

CITY OF CAMBRIDGE,
MASSACHUSETTS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JULY 1, 2015 – JUNE 30, 2016

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

Fiscal Year
July 1, 2015 through June 30, 2016

Louis A. DePasquale
City Manager

Lisa C. Peterson
Deputy City Manager

Michele A. Kincaid
Acting Treasurer

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Envision Cambridge

Envision Cambridge is a community-wide process to develop a comprehensive plan for a more livable, sustainable, and equitable Cambridge. With input from those who live, work, study, and play in our community, Envision Cambridge will create a shared vision for the future of our city. The plan will result in recommendations on a broad range of topics such as housing, mobility, economic opportunity, climate and the environment, and urban form. These recommendations may include zoning or policy recommendations, infrastructure improvements, and other changes, and will help guide future decisions in working to realize our shared vision.

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CITY OF CAMBRIDGE, MASSACHUSETTS

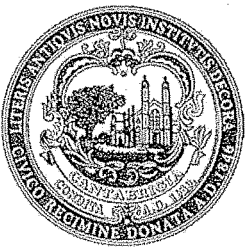
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INTRODUCTORY SECTION



City of Cambridge

FINANCE DEPARTMENT

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January 10, 2017

The Honorable, the City Council, and the residents and taxpayers of Cambridge:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge (City) for the year ending June 30, 2016. This report was prepared by the City's Finance Department and is presented in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets the requirements of the Commonwealth of Massachusetts finance laws and the City Charter.

Responsibility for the accuracy, completeness, and reliability of the information contained in this report, rests with management. The City is also responsible for establishing and maintaining an internal control structure designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed its anticipated benefits.

The accounting firm KPMG LLP has issued unmodified opinions on the City's financial statements for the year ended June 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

The City also undergoes an annual audit of its federal grant funds as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). KPMG LLP issues a separate report on the City's internal control system and compliance with applicable laws and regulations that meet the requirements of the Uniform Guidance.

Management's discussion and analysis (MD&A) follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is intended to compliment the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Cambridge is located in southeast Middlesex County across the Charles River from the City of Boston, and occupies a land area of 6.26 square miles. Cambridge is bordered by the Towns of Watertown and Belmont on the west and by the Town of Arlington and the City of Somerville on the north. The 2010 U.S. Census reported 105,162 residents in Cambridge. As of July 2014, the Census Bureau estimated that the city's population had increased to 109,694.

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. Since 1942, the City has had a council-manager form of government with nine City Councillors elected at-large every two years. 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 January 8, 2021. 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. The present Superintendent is employed under a contract which expires June 30, 2020.

The City provides a wide range of services including police and fire protection; education; refuse collection, snow and leaf removal, traffic control; building inspections; licenses and permits; vital statistics; construction and maintenance of streets and other infrastructure; water distribution; recreational and cultural activities; library services; community development; and other human service programs.

The accounting records of the City's general government operations, as reported in the general fund, capital projects fund, affordable housing trust 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 liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government wide basis. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic financial statements present information on the City 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, the Cambridge Retirement System and the Cambridge Health Alliance.

The budget cycle for FY16 was initiated in November 2014. At that time, budget staff met with the City Manager and Finance Director to update the City's 5-year financial projections in order to establish general budgetary guidelines and limitations for the coming year. By state law, the budget must be submitted to the City Council within 170 days after the Council organizes in early January. The City Manager submitted the FY16 Budget to the City Council on April 27, 2015 and it was adopted on June 1, 2015. The Annual Budget for FY16 became effective July 1, 2015.

Demographic Summary

- Cambridge residents live closely together; only 10 U.S. cities with a population over 50,000 are denser. (Source: 2010 U.S. Census Bureau)
- Cambridge is a city of 13 neighborhoods, ranging in population from 832 (Cambridge Highlands) to 12,991 (Mid Cambridge). (Source: 2010 U.S. Census Bureau) Most neighborhoods have their own political and community organizations. Residents often participate vocally in City debates.
- Cambridge is ethnically diverse. 63% of residents are White Non-Hispanic. Minority residents are highly diverse, with no single race, language group, country of origin, or ethnic identity dominant. (Source: 2014 American Community Survey (ACS))
- 26% of residents are foreign born. Of those, over 39% were born in Asia and 23% were born in Europe. (Source: 2014 ACS)
- 30% of residents speak a language other than English at home. Of these, 19% speak Spanish and 16% speak Chinese. The remainder uses a wide variety of languages. (Source: 2014 ACS)
- Cambridge is a city of renters. 65% of all households rent; 35% own. (Source: 2010 U.S. Census Bureau)

- The Census recorded 44,032 households in 2010. Of these, 41% are single person households, one of the largest proportions in Massachusetts; 40% are family households; and 19% consist of roommates or unmarried partners. (Source: CDD)
- 17,420 families reside in Cambridge; 6,972 are families with minor children. (Source: 2010 U.S. Census Bureau)
- 76% of residents have a four-year college degree and 46% also have a graduate degree. Only 6% of residents age 25 or older lack a high school diploma. (Source: 2014 ACS)

Local Economy

Cambridge is widely known as the University City. Harvard, America's oldest university was established here in 1636, six years after the City itself was founded in 1630. It is also home to Lesley University, Cambridge College and the Massachusetts Institute of Technology. Over one-fourth of residents are students, and more than one in four of all jobs are in these institutions. Yet Cambridge is more than a university city. It features high-tech workers and professionals, political activists, street musicians and immigrants from around the world.

- The City's per capita personal income of \$65,035 (2014) is higher than the Boston, Massachusetts, and U.S. averages.
- 2014 employment totaled 111,581 jobs, with private sector employment comprising 93.1% of total jobs.
- Cambridge's December 2015 unadjusted unemployment rate of 2.8% remains lower than the Boston PMSA, Massachusetts, and U.S. averages.
- Cambridge continues to maintain a high job to resident ratio, with 1.06 jobs for each resident.
- Professional and business services leads the way among employment sectors, followed by education and health services.
- Led by Harvard University and MIT, the higher education sector continues to drive the job market, employing more than 20,000 people. Preeminent research institutions like Harvard, MIT, the Broad Institute, and the Whitehead Institute act as a magnet for commercial investment in the city and drive innovation.
- Cambridge continues to maintain and strengthen its position as a national leader in the life sciences and high tech. As of 2015, Cambridge is home to at least 160 biopharmaceutical and biotechnology companies, including Baxalta, Biogen Idec, Novartis, Pfizer, Sanofi/Genzyme, and Takeda/Millennium Pharmaceuticals. Biotechnology and pharmaceutical employment exceeds 18,000 workers.
- High tech sector employment within the top 25 employers includes Microsoft, Google, Hubspot, and Pegasystems. Several tech giants such as Amazon, Apple, Facebook, Google, and Kayak are currently shaping the market by hiring and expanding in Cambridge.
- Underpinning the boom in real estate investment activity is the city's increasing volume of venture capital and angel capital investments in startups and growing companies.

Due to its strong and healthy local economy, the City retained the rare distinction of being one of 36 municipalities in the United States with three AAA ratings from the nation's three major credit rating agencies. The City has received AAA ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings every year since 1999.

Financial Planning and Major Initiatives

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 years to come.

During FY16, the City's free cash position increased to \$202.5 million. This is an increase of \$9.8 million from the previous year and is the highest balance in the City's history.

The City ended FY16 with a total general fund balance of \$300.9 million, which represents 53.7% of general fund revenues, and is a 9.1% increase over FY15. Each year, a portion of the fund balance is allocated to committed and nonspendable accounts. A total of \$85.2 million was held as committed and nonspendable in FY16, leaving an unassigned fund balance of \$215.7 million.

The property tax levy for FY16 increased by only 3.8%. The ten-year average increase in the property tax levy is 4.75%. The FY16 Budget, adopted in June 2015, reflected a 2.83% increase over the FY15 Adjusted Budget and called for a 4.54% 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 3.8% increase.

In FY16, real estate property assessed valuations totaled \$34.7 billion, a \$4.5 billion or 15.1% increase from FY15. This change reflects the strength of the Cambridge real estate market. The strong commercial market, coupled with an increase in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from the residential taxpayers for the eleventh year in a row. As a result, 87% of the residential taxpayers received a property tax bill that was lower, the same or an increase less than \$100. In addition, another 8% of residential taxpayers received a tax bill with an increase between \$100 – \$250.

The City's property tax levy limit grew to \$509.5 million from \$475.4 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and the tax levy was \$155 million in FY16, an increase of \$21 million or 15.7% from FY15.

The local portion of Community Preservation Act (CPA) funds are raised through a 3% surcharge on taxes. The total amount appropriated in FY16 was \$11.7 million (\$8.2 million local, \$1.5 million State, and \$2 million fund balance) and the City continued to allocate funds as follows: 80% to affordable housing, 10% to historic preservation, and 10% to open space. Through FY16, the City has appropriated \$155.5 million in CPA funds with approximately \$47.2 million in State matching funds.

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 (CIP) for the five-year period from FY16-FY20, which was adopted by the City Council in June 2015, has an estimated cost of \$393.6 million.

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 a sizable interest savings. In addition, the CIP funds a portion of the program on a “pay-as-you-go” basis out of current revenues. The City’s outstanding bonded debt as of June 30, 2016 totaled \$402.5 million.

Relevant Financial Policies

One of the primary reasons that the City is held in high regard by the financial community is its development and implementation of a long-term financial plan. This plan is reviewed on an annual basis in conjunction with the City’s bond sale and credit rating application process. The budget for the current fiscal year is used as the base year upon which future year projections are built. All expenditures, revenues, and property valuations are reviewed to ensure that the timeliest information is available to be used for future year projections.

The budget for the current year is also compared to the projections for that year from previous five-year plans to determine the accuracy of the projections. If modifications to the projection process are needed to ensure more accuracy, the City’s financial staff will make changes accordingly. After careful review, this plan is submitted to the rating agencies prior to their review of the City’s financial condition. This plan serves as a basis upon which important decisions concerning the City’s financial future are made.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2015. This was the 30th consecutive year that the City has achieved this prestigious award. In order to be awarded the Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable program requirements. A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the GFOA Certificate of Achievement program’s requirements and we are submitting it to the GFOA for consideration for this year’s award.

The City also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2015. The budget document was judged proficient as a policy document, financial plan, an operations guide, and a communications driver.

This report could not have been prepared without the skill, effort, and dedication of the staff of the Finance Department. We wish to express our appreciation to those who contributed to the preparation of this report. We would also like to thank 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, we would like to acknowledge all City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

Respectfully submitted,



Michele A. Kincaid
Acting Treasurer



James Monagle
City Auditor

Fiscal Year 2016
Directory of Officials
City Council

E. Denise Simmons, Mayor

Marc C. McGovern, Vice Mayor	Craig A. Kelley
Dennis J. Carlone	David P. Maher
Leland Cheung	Nadeem A. Mazen
Jan Devereux	Timothy J. Toomey, Jr.

School Committee

E. Denise Simmons, Chair

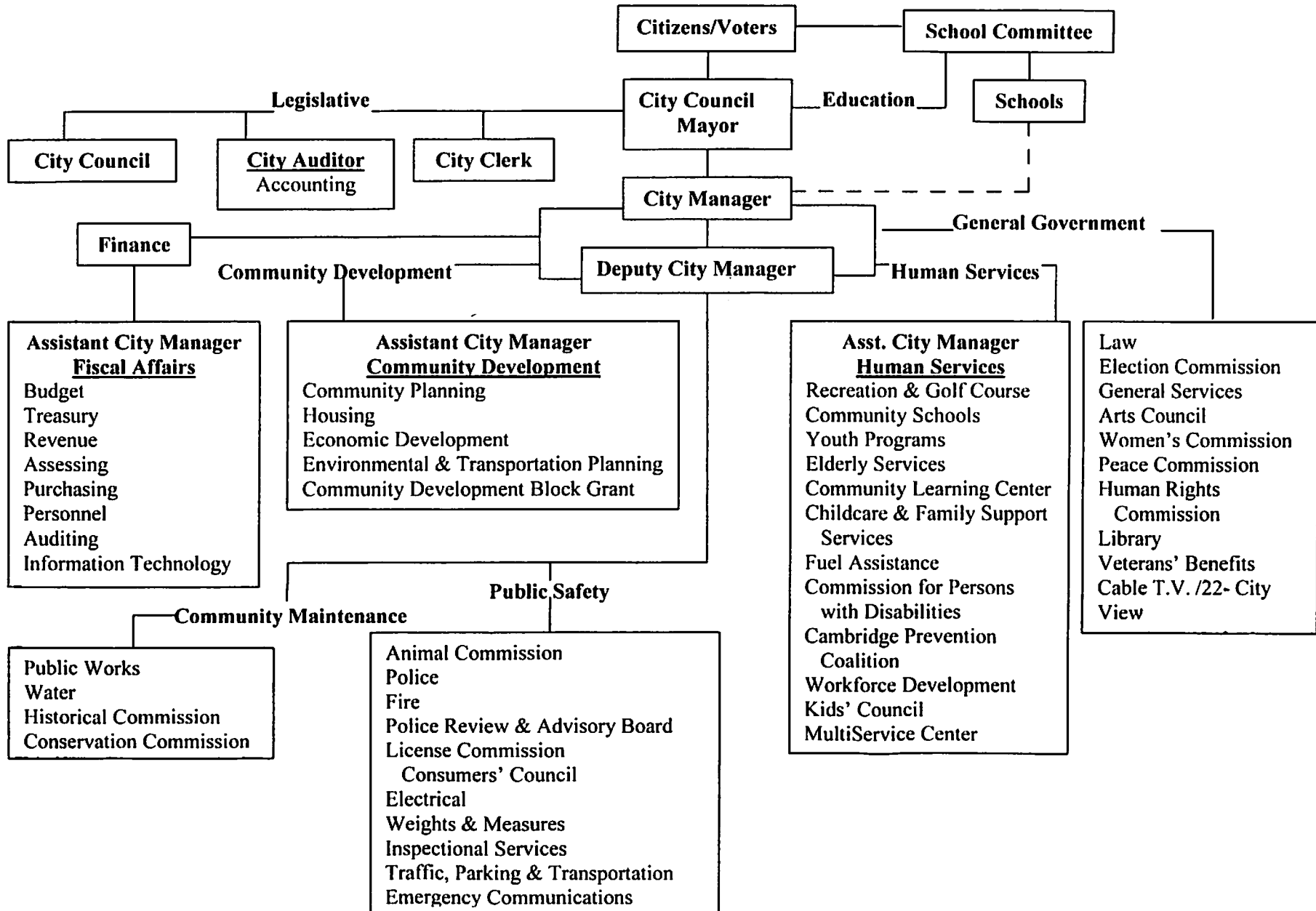
Manikka L. Bowman	Richard Harding
Emily R. Dexter	Kathleen Kelly
Alfred B. Fantini	Patricia M. Nolan

Principal Executive Officers

City Manager	Louis A. DePasquale
Deputy City Manager	Lisa C. Peterson
Acting Treasurer	Michele A. Kincaid
Assistant City Manager for Community Development	Iram Farooq
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Nancy Glowa
City Clerk	Donna Lopez

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 opinions, insofar as they relate to the amounts included for that entity, are 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 from material misstatement.

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

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



Opinions

In our opinion, based on 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, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in note 2(o) to the financial statements, in 2016, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules listed under the Required Supplementary Information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental statements and schedules and introductory and statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

January 10, 2017

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2016

(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, 2016. We encourage readers to consider this information in conjunction with the transmittal letter 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 a 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 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 Position – Presents all of the government's assets and liabilities, with the difference being reported as "net position". The amount of net position is widely considered a good measure of the City's financial health as increases and decreases in the City's net position 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 position 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, 2016

(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 for 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2016

(Unaudited)

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

The City has several governmental funds; three 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, the OPEB Trust Fund 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2016

(Unaudited)

Government-Wide Financial Analysis

Statement of Net Position

The following table reflects the condensed net position based on the statement of net position found on page 16.

The City's combined net position (governmental and business-type activities) exceeded its liabilities at June 30, 2016 by \$887.1 million (presented as net position). Of this amount, \$19.9 million was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net position 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 \$793.9 million and indicates the amount of the net book value of the City's capital assets that exceeds capital debt. 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. 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 \$476.3 million, up 3.4% from prior year; net receivables of \$52.1 million; and \$3.0 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$385.7 million in general obligation bonds and notes payable; \$12.0 million in compensated absence liabilities for unused sick and vacation leave; and \$8.7 million in future year workers' compensation, health benefits and possible judgments. The major change in the long-term liabilities is attributable increases in both the City's net pension liability of \$90.2 million and the other post-employment benefit obligations of \$23.1 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

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Business-type activity long-term liabilities include \$5.3 million in general obligation bonds, \$384 thousand in compensated absences and \$1.0 million in future year workers' compensation and health benefits. The net reduction of \$2.6 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 Position

June 30, 2016 and 2015

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 533.0	510.2	18.7	16.4	551.7	526.6
Capital assets	1,061.3	999.2	129.7	130.3	1,191.0	1,129.5
Total assets	1,594.3	1,509.4	148.4	146.7	1,742.7	1,656.1
Deferred outflows	101.6	20.9	0.1	0.2	101.7	21.1
Total assets and deferred outflows	\$ 1,695.9	1,530.3	148.5	146.9	1,844.4	1,677.2
Long-term liabilities	\$ 826.3	710.1	6.6	9.4	832.9	719.5
Other liabilities	114.2	110.3	3.7	3.9	117.9	114.2
Deferred inflows	6.3	3.4	—	—	6.3	3.4
Total liabilities and deferred inflows	\$ 946.8	823.8	10.3	13.3	957.1	837.1
Net position:						
Net investment in capital assets	\$ 673.7	637.6	120.2	120.2	793.9	757.8
Restricted	73.3	52.9	—	—	73.3	52.9
Unrestricted	1.9	16.0	18.0	13.4	19.9	29.4
Total net position	\$ 748.9	706.5	138.2	133.6	887.1	840.1

Statement of Changes in Net Position

The City's total net position increased by \$47.0 million in fiscal year 2016 of which the governmental activities net position increased \$42.4 million and the business-type activity increased \$4.6 million. The continued investment in the City's capital assets of \$62.1 million and increased cash reserves of \$15.5 million are contributors to governmental activities increase in assets. The main increase in liabilities is due to pension and other post-employment benefits obligations.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2016

(Unaudited)

This summary of net changes is based upon the statement found on page 17.

Condensed Schedule of Changes in Net Position

June 30, 2016 and 2015

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 118.4	111.0	19.3	20.1	137.7	131.1
Operating grants and contributions	24.5	23.3	—	—	24.5	23.3
Capital grants and contributions	15.5	21.9	—	—	15.5	21.9
General revenues:						
Taxes:						
Property taxes levied	357.0	343.6	—	—	357.0	343.6
Excises	26.8	25.1	—	—	26.8	25.1
Payment in lieu of taxes	9.2	8.1	—	—	9.2	8.1
Grants and contributions not restricted	52.6	45.5	—	—	52.6	45.5
Investment income	3.3	1.7	0.2	0.2	3.5	1.9
Miscellaneous	31.2	36.6	—	—	31.2	36.6
Total revenues	<u>638.5</u>	<u>616.8</u>	<u>19.5</u>	<u>20.3</u>	<u>658.0</u>	<u>637.1</u>
Expenses:						
General government	56.4	29.0	—	—	56.4	29.0
Public safety	134.8	138.6	—	—	134.8	138.6
Community maintenance and development	112.9	102.2	—	—	112.9	102.2
Human resource development	53.4	50.6	—	—	53.4	50.6
Education	228.4	211.0	—	—	228.4	211.0
Water department	—	—	14.2	14.2	14.2	14.2
Interest	10.9	9.4	—	—	10.9	9.4
Total expenses	<u>596.8</u>	<u>540.8</u>	<u>14.2</u>	<u>14.2</u>	<u>611.0</u>	<u>555.0</u>
Excess before transfers	41.7	76.0	5.3	6.1	47.0	82.1
Transfers	<u>0.7</u>	<u>0.7</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>—</u>	<u>—</u>
Change in net position	42.4	76.7	4.6	5.4	47.0	82.1
Net position – beginning	<u>706.5</u>	<u>629.8</u>	<u>133.6</u>	<u>128.2</u>	<u>840.1</u>	<u>758.0</u>
Net position – ending	<u>\$ 748.9</u>	<u>706.5</u>	<u>138.2</u>	<u>133.6</u>	<u>887.1</u>	<u>840.1</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

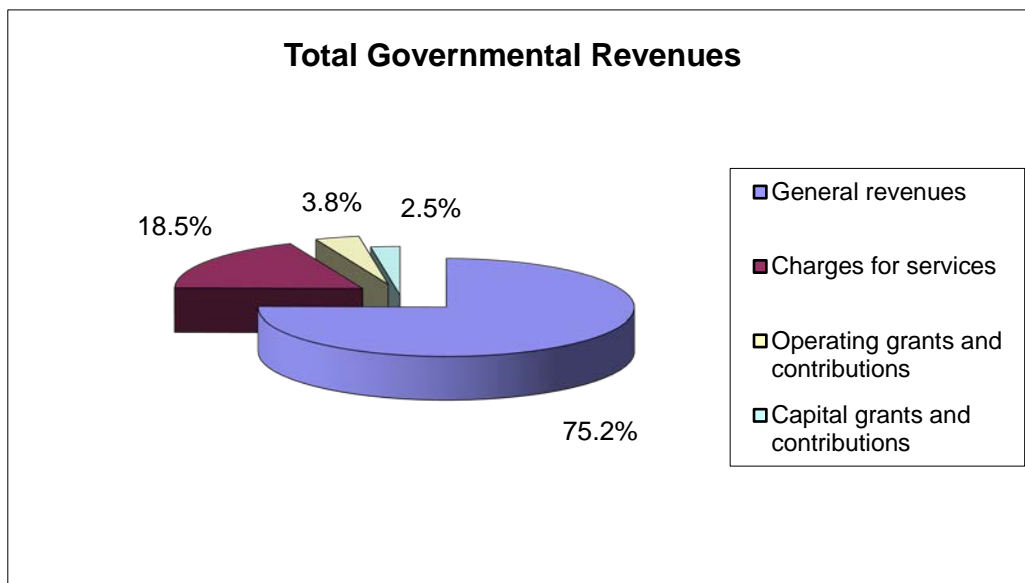
Required Supplementary Information
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$480.1 million, charges for services \$118.4 million, operating grants and contributions \$24.5 million and capital grants and contributions of \$15.5 million.



