



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2002 – June 30, 2003

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year
July 1, 2002 through June 30, 2003

Robert W. Healy
City Manager

Richard C. Rossi
Deputy City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Neville Center at Fresh Pond

The Neville Center at Fresh Pond for Nursing and Rehabilitation is currently under construction, with completion projected for Spring 2004. Upon completion, Neville Center at Fresh Pond will provide a new home for residents of the former Neville Manor Nursing facility. Neville Center will contain 112 beds available to residents in need of skilled nursing care and/or rehabilitation services. Construction of Neville Center at Fresh Pond reflects an extensive development and design review process initiated in 1996 with a Request for Proposals issued by the Cambridge Health Alliance and City of Cambridge for redevelopment of the Neville site. Next to Neville Center for Nursing and Rehabilitation is Neville Place at Fresh Pond, an affordable assisted living residence completed in 2001. Neville Place for Assisted Living is located in the former Neville Manor Nursing facility.

Lead developer for the redevelopment of the Neville site is the Cambridge Housing Authority, with major funding and support for the project provided by the City of Cambridge and Cambridge Health Alliance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2003

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CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
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Introductory Section



City of Cambridge

FINANCE DEPARTMENT

LOUIS DePASQUALE

Assistant City Manager/Finance

December 3, 2003

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

Dear Mr. Healy:

The Comprehensive Annual Financial Report of the City of Cambridge, Massachusetts, for the Fiscal Year ended June 30, 2003 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the General Fund, Capital Projects Fund, and Other Governmental Funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred. The accrual basis of accounting is followed by all funds when reporting on a government-wide basis as shown on pages 15 and 16. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

Budgetary Control

The City uses encumbrance accounting in its governmental funds as a method of recording commitments under purchase orders and contracts. Encumbrance accounting, under which purchase orders, contracts,



and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the Governmental Fund Types as a significant aspect of budgetary control.

Uncollateralized Deposits

The City of Cambridge does not require collateral for its certificates of deposit, money market accounts, checking, or savings accounts when dealing with major banking institutions in the Boston area. However, City officials reserve the right to require collateral when it is in the best interest of the City.

The Reporting Entity

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

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

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2002, which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

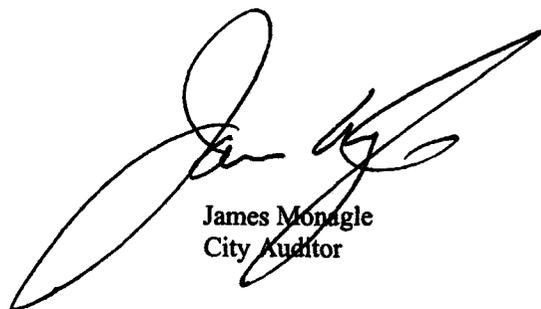
The City continues to show strong financial gains through responsible management of financial operations and through improved accounting and financial reporting practices. The financial decisions made during the past fiscal year will continue to pay dividends in the years to come.

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

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 3, 2003

The Honorable Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Cambridge, Massachusetts, for the fiscal year ended June 30, 2003. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The Comprehensive Annual Financial Report is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City of Cambridge. Readers are further encouraged to consider this information in conjunction with the information that is supplied in the Management's Discussion and Analysis (MD&A) section of the City's Basic Financial Statements.

The report is divided into three major sections:

1. The Introductory Section, including this letter, which provides an overview of the City's organizational structure, a summary of the financial condition of the City and an analysis of the City's general government operations.
2. The Financial Section, which contains the Independent Auditors' Report on the City's Basic Financial Statements, Management's Discussion and Analysis, the Basic Financial Statements, and Combining Statements and Schedules including required supplementary information. These statements and schedules provide both an overview of the City's entire financial operations and details for the significant individual funds.
3. The Statistical Section, which presents historical financial data, debt statistics, and miscellaneous social and economic data about the City.

Fiscal 2003 Year in Review: Major Initiatives

During fiscal year 2003, the City consolidated the gains made in the previous few fiscal years to reach the highest levels of General Fund balance and free cash in the City's history. Revenues from such categories as building permits and sewer service charges continued to exceed budget estimates by wide margins. Other reserve and special revenue funds, including the Health Claims Trust, City Stabilization, and Parking, increased as well, bringing those funds to their highest level in several years.

In addition to the improvement in the City's fiscal condition mentioned in the above paragraph, continued new growth in the residential and commercial property sectors enabled the City's tax levy limit to grow substantially, which, when combined with a moderate increase in the actual tax levy, produced a \$5.7 million increase in the excess levy capacity. The fiscal year 2002 excess levy capacity of \$36.2 million increased to \$41.4 million at June 30, 2003, a 14.4% increase.

Other significant fiscal achievements during fiscal year 2003 are as follows:

- The three major credit rating agencies confirmed the highest rating available to cities. Fitch IBCA, Inc. cited "a strong local economy, characterized by a sizable and stable employment base, a substantial and growing tax base, healthy fund balances, and a low debt burden" as the primary

reasons for its high rating. Moody's Investors Service based its Aaa on its anticipation that the City will "continue to maintain a very strong financial position given a prudently structured long-term fiscal approach and an ample degree of flexibility to address potential budgetary challenges." Standard & Poor's recognized the City's ability to "weather the current national recession with little or no effect on collection or service delivery levels."

- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA), which allows the City to impose the surcharge of 3% on real estate taxes. The City has adopted a recommended policy to allocate funds 80% affordable housing, 10% Historic Preservation, and 10% open space. During fiscal year 2003, the CPA tax raised \$5.4 million for the City with the State contributing matching funds of \$5.0 million. Of the total, \$7.6 million was appropriated, \$1.4 million was reserved for future appropriation, and the remainder was reported in unreserved fund balance.
- The City's free cash position improved significantly during fiscal year 2003. This was the result of actual receipts exceeding budget estimates in several categories and expenditures being under appropriations. Free cash increased by \$16,342,904, or 56.9%, from its fiscal year 2002 level of \$28,706,934 to \$45,049,838.
- In January 2003, the City issued \$28.7 million in General Obligation bonds to finance a wide range of projects including improvements to City Hall Annex, Taylor Square Fire Station and several other City buildings, sewer reconstruction, street reconstruction, golf course improvements, open space improvements, and enhancements to Harvard Square. The net interest cost of these capital projects was 3.1%.
- The City implemented a new Computer Assisted Mass Appraisal (CAMA) system within the Assessing Department. All data from various systems has been merged into this new system, which will allow for greater efficiency in data entry and management along with providing more robust appraisal modeling tools to be used by the Assessors for future revaluations. The new system integrates physical property data, digital images, Geographic Information System (GIS), and document imaging.
- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved these awards annually from the GFOA for the last 16 years.

Financial Summary

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

General Fund Balances and Cash Position

The City ended fiscal year 2003 with a total general fund balance of \$91,384,091, which represents 29.6% of general fund revenues, a slight increase from 26.9% in fiscal year 2002. In fiscal year 2003, operations produced a \$2,498,266 surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$6,097,472 was transferred to reserve accounts in fiscal year 2003, leaving an unreserved fund balance of \$85,286,619. General fund cash and short-term investments totaled \$111,601,721 while the balance of cash and short-term investments for all funds totaled \$208,777,005, which is a \$26,397,306, or 14.5% increase from fiscal year 2002 with the largest portion of this increase occurring in the Capital Projects Fund.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 1998 through 2003.

Fiscal year:	<u>Unreserved general fund balance</u>
1998	\$ 34,958,456
1999	23,223,656
2000	25,154,076
2001	31,879,786
2002 (1)	69,586,739
2003	85,286,219

- (1) Upon implementation of GASB 34, fund balances from the Health Claims Trust and City and School Stabilization Funds have been included in the general fund.

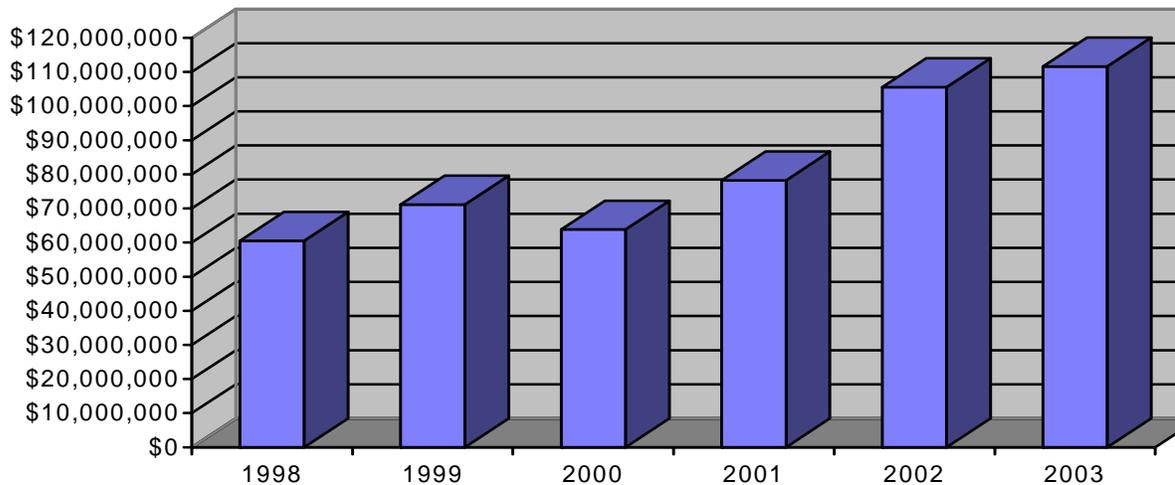
Cash Position

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

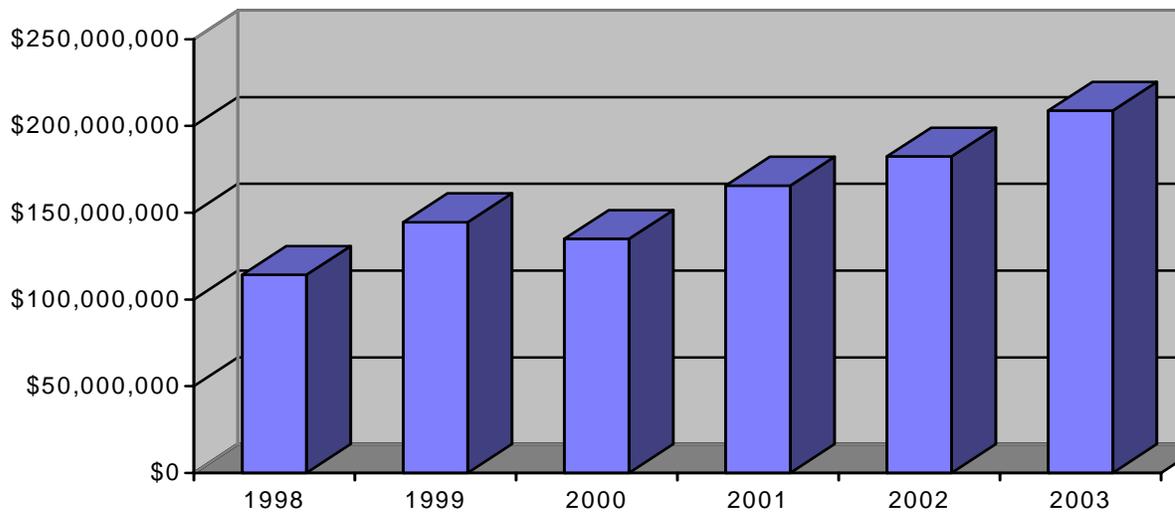
Fiscal year:	<u>Year-end general fund cash and short term investments</u>	<u>Year-end all funds cash and short-term investments</u>
1998	\$ 60,512,140	114,159,051
1999	71,132,435	144,468,983
2000	63,837,512	134,939,537
2001	78,235,106	165,618,341
2002(1)	105,531,056	182,379,699
2003	111,601,721	208,777,005

- (1) Upon implementation of GASB 34, fund balances from the Health Claims Trust and City and School Stabilization Funds have been included in the general fund.

Year-End Cash Balance – General Fund



Year-End Cash Balance – All Funds



Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for the five year-period from fiscal year 2004 through fiscal year 2008, which was approved by the City Council in June 2003, has an estimated cost of \$246,064,390. Financing for the fiscal year 2004 portion of the capital plan was appropriated with the adoption of the fiscal year 2004 operating budget in June 2003.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. In fiscal year 2003, the City’s outstanding bonded debt as of June 30, 2003 totaled \$215,605,958.

	Key Debt Ratios					
	2003	2002	2001	2000	1999	1998
Ratio of bonded debt to assessed value	1.2	1.3	1.6	1.4	1.4	1.4
Bonded debt per capita	\$ 2,127	2,098	1,986	1,535	1,413	1,132
Ratio of bonded debt per capita to per capital income	6.8	6.8	10.0	7.7	7.1	5.7
Ratio of debt service to total expenditures	11.3	10.6	9.7	8.9	8.6	7.6

Property Valuations

Based on valuations of all real and personal property as of January 1, 2002, the total value of all property in the City is \$17,750,735,596. Of that total, \$676,672,588 is attributable to new construction. The table below compares fiscal year 2003 property valuations and tax rates to fiscal year 2002 valuations and tax rates.

	Property valuation (in thousands)		Tax rates	
	FY 2003	FY 2002	FY 2003	FY 2002
	Commercial/industrial	\$ 6,563,198	6,215,072	18.67
Personal property	367,927	305,137	18.67	18.81
Residential	10,819,610	10,316,878	7.26	7.22
Total value	<u>\$ 17,750,735</u>	<u>16,837,087</u>		

Permanent Trust Fund

The City’s permanent trust fund (excluding the Retirement Trust Fund) has a total fund balance of \$2,613,124 at June 30, 2003 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, providing dental hygiene for school age children, and rehabilitating affordable housing.

Pension Liability

As of January 1, 2002, the City’s unfunded actuarial accrued liability is approximately \$61 million. In January, 1991, the City established a State approved funding schedule that will eliminate the City’s unfunded actuarial liabilities by June 30, 2009.

Risk Management

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

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

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

Independent Audit

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2003 is included herein.

Certificate of Achievement

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 of Cambridge, Massachusetts, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

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

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

Economic Condition

The City has continued to improve its strong financial condition despite a downturn in the local economy.

Although City unemployment increased from 3.6% to 3.9% at June 30, 2003, compared with 5.6% for the State and 6.0% for the United States, inflation continues at its slow pace while property values are increasing.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community. In fact, the overall property tax levy increased by 5.5% from the prior fiscal year. There continues to be many reasons to be optimistic about the fiscal future of Cambridge.

Although the local economy has felt the effects of the recession, the City has historically been resilient to economic downturns. As mentioned in a previous section, both the cash position of all funds and the fund equity of the general fund improved significantly during fiscal year 2003 despite negative factors

associated with the local economy. These improvements are directly attributable to the strong financial management of the City. This was reaffirmed by all three credit agencies who awarded the City a triple A bond rating.

