 11,023,585        | 453,540                                     |
| Travel and training                    | 222,955           | 217,237           | 5,718                                       |
| Extraordinary expenditures             | 412,325           | 412,325           | —   |
| Total Public Works                     | <u>29,605,025</u> | <u>29,145,761</u> | <u>459,264</u>                              |
| Community Development:                 |                   |                   |   |
| Salaries and wages                     | 4,298,288         | 4,268,945         | 29,343                                      |
| Other ordinary maintenance             | 596,940           | 541,044           | 55,896                                      |
| Travel and training                    | 20,500            | 18,606            | 1,894                                       |
| Total Community Development            | <u>4,915,728</u>  | <u>4,828,595</u>  | <u>87,133</u>                               |
| Historical Commission:                 |                   |                   |   |
| Salaries and wages                     | 509,820           | 509,816           | 4   |
| Other ordinary maintenance             | 68,380            | 58,137            | 10,243                                      |
| Travel and training                    | 800               | 692               | 108   |
| Total Historical Commission            | <u>579,000</u>    | <u>568,645</u>    | <u>10,355</u>                               |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2009

|  | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>positive<br/>(negative)</u> |
|--|-------------------|-------------------|---|
| Conservation Commission:                       |                   |                   |   |
| Salaries and wages                             | \$ 85,970         | 85,969            | 1   |
| Other ordinary maintenance                     | 3,525             | 2,567             | 958   |
| Travel and training                            | 960               | 746               | 214   |
| Total Conservation Commission                  | <u>90,455</u>     | <u>89,282</u>     | <u>1,173</u>                                |
| Peace Commission:                              |                   |                   |   |
| Salaries and wages                             | 109,740           | 109,737           | 3   |
| Other ordinary maintenance                     | 10,780            | 5,409             | 5,371                                       |
| Travel and training                            | 1,850             | 1,800             | 50  |
| Total Peace Commission                         | <u>122,370</u>    | <u>116,946</u>    | <u>5,424</u>                                |
| Cable Television:                              |                   |                   |   |
| Salaries and wages                             | 476,180           | 476,175           | 5   |
| Other ordinary maintenance                     | 793,299           | 780,657           | 12,642                                      |
| Travel and training                            | 3,450             | 2,139             | 1,311                                       |
| Total Cable Television                         | <u>1,272,929</u>  | <u>1,258,971</u>  | <u>13,958</u>                               |
| Total Community Maintenance<br>and Development | <u>36,585,507</u> | <u>36,008,200</u> | <u>577,307</u>                              |
| Human Resource Development:                    |                   |                   |   |
| Library:                                       |                   |                   |   |
| Salaries and wages                             | 5,485,850         | 5,419,097         | 66,753                                      |
| Other ordinary maintenance                     | 1,107,280         | 1,071,889         | 35,391                                      |
| Travel and training                            | 36,650            | 35,524            | 1,126                                       |
| Total Library                                  | <u>6,629,780</u>  | <u>6,526,510</u>  | <u>103,270</u>                              |
| Human Services:                                |                   |                   |   |
| Salaries and wages                             | 15,517,012        | 15,379,980        | 137,032                                     |
| Other ordinary maintenance                     | 2,825,426         | 2,801,267         | 24,159                                      |
| Travel and training                            | 91,287            | 54,753            | 36,534                                      |
| Extraordinary expenditures                     | 25,000            | 24,949            | 51  |
| Total Human Services                           | <u>18,458,725</u> | <u>18,260,949</u> | <u>197,776</u>                              |
| Women's Commission:                            |                   |                   |   |
| Salaries and wages                             | 185,010           | 185,005           | 5   |
| Other ordinary maintenance                     | 9,835             | 9,830             | 5   |
| Travel and training                            | 1,025             | 322               | 703   |
| Total Women's Commission                       | <u>195,870</u>    | <u>195,157</u>    | <u>713</u>                                  |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2009

|                                      | <u>Budget</u>         | <u>Actual</u>      | <b>Variance<br/>positive<br/>(negative)</b> |
|--------------------------------------|-----------------------|--------------------|---|
| Human Rights Commission:             |                       |                    |   |
| Salaries and wages                   | \$ 184,435            | 184,435            | —   |
| Other ordinary maintenance           | 4,055                 | 1,485              | 2,570                                       |
| Travel and training                  | 700                   | 700                | —   |
| Total Human Rights Commission        | <u>189,190</u>        | <u>186,620</u>     | <u>2,570</u>                                |
| Veterans Benefits:                   |                       |                    |   |
| Salaries and wages                   | 271,645               | 271,643            | 2   |
| Other ordinary maintenance           | 54,900                | 49,432             | 5,468                                       |
| Travel and training                  | 519,850               | 514,376            | 5,474                                       |
| Total Veterans Benefits              | <u>846,395</u>        | <u>835,451</u>     | <u>10,944</u>                               |
| Total Human Resource<br>Development  | <u>26,319,960</u>     | <u>26,004,687</u>  | <u>315,273</u>                              |
| Education:                           |                       |                    |   |
| Salaries and wages                   | 99,024,257            | 98,729,298         | 294,959                                     |
| Other ordinary maintenance           | 25,257,878            | 25,023,884         | 233,994                                     |
| Travel and training                  | 1,586,371             | 1,583,371          | 3,000                                       |
| Extraordinary expenditures           | 731,538               | 708,900            | 22,638                                      |
| Debt:                                |                       |                    |   |
| Principal payments                   | 2,507,358             | 2,512,167          | (4,809)                                     |
| Interest payments                    | 411,985               | 407,176            | 4,809                                       |
| Total Education                      | <u>129,519,387</u>    | <u>128,964,796</u> | <u>554,591</u>                              |
| Judgments and Claims                 | <u>250,000</u>        | <u>171,015</u>     | <u>78,985</u>                               |
| Debt Retirement:                     |                       |                    |   |
| Principal payments                   | 30,202,892            | 30,202,892         | —   |
| Interest payments                    | 10,008,568            | 10,000,560         | 8,008                                       |
| Total Debt Retirement                | <u>40,211,460</u>     | <u>40,203,452</u>  | <u>8,008</u>                                |
| State and District assessments:      |                       |                    |   |
| MBTA assessment                      | 8,174,535             | 8,174,532          | 3   |
| MWRA assessment                      | 20,110,420            | 19,830,036         | 280,384                                     |
| Other State assessments              | 8,366,660             | 7,015,661          | 1,350,999                                   |
| Cambridge Health Alliance            | 6,000,000             | 6,000,000          | —   |
| Total State and District assessments | <u>42,651,615</u>     | <u>41,020,229</u>  | <u>1,631,386</u>                            |
| Total General Fund Expenditures      | <u>\$ 415,809,234</u> | <u>403,910,143</u> | <u>11,899,091</u>                           |

See accompanying independent auditors' report.

## **CITY OF CAMBRIDGE, MASSACHUSETTS**

### Supplemental Statements and Schedules

June 30, 2009

#### **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's 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, 2009

**Special revenue**

| <b>Assets</b>                                      | <b>Community<br/>development<br/>block grant</b> | <b>School<br/>grants</b> | <b>Affordable<br/>Housing Trust</b> | <b>Parking<br/>fund</b> | <b>Community<br/>preservation<br/>act</b> | <b>Other<br/>grants</b> | <b>Permanent<br/>funds</b> | <b>Total</b>      |
|--|--|--------------------------|-------------------------------------|-------------------------|---|-------------------------|----------------------------|-------------------|
| Cash and short-term investments                    | \$ 546,957                                       | 1,367,576                | 31,499,087                          | 11,814,759              | 10,780,971                                | 2,584,009               | 3,440,318                  | 62,033,677        |
| Restricted cash and investments                    | —  | —                        | 600,000                             | —                       | —   | —                       | —                          | 600,000           |
| Accounts receivable                                | 315,000  | —                        | 4,509,384                           | 227,789                 | 108,635                                   | —                       | —                          | 5,160,808         |
| Due from other governments                         | 115,253  | 1,222,711                | —                                   | —                       | —   | 954,072                 | —                          | 2,292,036         |
| <b>Total assets</b>                                | <b>\$ 977,210</b>                                | <b>2,590,287</b>         | <b>36,608,471</b>                   | <b>12,042,548</b>       | <b>10,889,606</b>                         | <b>3,538,081</b>        | <b>3,440,318</b>           | <b>70,086,521</b> |
| <b>Liabilities and Fund Balances</b>               |  |                          |                                     |                         |   |                         |                            |                   |
| Warrants payable                                   | \$ 57,203  | 451,725                  | —                                   | —                       | 530,478                                   | 775,117                 | —                          | 1,814,523         |
| Accrued liabilities                                | 35,038   | 18,418                   | —                                   | —                       | 31,941                                    | 62,578                  | —                          | 147,975           |
| Deferred revenue                                   | —  | —                        | —                                   | —                       | 108,635                                   | —                       | —                          | 108,635           |
| Due to other funds                                 | 884,969  | —                        | —                                   | —                       | —   | —                       | —                          | 884,969           |
| <b>Total liabilities</b>                           | <b>977,210</b>                                   | <b>470,143</b>           | <b>—</b>                            | <b>—</b>                | <b>671,054</b>                            | <b>837,695</b>          | <b>—</b>                   | <b>2,956,102</b>  |
| Fund balances:                                     |  |                          |                                     |                         |   |                         |                            |                   |
| Reserved for encumbrances                          | —  | 979,677                  | —                                   | —                       | 243,964                                   | 1,060,079               | —                          | 2,283,720         |
| Reserved for specific purposes                     | —  | —                        | 600,000                             | —                       | 7,605,992                                 | —                       | 3,440,318                  | 11,646,310        |
| Reserved for loans                                 | —  | —                        | 4,509,384                           | —                       | —   | —                       | —                          | 4,509,384         |
| Unreserved   | —  | 1,140,467                | 31,499,087                          | 12,042,548              | 2,368,596                                 | 1,640,307               | —                          | 48,691,005        |
| <b>Total fund balances</b>                         | <b>—</b>   | <b>2,120,144</b>         | <b>36,608,471</b>                   | <b>12,042,548</b>       | <b>10,218,552</b>                         | <b>2,700,386</b>        | <b>3,440,318</b>           | <b>67,130,419</b> |
| <b>Total liabilities<br/>    and fund balances</b> | <b>\$ 977,210</b>                                | <b>2,590,287</b>         | <b>36,608,471</b>                   | <b>12,042,548</b>       | <b>10,889,606</b>                         | <b>3,538,081</b>        | <b>3,440,318</b>           | <b>70,086,521</b> |

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, 2009

|  | <b>Special revenue</b>                           |                          |   |                         |   |                         |                            |                   |
|--|--|--------------------------|---|-------------------------|---|-------------------------|----------------------------|-------------------|
|  | <b>Community<br/>development<br/>block grant</b> | <b>School<br/>grants</b> | <b>Affordable<br/>Housing<br/>Trust Funds</b> | <b>Parking<br/>fund</b> | <b>Community<br/>preservation<br/>act</b> | <b>Other<br/>grants</b> | <b>Permanent<br/>funds</b> | <b>Total</b>      |
| Revenues:  |  |                          |   |                         |   |                         |                            |                   |
| Intergovernmental  | \$ 1,592,408                                     | 13,611,398               | —   | —                       | 4,391,062                                 | 9,315,318               | —                          | 28,910,186        |
| Investment income  | 7,748  | —                        | 768,222                                       | 400,618                 | 73,353                                    | (50,697)                | 113,240                    | 1,312,484         |
| Other:   |  |                          |   |                         |   |                         |                            |                   |
| Permits  | —  | —                        | —   | 587,774                 | —   | —                       | —                          | 587,774           |
| Fines  | —  | —                        | —   | 10,709,734              | —   | —                       | —                          | 10,709,734        |
| Charges for services                                     | —  | —                        | —   | 7,189,778               | —   | —                       | —                          | 7,189,778         |
| Miscellaneous  | —  | 1,416,164                | 185,892                                       | (65,788)                | 6,598,276                                 | 311,738                 | 178,563                    | 8,624,845         |
| Total revenues   | <u>1,600,156</u>                                 | <u>15,027,562</u>        | <u>954,114</u>                                | <u>18,822,116</u>       | <u>11,062,691</u>                         | <u>9,576,359</u>        | <u>291,803</u>             | <u>57,334,801</u> |
| Expenditures:  |  |                          |   |                         |   |                         |                            |                   |
| General government                                       | —  | —                        | —   | —                       | 9,499                                     | 42,172                  | 99,691                     | 151,362           |
| Public safety  | —  | —                        | —   | —                       | —   | 1,323,843               | —                          | 1,323,843         |
| Community maintenance<br>and development                 | 1,098,384  | —                        | 11,740,598                                    | —                       | 2,043,146                                 | 856,837                 | —                          | 15,738,965        |
| Human services   | 519,051  | —                        | —   | —                       | 33,637                                    | 7,749,021               | —                          | 8,301,709         |
| Education  | —  | 14,350,419               | —   | —                       | —   | —                       | —                          | 14,350,419        |
| Total expenditures                                       | <u>1,617,435</u>                                 | <u>14,350,419</u>        | <u>11,740,598</u>                             | <u>—</u>                | <u>2,086,282</u>                          | <u>9,971,873</u>        | <u>99,691</u>              | <u>39,866,298</u> |
| Excess (deficiency)<br>of revenues<br>over expenditures  | (17,279)   | 677,143                  | (10,786,484)                                  | 18,822,116              | 8,976,409                                 | (395,514)               | 192,112                    | 17,468,503        |
| Other financing sources (uses):                          |  |                          |   |                         |   |                         |                            |                   |
| Transfers from other funds                               | 17,279   | —                        | 8,720,000                                     | —                       | —   | —                       | —                          | 8,737,279         |
| Transfers to other funds                                 | —  | —                        | —   | (19,455,655)            | (8,720,000)                               | —                       | (45,000)                   | (28,220,655)      |
| Excess of revenues<br>over expenditures<br>and transfers | —  | 677,143                  | (2,066,484)                                   | (633,539)               | 256,409                                   | (395,514)               | 147,112                    | (2,014,873)       |
| Fund balances at beginning of year                       | —  | 1,443,001                | 38,674,955                                    | 12,676,087              | 9,962,143                                 | 3,095,900               | 3,293,206                  | 69,145,292        |
| Fund balances at end of year                             | \$ <u>—</u>                                      | <u>2,120,144</u>         | <u>36,608,471</u>                             | <u>12,042,548</u>       | <u>10,218,552</u>                         | <u>2,700,386</u>        | <u>3,440,318</u>           | <u>67,130,419</u> |

