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CITY OF CAMBRIDGE,  
MASSACHUSETTS

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COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

JULY 1, 2017 – JUNE 30, 2018

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**CITY OF CAMBRIDGE, MASSACHUSETTS**

Comprehensive  
Annual Financial Report

Fiscal Year  
July 1, 2017 through June 30, 2018

Louis A. DePasquale  
City Manager

Lisa C. Peterson  
Deputy City Manager

David J. Kale  
Assistant City Manager for Fiscal Affairs

Michele Kincaid  
Assistant Finance Director

James Monagle  
City Auditor

Prepared by:  
Finance Department  
City of Cambridge, Massachusetts

Cover Photo:

**Cambridge Night Skyline**

Photo credit: Kyle Klein

# CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive  
Annual Financial Report

June 30, 2018

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# City of Cambridge

## FINANCE DEPARTMENT

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Cambridge, MA 02139

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[www.cambridgema.gov](http://www.cambridgema.gov)  
December 24, 2018

Mr. Louis DePasquale  
City Manager  
City of Cambridge  
Cambridge, Massachusetts 02139

Dear Mr. DePasquale:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2018 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, affordable housing trust fund and other governmental funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government-wide basis as shown on pages 16 and 17. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

*Budgetary Control*

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

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

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

*Collateralized Deposits*

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

*The Reporting Entity*

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

The City has three component units, which are the Cambridge Retirement System, the Cambridge Health Alliance and the newly added Cambridge Redevelopment Authority.

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2017 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

*Acknowledgments*

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

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

Respectfully submitted,



David J. Kale  
Assistant City Manager  
for Fiscal Affairs



James Monagle  
City Auditor



# City of Cambridge

## Executive Department

**LOUIS A. DePASQUALE**  
City Manager

**LISA C. PETERSON**  
Deputy City Manager

December 24, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge (City) for the year ending June 30, 2018. This report was prepared by the City's Finance Department and is presented in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets the requirements of the Commonwealth of Massachusetts finance laws and the City Charter.

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

The accounting firm KPMG LLP has issued unmodified opinions on the City's financial statements for the year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

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

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

### Profile of the Government

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

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. Since 1942, the City has had a council-manager form of government with nine City Councilors elected at-large every two years. The City Council elects a Mayor and Vice Mayor from among its members with the Mayor also serving as Chair of the School Committee.

The City Manager is the Chief Administrative Officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 34 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires January 8, 2021. The School Committee is comprised of six elected members plus the Mayor, all of whom are elected for two-year terms. The School Superintendent is



responsible for the day-to-day activities of the School Department and serves at the pleasure of the School Committee. The present Superintendent is employed under a contract which expires June 30, 2020.

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

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

The basic financial statements present information on the City and its component units as required by GASB. Component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The inclusion of component units in the City's basic financial statements does not affect their legal standing. The City has three component units, the Cambridge Retirement System, the Cambridge Health Alliance, and the Cambridge Redevelopment Authority.

The budget cycle for FY18 was initiated in November 2016. At that time, budget staff met with the City Manager and Finance Director to update the City's 5-year financial projections in order to establish general budgetary guidelines and limitations for the coming year. By state law, the budget must be submitted to the City Council within 170 days after the Council organizes in early January. The City Manager submitted the FY18 Budget to the City Council on April 24, 2017 and it was adopted on May 22, 2017. The Annual Budget for FY18 became effective July 1, 2017.

### **Demographic Summary**

- Cambridge residents live closely together; only 10 U.S. cities with a population over 50,000 are denser. (Source: 2010 U.S. Census Bureau)
- Cambridge is a city of 13 neighborhoods, ranging in population from 832 (Cambridge Highlands) to 12,991 (Mid Cambridge). (Source: 2010 U.S. Census Bureau) Most neighborhoods have their own political and community organizations. Residents often participate vocally in City debates.
- Cambridge is ethnically diverse. 61.6% of residents are White Non-Hispanic. Minority residents are highly diverse, with no single race, language group, country of origin, or ethnic identity dominant. (Source: 2013–2017 American Community Survey (ACS))
- 28.2% of residents are foreign born. Of those, over 41.2% were born in Asia and 23.2% were born in Europe. (Source: 2013-2017 ACS)
- 32.5% of residents speak a language other than English at home. Of these, 21.5% speak Spanish and 27.7% speak Chinese. The remainder uses a wide variety of languages. (Source: 2013-2017 ACS)
- While the majority of new units are currently marketed as rentals, the 2013-2017 ACS found 36.2% of occupied housing units to be owner-occupied, and 63.8% to be renter-occupied.
- The Census recorded 44,234 households in 2017. Of these, 38% are single person households, one of the largest proportions in Massachusetts; 43% are family households; and 19% consist of roommates or unmarried partners. (Source: CDD)

- 19,112 families reside in Cambridge; 7,985 are families with minor children. (Source: 2013-2017 ACS)
- 76.5% of residents have a four-year college degree and 46% also have a graduate degree. Only 5.3% of residents age 25 or older lack a high school diploma. (Source: 2017 ACS)

### **Local Economy**

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

- The City's per capita personal income of \$74,235 (Bureau of Economic Analysis, 2017) is higher than the Boston, Massachusetts, and U.S. averages.
- According to the Massachusetts Department of Labor, 2017 employment averaged 124,210 jobs, with private sector employment comprising 94.2% of total jobs.
- Cambridge's October 2018 unadjusted unemployment rate of 1.9% remains lower than the Boston primary metropolitan statistical area (PMSA), Massachusetts, and U.S. averages.
- Cambridge continues to maintain a high job to resident ratio, with 1.12 jobs for each resident.
- Professional and business services leads the way among employment sectors, followed by education and health services.
- Led by Harvard University and MIT, the higher education sector continues to drive the job market, employing almost 22,000 people. Preeminent research institutions like Harvard, MIT, the Broad Institute, and the Whitehead Institute act as a magnet for commercial investment in the city and drive innovation.
- Eight of the top 25 employers fall into the biotechnology and pharmaceutical sector. Important firms include: Novartis, Biogen, Takeda/Millennium Pharmaceuticals, Sanofi Aventis, Pfizer, Alnylam Pharmaceuticals, Shire/Baxalta, and Moderna Therapeutics.
- The top 25 employers in the high tech sector include Akamai Technologies, Google, Hubspot, IBM Innovation center/Watson, and Pegasystems. This sector increased by over 600 full-time equivalents (FTEs).
- Underpinning the boom in real estate investment activity is the city's increasing volume of venture capital and angel capital investments in startups and growing companies.

Due to its strong and healthy local economy, the City retained the rare distinction of being one of 33 municipalities in the United States with three AAA ratings from the nation's three major credit rating agencies. The City has received AAA ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings every year since 1999.

### **Financial Planning and Major Initiatives**

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

During FY18, the City's free cash position increased to \$231.7 million. This is an increase of \$20.7 million from the previous year and is the highest balance in the City's history.

The City ended FY18 with a total general fund balance of \$368.6 million, which represents 58.2% of general fund revenues, and is a 10.77% increase over FY17. Each year, a portion of the fund balance is allocated to committed, assigned, nonspendable accounts. A total of \$112.8 million was held as committed, assigned or nonspendable in FY18, leaving an unassigned fund balance of \$255.8 million.

The property tax levy for FY18 increased by only 4.4%. The ten-year average increase in the property tax levy is 4.85%. The FY18 Budget adopted by the City Council in May 2017 projected a property tax levy increase of \$22.0 million, or 5.99%, to \$395,007,870 in order to fund operating and capital expenditures. The FY18 adopted operating budget increased by 4.97% over the FY17 Adjusted Budget.

In FY18, real estate property assessed valuations totaled \$43.6 billion, a \$4.0 billion or 10.07% increase from FY17. This change reflects the strength of the Cambridge real estate market. The strong commercial market, coupled with an increase in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from the residential taxpayers for the eleventh year in a row. As a result, 68.9% of the residential taxpayers received a property tax bill that was lower, the same or an increase less than \$100.

The City's property tax levy limit grew by \$30 million to \$571 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and the tax levy was \$181.5 million in FY18, an increase of \$13.2 million or 7.83% from FY17.

The local portion of Community Preservation Act (CPA) funds are raised through a 3% surcharge on taxes. The total amount appropriated in FY18 was \$12.8 million (\$9.0 million local, \$1.5 million State, and \$2.3 million fund balance & Reserves) and the City continued to allocate funds as follows: 80% to affordable housing, 10% to historic preservation, and 10% to open space. Through FY18, the City has appropriated \$180.6 million in CPA funds with approximately \$50.3 million in State matching funds.

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program (CIP) for the five-year period from FY18-FY22, which was adopted by the City Council in May 2017, has an estimated cost of \$507.5 million.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in a sizable interest savings. In addition, the CIP funds a portion of the program on a "pay-as-you-go" basis out of current revenues. The City's outstanding bonded debt as of June 30, 2018 totaled \$454.5 million.

### **Relevant Financial Policies**

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

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

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2017. This was the 32nd consecutive year that the City has achieved this prestigious award. In order to be awarded the Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable program requirements. A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the GFOA Certificate of Achievement program's requirements and we are submitting it to the GFOA for consideration for this year's award.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2017. The budget document was judged proficient as a policy document, financial plan, an operations guide, and a communications driver.

This report could not have been prepared without the skill, effort, and dedication of the staff of the Finance Department. We wish to express our appreciation to those who contributed to the preparation of this report. We would also like to thank the City Council for their concern and support in planning and constructing the financial operations of the City in a responsible and progressive manner.

Additionally, we would like to acknowledge all City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

Very truly yours,



Louis DePasquale  
City Manager

**Fiscal Year 2018**  
**Directory of Officials**  
**City Council**

Marc C. McGovern, Mayor

Jan Devereux, Vice Mayor	Sumbul Siddiqui
Dennis J. Carlone	E. Denise Simmons
Craig A. Kelley	Timothy J. Toomey, Jr.
Alanna M. Mallon	Quinton Y. Zondervan

**School Committee**

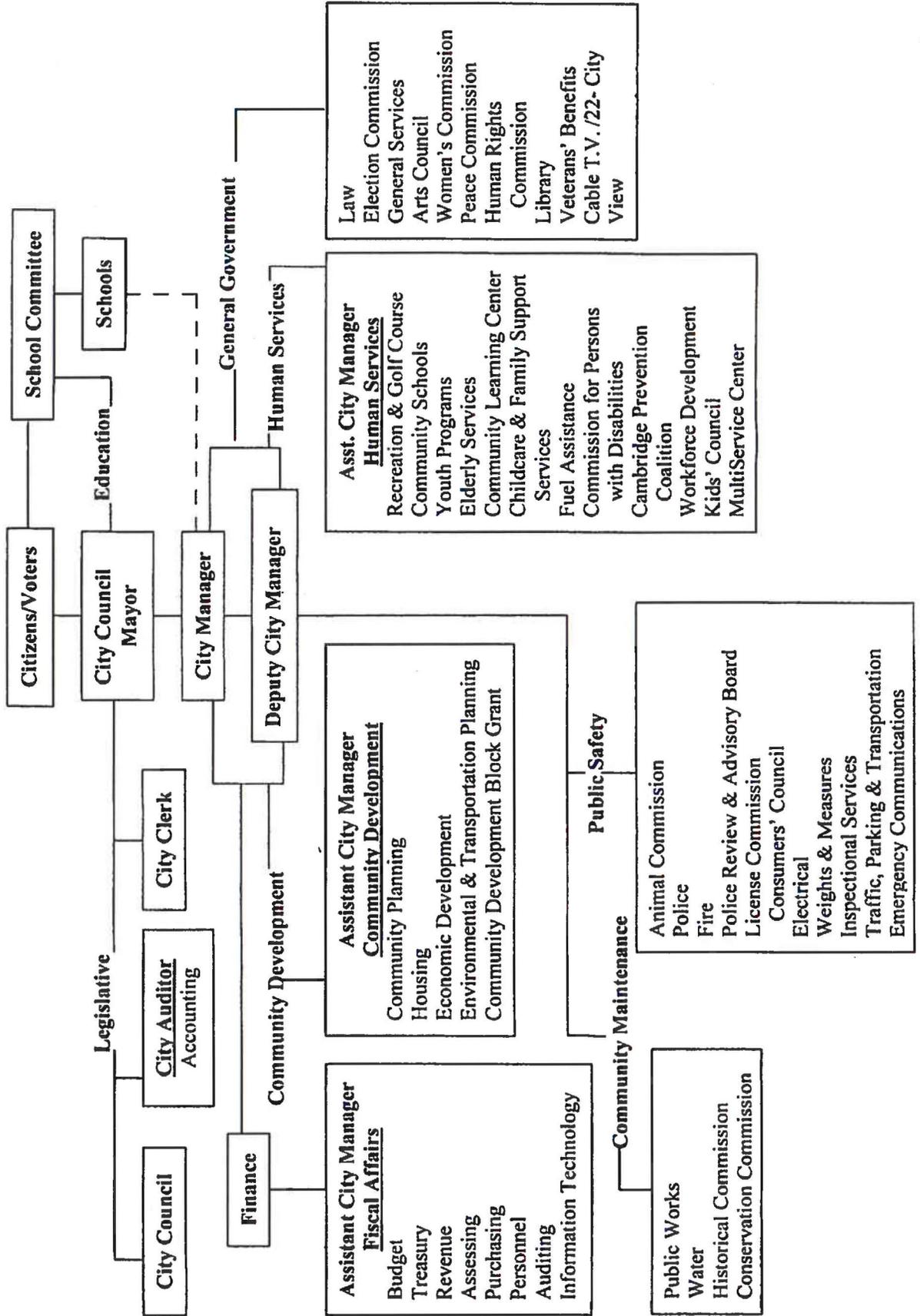
Marc C. McGovern, Chair

Manikka L. Bowman	Kathleen Kelly
Emily R. Dexter	Laurance V. Kimbrough
Alfred B. Fantini	Patricia M. Nolan