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

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to thank the members of the City Council for their concern and support in planning and constructing the financial operations of the City in a responsible and progressive manner. Additionally, I would like to acknowledge all of the City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

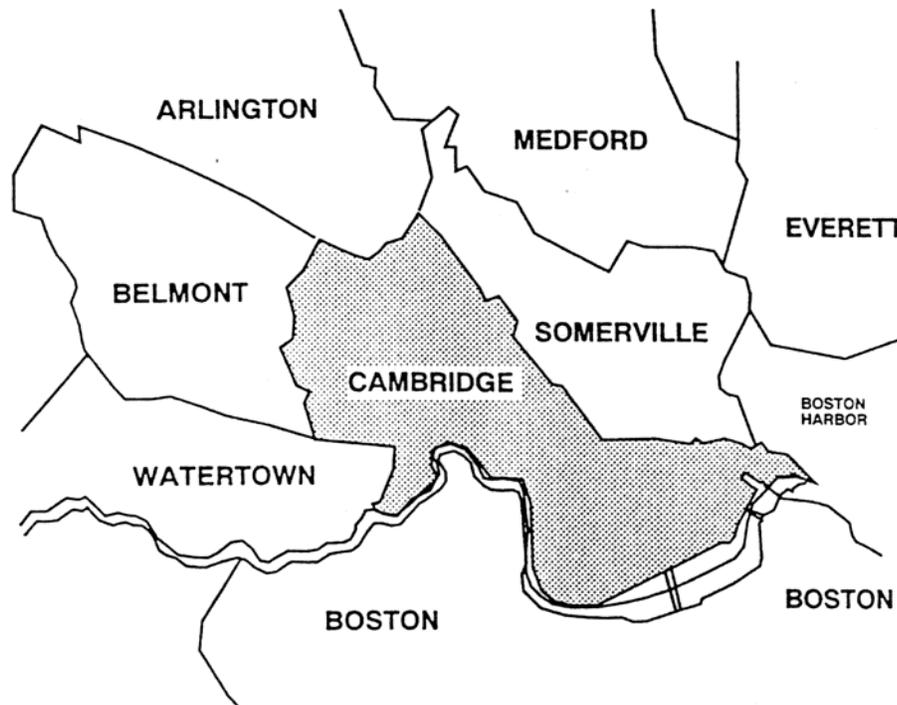
Finally, I would like to thank the City's delegation to the State Legislature, who have continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

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

Robert W. Healy
City Manager

A Few Words About Cambridge



The City of Cambridge, Massachusetts is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west, the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. The City's estimated population was 101,355 in 2003.

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

The City Manager is the chief administrative officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 41 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires August 31, 2006.

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

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

Fiscal Year 2003
Directory of Officials
City Council

Michael A. Sullivan, Mayor

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

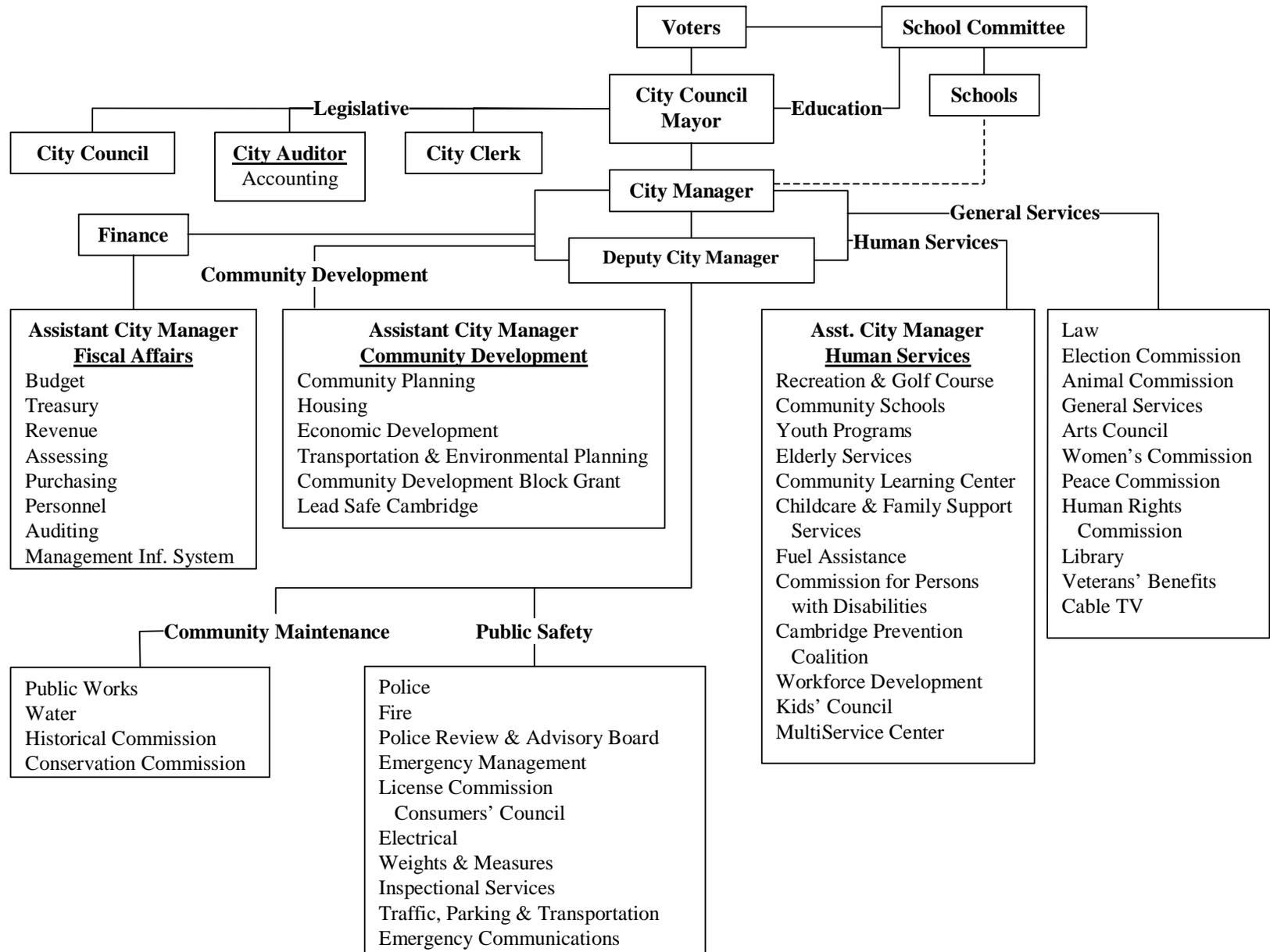
School Committee

Michael A. Sullivan, Chair

Alfred B. Fantini	Alan C. Price
Joseph G. Grassi	Alice L. Turkel
Richard Harding, Jr.	Nancy Walser

Principal Executive Officers

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



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

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Financial Section



99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cambridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 14, the schedules of funding progress and employers' contributions on pages 47 and 48, and the schedule of revenues and expenditures – budgetary basis on pages 49 and 50 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cambridge's basic financial statements. The introductory section, supplemental statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a





whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 3, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

December 3, 2003

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Management of the City of Cambridge (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, 2003. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which follow this section.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

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.

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

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

Fund Financial Statements

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

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

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

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

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

Proprietary Fund – Provides services for which the City charges customers a fee and operate 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,

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

proprietary fund financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

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

Government – Wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets based on the statements of Net Assets found on page 15 of the financial statements.

The City's combined net assets (government and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2003 by \$470.5 million (presented as "Net Assets"). Of this amount, \$176.1 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructures (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$291.2 million indicating the amount of capital debt does not exceed the net book value of the City's fixed assets. Since most of the City's debt has a ten-year life, a considerable amount of our capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
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Included within the governmental activities current and other assets are cash and investments of \$175.8 million up 18.2% over prior year; receivables net of allowance \$24.9 million consistent with prior year; and prepaid bond issuance fees of \$0.3 million that is amortized over the life of the ten-year bonds.

Governmental activities long term liabilities included \$157.2 million in general obligation bonds and notes payable; \$20.1 million in compensated absence liabilities for unused sick and vacation; \$4.5 million in future year workers compensation benefits. The major increase in the long-term liabilities is the increase in general obligation bonds of \$8.8 million which will be used for street reconstruction, sewer projects, fire house remodeling and other large capital projects. Also, there was an increase of \$1.9 million in compensated absence liabilities and a slight increase of approximately \$0.2 million in accrued interest that relates to the increase in general obligation bonds. Other liabilities balance of \$27.3 million includes Tax abatement refunds, Accrued Payroll, Other liabilities, and Deferred revenues and remains consistent with prior year.

Business type activity long-term liabilities include \$66.8 million in general obligation bonds and \$0.4 million in compensated absence costs. The reduction of \$5.9 million in general obligation bonds compared to prior year is attributable to no new debt issues and an aggressive ten-year repayment schedule for most debt.

Condensed Schedule of Net Assets

As of June 30, 2003 and 2002

(In millions)

	Governmental activities		Business-type activities		Total primary government	
	6/30/2003	6/30/2002	6/30/2003	6/30/2002	6/30/2003	6/30/2002
Current and other assets	\$ 224.7	198.4	10.0	12.2	234.7	210.6
Capital assets	376.6	356.1	138.6	140.3	515.2	496.4
Total assets	\$ 601.3	554.5	148.6	152.5	749.9	707.0
Long-term liabilities	\$ 183.6	174.6	68.2	74.8	251.8	249.4
Other liabilities	27.3	26.0	0.3	0.1	27.6	26.1
Total liabilities	\$ 210.9	200.6	68.5	74.9	279.4	275.5
Net assets:						
Invested in capital assets, net of debt	\$ 219.3	255.2	71.8	67.7	291.1	322.9
Restricted for:						
Other purposes	3.2	3.1	—	—	3.2	3.1
Unrestricted	167.9	95.6	8.3	9.9	176.2	105.5
Total net assets	\$ 390.4	353.9	80.1	77.6	470.5	431.5

Statement of Changes in Net Assets

The City's total net assets increased by \$39.0 million in fiscal year 2003 of which the governmental activities net assets increased \$36.5 million and the business-type activities increased \$2.5 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

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

Condensed Schedule of Changes in Net Assets

June 30, 2003

(In millions)

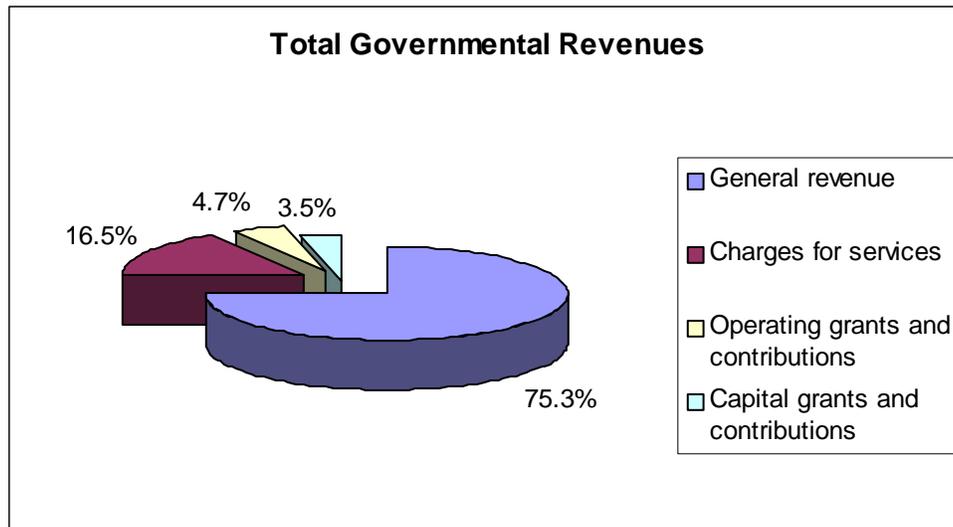
	Governmental activities		Business-type activities		Total primary government	
	6/30/2003	6/30/2002	6/30/2003	6/30/2002	6/30/2003	6/30/2002
Revenues:						
Program revenues:						
Charges for services	\$ 61.4	50.5	16.9	15.5	78.3	66.0
Operating grants and contributions	17.5	22.7	—	—	17.5	22.7
Capital grants and contributions	12.9	3.5	—	—	12.9	3.5
General revenues:						
Taxes:						
Property taxes levied	198.1	200.0	—	—	198.1	200.0
Excises	10.2	10.8	—	—	10.2	10.8
Payment in lieu of taxes	4.6	5.3	—	—	4.6	5.3
Grants and contributions not restricted	42.3	46.8	—	—	42.3	46.8
Investment income	2.5	3.3	0.1	0.1	2.6	3.4
Miscellaneous	21.9	15.5	—	—	21.9	15.5
Transfers	0.4	0.4	(0.4)	(0.4)	—	—
Total revenues	371.8	358.8	16.6	15.2	388.4	374.0
Expenses:						
General government	23.2	28.3	—	—	23.2	28.3
Public safety	77.6	73.2	—	—	77.6	73.2
Community maintenance and development	48.1	37.4	—	—	48.1	37.4
Human resource development	25.5	23.5	—	—	25.5	23.5
Education	127.3	122.7	—	—	127.3	122.7
State and district assessments	28.9	28.0	—	—	28.9	28.0
Water department	—	—	14.1	15.1	14.1	15.1
Debt service	4.7	5.0	—	—	4.7	5.0
Total expenses	335.3	318.1	14.1	15.1	349.4	333.2
Change in net assets	36.5	40.7	2.5	0.1	39.0	40.8
Net assets – beginning	353.9	313.2	77.6	77.5	431.5	390.7
Net assets – ending	390.4	353.9	80.1	77.6	470.5	431.5

Total Revenues

Total governmental activities revenues for the City are comprised of General Revenue \$280.0 million, Charges for Services \$61.4 million, Operating Grants and Contributions \$17.5 million and Capital Grants and Contributions of \$12.9 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

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General

Real Estate Tax Revenues are the City's largest revenue source at \$198.1 million representing 70.8% of general revenues. The assessed tax valuation base is \$17.8 billion up from \$16.8 billion assessed in the prior year showing a 5.95% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$42.3 million representing 15.1% of general revenues and includes State Cherry Sheet Revenues of \$36.9 million, State Police Career Incentive of \$1.0 million, and other unrestricted contributions. The Cherry Sheet Revenues are down 7.8% in the current year due to fiscal cut backs in State Aid.

Program

Charges for services are \$61.4 million represents a variety of department revenues. Charges for services increased in the current year by \$10.9 million or 21.6%. The public safety portion of \$27.8 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. Public safety revenues increased \$5.1 million due to a rise in building permit revenues attributable to the build up of Kendall Square area. The community maintenance and development portion of \$30.8 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category also increased by \$5.5 million due to a 11.6% increase in sewer rates and a 13.3% increase in water consumption.

Operating Grants and Contributions of \$17.5 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 4.7% of the Total City Revenues. There is a decrease of \$5.2 million over prior year due to a decrease in intergovernmental revenues resulting from State budget cuts and a sluggish economy.

Capital Grants and Contributions of \$12.9 million include Community Development Capital Grants, State Revolving grants, and other capital restricted revenues. There is an increase of \$9.3 million, which is the result of a one time MIT reimbursement of \$3 million, an increase in Block Grant reimbursements, and a rise in the amount of MWRA grants received this year.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Expenses

For fiscal year ended June 30, 2003, expenses for governmental activities totaled \$335.3 million, which cover a range of services. On the whole, the City's expenditures increased \$17.2 million or 5.4% over prior year.

Education continues to be one of the City's highest priorities and commitments representing \$127.3 million or 38.0% of the total primary government expenses. This balance includes both grant and general operating expenses. Education expenditures increased 4% this year due to salary increases.

Another important issue to the City is affordable housing and the preservation of open space. This is the second year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations and the protection of open space. Expenditures related to these initiatives are recorded in the Community Maintenance and Development category that increased \$10.7 million over fiscal year 2002. Approximately \$4.0 million was attributable to the rise in spending by the Affordable Housing Trust to subsidize housing projects. Normal budgeted increases for salaries, judgments and claims, trash/recycling costs, and snow and ice removal accounted for \$2.2 million of the increase. The remainder of the increase is attributable to Capital expenditures for housing projects that do not meet the criteria of a fixed asset.

General Governmental expenditures have decreased approximately \$5.1 million compared to fiscal year 2002. A reduction in dental plan costs of \$0.5 million, unemployment compensation of \$0.1 million, and retiree benefit costs of \$0.8 million contribute to the decrease. Also, there was a reduction in the IBNR health care costs.