General

Real estate tax revenues are the City's largest revenue source at \$357.0 million representing 74.4% of general revenues. The assessed tax valuation base is \$34.7 billion up from \$30.1 billion assessed in the prior year showing a 15.1% increase mainly due to an increase in new construction.

Grants and contributions not restricted to specific programs is \$52.6 million representing 11.0% of general revenues and include state cherry sheet revenues, Massachusetts Teachers Retirement contributions and other unrestricted contributions.

Program

Charges for services are \$118.4 million and represent a variety of department revenues. Charges for services increased \$7.4 million from the prior year. The public safety portion of \$58.7 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$52.5 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. The increase is predominately due to a surge in building permit revenues as commercial construction continues to be strong throughout Cambridge.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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Operating grants and contributions of \$24.5 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 3.5% of the total City revenues. Capital grants and contributions of \$15.5 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues. The capital grants revenue dropped because a large grant funded sewer project is complete.

Expenses

For the fiscal year ended June 30, 2016, expenses for government activities totaled \$596.8 million, which cover a range of services. On the whole, the City's expenses increased approximately \$56.0 million or 10.3% over prior year. Included in this amount is the City's pension expense which increased approximately \$18.8 million and is reflected in the general government expense.

Education continues to be one of the City's highest priorities and commitments, representing \$228.4 million or 38.2% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the fourteenth year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations, protection of open space and the restoration/creation of parks and recreation areas. Expenses related to these initiatives are recorded in the community maintenance and development category. During 2016, the City spent \$21.3 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net position by \$4.6 million. Although the water rates didn't increase in FY16, a slight increase in consumption and a decrease in debt service payments along with managed expenditure controls are main contributors to influx in net position.

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 \$449.1 million. Of this amount, \$3.8 million has been categorized as nonspendable which includes permanent funds and healthcare deposits. Another \$102.5 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Also, \$115.0 million has been committed for specific purposes such as stabilization funds, health claims trust fund, parking fund, etc., for which the movement of these funds must be approved by the highest legislative level at the City, which is the City Council. Finally, \$12.2 million has been assigned for encumbrance balances. The remainder of the Fund balance of \$215.8 million is considered "Unassigned".

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The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance was \$215.8 million, while the total fund balance was \$300.9 million.

As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 40.6% of total General Fund expenditures, while the total balance represents 56.6% of that same amount.

The capital fund captures all the capital projects expenditures for the City. At the end of fiscal year 2016, the total fund balance was \$82.5 million. This reflects a slight increase over the prior fiscal year of \$4.2 million.

The affordable housing trust fund is the fund that captures all the affordable housing project expenditures for the City. At the end of fiscal year 2016, the total fund balance was \$29.2 million. This fund was established in the 1990's to provide funding for housing projects to increase the supply of affordable housing units for the City.

Proprietary Fund

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

Net position of the Water Fund at the end of the year consisted of unrestricted net position of \$18.0 million and a net investment in capital assets of \$120.2 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, which presents financial information on the budgetary basis of accounting.

Revenues and Other Financing Sources

Fiscal year 2016 actual revenues on a budgetary basis totaled \$529.0 million. This represents an increase of \$8.1 million or 1.6% from fiscal year 2015. Property taxes are the single largest revenue source, representing approximately 66.1% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 9.2%. Other Income was significantly higher than budget \$32.1 million because of building permits (\$18.0 million) and mitigation (\$4.9 million) receipts received through the general fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2016

(Unaudited)

Expenditures

During fiscal year 2016, total expenditures increased by \$22.8 million or 4.4% on a budgetary basis as compared to fiscal year 2015 at \$493.3 million which was mainly due to 2.4% cost of living increase and 5.85% increase related to pensions.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the City's capital assets of its governmental activities and business-type activity amounted to \$1.2 billion (net of depreciation). The City's capital assets include 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 \$438.6 million in outstanding bonds and notes compared to \$434.2 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(In millions)					
General obligation bonds and notes payable \$	430.9	423.9	7.7	10.3	438.6	434.2

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 \$18 million, or 5.5%, to \$372.7 million in fiscal year 2017. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$155.0 million in FY 16 to \$168.3 million in FY 17, a 13.3% increase.

The FY 17 operating budget increased by 4.8% over the FY 16 adjusted budget. The increase is attributable to a 2.0% increase of employee salary costs and a 5.85% increase in employee pension costs. The capital budget of \$83.9 million is a slight decrease from prior year based upon the Five-Year Public Investment Plan.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2016

(Unaudited)

New Accounting Standards

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Future Pronouncements

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain pronouncements of Statements No. 67 and No. 68. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017.

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

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(Unaudited)

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 Position

June 30, 2016

Assets and Deferred Outflows of Resources	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 475,681,225	11,167,249	486,848,474	244,106,125
Cash and investments held by trustees	600,000	—	600,000	8,563,579
Receivables, net:				
Property taxes	5,495,339	—	5,495,339	—
Motor vehicle excise	1,092,018	—	1,092,018	—
Tax title and possessions	2,905,891	—	2,905,891	—
Intergovernmental	21,629,196	—	21,629,196	—
Other	20,988,921	7,556,290	28,545,211	34,883,024
Other assets	1,616,290	—	1,616,290	90,595,497
Internal balances	(32,723)	32,723	—	—
Due from component unit	2,995,000	—	2,995,000	—
Capital assets:				
Nondepreciable	559,803,607	48,411,230	608,214,837	14,564,112
Depreciable, net	501,545,325	81,247,215	582,792,540	122,453,332
Total assets	<u>1,594,320,089</u>	<u>148,414,707</u>	<u>1,742,734,796</u>	<u>515,165,669</u>
Deferred outflows of resources:				
Related to debt refundings	5,921,772	98,104	6,019,876	—
Related to pensions	95,634,880	—	95,634,880	21,533,638
Total assets and deferred outflows of resources	<u>\$ 1,695,876,741</u>	<u>148,512,811</u>	<u>1,844,389,552</u>	<u>536,699,307</u>
Liabilities and Deferred Inflows of Resources				
Warrants and accounts payable	\$ 25,987,037	502,850	26,489,887	24,422,646
Accrued liabilities:				
Tax abatements	4,080,000	—	4,080,000	—
Accrued payroll	16,213,668	66,954	16,280,622	15,318,001
Accrued interest	5,447,022	135,625	5,582,647	—
Other	3,033,287	—	3,033,287	20,136,495
Unearned revenue	—	—	—	841,784
Due to primary government	—	—	—	2,995,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	45,217,966	2,420,000	47,637,966	66,435
Capital leases	—	—	—	1,780,141
Due to third parties	—	—	—	20,751,884
Compensated absences	7,197,000	237,000	7,434,000	15,164,575
Landfill	25,000	—	25,000	—
Judgments and claims	7,052,000	299,000	7,351,000	—
Due in more than one year:				
Bonds and notes payable	385,729,673	5,300,000	391,029,673	366,738
Capital leases	—	—	—	999,274
Due to third parties	—	—	—	20,063,766
Compensated absences	11,979,000	384,000	12,363,000	—
Landfill	100,000	—	100,000	—
Judgments and claims	8,713,000	1,000,000	9,713,000	—
Other postemployment benefit obligation	206,062,593	—	206,062,593	56,217,843
Pollution remediation	1,519,116	—	1,519,116	—
Net pension liability	212,198,096	—	212,198,096	49,772,900
Total liabilities	<u>940,554,458</u>	<u>10,345,429</u>	<u>950,899,887</u>	<u>228,897,482</u>
Deferred inflows of resources:				
Related to pensions	6,323,706	—	6,323,706	43,039
Total liabilities and deferred inflows of resources	<u>\$ 946,878,164</u>	<u>10,345,429</u>	<u>957,223,593</u>	<u>228,940,521</u>
Net Position				
Net investment in capital assets	\$ 673,717,401	120,185,083	793,902,484	130,809,856
Restricted for:				
Capital projects	51,038,318	—	51,038,318	—
Community preservation	12,328,565	—	12,328,565	—
Expendable permanent funds	1,626,539	—	1,626,539	—
Nonexpendable permanent funds	2,234,567	—	2,234,567	—
Specific purposes	5,521,860	—	5,521,860	—
Other purposes	600,000	—	600,000	4,280,270
Unrestricted	1,931,327	17,982,299	19,913,626	172,668,660
Total net position	<u>\$ 748,998,577</u>	<u>138,167,382</u>	<u>887,165,959</u>	<u>307,758,786</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2016

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			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	\$ 56,389,559	484,026	—	—	(55,905,533)	—	(55,905,533)	
Public safety	134,762,503	58,678,631	—	—	(76,083,872)	—	(76,083,872)	
Community maintenance and development	112,901,226	52,489,213	4,052,116	15,508,261	(40,851,636)	—	(40,851,636)	
Human resource development	53,357,816	4,978,730	8,739,000	—	(39,640,086)	—	(39,640,086)	
Education	228,453,104	1,782,008	11,735,296	—	(214,935,800)	—	(214,935,800)	
Interest on long-term debt	10,938,908	—	—	—	(10,938,908)	—	(10,938,908)	
Total governmental activities	596,803,116	118,412,608	24,526,412	15,508,261	(438,355,835)	—	(438,355,835)	
Business-type activity:								
Water	14,228,525	19,288,216	—	—	—	5,059,691	5,059,691	
Total business-type activity	14,228,525	19,288,216	—	—	—	5,059,691	5,059,691	
Total primary government	\$ 611,031,641	137,700,824	24,526,412	15,508,261	(438,355,835)	5,059,691	(433,296,144)	
Component unit:								
Cambridge Health Alliance	\$ 602,843,221	302,601,635	279,371,266	—				(20,870,320)
Total component units	\$ 602,843,221	302,601,635	279,371,266	—				(20,870,320)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 356,993,674	—	356,993,674	—
Excises					26,806,239	—	26,806,239	—
Payments in lieu of taxes					9,191,431	—	9,191,431	—
Grants and contributions not restricted					52,554,349	—	52,554,349	—
Investment income					3,256,036	256,700	3,512,736	819,172
Miscellaneous					31,296,358	—	31,296,358	20,225,272
Transfers					714,085	(714,085)	—	—
Total general revenues and transfers					480,812,172	(457,385)	480,354,787	21,044,444
Change in net position					42,456,337	4,602,306	47,058,643	174,124
Net position – beginning					706,542,240	133,565,076	840,107,316	307,584,662
Net position – ending					\$ 748,998,577	138,167,382	887,165,959	307,758,786

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2016

Assets	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Cash and investments	\$ 333,792,999	76,115,855	28,808,019	36,964,352	475,681,225
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	5,495,339	—	—	—	5,495,339
Motor vehicle excise	1,092,018	—	—	—	1,092,018
Tax title and possessions	2,905,891	—	—	—	2,905,891
Intergovernmental	—	18,872,803	—	2,756,393	21,629,196
Departmental and other	18,124,911	—	2,550,638	313,372	20,988,921
Total receivables	<u>27,618,159</u>	<u>18,872,803</u>	<u>2,550,638</u>	<u>3,069,765</u>	<u>52,111,365</u>
Other assets	1,616,290	—	—	—	1,616,290
Due from other funds	—	569,969	—	—	569,969
Due from component unit	2,995,000	—	—	—	2,995,000
Total assets	<u>\$ 366,022,448</u>	<u>95,558,627</u>	<u>31,958,657</u>	<u>40,034,117</u>	<u>533,573,849</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Warrants and accounts payable	\$ 8,156,380	13,040,672	2,801,186	1,988,799	25,987,037
Accrued liabilities:					
Tax abatements	2,040,000	—	—	—	2,040,000
Judgments and claims	7,052,000	—	—	—	7,052,000
Accrued payroll	15,990,139	24,695	—	198,834	16,213,668
Other	2,435,200	—	—	598,087	3,033,287
Due to other funds	32,723	—	—	569,969	602,692
Total liabilities	<u>35,706,442</u>	<u>13,065,367</u>	<u>2,801,186</u>	<u>3,355,689</u>	<u>54,928,684</u>
Deferred inflows of resources:					
Unavailable revenue	29,371,614	—	—	102,646	29,474,260
Fund balances:					
Nonspendable	1,536,290	—	—	2,234,567	3,770,857
Restricted	—	82,493,260	600,000	19,374,318	102,467,578
Committed	71,455,514	—	28,557,471	14,966,897	114,979,882
Assigned	12,180,000	—	—	—	12,180,000
Unassigned	215,772,588	—	—	—	215,772,588
Total fund balances	<u>300,944,392</u>	<u>82,493,260</u>	<u>29,157,471</u>	<u>36,575,782</u>	<u>449,170,905</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 366,022,448</u>	<u>95,558,627</u>	<u>31,958,657</u>	<u>40,034,117</u>	<u>533,573,849</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2016

Total fund balance – governmental funds	\$ 449,170,905
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,061,348,932
Adjust deferred inflows of resources to record revenues on an accrual basis	29,474,260
Capitalized loss on debt refunding in the government-wide statements that is not capitalized in the governmental funds	5,921,772
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	430,947,639
Accrued interest on bonds	5,447,022
Compensated absences	19,176,000
Landfill	125,000
Judgments and claims	8,713,000
Tax abatements	2,040,000
Other postemployment benefits	206,062,593
Pollution remediation	1,519,116
Net pension liability, net of deferred amounts	122,886,922
	<u>796,917,292</u>
Net position of governmental activities	<u>\$ 748,998,577</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, 2016

	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Revenues:					
Real and personal property taxes	\$ 356,247,426	—	—	—	356,247,426
Excises:					
Hotel/motel/meals	19,212,693	—	—	—	19,212,693
Motor vehicles	7,452,353	—	—	—	7,452,353
Payments in lieu of taxes	9,191,431	—	—	—	9,191,431
Intergovernmental	52,554,348	15,508,261	—	24,526,412	92,589,021
Investment income	3,274,185	66,692	—	216,762	3,557,639
Sewer use charges	48,818,911	—	—	—	48,818,911
Departmental and other	63,946,843	633,107	1,342,536	32,889,486	98,811,972
Total revenues	560,698,190	16,208,060	1,342,536	57,632,660	635,881,446
Expenditures:					
Current:					
General government	38,656,029	—	—	305,446	38,961,475
Public safety	116,755,958	—	—	965,588	117,721,546
Community maintenance and development	46,667,597	—	21,304,710	4,324,632	72,296,939
Human resource development	36,154,723	—	—	7,956,298	44,111,021
Education	183,323,948	—	—	14,155,888	197,479,836
Judgments and claims	2,714,745	—	—	—	2,714,745
State and district assessments	52,023,584	—	—	—	52,023,584
Capital outlays	—	90,386,126	—	—	90,386,126
Debt service	54,814,116	—	—	—	54,814,116
Total expenditures	531,110,700	90,386,126	21,304,710	27,707,852	670,509,388
Excess (deficiency) of revenues over expenditures	29,587,490	(74,178,066)	(19,962,174)	29,924,808	(34,627,942)
Other financing sources (uses):					
Premium on debt issuance	3,518,738	—	—	—	3,518,738
Issuance of debt	—	48,990,000	—	—	48,990,000
Transfers in	20,900,815	29,373,898	9,360,000	1,008,005	60,642,718
Transfers out	(28,810,440)	—	—	(31,118,193)	(59,928,633)
Total other financing (uses) sources	(4,390,887)	78,363,898	9,360,000	(30,110,188)	53,222,823
Net change in fund balances	25,196,603	4,185,832	(10,602,174)	(185,380)	18,594,881
Fund balance – beginning	275,747,789	78,307,428	39,759,645	36,761,162	430,576,024
Fund balance – ending	\$ <u>300,944,392</u>	<u>82,493,260</u>	<u>29,157,471</u>	<u>36,575,782</u>	<u>449,170,905</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, 2016

Net change in fund balances – total governmental funds	\$ 18,594,881
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, (\$90,735,725) exceeded depreciation expense (\$28,576,794)	62,158,931
Revenues are recorded on an accrual basis	2,663,922
Proceeds of long-term debt (\$48,990,000) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond principal, including amounts to defease long-term debt, (\$42,750,055) is an expenditure the governmental funds, but reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(6,239,945)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net position	(842,298)
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	(685,031)
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	(23,094,871)
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), pollution remediation (\$2,239,040) and non current claims (\$3,927) offset by pension costs (\$11,870,130), accrued interest (\$394,089) and compensated absences (\$103,000)	<u>(10,099,252)</u>
Change in net position of governmental activities	\$ <u><u>42,456,337</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Position – Proprietary Fund

June 30, 2016

	Enterprise fund
	<u>Water fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 11,167,249
Receivables, net	7,556,290
Due from other funds	32,723
Total current assets	<u>18,756,262</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	48,411,230
Depreciable, net	81,247,215
Total noncurrent assets	<u>129,658,445</u>
Total assets	148,414,707
Deferred outflows of resources:	
Related to debt refundings	98,104
Total assets and deferred outflows of resources	\$ <u><u>148,512,811</u></u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 502,850
Accrued liabilities:	
Claims	299,000
Compensated absences	237,000
Accrued payroll	66,954
Interest	135,625
Current portion of long-term debt	2,420,000
Total current liabilities	<u>3,661,429</u>
Noncurrent liabilities:	
Bonds payable	5,300,000
Accrued liabilities:	
Claims	1,000,000
Compensated absences	384,000
Total noncurrent liabilities	<u>6,684,000</u>
Total liabilities	\$ <u><u>10,345,429</u></u>
Net position:	
Net investment in capital assets	\$ 120,185,083
Unrestricted	17,982,299
Total net position	\$ <u><u>138,167,382</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2016

	Enterprise fund
	Water fund
Operating revenues:	
Charges for services	\$ 19,288,216
Total operating revenues	<u>19,288,216</u>
Administration	3,526,978
Service and support programs	6,894,733
Depreciation	<u>3,499,987</u>
Total operating expenses	<u>13,921,698</u>
Operating income	<u>5,366,518</u>
Nonoperating revenue (expense):	
Investment earnings – other	256,700
Interest expense	<u>(306,827)</u>
Nonoperating expense	<u>(50,127)</u>
Income before transfers	5,316,391
Transfers to other funds	<u>(714,085)</u>
Change in net position	4,602,306
Total net position – beginning	<u>133,565,076</u>
Total net position – ending	\$ <u><u>138,167,382</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2016