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2009

**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, 2009

| Assets                          | Balance at<br>June 30,<br>2008 | Additions        | Deductions       | Balance at<br>June 30,<br>2009 |
|---------------------------------|--------------------------------|------------------|------------------|--------------------------------|
| Contract Bids                   | \$ 113,214                     | —                | —                | 113,214                        |
| Plans                           | 2,065                          | —                | —                | 2,065                          |
| Tree Removals                   | 485                            | —                | —                | 485                            |
| Driveways                       | 380,842                        | 732,024          | 185,250          | 927,616                        |
| Sidewalk Openings               | 150                            | —                | —                | 150                            |
| In Lieu of Bond                 | 70,945                         | —                | —                | 70,945                         |
| License Commission              | 10,149                         | —                | —                | 10,149                         |
| Cambridge Police Detail         | (40,269)                       | 4,693,069        | 4,700,377        | (47,577)                       |
| Cambridge Fire Detail           | 306,235                        | 449,985          | 438,867          | 317,353                        |
| Dog Licenses                    | 14,212                         | —                | —                | 14,212                         |
| Sporting Licenses               | 2,617                          | 921              | 872              | 2,666                          |
| Dog Officer                     | (3,555)                        | —                | —                | (3,555)                        |
| Constable Fees                  | 198,197                        | 38,598           | 25,276           | 211,519                        |
| 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               | 9,029                          | 6,375            | —                | 15,404                         |
| Accident and life Insurance     | 548,885                        | 50,853           | 25,344           | 574,394                        |
| Medicare                        | 2,804                          | —                | —                | 2,804                          |
| Car Seat Program                | 1,539                          | —                | —                | 1,539                          |
| Deferred Compensation           | 1,410                          | —                | —                | 1,410                          |
| Legal Fees                      | 23,528                         | —                | —                | 23,528                         |
| Retirement Office Payroll       | 519,916                        | 481,466          | 395,337          | 606,045                        |
| Continental Casualty            | 12,407                         | —                | —                | 12,407                         |
| Teacher Insurance Reimbursement | 4,940                          | —                | —                | 4,940                          |
| Teachers Retirement             | 554,851                        | 558,658          | 200,000          | 913,509                        |
| Excise Registry Fees            | 13,857                         | —                | —                | 13,857                         |
| 3 Bidglow Contingency Fund      | 64,921                         | 8,228            | 6,843            | 66,306                         |
| Retroactive Wages               | 6                              | —                | —                | 6                              |
| Land Court Fees                 | 55,608                         | —                | —                | 55,608                         |
| Choke Program                   | 1,182                          | —                | —                | 1,182                          |
| Payroll Checks                  | 67,379                         | —                | 2,387            | 64,992                         |
| Retirement Checks               | 14,693                         | —                | —                | 14,693                         |
| Unclaimed Checks                | 234,063                        | 31,595           | —                | 265,658                        |
| Stop Payments                   | 23,138                         | —                | —                | 23,138                         |
| Sewer Abatement Appraisal Fee   | 10,495                         | —                | —                | 10,495                         |
| Water Department Deposits       | —                              | 100,975          | 3,000            | 97,975                         |
| 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                  | 396,289                        | 271              | 396,676          | (116)                          |
| Levangie/J.P. Construction Co.  | 1,681                          | —                | —                | 1,681                          |
| Forty-Three Mt. Auburn Rents    | 2,028                          | —                | —                | 2,028                          |
| Police – Recovered Cash         | 442                            | —                | —                | 442                            |
| Police – Found Cash             | 3,482                          | —                | —                | 3,482                          |
| Firearms Recordkeeping Fund     | 19,673                         | 6,901            | —                | 26,574                         |
| 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                 | (159,326)                      | 236,135          | —                | 76,809                         |
| Robert Chambers Settlement      | 7,799                          | —                | —                | 7,799                          |
| <b>Total</b>                    | <b>\$ 3,809,834</b>            | <b>7,396,054</b> | <b>6,380,229</b> | <b>4,825,659</b>               |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2009

| <u>Liabilities</u>                        | <u>Balance at<br/>June 30,<br/>2008</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at<br/>June 30,<br/>2009</u> |
|---|---|------------------|-------------------|---|
| Guarantee deposits and amounts due other: |   |                  |                   |   |
| Contract Bids                             | \$ 113,214                              | —                | —                 | 113,214                                 |
| Plans                                     | 2,065                                   | —                | —                 | 2,065                                   |
| Tree Removals                             | 485                                     | —                | —                 | 485                                     |
| Driveways                                 | 380,842                                 | 732,024          | 185,250           | 927,616                                 |
| Sidewalk Openings                         | 150                                     | —                | —                 | 150                                     |
| In Lieu of Bond                           | 70,945                                  | —                | —                 | 70,945                                  |
| License Commission                        | 10,149                                  | —                | —                 | 10,149                                  |
| Cambridge Police Detail                   | (40,269)                                | 4,693,069        | 4,700,377         | (47,577)                                |
| Cambridge Fire Detail                     | 306,235                                 | 449,985          | 438,867           | 317,353                                 |
| Dog Licenses                              | 14,212                                  | —                | —                 | 14,212                                  |
| Sporting Licenses                         | 2,617                                   | 921              | 872               | 2,666                                   |
| Dog Officer                               | (3,555)                                 | —                | —                 | (3,555)                                 |
| Constable Fees                            | 198,197                                 | 38,598           | 25,276            | 211,519                                 |
| 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                         | 9,029                                   | 6,375            | —                 | 15,404                                  |
| Accident and life Insurance               | 548,885                                 | 50,853           | 25,344            | 574,394                                 |
| Medicare                                  | 2,804                                   | —                | —                 | 2,804                                   |
| Car Seat Program                          | 1,539                                   | —                | —                 | 1,539                                   |
| Deferred Compensation                     | 1,410                                   | —                | —                 | 1,410                                   |
| Legal Fees                                | 23,528                                  | —                | —                 | 23,528                                  |
| Retirement Office Payroll                 | 519,916                                 | 481,466          | 395,337           | 606,045                                 |
| Continental Casualty                      | 12,407                                  | —                | —                 | 12,407                                  |
| Teacher Insurance Reimbursement           | 4,940                                   | —                | —                 | 4,940                                   |
| Teachers Retirement                       | 554,851                                 | 558,658          | 200,000           | 913,509                                 |
| Excise Registry Fees                      | 13,857                                  | —                | —                 | 13,857                                  |
| 3 Bidglow Contingency Fund                | 64,921                                  | 8,228            | 6,843             | 66,306                                  |
| Retroactive Wages                         | 6                                       | —                | —                 | 6                                       |
| Land Court Fees                           | 55,608                                  | —                | —                 | 55,608                                  |
| Choke Program                             | 1,182                                   | —                | —                 | 1,182                                   |
| Payroll Checks                            | 67,379                                  | —                | 2,387             | 64,992                                  |
| Retirement Checks                         | 14,693                                  | —                | —                 | 14,693                                  |
| Unclaimed Checks                          | 234,063                                 | 31,595           | —                 | 265,658                                 |
| Stop Payments                             | 23,138                                  | —                | —                 | 23,138                                  |
| Sewer Abatement Appraisal Fee             | 10,495                                  | —                | —                 | 10,495                                  |
| Water Department Deposits                 | —                                       | 100,975          | 3,000             | 97,975                                  |
| 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                            | 396,289                                 | 271              | 396,676           | (116)                                   |
| Levangie/J.P. Construction Co.            | 1,681                                   | —                | —                 | 1,681                                   |
| Forty-three Mt. Auburn Rents              | 2,028                                   | —                | —                 | 2,028                                   |
| Police – Recovered Cash                   | 442                                     | —                | —                 | 442                                     |
| Police – Found Cash                       | 3,482                                   | —                | —                 | 3,482                                   |
| Firearms Recordkeeping Cash               | 19,673                                  | 6,901            | —                 | 26,574                                  |
| 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                           | (159,326)                               | 236,135          | —                 | 76,809                                  |
| Robert Chambers Settlement                | 7,799                                   | —                | —                 | 7,799                                   |
| <b>Total</b>                              | <b>\$ 3,809,834</b>                     | <b>7,396,054</b> | <b>6,380,229</b>  | <b>4,825,659</b>                        |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2009

**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, 2009.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes  
June 30, 2009

|                    | <u>Uncollected<br/>June 30,<br/>2008</u> | <u>Commitments</u> | <u>Abatements</u> | <u>Transfers to<br/>tax title</u> | <u>Refunds</u> | <u>Collections</u> | <u>Adjustments<br/>increase<br/>(decrease)</u> | <u>Uncollected<br/>June 30,<br/>2009</u> |
|--------------------|--|--------------------|-------------------|-----------------------------------|----------------|--------------------|--|--|
| Real estate taxes: |  |                    |                   |                                   |                |                    |  |  |
| 1982               |  |                    | —                 | —                                 | —              | 2,073              | (2,073)  | —  |
| 2002               | \$ —                                     | —                  | —                 | —                                 | 75             | (75)               | —  | —  |
| 2003               | —  | —                  | (61,510)          | —                                 | 63,022         | (64,534)           | 63,027   | 5  |
| 2004               | 100                                      | —                  | (450,584)         | —                                 | 442,070        | 5,301              | 3,213  | 100                                      |
| 2005               | 102                                      | —                  | (21,331)          | —                                 | 8,671          | 24,098             | (11,439)                                       | 101                                      |
| 2006               | 1,297                                    | —                  | (179,630)         | —                                 | 22,738         | 179,351            | (23,756)                                       | —  |
| 2007               | 8,397                                    | —                  | (414,632)         | —                                 | —              | 418,623            | (2,168)  | 10,220                                   |
| 2008               | 3,455,946                                | —                  | (1,699,238)       | (1,148,047)                       | 4,550          | (506,811)          | 14,089   | 120,489                                  |
| 2009               |  | 243,592,093        | (2,765,976)       | —                                 | 28,600         | (235,848,340)      | (326,982)                                      | 4,679,395                                |
| Total real estate  | 3,465,842                                | 243,592,093        | (5,592,901)       | (1,148,047)                       | 569,726        | (235,790,314)      | (286,089)                                      | 4,810,310                                |

Years with no beginning uncollected balances or activity are not presented.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes  
June 30, 2009

|                          | <b>Uncollected<br/>June 30,<br/>2008</b> | <b>Commitments</b> | <b>Abatements</b> | <b>Transfers to<br/>tax title</b> | <b>Refunds</b> | <b>Collections</b> | <b>Adjustments<br/>increase<br/>(decrease)</b> | <b>Uncollected<br/>June 30,<br/>2009</b> |
|--------------------------|--|--------------------|-------------------|-----------------------------------|----------------|--------------------|--|--|
| Personal property taxes: |  |                    |                   |                                   |                |                    |  |  |
| 1998                     | \$ 20                                    | —                  | —                 | —                                 | —              | —                  | —  | 20                                       |
| 1999                     | —  | —                  | —                 | —                                 | —              | —                  | —  | —  |
| 2000                     | —  | —                  | —                 | —                                 | —              | —                  | —  | —  |
| 2002                     | 33                                       | —                  | —                 | —                                 | —              | —                  | —  | 33                                       |
| 2003                     | 174,102                                  | —                  | (270)             | —                                 | —              | (1,141)            | (134)  | 172,557                                  |
| 2004                     | 100,081                                  | —                  | —                 | —                                 | —              | (299)              | 1,964  | 101,746                                  |
| 2005                     | 66,709                                   | —                  | —                 | —                                 | —              | (328)              | (151)  | 66,230                                   |
| 2006                     | 128,084                                  | —                  | (292)             | —                                 | —              | (4,459)            | (281)  | 123,052                                  |
| 2007                     | 110,192                                  | —                  | (1,182)           | —                                 | —              | (13,175)           | (459)  | 95,376                                   |
| 2008                     | 500,721                                  | —                  | (3,507)           | —                                 | —              | (391,241)          | (672)  | 105,301                                  |
| 2009                     | —  | 14,920,666         | (245,063)         | —                                 | —              | (14,339,901)       | (22,518)                                       | 313,184                                  |
| Total personal property  | 1,079,942                                | 14,920,666         | (250,314)         | —                                 | —              | (14,750,544)       | (22,251)                                       | 977,499                                  |
| Other                    | 52,490                                   | —                  | —                 | —                                 | —              | —                  | 2  | 52,492                                   |
| Property taxes           | \$ 4,598,274                             | 258,512,759        | (5,843,215)       | (1,148,047)                       | 569,726        | (250,540,858)      | (308,338)                                      | 5,840,301                                |