Business-type Activities

Business-type activities increased net assets by \$2.5 million, accounting for 7% of the total growth in the City's net assets.

A portion of the increase is attributable to a \$1.4 million or 8.3% increase in charges for services for business-type activities. The increase is a direct affect of a 7.1% increase in water rates and a 13.3% increase in water consumption. The decrease in interest expense costs by \$0.8 million is another aspect of the increased net assets. The decrease is attributable to lower interest bond series.

Financial Analysis of the Government's Funds

As noted earlier, the City of Cambridge 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 of Cambridge's governmental funds reported a combined ending fund balance of \$159.4 million. Of this amount, \$3.3 million is reserved for other purposes and \$40.0 million reserved for encumbrances. This leaves an unreserved balance of \$116.1 million.

The General Fund is the chief operating fund of the City of Cambridge. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$85.2 million, while the total fund balance was \$91.4 million. As a measure of the General Funds liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 27.8% of total General Fund expenditures, while the total balance represents 29.8% of that same amount.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Proprietary Funds

City of Cambridge's proprietary fund provides the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the Water fund at the end of the year was \$80.1 million and an investment in capital assets, net of related debt of \$71.8 million. The major capital investment representing this restricted fund balance is the new water treatment plant.

General Fund Budgetary Highlights

The City of Cambridge 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. Due to the favorable change in the business climate, corporate excise estimates were increased \$250 thousand.
3. 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 Statement of Revenues and Expenditures-Budgetary Basis-Budget and Actual, which presents financial information on the budgetary basis of accounting.

Revenues and other Financing Sources

Fiscal year 2003 actual revenues on a budgetary basis totaled \$301.8 million. This represents an increase of \$12.8 million or 4.4% from fiscal year 2002. Property taxes are the single largest revenue source, representing approximately 64.2% of General Fund revenues, net of abatements. Real and personal property tax revenues, net of abatements, increased by \$10.4 million, or 5.7%. Intergovernmental receipts comprise the City's next largest revenue source, representing 14.1%. These revenues decreased 8.8% to \$42.7 million, due to a decrease in state aid. Sewer receipts increased 13.5% to \$27.1 million due to significant increases in the sewer rate.

Decrease of 10.3% in the Hotel/Motel Excise reflect the sluggish local economy during fiscal year 2003. The Hotel/Motel industry was particularly hit hard by the aftermath of September 11th.

The 22.9% decrease in investment income from \$1.7 million to \$1.3 million was the result of lower interest rates earned on its cash and investment balances.

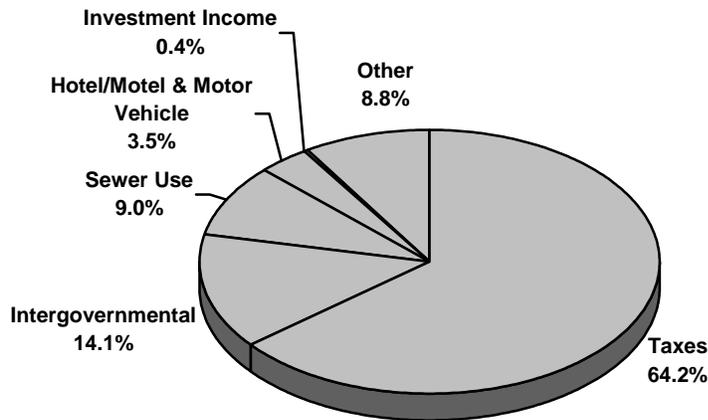
CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

The following table and graph display the dollar amounts received from various sources of revenue for fiscal year 2003 and compares these amounts to those received in fiscal year 2002.

**Fiscal Year 2003 General Fund Revenues
Budgetary Basis
(Dollars in thousands)**

Revenue source	2003		2002		Increase (decrease) from fiscal year 2002	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes, net of abatements	\$ 193,576	64.2%	\$ 183,183	63.4%	\$ 10,393	5.7%
Intergovernmental	42,690	14.1	46,822	16.2	(4,132)	(8.8)%
Sewer use	27,061	9.0	23,837	8.2	3,224	13.5%
Excise taxes:						
Hotel/motel	4,401	1.5	4,908	1.7	(507)	(10.3)%
Motor vehicle	6,032	2.0	5,838	2.0	194	3.3%
Investment income	1,295	0.4	1,679	0.6	(384)	(22.9)%
Other	26,696	8.8	22,679	7.9	4,017	17.7%
Total	301,751	100.0%	288,946	100.0%	12,805	4.4%
Net transfers in (out)	9,268		7,752		1,516	
Total, net of transfers	\$ 311,019		\$ 296,698		\$ 14,321	



Expenditures

During fiscal year 2003, total expenditures increased on a budgetary basis by 4.6% from \$299.4 million to \$313.3 million.

Every expenditure function, except general government, experienced increases in fiscal year 2003.

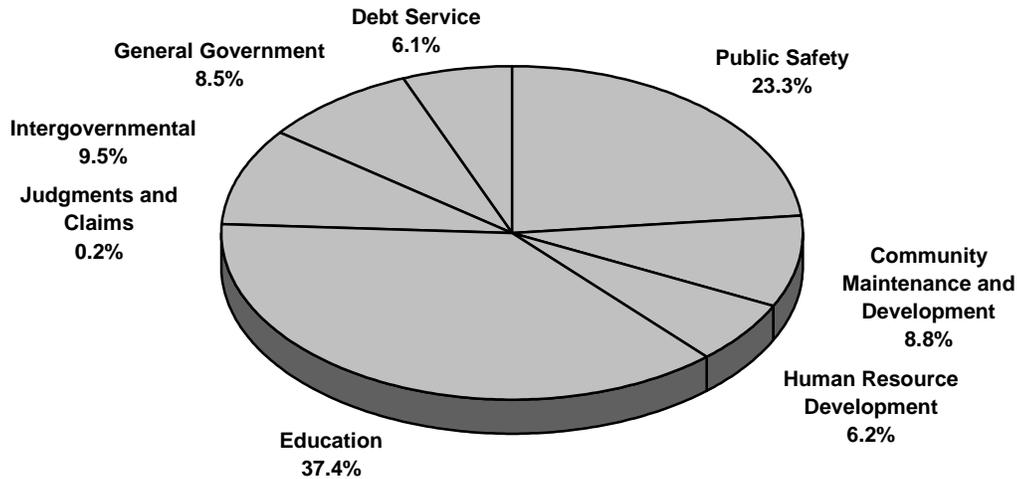
CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

As part of the agreement between the City and the Cambridge Public Health Commission (CPHC), the City will continue to subsidize the operations of the CPHC for the year ended June 30, 2003. The City's intergovernmental expenditures include \$6.6 million of subsidy to CPHC. This amount is consistent with previous years.

**Fiscal Year 2003 General Fund Expenditures
Budgetary Basis
(Dollars in thousands)**

Expenditure function	2003		2002		Increase (decrease) from fiscal year 2002	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 26,589	8.5%	\$ 27,521	9.2%	\$ (932)	(3.4)%
Public safety	72,909	23.3	70,409	23.5	2,500	3.6
Community maintenance and development	27,626	8.8	26,040	8.7	1,586	6.1
Human resource development	19,519	6.2	18,258	6.1	1,261	6.9
Education	117,137	37.4	112,573	37.6	4,564	4.1
Judgments and claims	756	0.2	205	0.1	551	268.8
Intergovernmental	29,699	9.5	28,019	9.4	1,680	6.0
Debt service	19,071	6.1	16,389	5.5	2,682	16.4
Grand Total	\$ 313,306	100.0%	\$ 299,414	100.0%	\$ 13,892	4.6%



Capital Asset and Debt Administration

Capital Assets

As of June 30, 2003, the City of Cambridge's investment in capital assets for its governmental and business-type activities amounted to \$515.2 million (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, open space, road and highways. The total gross increase in

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

the City's investment in capital assets for the current fiscal year was \$34.7 million in the governmental activities and \$1.0 million in the business-type activities.

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 Danehy Park land improvements, Taylor Fire Station building improvements and completion of a Fiber Optic Network.

	Governmental activities		Business-type activities		Totals	
	2003	2002	2003	2002	2003	2002
	(In millions)					
Land	\$ 162.3	162.3	39.3	39.3	201.6	201.6
Buildings and improvements	150.7	144.8	80.2	77.4	230.9	222.2
Improvements-nonbuilding	24.9	19.6	—	—	24.9	19.6
Furniture and equipment	23.3	22.2	1.0	0.9	24.3	23.1
Infrastructure	127.4	127.9	30.3	30.0	157.7	157.9
Construction in progress	55.4	32.7	0.6	2.8	56.0	35.5
Totals	\$ 544.0	509.5	151.4	150.4	695.4	659.9

Additional information on the City of Cambridge's capital assets can be found in note 5 beginning on page 35.

Debt

At year-end, the City had \$224.0 million in outstanding bonds and notes compared to \$221.9 million last year. That is an increase of \$2.1 million or 0.9%.

	Governmental activities		Business-type activities		Totals	
	2003	2002	2003	2002	2003	2002
	(In millions)					
General obligation bonds and notes payable	\$ 157.2	149.2	66.8	72.7	224.0	221.9

The City of Cambridge maintains bond ratings with Fitch IBCA of AAA, Moody's Investors Service Inc. of Aaa, and Standard & Poor's Corporation of AAA. The true interest rate for the current years bond sale was 3.1% to 4.00% is over the next ten years.

The Commonwealth of Massachusetts statutorily limits the amount of general obligation debt a governmental entity may issue to 2.5% of the City's equalized assessed valuation. The current debt limitation is \$456.0 million.

Additional information on the City of Cambridge's debt can be found in note 7 beginning on page 38.

Economic Factors and Next Years Budgets and Rates

With an uncertainty as to the state aid cuts, the City has increased the property tax levy by 6.1% to \$209.6 million in fiscal year 2004. Despite this increase, the City's excess tax levy capacity, an extremely important indication of the City's financial health is \$41.4 million for FY 04.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

The operating budget increased 2.4% over FY 03 budget. The increase is attributable to a 1% salary increase for all employees; a 10% increase in employee health insurance; a 1.8% increase in employee pension costs; 1.1% in school spending and a debt service increase of 10.2%. The capital budget of \$66.5 million is an increase of approximately \$37.1 million from prior year. This significant increase is largely due to recommended appropriation of \$33.6 million for improvements to the Cambridge Rindge and Latin School, which are eligible for School Building Assistance reimbursement.

Contacting the City's Financial Management

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets

June 30, 2003

Assets	Primary government			Component unit
	Governmental activities	Business-type activities	Total	
Cash and investments	\$ 175,215,436	7,343,813	182,559,249	37,096,062
Cash and investments held by trustees	600,000	—	600,000	23,868,674
Receivables, net:				
Property taxes	3,357,627	—	3,357,627	—
Motor vehicle excise	530,800	—	530,800	—
Intergovernmental	9,635,221	—	9,635,221	—
Other	11,376,442	3,804,083	15,180,525	31,752,016
Other assets	337,254	—	337,254	28,269,523
Internal balances	1,181,986	(1,181,986)	—	—
Due from component unit	22,500,000	—	22,500,000	—
Capital assets:				
Nondepreciable	217,694,708	39,837,223	257,531,931	13,548,915
Depreciable, net	158,869,290	98,784,900	257,654,190	210,311,176
Total assets	<u>601,298,764</u>	<u>148,588,033</u>	<u>749,886,797</u>	<u>344,846,366</u>
Liabilities				
Warrants and accounts payable	1,713,996	198,268	1,912,264	40,433,750
Accrued liabilities:				
Tax abatement refunds	2,500,000	—	2,500,000	—
Accrued payroll	11,225,051	85,474	11,310,525	—
Other	8,519,127	—	8,519,127	—
Deferred revenue	3,384,936	—	3,384,936	36,446,416
Due to primary government	—	—	—	22,500,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	22,405,970	5,969,782	28,375,752	—
Capital leases	—	—	—	4,254,482
Due to third parties	—	—	—	6,154,657
Compensated absences	8,281,513	193,608	8,475,121	22,921,743
Landfill	25,000	—	25,000	—
Claims	2,429,089	82,151	2,511,240	—
Accrued interest	1,275,855	811,448	2,087,303	—
Due in more than one year:				
Bonds and notes payable	134,816,209	60,819,513	195,635,722	—
Capital leases	—	—	—	21,950,963
Due to third parties	—	—	—	29,326,019
Compensated absences	11,813,136	167,844	11,980,980	—
Landfill	425,000	—	425,000	—
Claims	2,080,445	164,303	2,244,748	—
Total liabilities	<u>210,895,327</u>	<u>68,492,391</u>	<u>279,387,718</u>	<u>183,988,030</u>
Net Assets				
Investment in capital assets, net of related debt	219,341,820	71,832,828	291,174,648	175,154,646
Restricted for:				
Other purposes	3,213,124	—	3,213,124	4,352,200
Unrestricted	167,848,493	8,262,814	176,111,307	(18,648,510)
Total net assets	<u>\$ 390,403,437</u>	<u>80,095,642</u>	<u>470,499,079</u>	<u>160,858,336</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2003

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 23,235,936	373,838	—	—	(22,862,098)		(22,862,098)
Public safety	77,556,200	27,772,926	—	—	(49,783,274)		(49,783,274)
Community maintenance and development	48,106,254	30,821,353	3,413,881	12,925,487	(945,533)		(945,533)
Human resource development	25,470,147	2,461,592	4,472,849	—	(18,535,706)		(18,535,706)
Education	127,313,849	—	9,568,640	—	(117,745,209)		(117,745,209)
Intergovernmental	28,926,710	—	—	—	(28,926,710)		(28,926,710)
Interest on long term debt	4,720,322	—	—	—	(4,720,322)		(4,720,322)
Total governmental activities	<u>335,329,418</u>	<u>61,429,709</u>	<u>17,455,370</u>	<u>12,925,487</u>	<u>(243,518,852)</u>		<u>(243,518,852)</u>
Business-type activities:							
Water	14,199,144	16,979,446	—	—	—	2,780,302	2,780,302
Total business-type activities	<u>14,199,144</u>	<u>16,979,446</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,780,302</u>	<u>2,780,302</u>
Total primary government	<u>\$ 349,528,562</u>	<u>78,409,155</u>	<u>17,455,370</u>	<u>12,925,487</u>	<u>(243,518,852)</u>	<u>2,780,302</u>	<u>(240,738,550)</u>
Component unit:							
Cambridge Public Health Commission	\$ 496,205,865	177,685,795	294,978,756	7,303,647			(16,237,667)
Total component units	<u>\$ 496,205,865</u>	<u>177,685,795</u>	<u>294,978,756</u>	<u>7,303,647</u>			<u>(16,237,667)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 198,116,572	—	198,116,572
Excises					10,204,545	—	10,204,545
Payments in lieu of taxes					4,644,373	—	4,644,373
Grants and contributions not restricted					42,311,932	—	42,311,932
Investment income					2,546,628	131,852	2,678,480
Miscellaneous					21,822,564	—	21,822,564
Transfers					376,870	(376,870)	—
Total general revenues and transfers					<u>280,023,484</u>	<u>(245,018)</u>	<u>279,778,466</u>
Change in net assets					36,504,632	2,535,284	39,039,916
Net assets – beginning					<u>353,898,805</u>	<u>77,560,358</u>	<u>431,459,163</u>
Net assets – ending					<u>\$ 390,403,437</u>	<u>80,095,642</u>	<u>470,499,079</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2003