**Principal Executive Officers**

City Manager	Louis A. DePasquale
Deputy City Manager	Lisa C. Peterson
Assistant City Manager for Fiscal Affairs	David J. Kale
Assistant City Manager for Community Development	Iram Farooq
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Nancy Glowa
City Clerk	Donna Lopez

# ORGANIZATIONAL CHART City of Cambridge, Massachusetts





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Cambridge  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO





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

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matters*

#### **Adoption of New Accounting Pronouncement**

As discussed in note 2(o) to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### **Required Supplementary Information**

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

#### **Supplementary and Other Information**

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

The supplemental statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 24, 2018

## CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2018

(Unaudited)

Management of the City of Cambridge (the City) provides this Management's Discussion and Analysis as part of the City's Comprehensive Annual Financial Report (CAFR) to assist readers of the basic financial statements in understanding the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the transmittal letter at the front of this report and the City's basic financial statements, which follow this section.

#### **Overview of the Financial Statements**

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

#### **Government-Wide Financial Statements**

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

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

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

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

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

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

**Discretely Presented Component Units** – Includes the Cambridge Health Alliance and the Cambridge Redevelopment Authority.

*The Cambridge Health Alliance (CHA)* is a separate legal entity for which the City has financial accountability and provides operating subsidies. It operates similar to a private sector business and the business-type activity described above.

Complete financial statements for the CHA can be obtained from its administrative offices located at 101 Station Landing, 5th Floor, Medford, Massachusetts, 02155.

*The Cambridge Redevelopment Authority (CRA)* is a separate legal entity for which the City has financial accountability and provides significant amount of intergovernmental revenue that will be used solely for capital projects that are under CRA oversight. It operates similar to a private sector business and the business-type activity described above.

Complete financial statements for the CRA for its fiscal year ended December 31, 2017 are available from its offices at 255 Main Street 8<sup>th</sup> Floor, Cambridge, MA 02142.

### **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.

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

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

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

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

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

### Notes to the Financial Statements

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

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### Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the City's general fund – the only fund for which an annual budget is legally adopted. The budgetary comparison also includes a reconciliation of revenues and expenditures reported on the City's budgetary basis of accounting and the revenues and expenditures reported on a GAAP basis. Also included is historical information for the City's pension and other postemployment benefit obligations and related schedules of employers' contributions.

### Government-Wide Financial Analysis

#### *Statement of Net Position*

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

The City's combined net position (governmental and business-type activities) exceeded its liabilities at June 30, 2018 by \$615.5 million (presented as net position). Of this amount, (\$380.0) million was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net position are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$909.9 million and indicates the amount of the net book value of the City's capital assets that exceeds capital debt. Since most of the City's debt has a ten-year life, a considerable amount of the City's capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. Other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Included within the governmental activities current and other assets are cash and investments of \$606.8 million, up 13.6% from prior year; net receivables of \$35.6 million up \$1.2 million from prior year.

Governmental activities non-current portion of long-term liabilities include \$430.5 million in general obligation bonds and notes payable; \$12.4 million in compensated absence liabilities for unused sick and vacation leave; and \$9.0 million in future year workers' compensation, health benefits and possible judgments. The major change in the long-term liabilities is attributable to the implementation of GASB Statement No. 75 which requires reporting of the total net other post-employment benefit liability of \$622.3 million which is an increase over prior year of \$383.6 million. Also bonded debt increased by \$35.3 million but was offset by a drop in the pension liability by \$43.8 over prior year.

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Business-type activity non-current portion of long-term liabilities include \$.5 million in general obligation bonds, \$478 thousand in compensated absences and \$632 thousand in future year workers' compensation and health benefits. The net reduction of \$2.0 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

**Condensed Schedule of Net Position**

June 30, 2018 and 2017

(in millions)

	<b>Governmental activities</b>		<b>Business type activities</b>		<b>Total primary government</b>	
	<b>June 30</b>		<b>June 30</b>		<b>June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 644.9	579.8	13.8	16.8	658.7	596.6
Capital assets	1,189.1	1,109.2	134.5	130.6	1,323.6	1,239.8
<b>Total assets</b>	<b>1,834.0</b>	<b>1,689.0</b>	<b>148.3</b>	<b>147.4</b>	<b>1,982.3</b>	<b>1,836.4</b>
Deferred outflows	75.5	76.6	—	—	75.5	76.6
<b>Total assets and deferred outflows</b>	<b>\$ 1,909.5</b>	<b>1,765.6</b>	<b>148.3</b>	<b>147.4</b>	<b>2,057.8</b>	<b>1,913.0</b>
Long-term liabilities	\$ 1,213.6	839.0	1.6	4.4	1,215.2	843.4
Other liabilities	121.9	118.7	4.1	4.0	126.0	122.7
Deferred inflows	101.2	24.2	—	—	101.2	24.2
<b>Total liabilities and deferred inflows</b>	<b>\$ 1,436.7</b>	<b>981.9</b>	<b>5.7</b>	<b>8.4</b>	<b>1,442.4</b>	<b>990.3</b>
Net position:						
Net investment in capital assets	\$ 778.2	729.1	131.6	125.3	909.8	854.4
Restricted	85.6	69.0	—	—	85.6	69.0
Unrestricted	(391.0)	(14.4)	11.0	13.6	(380.0)	(0.8)
<b>Total net position</b>	<b>\$ 472.8</b>	<b>783.7</b>	<b>142.6</b>	<b>138.9</b>	<b>615.4</b>	<b>922.6</b>

*Statement of Changes in Net Position*

The City's total net position increased by \$87.8 million in fiscal year 2018 of which the governmental activities net position increased \$84.2 million and the business-type activity increased \$3.6 million. The continued investment in the City's capital assets of \$79.9 million and increased cash reserves of \$65.1 million are contributors to governmental activities increase in assets. The main increase of \$315 million in liabilities is due to bonded debt, and the implementation of GASB Statement No. 75 which requires the City to record the total other post-employment benefits liability.

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

**Condensed Schedule of Changes in Net Position**

June 30, 2018 and 2017

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Charges for services	\$ 130.9	106.1	18.4	17.2	149.3	123.3
Operating grants and contributions	22.0	22.5	—	—	22.0	22.5
Capital grants and contributions	19.5	4.9	—	—	19.5	4.9
General revenues:						
Taxes:						
Property taxes levied	390.8	374.9	—	—	390.8	374.9
Excises	29.0	27.8	—	—	29.0	27.8
Payment in lieu of taxes	7.4	8.1	—	—	7.4	8.1
Grants and contributions not restricted	67.6	65.2	—	—	67.6	65.2
Investment income	7.4	7.7	0.1	0.2	7.5	7.9
Miscellaneous	51.3	41.1	—	—	51.3	41.1
Total revenues	<u>725.9</u>	<u>658.3</u>	<u>18.5</u>	<u>17.4</u>	<u>744.4</u>	<u>675.7</u>
Expenses:						
General government	69.1	58.9	—	—	69.1	58.9
Public safety	145.6	155.7	—	—	145.6	155.7
Community maintenance and development	111.6	96.8	—	—	111.6	96.8
Human resource development	56.9	56.0	—	—	56.9	56.0
Education	245.8	246.4	—	—	245.8	246.4
Water department	—	—	14.2	15.9	14.2	15.9
Interest	13.4	10.4	—	—	13.4	10.4
Total expenses	<u>642.4</u>	<u>624.2</u>	<u>14.2</u>	<u>15.9</u>	<u>656.6</u>	<u>640.1</u>
Excess before transfers	83.5	34.1	4.3	1.5	87.8	35.6
Transfers	<u>0.7</u>	<u>0.7</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>—</u>	<u>—</u>
Change in net position	84.2	34.8	3.6	0.8	87.8	35.6
Net position – beginning as restated	<u>388.6</u>	<u>748.9</u>	<u>139.0</u>	<u>138.2</u>	<u>527.6</u>	<u>887.1</u>
Net position – ending	<u>\$ 472.8</u>	<u>783.7</u>	<u>142.6</u>	<u>139.0</u>	<u>615.4</u>	<u>922.7</u>

## CITY OF CAMBRIDGE, MASSACHUSETTS

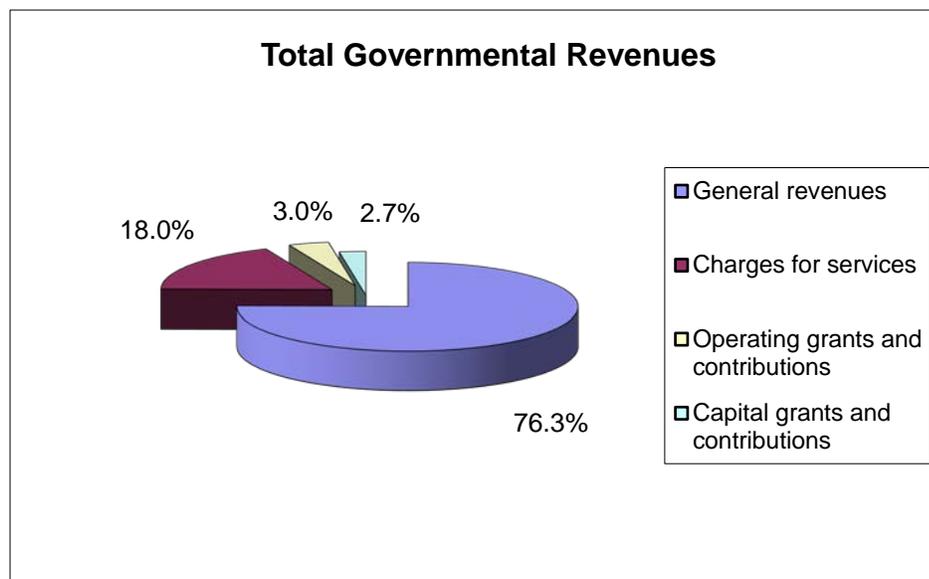
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#### *Total Revenues*

Total governmental activities revenues for the City are comprised of general revenues of \$554.3 million, charges for services \$130.9 million, operating grants and contributions \$22 million and capital grants and contributions of \$19.5 million.



#### *General*

Real estate tax revenues are the City's largest revenue source at \$390.8 million representing 70.5% of general revenues. The assessed tax valuation base is \$43.6 billion up from \$39.6 billion assessed in the prior year showing a 10% increase mainly due to an increase in new construction.

Grants and contributions not restricted to specific programs is \$67.6 million representing 12.2% of general revenues and include state cherry sheet revenues, Massachusetts Teachers Retirement System (MTRS) contributions and other unrestricted contributions. There was a slight increase of 3% over prior year mainly due to an increase in State aid.