	Enterprise fund
	<u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 17,565,735
Cash paid to vendors	(6,942,000)
Cash paid to employees	(3,685,186)
Net cash provided by operating activities	<u>6,938,549</u>
Cash flows from noncapital financing activities:	
Transfers	(714,085)
Net cash used in noncapital financing activities	<u>(714,085)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,842,192)
Interest paid on debt	(544,614)
Repayment of long-term debt	(2,420,000)
Net cash used in capital and related financing activities	<u>(5,806,806)</u>
Cash flows from investing activities:	
Investment income	<u>256,700</u>
Net cash provided by investing activities	<u>256,700</u>
Increase in cash and cash equivalents	674,358
Cash and cash equivalents, beginning of year	<u>10,492,891</u>
Cash and cash equivalents, end of year	\$ <u><u>11,167,249</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 5,366,518
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	3,499,987
Amortization of deferred loss on refunding	98,104
Changes in operating assets and liabilities:	
Accounts receivable	(1,722,481)
Other liabilities	(303,579)
Net cash provided by operating activities	\$ <u><u>6,938,549</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Position

June 30, 2016

Assets	Employee retirement plan (as of December 31, 2015)	OPEB Trust fund	Agency funds
Cash and cash equivalents	\$ 9,380,833	1,550,668	6,721,780
Dividend and interest receivable	1,630,278	—	—
Contributions receivable:			
City of Cambridge	5,992,225	—	—
Cambridge Health Alliance	2,857,643	—	—
Other	530,410	—	—
Other assets	1,474,744	—	—
Investments, at fair value:			
Fixed income securities	104,813,271	4,638,434	—
Equities	304,110,955	4,158,527	—
Pooled investments:			
Fixed income	68,536,410	—	—
Real estate	120,129,183	—	—
Domestic equities	130,487,896	—	—
International equities	168,100,549	—	—
International fixed income	46,482,473	—	—
Alternative	121,105,588	—	—
Total investments	1,063,766,325	8,796,961	—
Cash collateral on security lending	48,266,529	—	—
Total assets	<u>1,133,898,987</u>	<u>10,347,629</u>	<u>6,721,780</u>
Liabilities			
Accrued liabilities	760,712	—	—
Guarantee deposits	—	—	6,721,780
Due to brokers for securities purchased	372,953	—	—
Cash collateral on security lending	48,266,529	—	—
Total liabilities	<u>49,400,194</u>	<u>—</u>	<u>6,721,780</u>
Held in trust for pension benefits and other purposes	<u>\$ 1,084,498,793</u>	<u>10,347,629</u>	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2016

	Employee retirement plan (as of December 31, 2015)	OPEB Trust fund
Additions:		
Contributions:		
Employers	\$ 33,154,579	2,000,000
Nonemployer – City	4,696,570	—
Plan members	21,167,434	—
Other systems	2,472,877	—
Commonwealth of Massachusetts	618,628	—
Total contributions	62,110,088	2,000,000
Investment earnings:		
Interest and dividends	21,112,610	291,854
Securities lending income	552,004	—
Net appreciation (depreciation) in the fair value of investments	(21,485,696)	364,069
Less:		
Management fees	(6,579,862)	(19,381)
Borrower rebates and fees under securities lending program	(288,050)	—
Net investment earnings	(6,688,994)	636,542
Total additions	55,421,094	2,636,542
Deductions:		
Benefits	66,587,426	—
Refunds of contributions	2,913,807	—
Other systems	2,971,759	—
Administrative expenses	1,076,459	—
Total deductions	73,549,451	—
Change in net position	(18,128,357)	2,636,542
Net position, beginning of year	1,102,627,150	7,711,087
Net position, end of year	\$ 1,084,498,793	10,347,629

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(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, 2015. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(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, is able to impose its will on the organization, and is responsible for the appointment of the hospital's board of trustees. 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. 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

Complete financial statements for the CHA for its fiscal year ended June 30, 2016 are available from its offices on 350 Main St, Suite 31, Malden, Massachusetts 02148.

(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 position 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* that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

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 inflows of resources.

The City applies the susceptible to accrual criteria to property and other taxes 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 subject to availability requirements. 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 and other 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. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except Chapter 90 receivables which are considered available when received. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures generally are recorded when a liability is incurred. However, interest on general obligation debt as well as expenditures related to liabilities including compensated absences, other postemployment benefits, judgments and claims and tax abatements are recorded only when payment is mature and due.

Proprietary Fund Financial Statements

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.

The *affordable housing trust fund* accounts for financial resources to be used for the acquisition or construction of affordable housing units.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

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 *OPEB trust fund* is an irrevocable trust fund established for other postemployment benefits. The assets are appropriated from the General Fund and accumulate to reduce the unfunded actuarial liability of health care and other postemployment benefits. This fund is currently not used for payments of benefits.

The *agency fund* is used to account for assets received and distributed by the City acting in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and for other funds.

(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.

(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.”

(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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(g) *Deferred Inflows and Outflows of Resources*

The City accounts for certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods as deferred outflows and inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal year 2016, the City has reported deferred outflows pertaining to its debt refunding and pension transactions in the government-wide statements and a deferred inflow related to pension transactions in the government-wide statements and related to unavailable revenue in the governmental fund statements.

(h) *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 acquisition 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

(i) *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).

(j) *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 position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method. Issue costs, other than prepaid insurance, if any, are expensed as incurred.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs in the operating statement, 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.

(k) *Net Position and Fund Balance*

In the Government-wide and Proprietary Fund Financial Statements, net position is reported in the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Net position the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net position not considered invested in capital assets, net of related debt or restricted.

For purposes of net position classification, 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.

In the Governmental Fund Financial Statements, fund balance is reported in the following categories:

Nonspendable: Amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

Restricted: Amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.

Assigned: Amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted or committed.

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

The flow of expenditures for unrestricted resources is to use the committed when possible first, then assigned and then the unassigned when needed.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

The Unassigned Fund balance policy adopted by the City Council is as follows:

- General Fund (GAAP) balance as of June 30 of each year is equal to or greater than 15% of the ensuing fiscal year's operating revenue.

The responsibility for tracking this policy is with the City Treasurer who estimates the surplus or deficit for the current year and prepares a projection for the year-end unassigned general fund balance. Any anticipated balance in excess of the targeted maximum unassigned balance maybe budgeted to reduce the ensuing year's property tax levy, transferred to stabilization fund, or fund one-time capital projects.

This policy is reviewed annually during the City's Annual Budget and Public Investment Program process.

(l) *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.

(m) *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, 2016, 100% of the landfill site had been used and has not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

The liability for postclosure care is estimated based on current costs to perform certain maintenance and monitoring over the next twenty years. This estimate is subject to change due to inflation, deflation, technology or applicable laws, and regulations. The total liability is reported in the statement of net position.

(n) *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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(o) Adoption of New Accounting Pronouncements

The City, including its OPEB Trust, adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The scope of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The City, including its OPEB Trust, has incorporated the required disclosures about fair value measurements, but adoption of the statement did not impact financial statement amounts. The System elected not to adopt GASB 72 as the Statement is effective for periods beginning after June 15, 2015.

(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 policy requires full collateralization on all demand deposit accounts including checking accounts, certificates of deposit and money market accounts.

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, 2016, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	11,337
Discretely presented component unit (CHA)		<u>16,403,295</u>
	\$	<u><u>16,414,632</u></u>

(b) Investments

The City's investment program is operated by the City Treasurer in conformance with all applicable federal and state requirements, including MGL c. 44, Sections 54 and 55. The objective is to obtain a high level of income while also following the principles of security, liquidity, and yield.

Investments of General Fund available cash balances consist of fully collateralized certificates of deposit with local banking institutions for duration of 6-9 months and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, an external investment pool for cities, towns, and other state and local agencies with the Commonwealth. MMDT meets the criteria established by GASB 79 to report its investments at amortized cost; therefore the City reports its investment in MMDT at amortized cost which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

The City’s investment portfolio for permanent trust funds is designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the City’s liquidity requirements. The portfolio is managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. The investments for trust funds include collateralized certificate of deposits, U.S. Government Agencies, and units in the MMDT for durations between 12-48 months.

The City’s pension system and OPEB irrevocable trust fund have 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.

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) OPEB Investment Policy

The provisions of Massachusetts General Laws (M.G.L.) c. 44 sec 54 allows investment in securities listed on the Commonwealth’s approved securities listing. The OPEB investment portfolio is managed by the City’s Investment committee. The portfolio consists of 43% equities (securities from approved state listing) and 57% fixed securities and certificates of deposit.

(iii) 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, 2016:

<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	\$ 265,007,619	265,007,619	—	—	—
Certificates of deposit	73,000,611	61,810,464	9,018,322	1,487,836	683,989
Corporate fixed income	38,693,524	—	23,498,439	12,532,528	2,662,557
U.S. agencies	17,806,036	—	12,641,262	4,564,316	600,458
Subtotal city	<u>394,507,790</u>	<u>326,818,083</u>	<u>45,158,023</u>	<u>18,584,680</u>	<u>3,947,004</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

<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>
System (as of December 31, 2015):					
Cash collateral pool	\$ 48,266,529	48,266,529	—	—	—
U.S. treasury notes and bonds	16,366,236	—	11,143,939	953,394	4,268,903
U.S. agencies	4,480,732	—	—	377,013	4,103,719
Domestic corporate	72,197,738	237,503	23,855,794	38,680,470	9,423,971
Asset-backed:					
CMOs	6,496,622	—	—	—	6,496,622
Other	5,271,943	203,914	3,827,332	852,450	388,247
Pooled fixed-income investments	115,018,883	115,018,883	—	—	—
Subtotal system	268,098,683	163,726,829	38,827,065	40,863,327	24,681,462
OPEB Trust:					
Money market	38,726	38,726	—	—	—
Certificates of deposit	1,511,942	—	1,013,128	253,466	245,348
Corporate fixed income	4,228,367	416,594	2,416,123	726,037	669,613
U.S. agencies	410,067	—	410,067	—	—
Subtotal OPEB Trust	6,189,102	455,320	3,839,318	979,503	914,961
Total	\$ 668,795,575	491,000,232	87,824,406	60,427,510	29,543,427
Discretely presented component unit (CHA):					
Money market	\$ 119,325,722	119,325,722	—	—	—
MMDT	118,213,670	118,213,670	—	—	—
Total discretely presented component unit (CHA)	\$ 237,539,392	237,539,392	—	—	—

The City, OPEB Trust, and 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.

(iv) Credit Risk

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

The primary government's fixed income investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization. The ratings are presented below using the Standard and Poor's rating scale:

Investment type	Carrying value	AAA	AA	A	BBB	BB	Less than BB	Not rated
City:								
Money market/MMDT	\$ 265,007,619	—	—	—	—	—	—	265,007,619
Certificates of deposit	73,000,611	—	—	—	—	—	—	73,000,611
Corporate fixed income	38,693,524	2,029,516	7,344,333	27,615,187	1,704,488	—	—	—
U.S. agencies	17,806,036	17,806,036	—	—	—	—	—	—
Subtotal City	<u>394,507,790</u>	<u>19,835,552</u>	<u>7,344,333</u>	<u>27,615,187</u>	<u>1,704,488</u>	<u>—</u>	<u>—</u>	<u>338,008,230</u>
System (as of December 31, 2015):								
Cash collateral pool	48,266,529	48,266,529	—	—	—	—	—	—
U.S. Treasury notes and bonds	16,366,236	14,449,830	1,619,777	296,629	—	—	—	—
U.S. agencies	4,480,732	—	—	—	—	—	—	4,480,732
Domestic corporate	72,197,738	741,339	1,265,725	7,879,345	15,140,839	24,023,571	22,545,645	601,274
Asset-backed:								
CMOs	6,496,622	1,599,779	1,489,817	2,358,158	—	409,217	—	639,651
Other	5,271,943	4,381,218	—	890,725	—	—	—	—
Pooled fixed-income investments	115,018,883	—	—	—	—	—	—	115,018,883
Subtotal system	<u>268,098,683</u>	<u>69,438,695</u>	<u>4,375,319</u>	<u>11,424,857</u>	<u>15,140,839</u>	<u>24,432,788</u>	<u>22,545,645</u>	<u>120,740,540</u>
OPEB Trust:								
Money market	38,726	—	—	—	—	—	—	38,726
Certificates of deposit	1,511,942	—	—	—	—	—	—	1,511,942
Corporate fixed income	4,228,367	437,860	1,106,369	1,941,460	742,678	—	—	—
U.S. agencies	410,067	410,067	—	—	—	—	—	—
Subtotal OPEB Trust	<u>6,189,102</u>	<u>847,927</u>	<u>1,106,369</u>	<u>1,941,460</u>	<u>742,678</u>	<u>—</u>	<u>—</u>	<u>1,550,668</u>
Total	<u>\$ 668,795,575</u>	<u>90,122,174</u>	<u>12,826,021</u>	<u>40,981,504</u>	<u>17,588,005</u>	<u>24,432,788</u>	<u>22,545,645</u>	<u>460,299,438</u>
Discretely presented component unit (CHA):								
Money market	\$ 119,325,722	—	—	—	—	—	—	119,325,722
MMDT	118,213,670	—	—	—	—	—	—	118,213,670
Total discretely presented component unit (CHA)	<u>\$ 237,539,392</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>237,539,392</u>

(v) Concentration Risk

The City and OPEB Trust have no individual investments, at fair value, that exceed 5% of respective net positions as of June 30, 2016.

The System has no individual investments, at fair value, that exceed 5% of the System's net position held in trust for pension benefits as of December 31, 2015.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(vi) 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 19% 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, 2015, 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.

Currency:	
International equity pooled funds (various currencies)	\$ 168,100,549
International fixed income pooled funds (various currencies)	46,482,473
	<u>\$ 214,583,022</u>

Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

(vii) Fair Value Hierarchy

The City and OPEB Trust categorize its fair value measurements within the fair value hierarchy established by GAAP. Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds held by the City are open-end money market funds that are registered with the Securities and Exchange Commission. The money market funds held by the City and classified as Level 1 are deemed to be actively traded.

Equity securities: Consist primarily of corporate stocks traded on U.S. and non-U.S. active security exchanges. Stocks traded on active exchanges and valued at quoted market prices and documented trade history for identical assets are categorized within Level 1 or the fair value hierarchy. If market quotations are not readily available, the stocks may be valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2016

U.S. agencies: Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate fixed incomes: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

Investments	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money market funds	\$ 224,411	—	—	224,411
Equity Securities	4,158,527	—	—	4,158,527
US Agency securities	18,216,103	—	—	18,216,103
Corporate fixed income	—	42,921,891	—	42,921,891
Total				
investments	\$ 22,599,041	42,921,891	—	65,520,932

CHA has Level 1 inputs of money market funds valued using quoted market price of \$119,325,722 as of June 30, 2016.

(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.

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

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

A statewide property tax limitation known as “Proposition 2 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(5) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,407,775	—	—	165,407,775
Construction in progress	<u>347,186,581</u>	<u>87,941,392</u>	<u>(40,732,141)</u>	<u>394,395,832</u>
Total capital assets not being depreciated	<u>512,594,356</u>	<u>87,941,392</u>	<u>(40,732,141)</u>	<u>559,803,607</u>
Capital assets being depreciated:				
Buildings and improvements	428,055,867	33,073,629	—	461,129,496
Improvements – nonbuilding	101,698,661	776,126	—	102,474,787
Furniture and equipment	83,580,584	5,713,244	—	89,293,828
Infrastructure	<u>311,988,916</u>	<u>3,963,476</u>	<u>—</u>	<u>315,952,392</u>
Total capital assets being depreciated	<u>925,324,028</u>	<u>43,526,475</u>	<u>—</u>	<u>968,850,503</u>
Less accumulated depreciation for:				
Buildings and improvements	(150,439,989)	(11,747,566)	—	(162,187,555)
Improvements – nonbuilding	(35,618,915)	(4,021,551)	—	(39,640,466)
Furniture and equipment	(55,289,344)	(4,717,119)	—	(60,006,463)
Infrastructure	<u>(197,380,136)</u>	<u>(8,090,558)</u>	<u>—</u>	<u>(205,470,694)</u>
Total accumulated depreciation	<u>(438,728,384)</u>	<u>(28,576,794)</u>	<u>—</u>	<u>(467,305,178)</u>
Total capital assets being depreciated, net	<u>486,595,644</u>	<u>14,949,681</u>	<u>—</u>	<u>501,545,325</u>
Governmental activities capital assets, net	<u>\$ 999,190,000</u>	<u>102,891,073</u>	<u>(40,732,141)</u>	<u>1,061,348,932</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	\$	871,658
Public safety		4,582,751
Human resource development		2,429,309
Education		5,981,925
Community maintenance and development		<u>14,711,151</u>
Total depreciation expense – governmental activities	\$	<u><u>28,576,794</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,764,325	75,438	—	39,839,763
Construction in progress	<u>7,333,053</u>	<u>2,694,108</u>	<u>(1,455,694)</u>	<u>8,571,467</u>
Total capital assets not being depreciated	<u>47,097,378</u>	<u>2,769,546</u>	<u>(1,455,694)</u>	<u>48,411,230</u>
Capital assets being depreciated:				
Buildings and improvements	81,252,878	1,223,591	—	82,476,469
Furniture and equipment	8,288,610	178,778	—	8,467,388
Infrastructure	<u>41,796,023</u>	<u>125,971</u>	<u>—</u>	<u>41,921,994</u>
Total capital assets being depreciated	<u>131,337,511</u>	<u>1,528,340</u>	<u>—</u>	<u>132,865,851</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,239,050)	(2,120,336)	—	(30,359,386)
Furniture and equipment	(3,028,956)	(567,675)	—	(3,596,631)
Infrastructure	<u>(16,850,643)</u>	<u>(811,976)</u>	<u>—</u>	<u>(17,662,619)</u>
Total accumulated depreciation	<u>(48,118,649)</u>	<u>(3,499,987)</u>	<u>—</u>	<u>(51,618,636)</u>
Total capital assets being depreciated, net	<u>83,218,862</u>	<u>(1,971,647)</u>	<u>—</u>	<u>81,247,215</u>
Business-type activity capital assets, net	\$ <u><u>130,316,240</u></u>	<u><u>797,899</u></u>	<u><u>(1,455,694)</u></u>	<u><u>129,658,445</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(6) Receivables and Deferred Inflows of Resources

(a) 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					Enterprise fund
	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds	Water fund
Receivables:						
Property taxes	\$ 5,793,223	—	—	—	5,793,223	—
Motor vehicle taxes	3,814,107	—	—	—	3,814,107	—
Other taxes	3,228,768	—	—	—	3,228,768	—
Intergovernmental	—	21,442,318	—	2,756,393	24,198,711	—
Other	18,640,254	—	5,932,694	313,372	24,886,320	7,632,616
Gross receivables	31,476,352	21,442,318	5,932,694	3,069,765	61,921,129	7,632,616
Less allowance for uncollectibles	3,858,193	2,569,515	3,382,056	—	9,809,764	76,326
Net total receivables	\$ 27,618,159	18,872,803	2,550,638	3,069,765	52,111,365	7,556,290

(b) Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable
Delinquent taxes receivable (General Fund)	\$ 8,151,704
Other	21,322,556
Total unavailable for governmental funds	\$ 29,474,260

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

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

Individual fund receivable and payable balances at June 30, 2016, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General fund – payable to water fund – for bond premium transfer	\$ —	32,723
Capital fund – receivable from other governmental funds – for capital items	569,969	—
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	—	569,969
Balance at June 30, 2016	<u>\$ 602,692</u>	<u>602,692</u>

Receivable and payable balances between the primary government and CHA at June 30, 2016 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government: General	\$ 2,995,000	—
Discretely presented component unit: CHA	—	2,995,000
Balance at June 30, 2016	<u>\$ 2,995,000</u>	<u>2,995,000</u>

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 the 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, 2016, the amount outstanding on hospital related debt is \$2,995,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2016:

	<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 February 15, 2036	2/1/06 to 3/1/16	2.0%-5.0%	\$ 262,195,364	17,750,000	22,272,252	257,673,112	22,957,252
Urban redevelopment, serial maturities through February 15, 2025	2/1/06 to 3/1/16	2.0%-5.0%	20,980,000	4,500,000	3,005,000	22,475,000	3,225,000
Schools, serial maturities through February 1, 2018	2/1/2008	3.0%-3.25%	1,416,501	—	472,167	944,334	472,167
Sewer, serial maturities through February 15, 2025	2/1/06 to 3/1/16	2.0%-5.0%	106,530,043	26,740,000	14,902,579	118,367,464	16,453,417
Hospital, serial maturities through February 1, 2018	3/15/07	4.00%	4,495,000	—	1,500,000	2,995,000	1,500,000
Sub-total general obligation bonds			<u>395,616,908</u>	<u>48,990,000</u>	<u>42,151,998</u>	<u>402,454,910</u>	<u>44,607,836</u>
Notes payable:							
Note payable serial maturities through July 1, 2021	4/20/00 to 7/16/01	2.00%	3,542,451	—	598,057	2,944,394	610,130
Sub-total notes payable			<u>3,542,451</u>	<u>—</u>	<u>598,057</u>	<u>2,944,394</u>	<u>610,130</u>
Total governmental obligation bonds and notes payable			<u>\$ 399,159,359</u>	<u>48,990,000</u>	<u>42,750,055</u>	<u>405,399,304</u>	<u>45,217,966</u>
Add (deduct):							
Unamortized bond premium						25,548,335	
Current portion of long-term debt						<u>(45,217,966)</u>	
						<u>\$ 385,729,673</u>	
Other long-term obligations:							
Judgments and claims			\$ 15,363,206	44,232,929	43,831,135	15,765,000	7,052,000
Compensated absences			19,073,000	20,720,600	20,617,600	19,176,000	7,197,000
Landfill postclosure care costs			150,000	—	25,000	125,000	25,000
Other postemployment benefits			182,967,722	44,499,000	21,404,129	206,062,593	—
Net pension liability			121,984,750	90,213,346	—	212,198,096	—
Pollution remediation			3,758,156	445,000	2,684,040	1,519,116	—
Total other governmental long-term obligations			<u>\$ 343,296,834</u>	<u>200,110,875</u>	<u>88,561,904</u>	<u>454,845,805</u>	<u>14,274,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2016:

	<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 August 1, 2019	3/15/07	4.0%-5.0%	\$ 10,140,000	—	2,420,000	7,720,000	2,420,000
Total business-type bonds payable			\$ <u>10,140,000</u>	<u>—</u>	<u>2,420,000</u>	7,720,000	<u>2,420,000</u>
Add (deduct):							
Current portion of long-term debt						<u>(2,420,000)</u>	
						\$ <u>5,300,000</u>	
Other long-term obligations:							
Judgments and claims			\$ 1,439,685	4,506,656	4,647,341	1,299,000	299,000
Compensated absences			<u>577,000</u>	<u>469,800</u>	<u>425,800</u>	<u>621,000</u>	<u>237,000</u>
Total other long-term obligations			\$ <u>2,016,685</u>	<u>4,976,456</u>	<u>5,073,141</u>	<u>1,920,000</u>	<u>536,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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The payment of liabilities for judgments and claims, compensated absences, pollution remediation, other postemployment benefits, pension 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, 2016, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2017	\$ 44,607,836	610,130	13,585,224	52,369	58,193,060	662,499
2018	42,693,335	622,445	12,322,430	40,053	55,015,765	662,498
2019	38,122,008	635,010	10,936,436	27,489	49,058,444	662,499
2020	37,519,884	592,525	9,620,128	14,765	47,140,012	607,290
2021	36,598,986	484,284	8,328,743	12,583	44,927,729	496,867
2022–2026	134,592,861	—	24,738,343	—	159,331,204	—
2027–2031	50,370,000	—	7,349,027	—	57,719,027	—
2032–2036	17,950,000	—	1,258,249	—	19,208,249	—
	<u>\$ 402,454,910</u>	<u>2,944,394</u>	<u>88,138,580</u>	<u>147,259</u>	<u>490,593,490</u>	<u>3,091,653</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. At June 30, 2016, the principal and interest amount outstanding is \$2,944,394 and \$147,259 respectively.