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Assets				
Cash and investments	\$ 111,601,721	27,505,440	36,108,275	175,215,436
Cash and investments held by trustees	—	—	600,000	600,000
Receivables, net:				
Property taxes	3,357,627	—	—	3,357,627
Motor vehicle excise	530,800	—	—	530,800
Intergovernmental	4,972,580	3,820,997	841,644	9,635,221
Departmental and other	2,278,061	—	3,404,201	5,682,262
Total receivables	<u>11,139,068</u>	<u>3,820,997</u>	<u>4,245,845</u>	<u>19,205,910</u>
Due from other funds	—	3,364,075	—	3,364,075
Due from component unit	22,500,000	—	—	22,500,000
Total assets	<u>\$ 145,240,789</u>	<u>34,690,512</u>	<u>40,954,120</u>	<u>220,885,421</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 765,053	—	948,943	1,713,996
Accrued liabilities:				
Tax abatements	2,500,000	—	—	2,500,000
Claims	2,429,089	—	—	2,429,089
Accrued payroll	11,215,349	—	9,702	11,225,051
Other	2,343,082	3,892,848	521,213	6,757,143
Deferred revenue	34,604,125	—	66,486	34,670,611
Due to other funds	—	—	2,182,089	2,182,089
Total liabilities	<u>53,856,698</u>	<u>3,892,848</u>	<u>3,728,433</u>	<u>61,477,979</u>
Fund balances:				
Reserved for:				
Encumbrances	6,048,103	32,251,595	1,657,279	39,956,977
Reserved for specific purposes	49,369	—	600,000	649,369
Nonexpendable permanent funds	—	—	6,606,644	6,606,644
Unreserved (deficit), reported in:				
General fund	85,286,619	—	—	85,286,619
Capital fund	—	(1,453,931)	—	(1,453,931)
Special revenue funds	—	—	28,361,764	28,361,764
Total fund balance	<u>91,384,091</u>	<u>30,797,664</u>	<u>37,225,687</u>	<u>159,407,442</u>
Total liabilities and fund balances	<u>\$ 145,240,789</u>	<u>34,690,512</u>	<u>40,954,120</u>	<u>220,885,421</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2003

Total fund balance – Governmental Funds	\$ 159,407,442
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	162,314,121
Buildings and improvements	150,697,912
Improvements nonbuilding	24,934,589
Furniture and equipment	23,347,136
Infrastructure	127,361,834
Construction in progress	55,380,587
Less accumulated depreciation	<u>(167,472,181)</u>
	<u>376,563,998</u>
Adjust deferred revenues to record tax revenues on an accrual basis	<u>36,979,855</u>
Bond issuance costs are capitalized in the government wide statements	<u>337,254</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(157,222,179)
Accrued interest on bonds	(1,275,855)
Compensated absences	(20,094,649)
Landfill	(450,000)
Judgments and claims	<u>(3,842,429)</u>
	<u>(182,885,112)</u>
Net assets of governmental activities	<u>\$ 390,403,437</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, 2003

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Real and personal property taxes	\$ 198,783,571	—	—	198,783,571
Excises:				
Hotel/motel	4,401,259	—	—	4,401,259
Motor vehicles	6,031,393	—	—	6,031,393
Payments in lieu of taxes	4,644,373	—	—	4,644,373
Intergovernmental	42,690,497	12,546,922	17,455,370	72,692,789
Investment income	1,512,730	59,070	974,828	2,546,628
Sewer use charges	27,061,324	—	—	27,061,324
Departmental and other	23,720,244	2,212,108	27,855,727	53,788,079
	<u>308,845,391</u>	<u>14,818,100</u>	<u>46,285,925</u>	<u>369,949,416</u>
Total revenues				
Expenditures:				
Current:				
General government	20,820,149	—	114,339	20,934,488
Public safety	72,870,295	—	770,106	73,640,401
Community maintenance and development	26,956,635	—	8,045,894	35,002,529
Human resource development	19,055,556	—	6,033,471	25,089,027
Education	117,721,213	—	12,542,839	130,264,052
Judgments and claims	155,696	—	—	155,696
State and district assessments	29,698,511	—	—	29,698,511
Capital outlays	—	40,323,991	—	40,323,991
Debt service	19,069,070	—	—	19,069,070
	<u>306,347,125</u>	<u>40,323,991</u>	<u>27,506,649</u>	<u>374,177,765</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>2,498,266</u>	<u>(25,505,891)</u>	<u>18,779,276</u>	<u>(4,228,349)</u>
Other financing sources (uses):				
Bond proceeds	—	29,053,565	—	29,053,565
Transfers in	18,743,340	10,424,578	—	29,167,918
Transfers out	(12,835,000)	—	(15,956,048)	(28,791,048)
	<u>5,908,340</u>	<u>39,478,143</u>	<u>(15,956,048)</u>	<u>29,430,435</u>
Total other financing (uses) sources				
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	8,406,606	13,972,252	2,823,228	25,202,086
Fund balance – beginning	<u>82,977,485</u>	<u>16,825,412</u>	<u>34,402,459</u>	<u>134,205,356</u>
Fund balance – ending	\$ <u>91,384,091</u>	<u>30,797,664</u>	<u>37,225,687</u>	<u>159,407,442</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, 2003

Net change in fund balances – total governmental funds	\$ <u>25,202,086</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays, applicable to capital assets, (\$34,705,969) exceeded depreciation expense (\$14,234,577).	<u>20,471,392</u>
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds.	<u>1,382,375</u>
Proceeds of long-term debt (\$29,053,565) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$20,999,287) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	<u>(8,054,278)</u>
Bond issuance costs (\$188,259) are expenditures in the governmental funds, but are deferred assets in the statement of net assets.	<u>188,259</u>
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000) and accrued interest of (\$110,475) offset by the increase in compensated absences (\$1,909,639), and judgment and claims (\$991,038).	<u>(2,685,202)</u>
Change in net assets of governmental activities	\$ <u><u>36,504,632</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2003

	Enterprise fund Water fund
	<hr/> <hr/>
Assets:	
Current assets:	
Cash and investments	\$ 7,343,813
Receivables, net	3,804,083
Total current assets	<hr/> 11,147,896 <hr/>
Noncurrent assets:	
Capital assets:	
Nondepreciable	39,837,223
Depreciable, net	98,784,900
Total noncurrent assets	<hr/> 138,622,123 <hr/>
Total assets	<hr/> 149,770,019 <hr/>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	198,268
Accrued liabilities:	
Claims	82,151
Compensated absences	193,608
Accrued payroll	85,474
Interest	811,448
Current portion of long-term debt	5,969,782
Due to other funds	1,181,986
Total current liabilities	<hr/> 8,522,717 <hr/>
Noncurrent liabilities:	
Bonds payable	60,819,513
Accrued liabilities:	
Compensated absences	167,844
Other	164,303
Total noncurrent liabilities	<hr/> 61,151,660 <hr/>
Total liabilities	<hr/> 69,674,377 <hr/>
Net assets:	
Investment in capital assets, net of related debt	71,832,828
Unrestricted	8,262,814
Total net assets	\$ <hr/> <hr/> 80,095,642 <hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2003

	Enterprise fund Water fund
	<hr/> <hr/>
Operating revenues:	
Charges for services	\$ 15,098,724
Other	1,880,722
	<hr/>
Total operating revenues	16,979,446
	<hr/>
Operating expenses:	
Administration	1,953,046
Service and support programs	6,105,336
Other general services	42,000
Depreciation	2,698,134
	<hr/>
Total operating expenses	10,798,516
	<hr/>
Operating income	6,180,930
	<hr/>
Nonoperating revenue (expense):	
Investment earnings – other	131,852
Interest expense	(3,400,628)
	<hr/>
Nonoperating expense	(3,268,776)
	<hr/>
Income before transfers	2,912,154
	<hr/>
Transfers to other funds	(376,870)
	<hr/>
Change in net assets	2,535,284
	<hr/>
Total net assets – beginning	77,560,358
	<hr/>
Total net assets – ending	\$ 80,095,642
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2003

	<u>Enterprise fund</u> <u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 17,888,274
Cash paid to vendors	(3,415,333)
Cash paid to employees	<u>(3,420,530)</u>
Net cash provided in operating activities	<u>11,052,411</u>
Cash flows from noncapital financing activities:	
Transfers	<u>(376,870)</u>
Net cash used by noncapital financing activities	<u>(376,870)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,608,994)
Interest paid on debt	(3,325,171)
Repayment of long-term debt	<u>(5,912,314)</u>
Net cash used by capital and related financing activities	<u>(10,846,479)</u>
Cash flows from investing activities:	
Investment income	<u>131,852</u>
Net cash provided by investing activities	<u>131,852</u>
Decrease in cash and cash equivalents	(39,086)
Cash and investments, beginning of year	<u>7,382,899</u>
Total cash and investments, end of year	\$ <u><u>7,343,813</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,180,930
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation and amortization	2,698,134
Provision for bad debts	577,592
Changes in operating assets and liabilities:	
Accounts receivable	854,893
Due from other funds	320,483
Other accrued liabilities	<u>420,379</u>
Net cash provided by operating activities	\$ <u><u>11,052,411</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

June 30, 2003

	Employee retirement plan (as of December 31, 2002)
Additions:	
Contributions:	
Employers	\$ 21,398,751
Plan members	16,568,358
Commonwealth of Massachusetts	408,100
Total contributions	<u>38,375,209</u>
Investment earnings (loss):	
Interest and dividends	15,808,634
Securities lending income	554,603
Net depreciation in the fair value of investments	(52,948,599)
Less management fees	(2,398,253)
Less borrower rebates and fees under securities lending program	(474,555)
Net investment earnings	<u>(39,458,170)</u>
Total additions	<u>(1,082,961)</u>
Deductions:	
Benefits	31,086,083
Refunds of contributions	2,270,307
Administrative expenses	572,725
Total deductions	<u>33,929,115</u>
Change in net assets	(35,012,076)
Net assets, beginning of year	<u>478,757,372</u>
Net assets, end of year	<u><u>\$ 443,745,296</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(1) The Financial Reporting Entity

(a) *Primary Government*

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

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

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

(b) *Blended Component Unit*

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

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

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ending December 31, 2002. The System does not issue stand-alone financial statements.

(c) *Discretely Presented Component Unit*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

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

Complete financial statements for the CPHC for its fiscal year ended June 30, 2003 are available from its offices on 10 Presidents Way, 5th Floor, Medford, Massachusetts 02155.

(d) *Related Organizations*

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

(2) Summary of Significant Accounting Policies

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The agency fund, although it uses the full accrual basis of accounting only

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

reports assets and liabilities and can therefore not be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements

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

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

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

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

Proprietary Fund Financial Statements

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for water service. Operating expenses for the enterprise fund include the cost of preparing and delivering the water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

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

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

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

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

(c) Cash Equivalents

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

(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 8. 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 business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

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

(f) *Uncollectible Tax and Other Receivables*

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

(g) *Capital Assets*

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Infrastructure	15-50
Furniture and equipment	7-10

(h) *Compensated Absences*

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(j) *Fund Equity*

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

(k) *Securities Lending Transactions*

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

(l) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2003, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

(m) *Use of Estimates*

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

(3) *Deposits and Investments*

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits, including demand deposits, money markets and certificates of deposit in any one financial

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

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

(a) Deposits

The City categorized deposits according to the level of risk assumed. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized. The City's deposits at June 30, 2003 are as follows:

<u>Primary government</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Total bank balance</u>	<u>Carrying amount</u>
Total cash deposits	60,000	—	25,726,031	25,786,031	21,671,925

<u>Discretely Presented Component Unit (CPHC)</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Total bank balance</u>	<u>Carrying amount</u>
Total cash deposits	500,000	—	34,920,236	35,420,236	26,897,787

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(b) Investments

The City and Cambridge Retirement System categorize investments according to the level of risk assumed. Category 1 includes investments that are insured, registered, or held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent, but not in the entity's name. MMDT, other mutual funds, pooled funds, venture capital funds and real estate investments are not categorized. The City's investments are as follows:

Primary government June 30, 2003	Category			Fair value
	1	2	3	
Categorized:				
Fixed income securities:				
Not on loan	\$ 155,111,369	—	—	155,111,369
On loan	—	—	3,009,542	3,009,542
Equity securities:				
Not on loan	107,619,187	—	—	107,619,187
On loan	—	—	38,833	38,833
	<u>\$ 262,730,556</u>	<u>—</u>	<u>3,048,375</u>	<u>265,778,931</u>
Not categorized:				
Securities loaned:				
Fixed income securities				12,404,574
Equity securities				4,870,152
MMDT				136,780,465
Cash collateral pool				17,773,632
Other pooled funds				192,955,641
				<u>\$ 630,563,395</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Of the investments reflected in the preceding table, investments of the Cambridge Retirement System constitute 70% of the amount of the Primary Government.

CHPC June 30, 2003	Category			Fair value
	1	2	3	
Categorized:				
U.S. Government obligations	\$ 20,315,340	—	—	20,315,340
Debt securities	11,115,712	—	—	11,115,712
	<u>\$ 31,431,052</u>	<u>—</u>	<u>—</u>	31,431,052
Not categorized:				
MMDT				2,635,897
				<u>\$ 34,066,949</u>

The composition of the City’s bank deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid and capital outlays throughout the year.

(4) Property Taxes

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(5) Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,314,121	—	—	162,314,121
Construction in progress	<u>32,626,866</u>	<u>28,003,475</u>	<u>(5,249,754)</u>	<u>55,380,587</u>
Total capital assets not being depreciated	<u>194,940,987</u>	<u>28,003,475</u>	<u>(5,249,754)</u>	<u>217,694,708</u>
Capital assets being depreciated:				
Buildings and improvements	144,622,433	6,075,479	—	150,697,912
Improvements – nonbuilding	19,637,181	5,297,408	—	24,934,589
Furniture and equipment	22,193,382	1,153,754	—	23,347,136
Infrastructure	<u>127,936,227</u>	<u>(574,393)(1)</u>	<u>—</u>	<u>127,361,834</u>
Total capital assets being depreciated	<u>314,389,223</u>	<u>11,952,248</u>	<u>—</u>	<u>326,341,471</u>
Less accumulated depreciation for:				
Buildings and improvements	(53,557,361)	(3,492,675)	—	(57,050,036)
Improvements – nonbuilding	(3,289,352)	(740,210)	—	(4,029,562)
Furniture and equipment	(12,465,829)	(3,380,541)	—	(15,846,370)
Infrastructure	<u>(83,925,062)</u>	<u>(6,621,151)</u>	<u>—</u>	<u>(90,546,213)</u>
Total accumulated depreciation	<u>(153,237,604)</u>	<u>(14,234,577)</u>	<u>—</u>	<u>(167,472,181)</u>
Total capital assets being depreciated, net	<u>161,151,619</u>	<u>(2,282,329)</u>	<u>—</u>	<u>158,869,290</u>
Governmental activities capital assets, net	<u>\$ 356,092,606</u>	<u>25,721,146</u>	<u>(5,249,754)</u>	<u>376,563,998</u>

(1) This amount includes an adjustment to the estimated historical cost of previously recorded infrastructure assets.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

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

Governmental activities:

General government	\$ 946,852
Public safety	1,350,993
Human resource development	276,298
Education	3,594,555
Highways and streets, including depreciation of general infrastructure assets	<u>8,065,879</u>
Total depreciation expense – governmental activities	<u>\$ 14,234,577</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,264,325	—	—	39,264,325
Construction in progress	2,842,209	572,898	(2,842,209)	572,898
Total capital assets not being depreciated	<u>42,106,534</u>	<u>572,898</u>	<u>(2,842,209)</u>	<u>39,837,223</u>
Capital assets being depreciated:				
Buildings and improvements	77,444,806	2,842,209	—	80,287,015
Furniture and equipment	921,741	63,575	—	985,316
Infrastructure	29,951,581	336,146	—	30,287,727
Total capital assets being depreciated	<u>108,318,128</u>	<u>3,241,930</u>	<u>—</u>	<u>111,560,058</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,903,635)	(1,971,648)	—	(3,875,283)
Furniture and equipment	(457,837)	(123,953)	—	(581,790)
Infrastructure	(7,715,552)	(602,533)	—	(8,318,085)
Total accumulated depreciation	<u>(10,077,024)</u>	<u>(2,698,134)</u>	<u>—</u>	<u>(12,775,158)</u>
Total capital assets being depreciated, net	<u>98,241,104</u>	<u>543,796</u>	<u>—</u>	<u>98,784,900</u>
Business-type activity capital assets, net	<u>\$ 140,347,638</u>	<u>1,116,694</u>	<u>(2,842,209)</u>	<u>138,622,123</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