#### *Program*

Charges for services are \$130.9 million and represent a variety of department revenues. Charges for services increased \$24.8 million from the prior year. The public safety portion of \$70 million increased approximately \$13.4 million and includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$52.8 million increased by \$10 million over prior year and includes sewer service revenues, community cable revenues, as well as, other public works type fees.

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Operating grants and contributions of \$22 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 4% of the total City revenues. Capital grants and contributions of \$19.5 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues. The capital grants revenue has increased due to receiving over \$11 million in MWRA storm water sewer grants for the next phase of sewer project in the Port.

#### *Expenses*

For the fiscal year ended June 30, 2018, expenses for government activities totaled \$642.4 million, which cover a range of services. On the whole, the City's expenses increased approximately \$18.2 million or 2.8% over prior year. Included in this amount is the City's other post-employment benefits (OPEB) increased \$12.2 million offset by a decrease in pension expenses and is reflected in the general government expense.

Education continues to be one of the City's highest priorities and commitments, representing \$245.8 million or 38% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the fifteenth year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations, protection of open space and the restoration/creation of parks and recreation areas. Expenses related to these initiatives are recorded in the community maintenance and development category. During 2018, the City spent \$12.2 million from the Affordable Housing Trust to subsidize housing projects.

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

Business-type activity slightly increased net position by \$3.6 million. Although the water rates did not increase in FY18, a slight increase in consumption and a decrease in debt service payments along with managed expenditure controls are main contributors to influx in net position.

#### **Financial Analysis of the Government's Funds**

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

#### *Governmental Funds*

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$570.2 million. Of this amount, \$4.8 million has been categorized as nonspendable which includes permanent funds and healthcare deposits. Another \$142.9 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Also, \$155.6 million has been committed for specific purposes such as stabilization funds, health claims trust fund, parking fund, etc., for which the movement of these funds must be approved by the highest legislative level at the City, which is the City Council. Finally, \$11.0 million has been assigned for encumbrance balances. The remainder of the Fund balance of \$255.8 million is considered "Unassigned".

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance was \$255.8 million, while the total fund balance was \$368.6 million.

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As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 42.86% of total General Fund expenditures, while the total balance represents 61.76% of that same amount.

The capital fund captures all the capital projects expenditures for the City. At the end of fiscal year 2018, the total fund balance was \$122.2 million. This reflects an increase over the prior fiscal year of \$25.3 million.

The affordable housing trust fund is the fund that captures all the affordable housing project expenditures for the City. At the end of fiscal year 2018, the total fund balance was \$40.4 million. This fund was established in the 1990's to provide funding for housing projects to increase the supply of affordable housing units for the City.

#### *Proprietary Fund*

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

Net position of the Water Fund at the end of the year consisted of unrestricted net position of \$11 million and a net investment in capital assets of \$131.7 million.

#### **General Fund Budgetary Highlights**

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

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

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

#### *Revenues and Other Financing Sources*

Fiscal year 2018 actual revenues on a budgetary basis totaled \$593.4 million. This represents an increase of \$38.3 million or 6.9% from fiscal year 2017. Property taxes are the single largest revenue source, representing approximately 66.3% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 8.7%. Other Income was significantly higher than budget because of building permits (\$16.9 million), mitigation receipts (\$8.7 million), and interest income (\$2.4 million) received through the general fund.

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*Expenditures*

During fiscal year 2018, total expenditures increased by \$26 million or 4.7% on a budgetary basis as compared to fiscal year 2017 at \$573.3 million which was mainly due to 2% cost of living increase and 5.8% increase related to pensions.

**Capital Asset and Debt Administration**

*Capital Assets*

As of June 30, 2018, the City's capital assets of its governmental activities and business-type activity amounted to \$1.32 billion (net of depreciation). The City's capital assets include land, buildings, improvements, machinery and equipment, open space, road and highways.

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

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

*Debt*

At year-end, the City had \$483.2 million in outstanding bonds and notes compared to \$448.8 million last year. Table below in millions.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds and notes payable	\$ 480.3	443.5	2.9	5.3	483.2	448.8

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

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

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

The City's tax levy increased \$20.7 million, or 5.3%, to \$409.8 million in fiscal year 2019. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$181.5 million in FY 18 to \$189.4 million in FY19, a 4.35% increase.

The FY 19 operating budget increased by 4.22% over the FY 18 adjusted budget. The increase is attributable to a 2.0% increase of employee salary costs and a 6.6% increase in employee pension costs. The capital budget of \$105.4 million is a 15.4% decrease from prior year based upon the Five-Year Public Investment Plan.

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#### *New Accounting Standards*

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

The GASB has issued Statement No. 85 "*Omnibus 2017*." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

The GASB has issued Statement No. 86 "*Certain Debt Extinguishment Issues*." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

#### *Future Pronouncements*

The GASB has issued Statement No. 83 "*Certain Asset Retirement Obligations*." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The GASB has issued Statement No. 84 "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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The GASB has issued GASB Statement No. 87 "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*Contacting the City's Financial Management*

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources	Primary government			Discretely presented component units
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 606,223,344	9,567,712	615,791,056	351,970,506
Cash and investments held by trustees	600,000	—	600,000	6,841,901
Receivables, net:				
Property taxes	4,751,027	—	4,751,027	—
Motor vehicle excise	1,280,846	—	1,280,846	—
Tax title and possessions	3,121,668	—	3,121,668	—
Intergovernmental	11,730,492	—	11,730,492	—
Other	14,679,259	4,221,111	18,900,370	34,144,058
Other assets	2,585,371	—	2,585,371	47,032,893
Internal balances	(32,723)	32,723	—	—
Notes receivable	—	—	—	540,000
Development projects held for sale	—	—	—	219,014
Capital assets:				
Nondepreciable	551,879,424	56,328,485	608,207,909	21,547,982
Depreciable, net	637,215,522	78,207,153	715,422,675	120,004,181
Total assets	1,834,034,230	148,357,184	1,982,391,414	582,300,535
Deferred outflows of resources:				
Related to debt refundings	6,997,239	—	6,997,239	—
Related to pensions	46,040,423	—	46,040,423	9,739,684
Related to other post employment benefits	22,468,403	—	22,468,403	5,088,837
Total assets and deferred outflows of resources	\$ 1,909,540,295	148,357,184	2,057,897,479	597,129,056
<b>Liabilities and Deferred Inflows of Resources</b>				
Warrants and accounts payable	\$ 25,030,081	1,155,430	26,185,511	36,064,113
Accrued liabilities:				
Tax abatements	4,593,000	—	4,593,000	—
Accrued payroll	18,153,217	91,525	18,244,742	9,525,037
Accrued interest	6,500,288	34,792	6,535,080	16,734,875
Other	2,862,724	—	2,862,724	—
Unearned revenue	—	—	—	6,141,900
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	49,836,486	2,420,000	52,256,486	72,680
Capital leases	—	—	—	366,021
Due to third parties	—	—	—	11,887,054
Compensated absences	7,993,000	252,000	8,245,000	16,236,311
Landfill	25,000	—	25,000	—
Judgments and claims	6,668,100	188,800	6,856,900	—
Pollution remediation	152,949	—	152,949	—
Due in more than one year:				
Bonds and notes payable	430,496,607	460,000	430,956,607	224,571
Capital leases	—	—	—	81,358
Due to third parties	—	—	—	29,809,887
Compensated absences	12,455,000	478,000	12,933,000	29,923
Landfill	50,000	—	50,000	—
Judgments and claims	9,012,100	632,000	9,644,100	—
Net OPEB liability	622,308,115	—	622,308,115	147,416,460
Pollution remediation	1,355,018	—	1,355,018	—
Net pension liability	137,962,571	—	137,962,571	32,449,572
Total liabilities	1,335,454,256	5,712,547	1,341,166,803	307,039,762
Deferred inflows of resources:				
Related to pensions	55,227,339	—	55,227,339	11,693,236
Related to other post employment benefits	46,016,616	—	46,016,616	2,057,435
Total liabilities and deferred inflows of resources	\$ 1,436,698,211	5,712,547	1,442,410,758	320,790,433
<b>Net Position</b>				
Net investment in capital assets	\$ 778,225,743	131,655,638	909,881,381	140,807,534
Restricted for:				
Capital projects	62,608,451	—	62,608,451	—
Community preservation	13,550,666	—	13,550,666	—
Expendable permanent funds	1,867,894	—	1,867,894	—
Nonexpendable permanent funds	2,276,704	—	2,276,704	—
Specific purposes	4,736,063	—	4,736,063	14,915,439
Other purposes	600,000	—	600,000	4,067,765
Unrestricted	(391,023,437)	10,988,999	(380,034,438)	116,547,885
Total net position	\$ 472,842,084	142,644,637	615,486,721	276,338,623

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Activities

Year ended June 30, 2018

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			Discretely presented component units
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 69,141,946	448,106	—	—	(68,693,840)	—	(68,693,840)	
Public safety	145,638,049	69,974,862	678,237	206,086	(74,778,864)	—	(74,778,864)	
Community maintenance and development	111,620,459	52,798,914	2,670,103	18,970,386	(37,181,056)	—	(37,181,056)	
Human resource development	56,913,782	5,932,108	8,285,872	—	(42,695,802)	—	(42,695,802)	
Education	245,765,315	1,785,101	10,335,286	302,888	(233,342,040)	—	(233,342,040)	
Interest on long-term debt	13,443,479	—	—	—	(13,443,479)	—	(13,443,479)	
Total governmental activities	<u>642,523,030</u>	<u>130,939,091</u>	<u>21,969,498</u>	<u>19,479,360</u>	<u>(470,135,081)</u>	<u>—</u>	<u>(470,135,081)</u>	
Business-type activity:								
Water	\$ 14,198,148	18,465,997	—	—	—	4,267,849	4,267,849	
Total business-type activity	<u>14,198,148</u>	<u>18,465,997</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,267,849</u>	<u>4,267,849</u>	
Total primary government	<u>\$ 656,721,178</u>	<u>149,405,088</u>	<u>21,969,498</u>	<u>19,479,360</u>	<u>(470,135,081)</u>	<u>4,267,849</u>	<u>(465,867,232)</u>	
Component units:								
Cambridge Health Alliance	\$ 653,024,248	328,918,213	330,650,007	—				6,543,972
Cambridge Redevelopment Authority	1,263,352	23,043,079	3,000,000	—				24,779,727
Total component units	<u>\$ 654,287,600</u>	<u>351,961,292</u>	<u>333,650,007</u>	<u>—</u>				<u>31,323,699</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 390,851,108	—	390,851,108	—
Excises					28,971,646	—	28,971,646	—
Payments in lieu of taxes					7,388,601	—	7,388,601	—
Grants and contributions not restricted					67,599,080	—	67,599,080	—
Investment income					7,488,958	107,473	7,596,431	4,215,509
Miscellaneous					51,310,617	—	51,310,617	563,633
Transfers					719,125	(719,125)	—	—
Total general revenues and transfers					<u>554,329,135</u>	<u>(611,652)</u>	<u>553,717,483</u>	<u>4,779,142</u>
Change in net position					84,194,054	3,656,197	87,850,251	36,102,841
Net position – beginning, as restated – see note 2 (o)					388,648,030	138,988,440	527,636,470	240,235,782
Net position – ending					<u>\$ 472,842,084</u>	<u>142,644,637</u>	<u>615,486,721</u>	<u>276,338,623</u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Balance Sheet – Governmental Funds