In March 2016, the City issued \$34,990,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest on general obligation bonds is due semiannually on each February 15 and August 15, the principal payments due each February 15 until maturity in fiscal 2036.

In February 2016 the City entered into loan agreements with the Massachusetts Clean Water Trust (MCWT) totaling \$14,000,000. Principal on the loans is due each January 15 until maturity in fiscal 2026 with a 2% interest rate. There are no subsidies associated with this agreement. The MCWT loans provide funding for sewer separation and drinking water projects. According to some of the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$44,173 in subsidies during 2016 and expects to receive subsidies totaling \$311,083 through fiscal 2023. These loan payments commenced on February 1, 2005 and end on July 15, 2026, with interest rates ranging from 0% to 2.0%.

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

As of June 30, 2016, the City may issue approximately \$852.3 billion additional general obligation debt under the normal debt limit. The City has approximately \$10.7 million of debt exempt from the debt limit.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

The annual debt service requirements of the City’s water enterprise fund as of June 30, 2016 are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	\$ 2,420,000	325,501	2,745,501
2018	2,420,000	204,501	2,624,501
2019	2,420,000	83,501	2,503,501
2020	460,000	11,501	471,501
	\$ 7,720,000	625,004	8,345,004

The City’s commitments under operating leases are not significant.

(9) Retirement Plan-GASB 67

(a) Plan Description

The City of Cambridge Retirement System (the System) is a cost-sharing, multiple employer defined benefit pension plan 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. As of December 31, 2015, the System provides pension benefits to the retired employees of four employers: the City of Cambridge, Cambridge Housing Authority, Cambridge Redevelopment Authority and 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).

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations.

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage based on the age of the member at retirement.

A members final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member’s final five year average salary multiplied by the number of years and full months of creditable service at the retirement and multiplied by a percentage based on the age and years of creditable service of the member at retirement.

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A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a) (17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit "spiking" a member's salary to increase the retirement benefit.

For all employees, the maximum annual amount of the retirement allowance is 80% of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80% maximum.

(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 legal 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 at fair value determined 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 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, 2016

(c) Membership

Membership in the System consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	\$	1,966
Terminated plan members entitled to, but not receiving benefits		812
Terminated plan members with a vested right to a deferred or immediate benefit		130
Active plan members		<u>3,145</u>
Total membership	\$	<u><u>6,053</u></u>
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, 2016 were \$28,665,468 and \$6,734,000, respectively.

The Commonwealth is obligated to reimburse the System for a portion of the benefits payments for cost of living increases granted before July 1998 and records any related liability in their financial statements.

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2015 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 248,198,263	Active members' contribution balance
Annuity reserve fund	67,820,462	Retired members' contribution account
Military service credit fund	4,602	Members' contribution account while on military leave
Pension reserve fund	754,265,914	Amounts appropriated to fund future retirement benefits
Pension fund	<u>14,209,552</u>	Remaining net position
	\$ <u><u>1,084,498,793</u></u>	

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(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, 2015. 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, 2015, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers equaled or exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2015 were \$288,050.

At December 31, 2015, the fair value of securities loaned by the System amounted to \$49,868,951 against which was held cash collateral of \$48,266,529.

For loans having collateral other than cash, the related collateral securities are not recorded as assets in the statement of fiduciary net position, 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) *Administrative Costs*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(h) Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at December 31, 2015 was as follows:

Total pension liability	\$ 1,362,473,754
Fiduciary net position	<u>1,084,498,793</u>
System's net pension liability	<u>\$ 277,974,961</u>
Fiduciary net position as a percentage of the total pension liability	80.00%

(i) Actuarial Assumptions

The total pension liability for the December 31, 2015 measurement date was determined by using an actuarial valuation as of December 31, 2013, with update procedures used to roll forward the total pension liability to December 31, 2015. This measurement applied the following actuarial assumptions:

Inflation:	3.5%
Salary increases:	4.5%
Investment rate of return:	7.75%
Cost of living adjustments:	3% of first \$14,000
Pre-retirement mortality:	RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D
Healthy Retiree mortality:	RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D
Disabled Retiree mortality:	RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D

The inflation rate above was a reduction from 3.75% used in the measurement of the total pension liability as of December 31, 2014. The investment rate of return above was a reduction from 7.875% used in the measurement of the total pension liability as of December 31, 2014. The salary increases indicated above was a reduction from 4.75% to 4.5% used in the measurement of the total pension liability as of December 31, 2014. The pre-retirement mortality indicated above changed from RP-2000 Combined Healthy Mortality Table Projected 17 years with Scale AA to RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D, the Healthy Retiree Mortality changed from RP-2000 Combined Healthy Mortality Table projected 17 years with Scale AA to RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D and the Disabled Retiree Mortality changes from RP-2000 Combined Healthy Mortality

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June 30, 2016

Table set forward five years projected 17 years with Scale AA to RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D.

The long-term expected rate of return on pension plan investments was using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2015 is summarized below:

Asset class	Target asset allocation	Long-term expected real rate of return
Cash	0.13%	1.11%
Domestic equity	39.88	6.49
International developed markets equity	11.49	7.16
International emerging markets equity	4.15	9.46
Core fixed income	15.80	1.68
High yield fixed income	5.00	4.76
Real estate	10.35	4.37
Commodities	0.74	4.13
Hedge fund, GTAA, Risk parity	8.60	3.60
Private equity	3.85	11.04

(j) Discount Rate

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

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2016

(k) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the System’s net pension liability calculated using the discount rate of 7.75% as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.75%) or 1% – point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 432,832,790	277,974,961	147,728,118

(l) Annual Money Weighted Return

For the year ended December 31, 2015, the annual money weighted rate of return on plan investments, net of plan investment expense was (0.60)%. The money weighted rate of return expresses investment performance net of investment expenses adjusted for the changing amounts actually invested.

(10) City Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources Related to Pensions – GASB 68

At June 30, 2016, the City reported a liability of \$212.2 million for its proportionate share of the System’s net pension liability measured as of December 31, 2015. The City’s proportion of the System’s net pension liability was based on actual contributions to the System relative to the actual contributions of all participating employers. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Cambridge Health Alliance special funding situation and the total portion of the net pension liability associated with the City at June 30, 2016 were as follows:

City’s proportionate share of net pension liability	\$ 177,431,415
City’s proportionate share of net pension liability associated with Cambridge Health Alliance	<u>34,766,681</u>
	<u>\$ 212,198,096</u>

To determine employers’ proportionate share of the net pension liability, allocations of net pension liability were performed. At December 31, 2015, the City was allocated 63.82% of the net pension liability related to the City and 12.51% related to the Cambridge Health Alliance special funding situation described below based on the proportion of the 2015 required employer contributions.

Special Funding Situations

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers’ Retirement System (MTRS). The MTRS arrangement qualifies as a special funding situation as the City has no obligation to contribute to this plan. Rather the Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The Commonwealth’s proportionate share of the collective net pension liability of MTRS associated with the City’s employees as of the June 30, 2015 measurement date is \$232.5 million based on an employer allocation percentage of 1.135%. The Commonwealth contributed \$18.8 million on

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

behalf of the City during the measurement period and the City reported the amount as an intergovernmental revenue and education expenditure in the General Fund.

In accordance with the Administrative Service Agreement dated May 6, 1997, between the City of Cambridge (City) and the Cambridge Public Health Commission, which subsequently became the Cambridge Health Alliance (CHA) the City is contractually required to fund a portion of CHA’s employer contribution to the System. Accordingly, a special funding situation as defined by GASB Statement No. 68 exists and the City is treated as a nonemployer contributing entity relative to the portion of the contribution it makes on behalf of CHA. As such, the City rather than CHA, records in its financial statements the net pension liability and deferred outflows and inflows of resources related to this nonemployer contribution.

For the year ended June 30, 2016, the City recognized pension expense of \$40.3 million. At June 30, 2016, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Net differences between projected and actual investment earnings on pension plan investments	\$ 64,845,579	—
Changes in employer proportion	5,119,579	6,323,706
Changes in assumptions	25,669,722	—
	<u>\$ 95,634,880</u>	<u>6,323,706</u>

Amounts reported as deferred outflows of resources at June 30, 2016 related to pensions will be recognized in pension expense as follows:

2017	\$ 23,013,291
2018	23,013,291
2019	23,013,291
2020	<u>20,271,301</u>
Total	<u>\$ 89,311,174</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported for the System.

(a) Sensitivity of the City’s Proportionate Share of the System’s Net Pension Liability

The following presents the City’s proportionate share of the System’s net pension liability calculated using the discount rate of 7.75% as well as what the City’s proportionate share of the System’s net

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2016

pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.75%) or 1%-point higher (8.75%) than the current rate:

City’s net pension liability

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
June 30, 2016	\$ 330,412,112	212,198,096	112,771,399

(11) 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 2,490 retirees and 2,905 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in a single employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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, 2 and 4 retirees, including teachers, with at least 10 years of creditable service are eligible for retirement at age 55 or they may retire after a total of 20 years creditable service regardless of age. 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.

(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.

(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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

ending June 30, 2016, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2015:

Annual Required Contribution (ARC)	\$ 46,020,000
Interest on net OPEB obligation	7,319,000
Adjustment to ARC	<u>(8,840,000)</u>
Annual OPEB cost	44,499,000
Contributions made	<u>(21,404,129)</u>
Change in net OPEB obligation	23,094,871
Net OPEB obligation – beginning of year	<u>182,967,722</u>
Net OPEB obligation – end of year	<u><u>\$ 206,062,593</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:

Fiscal year ended	Annual OPEB cost	Percentage of OPEB cost contributed	Net OPEB obligation
2016	\$ 44,499,000	48.10%	\$ 206,062,593
2015	43,011,000	49.71	182,967,722
2014	47,621,000	46.64	161,338,998

(c) Funded Status and Funding Progress

The funded status of the plan, as of June 30, 2016, based on an actuarial valuation as of July 1, 2015 was as follows:

Actuarially accrued liability (AAL)	\$ 558,472,000
Actuarial value of plan assets	<u>7,768,000</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 550,704,000</u></u>
Funded ratio (actuarial value of plan assets/AAL)	1.4%
Covered payroll (active plan members)	\$ 188,709,740
UAAL as a percentage of covered payroll	291.8%

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

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.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund. On December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund and \$2 million was transferred to the fund. During fiscal years 2014 through 2016 the City transferred an additional \$7 million to the trust fund. The City Council has approved a \$2 million transfer to the trust fund in the fiscal year 2017 budget and has committed to that funding level for future years out.

(d) *Actuarial Methods and 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.

In the July 1, 2015 actuarial valuation, the actuarial value of assets was determined using the fair value of investments.

In the July 1, 2015 actuarial valuation, the projected unit credit cost method was used and the actuarial accrued liability is being amortized over a period of 24 years on a closed basis and is calculated assuming a level percentage of projected payroll.

As of July 1, 2015 valuation, the discount rate was 4.0%. In general, the discount rate is to be equal to the long-term rate of return of the assets paying retiree costs.

As of July 1, 2015 valuation, the healthcare cost trend rates begin with 7.5% and decrease 0.5% annually to an ultimate rate of 4.5%. The healthcare cost trend rates as of July 1, 2015 are based on current market conditions and updated normative trend data and studies.

As of July 1, 2015 valuation, the payroll growth rate was 3.5%. This assumption should represent long-term expectations of the City's payroll growth. Therefore, recent salary increase rates, current economic environment, and the prior increases 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.

As of July 1, 2015 valuation, the inflation rate was 3%. This assumption should represent long-term increases in salary rates and healthcare costs.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

As of July 1, 2015 valuation, 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.

As of July 1, 2015 valuation, the percent of participants assumed to not be Medicare eligible at 65 was 7%.

(12) Transfers

Transfers and their purposes during the year ended June 30, 2016 were as follows:

	Governmental funds				Proprietary fund
	General	Capital	Affordable Housing Trust fund	Other	Enterprise fund water
Capital – to fund capital expenditures	\$ (27,802,435)	27,802,435	—	—	—
General – mitigation revenues for eligible Human Services	(1,008,005)	—	—	1,008,005	—
Parking – to fund administrative costs and other eligible City expenditures	20,166,730	1,321,000	—	(21,487,730)	—
Cemetery – to fund operational costs to fund renovations of administration, buildings and grounds	20,000	—	—	(20,000)	—
Capital – to fund eligible CDBG program costs	—	250,463	—	(250,463)	—
Water – to fund administrative costs	714,085	—	—	—	(714,085)
Affordable housing fund – from CPA Fund	—	—	9,360,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(9,360,000)	—
Total	\$ (7,909,625)	29,373,898	9,360,000	(30,110,188)	(714,085)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

(13) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2016 are as follows.

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>
Fund balances:				
Nonspendable:				
Deposits	\$ 1,536,290	—	—	—
Nonexpendable permanent funds	—	—	—	2,234,567
Restricted:				
Property and Development	—	35,498,909	—	8,317,675
Streets and Sidewalks	—	10,330,597	—	—
Parks and Recreation	—	4,074,292	—	3,908,244
Sewer Projects	—	14,740,922	—	—
Library	—	777,614	—	—
Schools	—	14,330,123	—	—
General Government	—	2,739,232	—	—
Affordable Housing	—	—	600,000	—
Community Preservation	—	—	—	—
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	—
General Government	—	—	—	1,133,633
Human Services	—	1,571	—	1,973,046
School Grants Fund Federal/State	—	—	—	2,415,181
Expendable permanent funds	—	—	—	1,626,539
Committed:				
Parking Fund	—	—	—	14,966,897
Health Claims	22,281,967	—	—	—
Budget Stabilization	49,173,547	—	—	—
Affordable Housing	—	—	28,557,471	—
Assigned:				
Subsequent year's expenditures	12,180,000	—	—	—
Unassigned	215,772,588	—	—	—
Total fund balances	\$ <u>300,944,392</u>	<u>82,493,260</u>	<u>29,157,471</u>	<u>36,575,782</u>

Stabilization Funds

In accordance with section 5B of Chapter 40 of the Massachusetts General Laws, the City of Cambridge has established Stabilization Funds for three different purposes. This allows the municipality to reserve funds for specific events or purpose. Such stabilization funds are established with a council 2/3rd approval vote. Also all transfers in or out of the stabilization funds are approved by a council vote.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

The City Stabilization fund was the first set up in the mid 1990's as a statutory reserve account that maybe used for purposes for which city debt would ordinarily be used. The budget department uses the reserve as a revenue source annually for a portion of the City's debt service payments in order to offset larger construction projects that would ordinarily cause spikes in the annual property tax rate.

During October of 2016, the City Council voted to establish the Mitigation Stabilization and the Community Benefits Stabilization funds. The Mitigation Stabilization fund is used to accumulate revenues received from developers through the City's permitting or Zoning amendment process stipulated for specific infrastructure projects. The Community Benefits Stabilization fund accumulates revenues received with the enactment of an amendment to the City's Zoning Ordinance or other agreements earmarked for Community Benefits. Both of these funds require a council vote to transfer revenues in or out of the funds. During FY 16, approximately \$11.0 million in Mitigation Stabilization funds were revenue sources for the construction of a couple of parks throughout the City.

The Stabilization balances as of June 30, 2016 are as follows:

City Stabilization fund	\$	44,590,542
Mitigation Stabilization fund		854,505
Community Benefits Stabilization fund		<u>3,728,500</u>
Total Stabilization funds	\$	<u><u>49,173,547</u></u>

In accordance with GASB 54 requirements, balances in the Stabilization funds are classified as committed.

Commitments and Contingencies

The City has \$5.7 million in encumbrances for purchase orders and contracts in the General Fund, \$51.3 million in the Capital Fund, \$0.5 million in the Affordable Housing Trust Fund, and \$3.3 million in the Other Governmental Funds.

(14) 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 did not exceed insurance coverage for premium based health insurance elections for fiscal years ended June 30, 2016, 2015, and 2014.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2016

Active 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 are currently enrolled in indemnity plans and 15% for those who enroll in HMO type plans. The City does not carry stop-loss insurance.

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Judgments and accrued claims, beginning of year	\$ 16,802,891	16,058,000
Incurred claims	48,739,585	47,478,353
Less payments of claims attributable to events of both current and prior fiscal years	<u>(48,478,476)</u>	<u>(46,733,462)</u>
Judgments and accrued claims, end of year	<u>\$ 17,064,000</u>	<u>16,802,891</u>

The liabilities above have not been discounted to their present value. Incurred claims represent the total of a provision for events of the current fiscal year and any change in the provision for events of the prior fiscal years.