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

Individual fund receivable and payable balances at June 30, 2003, are as follows:

Interfund balances	Receivable	Payable
Capital fund – Community Development Block Grant receivable from other governmental fund	\$ 2,182,089	—
Capital fund – Reimbursement from Enterprise fund related to construction	1,181,986	—
Enterprise fund – Reimbursement to Capital Fund related to construction	—	1,181,986
Other governmental fund – Community Development Block Grant payable to Capital fund	—	2,182,089
	<u>3,364,075</u>	<u>3,364,075</u>
Balance at June 30, 2003		
Balances in accompanying basic financial statements	<u>\$ 3,364,075</u>	<u>3,364,075</u>

Receivable and payable balances between the primary government and CPHC at June 30, 2003 are as follows:

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 22,500,000	—
Discretely presented component unit:		
CPHC	—	22,500,000
	<u>22,500,000</u>	<u>22,500,000</u>
Balance at June 30, 2003		
Balances in accompanying basic financial statements	<u>\$ 22,500,000</u>	<u>22,500,000</u>

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CPHC for the construction of an ambulatory care center. CPHC has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. These general obligation bonds amounted to \$22,500,000 at June 30, 2003.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(7) Long-Term Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2003:

	<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>
Bonds and notes payable:							
General purpose, serial maturities through December 15, 2011	6/15/92 to 1/15/03	2.25-6.0%	\$ 27,095,000	7,775,000	4,030,000	30,840,000	4,810,000
Urban redevelopment, serial maturities through December 1, 2011	6/15/92 to 1/15/03	2.25-5.9%	9,220,000	7,640,000	1,325,000	15,535,000	2,090,000
Schools, serial maturities through December 1, 2010	6/15/92 to 12/1/00	3.75-5.9%	31,119,000	—	5,868,000	25,251,000	5,868,000
Sewer, serial maturities through December 15, 2011	2/1/94 to 1/15/03	2.25-6.13%	48,594,249	13,638,565	7,542,151	54,690,663	7,792,014
Hospital, serial maturities through February 1, 2018	2/1/98	4.50-5.0%	24,000,000	—	1,500,000	22,500,000	1,500,000
Section 108 HUD notes payable, serial maturities through August 15, 2014	2/1/95	7.71-9.03%	825,000	—	420,000	405,000	10,000
School equipment notes, serial maturities through October 15, 2008	6/15/98	6.85%	2,314,652	—	314,136	2,000,516	335,956
Note payable serial maturities April 2010 through April 2021	4/15/00	2.00%	6,000,000	—	—	6,000,000	—
Total governmental obligation bonds and notes payable			<u>149,167,901</u>	<u>29,053,565</u>	<u>20,999,287</u>	<u>157,222,179</u>	<u>22,405,970</u>
Other long-term obligations:							
Claims			5,420,572	2,774,507	3,685,545	4,509,534	2,429,089
Compensated absences, net			18,185,010	1,909,639	—	20,094,649	8,281,513
Landfill postclosure care costs			475,000	—	25,000	450,000	25,000
Total other governmental long-term obligations			<u>24,080,582</u>	<u>4,684,146</u>	<u>3,710,545</u>	<u>25,054,183</u>	<u>10,735,602</u>
Total governmental long-term obligations			<u>\$ 173,248,483</u>	<u>33,737,711</u>	<u>24,709,832</u>	<u>182,276,362</u>	<u>33,141,572</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

Following is a summary of the business-type long-term obligations of the City as of June 30, 2003:

	<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 purpose, serial maturities through December 15, 2011	2/1/94 to 12/15/01	3.5-6.0%	\$ 72,701,609	—	5,912,314	66,789,295	5,969,782
Total business-type bond and notes payable			<u>72,701,609</u>	<u>—</u>	<u>5,912,314</u>	<u>66,789,295</u>	<u>5,969,782</u>
Other long-term obligations:							
Claims			163,322	206,581	123,449	246,454	82,151
Compensated absences, net			<u>358,572</u>	<u>2,880</u>	<u>—</u>	<u>361,452</u>	<u>193,608</u>
Total other long-term obligations			<u>521,894</u>	<u>209,461</u>	<u>123,449</u>	<u>607,906</u>	<u>275,759</u>
Total business-type long-term obligations			<u>\$ 73,223,503</u>	<u>209,461</u>	<u>6,035,763</u>	<u>67,397,201</u>	<u>6,245,541</u>

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Notes to Basic Financial Statements

June 30, 2003

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

The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2003, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 22,405,970	6,404,810	28,810,780
2005	20,661,228	5,488,991	26,150,219
2006	17,655,934	4,664,419	22,320,353
2007	16,991,654	3,941,828	20,933,482
2008	15,265,115	3,207,233	18,472,348
2009-2013	51,833,977	7,382,585	59,216,562
2014-2018	10,691,505	1,365,078	12,056,583
2019-2022	1,716,796	49,862	1,766,658
	<u>\$ 157,222,179</u>	<u>32,504,806</u>	<u>189,726,985</u>

The City has entered into loan agreements with the President and Fellows of Harvard College. The loans provide funding to further the development of affordable housing within the City. The notes carry interest at 2% per year for a period of twenty years with principal payments beginning in 2010. Interest costs will be \$120,000 annually. At June 30, 2003, the principal amount outstanding is \$6,000,000.

General obligation bonds are backed by the full faith and credit of the City. The Commonwealth has approved school construction assistance, subject to annual appropriation by the state legislature and reports filed with the Commonwealth by the City, to partially provide resources for future principal and interest requirements on general obligation school bonds of the City. As of June 30, 2003, such resources expected to be provided to the City total approximately \$23,000,000 from the Commonwealth.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$14,817,151 and education expenditures of \$6,182,136 totaling \$20,999,287 of principal costs.

In January 2003, the City issued in \$28,675,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each January 1 and July 1, with principal payments due each January 1 until maturity in fiscal 2013.

In September 2002, the City borrowed \$378,565 from the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments of \$75,713 through August 15, 2007.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$3,970,233 in subsidies during 2003. Loan payments commenced on February 1, 1994 and end on August 1, 2010, with interest rates ranging from 2.35% to 6.125%

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, 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 Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit, but are subject to other limitations.

The City is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's 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 Commonwealth's Emergency Finance 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, 2003, the City may issue approximately \$272,050,513 additional general obligation debt under the normal debt limit. The City has approximately \$92,040,295 of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2003 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 5,969,782	3,063,071	9,032,853
2005	5,973,814	2,796,146	8,769,960
2006	5,847,332	2,529,973	8,377,305
2007	5,614,004	2,260,788	7,874,792
2008	5,783,673	1,997,067	7,780,740
2009-2013	22,100,690	6,176,318	28,277,008
2014-2018	12,500,000	2,384,316	14,884,316
2019-2020	3,000,000	106,251	3,106,251
	<u>\$ 66,789,295</u>	<u>21,313,930</u>	<u>88,103,225</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(8) Retirement Plan

(a) Plan Description

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

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

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

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

(b) Basis of Accounting

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

Investments of the System are stated as follows:

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(c) Membership

Membership in the System consisted of the following at January 1, 2002, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,662
Terminated plan members entitled to, but not receiving benefits	675
Active plan members	<u>3,870</u>
Total membership	<u><u>6,207</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%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. Effective July 1, 1998 Chapter 32 of the Massachusetts General Laws assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CPHC's required and actual contributions to the System for the years ended June 30, 2003, 2002 and 2001 were \$13,277,195, \$14,372,278, and \$14,443,522, and \$8,121,556, \$7,658,168, and \$7,117,982, respectively.

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2002 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 128,924,418	Active members' contribution balance
Annuity reserve fund	34,906,374	Retired members' contribution account
Military service credit	1,811	Members' contribution account while on military leave
Pension reserve fund	216,889,327	Amounts appropriated to fund future retirement benefits
Pension fund	<u>53,023,366</u>	Remaining net assets
	<u><u>\$ 433,745,296</u></u>	

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(f) *Investment Concentration*

There were no investments (other than those issued or guaranteed by the United States Government) in any one organization that represented 5% or more of plan net assets.

(g) *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 US and foreign currency), US 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, 2002. 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, 2002, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2002 was \$474,555.

At December 31, 2002, the fair value of securities loaned by the System amounted to \$20,323,101, against which was held collateral of \$20,894,247.

For loans having collateral other than cash, the related collateral securities are not recorded as assets in the Statement of Plan Net Assets, and a corresponding liability is not recorded, since the system cannot pledge or sell the collateral securities except in the event of a borrower's default.

(h) *Massachusetts Teachers' Retirement System*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

(9) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 8, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 1,650 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 90% of Blue Cross/Blue Shield of Massachusetts (BC/BS) premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree.

Expenditures of approximately \$9.4 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2003.

(10) Transfers

Transfers and their purposes during the year ended June 30, 2003 were as follows:

	Governmental funds			Enterprise fund
	General	Capital	Other	Water
Capital – to fund capital expenditures	\$ (7,875,000)	7,875,000	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	13,361,470	—	(13,361,470)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	45,000	—	(45,000)	—
CDBG – transfer of revenues to reimburse eligible capital costs	—	1,849,578	(1,849,578)	—
Water – reimbursement of administrative costs	376,870	—	—	(376,870)
CPA – to cover historic preservation cost	—	360,000	(360,000)	—
Parking – to replace obsolete traffic signals	—	340,000	(340,000)	—
Total	<u>\$ 5,908,340</u>	<u>10,424,578</u>	<u>(15,956,048)</u>	<u>(376,870)</u>

(11) Risk Management

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2003

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

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

Changes in the self-insurance liability for the years ended June 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Accrued claims, beginning of year	\$ 5,583,894	3,255,609
Incurred claims	2,981,087	3,484,088
Less payments of claims attributable to events of both current and prior fiscal years	<u>(3,808,993)</u>	<u>(1,155,803)</u>
Accrued claims, end of year	<u>\$ 4,755,988</u>	<u>5,583,894</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

(Dollar amounts in thousands)

Schedule of Funding Progress

<u>Actuarial stock valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
1/1/2002	\$ 516,947	578,050	61,103	89.4%	\$ 167,303	36.5%
1/1/2000	424,606	510,973	86,367	83.1%	140,489	61.5%
1/1/1998	342,788	436,216 (1)	93,428	78.6%	132,440	70.5%
1/1/1996	233,883	361,885	128,002	64.6%	114,485	111.8%
1/1/1994	182,632	323,644	141,012	56.4%	109,775	128.5%
1/1/1993	158,595	279,715	121,120	56.7%	99,063	122.3%

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

Schedule of Employers' Contributions

<u>Year ended December 31:</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2002	\$ 21,399	100%
2001	22,030	100
2000	21,669	100
1999	21,284	100
1998	20,696	100
1997	21,288	100

See accompanying notes to required supplementary pension information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2002
Actuarial cost method	Entry age normal cost method
Amortization method	Level payments
Remaining amortization period	Six years from July 1, 2002 for Early Retirement Incentive and seven years from July 1, 2002 for the remaining unfunded liability.
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5%
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

(Unaudited)

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

Year ended June 30, 2003

(with comparative actual amounts for 2002)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>	<u>2002 Actual</u>
Revenues and other available funds:					
Property taxes	\$ 190,527,832	197,720,546	197,720,546	—	187,444,551
Provision for abatements and adjustments	(4,145,297)	(4,145,297)	(4,145,297)	—	(4,261,178)
Payment in lieu of tax receipts	3,600,000	3,600,000	4,644,373	1,044,373	5,316,254
Hotel/motel excise tax	5,000,000	5,250,000	4,401,259	(848,741)	4,907,532
Intergovernmental	43,633,880	43,224,981	42,690,197	(534,784)	46,822,454
Sewer use	24,058,915	24,058,915	27,061,324	3,002,409	23,836,866
Motor vehicle excise	4,900,000	5,619,650	6,031,393	411,743	5,838,407
Investment income	2,100,000	1,575,000	1,295,124	(279,876)	1,678,983
Other	25,672,665	26,956,312	22,051,719	(4,904,593)	17,362,618
Total revenues	<u>295,347,995</u>	<u>303,860,107</u>	<u>301,750,638</u>	<u>(2,109,469)</u>	<u>288,946,487</u>
Expenditures:					
Current:					
General government	28,995,765	28,111,291	26,589,312	1,521,979	27,520,861
Public safety	73,205,525	73,353,735	72,909,499	444,236	70,409,269
Community maintenance and development	27,510,720	27,737,338	27,625,956	111,382	26,039,634
Human resource development	19,074,295	19,635,096	19,519,291	115,805	18,257,711
Education	116,562,345	117,138,643	117,137,186	1,457	112,573,192
Judgments and claims	250,000	1,575,000	755,696	(696)	205,418
Intergovernmental	29,981,390	30,026,099	29,698,511	327,588	28,019,200
Debt service:					
Principal	14,330,350	14,330,350	14,050,350	280,000	11,379,352
Interest	5,153,935	5,153,935	5,020,548	133,387	5,009,281
Total expenditures	<u>315,064,325</u>	<u>316,241,487</u>	<u>313,306,349</u>	<u>2,935,138</u>	<u>299,413,918</u>
Excess (deficiency) of revenues over expenditures	<u>(19,716,330)</u>	<u>(12,381,380)</u>	<u>(11,555,711)</u>	<u>(5,044,607)</u>	<u>(10,467,431)</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	15,134,460	15,128,060	13,361,470	1,766,590	12,276,490
Capital projects funds	—	(343,000)	(7,875,000)	7,532,000	(10,175,172)
Permanent funds	4,205,000	3,405,000	3,405,000	—	5,273,692
Enterprise fund	376,870	376,870	376,870	—	376,870
Total other financing sources (uses)	<u>19,716,330</u>	<u>18,566,930</u>	<u>9,268,340</u>	<u>9,298,590</u>	<u>7,751,880</u>
Excess (deficiency) of revenues and other financing source over expenditures and other financing uses	\$ <u>—</u>	<u>6,185,550</u>	<u>(2,287,371)</u>	<u>(14,343,197)</u>	<u>(2,715,551)</u>
Other budget items:					
Free cash appropriations		125,093			
Prior year deficits raised		(3,176)			
Total other budget items		<u>121,917</u>			
Net budget and actual		\$ <u>6,307,467</u>			

See accompanying notes to required supplementary budget information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Budget Information

Year ended June 30, 2003

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

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2003:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 301,750,638	313,306,349	9,268,340
Adjustments:			
Revenues to modified accrual basis	1,848,322	—	—
Sixty day accrual	534,942	—	—
Miscellaneous accruals	1,351,489	—	—
Expenditures, encumbrances and accruals, net	—	(6,959,224)	—
Reclassifications:			
Trust fund revenue	3,360,000	—	(3,360,000)
As reported on a GAAP basis	<u>\$ 308,845,391</u>	<u>306,347,125</u>	<u>5,908,340</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2003