June 30, 2018

<b>Assets</b>	<b>General</b>	<b>Capital fund</b>	<b>Affordable Housing Trust fund</b>	<b>Other governmental funds</b>	<b>Total governmental funds</b>
Cash and investments	\$ 401,145,152	125,193,747	39,307,016	40,577,429	606,223,344
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	4,751,027	—	—	—	4,751,027
Motor vehicle excise	1,280,846	—	—	—	1,280,846
Tax title and possessions	3,121,668	—	—	—	3,121,668
Intergovernmental	—	10,467,089	—	1,263,403	11,730,492
Departmental and other	12,273,365	—	1,949,176	456,718	14,679,259
Total receivables	21,426,906	10,467,089	1,949,176	1,720,121	35,563,292
Other assets	2,585,371	—	—	—	2,585,371
Due from other funds	—	569,969	—	—	569,969
Total assets	<u>\$ 425,157,429</u>	<u>136,230,805</u>	<u>41,856,192</u>	<u>42,297,550</u>	<u>645,541,976</u>
	<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:					
Warrants and accounts payable	\$ 7,950,482	13,984,950	1,459,427	1,635,222	25,030,081
Accrued liabilities:					
Tax abatements	2,296,500	—	—	—	2,296,500
Judgments and claims	6,668,100	—	—	—	6,668,100
Accrued payroll	17,970,901	13,669	—	168,647	18,153,217
Other	1,570,738	—	—	943,215	2,513,953
Due to other funds	32,723	—	—	569,969	602,692
Total liabilities	<u>36,489,444</u>	<u>13,998,619</u>	<u>1,459,427</u>	<u>3,317,053</u>	<u>55,264,543</u>
Deferred inflows of resources:					
Unavailable revenue	<u>20,028,633</u>	<u>—</u>	<u>—</u>	<u>75,881</u>	<u>20,104,514</u>
Fund balances:					
Nonspendable	2,505,371	—	—	2,276,704	4,782,075
Restricted	—	122,232,186	600,000	20,078,742	142,910,928
Committed	99,295,248	—	39,796,765	16,549,170	155,641,183
Assigned	11,000,000	—	—	—	11,000,000
Unassigned	255,838,733	—	—	—	255,838,733
Total fund balances	<u>368,639,352</u>	<u>122,232,186</u>	<u>40,396,765</u>	<u>38,904,616</u>	<u>570,172,919</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 425,157,429</u>	<u>136,230,805</u>	<u>41,856,192</u>	<u>42,297,550</u>	<u>645,541,976</u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

June 30, 2018

Total fund balance – governmental funds	\$ 570,172,919
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,189,094,946
Adjust deferred inflows of resources to record revenues on an accrual basis	20,104,514
Capitalized loss on debt refunding in the government-wide statements that is not capitalized in the governmental funds	6,997,239
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds, net	480,333,093
Accrued interest on bonds	6,500,288
Compensated absences	20,448,000
Landfill	75,000
Judgments and claims	9,012,100
Tax abatements	2,296,500
Pollution remediation	1,507,967
Net pension liability, net of deferred amounts	147,498,258
Net OPEB liability, net of deferred amounts	645,856,328
	<u>1,313,527,534</u>
Net position of governmental activities	\$ <u><u>472,842,084</u></u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

Year ended June 30, 2018

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Real and personal property taxes	\$ 391,037,632	—	—	—	391,037,632
Excises:					
Hotel/motel/meals	20,937,973	—	—	—	20,937,973
Motor vehicles	7,727,124	—	—	—	7,727,124
Payments in lieu of taxes	7,388,601	—	—	—	7,388,601
Intergovernmental	67,599,080	19,479,360	—	21,969,498	109,047,938
Investment income	6,025,336	236,746	559,771	667,105	7,488,958
Sewer use charges	51,427,534	—	—	—	51,427,534
Departmental and other	80,496,819	9,127,002	4,713,207	37,165,469	131,502,497
Total revenues	<u>632,640,099</u>	<u>28,843,108</u>	<u>5,272,978</u>	<u>59,802,072</u>	<u>726,558,257</u>
Expenditures:					
Current:					
General government	43,289,752	—	—	297,034	43,586,786
Public safety	132,295,738	—	—	772,871	133,068,609
Community maintenance and development	51,393,258	—	12,202,147	3,485,870	67,081,275
Human resource development	41,678,502	—	—	8,077,968	49,756,470
Education	209,886,196	—	—	13,186,125	223,072,321
Judgments and claims	196,843	—	—	—	196,843
State and district assessments	56,316,174	—	—	—	56,316,174
Capital outlays	—	114,023,320	—	—	114,023,320
Debt service	61,825,677	—	—	—	61,825,677
Total expenditures	<u>596,882,140</u>	<u>114,023,320</u>	<u>12,202,147</u>	<u>25,819,868</u>	<u>748,927,475</u>
Excess (deficiency) of revenues over expenditures	<u>35,757,959</u>	<u>(85,180,212)</u>	<u>(6,929,169)</u>	<u>33,982,204</u>	<u>(22,369,218)</u>
Other financing sources (uses):					
Premium on debt issuance	81,188	—	—	—	81,188
Issuance of debt	—	87,295,350	—	—	87,295,350
Transfers in	22,398,760	23,375,360	10,056,000	409,526	56,239,646
Transfers out	(22,407,195)	(119,691)	—	(32,993,635)	(55,520,521)
Total other financing (uses) sources	<u>72,753</u>	<u>110,551,019</u>	<u>10,056,000</u>	<u>(32,584,109)</u>	<u>88,095,663</u>
Net change in fund balances	35,830,712	25,370,807	3,126,831	1,398,095	65,726,445
Fund balance – beginning	<u>332,808,640</u>	<u>96,861,379</u>	<u>37,269,934</u>	<u>37,506,521</u>	<u>504,446,474</u>
Fund balance – ending	\$ <u>368,639,352</u>	<u>122,232,186</u>	<u>40,396,765</u>	<u>38,904,616</u>	<u>570,172,919</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, 2018

Net change in fund balances – total governmental funds	\$ 65,726,445
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, (\$112,083,782) exceeded depreciation expense (\$32,191,539)	79,892,243
Revenues are recorded on an accrual basis	(560,298)
Proceeds of long-term debt (\$87,295,350) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond principal, including amounts to defease long-term debt, (\$47,713,335) is an expenditure the governmental funds, but reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(39,582,015)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net position	2,757,828
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	(905,527)
Other postemployment benefits expense reported in the statement of activities does require the use of current financial resources, and therefore, is not reported as an expenditure in the governmental funds	(12,116,808)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000), pollution remediation (\$64,289) and non current claims (\$615,900) offset by pension costs (\$10,233,544), accrued interest (\$792,459) and compensated absences (\$697,000)	<u>(11,017,814)</u>
Change in net position of governmental activities	\$ <u><u>84,194,054</u></u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Net Position – Proprietary Fund

June 30, 2018

		<b>Enterprise fund</b>	<b>Water fund</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$	9,567,712	
Receivables, net		4,221,111	
Due from other funds		32,723	
<b>Total current assets</b>			<b>13,821,546</b>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
Nondepreciable		56,328,485	
Depreciable, net		78,207,153	
<b>Total noncurrent assets</b>			<b>134,535,638</b>
<b>Total assets</b>	\$		<b>148,357,184</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Warrants and accounts payable	\$	1,155,430	
<b>Accrued liabilities:</b>			
Claims		188,800	
Compensated absences		252,000	
Accrued payroll		91,525	
Interest		34,792	
Current portion of long-term debt		2,420,000	
<b>Total current liabilities</b>			<b>4,142,547</b>
<b>Noncurrent liabilities:</b>			
Bonds payable		460,000	
<b>Accrued liabilities:</b>			
Claims		632,000	
Compensated absences		478,000	
<b>Total noncurrent liabilities</b>			<b>1,570,000</b>
<b>Total liabilities</b>	\$		<b>5,712,547</b>
<b>Net position:</b>			
Net investment in capital assets	\$	131,655,638	
Unrestricted		10,988,999	
<b>Total net position</b>	\$		<b>142,644,637</b>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

Year ended June 30, 2018

	<b>Enterprise fund Water fund</b>
	<u>                    </u>
Operating revenues:	
Charges for services	\$ 18,465,997
Total operating revenues	<u>18,465,997</u>
Administration	3,200,258
Service and support programs	7,105,161
Depreciation	3,738,645
Total operating expenses	<u>14,044,064</u>
Operating income	<u>4,421,933</u>
Nonoperating revenue (expense):	
Investment earnings – other	107,473
Interest expense	(154,084)
Nonoperating expense	<u>(46,611)</u>
Income before transfers	4,375,322
Transfers to other funds	<u>(719,125)</u>
Change in net position	3,656,197
Total net position – beginning	<u>138,988,440</u>
Total net position – ending	\$ <u><u>142,644,637</u></u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2018

	<b>Enterprise fund</b>
	<b>Water fund</b>
Cash flows from operating activities:	
Cash received from customers	\$ 18,225,885
Cash paid to vendors	(6,712,417)
Cash paid to employees	(3,788,873)
Net cash provided by operating activities	7,724,595
Cash flows from noncapital financing activities:	
Transfers	(719,125)
Net cash used in noncapital financing activities	(719,125)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(7,668,365)
Interest paid on debt	(204,500)
Repayment of long-term debt	(2,420,000)
Net cash used in capital and related financing activities	(10,292,865)
Cash flows from investing activities:	
Investment income	107,473
Net cash provided by investing activities	107,473
Decrease in cash and cash equivalents	(3,179,922)
Cash and cash equivalents, beginning of year	12,747,634
Cash and cash equivalents, end of year	\$ 9,567,712
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 4,421,933
Depreciation	3,738,645
Changes in operating assets and liabilities:	
Accounts receivable	(240,112)
Other liabilities	(195,871)
Net cash provided by operating activities	\$ 7,724,595

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Statement of Fiduciary Net Position

June 30, 2018

<b>Assets</b>	<b>Pension and OPEB Trust Funds</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ 9,049,396	7,522,837
Dividend and interest receivable	439,358	—
Other assets	1,466,482	—
Investments, at fair value:		
Fixed income securities	64,573,598	—
Equities	188,931,397	—
Pooled investments:		
Fixed income	141,316,831	—
Real estate	131,925,775	—
Domestic equities	379,253,400	—
International equities	209,745,975	—
International fixed income	65,539,176	—
Alternative	161,178,742	—
Total investments	1,342,464,894	—
Cash collateral on security lending	58,043,809	—
Total assets	<u>1,411,463,939</u>	<u>7,522,837</u>
<b>Liabilities</b>		
Accrued liabilities	931,583	—
Guarantee deposits	—	7,522,837
Due to brokers for securities purchased	2,066,318	—
Cash collateral on security lending	58,043,809	—
Total liabilities	<u>61,041,710</u>	<u>7,522,837</u>
Held in trust for pension and other post employment benefits	<u>\$ 1,350,422,229</u>	<u>—</u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Statement of Changes in Fiduciary Net Position  
Year ended June 30, 2018

	<u><b>Pension and OPEB Trust Funds</b></u>
Additions:	
Contributions:	
Employers	\$ 59,737,095
Nonemployer – City	3,827,252
Plan members	22,146,929
Other systems	3,589,041
Commonwealth of Massachusetts	283,104
Total contributions	<u>89,583,421</u>
Investment earnings:	
Interest and dividends	22,585,200
Securities lending income	661,106
Net appreciation (depreciation) in the fair value of investments	175,402,440
Less:	
Management fees	(7,913,946)
Borrower rebates and fees under securities lending program	<u>(501,027)</u>
Net investment earnings	<u>190,233,773</u>
Total additions	<u>279,817,194</u>
Deductions:	
Benefits	97,703,352
Refunds of contributions	2,126,598
Other systems	3,470,774
Administrative expenses	1,127,717
Total deductions	<u>104,428,441</u>
Change in net position	175,388,753
Net position, beginning of year	<u>1,175,033,476</u>
Net position, end of year	<u><u>\$ 1,350,422,229</u></u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Discretely Presented Component Units