There are numerous pending matters and lawsuits in which the City is involved. The City attorneys' estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2016

(Unaudited)

Schedule of OPEB Funding Progress

(Dollars in thousands)

OPEB						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2015	\$ 7,768	558,472	550,704	1.4%	188,710	291.8%
July 1, 2014	7,768	538,352	530,584	1.4	182,251	291.1
July 1, 2013	5,535	579,645	574,110	1.0	177,412	323.6

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2016

(Unaudited)

Schedule of Employer Contributions – OPEB

(Dollars in thousands)

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Year ended June 30:		
2016	\$ 46,020	46.5
2015	44,325	48.2
2014	47,638	46.6

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of the Net Pension Liability

(Unaudited)

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,362,473,754	1,259,960,680
Plan fiduciary net position	<u>1,084,498,793</u>	<u>1,102,627,150</u>
System's net pension liability	<u>\$ 277,974,961</u>	<u>157,333,530</u>
Plan fiduciary net position as a percentage of the total pension liability	80.00%	87.51%
Covered – employee payroll	\$ 226,826,076	218,627,543
System's net pension liability as a percentage of covered – employee payroll	122.5%	72.0%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

(Unaudited)

	2015	2014
Total pension liability:		
Service cost	\$ 30,908,861	29,791,673
Interest	98,925,146	94,315,895
Changes of benefit terms	—	—
Differences between expected and actual experience	—	—
Changes of assumptions	42,033,481	—
Benefit payments, including refunds of member contributions	(69,354,414)	(64,034,766)
Net change in total pension liability	102,513,074	60,072,802
Total pension liability – beginning	1,259,960,680	1,199,887,878
Total pension liability – ending (a)	1,362,473,754	1,259,960,680
Plan fiduciary net position:		
Contributions – employers and nonemployer	37,851,149	35,775,814
Contributions – member	21,167,434	20,572,796
Net investment income	(6,716,067)	64,639,098
Benefit payments, including refunds of member contributions	(69,354,414)	(64,034,766)
Administrative expenses	(1,076,459)	(1,031,915)
Net change in plan fiduciary net position	(18,128,357)	55,921,027
Plan fiduciary net position – beginning	1,102,627,150	1,046,706,123
Plan fiduciary net position – ending (b)	1,084,498,793	1,102,627,150
Net pension liability – ending (a) – (b)	\$ 277,974,961	157,333,530

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Investment Returns

(Unaudited)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	(0.60)%	6.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Contributions – City of Cambridge Retirement System
 (Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 37,551,149	35,475,814	35,475,814	31,662,897	29,912,987	28,353,542	27,727,711	26,891,503	28,066,908	25,220,175
Contributions in relation to the actuarially determined contribution	<u>37,851,149</u>	<u>35,775,814</u>	<u>35,775,814</u>	<u>31,967,897</u>	<u>32,212,987</u>	<u>28,553,542</u>	<u>27,727,711</u>	<u>26,891,503</u>	<u>28,066,908</u>	<u>25,220,175</u>
Contribution deficiency (excess)	\$ <u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(305,000)</u>	<u>(2,300,000)</u>	<u>(200,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered-employee payroll	\$ 226,826,076	218,627,543	217,086,299	217,086,299	232,842,117	232,842,117	222,162,255	231,770,736	222,115,415	201,088,000
Contributions as a percentage of covered-employee payroll	16.69%	16.36%	16.34%	14.59%	12.85%	12.18%	12.48%	11.60%	12.64%	12.54%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Contributions – City of Cambridge

(Unaudited)

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 23,968,898	27,505,315
Contributions in relation to the actuarially determined contribution	<u>23,968,898</u>	<u>27,505,315</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>
Covered-employee payroll	\$ 122,094,246	118,874,596
Contributions as a percentage of covered-employee payroll	16.56 %	20.37 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

(Unaudited)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	76.337126%	77.532583%
City's proportionate share of the net pension liability	\$ 212,198,096	121,984,750
City's covered-employee payroll	\$ 144,783,082	135,002,508
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	68.23%	90.36%
City of Cambridge Retirement System fiduciary net position as a percentage of the total pension liability	80.00%	87.51%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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, 2016
(Unaudited)
(with comparative actual amounts for 2015)

	2016 Original budget	2016 Final budget	2016 Actual	Variance favorable (unfavorable)	2015 Actual
Revenues:					
Property taxes	\$ 354,430,753	354,430,753	354,430,753	—	341,445,455
Provisions for tax abatements and adj.	(4,377,717)	(4,377,717)	(4,377,717)	—	(4,604,198)
Payments in lieu of tax receipts	5,900,000	5,900,000	9,191,431	3,291,431	8,082,220
Hotel/motel/meals excise tax	18,015,000	18,015,000	19,212,693	1,197,693	17,861,201
Intergovernmental	32,494,822	32,494,822	33,697,845	1,203,023	33,076,532
Sewer use	45,950,535	45,950,535	48,818,911	2,868,376	47,920,611
Motor vehicle excise	6,650,000	6,650,000	7,452,353	802,353	7,200,225
Investment income	500,000	500,000	1,116,155	616,155	779,755
Other	33,957,414	27,291,070	59,370,779	32,079,709	69,038,258
Total revenues	<u>493,520,807</u>	<u>486,854,463</u>	<u>528,913,203</u>	<u>42,058,740</u>	<u>520,800,059</u>
Expenditures:					
Current:					
General government	59,657,190	51,340,675	39,326,338	12,014,337	34,291,105
Public safety	119,945,340	121,094,678	119,497,825	1,596,853	117,231,095
Community maintenance and development	45,570,949	47,117,778	46,704,484	413,294	48,430,608
Human resource development	36,717,148	37,043,032	36,483,532	559,500	35,118,482
Education	163,940,420	164,440,420	164,405,956	34,464	156,518,157
Judgments and claims	200,000	2,800,000	2,714,745	85,255	121,540
State and district assessments	52,545,417	52,545,417	52,137,114	408,303	50,216,265
Debt service:					
Principal	41,611,620	41,680,620	41,679,831	789	39,375,773
Interest	13,052,905	13,183,905	13,134,285	49,620	11,983,339
Total expenditures	<u>533,240,989</u>	<u>531,246,525</u>	<u>516,084,110</u>	<u>15,162,415</u>	<u>493,286,364</u>
Excess (deficiency) of revenues over expenditures	<u>(39,720,182)</u>	<u>(44,392,062)</u>	<u>12,829,093</u>	<u>57,221,155</u>	<u>27,513,695</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	21,403,045	21,403,045	20,212,730	(1,190,315)	19,760,255
Capital projects funds	(6,526,000)	(6,746,000)	(16,809,355)	(10,063,355)	(19,264,285)
Trust funds	2,680,865	2,680,865	(13,969,225)	(16,650,090)	(2,726,235)
Enterprise fund	714,085	714,085	714,085	—	709,855
Total other financing sources (uses)	<u>18,271,995</u>	<u>18,051,995</u>	<u>(9,851,765)</u>	<u>(27,903,760)</u>	<u>(1,520,410)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(21,448,187)</u>	<u>(26,340,067)</u>	<u>\$ 2,977,328</u>	<u>29,317,395</u>	<u>25,993,285</u>
Other budget items:					
Free cash appropriations	19,450,000	24,341,880			
Prior year deficits raised	(1,813)	(1,813)			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	<u>21,448,187</u>	<u>26,340,067</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

See accompanying independent auditors' report and notes to required supplementary information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Information – Schedule of Revenues and Expenditures

Year ended June 30, 2016

(Unaudited)

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:

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).

Encumbrances and continuing appropriations, which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).

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, 2016:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 528,913,203	516,084,110	(9,851,765)
Adjustments:			
Revenues to modified accrual basis	12,928,483	—	—
Expenditures, encumbrances and accruals, net	—	(3,829,914)	—
On-behalf contribution for teachers pension	18,856,504	18,856,504	—
Reclassification:			
Premium on debt issuance	—	—	3,438,263
Transfers not reported on a Budgetary/GAAP basis	—	—	2,022,615
As reported on a GAAP basis	<u>\$ 560,698,190</u>	<u>531,110,700</u>	<u>(4,390,887)</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2016

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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 421,005	365,673	55,332
Other ordinary maintenance	136,130	136,047	83
Travel and training	29,500	16,872	12,628
Total Mayor	<u>586,635</u>	<u>518,592</u>	<u>68,043</u>
City Manager:			
Salaries and wages	1,881,200	1,881,175	25
Other ordinary maintenance	524,950	502,142	22,808
Travel and training	43,100	35,243	7,857
Total City Manager	<u>2,449,250</u>	<u>2,418,560</u>	<u>30,690</u>
City Council:			
Salaries and wages	1,711,620	1,711,617	3
Other ordinary maintenance	52,400	50,124	2,276
Travel and training	62,200	41,341	20,859
Total City Council	<u>1,826,220</u>	<u>1,803,082</u>	<u>23,138</u>
City Clerk:			
Salaries and wages	1,063,405	1,061,428	1,977
Other ordinary maintenance	68,610	68,567	43
Travel and training	4,420	1,030	3,390
Total City Clerk	<u>1,136,435</u>	<u>1,131,025</u>	<u>5,410</u>
Law:			
Salaries and wages	1,540,530	1,540,520	10
Other ordinary maintenance	426,300	354,083	72,217
Travel and training	14,245	10,869	3,376
Total law	<u>1,981,075</u>	<u>1,905,472</u>	<u>75,603</u>
Finance:			
Salaries and wages	11,506,655	10,990,847	515,808
Other ordinary maintenance	4,215,425	4,095,774	119,651
Travel and training	331,725	302,335	29,390
Extraordinary expenditures	62,800	57,526	5,274
Total finance	<u>16,116,605</u>	<u>15,446,482</u>	<u>670,123</u>
Employment benefits:			
Salaries and wages	23,194,965	12,343,293	10,851,672
Other ordinary maintenance	853,580	733,324	120,256
Travel and training	30,000	63	29,937
Total employment benefits	<u>24,078,545</u>	<u>13,076,680</u>	<u>11,001,865</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2016

	Budget	Actual	Variance positive (negative)
General services:			
Salaries and wages	\$ 237,905	237,843	62
Other ordinary maintenance	449,435	343,346	106,089
Total general services	<u>687,340</u>	<u>581,189</u>	<u>106,151</u>
Election commission:			
Salaries and wages	986,870	986,822	48
Other ordinary maintenance	237,465	221,805	15,660
Travel and training	2,270	1,357	913
Total election commission	<u>1,226,605</u>	<u>1,209,984</u>	<u>16,621</u>
Public celebrations:			
Salaries and wages	516,295	516,271	24
Other ordinary maintenance	400,280	390,152	10,128
Travel and training	1,325	940	385
Total public celebrations	<u>917,900</u>	<u>907,363</u>	<u>10,537</u>
Reserve:			
Other ordinary maintenance	—	—	—
Total reserve	<u>—</u>	<u>—</u>	<u>—</u>
Animal commission:			
Salaries and wages	315,610	315,583	27
Other ordinary maintenance	18,305	12,176	6,129
Travel and training	150	150	—
Total animal commission	<u>334,065</u>	<u>327,909</u>	<u>6,156</u>
Total general government	<u>51,340,675</u>	<u>39,326,338</u>	<u>12,014,337</u>
Public safety:			
Fire:			
Salaries and wages	42,943,895	42,943,821	74
Other ordinary maintenance	2,211,900	2,046,865	165,035
Travel and training	589,500	573,829	15,671
Extraordinary expenditures	110,000	109,999	1
Total fire	<u>45,855,295</u>	<u>45,674,514</u>	<u>180,781</u>
Police:			
Salaries and wages	48,023,915	48,023,818	97
Other ordinary maintenance	2,356,082	2,054,692	301,390
Travel and training	278,268	268,818	9,450
Extraordinary expenditures	552,703	531,437	21,266
Total police	<u>51,210,968</u>	<u>50,878,765</u>	<u>332,203</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2016

	Budget	Actual	Variance positive (negative)
Traffic and parking:			
Salaries and wages	\$ 8,055,830	7,823,356	232,474
Other ordinary maintenance	3,297,040	2,850,608	446,432
Travel and training	62,000	58,413	3,587
Extraordinary expenditures	69,000	51,104	17,896
Total traffic and parking	<u>11,483,870</u>	<u>10,783,481</u>	<u>700,389</u>
Police review and advisory board:			
Salaries and wages	73,735	16,939	56,796
Other ordinary maintenance	700	15	685
Travel and training	3,000	2,770	230
Total police review and advisory board	<u>77,435</u>	<u>19,724</u>	<u>57,711</u>
Inspectional services:			
Salaries and wages	3,253,345	3,166,185	87,160
Other ordinary maintenance	140,680	99,500	41,180
Travel and training	10,425	6,465	3,960
Extraordinary expenditures	10,000	2,592	7,408
Total inspectional services	<u>3,414,450</u>	<u>3,274,742</u>	<u>139,708</u>
License:			
Salaries and wages	1,116,835	1,004,146	112,689
Other ordinary maintenance	59,955	59,048	907
Travel and training	6,355	1,884	4,471
Total license	<u>1,183,145</u>	<u>1,065,078</u>	<u>118,067</u>
Weights and measures:			
Salaries and wages	136,650	136,635	15
Other ordinary maintenance	6,780	6,548	232
Travel and training	3,245	3,197	48
Extraordinary expenditures	—	—	—
Total weights and measures	<u>146,675</u>	<u>146,380</u>	<u>295</u>
Electrical:			
Salaries and wages	1,575,655	1,575,649	6
Other ordinary maintenance	936,460	898,448	38,012
Travel and training	56,170	51,611	4,559
Extraordinary expenditures	70,000	58,709	11,291
Total electrical	<u>2,638,285</u>	<u>2,584,417</u>	<u>53,868</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2016

	Budget	Actual	Variance positive (negative)
Emergency communications:			
Salaries and wages	\$ 4,914,995	4,914,951	44
Other ordinary maintenance	149,710	138,799	10,911
Travel and training	15,850	13,209	2,641
Extraordinary expenditures	4,000	3,765	235
Total emergency communications	<u>5,084,555</u>	<u>5,070,724</u>	<u>13,831</u>
Total public safety	<u>121,094,678</u>	<u>119,497,825</u>	<u>1,596,853</u>
Community maintenance and development:			
Public works:			
Salaries and wages	22,620,740	22,620,584	156
Other ordinary maintenance	12,762,975	12,734,061	28,914
Travel and training	1,029,930	892,632	137,298
Extraordinary expenditures	625,000	625,000	—
Total public works	<u>37,038,645</u>	<u>36,872,277</u>	<u>166,368</u>
Community development:			
Salaries and wages	6,108,947	6,038,539	70,408
Other ordinary maintenance	1,473,690	1,360,505	113,185
Travel and training	39,264	39,097	167
Extraordinary expenditures	100,188	100,188	—
Total community development	<u>7,722,089</u>	<u>7,538,329</u>	<u>183,760</u>
Historical commission:			
Salaries and wages	614,170	594,189	19,981
Other ordinary maintenance	39,610	34,410	5,200
Travel and training	800	800	—
Total historical commission	<u>654,580</u>	<u>629,399</u>	<u>25,181</u>
Conservation commission:			
Salaries and wages	—	—	—
Other ordinary maintenance	—	—	—
Travel and training	—	—	—
Total conservation commission	<u>—</u>	<u>—</u>	<u>—</u>
Peace commission:			
Salaries and wages	139,895	139,887	8
Other ordinary maintenance	10,325	4,238	6,087
Travel and training	1,850	1,825	25
Total peace commission	<u>152,070</u>	<u>145,950</u>	<u>6,120</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2016

	Budget	Actual	Variance positive (negative)
Cable television:			
Salaries and wages	\$ 544,895	524,857	20,038
Other ordinary maintenance	1,002,049	990,580	11,469
Travel and training	3,450	3,092	358
Total cable television	<u>1,550,394</u>	<u>1,518,529</u>	<u>31,865</u>
Total community maintenance and development	<u>47,117,778</u>	<u>46,704,484</u>	<u>413,294</u>
Human resource development:			
Library:			
Salaries and wages	7,208,355	7,208,279	76
Other ordinary maintenance	2,511,085	2,493,786	17,299
Travel and training	91,650	40,292	51,358
Total library	<u>9,811,090</u>	<u>9,742,357</u>	<u>68,733</u>
Human services:			
Salaries and wages	22,101,603	21,833,731	267,872
Other ordinary maintenance	3,411,804	3,302,261	109,543
Travel and training	88,900	67,337	21,563
Extraordinary expenditures	25,000	24,949	51
Total human services	<u>25,627,307</u>	<u>25,228,278</u>	<u>399,029</u>
Women's commission:			
Salaries and wages	235,865	235,768	97
Other ordinary maintenance	9,535	9,510	25
Travel and training	1,025	157	868
Total women's commission	<u>246,425</u>	<u>245,435</u>	<u>990</u>
Human rights commission:			
Salaries and wages	270,940	254,133	16,807
Other ordinary maintenance	3,000	1,758	1,242
Travel and training	1,200	1,161	39
Total human rights commission	<u>275,140</u>	<u>257,052</u>	<u>18,088</u>
Veterans benefits:			
Salaries and wages	296,670	254,164	42,506
Other ordinary maintenance	54,900	32,823	22,077
Travel and training	731,500	723,423	8,077
Total veterans benefits	<u>1,083,070</u>	<u>1,010,410</u>	<u>72,660</u>
Total human resource development	<u>37,043,032</u>	<u>36,483,532</u>	<u>559,500</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Education:			
Salaries and wages	\$ 135,371,576	135,363,918	7,658
Other ordinary maintenance	27,268,589	27,259,052	9,537
Travel and training	1,053,459	1,036,430	17,029
Extraordinary expenditures	205,929	205,689	240
Debt:			
Principal payments	472,167	472,167	—
Interest payments	68,700	68,700	—
Total education	<u>164,440,420</u>	<u>164,405,956</u>	<u>34,464</u>
Judgments and claims	<u>2,800,000</u>	<u>2,714,745</u>	<u>85,255</u>
Debt retirement:			
Principal payments	54,513,325	54,512,122	1,203
Interest payments	351,200	301,994	49,206
Total debt retirement	<u>54,864,525</u>	<u>54,814,116</u>	<u>50,409</u>
State and district assessments:			
MBTA assessment	9,193,276	9,193,276	—
MWRA assessment	23,516,200	23,373,200	143,000
Other State assessments	12,835,941	12,570,638	265,303
Cambridge Health Alliance	7,000,000	7,000,000	—
Total state and district assessments	<u>52,545,417</u>	<u>52,137,114</u>	<u>408,303</u>
Total general fund expenditures	<u>\$ 531,246,525</u>	<u>516,084,110</u>	<u>15,162,415</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Other Governmental Funds

June 30, 2016

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.