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, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 307,440	304,656	2,784
Other ordinary maintenance	116,140	111,691	4,449
Travel and training	15,800	15,732	68
Total Mayor	<u>439,380</u>	<u>432,079</u>	<u>7,301</u>
City Manager:			
Salaries and wages	914,260	914,256	4
Other ordinary maintenance	401,000	348,614	52,386
Travel and training	29,965	28,554	1,411
Total City Manager	<u>1,345,225</u>	<u>1,291,424</u>	<u>53,801</u>
City Council:			
Salaries and wages	906,345	846,448	59,897
Other ordinary maintenance	46,900	46,295	605
Travel and training	33,000	31,272	1,728
Total City Council	<u>986,245</u>	<u>924,015</u>	<u>62,230</u>
City Clerk:			
Salaries and wages	628,255	628,255	—
Other ordinary maintenance	60,730	52,914	7,816
Travel and training	750	100	650
Total City Clerk	<u>689,735</u>	<u>681,269</u>	<u>8,466</u>
Law:			
Salaries and wages	1,028,180	1,028,176	4
Other ordinary maintenance	509,225	506,983	2,242
Travel and training	9,675	8,177	1,498
Total Law	<u>1,547,080</u>	<u>1,543,336</u>	<u>3,744</u>
Finance:			
Salaries and wages	5,784,585	5,784,584	1
Other ordinary maintenance	2,079,240	2,050,975	28,265
Travel and training	175,980	169,634	6,346
Extraordinary expenditures	77,800	77,325	475
Total Finance	<u>8,117,605</u>	<u>8,082,518</u>	<u>35,087</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Employment Benefits:			
Salaries and wages	\$ 11,801,050	10,519,614	1,281,436
Other ordinary maintenance	555,911	539,556	16,355
Total Employment Benefits	<u>12,356,961</u>	<u>11,059,170</u>	<u>1,297,791</u>
General Services:			
Salaries and wages	381,565	381,560	5
Other ordinary maintenance	594,930	592,891	2,039
Total General Services	<u>976,495</u>	<u>974,451</u>	<u>2,044</u>
Election Commission:			
Salaries and wages	488,280	488,278	2
Other ordinary maintenance	248,375	232,392	15,983
Travel and training	2,270	1,046	1,224
Total Election Commission	<u>738,925</u>	<u>721,716</u>	<u>17,209</u>
Public Celebrations:			
Salaries and wages	373,120	369,073	4,047
Other ordinary maintenance	302,370	300,289	2,081
Travel and training	1,125	1,124	1
Total Public Celebrations	<u>676,615</u>	<u>670,486</u>	<u>6,129</u>
Reserve:			
Other ordinary maintenance	24,130	—	24,130
Total Reserve	<u>24,130</u>	<u>—</u>	<u>24,130</u>
Animal Commission:			
Salaries and wages	200,180	199,389	791
Other ordinary maintenance	12,595	9,369	3,226
Travel and training	120	90	30
Total Animal Commission	<u>212,895</u>	<u>208,848</u>	<u>4,047</u>
Total General Government	<u>28,111,291</u>	<u>26,589,312</u>	<u>1,521,979</u>
Public Safety:			
Fire:			
Salaries and wages	26,743,110	26,743,107	3
Other ordinary maintenance	741,840	731,297	10,543
Travel and training	331,400	331,294	106
Extraordinary expenditures	95,000	94,977	23
Total Fire	<u>27,911,350</u>	<u>27,900,675</u>	<u>10,675</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2003

	Budget	Actual	Variance positive (negative)
Police:			
Salaries and wages	\$ 27,590,200	27,584,832	5,368
Other ordinary maintenance	824,850	790,715	34,135
Travel and training	369,000	344,639	24,361
Extraordinary expenditures	290,500	290,320	180
Total Police	<u>29,074,550</u>	<u>29,010,506</u>	<u>64,044</u>
Traffic and Parking:			
Salaries and wages	4,759,890	4,639,203	120,687
Other ordinary maintenance	2,854,640	2,752,768	101,872
Travel and training	19,400	11,692	7,708
Extraordinary expenditures	75,000	74,028	972
Total Traffic and Parking	<u>7,708,930</u>	<u>7,477,691</u>	<u>231,239</u>
Police Review and Advisory Board:			
Salaries and wages	65,785	65,783	2
Other ordinary maintenance	9,220	8,831	389
Travel and training	3,000	2,398	602
Total Police Review and Advisory Board	<u>78,005</u>	<u>77,012</u>	<u>993</u>
Inspectional Services:			
Salaries and wages	2,026,870	1,961,546	65,324
Other ordinary maintenance	107,100	95,882	11,218
Travel and training	51,825	48,172	3,653
Total Inspectional Services	<u>2,185,795</u>	<u>2,105,600</u>	<u>80,195</u>
License:			
Salaries and wages	615,820	615,819	1
Other ordinary maintenance	61,090	41,839	19,251
Travel and training	8,800	8,470	330
Total License	<u>685,710</u>	<u>666,128</u>	<u>19,582</u>
Weights and Measures:			
Salaries and wages	85,665	85,663	2
Other ordinary maintenance	7,780	7,726	54
Travel and training	1,745	1,315	430
Total Weights and Measures	<u>95,190</u>	<u>94,704</u>	<u>486</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Electrical:			
Salaries and wages	\$ 931,020	908,511	22,509
Other ordinary maintenance	1,440,580	1,429,673	10,907
Travel and training	31,670	30,130	1,540
Extraordinary expenditures	55,700	55,156	544
Total Electrical	<u>2,458,970</u>	<u>2,423,470</u>	<u>35,500</u>
Emergency Management:			
Salaries and wages	131,265	131,260	5
Other ordinary maintenance	16,535	15,620	915
Travel and training	100	—	100
Total Emergency Management	<u>147,900</u>	<u>146,880</u>	<u>1,020</u>
Emergency Communications:			
Salaries and wages	2,821,475	2,821,473	2
Other ordinary maintenance	166,010	165,896	114
Travel and training	15,850	15,720	130
Extraordinary expenditures	4,000	3,744	256
Total Emergency Communications	<u>3,007,335</u>	<u>3,006,833</u>	<u>502</u>
Total Public Safety	<u>73,353,735</u>	<u>72,909,499</u>	<u>444,236</u>
Community Maintenance and Development:			
Public Works:			
Salaries and wages	13,348,035	13,348,017	18
Other ordinary maintenance	7,990,820	7,986,588	4,232
Travel and training	190,625	189,254	1,371
Extraordinary expenditures	635,000	634,367	633
Total Public Works	<u>22,164,480</u>	<u>22,158,226</u>	<u>6,254</u>
Community Development:			
Salaries and wages	3,618,419	3,618,419	—
Other ordinary maintenance	211,681	160,389	51,292
Travel and training	35,200	31,150	4,050
Extraordinary expenditures	269,968	269,968	—
Total Community Development	<u>4,135,268</u>	<u>4,079,926</u>	<u>55,342</u>
Historical Commission:			
Salaries and wages	359,560	359,560	—
Other ordinary maintenance	27,380	27,094	286
Travel and training	800	594	206
Total Historical Commission	<u>387,740</u>	<u>387,248</u>	<u>492</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2003

	Budget	Actual	Variance positive (negative)
Conservation Commission:			
Salaries and wages	\$ 74,330	55,223	19,107
Other ordinary maintenance	3,865	799	3,066
Travel and training	885	560	325
Total Conservation Commission	79,080	56,582	22,498
Peace Commission:			
Salaries and wages	60,105	59,330	775
Other ordinary maintenance	12,695	12,689	6
Travel and training	1,330	456	874
Total Peace Commission	74,130	72,475	1,655
Cable Television:			
Salaries and wages	360,410	345,802	14,608
Other ordinary maintenance	532,780	522,545	10,235
Travel and training	3,450	3,152	298
Total Cable Television	896,640	871,499	25,141
Total Community Maintenance and Development	27,737,338	27,625,956	111,382
Human Resource Development:			
Library:			
Salaries and wages	4,163,440	4,163,439	1
Other ordinary maintenance	867,880	867,482	398
Travel and training	36,650	34,481	2,169
Extraordinary expenditures	46,500	41,053	5,447
Total Library	5,114,470	5,106,455	8,015
Human Services:			
Salaries and wages	11,090,160	11,034,541	55,619
Other ordinary maintenance	2,507,786	2,507,436	350
Travel and training	77,782	33,249	44,533
Extraordinary expenditures	72,462	70,299	2,163
Total Human Services	13,748,190	13,645,525	102,665
Women's Commission:			
Salaries and wages	137,025	137,024	1
Other ordinary maintenance	10,016	10,015	1
Travel and training	1,000	984	16
Total Women's Commission	148,041	148,023	18

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human Rights Commission:			
Salaries and wages	\$ 142,735	139,443	3,292
Other ordinary maintenance	2,825	2,825	—
Travel and training	1,930	340	1,590
Total Human Rights Commission	<u>147,490</u>	<u>142,608</u>	<u>4,882</u>
 Veterans Benefits:			
Salaries and wages	221,805	221,801	4
Other ordinary maintenance	49,300	49,116	184
Travel and training	205,800	205,763	37
Total Veterans Benefits	<u>476,905</u>	<u>476,680</u>	<u>225</u>
Total Human Resource Development	<u>19,635,096</u>	<u>19,519,291</u>	<u>115,805</u>
 Education:			
Salaries and wages	84,839,637	84,839,637	—
Other ordinary maintenance	23,477,158	23,477,158	—
Travel and training	302,910	302,910	—
Extraordinary expenditures	1,227,290	1,225,833	1,457
Debt:			
Principal payments	5,868,000	5,868,000	—
Interest payments	1,423,648	1,423,648	—
Total Education	<u>117,138,643</u>	<u>117,137,186</u>	<u>1,457</u>
Judgments and Claims	<u>755,000</u>	<u>755,696</u>	<u>(696)</u>
 Debt Retirement:			
Principal payments	14,330,350	14,050,350	280,000
Interest payments	5,153,935	5,020,548	133,387
Total Debt Retirement	<u>19,484,285</u>	<u>19,070,898</u>	<u>413,387</u>
 State assessments:			
MBTA assessment	7,126,089	7,120,563	5,526
MWRA assessment	15,718,780	15,423,213	295,567
Other State assessments	583,230	557,735	25,495
Cambridge Public Health Commission	6,598,000	6,597,000	1,000
Total Intergovernmental	<u>30,026,099</u>	<u>29,698,511</u>	<u>327,588</u>
Total General Fund Expenditures	<u>\$ 316,241,487</u>	<u>313,306,349</u>	<u>2,935,138</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2003

OTHER GOVERNMENTAL FUNDS

Community Development Block Grant

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

School Grants

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

Fuel Assistance

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

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2003

Special revenue

Assets	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Cash and short-term investments	\$ 431,644	2,794,535	246,093	7,265,468	3,993,520	18,763,891	2,613,124	36,108,275
Restricted cash and investments	—	—	—	—	—	600,000	—	600,000
Accounts receivable	1,000,000	615,176	—	—	66,486	222,539	—	1,904,201
Accounts receivable-developer	—	—	—	—	—	1,500,000	—	1,500,000
Due from other governments	841,644	—	—	—	—	—	—	841,644
Total assets	\$ 2,273,288	3,409,711	246,093	7,265,468	4,060,006	21,086,430	2,613,124	40,954,120
Liabilities and Fund Equity								
Warrants payable	\$ 81,497	867,446	—	—	—	—	—	948,943
Accrued payroll	9,702	—	—	—	—	—	—	9,702
Accrued liabilities – other	—	—	—	—	—	521,213	—	521,213
Deferred revenue	—	—	—	—	66,486	—	—	66,486
Due to other funds	2,182,089	—	—	—	—	—	—	2,182,089
Total liabilities	2,273,288	867,446	—	—	66,486	521,213	—	3,728,433
Fund equity:								
Reserved for encumbrances	—	418,931	—	—	—	1,238,348	—	1,657,279
Reserved for specific purposes	—	—	—	—	2,160,000	600,000	2,613,124	5,373,124
Unreserved	—	2,123,334	246,093	7,265,468	1,833,520	18,726,869	—	30,195,284
Total fund equity	—	2,542,265	246,093	7,265,468	3,993,520	20,565,217	2,613,124	37,225,687
Total liabilities and fund equity	\$ 2,273,288	3,409,711	246,093	7,265,468	4,060,006	21,086,430	2,613,124	40,954,120

CITY OF CAMBRIDGE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity
Other Governmental Funds
Year ended June 30, 2003

	Special revenue							
	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 3,413,881	9,568,640	1,114,535	—	—	3,358,314	—	17,455,370
Investment income	—	315,280	2,887	354,893	—	285,773	15,995	974,828
Other:								
Permits	—	—	—	350,633	—	—	—	350,633
Fines	—	—	—	8,071,817	—	—	—	8,071,817
Charges for services	—	—	—	5,540,422	—	—	—	5,540,422
Miscellaneous	—	1,023,188	—	85,668	10,411,585	2,179,948	192,466	13,892,855
Total revenues	<u>3,413,881</u>	<u>10,907,108</u>	<u>1,117,422</u>	<u>14,403,433</u>	<u>10,411,585</u>	<u>5,824,035</u>	<u>208,461</u>	<u>46,285,925</u>
Expenditures:								
General government	—	—	—	—	—	35,588	78,751	114,339
Public safety	—	—	—	—	—	770,106	—	770,106
Education	—	12,542,839	—	—	—	—	—	12,542,839
Fuel assistance	—	—	1,134,970	—	—	—	—	1,134,970
Community maintenance and development	921,901	—	—	—	—	7,123,993	—	8,045,894
Human services	642,402	—	—	—	—	4,256,099	—	4,898,501
Total expenditures	<u>1,564,303</u>	<u>12,542,839</u>	<u>1,134,970</u>	<u>—</u>	<u>—</u>	<u>12,185,786</u>	<u>78,751</u>	<u>27,506,649</u>
Excess (deficiency) of revenues over expenditures	<u>1,849,578</u>	<u>(1,635,731)</u>	<u>(17,548)</u>	<u>14,403,433</u>	<u>10,411,585</u>	<u>(6,361,751)</u>	<u>129,710</u>	<u>18,779,276</u>
Other financing sources (uses):								
Transfers to other funds	(1,849,578)	—	—	(13,701,470)	(7,560,000)	—	(50,964)	(23,162,012)
Transfers from other funds	—	—	—	—	—	7,200,000	5,964	7,205,964
Excess (deficiency) of revenues over expenditures and transfers	—	(1,635,731)	(17,548)	701,963	2,851,585	838,249	84,710	2,823,228
Fund balances at beginning of year	—	4,177,996	263,641	6,563,505	1,141,935	19,726,968	2,528,414	34,402,459
Fund balances at end of year	<u>\$ —</u>	<u>2,542,265</u>	<u>246,093</u>	<u>7,265,468</u>	<u>3,993,520</u>	<u>20,565,217</u>	<u>2,613,124</u>	<u>37,225,687</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2003

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, 2003

<u>Assets</u>	<u>Balance at June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2003</u>
Contract Bids	\$ 93,475	12,800	610	105,665
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	2,246,082	521,817	1,724,955	1,042,944
Street Openings	375,589	45,884	346,889	74,584
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(828,080)	4,407,891	4,289,925	(710,114)
Cambridge Fire Detail	491,491	905,233	836,655	560,069
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,621	7,129	6,676	3,074
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	180,694	84,509	77,706	187,497
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	47,204	5,233	—	52,437
Accident and life Insurance	266,789	169,301	126,635	309,455
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	61,370	2,349	50,000	13,719
Retirement Office Payroll	77,932	305,209	286,398	96,743
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	862,356	141,607	—	1,003,963
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	17,341	11,550	—	28,891
Retroactive Wages	6	—	—	6
Land Court Fees	50,624	682	—	51,306
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	—	67,594
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	(255)	396,620	150	396,215
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	1,103	—	661	442
Police – Found Cash	4,115	4,600	—	8,715
Firearms Recordkeeping Fund	1,763	1,675	—	3,438
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	10,219	15,532	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	—	—	225,950	(225,950)
Robert Chambers Settlement	—	7,799	—	7,799
Total	\$ 4,897,747	7,047,420	7,973,210	3,971,957