Statements of Net Position

June 30, 2018

	Component Units		
	CHA June 30, 2018	CRA December 31, 2017	Total
<b>Assets and Deferred Outflows of Resources</b>			
Current assets:			
Cash and investments	\$ 318,022,676	33,947,830	351,970,506
Cash and investments held by trustees	6,841,901	—	6,841,901
Receivables, net:			
Other	34,108,970	35,088	34,144,058
Other assets	47,003,505	29,388	47,032,893
Total current assets	<u>405,977,052</u>	<u>34,012,306</u>	<u>439,989,358</u>
Noncurrent assets:			
Notes receivable	—	540,000	540,000
Development projects held for sale	—	219,014	219,014
Capital assets:			
Nondepreciable	21,524,798	23,184	21,547,982
Depreciable, net	119,037,418	966,763	120,004,181
Total noncurrent assets	<u>140,562,216</u>	<u>1,748,961</u>	<u>142,311,177</u>
Total assets	<u>546,539,268</u>	<u>35,761,267</u>	<u>582,300,535</u>
Deferred outflows of resources:			
Related to pensions	9,535,512	204,172	9,739,684
Related to other post employment benefits	5,088,139	698	5,088,837
Total assets and deferred outflows of resources	<u>\$ 561,162,919</u>	<u>35,966,137</u>	<u>597,129,056</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities:			
Warrants and accounts payable	\$ 36,012,445	51,668	36,064,113
Accrued liabilities:			
Accrued payroll	9,525,037	—	9,525,037
Accrued interest	16,734,875	—	16,734,875
Unearned revenue	6,141,900	—	6,141,900
Total current liabilities	<u>68,414,257</u>	<u>51,668</u>	<u>68,465,925</u>
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	72,680	—	72,680
Capital leases	366,021	—	366,021
Due to third parties	11,887,054	—	11,887,054
Compensated absences	16,226,336	9,975	16,236,311
Due in more than one year:			
Bonds and notes payable	224,571	—	224,571
Capital leases	81,358	—	81,358
Due to third parties	29,809,887	—	29,809,887
Compensated absences	—	29,923	29,923
Net OPEB liability	146,531,053	885,407	147,416,460
Net pension liability	32,158,828	290,744	32,449,572
Total noncurrent liabilities	<u>237,357,788</u>	<u>1,216,049</u>	<u>238,573,837</u>
Total liabilities	<u>305,772,045</u>	<u>1,267,717</u>	<u>307,039,762</u>
Deferred inflows of resources:			
Related to pensions	11,584,814	108,422	11,693,236
Related to other post employment benefits	2,042,316	15,119	2,057,435
Total liabilities and deferred inflows of resources	<u>\$ 319,399,175</u>	<u>1,391,258</u>	<u>320,790,433</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 139,817,587	989,947	140,807,534
Restricted for specific purposes	—	14,915,439	14,915,439
Restricted for other purposes	4,067,765	—	4,067,765
Unrestricted	97,878,392	18,669,493	116,547,885
Total net position	<u>\$ 241,763,744</u>	<u>34,574,879</u>	<u>276,338,623</u>

See accompanying notes to basic financial statements.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Discretely Presented Component Units

Statements of Revenues, Expenses and Changes in Net Positions

June 30, 2018

<b>Functions/programs</b>	<b>Component Units</b>		
	<b>CHA June 30, 2018</b>	<b>CRA December 31, 2017</b>	<b>Total</b>
Expenses:	\$ 653,024,248	1,263,352	654,287,600
Program revenues:			
Charges for services	328,918,213	23,043,079	351,961,292
Operating grants and contributions	330,650,007	3,000,000	333,650,007
Total program revenues	659,568,220	26,043,079	685,611,299
Net program revenues (expenses)	6,543,972	24,779,727	31,323,699
General revenues:			
Investment income	3,717,158	498,351	4,215,509
Miscellaneous	454,329	109,304	563,633
Total general revenues	4,171,487	607,655	4,779,142
Change in net position	10,715,459	25,387,382	36,102,841
Net position – beginning, as restated	231,048,285	9,187,497	240,235,782
Net position – ending	\$ 241,763,744	34,574,879	276,338,623

See accompanying notes to basic financial statements.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

#### (1) The Financial Reporting Entity

##### (a) Primary Government

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

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

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

##### (b) Retirement System

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

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ended December 31, 2017. The System is included in the City's fiduciary fund financial statements. Complete financial statements for the System for its year ended December 31, 2017 are available from its offices on 100 Cambridgepark Drive Suite 101, Cambridge, MA 02140.

##### (c) Discretely Presented Component Units

A Statement of Net Position and a Statement of Activities are presented for the City's component units for the Cambridge Health Alliance and the Cambridge Redevelopment Authority. The total component unit information can then be found as a separate column on the City's entity-wide Statement of Net Position and Statement of Activities to emphasize that they are legally separate from the City.

**The Cambridge Health Alliance (CHA)** is included as a component unit because the City is financially accountable for, is able to impose its will on the organization, and is responsible for the appointment of the hospital's board of trustees. CHA is a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts (the Commonwealth) established by Chapter 147 of the Acts of 1996. CHA is governed by a nineteen member board, all of whom are appointed by the City Manager. CHA is responsible for the implementation of public health programs in the City.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

Complete financial statements for the CRA for its fiscal year ended June 30, 2018 are available from its offices on 350 Main St, Suite 31, Malden, Massachusetts 02148.

**The Cambridge Redevelopment Authority (CRA)** was established in 1955 pursuant to Chapter 121B of the Massachusetts General Laws, as amended, to administer and plan urban renewal projects within the City of Cambridge, Massachusetts (the City). The CRA was issued a Certificate of Organization by the Secretary of the Commonwealth of Massachusetts on November 20, 1956. The CRA is governed by a five-member board of directors, one of whom is appointed by the Governor of the Commonwealth of Massachusetts and remaining four members are appointed by the Cambridge City Manager and confirmed by the Cambridge City Council. The CRA has received a significant amount of intergovernmental revenue that will be used solely for capital projects that are under CRA oversight. In accordance with GASB Statement No. 61, the CRA is presented as a discrete component unit of the City.

Complete financial statements for the CRA for its fiscal year ended December 31, 2017 are available from its offices at 255 Main Street 8<sup>th</sup> Floor, Cambridge, MA 02142.

Unless otherwise indicated, the notes to the basic financial statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the primary government.

#### **(d) Related Organizations**

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

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

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

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

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

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

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

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**

##### *(i) Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and Nonagency fiduciary fund financial statements. The agency fund has no basis of accounting and only reports assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

##### *(ii) Governmental Fund Financial Statements*

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

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

Property taxes and other taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except Chapter 90 receivables which are considered available when received. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

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

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

#### (iii) *Proprietary Fund Financial Statements*

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

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

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

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

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

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

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

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

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

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

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

#### (c) *Cash Equivalents*

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

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

#### **(d) Basis of Investment Valuation**

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

The City invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, which is an external investment pool and is not SEC-registered. The fund is state regulated and is valued at amortized cost.

#### **(e) Interfund Receivables and Payables**

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

#### **(f) Uncollectible Tax and Other Receivables**

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

#### **(g) Deferred Inflows and Outflows of Resources**

The City accounts for certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods as deferred outflows and inflows of resources, respectively, to distinguish them from assets and liabilities. For fiscal year 2018, the City has reported deferred outflows pertaining to its debt refunding, other post employment benefits and pension transactions in the government-wide statements and a deferred inflow related to other post employment benefits and pension transactions in the government-wide statements and related to unavailable revenue in the governmental fund statements.

#### **(h) Capital Assets**

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

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

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

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

**(i) Compensated Absences**

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

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

Premiums, discounts, and issue costs – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method. Issue costs, other than prepaid insurance, if any, are expensed as incurred.

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

**(k) Net Position and Fund Balance**

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

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

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

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

June 30, 2018

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

For purposes of net position classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

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

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

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

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

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

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

#### **(I) 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.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

**(m) Landfill Postclosure Care Costs**

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2018, 100% of the landfill site had been used and has not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

**(n) Use of Estimates**

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

**(o) Adoption of New Accounting Pronouncements**

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended", and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." As a result of the implementation of Statement No. 75, beginning net position of the governmental activities and discretely presented component units was restated as follows (in thousands):

	<b>Governmental activities</b>	<b>Discrete component units (1)</b>
Beginning net position as previously reported	\$ 783,677,784	314,988,714
Change in reporting entity	—	9,274,616
Implementation of GASB Statement No. 75	(395,029,754)	(84,027,548)
Beginning net position, as restated	\$ 388,648,030	240,235,782

(1) Discrete Component Units includes the Cambridge Health Alliance and the Cambridge Redevelopment Authority (CRA), a fiscal year 2018 addition (note 1 (c) *Financial Reporting Entity*). The CRA's reported a net position of \$9,274,616 as of December 31, 2016, the implementation of statement No. 75 reduced the net position by \$87,119.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

**(3) Deposits and Investments**

**(a) Deposits**

State and local statutes place certain limitations on the nature of deposits and investments available to the City. The City's policy requires full collateralization on all demand deposit accounts including checking accounts, certificates of deposit and money market accounts.

*(i) Custodial Credit Risk*

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. As of June 30, 2018, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	35,978,465
Discretely presented component units:		
CHA		5,795,310
CRA (as of December 31, 2017)		<u>812,817</u>
	\$	<u><u>42,586,592</u></u>

**(b) Investments**

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

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

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

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

(i) *System Investment Policy*

The provisions of Massachusetts General Laws (M.G.L.) c. 32, sec 3(2) govern the System's investment practice.

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

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

(ii) *OPEB Investment Policy*

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

(iii) *Interest Rate Risk*

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2018:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
City:					
Money market/MMDT	\$ 310,396,829	310,396,829	—	—	—
Certificates of deposit	80,309,642	76,999,140	2,990,513	319,989	—
Corporate fixed income	30,091,467	3,696,243	24,777,967	1,262,373	354,884
U.S. agencies	46,196,401	1,156,897	45,039,504	—	—
Subtotal city	<u>466,994,339</u>	<u>392,249,109</u>	<u>72,807,984</u>	<u>1,582,362</u>	<u>354,884</u>
System (as of December 31, 2017):					
Cash collateral pool	58,043,809	58,043,809	—	—	—
U.S. treasury notes and bonds	23,097,165	329,727	12,577,461	1,377,090	8,812,887
U.S. agencies	2,757,829	—	162,410	369,806	2,225,613
Domestic corporate	25,564,402	267,298	12,234,229	6,964,546	6,098,329
Asset-backed:					
CMOs	3,330,927	—	—	—	3,330,927
Other	3,711,370	—	2,421,276	821,497	468,597
Pooled fixed-income investments	206,856,007	206,856,007	—	—	—
Subtotal system	<u>323,361,509</u>	<u>265,496,841</u>	<u>27,395,376</u>	<u>9,532,939</u>	<u>20,936,353</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
OPEB Trust:					
Money market	\$ 41,660	41,660	—	—	—
Certificates of deposit	743,421	—	743,421	—	—
Corporate fixed income	3,013,844	624,025	2,389,819	—	—
U.S. agencies	3,098,061	—	3,098,061	—	—
Subtotal OPEB Trust	<u>6,896,986</u>	<u>665,685</u>	<u>6,231,301</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 797,252,834</u>	<u>658,411,635</u>	<u>106,434,661</u>	<u>11,115,301</u>	<u>21,291,237</u>
Discretely presented component units					
CHA					
Money market	\$ 127,600,599	127,600,599	—	—	—
MMDT	192,613,796	192,613,796	—	—	—
Subtotal CHA	<u>320,214,395</u>	<u>320,214,395</u>	<u>—</u>	<u>—</u>	<u>—</u>
CRA (as of December 31, 2017)					
Certificates of deposit	2,747,602	1,503,645	1,243,957	—	—
Corporate fixed income	7,374,634	—	6,467,771	906,863	—
U.S. agencies	14,064,984	3,165,643	10,899,341	—	—
Subtotal CRA	<u>24,187,220</u>	<u>4,669,288</u>	<u>18,611,069</u>	<u>906,863</u>	<u>—</u>
Total discretely presented component units	<u>\$ 344,401,615</u>	<u>324,883,683</u>	<u>18,611,069</u>	<u>906,863</u>	<u>—</u>

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

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

(iv) *Credit Risk*

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

The primary government's fixed income investments as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization. The ratings are presented below using the Standard and Poor's rating scale:

Investment type	Carrying value	AAA	AA	A	BBB	BB	Less than BB	Not rated
City:								
Money market/MMDT	\$ 310,396,829	—	—	—	—	—	—	310,396,829
Certificates of deposit	80,309,642	—	—	—	—	—	—	80,309,642
Corporate fixed income	30,091,467	4,178,396	11,796,357	12,982,836	1,133,878	—	—	—
U.S. agencies	46,196,401	46,196,401	—	—	—	—	—	—
Subtotal city	466,994,339	50,374,797	11,796,357	12,982,836	1,133,878	—	—	390,706,471
System (as of December 31, 2017):								
Cash collateral pool	58,043,809	58,043,809	—	—	—	—	—	—
U.S. Treasury notes and bonds	23,097,165	9,548,953	2,250,030	32,520	554,598	—	637,771	10,073,293
U.S. agencies	2,757,829	24,285	—	—	—	—	—	2,733,544
Domestic corporate	25,564,402	2,842,592	590,960	7,123,643	14,103,251	—	158,968	744,988
Asset-backed:								
CMOs	3,330,927	1,832,674	—	318,393	—	14,629	—	1,165,231
Other	3,711,370	1,863,714	—	1,296,761	—	351,395	199,500	—
Pooled fixed-income investments	206,856,007	—	—	—	—	—	—	206,856,007
Subtotal system	323,361,509	74,156,027	2,840,990	8,771,317	14,657,849	366,024	996,239	221,573,063
OPEB Trust:								
Money market	41,660	—	—	—	—	—	—	41,660
Certificates of deposit	743,421	—	—	—	—	—	—	743,421
Corporate fixed income	3,013,844	79,467	1,117,499	1,576,600	240,278	—	—	—
U.S. agencies	3,098,061	3,098,061	—	—	—	—	—	—
Subtotal OPEB Trust	6,896,986	3,177,528	1,117,499	1,576,600	240,278	—	—	785,081
Total	\$ 797,252,834	127,708,352	15,754,846	23,330,753	16,032,005	366,024	996,239	613,064,615
Discretely presented component units								
CHA								
Money market	\$ 127,600,599	—	—	—	—	—	—	127,600,599
MMDT	192,613,796	—	—	—	—	—	—	192,613,796
Subtotal CHA	320,214,395	—	—	—	—	—	—	320,214,395
CRA (as of December 31, 2017)								
Certificates of deposit	2,747,602	—	—	—	—	—	—	2,747,602
Corporate fixed income	7,374,634	—	4,427,359	2,947,275	—	—	—	—
U.S. agencies	14,064,984	14,064,984	—	—	—	—	—	—
Subtotal CRA	24,187,220	14,064,984	4,427,359	2,947,275	—	—	—	2,747,602
Total discretely presented component units	\$ 344,401,615	14,064,984	4,427,359	2,947,275	—	—	—	322,961,997

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

(v) *Concentration Risk*

The City and OPEB Trust have no individual investments, at fair value, that exceed 5% of respective net positions as of June 30, 2018.

The System has no individual investments, at fair value, that exceed 5% of the System's net position held in trust for pension benefits as of December 31, 2017 other than pooled investments.

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

(vi) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System's asset allocation model which serves as a proxy for a foreign currency policy, limits the amount of foreign currency exposure to 19% of the System's total investments. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2017, there were no open forward currency contracts.

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

Currency:

International equity pooled funds (various currencies)	\$ 209,745,975
International fixed income pooled funds (various currencies)	<u>65,539,176</u>
	<u>\$ 275,285,151</u>

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

(vii) *Fair Value Hierarchy*

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

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

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

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

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

The following table presents the City's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2018:

<b>Investments</b>	<b>Level 1 inputs</b>	<b>Level 2 inputs</b>	<b>Level 3 inputs</b>	<b>Total</b>
Money market funds	\$ 281,342	—	—	281,342
Equity securities	7,949,193	—	—	7,949,193
US agency securities	49,294,462	—	—	49,294,462
Corporate fixed income	—	33,105,311	—	33,105,311
Total investments	\$ <u>57,524,997</u>	<u>33,105,311</u>	<u>—</u>	<u>90,630,308</u>

CHA has Level 1 inputs of money market funds valued using quoted market price of \$127,600,599 as of June 30, 2018.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

The following table presents the CRA's investments carried at fair value on a recurring basis in the statement of net position at December 31, 2017:

<u>Investments</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Equity securities	\$ 8,644,339	—	—	8,644,339
US agency securities	14,064,984	—	—	14,064,984
Corporate fixed income	7,374,634	—	—	7,374,634
Total investments	\$ <u>30,083,957</u>	<u>—</u>	<u>—</u>	<u>30,083,957</u>

The System has the following fair value measurements as of December 31, 2017:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments by fair value level:			
Fixed income	\$ 58,461,693	21,096,566	37,365,127
Equities	180,982,205	180,982,205	—
	<u>239,443,898</u>	<u>202,078,771</u>	<u>37,365,127</u>
Investments measured at NAV:			
Commingled equity funds:			
International	209,745,975	—	—
Domestic	379,253,400	—	—
Commingled fixed income funds:			
International	65,539,176	—	—
Domestic	141,316,831	—	—
Real estate	131,925,775	—	—
Alternative	33,849,650	—	—
	<u>961,630,807</u>	<u>—</u>	<u>—</u>
Other investments at fair value:			
PRIT hedge fund	104,259,703	—	—
PRIT private equity	23,069,389	—	—
	<u>127,329,092</u>	<u>—</u>	<u>—</u>
Total investments	\$ <u>1,328,403,797</u>	<u>202,078,771</u>	<u>37,365,127</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

The PRIT hedge and private equity funds are external investment pools that are not registered with the Securities and Exchange Commission, but are subject to oversight by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The PRIT hedge and private equity funds are not rated funds. The fair value of the PRIT hedge and private equity funds are based on unit value as reported by management of the PRIT funds. The PRIT funds issue separately available audited financial statements with a year-end of June 30. The System is required to provide a 24 hour redemption notice for the PRIT Hedge fund. The PRIT Private Equity fund is not redeemable until notified by the PRIM Board.

The following represents the significant investment strategies and terms on which the Plan may redeem investments for those investments measured at the NAV (or its equivalent) as a practical expedient:

	Investments measured at NAV			
	2017	2016	Redemption frequency	Redemption notice period
Commingled equity funds	\$ 588,999,375	490,126,830	Daily	1–30 days
Commingled fixed income funds	206,856,007	180,550,603	Daily	1–30 days
Real estate	131,925,775	123,919,766	Quarterly	1–30 days
Alternative	33,849,650	28,741,524	Quarterly	1–30 days

- 1 Commingled equity funds: This type includes 9 funds that invest primarily in U.S. large and small cap equity funds and international equity funds.
- 2 Commingled fixed income funds: This type includes 3 fixed income funds that invest in U.S. corporate bonds, U.S. government bonds, U.S. asset-backed securities and foreign bonds.
- 3 Real estate funds: This type includes 8 funds that invest primarily in real estate funds and global infrastructure.
- 4 Alternative funds: This type includes 10 funds that invest primarily in private equity and venture capital funds.

**(4) Property Taxes**

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances.

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

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

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

**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

*Primary Government*

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,310,430	—	—	166,310,430
Construction in progress	<u>427,692,038</u>	<u>110,774,461</u>	<u>(152,897,505)</u>	<u>385,568,994</u>
Total capital assets not being depreciated	<u>594,002,468</u>	<u>110,774,461</u>	<u>(152,897,505)</u>	<u>551,879,424</u>
Capital assets being depreciated:				
Buildings and improvements	463,662,291	83,360,407	—	547,022,698
Improvements – nonbuilding	103,687,960	551,420	—	104,239,380
Furniture and equipment	96,709,436	8,536,334	—	105,245,770
Infrastructure	<u>347,686,451</u>	<u>61,758,665</u>	<u>—</u>	<u>409,445,116</u>
Total capital assets being depreciated	<u>1,011,746,138</u>	<u>154,206,826</u>	<u>—</u>	<u>1,165,952,964</u>
Less accumulated depreciation for:				
Buildings and improvements	(174,164,463)	(12,765,887)	—	(186,930,350)
Improvements – nonbuilding	(43,723,066)	(4,796,830)	—	(48,519,896)
Furniture and equipment	(65,112,126)	(5,415,503)	—	(70,527,629)
Infrastructure	<u>(213,546,248)</u>	<u>(9,213,319)</u>	<u>—</u>	<u>(222,759,567)</u>
Total accumulated depreciation	<u>(496,545,903)</u>	<u>(32,191,539)</u>	<u>—</u>	<u>(528,737,442)</u>
Total capital assets being depreciated, net	<u>515,200,235</u>	<u>122,015,287</u>	<u>—</u>	<u>637,215,522</u>
Governmental activities capital assets, net	\$ <u><u>1,109,202,703</u></u>	<u><u>232,789,748</u></u>	<u><u>(152,897,505)</u></u>	<u><u>1,189,094,946</u></u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

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

Governmental activities:		
General government		\$ 2,481,740
Public safety		5,243,847
Human resource development		2,543,123
Education		5,993,792
Community maintenance and development		<u>15,929,037</u>
Total depreciation expense – governmental activities		\$ <u><u>32,191,539</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,839,763	—	—	39,839,763
Construction in progress	<u>10,289,868</u>	<u>7,731,543</u>	<u>(1,532,689)</u>	<u>16,488,722</u>
Total capital assets not being depreciated	<u>50,129,631</u>	<u>7,731,543</u>	<u>(1,532,689)</u>	<u>56,328,485</u>
Capital assets being depreciated:				
Buildings and improvements	84,159,074	—	—	84,159,074
Furniture and equipment	9,141,247	399,629	—	9,540,876
Infrastructure	<u>42,417,851</u>	<u>1,069,882</u>	—	<u>43,487,733</u>
Total capital assets being depreciated	<u>135,718,172</u>	<u>1,469,511</u>	—	<u>137,187,683</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,601,601)	(2,300,132)	—	(34,901,733)
Furniture and equipment	(4,184,360)	(628,893)	—	(4,813,253)
Infrastructure	<u>(18,455,924)</u>	<u>(809,620)</u>	—	<u>(19,265,544)</u>
Total accumulated depreciation	<u>(55,241,885)</u>	<u>(3,738,645)</u>	—	<u>(58,980,530)</u>
Total capital assets being depreciated, net	<u>80,476,287</u>	<u>(2,269,134)</u>	—	<u>78,207,153</u>
Business-type activity capital assets, net	\$ <u><u>130,605,918</u></u>	<u><u>5,462,409</u></u>	<u><u>(1,532,689)</u></u>	<u><u>134,535,638</u></u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

**(6) Receivables and Deferred Inflows of Resources**

**(a) Receivables**

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

	Government funds					Enterprise fund
	General	Capital fund	Affordable housing trust fund	Other governmental funds	Total governmental funds	Water fund
Receivables:						
Property taxes	\$ 5,133,820	—	—	—	5,133,820	—
Motor vehicle taxes	4,203,653	—	—	—	4,203,653	—
Other taxes	3,468,520	—	—	—	3,468,520	—
Intergovernmental	—	13,046,518	—	1,263,403	14,309,921	—
Other	12,481,738	—	5,331,232	456,718	18,269,688	4,263,749
Gross receivables	25,287,731	13,046,518	5,331,232	1,720,121	45,385,602	4,263,749
Less allowance for uncollectibles	3,860,825	2,579,429	3,382,056	—	9,822,310	42,638
Net total receivables	\$ 21,426,906	10,467,089	1,949,176	1,720,121	35,563,292	4,221,111

**(b) Deferred Inflows of Resources**

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

	Unavailable
Delinquent taxes receivable (General Fund)	\$ 7,755,269
Other	12,349,245
Total unavailable for governmental funds	\$ 20,104,514

**(c) Tax Abatement Programs**

The City enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77 *Tax Abatement Disclosures*. Below are the descriptions of the tax abatement programs and the amount of Real Estate taxes that were abated for each program during the fiscal year.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

*Chapter 121A*

Chapter 121A of the Massachusetts General Laws authorizes a local government in cooperation with its redevelopment authorities to suspend the imposition of real and personal property taxes, betterments and special assessments on properties determined to be “blighted” in order to encourage the redevelopment of residential, commercial, civic, recreational, historic or industrial projects by Chapter 121A Corporations. Under Chapter 121A, a local government is entitled to two forms of revenue from payments in lieu of real and property taxes. The first form of revenue consists of an excise, as determined under Section 10 of Chapter 121A, that each Chapter 121A Corporation must pay to the Commonwealth that is then distributed to the City. The second form of revenue consists of payments as required by a contract between the City and Chapter 121A Corporations as authorized by Chapter 121A, Section 6A that provide for additional revenue beyond the excise provided under Section 10 of Chapter 121A.

There were no Chapter 121A related activities or abatements noted for the year ended June 30, 2018.

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

Individual fund receivable and payable balances at June 30, 2018, are as follows:

<b>Interfund balances</b>	<b>Receivable</b>	<b>Payable</b>
General fund – payable to water fund – for bond premium transfer	\$ —	32,723
Capital fund – receivable from other governmental funds – for capital items	569,969	—
Enterprise fund – receivable from general fund for bond premium	32,723	—
Other governmental funds – community development block grant payable to capital fund – for capital items	—	569,969
Balance at June 30, 2018	\$ <u>602,692</u>	<u>602,692</u>

As of June 30, 2018, there are no receivable and payable balances between the primary government and the discrete component unit.