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, 2016

Assets	Special Revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Cash and short-term investments	\$ 189,720	1,427,748	14,756,430	13,082,542	3,646,806	3,861,106	36,964,352
Accounts receivable	—	—	210,467	102,645	260	—	313,372
Due from other governments	429,837	2,131,988	—	—	194,568	—	2,756,393
Total assets	\$ 619,557	3,559,736	14,966,897	13,185,187	3,841,634	3,861,106	40,034,117
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Warrants payable	\$ 36,705	1,033,328	—	258,536	660,230	—	1,988,799
Accrued liabilities	12,883	111,227	—	598,086	74,725	—	796,921
Due to other funds	569,969	—	—	—	—	—	569,969
Total liabilities	619,557	1,144,555	—	856,622	734,955	—	3,355,689
Deferred inflows of resources:							
Unavailable revenue	—	—	—	102,646	—	—	102,646
Fund balances:							
Nonspendable	—	—	—	—	—	2,234,567	2,234,567
Restricted	—	2,415,181	—	12,225,919	3,106,679	1,626,539	19,374,318
Committed	—	—	14,966,897	—	—	—	14,966,897
Total fund balances	—	2,415,181	14,966,897	12,225,919	3,106,679	3,861,106	36,575,782
Total liabilities, deferred inflows of resources, and fund balances	\$ 619,557	3,559,736	14,966,897	13,185,187	3,841,634	3,861,106	40,034,117

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2016

	Special Revenue						Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	
Revenues:							
Intergovernmental	\$ 1,319,471	11,735,296	—	2,732,645	8,739,000	—	24,526,412
Investment income	—	—	139,348	42,763	4,727	29,924	216,762
Other:							
Permits	—	—	915,175	—	—	—	915,175
Fines	—	—	10,139,217	—	—	—	10,139,217
Charges for services	—	—	10,017,004	—	—	—	10,017,004
Miscellaneous	—	1,697,559	88,881	9,507,258	279,556	244,836	11,818,090
Total revenues	1,319,471	13,432,855	21,299,625	12,282,666	9,023,283	274,760	57,632,660
Expenditures:							
General government	—	—	—	19,600	90,687	195,159	305,446
Public safety	—	—	—	—	965,588	—	965,588
Community maintenance and development	692,159	—	—	3,396,362	236,111	—	4,324,632
Human services	376,849	—	—	25,318	7,554,131	—	7,956,298
Education	—	14,155,888	—	—	—	—	14,155,888
Total expenditures	1,069,008	14,155,888	—	3,441,280	8,846,517	195,159	27,707,852
Excess (deficiency) of revenues over expenditures	250,463	(723,034)	21,299,625	8,841,387	176,766	79,601	29,924,808
Other financing sources (uses):							
Transfers from other funds	—	—	—	—	1,008,005	—	1,008,005
Transfers to other funds	(250,463)	—	(21,487,730)	(9,360,000)	—	(20,000)	(31,118,193)
Excess (deficiency) of revenues over expenditures and transfers	—	(723,034)	(188,105)	(518,613)	1,184,771	59,601	(185,380)
Fund balances at beginning of year	—	3,138,215	15,155,002	12,744,532	1,921,908	3,801,505	36,761,162
Fund balances at end of year	\$ —	2,415,181	14,966,897	12,225,919	3,106,679	3,861,106	36,575,782

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2016

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, 2016

Assets	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	154,416	384,115	104,510	434,021
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	171,097	5,895,200	6,025,706	40,591
Cambridge Fire Detail	87,244	1,881,136	1,903,232	65,148
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	231,170	99,690	83,672	247,188
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,682	—	3,666	16
Purchase of Trees	89,514	210,485	—	299,999
Accident and life Insurance	1,040,312	296,062	284,893	1,051,481
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	609,060	529,131	537,224	600,967
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,218,081	739,786	600,000	1,357,867
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	52,448	3,922	45	56,325
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
Stop Payments	22,667	—	—	22,667
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Water Department Deposits	585,985	153,000	64,750	674,235
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	730,201	—	1,644	728,557
Parking Garage Deposits	51,142	76,740	29,039	98,843
MASCO/Shuttle Program	—	228	—	228
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	228	—	—	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	—	—	—	—
Police – Found Cash	—	—	—	—
Firearms Recordkeeping Fund	20,495	12,438	16,638	16,295
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,901	—	—	25,901
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	(69,948)	—	257	(70,205)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	3,519	11,904	12,163	3,260
Fletcher/Maynard School Fund	2,608	33,596	35,436	768
Cambridgeport School Fund	1,589	20,011	20,125	1,475
Kennedy Longfellow School Fund	53	—	—	53
Graham & Parks School Fund	4,922	5,725	6,497	4,150
Putnam Ave Upper School Fund	1,916	4,761	2,132	4,545
Rindge Ave Upper School Fund	—	—	—	—
Baldwin School Fund	484	2	—	486
Amigos School Fund	2,000	5,006	6,283	723
Haggerty School Fund	3,815	2,007	4,282	1,540
King School Fund	4,615	15	—	4,630
King Open School Fund	—	—	—	—
Morse School Fund	—	—	—	—
Tobin School Fund	—	—	—	—
Cambridge Street Upper School	—	—	—	—
Vassal Lane Upper School Fund	—	—	—	—
CRLS Activities Fund	—	320	—	320
CRLS Scholarships Fund	—	66,355	—	66,355
Total	\$ 6,032,339	10,431,635	9,742,194	6,721,780

CITY OF CAMBRIDGE, MASSACHUSETTS
 Combining Statement of Changes in Assets and Liabilities – Agency Funds
 Year ended June 30, 2016

Liabilities	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	154,416	384,115	104,510	434,021
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	171,097	5,895,200	6,025,706	40,591
Cambridge Fire Detail	87,244	1,881,136	1,903,232	65,148
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	231,170	99,690	83,672	247,188
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,682	—	3,666	16
Purchase of Trees	89,514	210,485	—	299,999
Accident and life Insurance	1,040,312	296,062	284,893	1,051,481
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	609,060	529,131	537,224	600,967
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,218,081	739,786	600,000	1,357,867
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	52,448	3,922	45	56,325
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
Stop Payments	22,667	—	—	22,667
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Water Department Deposits	585,985	153,000	64,750	674,235
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	730,201	—	1,644	728,557
Parking Garage Deposits	51,142	76,740	29,039	98,843
MASCO/Shuttle Program	—	228	—	228
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	228	—	—	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	—	—	—	—
Police – Found Cash	—	—	—	—
Firearms Recordkeeping Cash	20,495	12,438	16,638	16,295
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,901	—	—	25,901
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	(69,948)	—	257	(70,205)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	3,519	11,904	12,163	3,260
Fletcher/Maynard School Fund	2,608	33,596	35,436	768
Cambridgeport School Fund	1,589	20,011	20,125	1,475
Kennedy Longfellow School Fund	53	—	—	53
Graham & Parks School Fund	4,922	5,725	6,497	4,150
Putnam Ave Upper School Fund	1,916	4,761	2,132	4,545
Rindge Ave Upper School Fund	—	—	—	—
Baldwin School Fund	484	2	—	486
Amigos School Fund	2,000	5,006	6,283	723
Haggerty School Fund	3,815	2,007	4,282	1,540
King School Fund	4,615	15	—	4,630
King Open School Fund	—	—	—	—
Morse School Fund	—	—	—	—
Tobin School Fund	—	—	—	—
Cambridge Street Upper School	—	—	—	—
Vassal Lane Upper School Fund	—	—	—	—
CRLS Activities Fund	—	320	—	320
CRLS Scholarships Fund	—	66,355	—	66,355
Total	\$ 6,032,339	10,431,635	9,742,194	6,721,780

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2016

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, 2016.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2016

	<u>Uncollected June 30, 2015</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2016</u>
Real estate taxes:								
2005	\$ —	—	—	—	—	—	—	—
2006	—	—	—	4,734	—	—	(4,734)	—
2007	—	—	—	4,915	—	—	(4,915)	—
2008	—	—	—	—	—	—	—	—
2009	1,447	—	—	—	—	—	—	1,447
2010	—	—	—	—	—	(2,659)	2,659	—
2011	8,527	—	—	—	102,266	(110,793)	—	—
2012	—	—	—	21,085	109,661	(130,746)	—	—
2013	—	—	(16,991)	22,608	154,633	(160,250)	—	—
2014	3,059	—	(40,115)	16,703	68,306	(76,021)	40,082	12,014
2015	3,522,566	—	(46,485)	(513,559)	73,364	(2,822,467)	1,658	215,077
2016	—	334,173,630	(991,148)	—	339,638	(329,570,754)	(13,948)	3,937,418
Total real estate	\$ <u>3,535,599</u>	<u>334,173,630</u>	<u>(1,094,739)</u>	<u>(443,514)</u>	<u>847,868</u>	<u>(332,873,690)</u>	<u>20,802</u>	<u>4,165,956</u>

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, 2016

	<u>Uncollected June 30, 2015</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2016</u>
Personal property taxes:								
2002	\$ 13	—	—	—	—	—	—	13
2003	6,319	—	—	—	—	(277)	(660)	5,382
2004	9,217	—	—	—	—	(300)	(381)	8,536
2005	12,812	—	—	—	—	(293)	(769)	11,750
2006	7,941	—	—	—	—	(597)	(621)	6,723
2007	11,137	—	—	—	—	(606)	(1,089)	9,442
2008	13,815	—	—	—	—	(581)	(3,123)	10,111
2009	30,728	—	—	—	—	(614)	(14,774)	15,340
2010	37,167	—	(28,125)	—	28,125	(28,770)	15,483	23,880
2011	131,978	—	(59,700)	—	59,700	(71,301)	(28,320)	32,357
2012	268,484	—	(62,280)	—	62,280	(76,643)	(139,412)	52,429
2013	244,234	—	(27,929)	—	27,929	(42,304)	(16,679)	185,251
2014	273,345	—	—	—	—	(5,946)	(36,645)	230,754
2015	516,356	—	—	—	—	(424,497)	153,486	245,345
2016	—	21,646,472	(17,161)	—	71,726	(21,045,914)	(77,094)	578,029
Total personal property	1,563,546	21,646,472	(195,195)	—	249,760	(21,698,643)	(150,598)	1,415,342
Other	196,359	—	—	—	—	—	15,566	211,925
Property taxes	\$ 5,295,504	355,820,102	(1,289,934)	(443,514)	1,097,628	(354,572,333)	(114,230)	5,793,223

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, 2016

	<u>Uncollected June 30, 2015</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2016</u>
Motor vehicle excise taxes:								
1986	\$ 2,643	—	—	—	—	—	—	2,643
1987	57,262	—	—	—	—	(11)	—	57,251
1988	71,794	—	—	—	—	(299)	—	71,495
1989	76,291	—	—	—	—	(247)	1	76,045
1990	67,899	—	—	—	—	(40)	—	67,859
1991	51,037	—	—	—	—	(67)	—	50,970
1992	51,540	—	—	—	—	(108)	—	51,432
1993	48,742	—	(29)	—	—	(55)	—	48,658
1994	51,609	—	(54)	—	—	(50)	—	51,505
1995	55,863	—	(25)	—	—	—	—	55,838
1996	55,233	—	—	—	—	(18)	—	55,215
1997	47,153	—	—	—	—	—	—	47,153
1998	62,070	—	—	—	—	(243)	—	61,827
1999	108,573	—	—	—	—	(163)	—	108,410
2000	169,346	—	—	—	—	(600)	(1)	168,745
2001	211,538	—	(351)	—	351	(1,055)	—	210,483
2002	191,429	—	—	—	—	(453)	2	190,978
2003	170,675	—	(174)	—	—	(657)	(1)	169,843
2004	142,542	—	(125)	—	—	(1,257)	360	141,520
2005	115,825	—	—	—	—	(988)	—	114,837
2006	103,629	—	—	—	—	(979)	—	102,650
2007	136,931	—	—	—	54	(1,025)	—	135,960
2008	119,134	—	(24)	—	—	(811)	—	118,299
2009	101,837	—	(161)	—	—	(1,954)	1	99,723
2010	114,926	—	(85)	—	—	(2,244)	—	112,597
2011	123,122	—	(666)	—	—	(5,508)	1	116,949
2012	119,537	—	(93)	—	—	(7,573)	(3)	111,868
2013	143,767	—	(2,262)	—	1,927	(27,844)	(2)	115,586
2014	231,254	507	(10,351)	—	11,563	(80,199)	4	152,778
2015	561,914	844,163	(82,374)	—	78,581	(1,161,042)	175	241,417
2016	—	6,909,250	(161,363)	—	40,118	(6,083,580)	(852)	703,573
Total motor vehicle	\$ 3,565,115	7,753,920	(258,137)	—	132,594	(7,379,070)	(315)	3,814,107

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, 2016

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2015	Additions	Retired	Balance June 30, 2016
Inside debt limit:							
Hospital Series B 2007 Bonds	4.00%	3/15/2007	2/1/2018	\$ 4,495,000	—	1,500,000	2,995,000
Police Station Acquisition/Renovations	3.50%-4.25%	2/1/2006	1/1/2026	1,750,000	—	1,750,000	—
Library Construction	3.50%-4.25%	2/1/2006	1/1/2026	800,000	—	800,000	—
West Cambridge Youth Center	3.50%-4.25%	2/1/2006	1/1/2016	300,000	—	300,000	—
Building Renovations	3.50%-4.25%	2/1/2006	1/1/2016	100,000	—	100,000	—
Yerxa Road Underpass	3.50%-4.00%	2/1/2006	1/1/2016	100,000	—	100,000	—
Open Space Improvements	3.50%-4.00%	2/1/2006	1/1/2016	50,000	—	50,000	—
Porter Square Enhancements	3.50%-4.00%	2/1/2006	1/1/2016	80,000	—	80,000	—
Sewer Reconstruction	3.50%-4.00%	2/1/2006	1/1/2016	1,020,000	—	1,020,000	—
Building Renovations	4.00%	2/15/2007	2/1/2017	130,000	—	65,000	65,000
Police Station Acquisition/Renovations	4.00%	2/15/2007	2/1/2027	1,700,000	—	850,000	850,000
West Cambridge Youth Center	4.00%	2/15/2007	2/1/2017	1,600,000	—	800,000	800,000
Area 4 Park Improvements	4.00%	2/15/2007	2/1/2017	100,000	—	50,000	50,000
Yerxa Road Underpass	4.00%	2/15/2007	2/1/2017	220,000	—	110,000	110,000
Harvard Square Enhancements	4.00%	2/15/2007	2/1/2017	300,000	—	150,000	150,000
Sewer Reconstruction	4.00%	2/15/2007	2/1/2017	680,000	—	340,000	340,000
CRLS Renovations	3.00%-4.00%	2/1/2008	2/1/2028	750,000	—	250,000	500,000
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	3,667,786	—	1,222,598	2,445,188
Police Station Acquisition/Renovations	3.00%-4.00%	2/1/2008	2/1/2028	1,215,000	—	405,000	810,000
West Cambridge Youth Center	3.00%-3.25%	2/1/2008	2/1/2018	1,760,000	—	590,000	1,170,000
Library Construction	3.00%-4.00%	2/1/2008	2/1/2028	4,065,000	—	1,355,000	2,710,000
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	1,416,501	—	472,167	944,334
Harvard Square Enhancements	3.00%-3.25%	2/1/2008	2/1/2018	180,000	—	60,000	120,000
Sewer Reconstruction	3.00%-3.25%	2/1/2008	2/1/2018	1,860,713	—	620,235	1,240,478
Fire Station Renovations	2.00%-4.00%	3/15/2009	3/15/2019	400,000	—	100,000	300,000
Library Construction	2.00%-4.375%	3/15/2009	3/15/2029	7,395,000	—	530,000	6,865,000
Building Renovations	2.00%-4.00%	3/15/2009	3/15/2019	200,000	—	50,000	150,000
CRLS Renovations	2.00%	3/15/2009	3/15/2029	21,000,000	—	1,500,000	19,500,000
Replacement of Radio System	2.00%-4.00%	3/15/2009	3/15/2019	200,000	—	50,000	150,000
Sewer Reconstruction	2.00%-4.00%	3/15/2009	3/15/2019	1,920,000	—	480,000	1,440,000
War Memorial Renovations (MSBA)	2.00%	6/25/2009	11/1/2019	1,050,000	—	210,000	840,000
CRLS Renovations	2.00%-3.75%	2/15/2010	2/15/2030	18,750,000	—	1,250,000	17,500,000
Sewer Reconstruction	2.00%-3.00%	2/15/2010	2/15/2020	3,450,000	—	690,000	2,760,000
Yerxa Road Underpass Construction	2.00%-3.00%	2/15/2010	2/15/2020	150,000	—	30,000	120,000
War Memorial Renovations	2.00%-4.00%	2/15/2011	2/15/2021	95,000	—	20,000	75,000
Building Renovations	2.00%-4.00%	2/15/2011	2/15/2021	900,000	—	150,000	750,000
Replacement of Radio System	2.00%-4.00%	2/15/2011	2/15/2021	3,720,000	—	620,000	3,100,000
Old Police Station Renovation	2.00%-4.50%	2/15/2011	2/15/2031	3,200,000	—	200,000	3,000,000
CRLS Renovations	2.00%-4.50%	2/15/2011	2/15/2031	12,905,000	—	810,000	12,095,000
Harvard Square Enhancements	2.00%-4.00%	2/15/2011	2/15/2021	1,400,000	—	150,000	1,250,000
Danehy Park Improvements	2.00%-4.00%	2/15/2011	2/15/2021	420,000	—	70,000	350,000
Kendall Square Improvements	2.00%	2/15/2011	2/15/2016	100,000	—	100,000	—
Sewer Reconstruction	2.00%-4.00%	2/15/2011	2/15/2021	9,000,000	—	1,500,000	7,500,000
CRLS Renovations (MSBA)	2.00%	7/12/2011	11/1/2021	4,162,578	—	594,654	3,567,924
Building Renovations	2.00%	2/15/2012	2/15/2022	1,400,000	—	200,000	1,200,000
Old Police Station Renovation	2.00%-3.00%	2/15/2012	2/15/2032	8,945,000	—	530,000	8,415,000
Elementary School Renovations (Design)	2.00%	2/15/2012	2/15/2017	1,200,000	—	600,000	600,000
Refinancing Bonds (2004, 2005, 2006)	1.00%-5.00%	3/22/2012	1/1/2024	24,400,000	—	1,020,000	23,380,000
Street / Sidewalk Reconstruction	2.00%	2/15/2012	2/15/2022	700,000	—	100,000	600,000
Open Space Improvements	2.00%	2/15/2012	2/15/2022	910,000	—	130,000	780,000
Kendall Square Improvements	2.00%	2/15/2012	2/15/2022	210,000	—	30,000	180,000
Harvard Square Tunnel Improvements	2.00%	2/15/2012	2/15/2022	1,400,000	—	200,000	1,200,000
Sewer Reconstruction	2.00%	2/15/2012	2/15/2022	14,245,000	—	2,035,000	12,210,000
MCWT Loan (Gross Pay) CW-10-04)	—	6/13/2012	7/15/2022	8,078,940	—	1,004,574	7,074,366
King School Renovations	2.00%-3.00%	2/19/2013	2/15/2033	29,700,000	—	1,650,000	28,050,000
Old Police Station Renovations	2.00%-3.00%	2/19/2013	2/15/2033	3,660,000	—	205,000	3,455,000
Acquisitions of Fire Vehicles	2.00%-3.00%	2/19/2013	2/15/2023	995,000	—	125,000	870,000
City Hall Roof Replacement	2.00%-3.00%	2/19/2013	2/15/2023	800,000	—	100,000	700,000
Street / Sidewalk Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	800,000	—	100,000	700,000
Harvard Square Tunnel Improvements	2.00%-3.00%	2/19/2013	2/15/2023	1,200,000	—	150,000	1,050,000
Danehy Park Improvements	2.00%-3.00%	2/19/2013	2/15/2023	1,230,000	—	155,000	1,075,000
Kendall Square Improvements	2.00%-3.00%	2/19/2013	2/15/2023	400,000	—	50,000	350,000
Sewer Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	17,120,000	—	2,140,000	14,980,000
MWRA Loan	—	2/25/2013	2/15/2018	429,000	—	143,000	286,000
King School Renovations	3.00%-5.00%	2/18/2014	2/15/2034	17,575,000	—	925,000	16,650,000
Kendall Square Improvements	5.00%	2/18/2014	2/15/2024	900,000	—	100,000	800,000
Street / Sidewalk Reconstruction	5.00%	2/18/2014	2/15/2024	900,000	—	100,000	800,000
Harvard Square Tunnel Improvements	5.00%	2/18/2014	2/15/2024	900,000	—	100,000	800,000
Cambridge Common Improvements	5.00%	2/18/2014	2/15/2024	450,000	—	50,000	400,000
Sewer Reconstruction	5.00%	2/18/2014	2/25/2024	11,610,000	—	1,290,000	10,320,000
MCWT Loan CWP-13-03	2.00%	1/7/2015	1/15/2025	13,131,390	—	1,189,770	11,941,620
King School Renovations	2.00%-5.00%	3/3/2015	2/15/2035	41,000,000	—	2,050,000	38,950,000
344 Broadway Building Renovations	2.00%-5.00%	3/3/2015	2/15/2025	1,500,000	—	150,000	1,350,000
School Building Renovations	2.00%-5.00%	3/3/2015	2/15/2025	750,000	—	75,000	675,000
Police Station Elevator Repairs	2.00%-5.00%	3/3/2015	2/15/2020	150,000	—	30,000	120,000
City Hall Women's Restroom	2.00%-5.00%	3/3/2015	2/15/2020	100,000	—	20,000	80,000
Old Police Station Renovations	2.00%-5.00%	3/3/2015	2/15/2020	100,000	—	20,000	80,000
Kendall Square Surface Improvements	2.00%-5.00%	3/3/2015	2/15/2025	4,000,000	—	400,000	3,600,000
Cambridge Common Improvements	2.00%-5.00%	3/3/2015	2/15/2025	1,180,000	—	120,000	1,060,000
Danehy Park Improvements	2.00%-5.00%	3/3/2015	2/15/2025	1,150,000	—	115,000	1,035,000
Street / Sidewalk Reconstruction	2.00%-5.00%	3/3/2015	2/15/2025	1,000,000	—	100,000	900,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2016