Years with no beginning uncollected balances or activity are not presented.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes  
June 30, 2009

|                             | <b>Uncollected<br/>June 30,<br/>2008</b> | <b>Commitments</b> | <b>Abatements</b> | <b>Transfers to<br/>tax title</b> | <b>Refunds</b> | <b>Collections</b> | <b>Adjustments<br/>increase<br/>(decrease)</b> | <b>Uncollected<br/>June 30,<br/>2009</b> |
|-----------------------------|--|--------------------|-------------------|-----------------------------------|----------------|--------------------|--|--|
| Motor vehicle excise taxes: |  |                    |                   |                                   |                |                    |  |  |
| 1986                        | \$ 2,655                                 | —                  | —                 | —                                 | —              | —                  | —  | 2,655                                    |
| 1987                        | 57,728                                   | —                  | —                 | —                                 | —              | (46)               | (18)   | 57,664                                   |
| 1988                        | 72,113                                   | —                  | —                 | —                                 | —              | (214)              | (22)   | 71,877                                   |
| 1989                        | 76,927                                   | —                  | —                 | —                                 | —              | (205)              | (16)   | 76,706                                   |
| 1990                        | 68,662                                   | —                  | —                 | —                                 | —              | (53)               | (9)  | 68,600                                   |
| 1991                        | 51,720                                   | —                  | —                 | —                                 | —              | (21)               | —  | 51,699                                   |
| 1992                        | 51,910                                   | —                  | —                 | —                                 | —              | (74)               | —  | 51,836                                   |
| 1993                        | 49,282                                   | —                  | —                 | —                                 | —              | (106)              | —  | 49,176                                   |
| 1994                        | 52,613                                   | —                  | (24)              | —                                 | —              | (111)              | —  | 52,478                                   |
| 1995                        | 57,014                                   | —                  | —                 | —                                 | —              | (475)              | 1  | 56,540                                   |
| 1996                        | 56,016                                   | —                  | —                 | —                                 | —              | (103)              | —  | 55,913                                   |
| 1997                        | 48,640                                   | —                  | —                 | —                                 | —              | (20)               | —  | 48,620                                   |
| 1998                        | 63,839                                   | —                  | —                 | —                                 | —              | (256)              | —  | 63,583                                   |
| 1999                        | 111,853                                  | —                  | —                 | —                                 | —              | (304)              | —  | 111,549                                  |
| 2000                        | 175,126                                  | —                  | (13)              | —                                 | —              | (1,146)            | (96)   | 173,871                                  |
| 2001                        | 220,669                                  | —                  | (559)             | —                                 | —              | (2,864)            | (82)   | 217,164                                  |
| 2002                        | 209,404                                  | —                  | (90)              | —                                 | —              | (5,174)            | (48)   | 204,092                                  |
| 2003                        | 192,175                                  | —                  | (904)             | —                                 | —              | (6,169)            | (168)  | 184,934                                  |
| 2004                        | 170,999                                  | —                  | (384)             | —                                 | —              | (10,300)           | (253)  | 160,062                                  |
| 2005                        | 148,612                                  | —                  | (1,198)           | —                                 | —              | (11,446)           | (356)  | 135,612                                  |
| 2006                        | 172,285                                  | 1,289              | (9,063)           | —                                 | —              | (23,329)           | (814)  | 140,368                                  |
| 2007                        | 363,156                                  | —                  | (14,820)          | —                                 | —              | (75,508)           | 1,195  | 274,023                                  |
| 2008                        | 597,753                                  | 880,090            | (85,557)          | —                                 | —              | (1,065,664)        | (6,433)  | 320,189                                  |
| 2009                        | —  | 5,237,142          | (84,959)          | —                                 | —              | (4,709,984)        | (51,227)                                       | 390,972                                  |
| Total motor vehicle         | \$ 3,071,151                             | 6,118,521          | (197,571)         | —                                 | —              | (5,913,572)        | (58,346)                                       | 3,020,183                                |

Years with no beginning uncollected balances or activity are not presented.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Bonds and Notes Payable

Year ended June 30, 2009

|                                     | <u>Interest rates</u> | <u>Issue dates</u>      | <u>Final maturity date</u> | <u>Balance June 30, 2008</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance June 30, 2009</u> |
|-------------------------------------|-----------------------|-------------------------|----------------------------|------------------------------|------------------|----------------|------------------------------|
| Inside debt limit:                  |                       |                         |                            |                              |                  |                |                              |
| Frisoli Youth Center                | 4.35% – 5.0%          | 8/1/1998                | 8/1/2008                   | \$ 70,000                    | —                | 70,000         | —                            |
| Public Art                          | 4.75% – 5.0%          | 11/1/1999               | 11/1/2009                  | 10,000                       | —                | 5,000          | 5,000                        |
| City Hall Renovations               | 4.75% – 5.0%          | 11/1/1999               | 11/1/2009                  | 100,000                      | —                | 50,000         | 50,000                       |
| Gately Center Renovations           | 4.5% – 5.0%           | 12/1/2000               | 12/1/2010                  | 750,000                      | —                | 250,000        | 500,000                      |
| City Hall Renovations               | 4.5% – 5.0%           | 12/1/2000               | 12/1/2010                  | 900,000                      | —                | 300,000        | 600,000                      |
| Yerxa Road Underpass                | 4.5% – 5.0%           | 12/1/2000               | 12/1/2010                  | 570,000                      | —                | 190,000        | 380,000                      |
| Open Space Improvements             | 4.5% – 5.0%           | 12/1/2000               | 12/1/2010                  | 1,350,000                    | —                | 450,000        | 900,000                      |
| MWPAT/Sewer Loan                    | N/A                   | 10/6/1999               | 8/1/2009                   | 95,472                       | —                | 47,443         | 48,029                       |
| MWPAT/Sewer Loan                    | N/A                   | 11/1/2000               | 8/1/2010                   | 670,134                      | —                | 218,373        | 451,761                      |
| MWPAT/Sewer Loan                    | N/A                   | 11/1/2000               | 8/1/2010                   | 384,126                      | —                | 125,167        | 258,959                      |
| MWPAT/Sewer Loan                    | N/A                   | 11/1/2000               | 8/1/2010                   | 79,930                       | —                | 26,042         | 53,888                       |
| MWPAT/Sewer Loan                    | N/A                   | 11/1/2000               | 8/1/2010                   | 2,735,326                    | —                | 891,355        | 1,843,971                    |
| MWPAT/Sewer Loan                    | N/A                   | 11/1/2000               | 8/1/2010                   | 1,246,693                    | —                | 406,256        | 840,437                      |
| MWPAT/Sewer Loan                    | 4.5% – 5.0%           | 12/1/2000               | 12/1/2010                  | 4,680,000                    | —                | 1,560,000      | 3,120,000                    |
| Hospital (Ambulatory Center)        | 4.5% – 4.65%          | 2/1/1998 and<br>3/15/07 | 2/1/2009                   | 1,500,000                    | —                | 1,500,000      | —                            |
| Hospital Series B 2007 Bonds        | 4.0%                  | 3/15/2007               | 2/1/2018                   | 13,495,000                   | —                | —              | 13,495,000                   |
| City Hall Renovations               | 3.5% – 5.0%           | 12/15/2001              | 12/15/2011                 | 5,280,000                    | —                | 1,320,000      | 3,960,000                    |
| Sewer Loan                          | 3.5% – 5.0%           | 12/15/2001              | 12/15/2011                 | 4,480,000                    | —                | 1,120,000      | 3,360,000                    |
| Traffic Improvement                 | 3.5% – 5.0%           | 12/15/2001              | 12/15/2011                 | 500,000                      | —                | 125,000        | 375,000                      |
| Sewer Renovations                   | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 6,635,000                    | —                | 1,325,000      | 5,310,000                    |
| Fire Station Renovations            | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 2,425,000                    | —                | 485,000        | 1,940,000                    |
| Building Renovations                | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 475,000                      | —                | 95,000         | 380,000                      |
| City Hall Annex Renovations         | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 975,000                      | —                | 195,000        | 780,000                      |
| Street Reconstruction               | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 3,015,000                    | —                | 605,000        | 2,410,000                    |
| Golf Course Improvements            | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 425,000                      | —                | 85,000         | 340,000                      |
| Open Space Improvements             | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 125,000                      | —                | 25,000         | 100,000                      |
| Harvard Square Enhancements         | 2.25% – 4.00%         | 1/15/2003               | 1/1/2013                   | 250,000                      | —                | 50,000         | 200,000                      |
| Fiber Optic Network Infrastructure  | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 210,000                      | —                | 35,000         | 175,000                      |
| Fire Station Renovations            | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 95,000                       | —                | 15,000         | 80,000                       |
| War Memorial Renovations            | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 720,000                      | —                | 120,000        | 600,000                      |
| Building Renovations                | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 320,000                      | —                | 55,000         | 265,000                      |
| Library Construction                | 2.5% – 4.25%          | 1/15/2004               | 1/1/2024                   | 6,910,000                    | —                | 435,000        | 6,475,000                    |
| Russell Donnelly Field Improvements | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 5,460,000                    | —                | 910,000        | 4,550,000                    |
| Yerxa Road Underpass                | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 750,000                      | —                | 125,000        | 625,000                      |
| Cambridge Street Improvements       | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 900,000                      | —                | 150,000        | 750,000                      |
| Sewer Reconstruction                | 2.5% – 3.3%           | 1/15/2004               | 1/1/2014                   | 5,640,000                    | —                | 940,000        | 4,700,000                    |
| MWRA Loan                           | N/A                   | 2/26/2004               | 2/26/2009                  | 119,196                      | —                | 119,196        | —                            |
| Harvard Square Enhancements         | 3% – 4%               | 2/1/2005                | 1/1/2015                   | 1,400,000                    | —                | 200,000        | 1,200,000                    |
| Gold Star Pool Improvements         | 3% – 4%               | 2/1/2005                | 1/1/2015                   | 770,000                      | —                | 110,000        | 660,000                      |
| Library Construction                | 3% – 4%               | 2/1/2005                | 1/1/2025                   | 11,900,000                   | —                | 700,000        | 11,200,000                   |
| Area 4 Park Improvements            | 3% – 4%               | 2/1/2005                | 1/1/2015                   | 1,400,000                    | —                | 200,000        | 1,200,000                    |

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Bonds and Notes Payable

Year ended June 30, 2009

|  | <b>Interest rates</b> | <b>Issue dates</b>         | <b>Final maturity date</b> | <b>Balance June 30, 2008</b> | <b>Additions</b>  | <b>Retired</b>    | <b>Balance June 30, 2009</b> |
|--|-----------------------|----------------------------|----------------------------|------------------------------|-------------------|-------------------|------------------------------|
| Russell Field Improvements                 | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | \$ 2,395,500                 | —                 | 345,000           | 2,050,500                    |
| Cambridge Street Improvements              | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | 1,645,000                    | —                 | 235,000           | 1,410,000                    |
| Porter Square Enhancements                 | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | 1,610,000                    | —                 | 230,000           | 1,380,000                    |
| Yerxa Road Underpass                       | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | 1,540,000                    | —                 | 220,000           | 1,320,000                    |
| MWPAT Loan                                 | N/A                   | 10/1/2004                  | 8/1/2010                   | 93,576                       | —                 | 30,564            | 63,012                       |
| MWPAT Loan                                 | N/A                   | 11/23/2004                 | 8/1/2014                   | 1,797,899                    | —                 | 234,221           | 1,563,678                    |
| MWPAT Loan                                 | N/A                   | 11/23/2004                 | 8/1/2014                   | 1,389,294                    | —                 | 183,761           | 1,205,533                    |
| MWPAT Loan                                 | N/A                   | 11/23/2004                 | 8/1/2014                   | 95,295                       | —                 | 12,586            | 82,709                       |
| MWPAT Loan                                 | N/A                   | 12/2/2004                  | 11/15/2009                 | 65,604                       | —                 | 32,802            | 32,802                       |
| Sewer Reconstruction                       | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | 10,854,500                   | —                 | 1,550,000         | 9,304,500                    |
| Police Station Acquisition/<br>Renovations | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2026                   | 31,500,000                   | —                 | 1,750,000         | 29,750,000                   |
| Library Construction                       | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2026                   | 14,400,000                   | —                 | 800,000           | 13,600,000                   |
| West Cambridge Youth Center                | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 2,400,000                    | —                 | 300,000           | 2,100,000                    |
| Building Renovations                       | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 800,000                      | —                 | 100,000           | 700,000                      |
| Yerxa Road Underpass                       | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 800,000                      | —                 | 100,000           | 700,000                      |
| Open Space Improvements                    | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 400,000                      | —                 | 50,000            | 350,000                      |
| Porter Square Enhancements                 | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 640,000                      | —                 | 80,000            | 560,000                      |
| MWRA Loan                                  | N/A                   | 11/17/2005                 | 11/15/2010                 | 117,150                      | —                 | 39,050            | 78,100                       |
| Sewer Reconstruction                       | 3.50% – 4.25%         | 2/1/2006                   | 1/1/2016                   | 8,165,000                    | —                 | 1,025,000         | 7,140,000                    |
| Building Renovations                       | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 585,000                      | —                 | 65,000            | 520,000                      |
| Police Station Acquisition/<br>Renovations | 4.0%                  | 2/15/2007                  | 2/1/2027                   | 16,150,000                   | —                 | 850,000           | 15,300,000                   |
| West Cambridge Youth Center                | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 7,200,000                    | —                 | 800,000           | 6,400,000                    |
| Area 4 Park Improvements                   | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 450,000                      | —                 | 50,000            | 400,000                      |
| Yerxa Road Underpass                       | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 990,000                      | —                 | 110,000           | 880,000                      |
| Harvard Square Enhancements                | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 1,350,000                    | —                 | 150,000           | 1,200,000                    |
| Sewer Reconstruction                       | 4.0%                  | 2/15/2007                  | 2/1/2017                   | 3,080,000                    | —                 | 345,000           | 2,735,000                    |
| CRLS Renovations                           | 3.0% – 4.0%           | 2/1/2008                   | 2/1/2028                   | 5,000,000                    | —                 | 250,000           | 4,750,000                    |
| War Memorial Renovations                   | 3.0% – 3.25%          | 2/1/2008                   | 2/1/2018                   | 12,225,972                   | —                 | 1,222,598         | 11,003,374                   |
| Police Station Acquisition/<br>Renovations | 3.0% – 4.0%           | 2/1/2008                   | 2/1/2028                   | 8,070,000                    | —                 | 400,000           | 7,670,000                    |
| West Cambridge Youth Center                | 3.0% – 3.25%          | 2/1/2008                   | 2/1/2018                   | 5,890,000                    | —                 | 590,000           | 5,300,000                    |
| Library Construction                       | 3.0% – 4.0%           | 2/1/2008                   | 2/1/2028                   | 27,135,000                   | —                 | 1,360,000         | 25,775,000                   |
| War Memorial Renovations                   | 3.0% – 3.25%          | 2/1/2008                   | 2/1/2018                   | 4,721,670                    | —                 | 472,167           | 4,249,503                    |
| Harvard Square Enhancements                | 3.0% – 3.25%          | 2/1/2008                   | 2/1/2018                   | 600,000                      | —                 | 60,000            | 540,000                      |
| Sewer Reconstruction                       | 3.0% – 3.25%          | 2/1/2008                   | 2/1/2018                   | 6,242,358                    | —                 | 635,235           | 5,607,123                    |
| MWRA Loan                                  | —                     | 8/23/2007                  | 8/15/2012                  | 1,716,220                    | —                 | 343,244           | 1,372,976                    |
| Fire Station Renovations                   | 2.0% – 4.0%           | 3/15/2009                  | 3/15/2019                  | —                            | 1,000,000         | —                 | 1,000,000                    |
| Library Construction                       | 2.0% – 3.75%          | 3/15/2009                  | 3/15/2019                  | —                            | 10,575,000        | —                 | 10,575,000                   |
| Building Renovations                       | 2.0% – 4.0%           | 3/15/2009                  | 3/15/2019                  | —                            | 500,000           | —                 | 500,000                      |
| CRLS Renovations                           | 2.0% – 3.75%          | 3/15/2009                  | 3/15/2019                  | —                            | 30,000,000        | —                 | 30,000,000                   |
| Replacement of Radio System                | 2.0% – 4.0%           | 3/15/2009                  | 3/15/2019                  | —                            | 500,000           | —                 | 500,000                      |
| Sewer Reconstruction                       | 2.0% – 4.0%           | 3/15/2009                  | 3/15/2019                  | —                            | 4,810,000         | —                 | 4,810,000                    |
| War Memorial Renovations (MSBA)            | 2.0%                  | 6/25/2009                  | 11/1/2019                  | —                            | 2,100,000         | —                 | 2,100,000                    |
| <b>Total inside debt limit</b>             |                       |                            |                            | <b>271,930,915</b>           | <b>49,485,000</b> | <b>30,655,060</b> | <b>290,760,855</b>           |
| <b>Outside debt limit:</b>                 |                       |                            |                            |                              |                   |                   |                              |
| <b>School:</b>                             |                       |                            |                            |                              |                   |                   |                              |
| Elementary school<br>renovation-Fitz       | 4.75% – 5.0%          | 11/1/1999                  | 11/1/2009                  | 2,880,000                    | —                 | 1,440,000         | 1,440,000                    |
| Elementary school<br>renovation-Morse      | 4.75% – 5.0%          | 11/1/1999                  | 11/1/2009                  | 140,000                      | —                 | 70,000            | 70,000                       |
| Elementary school renovations              | 4.5% – 5.0%           | 12/1/2000                  | 12/1/2010                  | 1,590,000                    | —                 | 530,000           | 1,060,000                    |
| <b>Total school</b>                        |                       |                            |                            | <b>4,610,000</b>             | <b>—</b>          | <b>2,040,000</b>  | <b>2,570,000</b>             |
| <b>Water:</b>                              |                       |                            |                            |                              |                   |                   |                              |
| New Water Treatment Plant                  | 4.35% – 5.00%         | 8/1/1998 and<br>3/15/07    | 8/1/2009                   | 4,000,000                    | —                 | 2,000,000         | 2,000,000                    |
| MWPAT/Water Loan                           | 4.0% – 5.75%          | 10/6/1999                  | 8/1/2009                   | 2,647,183                    | —                 | 1,312,363         | 1,334,820                    |
| Construction/Water Treatment<br>Plant      | 4.65% – 5.625%        | 11/1/1999 and<br>3/15/2007 | 11/1/2009                  | 1,000,000                    | —                 | 500,000           | 500,000                      |
| MWPAT/Water Loan                           | 4.25% – 5.63%         | 11/1/2000                  | 11/1/2010                  | 4,173,507                    | —                 | 1,357,466         | 2,816,041                    |
| Construction/Stoney Brook                  | 3.5% – 5.0%           | 12/15/2001                 | 12/15/2011                 | 2,780,000                    | —                 | 695,000           | 2,085,000                    |
| Automated Meter Reading<br>System          | 2.5% – 3.3%           | 1/15/2004                  | 1/1/2014                   | 1,800,000                    | —                 | 300,000           | 1,500,000                    |
| Automated Meter Reading<br>System          | 3% – 4%               | 2/1/2005                   | 1/1/2015                   | 840,000                      | —                 | 120,000           | 720,000                      |
| Water Series C 2007 Bonds                  | 4% – 5.0%             | 3/15/2007                  | 8/1/2019                   | 22,245,000                   | —                 | —                 | 22,245,000                   |
| <b>Total water</b>                         |                       |                            |                            | <b>39,485,690</b>            | <b>—</b>          | <b>6,284,829</b>  | <b>33,200,861</b>            |
| HUD Sec 108 Notes                          | 5.07%                 | 9/14/2006                  | 8/1/2014                   | 335,000                      | —                 | 20,000            | 315,000                      |
| Housing Trust Fund:<br>Note payable        | 2.00%                 | 4/20/2000                  | 8/1/2021                   | 6,000,000                    | —                 | —                 | 6,000,000                    |
| <b>Total outside debt limit</b>            |                       |                            |                            | <b>50,430,690</b>            | <b>—</b>          | <b>8,344,829</b>  | <b>42,085,861</b>            |
| <b>Total debt outstanding</b>              |                       |                            |                            | <b>\$ 322,361,605</b>        | <b>49,485,000</b> | <b>38,999,889</b> | <b>332,846,716</b>           |