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CHA for the construction of an ambulatory care center. CHA has assumed responsibility for paying to the City an amount equal to the current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. In 2007, the City refunded a portion of the original general obligation hospital bond. The final payment on this loan was made during fiscal year 2018 resulting in a zero balance on hospital related debt as of June 30, 2018.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

**(8) Long-Term Obligations**

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2018:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through February 15, 2038	2/1/08 to 3/1/18	1.0%-5.0%	\$ 265,135,860	65,266,000	23,972,244	306,429,616	25,599,654
Urban redevelopment, serial maturities through February 15, 2028	2/1/08 to 3/1/18	2.0%-5.0%	24,860,000	4,445,000	3,485,000	25,820,000	3,965,000
Schools, serial maturities through February 1, 2018	2/1/2008	3.0%-3.25%	472,167	—	472,167	—	—
Sewer, serial maturities through February 15, 2028	2/1/08 to 3/1/18	0.0%-5.0%	122,959,047	17,584,350	18,288,924	122,254,473	19,636,824
Hospital, serial maturities through February 1, 2018	3/15/07	4.00%	1,495,000	—	1,495,000	—	—
Sub-total general obligation bonds			<u>414,922,074</u>	<u>87,295,350</u>	<u>47,713,335</u>	<u>454,504,089</u>	<u>49,201,478</u>
Notes payable:							
Note payable serial maturities through July 1, 2021	4/20/00 to 7/16/01	2.00%	<u>2,842,916</u>	<u>—</u>	<u>—</u>	<u>2,842,916</u>	<u>635,008</u>
Sub-total notes payable			<u>2,842,916</u>	<u>—</u>	<u>—</u>	<u>2,842,916</u>	<u>635,008</u>
Total governmental obligation bonds and notes payable			<u>\$ 417,764,990</u>	<u>87,295,350</u>	<u>47,713,335</u>	<u>457,347,005</u>	<u>49,836,486</u>
Add (deduct):							
Unamortized bond premium						22,986,088	
Current portion of long-term debt						<u>(49,836,486)</u>	
						<u>430,496,607</u>	
Other long-term obligations:							
Judgments and claims			\$ 16,779,000	50,422,928	51,521,728	15,680,200	6,668,100
Compensated absences			19,751,000	23,431,700	22,734,700	20,448,000	7,993,000
Landfill postclosure care costs			100,000	—	25,000	75,000	25,000
Net OPEB liability*			654,010,520	44,572,850	76,275,255	622,308,115	—
Net pension liability			181,785,216	40,957,592	84,780,237	137,962,571	—
Pollution remediation			1,572,256	1,392,708	1,456,997	1,507,967	152,949
Total other governmental long-term obligations			<u>\$ 873,997,992</u>	<u>160,777,778</u>	<u>236,793,917</u>	<u>797,981,853</u>	<u>14,839,049</u>

\* See Note O

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2018:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through August 1, 2019	3/15/07	4.0%-5.0%	\$ 5,300,000	—	2,420,000	2,880,000	2,420,000
Total business-type bonds payable			<u>\$ 5,300,000</u>	<u>—</u>	<u>2,420,000</u>	2,880,000	<u>2,420,000</u>
Add (deduct):							
Current portion of long-term debt						<u>(2,420,000)</u>	
						<u>460,000</u>	
Other long-term obligations:							
Judgments and claims			\$ 1,451,000	2,909,881	3,540,081	820,800	188,800
Compensated absences			<u>693,000</u>	<u>486,800</u>	<u>449,800</u>	<u>730,000</u>	<u>252,000</u>
Total other long-term obligations			<u>\$ 2,144,000</u>	<u>3,396,681</u>	<u>3,989,881</u>	<u>1,550,800</u>	<u>440,800</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

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

General obligation bonds are backed by the full faith and credit of the City. The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2018, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2019	\$ 49,201,478	635,008	16,705,849	27,489	65,907,327	662,497
2020	48,469,354	592,525	15,175,670	14,765	63,645,024	607,290
2021	47,543,456	436,917	13,365,234	4,748	60,908,690	441,665
2022	44,698,814	556,020	11,489,696	56,010	56,188,510	612,030
2023	41,353,797	622,446	10,074,378	40,053	51,428,175	662,499
2024–2028	141,772,190	—	28,895,390	—	170,667,580	—
2029–2033	56,055,000	—	9,165,382	—	65,220,382	—
2034–2038	25,410,000	—	2,087,694	—	27,497,694	—
	<u>\$ 454,504,089</u>	<u>2,842,916</u>	<u>106,959,293</u>	<u>143,065</u>	<u>561,463,382</u>	<u>2,985,981</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. During fiscal year 2016, payments were suspended indefinitely as the City re-negotiates the loan. At June 30, 2018, the principal and interest amount outstanding remained at \$2,842,916 and \$143,065 respectively as no payments were made in 2018 and the City is still re-negotiating the loan.

In November 2017, the City entered into a loan agreement with the Massachusetts Water Resources Authority (MWRA) totaling \$2,972,350. Principal on the loan is due yearly on November 15 until maturity in fiscal 2023 with a 0% interest rate. This MWRA loan provides funding for improvements to the City's sewer system.

In February 2018, the City issued \$1,858,000 in general obligation bonds to encourage residents to directly invest in Cambridge infrastructure by purchasing a minibond. Residents could purchase minibonds in denominations of \$1,000 for a maximum total investment of \$20,000. The City used the proceeds from the minibond issuance to fund various capital purchases and improvements throughout the city. Interest on the general obligation bonds is due semiannually on each February 15 and August 15, with the full principal payment due on February 15, 2023.

In March 2018, the City issued \$82,465,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest on the general obligation bonds is due semiannually on each February 15 and August 15, with principal payments due each February 15 until maturity in fiscal 2038.

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The City enters into loan agreements with the Massachusetts Clean Water Trust (MCWT) to provide funding for sewer separation and drinking water projects. According to some of the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$44,307 in subsidies during 2018 and expects to receive subsidies totaling \$222,535 through fiscal 2023. Loan payments on the existing loans commenced on January 15, 2013 and end on January 15, 2026, with interest rates ranging from 0% to 2.0%.

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

As of June 30, 2018, the City may issue approximately \$1.3 billion additional general obligation debt under the normal debt limit. The City has approximately \$5.7 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2019	\$ 2,420,000	83,501	2,503,501
2020	460,000	11,501	471,501
	<u>\$ 2,880,000</u>	<u>95,002</u>	<u>2,975,002</u>

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

In 2012, the CHA purchased space for \$850,000 which was previously rented through an operating lease agreement. Of the total purchase price, \$680,000 was financed through a note payable to the seller. The note is to be amortized over 10 years with monthly payments of \$7,047 at an interest rate of 4.5%. The balance on this note payable at June 30, 2018 is \$297,251.

**(9) Retirement Plan-GASB 67**

**(a) Plan Description**

The City of Cambridge Retirement System (the System) is a cost-sharing, multiple employer defined benefit pension plan administered by a Retirement Board comprised of five members: the City Auditor who serves as *ex officio*; two individuals elected by participants in the System; a fourth member appointed by the City Manager and a fifth member chosen by the other members of the Retirement Board. As of December 31, 2017, the System provides pension benefits to the retired employees of four employers: the City of Cambridge, Cambridge Housing Authority, Cambridge Redevelopment Authority and Cambridge Health Alliance.

## CITY OF CAMBRIDGE, MASSACHUSETTS

### Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

#### **(b) Basis of Accounting**

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

Cash and cash equivalents are considered to be cash on deposit, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

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Investments are reported at fair value. Securities traded on national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. Mutual funds and commingled funds, including real estate and private equity investments, are valued based on net asset value (NAV) or unit value at year-end. Changes in fair value are included in investment income (loss) in the statement of changes in fiduciary net position.

**(c) Membership**

Membership in the System consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	\$	2,019
Terminated plan members entitled to, but not receiving benefits		728
Terminated plan members with a vested right to a deferred or immediate benefit		126
Active plan members		<u>3,019</u>
Total membership	\$	<u>5,892</u>
Total number of participating employers		4

**(d) Contributions**

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2018 were \$30,500,048 and \$7,445,860, respectively.

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

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**(e) Legally Required Reserve Accounts**

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2017 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 254,904,453	Active members' contribution balance
Annuity reserve fund	76,897,958	Retired members' contribution account
Military service credit fund	4,611	Members' contribution account while on military leave
Pension reserve fund	989,458,673	Amounts appropriated to fund future retirement benefits
Pension fund	<u>14,310,356</u>	Remaining net position
	<u>\$ 1,335,576,051</u>	

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

**(f) Securities Lending**

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

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

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, 2017. 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. Borrower rebates and fees paid to the custodian for the year ended December 31, 2017 were \$501,027.

At December 31, 2017, the fair value of securities loaned by the System amounted to \$59,570,933 against which was held cash collateral of \$58,043,809.

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Notes to Basic Financial Statements

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

**(g) Administrative Costs**

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

**(h) Net Pension Liability of Participating Employers**

The components of the net pension liability of the participating employers at December 31, 2017 was as follows:

Total pension liability	\$	1,517,290,859
Fiduciary net position		<u>(1,335,576,051)</u>
System's net pension liability	\$	<u>181,714,808</u>
Fiduciary net position as a percentage of the total pension liability		88.02 %

**(i) Actuarial Assumptions**

The total pension liability at December 31, 2017 was determined by an actuarial valuation as of December 31, 2015 and update procedures were used to roll forward the total pension liability from the valuation date to the measurement date. The following actuarial assumptions were applied to the measurement of the total pension liability at December 31, 2017:

Inflation		3.5 %
Salary increases		4.5
Investment rate of return		7.50
Cost of living adjustments	3% of first \$16,000	
Pre-retirement mortality	RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-2017	
Healthy Retiree mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-2017	
Disabled Retiree mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017	

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2017 is summarized below:

<u>Asset class</u>	<u>Target asset allocation</u>	<u>Long-term expected real rate of return</u>
Cash	— %	1.06 %
Domestic equity	26.00	6.15
International developed markets equity	9.00	7.11
International emerging markets equity	10.00	9.41
Core fixed income	10.00	1.68
High yield fixed income	13.00	4.13
Real estate	10.00	4.90
Commodities	5.00	4.71
Hedge fund, GTAA, Risk parity	9.00	3.94
Private equity	8.00	10.28

**(j) Discount Rate**

The discount rate used to calculate the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the System's net pension liability calculated using the discount rate of 7.50% as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.50%) or 1% – point higher (8.50%) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current discount rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
June 30, 2018	\$ 354,551,044	181,714,808	36,543,502

**(l) Annual Money Weighted Return**

For the year ended December 31, 2017, the annual money weighted rate of return on plan investments, net of plan investment expense was 16.49%. The money weighted rate of return expresses investment performance net of investment expenses adjusted for the changing amounts actually invested.

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

At June 30, 2018, the City reported a liability of \$138.0 million for its proportionate share of the System's net pension liability measured as of December 31, 2017. The City's proportion of the System's net pension liability was based on actual contributions to the System relative to the actual contributions of all participating employers. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Cambridge Health Alliance special funding situation and the total portion of the net pension liability associated with the City at June 30, 2018 were as follows:

City's proportionate share of net pension liability	\$ 120,804,001
City's proportionate share of net pension liability associated with Cambridge Health Alliance	<u>17,158,570</u>
	\$ <u><u>137,962,571</u></u>

To determine employers' proportionate share of the net pension liability, allocations of net pension liability were performed. At December 31, 2017, the City was allocated 66.48% (65.01% in the prior year) of the net pension liability related to the City and 9.44% (11.78% in the prior year) related to the Cambridge Health Alliance special funding situation described below based on the proportion of the 2017 required employer contributions.

**Special Funding Situations**

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System (MTRS). The MTRS arrangement qualifies as a special funding situation as the City has no obligation to contribute to this plan. Rather the Commonwealth funds plan benefits to the extent that funding is not

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provided through employee contributions. The Commonwealth's proportionate share of the collective net pension liability of MTRS associated with the City's employees as of the June 30, 2017 measurement date is \$268.4 million based on an employer allocation percentage of 1.173%. The Commonwealth contributed \$28.0 million on behalf of the City during the measurement period and the City reported the amount as an intergovernmental revenue and education expenditure in the General Fund.