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2015	Additions	Retired	Balance June 30, 2016
Golf Course Improvements	2.00%-5.00%	3/3/2015	2/15/2025	\$ 550,000	—	55,000	495,000
Sewer Reconstruction	2.00%-5.00%	3/3/2015	2/15/2025	23,985,000	—	2,450,000	21,535,000
Refinance Bonds (2005, 2006, 2007 and 2008)	2.00%-4.00%	3/4/2015	1/1/2028	38,105,000	—	—	38,105,000
School Building Renovations (Kennedy Longfellow)	2.00%-4.00%	3/1/2016	2/15/2026	—	2,500,000	—	2,500,000
Police Station Elevator Repairs	2.00%-4.00%	3/1/2016	2/15/2021	—	150,000	—	150,000
Harvard Square Kiosk Design	2.00%-4.00%	3/1/2016	2/15/2021	—	600,000	—	600,000
King Open and Cambridge St. Upper School and Community Complex	2.00%-4.00%	3/1/2016	2/15/2036	—	11,000,000	—	11,000,000
Building Renovation (344 Broadway and Street/Sidewalk Reconstruction	2.00%-4.00%	3/1/2016	2/15/2026	—	3,500,000	—	3,500,000
Street/Sidewalk Reconstruction	2.00%-4.00%	3/1/2016	2/15/2026	—	4,000,000	—	4,000,000
Harvard Square Reconstruction	2.00%-4.00%	3/1/2016	2/15/2026	—	500,000	—	500,000
Sewer Reconstruction	2.00%-4.00%	3/1/2016	2/15/2026	—	12,740,000	—	12,740,000
MCWT Loan (CWP-13-03 (A))	2.00%	2/11/2016	1/15/2026	—	14,000,000	—	14,000,000
Total inside debt limit				<u>395,616,908</u>	<u>48,990,000</u>	<u>42,151,998</u>	<u>402,454,910</u>
Outside debt limit:							
Water:							
Water Series C 2007 Bonds	4.00%-5.00%	3/15/2007	8/1/2019	10,140,000	—	2,420,000	7,720,000
Total water				10,140,000	—	2,420,000	7,720,000
Housing Trust Fund:							
Note payable	2.00%	4/20/00 and 7/1/21	4/1/20 and 7/1/21	3,542,451	—	598,057	2,944,394
Total outside debt limit				<u>13,682,451</u>	—	<u>3,018,057</u>	<u>10,664,394</u>
Total debt outstanding				\$ <u>409,299,359</u>	<u>48,990,000</u>	<u>45,170,055</u>	<u>413,119,304</u>

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF CAMBRIDGE, MASSACHUSETTS

June 30, 2016

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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CITY OF CAMBRIDGE, MASSACHUSETTS
 General Government Expenditures by Function (GAAP Basis) (1)

Last Ten Fiscal Years
 (Dollars in thousands)

Function		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	\$	38,656	33,317	33,235	34,894	35,852	35,892	40,101	31,765	32,572	34,284
Percentage of total		7.3%	6.6%	6.7%	7.8%	8.1%	8.2%	9.6%	8.0%	8.6%	9.4%
Percentage change		16.0	0.2	(4.8)	(2.7)	(0.1)	(10.5)	26.2	(2.5)	(5.0)	12.3
Public safety	\$	116,756	117,991	112,496	106,985	103,389	100,414	95,717	95,817	89,514	85,160
Percentage of total		22.0%	23.5%	22.8%	23.8%	23.4%	23.0%	22.9%	24.0%	23.7%	23.3%
Percentage change		(1.0)	4.9	5.2	3.5	3.0	4.9	0.1	7.0	5.1	3.1
Community maintenance and development	\$	46,667	46,004	40,570	39,175	36,683	36,459	34,127	35,040	33,331	30,527
Percentage of total		8.8%	9.2%	8.2%	8.7%	8.3%	8.4%	8.2%	8.8%	8.8%	8.4%
Percentage change		1.4	13.4	3.6	6.8	0.6	6.8	2.6	5.1	9.2	(2.8)
Human resource	\$	36,155	34,302	32,861	32,143	30,919	29,586	28,133	25,464	23,944	22,426
Percentage of total		6.8%	6.8%	6.7%	7.1%	7.0%	6.8%	6.7%	6.4%	6.3%	6.1%
Percentage change		5.4	4.4	2.2	4.0	4.5	5.2	10.5	6.3	6.8	7.6
Education	\$	183,324	168,367	176,930	143,788	139,276	134,078	132,652	129,031	124,531	121,868
Percentage of total		34.5%	33.6%	35.9%	32.0%	31.6%	30.8%	31.8%	32.4%	33.0%	33.4%
Percentage change		8.9	(4.8)	23.0	3.2	3.9	1.1	2.8	3.6	2.2	1.0
Judgments and claims	\$	2,715	122	52	76	4,113	9,029	925	171	115	213
Percentage of total		0.5%	—%	—%	—%	0.9%	2.1%	0.2%	—%	—%	0.1%
Percentage change		2,125.4	134.6	(31.6)	(98.2)	(54.4)		440.9	48.7	(46.0)	(38.4)
State assessments	\$	52,024	50,184	47,683	46,660	46,147	44,892	42,448	41,020	39,567	37,294
Percentage of total		9.8%	10.0%	9.7%	10.4%	10.5%	10.3%	10.2%	10.3%	10.5%	10.2%
Percentage change		3.7	5.2	2.2	1.1	2.8	5.8	3.5	3.7	6.1	3.9
Debt service	\$	54,814	51,359	49,669	46,305	44,562	45,248	43,215	40,169	34,124	32,942
Percentage of total		10.3%	10.2%	10.1%	10.3%	10.1%	10.3%	10.4%	10.1%	9.0%	9.0%
Percentage change		6.7	3.4	7.3	3.9	(1.5)	4.7	7.6	17.7	3.6	16.9
Total expenditures	\$	531,111	501,646	493,496	450,026	440,941	435,598	417,318	398,477	377,698	364,714
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		5.9	1.7	9.7	2.1	1.2	4.4	4.7	5.5	3.6	4.1

(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		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Property taxes	\$	356,247	342,853	327,999	315,777	297,724	281,812	266,862	251,256	238,747	231,875
Percentage of total		63.5%	65.4%	64.4%	68.0%	67.1%	67.6%	68.4%	66.9%	62.2%	61.8%
Percentage change		3.9	4.5	3.9	6.1	5.6	5.6	6.2	5.2	3.0	4.0
Motor vehicle excises	\$	7,452	7,200	7,230	6,833	6,239	6,453	6,182	6,140	6,650	5,942
Percentage of total		1.3%	1.4%	1.4%	1.5%	1.4%	1.5%	1.6%	1.6%	1.7%	1.6%
Percentage change		3.5	(0.4)	5.8	9.5	(3.3)	4.4	0.7	(7.7)	11.9	(3.3)
Hotel/motel/meals	\$	19,213	17,861	16,525	15,910	14,954	13,573	9,362	6,803	6,863	6,751
Percentage of total		3.4%	3.4%	3.2%	3.4%	3.4%	3.3%	2.4%	1.8%	1.8%	1.8%
Percentage change		7.6	8.1	3.9	6.4	10.2	45.0	38.0	(0.9)	1.7	16.4
Fines	\$	364	488	500	608	599	637	633	629	767	726
Percentage of total		0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Percentage change		(25.4)	(2.4)	(17.8)	1.5	(6.0)	0.6	0.6	(18.0)	5.6	(21.3)
Intergovernmental	\$	52,554	45,503	58,572	31,036	31,954	31,796	32,139	37,235	47,575	44,658
Percentage of total		9.4%	8.7%	11.5%	6.7%	7.2%	7.6%	8.2%	9.9%	12.4%	11.9%
Percentage change		15.5	(22.3)	88.7	(2.9)	0.5	(1.1)	(13.7)	(21.7)	6.5	1.2
Licenses and permits	\$	32,181	27,561	23,329	25,213	20,832	14,273	10,305	8,053	12,390	11,701
Percentage of total		5.7%	5.3%	4.6%	5.4%	4.7%	3.4%	2.6%	2.1%	3.2%	3.1%
Percentage change		16.8	18.1	(7.5)	21.0	46.0	38.5	28.0	(35.0)	5.9	(6.5)
Payment in lieu of taxes	\$	9,191	8,082	7,759	7,554	7,586	7,345	7,106	7,012	7,319	6,939
Percentage of total		1.6%	1.5%	1.5%	1.6%	1.7%	1.8%	1.8%	1.9%	1.9%	1.8%
Percentage change		13.7	4.2	2.7	(0.4)	3.3	3.4	1.3	(4.2)	5.5	5.5
Investment income	\$	3,274	1,523	1,622	616	864	1,064	1,274	4,257	9,295	11,119
Percentage of total		0.6%	0.3%	0.3%	0.1%	0.2%	0.3%	0.3%	1.1%	2.4%	3.0%
Percentage change		115.0	(6.1)	163.3	(28.7)	(18.8)	(16.5)	(70.1)	(54.2)	(16.4)	50.1
Charges for services	\$	48,819	47,921	41,690	40,020	40,579	40,347	36,825	36,058	36,874	38,761
Percentage of total		8.7%	9.1%	8.2%	8.6%	9.2%	9.7%	9.4%	9.6%	9.6%	10.3%
Percentage change		1.9	14.9	4.2	(1.4)	0.6	9.6	2.1	(2.2)	(4.9)	14.6
Departmental/other	\$	31,403	25,363	24,064	20,654	22,126	19,652	19,132	18,205	17,564	16,650
Percentage of total		5.7%	4.8%	4.7%	4.4%	5.0%	4.7%	4.9%	4.8%	4.6%	4.4%
Percentage change		23.8	5.4	16.5	(6.7)	12.6	2.7	5.1	3.6	5.5	14.9
Total revenues	\$	560,698	524,355	509,290	464,221	443,457	416,951	389,820	375,648	384,044	375,122
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		6.9	3.0	9.7	4.7	6.4	7.0	3.8	(2.2)	2.4	5.7

(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 Position by Component

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 357,453,373	381,832,841	415,315,555	454,771,570	497,650,641	524,201,859	553,655,888	598,532,113	637,618,851	673,717,401
Restricted	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849
Unrestricted	231,012,594	224,490,592	177,054,725	165,339,378	115,221,403	100,571,712	121,839,635	131,964,205	15,974,060	1,931,327
Total governmental activities net position	593,835,921	616,313,815	604,016,590	630,278,097	626,503,989	639,230,724	690,123,935	748,464,276	706,542,240	748,998,577
Business-type activities:										
Net investment in capital assets	90,562,284	94,430,046	99,633,725	105,516,517	109,176,777	112,708,862	114,837,208	117,985,639	120,185,083	120,185,083
Unrestricted	5,966,312	6,772,116	5,654,829	4,907,314	6,276,508	7,765,682	8,594,828	10,231,969	13,379,993	17,982,299
Total business-type activities net position	96,528,596	101,202,162	105,288,554	110,423,831	115,453,285	120,474,544	123,432,036	128,217,608	133,565,076	138,167,382
Primary government:										
Net investment in capital assets	448,015,657	476,262,887	514,949,280	560,288,087	606,827,418	636,910,721	668,493,096	716,517,752	757,803,934	793,902,484
Restricted	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849
Unrestricted	236,978,906	231,262,708	182,709,554	170,246,692	121,497,911	108,337,394	130,434,463	142,196,174	29,354,053	19,913,626
Total primary government net position	\$ 690,364,517	717,515,977	709,305,144	740,701,928	741,957,274	759,705,268	813,555,971	876,681,884	840,107,316	887,165,959

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 36,373,427	35,225,912	39,085,426	44,027,730	46,676,807	39,836,031	37,777,409	36,588,647	29,002,206	56,389,559
Public safety	88,299,052	100,538,293	106,362,564	119,538,796	122,033,751	124,013,170	127,768,163	134,185,406	138,554,014	134,762,503
Community maintenance and development	56,672,106	61,727,373	70,461,598	73,990,003	90,907,773	103,733,414	88,401,456	95,640,484	102,203,863	112,901,226
Human resource development	33,728,004	37,432,501	40,393,841	43,737,742	45,752,191	46,689,220	47,732,541	49,606,417	50,644,258	53,357,816
Education	138,673,636	150,992,375	156,458,805	165,216,021	171,283,824	181,180,963	185,466,794	220,006,395	211,018,908	228,453,104
State and district assessments (1)	31,294,026	33,567,157	35,020,229	—	—	—	—	—	—	—
Interest on long-term debt	8,336,823	9,303,724	9,503,428	10,039,003	9,756,666	8,253,614	9,142,323	9,537,632	9,381,387	10,938,908
Total governmental activities	<u>393,377,074</u>	<u>428,787,335</u>	<u>457,285,891</u>	<u>456,549,295</u>	<u>486,411,012</u>	<u>503,706,412</u>	<u>496,288,686</u>	<u>545,564,981</u>	<u>540,804,636</u>	<u>596,803,116</u>
Business-type activities:										
Water	13,657,590	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032	13,127,587	14,226,883	14,228,525
Total business-type activities expenses	<u>13,657,590</u>	<u>14,411,374</u>	<u>14,620,020</u>	<u>13,721,172</u>	<u>13,544,425</u>	<u>13,223,002</u>	<u>14,701,032</u>	<u>13,127,587</u>	<u>14,226,883</u>	<u>14,228,525</u>
Total primary government expenses	<u>407,034,664</u>	<u>443,198,709</u>	<u>471,905,911</u>	<u>470,270,467</u>	<u>499,955,437</u>	<u>516,929,414</u>	<u>510,989,718</u>	<u>558,692,568</u>	<u>555,031,519</u>	<u>611,031,641</u>
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	31,606,231	34,640,573	29,786,501	33,174,134	37,946,079	45,572,456	50,486,221	49,919,980	53,782,729	58,678,631
Community maintenance and development	38,689,798	38,967,973	37,767,491	39,685,063	42,168,021	42,296,774	40,660,130	44,521,761	50,851,436	52,489,213
Human resource and development	2,856,637	3,142,447	3,397,736	3,554,633	3,606,526	3,883,114	4,083,383	4,578,908	4,726,472	4,978,730
Other activities	414,844	493,643	499,322	1,863,149	1,978,164	2,254,981	2,088,454	1,366,380	1,649,398	2,266,034
Operating grants and contributions	26,210,631	27,238,759	28,910,186	35,953,873	25,562,766	23,137,698	23,168,113	25,475,845	23,282,530	24,526,412
Capital grants and contributions	6,541,460	16,129,811	10,191,408	38,367,032	9,091,275	13,093,858	23,794,638	21,680,944	21,913,519	15,508,261
Total governmental activities program revenues	<u>106,319,601</u>	<u>120,613,206</u>	<u>110,552,644</u>	<u>152,597,884</u>	<u>120,352,831</u>	<u>130,238,881</u>	<u>144,280,939</u>	<u>147,543,818</u>	<u>156,206,084</u>	<u>158,447,281</u>
Business-type activities:										
Charges for services:										
Water	19,016,582	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827	18,507,650	20,091,724	19,288,216
Total business-type program revenues	<u>19,016,582</u>	<u>19,597,687</u>	<u>19,070,169</u>	<u>19,396,031</u>	<u>19,130,204</u>	<u>18,824,741</u>	<u>18,318,827</u>	<u>18,507,650</u>	<u>20,091,724</u>	<u>19,288,216</u>
Total primary government program revenues	<u>125,336,183</u>	<u>140,210,893</u>	<u>129,622,813</u>	<u>171,993,915</u>	<u>139,483,035</u>	<u>149,063,622</u>	<u>162,599,766</u>	<u>166,051,468</u>	<u>176,297,808</u>	<u>177,735,497</u>
Net (expense) revenue:										
Governmental activities	(287,057,473)	(308,174,129)	(346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)	(352,007,747)	(398,021,163)	(384,598,552)	(438,355,835)
Business-type activities	5,358,992	5,186,313	4,450,149	5,674,859	5,585,779	5,601,739	3,617,795	5,380,063	5,864,841	5,059,691
Total primary government net expense	<u>\$ (281,698,481)</u>	<u>(302,987,816)</u>	<u>(342,283,098)</u>	<u>(298,276,552)</u>	<u>(360,472,402)</u>	<u>(367,865,792)</u>	<u>(348,389,952)</u>	<u>(392,641,100)</u>	<u>(378,733,711)</u>	<u>(433,296,144)</u>

(1) State and district assessments were allocated to appropriate functions beginning in fiscal 2010

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 230,740,742	238,400,940	252,948,784	265,565,126	282,244,351	297,981,301	315,153,860	326,755,052	343,594,775	356,993,674
Excise taxes	12,516,776	13,676,112	12,801,715	15,526,734	19,977,226	21,289,347	22,877,579	23,510,611	25,079,784	26,806,239
Unrestricted grants and contributions	41,338,603	40,149,251	36,085,639	21,853,897	31,795,812	31,954,472	31,035,786	58,572,275	45,502,677	52,554,349
Payments in lieu of taxes	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431
Investment income	14,434,985	12,467,474	5,865,388	1,894,610	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,256,036
Miscellaneous	16,571,631	17,961,549	20,038,690	17,581,978	18,978,421	25,230,542	26,339,352	36,691,219	36,626,619	31,296,358
Special item	—	—	—	—	—	—	—	—	—	—
Transfers	538,130	678,130	482,585	684,930	687,510	693,955	705,575	705,575	709,855	714,085
Total governmental activities	<u>323,079,913</u>	<u>330,652,023</u>	<u>335,234,754</u>	<u>330,212,918</u>	<u>362,284,073</u>	<u>386,194,266</u>	<u>404,767,394</u>	<u>456,361,504</u>	<u>461,258,468</u>	<u>480,812,172</u>
Business-type activities:										
Investment income	227,998	165,383	118,828	145,348	131,185	113,475	100,337	111,084	192,482	256,700
Transfers	(538,130)	(678,130)	(482,585)	(684,930)	(687,510)	(693,955)	(705,575)	(705,575)	(709,855)	(714,085)
Total business-type activities	<u>(310,132)</u>	<u>(512,747)</u>	<u>(363,757)</u>	<u>(539,582)</u>	<u>(556,325)</u>	<u>(580,480)</u>	<u>(605,238)</u>	<u>(594,491)</u>	<u>(517,373)</u>	<u>(457,385)</u>
Total primary government	\$ <u>322,769,781</u>	<u>330,139,276</u>	<u>334,870,997</u>	<u>329,673,336</u>	<u>361,727,748</u>	<u>385,613,786</u>	<u>404,162,156</u>	<u>455,767,013</u>	<u>460,741,095</u>	<u>480,354,787</u>
Change in net position:										
Governmental activities	\$ 36,022,440	22,477,894	(11,498,493)	26,261,507	(3,774,108)	12,726,735	52,759,647	58,340,341	76,659,916	42,456,337
Business-type activities	5,048,860	4,673,566	4,086,392	5,135,277	5,029,454	5,021,259	3,012,557	4,785,572	5,347,468	4,602,306
Total primary government	\$ <u>41,071,300</u>	<u>27,151,460</u>	<u>(7,412,101)</u>	<u>31,396,784</u>	<u>1,255,346</u>	<u>17,747,994</u>	<u>55,772,204</u>	<u>63,125,913</u>	<u>82,007,384</u>	<u>47,058,643</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund:										
Reserved	\$ 17,791,512	17,206,706	14,900,082	16,802,030	—	—	—	—	—	—
Unreserved	134,869,147	150,312,018	141,595,256	129,495,866	—	—	—	—	—	—
Nonspendable (2)	—	—	—	—	1,668,986	2,186,162	2,279,193	1,806,542	2,077,459	1,536,290
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Assigned (2)	—	—	—	—	42,061,955	34,256,986	43,762,124	59,468,937	70,997,088	71,455,514
Committed (2)	—	—	—	—	—	—	—	—	—	12,180,000
Unassigned (2)	—	—	—	—	99,698,895	126,726,779	149,940,041	166,222,585	202,673,242	215,772,588
Total general fund	\$ <u>152,660,659</u>	<u>167,518,724</u>	<u>156,495,338</u>	<u>146,297,896</u>	<u>143,429,836</u>	<u>163,169,927</u>	<u>195,981,358</u>	<u>227,498,064</u>	<u>275,747,789</u>	<u>300,944,392</u>
All other governmental funds:										
Reserved	\$ 12,687,274	76,741,409	31,315,543	79,650,408	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds and permanent funds	87,098,510	52,687,083	48,691,005	21,007,217	—	—	—	—	—	—
Affordable Housing Trust fund (1)	—	—	—	38,205,509	—	—	—	—	—	—
Capital funds	50,831,905	30,946,966	59,319,015	4,499,536	—	—	—	—	—	—
Nonspendable (2)	—	—	—	—	2,075,173	2,106,473	2,136,928	2,170,328	2,199,328	2,234,567
Restricted (2)	—	—	—	—	70,523,371	84,361,676	101,619,998	102,945,688	98,314,260	102,467,578
Committed (2)	—	—	—	—	56,302,807	47,105,139	50,958,117	53,741,300	54,314,647	43,524,368
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ <u>150,617,689</u>	<u>160,375,458</u>	<u>139,325,563</u>	<u>143,362,670</u>	<u>128,901,351</u>	<u>133,573,288</u>	<u>154,715,043</u>	<u>158,857,316</u>	<u>154,828,235</u>	<u>148,226,513</u>

(1) The Affordable Housing Trust fund became a major fund in fiscal 2010.