See accompanying independent auditors' report.

# Statistical Section

# CITY OF CAMBRIDGE, MASSACHUSETTS

## Supplemental Statements and Schedules

June 30, 2009

### Statistical Section

This part of the City of Cambridge's comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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#### Financial Trends

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*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (See accompanying Management's Discussion and Analysis, Statement of Net Assets and Statement of Activities);*

General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years  
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years  
Net Assets by Component – Last Seven Fiscal Years  
Changes in Net Assets – Last Seven Fiscal Years  
Fund Balances of Governmental Funds – Last Ten Fiscal Years  
Changes in Fund Balances of Government Funds – Last Ten Fiscal Years

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*These schedules contain information to help the reader assess the City's most significant revenue source, the property tax:*

Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years  
Property and Motor Vehicle Tax Rates – Last Ten Fiscal Years  
Largest Principal Taxpayers – Current Year and Nine Years Ago  
Property Tax Levies and Collections – Last Ten Fiscal Years

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Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years  
Direct and Overlapping Governmental Activities Debt  
Legal Debt Margin Information – Last Ten Fiscal Years

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*These schedules contain information to help the reader understand the economic environment with which the City's financial activities take place and assist with comparisons over time and among other City's:*

Demographic and Economic Statistics – Last Ten Calendar Years  
Principal Employers – Current Year and Nine Years Ago

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Operating Indicators by Function/Program – Last Eight Fiscal Years  
Capital Asset Statistics by Function/Program – Last Six Fiscal Years

*Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 General Government Expenditures by Function (GAAP Basis) (1)  
 Last Ten Fiscal Years  
 (Dollars in thousands)

| <b>Function</b>                       | <b>2009</b> | <b>2008</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> | <b>2000</b> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government                    | \$ 31,765   | 32,572      | 34,284      | 30,533      | 27,402      | 23,987      | 20,820      | 26,805      | 22,544      | 18,032      |
| Percentage of total                   | 8.0%        | 8.6%        | 9.4%        | 8.7%        | 8.5%        | 7.6%        | 6.8%        | 9.0%        | 8.4%        | 7.0%        |
| Percentage change                     | (2.5)       | (5.0)       | 12.3        | 11.4        | 14.2        | 15.2        | (22.3)      | 18.9        | 25.0        | (17.1)      |
| Public safety                         | \$ 95,817   | 89,514      | 85,160      | 82,619      | 77,756      | 74,324      | 72,870      | 70,387      | 66,776      | 66,443      |
| Percentage of total                   | 24.0%       | 23.7%       | 23.3%       | 23.6%       | 24.0%       | 23.6%       | 23.8%       | 23.7%       | 24.9%       | 25.9%       |
| Percentage change                     | 7.0         | 5.1         | 3.1         | 6.3         | 4.6         | 2.0         | 3.5         | 5.4         | 0.5         | 7.2         |
| Community maintenance and development | \$ 35,040   | 33,331      | 30,527      | 31,404      | 28,551      | 27,019      | 26,957      | 24,172      | 24,592      | 21,582      |
| Percentage of total                   | 8.8%        | 8.8%        | 8.4%        | 9.0%        | 8.8%        | 8.6%        | 8.8%        | 8.2%        | 9.2%        | 8.4%        |
| Percentage change                     | 5.1         | 9.2         | (2.8)       | 10.0        | 5.7         | 0.2         | 11.5        | (1.7)       | 13.9        | 11.4        |
| Human resource                        | \$ 25,464   | 23,944      | 22,426      | 20,835      | 20,668      | 19,127      | 19,056      | 17,531      | 15,970      | 14,699      |
| Percentage of total                   | 6.4%        | 6.3%        | 6.1%        | 5.9%        | 6.4%        | 6.1%        | 6.2%        | 5.9%        | 6.0%        | 5.7%        |
| Percentage change                     | 6.3         | 6.8         | 7.6         | 0.8         | 8.1         | 0.4         | 8.7         | 9.8         | 8.6         | 16.6        |
| Education                             | \$ 129,031  | 124,531     | 121,868     | 120,688     | 111,213     | 114,519     | 117,721     | 112,961     | 105,324     | 100,200     |
| Percentage of total                   | 32.4%       | 33.0%       | 33.4%       | 34.4%       | 34.3%       | 36.4%       | 38.4%       | 38.1%       | 39.2%       | 39.1%       |
| Percentage change                     | 3.6         | 2.2         | 1.0         | 8.5         | (2.9)       | (2.7)       | 4.2         | 7.3         | 5.1         | 7.3         |
| Judgments and claims                  | \$ 171      | 115         | 213         | 346         | 225         | 533         | 156         | 205         | 709         | 2,479       |
| Percentage of total                   | —%          | —%          | 0.1%        | 0.1%        | 0.1%        | 0.2%        | 0.1%        | 0.1%        | 0.3%        | 1.0%        |
| Percentage change                     | 48.7        | (46.0)      | (38.4)      | 53.8        | (57.8)      | 241.7       | (23.9)      | (71.1)      | (71.4)      | 147.9       |
| State assessments                     | \$ 41,020   | 39,567      | 37,294      | 35,890      | 33,888      | 33,618      | 29,698      | 28,019      | 21,107      | 21,408      |
| Percentage of total                   | 10.3%       | 10.5%       | 10.2%       | 10.2%       | 10.5%       | 10.7%       | 9.7%        | 9.5%        | 7.9%        | 8.4%        |
| Percentage change                     | 3.7         | 6.1         | 3.9         | 5.9         | 0.8         | 13.2        | 6.0         | 32.7        | (1.4)       | 0.9         |
| Debt service                          | \$ 40,169   | 34,124      | 32,942      | 28,184      | 24,076      | 21,427      | 19,069      | 16,387      | 11,368      | 11,492      |
| Percentage of total                   | 10.1%       | 9.0%        | 9.0%        | 8.0%        | 7.4%        | 6.8%        | 6.2%        | 5.5%        | 4.2%        | 4.5%        |
| Percentage change                     | 17.7        | 3.6         | 16.9        | 17.1        | 12.4        | 12.4        | 16.4        | 44.2        | (1.1)       | (9.4)       |
| Total expenditures                    | \$ 398,477  | 377,698     | 364,714     | 350,499     | 323,779     | 314,554     | 306,347     | 296,467     | 268,390     | 256,335     |
| Percentage of total                   | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      | 100.0%      |
| Percentage change                     | 5.5         | 3.6         | 4.1         | 8.3         | 2.9         | 2.7         | 3.3         | 10.5        | 4.7         | 5.1         |

(1) Includes General Fund expenditures only. Operating Transfers Out have been excluded from all years.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 General Government Revenues by Source (GAAP Basis) (1)  
 Last Ten Fiscal Years  
 (Dollars in thousands)