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2003

Liabilities	Balance at June 30, 2002	Additions	Deductions	Balance at June 30, 2003
Guarantee deposits and amounts due other:				
Contract Bids	\$ 93,475	12,800	610	105,665
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	2,246,082	521,817	1,724,955	1,042,944
Street Openings	375,589	45,884	346,889	74,584
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(828,080)	4,407,891	4,289,925	(710,114)
Cambridge Fire Detail	491,491	905,233	836,655	560,069
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,621	7,129	6,676	3,074
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	180,694	84,509	77,706	187,497
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	47,204	5,233	—	52,437
Accident and life Insurance	266,789	169,301	126,635	309,455
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	61,370	2,349	50,000	13,719
Retirement Office Payroll	77,932	305,209	286,398	96,743
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	862,356	141,607	—	1,003,963
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	17,341	11,550	—	28,891
Retroactive Wages	6	—	—	6
Land Court Fees	50,624	682	—	51,306
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	—	67,594
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	(255)	396,620	150	396,215
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	1,103	—	661	442
Police – Found Cash	4,115	4,600	—	8,715
Firearms Recordkeeping Cash	1,763	1,675	—	3,438
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	10,219	15,532	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	—	—	225,950	(225,950)
Robert Chambers Settlement	—	7,799	—	7,799
Total	\$ 4,897,747	7,047,420	7,973,210	3,971,957

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2003

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, 2003.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes

June 30, 2003

	<u>Uncollected June 30, 2002</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, 2003</u>
Real estate taxes:								
1979 and prior	\$ 5,409	—	—	—	—	—	(1)	5,408
1980	—	—	—	—	—	(887)	887	—
1981	3,268	—	—	—	—	(2,127)	2,127	3,268
1982	3,416	—	—	—	—	(3)	3	3,416
1983	1,971	—	—	—	—	—	—	1,971
1984	17,256	—	—	—	—	—	—	17,256
1985	1,025	—	—	—	—	—	—	1,025
1987	376	—	—	—	—	—	—	376
1992	13,911	—	—	—	—	—	—	13,911
1993	3,013	—	—	—	—	—	—	3,013
1995	—	—	—	—	—	(659)	660	1
1996	6,771	—	—	—	—	—	—	6,771
1997	660	—	—	—	—	—	—	660
1998	5,457	—	—	—	2,525	2,525	(5,050)	5,457
1999	19,821	—	(1,791)	—	192,298	(33,926)	(166,647)	9,755
2000	14,992	—	(4,885)	—	284,618	8,004	(293,371)	9,358
2001	13,444	—	(6,942)	—	91,467	(9,584)	(76,562)	11,823
2002	4,238,073	—	(1,221,505)	(1,037,231)	1,627,232	(1,771,970)	(1,821,570)	13,029
2003	—	191,018,271	(1,623,641)	—	494,459	(186,412,224)	(453,778)	3,023,087
Total real estate	<u>4,348,863</u>	<u>191,018,271</u>	<u>(2,858,764)</u>	<u>(1,037,231)</u>	<u>2,692,599</u>	<u>(188,220,851)</u>	<u>(2,813,302)</u>	<u>3,129,585</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes

June 30, 2003

	<u>Uncollected June 30, 2002</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, 2003</u>
Personal property taxes:								
1988	\$ 155,185	—	—	—	—	—	—	155,185
1989	125,187	—	—	—	—	—	—	125,187
1990	139,171	—	—	—	—	—	2	139,173
1991	120,046	—	—	—	—	—	—	120,046
1992	138,015	—	—	—	—	—	(356)	137,659
1993	141,864	—	—	—	—	—	—	141,864
1994	45,850	—	—	—	—	—	—	45,850
1995	65,720	—	—	—	—	—	—	65,720
1996	58,129	—	—	—	—	—	—	58,129
1997	63,360	—	—	—	—	—	—	63,360
1998	56,141	—	—	—	—	—	—	56,141
1999	69,635	—	—	—	—	(117)	—	69,518
2000	68,770	—	—	—	—	(3,792)	2,389	67,367
2001	113,520	—	(157)	—	—	(12,938)	7,456	107,881
2002	386,154	—	(86,805)	—	—	(321,442)	50,913	28,820
2003	—	6,873,218	(155,433)	—	—	(6,456,020)	43,637	305,402
Total personal property	<u>1,746,747</u>	<u>6,873,218</u>	<u>(242,395)</u>	<u>—</u>	<u>—</u>	<u>(6,794,309)</u>	<u>104,041</u>	<u>1,687,302</u>
Property taxes	\$ <u>6,095,610</u>	<u>197,891,489</u>	<u>(3,101,159)</u>	<u>(1,037,231)</u>	<u>2,692,599</u>	<u>(195,015,160)</u>	<u>(2,709,261)</u>	<u>4,816,887</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes

June 30, 2003

	Uncollected June 30, 2002	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2003
Motor vehicle excise taxes:								
1986	\$ 2,794	—	—	—	—	(18)	—	2,776
1987	154,078	—	(105)	—	—	(946)	1	153,028
1988	166,403	—	(10)	—	—	(1,444)	—	164,949
1989	196,739	—	(10)	—	29	(968)	(29)	195,761
1990	150,418	—	(68)	—	—	(888)	—	149,462
1991	154,195	—	—	—	—	(728)	(2)	153,465
1992	114,057	—	—	—	—	(930)	—	113,127
1993	101,203	—	—	—	—	(540)	—	100,663
1994	110,135	—	(24)	—	—	(1,780)	—	108,331
1995	118,123	—	(289)	—	—	(800)	—	117,034
1996	123,606	—	(126)	—	—	(1,645)	(1)	121,834
1997	138,066	—	(311)	—	71	(4,505)	(72)	133,249
1998	144,419	—	(479)	—	—	(5,546)	—	138,394
1999	173,316	—	(1,336)	—	314	(17,436)	(315)	154,543
2000	291,891	—	(3,238)	—	843	(40,032)	(7,710)	241,754
2001	455,031	87,674	(40,800)	—	25,912	(124,742)	(25,895)	377,180
2002	758,908	1,123,602	(102,061)	—	84,401	(1,367,416)	(55,402)	442,032
2003	—	4,964,682	(113,273)	—	49,977	(4,320,806)	(49,780)	530,800
Total motor vehicle	\$ <u>3,353,382</u>	<u>6,175,958</u>	<u>(262,130)</u>	<u>—</u>	<u>161,547</u>	<u>(5,891,170)</u>	<u>(139,205)</u>	<u>3,398,382</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2003

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
Inside debt limit:							
Senior Center/City Hall Renovations	4.75-5.75%	6/15/1996	6/15/2006	\$ 180,000	—	45,000	135,000
Emergency Communications	4.75-5.75%	6/15/1996	6/15/2006	1,320,000	—	330,000	990,000
Acquisition of computers	4.75-5.75%	6/15/1996	6/15/2006	240,000	—	60,000	180,000
Frisoli Youth Center	4.0-5.0%	6/15/1997	6/15/2007	1,800,000	—	360,000	1,440,000
Area 4 Youth Center Renovations	4.0-5.0%	6/15/1997	6/15/2007	100,000	—	20,000	80,000
Building Renovations	4.0-5.0%	6/15/1997	6/15/2007	250,000	—	50,000	200,000
Fiber Optics Network	4.0-5.0%	6/15/1997	6/15/2007	500,000	—	100,000	400,000
Frisoli Youth Center	4.3-5.0%	8/1/1998	8/1/2018	490,000	—	70,000	420,000
Personal Computer Acquisition	4.75%	11/1/1999	11/1/2004	1,350,000	—	450,000	900,000
Public Art	4.75-5.0%	11/1/1999	11/1/2009	40,000	—	5,000	35,000
City Hall Renovations	4.75-5.0%	11/1/1999	11/1/2009	400,000	—	50,000	350,000
Gately Center Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,250,000	—	250,000	2,000,000
City Hall Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,700,000	—	300,000	2,400,000
Open Space Improvements	3.75-4.3%	2/1/1994	2/1/2004	350,000	—	175,000	175,000
City Hall Renovations	5.5-5.9%	11/1/1994	11/1/2004	90,000	—	30,000	60,000
Senior Center Renovations	5.5-5.9%	11/1/1994	11/1/2004	1,155,000	—	385,000	770,000
Open Space Improvements	5.5-5.9%	11/1/1994	11/1/2004	75,000	—	25,000	50,000
Central Square Enhancements	4.0-5.0%	6/15/1997	6/15/2007	1,785,000	—	360,000	1,425,000
Yerxa Road Underpass	4.5-5.0%	12/1/2000	12/1/2010	1,710,000	—	190,000	1,520,000
Open Space Improvements	4.5-5.0%	12/1/2000	12/1/2010	4,050,000	—	450,000	3,600,000
MWPAT/Sewer Loan	3.75-4.3%	2/1/1994	2/1/2004	100,000	—	50,000	50,000
MWPAT/Sewer Loan	5.5-5.9%	11/1/1994	11/1/2004	150,000	—	50,000	100,000
MWPAT/Sewer Loan	2.35-5.5%	5/21/1993	8/1/2003	1,180,084	—	776,841	403,243
MWPAT/Sewer Loan	4.0-6.13%	5/1/1995	2/1/2005	2,316,874	—	734,326	1,582,548
MWPAT/Sewer Loan	4.25-5.75%	6/15/1996	6/15/2006	300,000	—	75,000	225,000
MWPAT/Sewer Loan	4.0-5.0%	6/15/1997	6/15/2007	250,000	—	50,000	200,000
MWPAT/Sewer Loan	4.0-5.0%	5/1/1997	2/1/2007	2,435,296	—	463,578	1,971,718
MWRA Loan	N/A	5/20/1999	5/20/2004	318,642	—	159,321	159,321
MWPAT/Sewer Loan	4.0-5.75%	10/6/1999	8/1/2009	357,727	—	41,623	316,104
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	2,094,728	—	404,133	1,690,595
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	1,078,413	—	109,449	968,964
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	224,338	—	22,759	201,579
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	7,680,365	—	779,639	6,900,726
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	4,146,367	—	1,001,199	3,145,168
MWPAT/Sewer Loan	4.5-5.0%	12/1/2000	12/1/2010	14,040,000	—	1,560,000	12,480,000
Hospital (Ambulatory Center)	4.5%	2/1/1998	2/1/2018	24,000,000	—	1,500,000	22,500,000
MWRA Loan	N/A	10/18/2001	8/15/2006	1,246,415	—	249,283	997,132
Improvements to War Memorial	3.5-5.0%	12/15/2001	12/15/2011	1,000,000	—	200,000	800,000
City Hall Renovations	3.5-5.0%	12/15/2001	12/15/2011	13,230,000	—	1,325,000	11,905,000
Sewer Loan	3.5-5.0%	12/15/2001	12/15/2011	10,675,000	—	1,015,000	9,660,000
Traffic Improvement	3.5-5.0%	12/15/2001	12/15/2011	1,250,000	—	125,000	1,125,000
MWRA Loan	N/A	9/5/2002	8/15/2007	—	378,565	—	378,565
Sewer Renovations	2.25-4.00%	1/15/2003	1/15/2013	—	13,260,000	—	13,260,000
Fire Station Renovations	2.25-4.00%	1/15/2003	1/15/2013	—	4,875,000	—	4,875,000
Building Renovations	2.25-4.00%	1/15/2003	1/15/2013	—	950,000	—	950,000
City Hall Annex Renovations	2.25-4.00%	1/15/2003	1/15/2013	—	1,950,000	—	1,950,000
Street Reconstruction	2.25-4.00%	1/15/2003	1/15/2013	—	6,040,000	—	6,040,000
Golf Course Improvements	2.25-4.00%	1/15/2003	1/15/2013	—	850,000	—	850,000
Open Space Improvements	2.25-4.00%	1/15/2003	1/15/2013	—	250,000	—	250,000
Harvard Square Enhancements	2.25-4.00%	1/15/2003	1/15/2013	—	500,000	—	500,000
Total inside debt limit				108,909,249	29,053,565	14,397,151	123,565,663
Outside debt limit:							
School:							
Elementary school construction	3.75-4.3%	2/1/1994	2/1/2004	2,110,000	—	1,055,000	1,055,000
Elementary school construction	5.5-5.9%	11/1/1994	11/1/2004	3,969,000	—	1,323,000	2,646,000
Elementary school construction	4.75-5.75%	6/15/1996	6/15/2006	970,000	—	245,000	725,000
Elementary school construction	4.5%	2/1/1998	2/1/2008	7,200,000	—	1,200,000	6,000,000
Elementary school renovation-Fitz	4.75-5.0%	11/1/1999	11/1/2009	11,540,000	—	1,445,000	10,095,000
Elementary school renovation-Morse	4.75-5.0%	11/1/1999	11/1/2009	560,000	—	70,000	490,000
Elementary school renovations	4.5-5.0%	12/1/2000	12/1/2010	4,770,000	—	530,000	4,240,000
Total school				31,119,000	—	5,868,000	25,251,000
Water:							
Treatment Plant Renovations	3.75-4.3%	2/1/1994	2/1/2004	110,000	—	55,000	55,000
Water Plant Equipment	5.5-5.9%	11/1/1994	11/1/2004	261,000	—	87,000	174,000
Water Main Replacements	5.5-5.9%	11/1/1994	11/1/2004	300,000	—	100,000	200,000
Water Main Replacements	4.25-5.75%	6/15/1996	6/15/2006	1,200,000	—	300,000	900,000
New Water Treatment Plant	4.3-5.0%	8/1/1998	8/1/2018	34,000,000	—	2,000,000	32,000,000
MWPAT/Water Loan	4.0-5.75%	10/6/1999	8/1/2009	9,827,514	—	1,126,981	8,700,533
Construction/Water Treatment Plant	4.75-5.75%	11/1/1999	11/1/2019	9,000,000	—	500,000	8,500,000
MWPAT/Water Loan	4.25-5.63%	11/1/2000	11/1/2010	11,528,095	—	1,143,333	10,384,762
Construction/Stoney Brook	3.5-5.0%	12/15/2001	12/15/2011	6,475,000	—	600,000	5,875,000
Total water				72,701,609	—	5,912,314	66,789,295

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2003

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
HUD Sec 108 Notes (2/95)	7.71-9.03%	2/1/1995	8/1/2014	\$ 825,000	—	420,000	405,000
School Equipment Notes	6.85%	6/15/1998	6/15/2008	2,314,652	—	314,136	2,000,516
Housing Trust Fund: Note payable	2.00%	4/15/2000	4/15/2022	6,000,000	—	—	6,000,000
Total outside debt limit				112,960,261	—	12,514,450	100,445,811
Total debt outstanding				\$ 221,869,510	29,053,565	26,911,601	224,011,474

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Statistical Section

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2003

STATISTICAL SECTION

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

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Expenditures by Function – Budgetary Basis (1)

Last Ten Fiscal Years

Fiscal year	General government, inter-governmental and judgments and claims	Public safety	Community maintenance and development	Health, hospital, and Neville Manor	Human resource development	Education	Water	Debt service	Total
1994	\$ 39,492,272	52,420,342	20,256,849	78,918,379	9,512,079	79,668,979	4,914,661	8,127,856	293,311,417
1995	38,463,753	53,707,656	19,711,035	84,112,435	9,909,005	81,351,321	7,517,510	6,091,530	300,864,245
1996	38,707,201	54,986,388	20,317,721	10,896,015	10,713,945	85,952,725	—	7,486,944	229,060,939
1997	46,441,468	56,250,701	21,544,794	—	11,912,355	86,933,392	—	9,908,476	232,991,186
1998	47,913,478	61,549,659	19,925,112	—	12,984,351	89,886,002	—	10,296,287	242,554,889
1999	50,685,628	62,625,823	21,433,013	—	13,478,195	94,377,533	—	12,648,513	255,248,705
2000	51,522,351	67,003,685	23,387,335	—	15,720,011	101,032,870	—	11,499,738	270,165,990
2001	52,394,957	66,713,078	23,832,988	—	16,655,361	105,521,654	—	11,366,687	276,484,725
2002	55,745,479	70,409,269	26,039,634	—	18,257,711	112,573,192	—	16,388,633	299,413,918
2003	57,043,519	72,909,499	27,625,956	—	19,519,291	117,137,186	—	19,070,898	313,306,349