(2) In 2011 the City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real and personal property taxes	\$ 231,875,724	238,747,275	251,255,629	266,861,794	281,812,153	297,723,747	315,776,734	327,998,703	342,853,089	356,247,426
Excises:										
Hotel/motel/meals (1)	6,751,419	6,862,581	6,802,768	9,361,688	13,573,132	14,954,425	15,909,648	16,525,182	17,861,201	19,212,693
Motor vehicles	5,942,196	6,649,769	6,139,573	6,182,561	6,452,602	6,238,835	6,833,482	7,230,474	7,200,225	7,452,353
Payments in lieu of taxes	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431
Intergovernmental	77,410,419	90,943,960	76,336,094	96,174,802	66,449,853	68,186,028	77,998,537	105,729,064	90,698,726	92,589,021
Investment income	14,434,985	12,467,474	5,865,388	1,894,609	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,557,639
Sewer use charges	38,761,289	36,874,045	36,058,033	36,825,469	40,346,895	44,541,076	40,019,569	41,690,417	47,920,611	48,818,911
Departmental and other	54,554,968	59,358,026	55,799,892	60,882,792	65,720,424	76,147,745	85,552,428	94,500,678	90,340,819	98,811,972
Total revenues	<u>436,670,046</u>	<u>459,221,697</u>	<u>445,269,330</u>	<u>485,289,358</u>	<u>482,955,812</u>	<u>516,836,505</u>	<u>550,745,640</u>	<u>603,801,290</u>	<u>606,619,429</u>	<u>635,881,446</u>
Expenditures:										
General government	34,465,493	32,828,519	31,916,657	40,319,061	36,409,755	36,208,277	35,314,267	33,666,421	33,939,319	39,263,469
Public safety	86,275,482	90,299,577	97,140,430	96,824,874	101,853,345	104,715,922	108,274,572	113,968,219	119,194,172	117,208,429
Community maintenance and development	44,557,472	45,478,865	55,510,022	38,032,205	51,507,080	61,281,315	50,603,919	52,362,862	56,099,790	72,599,793
Human resource development	29,664,774	31,372,419	33,766,144	36,852,936	38,368,426	39,148,273	39,884,217	40,972,087	42,342,999	43,971,684
Education (2)	132,655,957	135,144,165	143,381,070	144,306,482	146,220,378	152,550,364	157,451,132	188,662,328	180,839,120	196,938,970
Judgments and claims	212,729	114,641	170,865	924,862	9,029,151	4,112,551	75,633	52,394	121,540	2,714,745
State and district assessments	37,294,026	39,567,157	41,020,229	42,447,468	44,892,107	46,146,725	46,660,306	47,682,872	50,184,292	52,023,584
Capital outlays (3)	42,079,595	94,264,563	85,028,601	79,574,710	73,656,249	62,132,657	83,432,261	80,397,730	125,479,923	90,735,725
Debt service:										
Interest (2)	8,719,761	9,273,441	9,503,428	10,704,491	10,418,972	10,598,471	10,269,653	11,183,721	11,652,622	12,900,991
Principal (2)	28,407,064	28,953,226	30,665,746	35,287,743	35,868,095	34,411,621	36,398,061	38,901,992	39,847,940	42,151,998
Total expenditures	<u>444,332,353</u>	<u>507,296,573</u>	<u>528,103,192</u>	<u>525,274,832</u>	<u>548,223,558</u>	<u>551,306,176</u>	<u>568,364,021</u>	<u>607,850,626</u>	<u>659,701,717</u>	<u>670,509,388</u>
Excess of revenues over (under) expenditures	<u>(7,662,307)</u>	<u>(48,074,876)</u>	<u>(82,833,862)</u>	<u>(39,985,474)</u>	<u>(65,267,746)</u>	<u>(34,469,671)</u>	<u>(17,618,381)</u>	<u>(4,049,336)</u>	<u>(53,082,288)</u>	<u>(34,627,942)</u>
Other financing sources (uses):										
Premium on bond issue	708,969	411,360	792,996	915,209	1,030,857	5,851,746	4,890,992	4,102,740	12,114,100	3,518,738
Bond proceeds	45,670,000	71,601,220	49,485,000	32,225,000	46,220,000	81,365,115	65,975,000	34,900,000	126,701,390	48,990,000
Transfer in	28,978,763	38,229,302	35,441,124	29,106,459	31,693,559	33,038,864	36,278,854	39,395,794	68,446,221	60,642,718
Transfer out	(42,260,143)	(37,551,172)	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)	(35,573,279)	(38,690,219)	(67,736,366)	(59,928,633)
Transfer (out) to Fiscal Escrow Agent	—	—	—	—	—	(29,029,117)	—	—	(42,222,413)	—
Total other financing sources (uses)	<u>33,097,589</u>	<u>72,690,710</u>	<u>50,760,581</u>	<u>33,825,139</u>	<u>47,938,367</u>	<u>58,881,699</u>	<u>71,571,567</u>	<u>39,708,315</u>	<u>97,302,932</u>	<u>53,222,823</u>
Net change in fund balances	\$ <u>25,435,282</u>	<u>24,615,834</u>	<u>(32,073,281)</u>	<u>(6,160,335)</u>	<u>(17,329,379)</u>	<u>24,412,028</u>	<u>53,953,186</u>	<u>35,658,979</u>	<u>44,220,644</u>	<u>18,594,881</u>
Debt service as a percentage of noncapital expenditures	9.23%	9.26%	9.07%	10.30%	9.75%	9.29%	9.62%	9.50%	9.64%	9.50%

- (1) The City started charging Meals Tax in 2010 and has added it to the Hotel/Motel/Meals category since then.
- (2) Adjusted to reflect reclassification of debt service payments that are included in education in basic financial statements.
- (3) 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)

Fiscal year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate	Weighted average direct rate
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
2010	14,894	5,561	2,906	911	24,272	7.72	18.75	11.98
2011	14,824	5,528	2,850	960	24,162	8.16	19.90	12.70
2012	15,018	5,492	2,986	951	24,447	8.48	20.76	13.22
2013	15,567	5,405	3,171	1,071	25,214	8.66	21.50	13.57
2014	16,642	5,936	3,503	1,080	27,161	8.38	20.44	13.05
2015	18,562	6,577	3,914	1,090	30,143	7.82	19.29	12.23
2016	21,584	7,187	4,687	1,222	34,680	6.99	17.71	11.04

(1) As of January 1st of the previous calendar year.

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 of Cambridge Finance Department

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
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
2010		7.72	18.75	18.75	25.00
2011		8.16	19.90	19.90	25.00
2012		8.48	20.76	20.76	25.00
2013		8.66	21.50	21.50	25.00
2014		8.38	20.44	20.44	25.00
2015		7.82	19.29	19.29	25.00
2016		6.99	17.71	17.71	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

Taxpayer	2016			Taxpayer	2007		
	Taxable assessed value	Amount of tax	Percentage of total tax levy		Taxable assessed value	Amount of tax	Percentage of total tax levy
Massachusetts Institute of Technology (1)	\$ 2,689,098,400	45,336,346	12.79%	Massachusetts Institute of Technology (1)	\$ 1,420,488,100	24,374,479	10.93%
BioMed Realty Trust	1,269,118,400	22,474,044	6.34	Boston Properties	468,316,000	8,570,183	3.84
Boston Properties	928,819,900	16,449,400	4.64	BioMed Realty Trust	432,837,100	7,920,919	3.55
Equity Partners	537,773,000	3,792,447	1.07	Equity Partners	244,367,800	4,112,838	1.84
Presidents & Fellows of Harvard College (1)	473,842,800	5,227,789	1.47	Novartis Pharmaceuticals	221,426,400	4,052,103	1.82
Alexandria Real Estate	471,842,800	8,128,414	2.29	New England Development	193,047,200	3,532,764	1.58
Novartis Pharmaceuticals	266,343,700	4,716,947	1.33	PREEF American Reit II Corp.	180,000,400	3,294,007	1.48
PREEF American Reit II Corp.	257,030,300	4,552,007	1.28	One Kendall LLC	177,922,500	3,232,199	1.45
New England Development	237,732,140	4,210,236	1.19	Presidents and Fellows of Harvard College (1)	276,892,410	3,075,356	1.38
RB Kendall Fee LLC	233,213,700	4,115,770	1.16	Lyme Properties LLC	152,607,200	2,421,560	1.09
Total	\$ 7,364,815,140	119,003,400	33.56%		\$ 3,767,905,110	64,586,408	28.96%

(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 ended June 30	Taxes levied (2) for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2007	\$ 233.30	227.10	97.34	0.20	227.30	97.43
2008	243.00	237.90	97.90	—	237.90	97.90
2009	258.50	250.20	96.79	2.60	252.80	97.79
2010	269.10	263.10	97.77	2.00	265.10	98.51
2011	285.20	281.00	98.53	1.10	282.10	98.91
2012	299.30	294.60	98.43	1.60	296.20	98.96
2013	317.70	313.60	98.71	1.50	315.10	99.18
2014	329.20	324.20	98.48	3.00	327.20	99.39
2015	342.30	337.50	98.60	3.17	340.67	99.52
2016	354.40	350.20	98.81	N/A	350.20	98.81

(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				
2008	\$ 276,540,915	335,000	—	6,000,000	39,485,690	322,361,605	10.21	3,181	1.37
2009	293,330,855	315,000	—	6,000,000	33,200,861	332,846,716	10.54	3,284	1.39
2010	290,293,112	290,000	—	6,000,000	26,853,332	323,436,444	10.24	3,191	1.33
2011	300,670,017	265,000	—	5,786,728	21,895,000	328,616,745	6.86	3,125	1.36
2012	321,753,511	235,000	—	5,265,622	18,360,000	345,614,133	7.22	3,286	1.41
2013	351,360,450	205,000	—	4,703,302	15,520,000	371,788,752	7.77	3,535	1.48
2014	347,393,458	170,000	—	4,128,675	12,680,000	364,372,133	7.61	3,465	1.34
2015	395,616,908	—	—	3,542,451	10,140,000	409,299,359	8.55	3,892	1.36
2016	402,454,910	—	—	2,944,394	7,720,000	413,119,304	8.60	3,928	1.19

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- a. See page 105 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b. See page 97 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

Fiscal year		General obligation bonds outstanding	Total taxable assessed value	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
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
2010		317,146,444	24,272,000,000	3,129	1.31
2011		322,565,017	24,162,000,000	3,067	1.34
2012		340,113,511	24,447,000,000	3,234	1.39
2013		366,880,450	25,214,000,000	3,489	1.46
2014		360,073,458	27,161,000,000	3,424	1.33
2015		405,756,908	30,143,000,000	3,858	1.35
2016		410,174,910	34,680,000,000	3,900	1.18

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

- a. See page 105 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b. See page 97 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2016

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 402,454,910	—	100.00%	402,454,910
Massachusetts Water Resources Authority	—	3,690,804,000	5.72	211,086,482
Total direct and overlapping debt	<u>\$ 402,454,910</u>	<u>3,690,804,000</u>		<u>613,541,392</u>

(1) Excludes 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 2016:

Fiscal year 2015 equalized valuation (1)	\$ 29,733,817,500
Debt limit (5% of assessed value) (2)	<u>1,486,690,875</u>
Debt applicable to limit:	
General obligation bonds	410,174,910
Total authorized/unissued	<u>231,927,819</u>
Total debt outstanding plus authorized/unissued	642,102,729
Less general obligation bonds exempted by authority of the State legislature	<u>7,720,000</u>
Amount within debt limit	<u>634,382,729</u>
Legal debt margin	\$ <u><u>852,308,146</u></u>

	Fiscal year (dollars in thousands)									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 1,226,473	1,226,473	1,306,216	1,306,216	1,408,101	1,408,101	1,332,006	1,332,006	1,486,690	1,486,690
Total net debt applicable to limit	<u>365,939</u>	<u>388,105</u>	<u>402,855</u>	<u>382,057</u>	<u>405,608</u>	<u>373,969</u>	<u>478,154</u>	<u>463,877</u>	<u>474,434</u>	<u>634,382</u>
Legal debt margin	\$ <u><u>860,534</u></u>	<u><u>838,368</u></u>	<u><u>903,361</u></u>	<u><u>924,159</u></u>	<u><u>1,002,493</u></u>	<u><u>1,034,132</u></u>	<u><u>853,852</u></u>	<u><u>868,129</u></u>	<u><u>1,012,256</u></u>	<u><u>852,308</u></u>
Total net debt applicable to the limit as a percentage of debt limit	29.84%	31.64%	30.84%	29.25%	28.81%	26.56%	35.90%	34.83%	31.91%	42.67%

(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 biennially 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, 2014.

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population (1)	Median family income (1)	Per capita income (1)	Median age (1)	School enrollment (2)	Unemployment rate (3)
2007	101,355	\$ 59,423	31,156	30.4	5,797	3.20
2008	101,355	59,423	31,156	30.4	5,861	3.80
2009	101,355	59,423	31,156	30.4	5,950	6.60
2010	101,355	59,423	31,156	30.4	6,137	5.60
2011	105,162	88,574	45,521	30.2	6,202	5.00
2012	105,162	88,574	45,521	30.2	6,224	4.50
2013	105,162	88,574	45,521	30.2	6,393	5.30
2014	105,162	88,574	45,521	30.2	6,518	4.40
2015	105,162	88,574	45,521	30.2	6,539	3.50
2016	105,162	88,574	45,521	30.2	6,607	2.80

(1) Source 2006–2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011–2015: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2010

(2) Source: Massachusetts Department of Education

(3) Source: State Executive Office of Labor and Workforce Development

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

Employer	2016			Employer	2007		
	Employees	Rank	Percentage of total city employment		Employees	Rank	Percentage of total city employment
Harvard University	11,997	1	10.75%	Harvard University	10,068	1	9.85%
MIT	8,763	2	7.85	MIT	7,864	2	7.69
City of Cambridge (2)	2,950	3	2.64	City of Cambridge (2)	2,819	3	2.76
Biogen Idec	2,700	4	2.42	Mt. Auburn Hospital	1,813	4	1.77
Novartis Institute	2,457	5	2.20	Cambridge Health Alliance	1,567	5	1.53
Mt. Auburn Hospital	2,115	6	1.90	Federal Government	1,514	6	1.48
Cambridge Health Alliance	1,713	7	1.54	Biogen Inc	1,434	7	1.40
Cambridge Innovation Center	1,678	8	1.50	Genzyme Corporation	1,370	8	1.34
Sanofi/Genzyme	1,600	9	1.43	Novartis Institute	1,200	9	1.17
Akamai Technologies	1,544	10	1.38	Millennium Pharmaceuticals	1,175	10	1.15
	<u>37,517</u>		<u>33.61%</u>		<u>30,824</u>		<u>30.14%</u>
Total average employed	<u>111,581</u>				<u>102,250</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

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Full-Time Equivalent Positions by Function/Program
 Last Ten Fiscal Years

Function/program	Full-time equivalent positions as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Executive management	16	16	16	16	16	16	16	18	18	19
Clerk	10	10	10	10	10	10	10	11	10	10
Law	11	11	11	11	11	11	11	11	11	11
Finance	83	83	83	80	81	81	83	85	87	91
Other	19	19	15	15	15	15	14	14	14	15
Subtotal	139	139	135	132	133	133	134	139	140	146
Public safety:										
Fire	284	284	284	284	285	285	285	285	285	285
Police	307	307	313	311	311	311	311	317	318	319
Traffic	80	80	80	81	81	81	81	81	82	82
Inspectional	27	27	27	27	27	27	27	27	27	28
Emergency communication	39	39	39	38	38	38	38	38	41	42
Other	30	30	30	28	27	27	27	26	26	28
Subtotal	767	767	773	769	769	769	769	774	779	784
Community maintenance:										
Public works	213	211	214	213	213	213	213	213	215	222
Community development	45	45	45	44	44	44	43	43	45	49
Other	13	13	13	13	12	12	12	12	12	11
Subtotal	271	269	272	270	269	269	268	268	272	282
Human resource development:										
Library	60	60	60	64	65	65	66	68	68	68
Human services	128	128	130	135	136	136	139	141	143	144
Other	7	7	7	7	7	7	6	6	6	6
Subtotal	195	195	197	206	208	208	211	215	217	218
Education	1,218	1,238	1,244	1,264	1,274	1,257	1,334	1,438	1,470	1,504
Water	63	63	63	60	55	55	55	55	55	55
Grand total	2,653	2,671	2,684	2,701	2,708	2,691	2,771	2,889	2,933	2,989

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/program	2015	2016
Emergency communications:		
911 call pickups (land lines)	18,135	17,567
911 call pickups (cell phones)	17,203	17,434
Percent of 911 calls answered within 20 seconds	99%	99%
Percent of dispatchers and supervisors fully cross-certified	30%	33%
Fire:		
Number of state-mandated inspections of facilities	1,088	1,088
First response to fire emergency within 4-8 minutes	95%	95%
Respond to EMS requests within 4-6 minutes, 90% of the time	95%	95%
Inspectional:		
Number of BZA applications	167	141
Number of compliance inspections (buildings)	4,641	6,112
Number of compliance inspections and re-inspections	1,999	1,706
Number of inspections (housing complaints)	4,076	4,410
Number of licensed dumpster inspections completed	635	898
Police:		
Number of part 1 crimes reported	3,010	2,850
Average number of days between identified Part 1 crime patterns and the elimination of the pattern by an arrest or increase in police presence	34	24
Number of accidents citywide	1,733	1,560
Number of bicycle accidents citywide	169	168
Traffic:		
Short-term, on street spaces managed by parking meters and pay citations	3,161	3,167
Percent of tickets paid within 21 days from issuance without a notice	62%	62.6%
Percent of tickets issued this fiscal year that have been paid this year	85.6%	86.1%
Community Development:		
Number of projects undergoing urban design review	25	41
Number of small businesses assisted through the Best Retail Practices Program and Retail Interior Accessibility Program (includes workshops, grants, and in-store consultations)	41	29
Number of projects to support and enhance conditions for bicycling, walking, and/or use of public transportation, such as public bike rack installations and traffic calming	10	10
Number of local and regional transportation infrastructure projects and programs that advance the City's environmental, public health, and community livability goals, such as Hubway bike share and the Transit Strategic Plan	10	10
New rental units under development and existing units preserved as affordable housing with City financing	124	104
New affordable homeownership units under development with City financing and older homes rehabilitated for new buyers	11	11
New affordable inclusionary housing units approved	57	98
New households purchasing affordable homes through CDD	16	10
Public Works:		
Number of CPS buildings with food scrap collection for composting	10	13
Complete planting requests within 1 year (percent of requests)	90%	80%
Water:		
Meters replaced	314	327
Number of fire hydrants replaced	101	66
Human Services:		
ADA trainings, technical assistance sessions, and disability awareness trainings provided to City staff and other public entities	260	200
Number of clients served in youth and family services programs	2,600	2,600
Number of clients served through domestic violence and abuse prevention programs	70	68
Number of clients served through homelessness prevention/service programs	4,700	3,597
Number of students served at Community Learning Center	881	890
Number of clients receiving case management and information and referral services through elderly services	3,553	3,800
Number of families placed in housing Multi-Service Center	25	35
Number of residents served through the Cambridge Employment Program (CEP)	257	240
Number of youth recreation and swimming classes	121	141
Number of books distributed to children, families, and staff	8,700	9,450
Number of parents participating in Baby University and Alumni Association activities	141	161
Number of families participating in Center for Families programming	864	715
Number of children served in summer camps	949	1,050
Number of teens enrolled in school year programming	397	500
Number of involved in summer programming	369	378
Library:		
Check-outs	1,326,584	1,249,878
Select, purchase, and catalog new acquisitions for library collection	47,147	50,427
Number of items in collection	401,469	374,290
Provide a welcoming environment for all visitors at Main Library	579,935	592,377
Number of visitors to the branches	377,542	368,046
Education:		
Total enrollment	6,539	6,607

Note: The City Departments changed operating indicator data to conform to the performance measures reflected in the newly formatted adopted Budget Book.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	25	26	26	27	28	28	29	30	32	31
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	84	80	80	79	79	79	77	83	80	80
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	15	15	15	15	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,285	7,383	7,604	7,615	7,649	7,667	7,371	7,374	7,110	7,279
Traffic signals	189	188	187	187	185	185	185	184	185	188
Sewer:										
Sanitary sewers (miles)	147	147	147	147	150	149	150	151	151	148
Storm sewers (miles)	90	92	92	92	94	96	96	95	95	97
Library:										
Main library	1	1	1	1	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Acreage	496	497	497	497	497	497	497	497	497	497
Playgrounds	59	59	59	59	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5	5	5	50	5
Senior centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water treatment plant	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	190	190	190	190	185	185	185	185	185	185
Fire hydrants	1,750	1,750	1,750	1,750	1,800	1,800	1,800	1,800	1,800	1,800
Storage capacity (gallons)	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Reservoirs	4,300,000	4,300,000	4,300,000	4,300,000	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	12	12	12	12
High school	1	1	1	1	1	1	1	1	1	1

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2016

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