| Source                   | 2009       | 2008    | 2007    | 2006    | 2005    | 2004    | 2003    | 2002    | 2001    | 2000    |
|--------------------------|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Property taxes           | \$ 251,256 | 238,747 | 231,875 | 222,987 | 220,910 | 206,354 | 198,784 | 198,806 | 174,681 | 162,190 |
| Percentage of total      | 66.9%      | 62.2%   | 61.8%   | 62.8%   | 65.3%   | 65.3%   | 64.4%   | 64.5%   | 61.2%   | 61.2%   |
| Percentage change        | 5.2        | 3.0     | 4.0     | 0.9     | 7.1     | 3.8     | —       | 13.8    | 7.7     | 7.4     |
| Motor vehicle excises    | \$ 6,140   | 6,650   | 5,942   | 6,146   | 6,452   | 6,087   | 6,031   | 5,838   | 5,921   | 5,849   |
| Percentage of total      | 1.6%       | 1.7%    | 1.6%    | 1.7%    | 1.9%    | 1.9%    | 2.0%    | 1.9%    | 2.1%    | 2.2%    |
| Percentage change        | (7.7)      | 11.9    | (3.3)   | (4.7)   | 6.0     | 0.9     | 3.3     | (1.4)   | 1.2     | 21.2    |
| Hotel/motel              | \$ 6,803   | 6,863   | 6,751   | 5,801   | 5,461   | 4,287   | 4,401   | 4,908   | 5,651   | 5,697   |
| Percentage of total      | 1.8%       | 1.8%    | 1.8%    | 1.6%    | 1.6%    | 1.4%    | 1.4%    | 1.6%    | 2.0%    | 2.2%    |
| Percentage change        | (0.9)      | 1.7     | 16.4    | 6.2     | 27.4    | (2.6)   | (10.3)  | (13.1)  | (0.8)   | 15.0    |
| Fines                    | \$ 629     | 767     | 726     | 922     | 352     | 539     | 100     | 536     | 1,655   | 697     |
| Percentage of total      | 0.2%       | 0.2%    | 0.2%    | 0.3%    | 0.1%    | 0.2%    | —%      | 0.2%    | 0.6%    | 0.3%    |
| Percentage change        | (18.0)     | 5.6     | (21.3)  | 161.9   | (34.7)  | 439.0   | (81.3)  | (67.6)  | 137.4   | 15.4    |
| Intergovernmental        | \$ 37,235  | 47,575  | 44,658  | 44,143  | 43,802  | 42,601  | 42,690  | 46,822  | 47,022  | 39,821  |
| Percentage of total      | 9.9%       | 12.4%   | 11.9%   | 12.4%   | 13.0%   | 13.5%   | 13.8%   | 15.2%   | 16.5%   | 15.0%   |
| Percentage change        | (21.7)     | 6.5     | 1.2     | 0.8     | 2.8     | (0.2)   | (8.8)   | (0.4)   | 18.1    | (7.2)   |
| Licenses and permits     | \$ 8,053   | 12,390  | 11,701  | 12,508  | 8,976   | 7,790   | 12,387  | 7,201   | 11,731  | 10,201  |
| Percentage of total      | 2.1%       | 3.2%    | 3.1%    | 3.5%    | 2.7%    | 2.5%    | 4.0%    | 2.3%    | 4.1%    | 3.9%    |
| Percentage change        | (35.0)     | 5.9     | (6.5)   | 39.3    | 15.2    | (37.1)  | 72.0    | (38.6)  | 15.0    | 63.6    |
| Payment in lieu of taxes | \$ 7,012   | 7,319   | 6,939   | 6,579   | 6,839   | 6,329   | 4,644   | 5,316   | 4,807   | 3,692   |
| Percentage of total      | 1.9%       | 1.9%    | 1.8%    | 1.9%    | 2.0%    | 2.0%    | 1.5%    | 1.7%    | 1.7%    | 1.4%    |
| Percentage change        | (4.2)      | 5.5     | 5.5     | (3.8)   | 8.1     | 36.3    | (12.6)  | 10.6    | 30.2    | (18.8)  |
| Investment income        | \$ 4,257   | 9,295   | 11,119  | 7,410   | 2,888   | 1,181   | 1,513   | 2,344   | 3,208   | 2,484   |
| Percentage of total      | 1.1%       | 2.4%    | 3.0%    | 2.1%    | 0.9%    | 0.4%    | 0.5%    | 0.8%    | 1.1%    | 0.9%    |
| Percentage change        | (54.2)     | (16.4)  | 50.1    | 156.6   | 144.5   | (21.9)  | (35.5)  | (26.9)  | 29.1    | 53.0    |
| Charges for services     | \$ 36,058  | 36,874  | 38,761  | 33,835  | 28,661  | 26,546  | 27,061  | 23,837  | 20,563  | 20,716  |
| Percentage of total      | 9.6%       | 9.6%    | 10.3%   | 9.5%    | 8.5%    | 8.4%    | 8.8%    | 7.6%    | 7.2%    | 7.7%    |
| Percentage change        | (2.2)      | (4.9)   | 14.6    | 18.1    | 8.0     | (1.9)   | 13.5    | 15.9    | (0.7)   | 6.4     |
| Departmental/other       | \$ 18,205  | 17,564  | 16,650  | 14,491  | 13,841  | 14,054  | 11,234  | 12,536  | 10,114  | 13,504  |
| Percentage of total      | 4.8%       | 4.6%    | 4.4%    | 4.1%    | 4.1%    | 4.5%    | 3.6%    | 4.1%    | 3.5%    | 5.1%    |
| Percentage change        | 3.6        | 5.5     | 14.9    | 4.7     | (1.5)   | 25.1    | (10.4)  | 23.9    | (25.1)  | 5.8     |
| Total revenues           | \$ 375,648 | 384,044 | 375,122 | 354,822 | 338,182 | 315,768 | 308,845 | 308,144 | 285,353 | 264,851 |
| Percentage of total      | 100.0%     | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  |
| Percentage change        | (2.2)      | 2.4     | 5.7     | 4.9     | 7.1     | 2.2     | 0.2     | 8.0     | 7.7     | 6.4     |

(1) Includes General Fund revenues only. Operating Transfers In have been excluded from all years.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Net Assets by Component

Last Seven Years

(Accrual Basis of Accounting)

|   | <b>Fiscal year</b>    |                    |                    |                    |                    |                    |                    |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>2003</b>           | <b>2004</b>        | <b>2005</b>        | <b>2006</b>        | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        |
| Governmental activities:                                  |                       |                    |                    |                    |                    |                    |                    |
| Invested in capital assets, net of<br>net of related debt | \$ 219,341,820        | 300,322,357        | 315,270,305        | 336,878,930        | 357,453,373        | 381,832,841        | 415,315,555        |
| Restricted  | 3,213,124             | 5,400,566          | 3,690,934          | 4,062,960          | 5,369,954          | 9,990,382          | 11,646,310         |
| Unrestricted  | <u>167,848,493</u>    | <u>133,510,964</u> | <u>185,379,626</u> | <u>216,871,591</u> | <u>231,012,594</u> | <u>224,490,592</u> | <u>177,054,725</u> |
| Total governmental<br>activities net assets               | <u>390,403,437</u>    | <u>439,233,887</u> | <u>504,340,865</u> | <u>557,813,481</u> | <u>593,835,921</u> | <u>616,313,815</u> | <u>604,016,590</u> |
| Business-type activities:                                 |                       |                    |                    |                    |                    |                    |                    |
| Invested in capital assets,<br>net of related debt        | 71,832,828            | 76,300,119         | 79,061,585         | 86,100,235         | 90,562,284         | 94,430,046         | 99,633,725         |
| Unrestricted  | <u>82,628,141</u>     | <u>6,664,156</u>   | <u>7,203,272</u>   | <u>5,379,501</u>   | <u>5,966,312</u>   | <u>6,772,116</u>   | <u>5,654,829</u>   |
| Total business-type<br>activities net assets              | <u>154,460,969</u>    | <u>82,964,275</u>  | <u>86,264,857</u>  | <u>91,479,736</u>  | <u>96,528,596</u>  | <u>101,202,162</u> | <u>105,288,554</u> |
| Primary government:                                       |                       |                    |                    |                    |                    |                    |                    |
| Invested in capital assets, net of<br>related debt        | 291,174,648           | 376,622,476        | 394,331,890        | 422,979,165        | 448,015,657        | 476,262,887        | 514,949,280        |
| Restricted  | 3,213,124             | 5,400,566          | 3,690,934          | 4,062,960          | 5,369,954          | 9,990,382          | 11,646,310         |
| Unrestricted  | <u>250,476,634</u>    | <u>140,175,120</u> | <u>192,582,898</u> | <u>222,251,092</u> | <u>236,978,906</u> | <u>231,262,708</u> | <u>182,709,554</u> |
| Total primary government<br>net assets                    | \$ <u>544,864,406</u> | <u>522,198,162</u> | <u>590,605,722</u> | <u>649,293,217</u> | <u>690,364,517</u> | <u>717,515,977</u> | <u>709,305,144</u> |

Due to the City implementing GASB No. 34 in fiscal 2002, there is no information presented prior to 2002.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Changes in Net Assets, Last Seven Fiscal Years

(Accrual Basis of Accounting)

|  | <b>Fiscal year</b> |               |               |               |               |               |               |
|--|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>2003</b>        | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007</b>   | <b>2008</b>   | <b>2009</b>   |
| Expenses:                                      |                    |               |               |               |               |               |               |
| Governmental activities:                       |                    |               |               |               |               |               |               |
| General government                             | \$ 23,235,936      | 26,141,840    | 27,614,108    | 31,690,819    | 36,373,427    | 35,225,912    | 39,085,426    |
| Public safety                                  | 77,556,200         | 72,576,467    | 81,863,575    | 84,796,098    | 88,299,052    | 100,538,293   | 106,362,564   |
| Community maintenance and development          | 48,106,254         | 43,642,108    | 41,674,280    | 55,766,148    | 56,672,106    | 61,727,373    | 70,461,598    |
| Human resource development                     | 30,682,567         | 30,760,075    | 32,883,356    | 33,453,013    | 33,728,004    | 37,432,501    | 40,393,841    |
| Education                                      | 128,699,429        | 125,097,466   | 126,177,359   | 133,952,334   | 138,673,636   | 150,992,375   | 156,458,805   |
| State and district assessments                 | 22,328,710         | 27,117,517    | 27,386,544    | 29,640,415    | 31,294,026    | 33,567,157    | 35,020,229    |
| Interest on long-term debt                     | 4,720,322          | 5,517,607     | 6,184,656     | 8,007,458     | 8,336,823     | 9,303,724     | 9,503,428     |
| Total governmental activities                  | 335,329,418        | 330,853,080   | 343,783,878   | 377,306,285   | 393,377,074   | 428,787,335   | 457,285,891   |
| Business-type activities:                      |                    |               |               |               |               |               |               |
| Water  | 14,199,144         | 13,792,805    | 14,456,090    | 14,118,060    | 13,657,590    | 14,411,374    | 14,620,020    |
| Total business-type activities expenses        | 14,199,144         | 13,792,805    | 14,456,090    | 14,118,060    | 13,657,590    | 14,411,374    | 14,620,020    |
| Total primary government expenses              | 349,528,562        | 344,645,885   | 358,239,968   | 391,424,345   | 407,034,664   | 443,198,709   | 471,905,911   |
| Program revenues:                              |                    |               |               |               |               |               |               |
| Governmental activities:                       |                    |               |               |               |               |               |               |
| Charges for services:                          |                    |               |               |               |               |               |               |
| Public safety                                  | 27,772,926         | 23,358,965    | 26,731,634    | 33,739,682    | 31,606,231    | 34,640,573    | 29,786,501    |
| Sewer charges                                  | 30,821,353         | 28,040,442    | 31,311,866    | 36,633,238    | 38,689,798    | 38,967,973    | 37,767,491    |
| Human resource and development                 | 2,461,592          | 4,283,188     | 4,786,376     | 2,800,184     | 2,856,637     | 3,142,447     | 3,397,736     |
| Other activities                               | 373,838            | 436,341       | 503,519       | 503,010       | 414,844       | 493,643       | 499,322       |
| Operating grants and contributions             | 17,455,370         | 23,877,740    | 24,521,234    | 28,125,429    | 26,210,631    | 27,238,759    | 28,910,186    |
| Capital grants and contributions               | 12,925,487         | 5,549,984     | 4,556,870     | 15,366,641    | 6,541,460     | 16,129,811    | 10,191,408    |
| Total governmental activities program revenues | 91,810,566         | 85,546,660    | 92,411,499    | 117,168,184   | 106,319,601   | 120,613,206   | 110,552,644   |
| Business-type activities:                      |                    |               |               |               |               |               |               |
| Charges for services:                          |                    |               |               |               |               |               |               |
| Water  | 16,979,446         | 16,902,863    | 18,153,081    | 19,629,812    | 19,016,582    | 19,597,687    | 19,070,169    |
| Total business-type program revenues           | 16,979,446         | 16,902,863    | 18,153,081    | 19,629,812    | 19,016,582    | 19,597,687    | 19,070,169    |
| Total primary government program revenues      | 108,790,012        | 102,449,523   | 110,564,580   | 136,797,996   | 125,336,183   | 140,210,893   | 129,622,813   |
| Net (expense) revenue:                         |                    |               |               |               |               |               |               |
| Governmental activities                        | (243,518,852)      | (245,306,420) | (251,372,379) | (260,138,101) | (287,057,473) | (308,174,129) | (346,733,247) |
| Business-type activities                       | 2,780,302          | 3,110,058     | 3,696,991     | 5,511,752     | 5,358,992     | 5,186,313     | 4,450,149     |
| Total primary government net expense           | \$ (240,738,550)   | (242,196,362) | (247,675,388) | (254,626,349) | (281,698,481) | (302,987,816) | (342,283,098) |

Due to the City implementing GASB No. 34 in fiscal 2002, there is no information presented prior to 2002.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Changes in Net Assets, Last Seven Fiscal Years

(Accrual Basis of Accounting)

|   | <b>Fiscal year</b>    |                    |                    |                    |                    |                    |                    |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>2003</b>           | <b>2004</b>        | <b>2005</b>        | <b>2006</b>        | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        |
| General revenues and other changes in net assets: |                       |                    |                    |                    |                    |                    |                    |
| Governmental activities:                          |                       |                    |                    |                    |                    |                    |                    |
| Property taxes                                    | \$ 198,116,572        | 211,391,274        | 214,906,034        | 227,024,672        | 230,740,742        | 238,400,940        | 252,948,784        |
| Excise taxes                                      | 10,204,545            | 10,561,612         | 11,753,246         | 12,555,704         | 12,516,776         | 13,676,112         | 12,801,715         |
| Unrestricted grants and contributions             | 42,311,932            | 42,601,103         | 43,801,641         | 39,553,164         | 41,338,603         | 40,149,251         | 36,085,639         |
| Payments in lieu of taxes                         | 4,644,373             | 6,329,176          | 6,839,369          | 6,579,380          | 6,939,046          | 7,318,567          | 7,011,953          |
| Investment income                                 | 2,546,628             | 1,659,344          | 3,873,379          | 9,699,805          | 14,434,985         | 12,467,474         | 5,865,388          |
| Miscellaneous                                     | 21,822,564            | 21,217,361         | 12,480,304         | 17,662,993         | 16,571,631         | 17,961,549         | 20,038,690         |
| Special item                                      | —                     | —                  | 22,293,549         | —                  | —                  | —                  | —                  |
| Transfers   | 376,870               | 377,000            | 531,835            | 535,000            | 538,130            | 678,130            | 482,585            |
| Total governmental activities                     | <u>280,023,484</u>    | <u>294,136,870</u> | <u>316,479,357</u> | <u>313,610,718</u> | <u>323,079,913</u> | <u>330,652,023</u> | <u>335,234,754</u> |
| Business-type activities:                         |                       |                    |                    |                    |                    |                    |                    |
| Investment income                                 | 131,852               | 135,575            | 135,426            | 238,127            | 227,998            | 165,383            | 118,828            |
| Transfers   | (376,870)             | (377,000)          | (531,835)          | (535,000)          | (538,130)          | (678,130)          | (482,585)          |
| Total business-type activities                    | <u>(245,018)</u>      | <u>(241,425)</u>   | <u>(396,409)</u>   | <u>(296,873)</u>   | <u>(310,132)</u>   | <u>(512,747)</u>   | <u>(363,757)</u>   |
| Total primary government                          | \$ <u>279,778,466</u> | <u>293,895,445</u> | <u>316,082,948</u> | <u>313,313,845</u> | <u>322,769,781</u> | <u>330,139,276</u> | <u>334,870,997</u> |
| Change in net assets:                             |                       |                    |                    |                    |                    |                    |                    |
| Governmental activities                           | \$ 36,504,632         | 48,830,450         | 65,106,978         | 53,472,617         | 36,022,440         | 22,477,894         | (11,498,493)       |
| Business-type activities                          | 2,535,284             | 2,868,633          | 3,300,582          | 5,214,879          | 5,048,860          | 4,673,566          | 4,086,392          |
| Total primary government                          | \$ <u>39,039,916</u>  | <u>51,699,083</u>  | <u>68,407,560</u>  | <u>58,687,496</u>  | <u>41,071,300</u>  | <u>27,151,460</u>  | <u>(7,412,101)</u> |