(1) Includes General, Hospital, Neville Manor and Water funds for fiscal years 1994 through 1995. The figure in the Health, Hospital and Neville Manor column for 1996 represents the subsidies from the General Fund to the Hospital and Neville Manor Enterprise Funds. In 1997, the Cambridge Public Health Commission, which includes the Cambridge Hospital, Health Department, and Neville Manor, was established as a separate authority. The City's transfer to the CPHC is shown as an intergovernmental expenditure.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

(In thousands)

<u>Fiscal year</u>	<u>General government</u>	<u>Public safety</u>	<u>Community maintenance and development</u>	<u>Health</u>	<u>Human resource development</u>	<u>Education</u>	<u>Fuel assistance</u>	<u>Judgments and claims</u>	<u>State assessments</u>	<u>Other</u>	<u>Debt service</u>	<u>Total</u>
1994	\$ 18,525	52,202	20,461	1,391	9,401	77,668	1,326	1,256	19,564	5,200	5,837	212,831
1995	18,219	53,814	18,090	1,413	9,439	81,368	1,072	11	19,752	5,380	6,085	214,643
1996	17,842	55,362	19,229	— (2)	10,153	85,836	837	846	21,067	5,369	7,383	223,924
1997	16,719	55,931	19,076	— (2)	11,169	85,514	744	936	20,660	4,350	9,884	224,983
1998	17,475	62,070	19,328	— (2)	12,343	90,481	650	537	20,826	4,268	10,280	238,258
1999	21,752	61,995	19,379	— (2)	12,602	93,371	614	1,000	21,223	—	12,683	244,619
2000	18,032	66,443	21,582	— (2)	14,699	100,200	907	2,479	21,407	—	11,492	257,241
2001	22,544	66,776	24,592	— (2)	15,970	105,324	1,308	709	21,107	—	11,369	269,699
2002	26,805	70,387	24,172	— (2)	17,531	112,961	964	205	28,019	—	16,387	297,431
2003	20,820	72,870	26,957	— (2)	19,056	117,721	1,135	156	29,698	—	19,069	307,482

(1) Includes General and selected Special Revenue Funds.

(2) Included in Enterprise Fund for fiscal year 1996 and Cambridge Public Health Commission in 1997 through 2003.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Revenues by Source – Budgetary Basis (1)

Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Taxes (2)</u>	<u>Licenses and permits</u>	<u>Inter-governmental revenue</u>	<u>Charges for service</u>	<u>Fines and forfeits (3)</u>	<u>Miscellaneous revenue</u>	<u>Total revenues</u>
1994	\$ 143,781,002	3,642,665	33,304,293	97,380,024	7,113,691	10,690,342	295,912,017
1995	149,853,977	3,894,207	35,154,075	116,806,361	7,463,198	18,744,229	331,916,047
1996	150,282,907	4,019,555	35,464,750	21,976,741	7,270,904	7,558,188	226,573,045
1997	154,534,476	6,094,715	36,420,810	21,908,242	7,336,024	9,739,440	236,033,707
1998	160,453,362	6,738,798	37,207,164	22,688,087	7,281,070	8,714,293	243,082,774
1999	167,834,981	6,233,681	41,403,415	22,940,870	7,317,736	13,960,295	259,690,978
2000	174,987,441	10,201,219	39,820,586	20,716,194	7,316,708	12,477,812	265,519,960
2001	190,574,030	11,731,007	47,022,550	20,563,466	8,943,462	13,357,728	292,192,243
2002	199,245,566	7,200,524	46,822,454	23,836,866	8,538,450	11,304,914	296,948,774
2003	208,652,274	12,386,635	42,690,197	27,061,324	8,171,791	10,860,234	309,822,455

- (1) Includes General, Hospital, Neville Manor, and Water Funds for fiscal years 1994 through 1995 and the General Fund for fiscal years 1996 through 2001.
- (2) Includes property taxes, net of abatements, hotel/motel and motor vehicle excise taxes, and payments in lieu of taxes.
- (3) Includes parking fines reported in the Special Revenue Fund as follows: \$6,597,258 in 1994, \$6,855,815 in 1995, \$6,620,432 in 1996, \$6,722,343 in 1997, \$6,643,771 in 1998, \$6,714,453 in 1999, \$6,620,191 in 2000, \$7,288,425 in 2001, \$8,002,287 in 2002 and \$8,071,817 in 2003.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Fiscal year	Net tax (2) levy	Current tax (3) collections	Percent of net levy collected	Prior year tax collections (refunds) (4)	Total tax collections	Total collections as a % of net levy	Outstanding and/or delinquent taxes (5)	Outstanding delinquent taxes as a % of net levy
1994	\$ 135,164,021	134,148,722	99%	2,601,390	136,750,112	101%	5,431,218	4%
1995	140,195,748	139,981,553	100	1,478,539	141,460,092	101	5,179,797	4
1996	140,191,464	139,860,593	100	(1,618,909)	138,241,684	99	4,447,397	3
1997	143,820,000	143,985,981	100	(6,610,010)	137,375,971	96	4,531,992	3
1998	150,053,550	150,900,173	101	(392,618)	150,507,555	100	4,451,252	3
1999	154,749,999	155,715,163	101	173,390	155,888,553	101	3,799,562	2
2000	159,750,000	161,042,071	101	533,202	161,575,273	101	4,424,002	3
2001	174,311,575	173,621,734	100	190,578	173,812,312	100	5,403,720	3
2002	183,678,342	182,954,775	100	2,083,030	185,037,805	101	6,095,610	3
2003	193,746,192	192,373,785	99	2,641,375	195,015,160	101	4,816,887	2

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Equalized Valuation of Taxable Property

Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Real property</u>	<u>Personal property</u>	<u>Total assessed value (1)</u>	<u>Equalized valuation (2)</u>	<u>% of total assessed value to equalized</u>
1994	\$ 6,576,193,610	213,800,000	6,789,993,610	7,984,791,000	85.0
1995	6,533,446,242	221,500,000	6,754,946,242	7,508,093,800	90.0
1996	6,782,990,307	227,040,000	7,010,030,307	7,508,093,800	93.4
1997	7,006,073,437	236,051,000	7,242,124,437	7,593,801,600	95.4
1998	7,254,711,431	248,991,150	7,503,702,581	7,593,801,600	98.8
1999	9,286,634,355	256,202,460	9,542,836,815	8,505,892,500	112.2
2000	10,763,157,000	274,785,030	11,037,942,030	8,505,892,500	129.8
2001	12,410,137,200	293,000,330	12,703,137,530	12,681,060,300	100.2
2002	16,531,950,616	305,136,510	16,837,087,126	12,681,060,300	132.8
2003	17,382,808,566	367,927,030	17,750,735,596	18,243,245,900	97.3

(1) As of January 1st.

(2) As of January 1, 1992, 1994, 1996, 1998, 2000, and 2002, respectively. Equalized valuations are determined biannually by the Commissioner of Revenue.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates (1)

Last Ten Fiscal Years

<u>Fiscal year</u>		<u>Residential real property</u>	<u>Commercial and industrial real property</u>	<u>Personal property</u>	<u>Motor vehicle</u>
1994	\$	13.79	32.78	32.78	25.00
1995		14.17	34.86	34.86	25.00
1996		13.32	34.89	34.89	25.00
1997		13.02	35.78	35.78	25.00
1998		13.43	35.98	35.78	25.00
1999		11.05	27.25	27.25	25.00
2000		9.64	25.16	25.16	25.00
2001		9.21	23.39	23.39	25.00
2002		7.22	18.81	18.81	25.00
2003		7.26	18.67	18.67	25.00

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Population (1)</u>	<u>Assessed value</u>	<u>Net bonded debt (2)</u>	<u>Ratio of net bonded debt to assessed valuation</u>	<u>Net bonded debt per capita</u>
1994	99,890	\$ 6,789,993,610	57,722,153	0.9%	578
1995	99,890	6,754,946,242	77,407,264	1.1	775
1996	99,890	7,010,030,307	80,567,165	1.1	807
1997	99,890	7,242,124,437	79,134,995	1.1	792
1998	93,793	7,503,702,581	106,181,111	1.4	1,132
1999	93,793	9,542,836,815	132,517,560	1.4	1,413
2000	102,202	11,037,942,030	156,852,807	1.4	1,535
2001	101,355	12,703,137,530	201,254,166	1.6	1,986
2002	101,355	16,837,087,126	212,729,858	1.3	2,098
2003	101,355	17,750,735,596	215,605,958	1.2	2,127

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports, Local Population Estimates for 1994 through 2000 and U.S. Department of Commerce, Bureau of the Census, Decennial Census for 2001 through 2003.

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

<u>Fiscal year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total debt service (2)</u>	<u>Total expenditures (3)</u>	<u>Ratio of debt service to total expenditures</u>
1994	\$ 10,566,693	3,001,032	13,567,725	293,311,417	4.6
1995	10,706,980	3,500,789	14,207,769	300,864,245	4.7
1996	13,130,099	4,005,353	17,135,452	229,060,939	7.5
1997	15,955,828	4,160,269	20,116,097	224,394,170	9.0
1998	13,963,884	3,932,297	17,896,181	233,957,889	7.6
1999	15,165,156	5,948,723	21,113,879	246,651,705	8.6
2000	16,064,380	7,100,178	23,164,558	261,568,990	8.9
2001	17,829,926	8,384,966	26,214,892	268,886,725	9.7
2002	22,510,723	9,281,559	31,792,282	299,413,918	10.6
2003	25,825,664	9,550,789	35,376,453	313,306,349	11.3

- (1) Includes principal and interest on all general obligation notes and bonds outstanding, including bonds payable reported in the Enterprise Fund.
- (2) Does not include debt service on short-term borrowing, such as revenue anticipation notes, which are retired during the fiscal year.
- (3) Includes all categories of operating expenditures from 1994 to 1995 and General Fund budgetary expenditures from 1996 to 2003.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Legal Debt Margin

June 30, 2003

Fiscal year 2003 equalized valuation (1)	\$ 18,243,245,900
Normal debt limit (2-1/2% of equalized valuation)	456,081,148
Amount of debt applicable to debt limit:	
Total bonded debt	215,605,958
Total authorized/unissued	148,484,850
Less:	
General obligation bonds exempted by authority of the state legislature	<u>92,040,295</u>
Amount within debt limit	<u>272,050,513</u>
Legal debt margin	<u>\$ 184,030,635</u>

- (1) In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biannually makes his own determination of fair cash value of the taxable property in each municipality. This is known as “equalized valuation.” The last redetermination of “equalized valuation” for the City was made as of January 1, 2002.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Direct and Overlapping Debt

June 30, 2003

<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	\$ 215,605,958	—	100%	\$ 215,605,958
Massachusetts Water Resources Authority	—	3,453,511,000	4.86	167,757,372
Total direct and overlapping debt	\$ <u>215,605,958</u>	<u>3,453,511,000</u>		\$ <u>383,363,330</u>

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

(Dollars in thousands)

<u>Fiscal year</u>	<u>Real property assessed value</u>	<u>Building permits issued (1)</u>	<u>Construction value</u>	<u>% Distribution (1)</u>		<u>Bank deposits (2)</u>
				<u>Residential</u>	<u>Commercial</u>	
1994	\$ 6,789,994	1,672	\$ 178,799	24	76	\$ 2,192,294
1995	6,754,946	1,749	162,757	22	78	2,202,852
1996	7,010,030	1,664	185,205	33	67	2,267,170
1997	7,242,124	1,995	388,057	25	75	1,949,015
1998	7,503,703	2,460	430,160	38	62	2,452,040
1999	9,542,387	2,572	321,835	31	69	2,595,209
2000	11,037,942	2,135	720,647	29	71	2,685,395
2001	12,703,138	1,946	825,696	28	72	2,946,832
2002	16,837,087	1,878	462,909	26	74	3,225,932
2003	17,750,736	1,948	844,863	33	67	3,498,380

(1) Source: Inspection Services Department.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Taxpayers (1)

June 30, 2003

<u>Name</u>	<u>Nature of business</u>	<u>Assessed valuation</u>	<u>Amount of tax</u>	<u>% of total tax levy</u>
Mass. Institute of Technology	Educational	\$ 985,624,100	17,248,669 (2)	8.70
Boston Properties	Commercial	419,721,100	7,836,193	4.00
Equity Partners	Commercial	245,640,500	4,586,108	2.30
Riverfront LLC	Commercial	212,597,100	3,969,188	2.00
Lyme Properties	Commercial	184,654,500	3,379,893	1.70
The Bullfinch Company	Commercial	172,529,300	3,168,084	1.70
Cambridge Gas & Electric Co./ NSTAR	Utility	167,276,640	3,123,054	1.60
Presidents & Fellows of Harvard College	Educational	245,604,700	2,784,023 (2)	1.40
New England Development	Commercial	145,518,700	2,716,834	1.40
GE Capital Investments Advisors	Commercial	123,954,000	2,331,582	1.20
Totals		<u>\$ 2,903,120,640</u>	<u>51,143,628</u>	<u>26.00</u>

(1) As of January 1, 2002.

(2) Excludes in lieu payments on exempt property.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Salaries of Principal Officials

June 30, 2003

City Council:		
Chairman (Mayor)	\$	84,224
Members		56,400
City Clerk		84,251
City Auditor		84,251
Executive:		
City Manager		186,648
Deputy City Manager		153,118
Assistant City Manager/Fiscal Affairs		116,155
Assistant City Manager/Community Development		116,155
Assistant City Manager/Human Services		116,155
Budget Director		97,000
Personnel Director		99,473
Director of Assessment		91,727
City Solicitor		104,400
Commissioner of Public Works		101,022
Commissioner of Inspectional Services		92,166
Superintendent of Schools		175,000
Police Commissioner		146,885
Fire Chief		137,373
Director of Libraries/Communications		92,166

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

<u>Characteristic</u>	<u>Cambridge</u>	<u>Massachusetts</u>	<u>United States</u>
Population (1):	101,355	6,349,097	281,421,906
Median age (1):			
2000	30.4	36.5	35.3
1990	31.1	33.6	32.9
1980	28.6	31.2	30.0
1970	26.8	28.0	28.0
1960	29.6	32.1	29.5
Age group (1):			
0-4	4.1%	6.3%	6.8%
5-17	9.2	17.4	18.9
18-44	38.6	31.3	30.2
45-64	39.0	31.5	31.7
65 and over	9.2	13.5	12.4
Median family income (2):			
1999	59,423	61,664	50,046
1989	39,990	44,367	37,919
1979	17,845	21,166	19,917
Per capita income (2):			
1999	\$ 31,156	\$ 25,952	\$ 21,587
1989	19,879	22,236	17,592
1979	7,957	10,096	9,494
Unemployment rates (3):			
2003	3.9%	5.6%	6.0%
2002	3.6	4.8	6.0
2001	2.6	3.7	4.9
2000	1.7	2.5	3.8
1999	1.9	3.2	4.2
1998	1.9	3.3	4.5
1997	2.4	4.0	4.9
1996	2.7	4.3	5.4
1995	3.5	5.4	5.6
1994	3.8	6.0	6.1
Four or more years of college education, 25 years old and over (3)	65.1	33.2	24.4
High school graduates 25 years old and over (3)	89.5	84.8	80.4

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

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

(3) Source: Massachusetts Division of Labor and Industries

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2003

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

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