Due to the City implementing GASB No. 34 in fiscal 2002, there is no information presented prior to 2002.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

|                                    | Fiscal years         |                     |                   |                    |                   |                    |                    |                    |                    |                    |
|------------------------------------|----------------------|---------------------|-------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | 2000                 | 2001                | 2002              | 2003               | 2004              | 2005               | 2006               | 2007               | 2008               | 2009               |
| General fund:                      |                      |                     |                   |                    |                   |                    |                    |                    |                    |                    |
| Reserved                           | \$ 40,242,193        | 34,996,593          | 13,390,746        | 6,097,472          | 9,493,486         | 24,203,862         | 16,428,333         | 17,791,512         | 17,206,706         | 14,900,082         |
| Unreserved                         | 25,954,330           | 32,683,214          | 69,586,739        | 85,286,619         | 90,479,144        | 100,050,320        | 120,245,450        | 134,869,147        | 150,312,018        | 141,595,256        |
| Total general fund                 | <u>\$ 66,196,523</u> | <u>67,679,807</u>   | <u>82,977,485</u> | <u>91,384,091</u>  | <u>99,972,630</u> | <u>124,254,182</u> | <u>136,673,783</u> | <u>152,660,659</u> | <u>167,518,724</u> | <u>156,495,338</u> |
| All other governmental funds:      |                      |                     |                   |                    |                   |                    |                    |                    |                    |                    |
| Reserved                           | \$ 85,970,142        | 50,411,010          | 50,451,757        | 41,115,518         | 48,583,062        | 28,515,541         | 28,660,330         | 12,687,274         | 76,741,409         | 31,315,543         |
| Unreserved, reported in:           |                      |                     |                   |                    |                   |                    |                    |                    |                    |                    |
| Special revenue funds              | (665,033)            | 5,816,749           | —                 | 28,361,764         | 31,850,012        | 38,696,151         | 50,256,273         | 87,098,510         | 52,687,083         | 48,691,005         |
| Capital funds                      | <u>(82,121,384)</u>  | <u>(23,176,449)</u> | <u>776,114</u>    | <u>(1,453,931)</u> | <u>(702,646)</u>  | <u>41,596,488</u>  | <u>62,252,680</u>  | <u>50,831,905</u>  | <u>30,946,966</u>  | <u>59,319,015</u>  |
| Total all other governmental funds | <u>\$ 3,183,725</u>  | <u>33,051,310</u>   | <u>51,227,871</u> | <u>68,023,351</u>  | <u>79,730,428</u> | <u>108,808,180</u> | <u>141,169,283</u> | <u>150,617,689</u> | <u>160,375,458</u> | <u>139,325,563</u> |

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

|   | Fiscal years          |                     |                    |                    |                     |                     |                    |                    |                     |                     |
|---|-----------------------|---------------------|--------------------|--------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|
|   | 2000                  | 2001                | 2002               | 2003               | 2004                | 2005                | 2006               | 2007               | 2008                | 2009                |
| Revenues:   |                       |                     |                    |                    |                     |                     |                    |                    |                     |                     |
| Real and personal property taxes                        | \$ 162,189,559        | 174,681,244         | 198,805,559        | 198,783,571        | 206,354,390         | 220,910,263         | 222,986,633        | 231,875,724        | 238,747,275         | 251,255,629         |
| Excises:  |                       |                     |                    |                    |                     |                     |                    |                    |                     |                     |
| Hotel/motel   | 5,696,567             | 5,651,401           | 4,907,532          | 4,401,259          | 4,286,681           | 5,461,027           | 5,800,992          | 6,751,419          | 6,862,581           | 6,802,768           |
| Motor vehicles  | 5,848,595             | 5,921,137           | 5,838,407          | 6,031,393          | 6,087,063           | 6,452,475           | 6,146,422          | 5,942,196          | 6,649,769           | 6,139,573           |
| Payments in lieu of taxes                               | 3,692,279             | 4,807,067           | 5,316,254          | 4,644,373          | 6,329,176           | 6,839,369           | 6,579,380          | 6,939,046          | 7,318,567           | 7,011,953           |
| Intergovernmental                                       | 73,272,476            | 69,514,089          | 73,096,101         | 72,692,789         | 72,198,993          | 72,879,748          | 87,635,346         | 77,410,419         | 90,943,960          | 76,336,094          |
| Investment income                                       | 6,263,010             | 6,898,417           | 3,331,545          | 2,546,628          | 1,659,344           | 3,877,381           | 9,699,805          | 14,434,985         | 12,467,474          | 5,865,388           |
| Sewer use charges                                       | 20,716,194            | 20,563,466          | 23,836,866         | 27,061,324         | 26,546,224          | 28,661,479          | 33,834,690         | 38,761,289         | 36,874,045          | 36,058,033          |
| Departmental and other                                  | 41,139,114            | 39,311,014          | 42,489,144         | 53,788,079         | 54,153,095          | 52,913,882          | 57,676,624         | 54,554,968         | 59,358,026          | 55,799,892          |
| Total revenues  | <u>318,817,794</u>    | <u>327,347,835</u>  | <u>357,621,408</u> | <u>369,949,416</u> | <u>377,614,966</u>  | <u>397,995,624</u>  | <u>430,359,892</u> | <u>436,670,046</u> | <u>459,221,697</u>  | <u>445,269,330</u>  |
| Expenditures:   |                       |                     |                    |                    |                     |                     |                    |                    |                     |                     |
| General government                                      | 18,166,578            | 22,614,889          | 26,999,819         | 20,934,488         | 24,082,120          | 27,558,970          | 30,661,962         | 34,465,493         | 32,828,519          | 31,916,657          |
| Public safety   | 67,021,363            | 67,526,146          | 71,036,613         | 73,640,401         | 76,087,314          | 78,453,371          | 83,255,981         | 86,275,482         | 90,299,577          | 97,140,430          |
| Community maintenance and development                   | 36,018,303            | 31,849,038          | 28,286,492         | 35,002,529         | 34,358,061          | 35,224,167          | 44,595,033         | 44,557,472         | 45,478,865          | 55,510,022          |
| Human resource development                              | 19,496,047            | 21,505,655          | 23,142,859         | 25,089,027         | 25,590,660          | 27,129,994          | 28,081,349         | 29,664,774         | 31,372,419          | 33,766,144          |
| Education (1)   | 103,646,643           | 108,614,947         | 117,192,210        | 122,512,065        | 119,887,725         | 120,973,010         | 129,073,427        | 132,655,957        | 135,144,165         | 143,381,070         |
| Judgments and claims                                    | 2,479,013             | 708,847             | 205,418            | 155,696            | 533,419             | 224,964             | 346,008            | 212,729            | 114,641             | 170,865             |
| State and district assessments                          | 29,002,282            | 28,703,942          | 28,018,935         | 29,698,511         | 33,617,517          | 33,886,544          | 35,890,415         | 37,294,026         | 39,567,157          | 41,020,229          |
| Capital outlays (2)                                     | 48,504,599            | 45,562,817          | 40,585,634         | 40,323,991         | 47,781,887          | 74,043,756          | 38,509,574         | 42,079,595         | 94,264,563          | 85,028,601          |
| Debt service:   |                       |                     |                    |                    |                     |                     |                    |                    |                     |                     |
| Interest (1)  | 4,805,574             | 5,525,356           | 6,711,387          | 4,436,907          | 6,490,398           | 6,621,664           | 7,958,766          | 8,719,761          | 9,273,441           | 9,503,428           |
| Principal (1)   | 11,808,201            | 13,311,078          | 17,546,087         | 22,384,150         | 22,405,970          | 23,570,424          | 24,822,015         | 28,407,064         | 28,953,226          | 30,665,746          |
| Total expenditures                                      | <u>340,948,603</u>    | <u>345,922,715</u>  | <u>359,725,454</u> | <u>374,177,765</u> | <u>390,835,071</u>  | <u>427,686,864</u>  | <u>423,194,530</u> | <u>444,332,353</u> | <u>507,296,573</u>  | <u>528,103,192</u>  |
| Excess of revenues over (under) expenditures            | <u>(22,130,809)</u>   | <u>(18,574,880)</u> | <u>(2,104,046)</u> | <u>(4,228,349)</u> | <u>(13,220,105)</u> | <u>(29,691,240)</u> | <u>7,165,362</u>   | <u>(7,662,307)</u> | <u>(48,074,876)</u> | <u>(82,833,862)</u> |
| Other financing sources (uses):                         |                       |                     |                    |                    |                     |                     |                    |                    |                     |                     |
| Premium on bond issue                                   | —                     | —                   | —                  | —                  | 377,741             | 1,768,923           | 370,092            | 708,969            | 411,360             | 792,996             |
| Bond proceeds   | 18,382,057            | 49,545,705          | 31,401,415         | 29,053,565         | 32,760,980          | 80,749,786          | 36,710,250         | 45,670,000         | 71,601,220          | 49,485,000          |
| Transfer in   | 42,530,898            | 49,290,798          | 30,134,149         | 29,167,918         | 40,750,850          | 25,738,992          | 37,875,917         | 28,978,763         | 38,229,302          | 35,441,124          |
| Transfer out  | (41,995,028)          | (48,913,928)        | (29,757,279)       | (28,791,048)       | (40,373,850)        | (25,207,157)        | (37,340,917)       | (42,260,143)       | (37,551,172)        | (34,958,539)        |
| Total other financing sources (uses)                    | <u>18,917,927</u>     | <u>49,922,575</u>   | <u>31,778,285</u>  | <u>29,430,435</u>  | <u>33,515,721</u>   | <u>83,050,544</u>   | <u>37,615,342</u>  | <u>33,097,589</u>  | <u>72,690,710</u>   | <u>50,760,581</u>   |
| Net change in fund balances                             | <u>\$ (3,212,882)</u> | <u>31,347,695</u>   | <u>29,674,239</u>  | <u>25,202,086</u>  | <u>20,295,616</u>   | <u>53,359,304</u>   | <u>44,780,704</u>  | <u>25,435,282</u>  | <u>24,615,834</u>   | <u>(32,073,281)</u> |
| Debt service as a percentage of noncapital expenditures | 5.68%                 | 6.27%               | 7.60%              | 8.03%              | 8.42%               | 8.54%               | 8.52%              | 9.23%              | 9.26%               | 9.07%               |

(1) Adjusted to reflect reclassification of debt service payments that are included in education in basic financial statements.

(2) Capital outlays that do not qualify as capital assets have been reclassified into the appropriate expense line.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (In millions of dollars)

| <b>Fiscal Year ended June 30</b> | <b>Residential property</b> | <b>Commercial property</b> | <b>Industrial property</b> | <b>Personal property</b> | <b>Total taxable assessed value (1)</b> | <b>Residential rate</b> | <b>Personal, commercial and industrial rate</b> | <b>Weighted average direct rate</b> |
|----------------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|---|-------------------------|---|-------------------------------------|
| 2000                             | \$ 6,773                    | 3,288                      | 702                        | 275                      | 11,038                                  | 9.64                    | 25.16   | 15.64                               |
| 2001                             | 7,709                       | 3,772                      | 929                        | 293                      | 12,703                                  | 9.21                    | 23.39   | 14.78                               |
| 2002                             | 10,317                      | 4,994                      | 1,221                      | 305                      | 16,837                                  | 7.22                    | 18.81   | 11.71                               |
| 2003                             | 10,820                      | 5,098                      | 1,466                      | 368                      | 17,752                                  | 7.26                    | 18.67   | 11.72                               |
| 2004                             | 12,157                      | 4,818                      | 1,808                      | 444                      | 19,227                                  | 7.63                    | 19.08   | 11.84                               |
| 2005                             | 13,871                      | 4,980                      | 2,030                      | 467                      | 21,348                                  | 7.78                    | 18.28   | 11.46                               |
| 2006                             | 13,962                      | 4,930                      | 2,350                      | 605                      | 21,847                                  | 7.38                    | 17.86   | 11.16                               |
| 2007                             | 14,136                      | 4,929                      | 2,443                      | 659                      | 22,167                                  | 7.48                    | 18.30   | 11.40                               |
| 2008                             | 14,427                      | 5,541                      | 2,836                      | 737                      | 23,541                                  | 7.36                    | 17.24   | 11.19                               |
| 2009                             | 14,651                      | 5,606                      | 2,851                      | 768                      | 23,876                                  | 7.56                    | 17.97   | 11.58                               |

(1) As of January 1st.

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the fair value.  
 Tax rates are per \$1,000 of assessed value.

Source: City Department of Finance

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

| <u>Fiscal year</u> |    | <u>Residential<br/>real property</u> | <u>Commercial<br/>and industrial<br/>real property</u> | <u>Personal<br/>property</u> | <u>Motor<br/>vehicle</u> |
|--------------------|----|--------------------------------------|--|------------------------------|--------------------------|
| 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                    |
| 2006               |    | 7.38                                 | 17.86  | 17.86                        | 25.00                    |
| 2007               |    | 7.48                                 | 18.30  | 18.30                        | 25.00                    |
| 2008               |    | 7.36                                 | 17.24  | 17.24                        | 25.00                    |
| 2009               |    | 7.56                                 | 17.97  | 17.97                        | 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.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Largest Principal Taxpayers

Current Year and Nine Years Ago

| <b>Taxpayer</b>                         | <b>2009</b>                   |                      |                                     | <b>Taxpayer</b>                               | <b>2000</b>                   |                      |                                     |
|---|-------------------------------|----------------------|-------------------------------------|---|-------------------------------|----------------------|-------------------------------------|
|   | <b>Taxable assessed value</b> | <b>Amount of tax</b> | <b>Percentage of total tax levy</b> |   | <b>Taxable assessed value</b> | <b>Amount of tax</b> | <b>Percentage of total tax levy</b> |
| Massachusetts Institute of Technology   | \$ 1,553,864,300              | 26,370,942           | 10.34%                              | Massachusetts Institute of Technology         | \$ 375,629,900                | 8,917,064            | 5.44%                               |
| BioMed Realty Trust                     | 743,656,100                   | 13,274,602           | 5.21                                | Beacon Capital Partners                       | 303,571,200                   | 7,625,715            | 4.65                                |
| Boston Properties                       | 606,212,500                   | 10,893,639           | 4.27                                | Boston Properties                             | 297,302,400                   | 7,480,128            | 4.56                                |
| Equity Partners                         | 286,590,100                   | 4,807,200            | 1.89                                | Commonwealth Energy/Gas                       | 235,764,660                   | 5,927,731            | 3.61                                |
| Presidents & Fellows of Harvard College | 376,320,500                   | 4,723,282            | 1.85                                | BRE/Blackstone Corporation                    | 192,950,200                   | 4,854,627            | 2.96                                |
| New England Development                 | 220,150,700                   | 3,956,109            | 1.55                                | New England Development                       | 131,236,600                   | 2,939,133            | 1.79                                |
| Novartis Pharmaceuticals                | 203,936,300                   | 3,664,735            | 1.44                                | Presidents and Fellows of Harvard College (1) | 182,040,500                   | 2,934,517            | 1.79                                |
| PREEF American Reit II Corp.            | 200,973,900                   | 3,611,501            | 1.42                                | Spaulding & Slye Corp                         | 87,297,400                    | 2,196,403            | 1.34                                |
| Alexandria Real Estate                  | 141,599,100                   | 2,543,009            | 1.00                                | G.E. Capital Investment Advisors              | 83,414,800                    | 2,098,716            | 1.28                                |
| RB Kendall Fee LLC                      | 191,942,500                   | 3,425,270            | 1.34                                | Zoll/Beacon Companies                         | 82,309,900                    | 2,070,917            | 1.26                                |
| <b>Total</b>                            | <b>\$ 4,525,246,000</b>       | <b>77,270,289</b>    | <b>30.31%</b>                       |   | <b>\$ 1,971,517,560</b>       | <b>47,044,951</b>    | <b>28.68%</b>                       |

(1) Excludes in-lieu payment on exempt property

Source: City of Cambridge Finance Department

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

(In millions of dollars)

| Fiscal year<br>ended June 30 | Taxes<br>levied (2)<br>for the<br>fiscal year | Collected within the<br>fiscal year of the levy |                       | Collections<br>in subsequent<br>years | Total collections to date |                       |
|------------------------------|---|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                              |   | Amount  | Percentage<br>of levy |                                       | Amount                    | Percentage<br>of levy |
| 2000                         | \$ 164.0                                      | 161.0   | 98.17%                | 4.4                                   | \$ 165.4                  | 100.85%               |
| 2001                         | 178.5   | 173.6   | 97.25                 | 5.3                                   | 178.9                     | 100.22                |
| 2002                         | 187.4   | 182.9   | 97.60                 | 5.9                                   | 188.8                     | 100.75                |
| 2003                         | 197.7   | 192.4   | 97.32                 | 4.5                                   | 196.9                     | 99.60                 |
| 2004                         | 209.6   | 203.9   | 97.28                 | 5.1                                   | 209.0                     | 99.71                 |
| 2005                         | 222.6   | 214.1   | 96.18                 | 7.2                                   | 221.3                     | 99.42                 |
| 2006                         | 223.2   | 217.6   | 97.49                 | 2.2                                   | 219.8                     | 98.48                 |
| 2007                         | 233.3   | 227.1   | 97.34                 | 1.3                                   | 228.4                     | 97.90                 |
| 2008                         | 243.0   | 237.9   | 97.90                 | 0.9                                   | 238.8                     | 98.27                 |
| 2009                         | 258.5   | 250.2   | 96.79                 | N/A                                   | 250.2                     | 96.79                 |

(1) Real and personal property taxes.

(2) Gross tax levied before overlay reserve.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal year | Governmental activities  |                               |                                |               | Business-type activities | Total primary government | Percentage of per capita income (a) | Per capita (a) | Ratio of debt to taxable assessed valuation (b) |
|-------------|--------------------------|-------------------------------|--------------------------------|---------------|--------------------------|--------------------------|-------------------------------------|----------------|---|
|             | General obligation bonds | Section 108 HUD notes payable | School equipment notes payable | Notes payable | General obligation bonds |                          |                                     |                |   |
| 2000        | \$ 92,940,237            | 980,000                       | 2,883,048                      | 2,000,000     | 63,912,570               | 162,715,855              | 5.15%                               | \$ 1,605       | 1.47%   |
| 2001        | 129,769,186              | 935,000                       | 2,608,387                      | 2,000,000     | 71,484,980               | 206,797,553              | 6.55                                | 2,040          | 1.63  |
| 2002        | 140,028,249              | 825,000                       | 2,314,652                      | 6,000,000     | 72,701,609               | 221,869,510              | 7.03                                | 2,189          | 1.32  |
| 2003        | 148,816,663              | 405,000                       | 2,000,516                      | 6,000,000     | 66,789,295               | 224,011,474              | 7.09                                | 2,210          | 1.26  |
| 2004        | 159,517,629              | 395,000                       | 1,664,560                      | 6,000,000     | 63,819,513               | 231,396,702              | 7.33                                | 2,283          | 1.20  |
| 2005        | 217,066,282              | 385,000                       | 1,305,269                      | 6,000,000     | 58,745,699               | 283,502,250              | 8.98                                | 2,797          | 1.33  |
| 2006        | 229,348,765              | 375,000                       | 921,021                        | 6,000,000     | 52,478,366               | 289,123,152              | 9.16                                | 2,853          | 1.32  |
| 2007        | 233,541,396              | 355,000                       | 510,082                        | 6,000,000     | 45,689,363               | 286,095,841              | 9.06                                | 2,823          | 1.29  |
| 2008        | 276,540,915              | 335,000                       | —                              | 6,000,000     | 39,485,690               | 322,361,605              | 10.21                               | 3,181          | 1.48  |
| 2009        | 293,330,855              | 315,000                       | —                              | 6,000,000     | 33,200,861               | 332,846,716              | 10.54                               | 3,284          | 1.50  |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

a See page 91 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.

b See page 83 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

| <b>Fiscal year</b> | <b>General obligation bonds outstanding</b> | <b>Total taxable assessed value</b> | <b>Per capita (a)</b> | <b>Ratio of debt to taxable assessed valuation (b)</b> |
|--------------------|---|-------------------------------------|-----------------------|--|
| 2000               | \$ 156,852,807                              | 11,038,000,000                      | 1,548                 | 1.42%  |
| 2001               | 201,254,166                                 | 12,703,000,000                      | 1,986                 | 1.58   |
| 2002               | 212,729,858                                 | 16,837,000,000                      | 2,099                 | 1.26   |
| 2003               | 215,605,958                                 | 17,752,000,000                      | 2,127                 | 1.21   |
| 2004               | 223,337,142                                 | 19,227,000,000                      | 2,204                 | 1.16   |
| 2005               | 275,811,981                                 | 21,348,000,000                      | 2,721                 | 1.29   |
| 2006               | 281,827,131                                 | 21,847,000,000                      | 2,781                 | 1.29   |
| 2007               | 279,230,759                                 | 22,167,000,000                      | 2,755                 | 1.26   |
| 2008               | 316,026,605                                 | 23,541,000,000                      | 3,118                 | 1.34   |
| 2009               | 326,531,716                                 | 23,876,000,000                      | 3,222                 | 1.37   |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- a See page 91 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b See page 83 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2009

| <u>Name of Unit</u>                     | <u>Direct<br/>debt (1)</u> | <u>Outstanding<br/>overlapping<br/>debt</u> | <u>Percentage<br/>applicable<br/>to City<br/>of Cambridge</u> | <u>Total City<br/>of Cambridge<br/>direct and<br/>overlapping<br/>debt</u> |
|---|----------------------------|---|---|--|
| City of Cambridge                       | \$ 326,531,716             | —   | 100.00%   | 326,531,716  |
| Massachusetts Water Resources Authority | —                          | 3,867,095,000                               | 5.10  | 197,347,463  |
| Total direct and overlapping debt       | <u>\$ 326,531,716</u>      | <u>3,867,095,000</u>                        |   | <u>523,879,179</u>   |

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Legal Debt Margin Information

Last Ten Fiscal Years

**Legal Debt Margin Calculation for Fiscal Year 2009**

|  |                       |
|--|-----------------------|
| Fiscal year 2009 equalized valuation (1)                                     | \$ 26,124,313,400     |
| Debt limit (5% of assessed value) (2)  | 1,306,215,670         |
| Debt applicable to limit:  |                       |
| General obligation bonds   | 326,846,716           |
| Total authorized/unissued  | <u>111,779,251</u>    |
| Total debt outstanding plus authorized/unissued                              | 438,625,967           |
| Less general obligation bonds exempted by authority of the State legislature | <u>35,770,861</u>     |
| Amount within debt limit   | <u>402,855,106</u>    |
| Legal debt margin  | \$ <u>903,360,564</u> |

|  | <b>Fiscal year (Dollars in thousands)</b> |                |                |                |                |                |                |                |                |                |
|--|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | <u>2000</u>                               | <u>2001</u>    | <u>2002</u>    | <u>2003</u>    | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    |
| Debt limit   | \$ 212,647                                | 317,027        | 317,027        | 456,081        | 912,162        | 1,064,126      | 1,064,126      | 1,226,473      | 1,226,473      | 1,306,216      |
| Total net debt applicable to limit                                   | <u>140,176</u>                            | <u>227,017</u> | <u>228,807</u> | <u>272,051</u> | <u>313,959</u> | <u>363,536</u> | <u>340,956</u> | <u>365,939</u> | <u>388,105</u> | <u>402,855</u> |
| Legal debt margin  | \$ <u>72,471</u>                          | <u>90,010</u>  | <u>88,220</u>  | <u>184,030</u> | <u>598,203</u> | <u>700,590</u> | <u>723,170</u> | <u>860,534</u> | <u>838,368</u> | <u>903,361</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 65.92%                                    | 71.61%         | 72.17%         | 59.65%         | 34.42%         | 34.16%         | 32.04%         | 29.84%         | 31.64%         | 30.84%         |

(1) In order to determine appropriate relative values for the purpose 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, 2007.

(2) Under Massachusetts Statutes, the Normal Debt Limit of the City is 5% of the valuation of taxable property as last equalized valuation.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Demographic and Economic Statistics

Last Ten Calendar Years

| <b>Year</b> | <b>Population (1)</b> | <b>Median family income (1)</b> | <b>Per capita income (1)</b> | <b>Median age (1)</b> | <b>School enrollment</b> | <b>Unemployment rate (2)</b> |
|-------------|-----------------------|---------------------------------|------------------------------|-----------------------|--------------------------|------------------------------|
| 2000        | 101,355               | \$ 59,423                       | 31,156                       | 30.4                  | 7,491                    | 1.70%                        |
| 2001        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 7,308                    | 2.60                         |
| 2002        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 7,296                    | 3.60                         |
| 2003        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 7,111                    | 3.80                         |
| 2004        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 6,756                    | 3.60                         |
| 2005        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 6,450                    | 3.40                         |
| 2006        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 6,001                    | 3.70                         |
| 2007        | 101,355               | 59,423                          | 31,156                       | 30.4                  | 5,797                    | 3.20                         |
| 2008 (3)    | 101,355               | 59,423                          | 31,156                       | 30.4                  | 5,861                    | 3.80                         |
| 2009 (4)    | 101,355               | 59,423                          | 31,156                       | 30.4                  | 5,950                    | 6.60                         |

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

(2) Source: Massachusetts Division of Labor and Industries

(3) As of September 2008

(4) As of September 2009

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Principal Employers (1)

Current Year and Nine Years Ago

| <b>Employer</b>                    | <b>2000</b>      |             |  | <b>Employer</b>           | <b>2009</b>      |             |  |
|------------------------------------|------------------|-------------|--|---------------------------|------------------|-------------|--|
|                                    | <b>Employees</b> | <b>Rank</b> | <b>Percentage of total city employment</b> |                           | <b>Employees</b> | <b>Rank</b> | <b>Percentage of total city employment</b> |
| Harvard University                 | 7,728            | 1           | 7.05%                                      | Harvard University        | 10,031           | 1           | 9.31%                                      |
| MIT                                | 6,985            | 2           | 6.38                                       | MIT                       | 8,044            | 2           | 7.47                                       |
| City of Cambridge (2)              | 3,070            | 3           | 2.80                                       | City of Cambridge (1)(2)  | 2,857            | 3           | 2.65                                       |
| Mt. Auburn Hospital                | 2,021            | 4           | 1.84                                       | Mt. Auburn Hospital       | 1,875            | 4           | 1.74                                       |
| Lotus Development Corp./IBM        | 1,708            | 5           | 1.56                                       | Novartis Institute        | 1,543            | 5           | 1.43                                       |
| Cambridge Public Health Commission | 1,708            | 6           | 1.56                                       | Biogen Idec               | 1,436            | 6           | 1.33                                       |
| Federal Government                 | 1,479            | 7           | 1.35                                       | Cambridge Health Alliance | 1,426            | 7           | 1.32                                       |
| GTE Internetworking/BBN            | 1,236            | 8           | 1.13                                       | Genzyme Corporation       | 1,399            | 8           | 1.30                                       |
| Draper Labs, Inc.                  | 1,022            | 9           | 0.93                                       | Federal Government        | 1,388            | 9           | 1.29                                       |
| Commonwealth of Massachusetts      | 934              | 10          | 0.85                                       | Draper Labs, Inc.         | 1,123            | 10          | 1.04                                       |
|                                    | <u>27,891</u>    |             | <u>25.45%</u>                              |                           | <u>31,122</u>    |             | <u>28.88%</u>                              |
| Total average employed             | <u>109,553</u>   |             |  | Total average employed    | <u>107,730</u>   |             |  |

(1) Totals based on full time equivalents (FTE's), when available.

(2) Includes the Cambridge School Department

Source: Cambridge Community Development Department and cited employers, 2007.

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Full-Time Positions by Function/Program

Last Ten Fiscal Years

| Function/program            | Full-time positions as of June 30 |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|-----------------------------|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                             | 2000                              | 2001                | 2002                | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                |
| General government:         |                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Executive management        | 16                                | 17                  | 18                  | 16                  | 15                  | 15                  | 15                  | 16                  | 16                  | 16                  |
| Clerk                       | 9                                 | 10                  | 10                  | 10                  | 10                  | 10                  | 10                  | 10                  | 10                  | 10                  |
| Law                         | 12                                | 12                  | 12                  | 12                  | 11                  | 11                  | 11                  | 11                  | 11                  | 11                  |
| Finance                     | 80                                | 81                  | 83                  | 83                  | 83                  | 83                  | 83                  | 83                  | 83                  | 83                  |
| Other                       | 23                                | 23                  | 23                  | 23                  | 23                  | 20                  | 19                  | 19                  | 19                  | 15                  |
| Subtotal                    | <u>140</u>                        | <u>143</u>          | <u>146</u>          | <u>144</u>          | <u>142</u>          | <u>139</u>          | <u>138</u>          | <u>139</u>          | <u>139</u>          | <u>135</u>          |
| Public safety:              |                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Fire                        | 283                               | 283                 | 284                 | 285                 | 283                 | 284                 | 284                 | 284                 | 284                 | 284                 |
| Police                      | 309                               | 309                 | 309                 | 312                 | 309                 | 309                 | 307                 | 307                 | 307                 | 313                 |
| Traffic                     | 83                                | 82                  | 82                  | 82                  | 81                  | 81                  | 80                  | 80                  | 80                  | 80                  |
| Inspectional                | 28                                | 28                  | 28                  | 28                  | 28                  | 28                  | 28                  | 27                  | 27                  | 27                  |
| Emergency communication     | 38                                | 38                  | 39                  | 39                  | 39                  | 39                  | 39                  | 39                  | 39                  | 39                  |
| Other                       | 24                                | 24                  | 25                  | 26                  | 25                  | 31                  | 30                  | 30                  | 30                  | 30                  |
| Subtotal                    | <u>765</u>                        | <u>764</u>          | <u>767</u>          | <u>772</u>          | <u>765</u>          | <u>772</u>          | <u>768</u>          | <u>767</u>          | <u>767</u>          | <u>773</u>          |
| Community maintenance:      |                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Public works                | 212                               | 212                 | 223                 | 223                 | 220                 | 219                 | 215                 | 213                 | 211                 | 214                 |
| Community development       | 44                                | 46                  | 47                  | 47                  | 44                  | 45                  | 45                  | 45                  | 45                  | 45                  |
| Other                       | 10                                | 12                  | 12                  | 12                  | 12                  | 13                  | 13                  | 13                  | 13                  | 13                  |
| Subtotal                    | <u>266</u>                        | <u>270</u>          | <u>282</u>          | <u>282</u>          | <u>276</u>          | <u>277</u>          | <u>273</u>          | <u>271</u>          | <u>269</u>          | <u>272</u>          |
| Human resource development: |                                   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Library                     | 56                                | 58                  | 59                  | 60                  | 60                  | 60                  | 60                  | 60                  | 60                  | 60                  |
| Human services              | 106                               | 117                 | 125                 | 132                 | 128                 | 129                 | 127                 | 128                 | 128                 | 130                 |
| Other                       | 7                                 | 7                   | 7                   | 7                   | 7                   | 7                   | 7                   | 7                   | 7                   | 7                   |
| Subtotal                    | <u>169</u>                        | <u>182</u>          | <u>191</u>          | <u>199</u>          | <u>195</u>          | <u>196</u>          | <u>194</u>          | <u>195</u>          | <u>195</u>          | <u>197</u>          |
| Education                   | 1,314                             | 1,353               | 1,357               | 1,335               | 1,253               | 1,229               | 1,197               | 1,218               | 1,238               | 1,244               |
| Water                       | 55                                | 69                  | 67                  | 67                  | 65                  | 65                  | 63                  | 63                  | 63                  | 63                  |
| Grand total                 | <u><u>2,709</u></u>               | <u><u>2,781</u></u> | <u><u>2,810</u></u> | <u><u>2,799</u></u> | <u><u>2,696</u></u> | <u><u>2,678</u></u> | <u><u>2,633</u></u> | <u><u>2,653</u></u> | <u><u>2,671</u></u> | <u><u>2,684</u></u> |

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Operating Indicators by Function/Program

Last Eight Fiscal Years

| Function/program   | Fiscal year |           |           |         |         |           |           |           |
|--|-------------|-----------|-----------|---------|---------|-----------|-----------|-----------|
|  | 2002        | 2003      | 2004      | 2005    | 2006    | 2007      | 2008      | 2009      |
| Fire:  |             |           |           |         |         |           |           |           |
| Emergency responses  | 31,960      | 32,008    | 31,052    | 28,920  | 30,278  | 32,436    | 33,207    | 33,223    |
| Fires extinguished   | 611         | 565       | 334       | 388     | 574     | 585       | 859       | 904       |
| Hazardous materials emergency                                      | 499         | 379       | 497       | 250     | 248     | 287       | 206       | 232       |
| Police:  |             |           |           |         |         |           |           |           |
| Physical arrests   | 1,199       | 1,263     | 1,248     | 1,185   | 1,234   | 1,385     | 1,740     | 1,605     |
| Traffic violations   | 20,661      | 20,396    | 24,336    | 24,973  | 22,745  | 22,231    | 24,853    | 27,127    |
| Traffic:   |             |           |           |         |         |           |           |           |
| Number of meters on street   | 3,026       | 2,804     | 2,804     | 2,770   | 2,815   | 3,157     | 3,075     | 2,909     |
| Meter violations   | 218,010     | 199,490   | 181,974   | 192,462 | 200,000 | 187,797   | 191,583   | 194,001   |
| Overtime meter violations  | 34,871      | 28,344    | 34,896    | 33,957  | 34,000  | 21,771    | 25,718    | 25,718    |
| Inspectional:  |             |           |           |         |         |           |           |           |
| Major permits issued   | 85          | 90        | 75        | 109     | 143     | 285       | 89        | 45        |
| Short form permits issued  | 2,203       | 2,413     | 2,500     | 2,824   | 2,910   | 2,818     | 2,796     | 2,866     |
| Compliance inspections   | 6,792       | 5,998     | 3,645     | 6,044   | 5,946   | 6,942     | 6,797     | 5,224     |
| Emergency communications:  |             |           |           |         |         |           |           |           |
| Total 911 Incidents dispatched                                     | 106,363     | 97,714    | 96,045    | 89,739  | 92,375  | 101,766   | 107,620   | 103,671   |
| Medical  | 7,725       | 7,608     | 7,670     | 7,668   | 8,373   | 9,531     | 10,723    | 10,326    |
| Traffic/MV-Related   | 24,605      | 21,970    | 22,898    | 25,319  | 27,219  | 23,772    | 22,066    | 21,443    |
| Crime and Directed Patrol  | 40,805      | 34,502    | 32,258    | 28,700  | 28,796  | 38,232    | 44,402    | 43,588    |
| Public works:  |             |           |           |         |         |           |           |           |
| Street Resurfacing (miles)   | 10.8        | 22.2      | 17.8      | 22.5    | 12.4    | 6.5       | 7.5       | 11.9      |
| Sidewalk replaced (miles)  | 7.6         | 6.7       | 6.7       | 5.8     | 3.5     | 4.8       | 3.0       | 8.0       |
| Rubbish collected (tons)   | 24,893      | 25,223    | 25,104    | 23,993  | 23,425  | 20,230    | 18,592    | 18,171    |
| Recycling collected (tons)   | 11,789      | 11,966    | 13,065    | 12,742  | 12,600  | 12,710    | 13,166    | 12,954    |
| New stormwater drains installed (linear feet)                      | 3,000       | 1,500     | 3,000     | 1,200   | 525     | 750       | 3,190     | 1,595     |
| New sanitary sewer installed (linear feet)                         | 500         | 700       | 1,000     | 850     | 290     | 590       | 1,559     | 247       |
| Community development:   |             |           |           |         |         |           |           |           |
| Number of affordable multi-family rental units                     | 82          | 45        | 44        | 6       | 26      | 70        | 51        | 80        |
| Number of affordable homeownership units developed                 | 6           | 7         | 23        | 28      | 26      | 42        | 17        | 2         |
| Human resource department:   |             |           |           |         |         |           |           |           |
| Library system circulation   | 998,331     | 1,116,012 | 1,123,755 | 986,501 | 940,330 | 1,015,073 | 1,064,743 | 1,035,135 |
| Library acquisitions for collection                                | 41,134      | 34,106    | 35,649    | 24,822  | 34,508  | 34,813    | 28,827    | 40,166    |
| Number of clients served in youth and family services programs     | 1,631       | 1,339     | 1,344     | 2,172   | 2,173   | 2,536     | 942       | 1,101     |
| Number of clients served through homelessness prevention programs  | 3,454       | 4,307     | 5,494     | 4,843   | 5,142   | 5,492     | 4,882     | 5,019     |
| Number of clients visits to food pantry programs                   | 7,308       | 17,366    | 19,954    | 20,000  | 23,642  | 27,554    | 25,273    | 24,984    |
| Total number of golf rounds annually                               | 56,565      | 45,940    | 31,560    | 38,590  | 41,400  | 41,178    | 41,809    | 42,569    |
| Water:   |             |           |           |         |         |           |           |           |
| Number of accounts transitioned to AMR system                      | N/A         | N/A       | N/A       | 6,750   | 7,900   | 425       | N/A       | —         |
| Total water quality tests performed                                | 47,422      | 66,170    | 67,729    | 56,718  | 60,313  | 63,039    | 61,267    | 62,925    |
| Water treatment plant tests performed                              | 41,878      | 59,073    | 60,633    | 49,564  | 52,513  | 54,760    | 53,378    | 55,199    |
| Install, clean and line, and/or replace water mains; (linear feet) | 49,000      | 4,790     | 3,770     | 5,180   | 1,380   | 5,650     | 1,890     | 1,850     |
| Elimination of parallel old 6" cast iron pipe (linear feet)        | N/A         | N/A       | 1,500     | 5,200   | 4,410   | 2,950     | 1,940     | 4,450     |
| Education:   |             |           |           |         |         |           |           |           |
| Total enrollment   | 7,296       | 7,111     | 6,756     | 6,450   | 6,001   | 5,797     | 5,861     | 5,950     |

Information for years prior to 2001 is not available.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Capital Asset Statistics by Function/Program

Last Six Fiscal Years

| Function/program                        | Fiscal year |           |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|-----------|
|   | 2004        | 2005      | 2006      | 2007      | 2008      | 2009      |
| Fire:                                   |             |           |           |           |           |           |
| Fire stations                           | 8           | 8         | 8         | 8         | 8         | 8         |
| Emergency vehicles                      | 21          | 21        | 21        | 25        | 26        | 26        |
| Maintenance facility                    | 1           | 1         | 1         | 1         | 1         | 1         |
| Police:                                 |             |           |           |           |           |           |
| Stations                                | 1           | 1         | 1         | 1         | 1         | 1         |
| Patrol units                            | 79          | 79        | 79        | 84        | 80        | 80        |
| Traffic:                                |             |           |           |           |           |           |
| Garages                                 | 2           | 2         | 2         | 2         | 2         | 2         |
| Public works:                           |             |           |           |           |           |           |
| Collection trucks                       | 18          | 18        | 18        | 15        | 15        | 15        |
| Streets (miles)                         | 125         | 125       | 125       | 125       | 125       | 125       |
| Electric:                               |             |           |           |           |           |           |
| Streetlights                            | 7,193       | 7,017     | 7,264     | 7,285     | 7,383     | 7,604     |
| Traffic signals                         | 196         | 196       | 195       | 189       | 188       | 187       |
| Sewer:                                  |             |           |           |           |           |           |
| Sanitary sewers (miles)                 | 147.30      | 148.00    | 148.70    | 147.00    | 147.00    | 147.00    |
| Storm sewers (miles)                    | 86.77       | 97.42     | 88.07     | 90.00     | 92.00     | 92.00     |
| Library:                                |             |           |           |           |           |           |
| Main library                            | 1           | 1         | 1         | 1         | 1         | 1         |
| Number of branches                      | 6           | 6         | 6         | 6         | 6         | 6         |
| Parks and recreation:                   |             |           |           |           |           |           |
| Acreage                                 | 496         | 496       | 496       | 496       | 497       | 497       |
| Playgrounds                             | 59          | 59        | 59        | 59        | 59        | 59        |
| Baseball/softball diamonds              | 23          | 23        | 23        | 23        | 23        | 23        |
| Soccer/football fields                  | 10          | 10        | 10        | 10        | 10        | 10        |
| Youth centers                           | 5           | 5         | 5         | 5         | 5         | 5         |
| Senior centers                          | 2           | 2         | 2         | 2         | 2         | 2         |
| Water:                                  |             |           |           |           |           |           |
| Water treatment plant                   | 1           | 1         | 1         | 1         | 1         | 1         |
| Water mains (miles)                     | 190         | 190       | 190       | 190       | 190       | 190       |
| Fire hydrants                           | 1,750       | 1,750     | 1,750     | 1,750     | 1,750     | 1,750     |
| Storage capacity (thousands of gallons) | 3,200       | 3,200     | 3,200     | 3,200     | 3,200     | 3,200     |
| Reservoirs                              | 4,300,000   | 4,300,000 | 4,300,000 | 4,300,000 | 4,300,000 | 4,300,000 |
| Education:                              |             |           |           |           |           |           |
| Elementary schools                      | 12          | 12        | 12        | 12        | 12        | 12        |
| High school                             | 1           | 1         | 1         | 1         | 1         | 1         |

Information for years prior to 2003 is not available.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Comprehensive Annual Financial Report

Year ended June 30, 2009

|                                |                 |
|--------------------------------|-----------------|
| Electronic Publishing          | KPMG LLP        |
| Paper                          | 70 pound Finch  |
| Covers and Dividers            | 80 pound coated |
| Printing – Laser Printing/Text | KPMG LLP        |
| Printing – Covers and Dividers | KPMG LLP        |
| Composing                      | KPMG LLP        |
| Cover and Divider Design       | KPMG LLP        |