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

For the year ended June 30, 2018, the City recognized pension expense of \$41.0 million. At June 30, 2018, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
	<u>                    </u>	<u>                    </u>
Net differences between projected and actual investment earnings on pension plan investments	\$ —	33,393,514
Net differences between expected and actual experience	—	14,798,378
Changes in employer proportion	5,712,042	7,035,447
Changes in assumptions	40,328,381	—
	<u>\$ 46,040,423</u>	<u>55,227,339</u>

Amounts reported as deferred outflows of resources at June 30, 2018 related to pensions will be recognized in pension expense as follows:

2019	\$ 8,240,473
2020	5,554,661
2021	(14,635,891)
2022	(13,612,131)
2023	<u>5,265,972</u>
Total	<u>\$ (9,186,916)</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

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System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported for the System.

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

The following presents the City’s proportionate share of the System’s net pension liability calculated using the discount rate of 7.50% as well as what the City’s proportionate share of the System’s net pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.50%) or 1%-point higher (8.50%) than the current rate:

	<b>City’s net pension liability</b>		
	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
June 30, 2018	\$ 269,184,303	137,962,571	27,744,770

**(11) Postemployment Benefits Other Than Pensions – GASB 74 & 75**

**General Information about the OPEB Plan**

The City sponsors and participates in a single employer defined benefit OPEB plan, the City of Cambridge Postemployment Benefits Plan (the Plan), that primarily provides healthcare, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. City ordinance grants the authority to the City to establish a healthcare benefit trust fund for purposes of providing retiree healthcare benefits to employees of the City. The Plan is administered by the City and does not issue a stand-alone financial report.

*Benefits Provided*

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

Groups 1, 2 and 4 retirees, including teachers, with at least 10 years of creditable service are eligible at age 55 or they may retire after a total of 20 years of creditable service regardless of age. Retirees on accidental disability retirement are eligible at any age, while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive pre and postretirement death benefits, as well as medical and prescription drug coverage.

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*Employees Covered by the Benefit Terms*

As of June 30, 2017, the most recent actuarial valuation date, the following employees meet the eligibility requirements as put forth in Chapter 32B of M.G.L.:

	<u>City</u>
Active Plan members	2,905
Inactive members receiving benefits	2,490
Inactive members entitled to but not yet receiving benefits	<u>—</u>
Total membership	<u>5,395</u>
Total number of participating employers	1

*Contributions*

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The Plan is currently funded on a pay-as-you-go basis plus additional City advance funding contributions as amounts are available. The City made additional contributions of \$2 million in fiscal 2018. The City and plan members share the cost of benefits. As of June 30, 2017, the valuation date, the plan members contribute 12% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB trust fund and a funding schedule for the trust fund and, on December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund. Since the establishment of the Trust Fund, the City made contributions of \$13 million through fiscal 2018.

*Actuarial Methods and Assumptions*

The total OPEB liability at June 30, 2018 was measured based on a June 30, 2017 valuation and using the following assumptions:

*Salary Increase. Non-teachers: 3.5%.*

*Inflation Increase. 2.5%*

*Actuarial Cost Method and Amortization Period.* The entry age normal cost method based on level percentage of projected salary.

*Mortality.* RP-2014 generational table using Scale MP-2017, applied on a gender-specific basis.

*Healthcare cost trend rates.* Trend rates begin with 7.0% (non-Medicare) and 6% (Medicare) and decrease 0.5% annually to an ultimate rate of 4.5%.

*Discount Rate.* The discount rate used to measure the liability for the Plan is 3.93% per annum. The discount rate used to measure the total OPEB liability for the City is 3.65% per annum. The rate is based

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on a blend of the 20 year Bond Buyer GO index at June 30, 2017 of 3.58% and the expected long-term OPEB trust investment rate of return of 5%. The Plan's net position was not projected to be available to make all projected future benefit payments for current Plan members. Therefore, the long-term expected OPEB trust investment rate of return of 5% was not applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate used for June 30, 2016 was assumed to be 2.91% and is also based on a blend of the 20 year Bond Buyer GO index and the City's expected investment rate of return of 5%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	55 %	8.0 %
Fixed income	40	2.0
Cash	5	2.0
Total	<u>100 %</u>	

*Net OPEB Liability – The Plan (OPEB 74)*

The components of the net OPEB liability for the Plan as of June 30, 2018 based on the rollforward of the June 30, 2017 valuation based upon the assumptions above.

	<u>The plan</u>
Total OPEB Liability	\$ 633,526,101
Fiduciary net position	<u>(14,846,178)</u>
Net OPEB liability	<u>\$ 618,679,923</u>
Fiduciary net position as a percentage of the total OPEB liability	2.34 %

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*Change in the Net OPEB Liability – Plan (OPEB 74)*

		<b>Increase (decrease)</b>	
		<b>Plan</b>	
	<b>Total OPEB liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB liability</b>
Balances at July 1, 2017	\$ 635,221,348	12,913,233	622,308,115
Changes for the year:			
Service cost	20,749,626	—	20,749,626
Interest	25,372,266	—	25,372,266
Changes in assumptions	(27,084,632)	—	(27,084,632)
Contribution – employer	—	22,732,507	(22,732,507)
Net investment income	—	(3,643)	3,643
Benefit payments	(20,732,507)	(20,732,507)	—
Administrative expenses	—	(63,412)	63,412
Net changes	<u>(1,695,247)</u>	<u>1,932,945</u>	<u>(3,628,192)</u>
Balances at June 30, 2018	\$ <u>633,526,101</u>	<u>14,846,178</u>	<u>618,679,923</u>

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, calculated using the discount rates disclosed as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as of June 30, 2018 (in thousands):

	<b>Current rate</b>	<b>1% Decrease of current rate</b>	<b>Current discount rate</b>	<b>1% Increase of current rate</b>
Net OPEB liability	3.93% \$	720,199	618,680	501,673

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

		<b>1% Decrease of current rate</b>	<b>Current discount rate</b>	<b>1% Increase of current rate</b>
Net OPEB liability	\$	504,704	618,680	713,383

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*Annual Money Weighted Return*

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was (.5%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's fiduciary net position is available on page 73.

*Condensed Statement of OPEB Net Position*

<b>Assets</b>		
Cash and cash equivalents		\$ 785,081
Investments, at fair value:		
Fixed income securities		6,111,905
Equities		<u>7,949,192</u>
Total investments		<u>14,061,097</u>
Held in trust for OPEB benefits		\$ <u><u>14,846,178</u></u>

*Condensed Statement of Changes in OPEB Net Position*

Additions:		
Contributions:		
Employers		\$ <u>22,732,507</u>
Total contributions		<u>22,732,507</u>
Investment earnings:		
Interest and dividends		401,281
Net appreciation (depreciation) in the fair value of investments		<u>(404,924)</u>
Net investment earnings		<u>(3,643)</u>
Total additions		<u>22,728,864</u>
Deductions:		
Benefits		20,732,507
Administrative expenses		<u>63,412</u>
Total deductions		<u>20,795,919</u>
Change in net position		1,932,945
Net position, beginning of year		<u>12,913,233</u>
Net position, end of year		\$ <u><u>14,846,178</u></u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

*Net OPEB Liability – Employer (City) OPEB 75*

The components of the net OPEB liability for the City as of June 30, 2018 measured based on the valuation as of June 30, 2017 using the actuarial assumptions as outlined above:

	<u>Employer</u>
Total OPEB Liability	\$ 635,221,348
Fiduciary net position	<u>(12,913,233)</u>
City's net OPEB liability	\$ <u>622,308,115</u>
Fiduciary net position as a percentage of the total OPEB liability	2.03 %

*Change in the Net OPEB Liability – Employer (OPEB 75)*

	<u>Increase (decrease)</u>		
	<u>Total OPEB liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB liability</u>
Balances at July 1, 2016	\$ 664,358,150	10,347,629	654,010,521
Changes for the year:			
Service cost	19,965,001	—	19,965,001
Interest	24,607,849	—	24,607,849
Differences between expected and actual experience	(53,438,652)	—	(53,438,652)
Contribution – employer	—	22,271,000	(22,271,000)
Net investment income	—	589,155	(589,155)
Benefit payments	(20,271,000)	(20,271,000)	—
Administrative expenses	—	(23,551)	23,551
Net changes	<u>(29,136,802)</u>	<u>2,565,604</u>	<u>(31,702,406)</u>
Balances at June 30, 2017	\$ <u>635,221,348</u>	<u>12,913,233</u>	<u>622,308,115</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, calculated using the discount rates disclosed as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as of June 30, 2017 (in thousands):

	<u>Current rate</u>	<u>1% Decrease of current rate</u>	<u>Current discount rate</u>	<u>1% Increase of current rate</u>
Net OPEB liability	3.65 % \$	724,422	622,308	504,615

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

		<u>1% Decrease of current rate</u>	<u>Current discount rate</u>	<u>1% Increase of current rate</u>
Net OPEB liability	\$	507,664	622,308	717,566

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018 the City recognized OPEB expense of \$12.1 million.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB amounts from the following sources in thousands:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>	<u>Total</u>
Differences between expected and actual assumptions	\$ —	(46,017)	(46,017)
Post measurement date contributions	22,468	—	22,468
	\$ <u>22,468</u>	<u>(46,017)</u>	<u>(23,549)</u>

Contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows in thousands:

<u>Fiscal year</u>	<u>Amount</u>
2019	\$ (7,432)
2020	(7,432)
2021	(7,432)
2022	(7,432)
2023	(7,422)
Thereafter	<u>(8,867)</u>
Total	<u>\$ (46,017)</u>

**(12) Transfers**

Transfers and their purposes during the year ended June 30, 2018 were as follows:

	<u>Governmental funds</u>				<u>Proprietary fund</u>
	<u>General</u>	<u>Capital</u>	<u>Affordable Housing Trust fund</u>	<u>Other</u>	<u>Enterprise fund water</u>
Capital – to fund capital expenditures	\$ (21,627,580)	21,627,580	—	—	—
General – mitigation revenues to fund eligible capital expenditures	(489,780)	489,780	—	—	—
General – mitigation revenues to fund Community Development grants	(259,835)	—	—	259,835	—
Parking – to fund administrative costs and other eligible City expenditures	21,679,635	1,258,000	—	(22,937,635)	—
General – to Parking to cover eligible expenditures	(30,000)	—	—	30,000	—
Capital – to fund eligible CDBG program costs	—	(119,691)	—	119,691	—
Water – to fund administrative costs	719,125	—	—	—	(719,125)
Affordable housing fund – from CPA Fund	—	—	10,056,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(10,056,000)	—
Total	<u>\$ (8,435)</u>	<u>23,255,669</u>	<u>10,056,000</u>	<u>(32,584,109)</u>	<u>(719,125)</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

**(13) Fund Balance Classification Details**

The components of fund balance for the City's governmental funds as of June 30, 2018 are as follows.

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>
Fund balances:				
Nonspendable:				
Deposits	\$ 2,505,371	—	—	—
Nonexpendable permanent funds	—	—	—	2,276,704
Restricted:				
Property and development	—	34,829,049	—	9,162,854
Streets and sidewalks	—	10,096,250	—	—
Parks and recreation	—	6,272,748	—	4,311,931
Sewer projects	—	29,241,056	—	—
Library	—	979,634	—	—
Schools	—	37,937,342	—	—
General government	—	2,779,692	—	—
Affordable housing	—	—	600,000	—
Community preservation	—	—	—	—
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	—
General Government	—	—	—	899,298
Human Services	—	96,415	—	2,286,944
School Grants Fund Federal/State	—	—	—	1,549,821
Expendable permanent funds	—	—	—	1,867,894
Committed:				
Parking fund	—	—	—	16,549,170
Health claims	31,528,032	—	—	—
Budget stabilization	67,767,216	—	—	—
Affordable housing	—	—	39,796,765	—
Assigned:				
Subsequent year's expenditures	11,000,000	—	—	—
Unassigned	255,838,733	—	—	—
Total fund balances	\$ <u>368,639,352</u>	<u>122,232,186</u>	<u>40,396,765</u>	<u>38,904,616</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

*Stabilization Funds*

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

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

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

The Stabilization balances as of June 30, 2018 are as follows:

City Stabilization fund	\$	56,826,511
Mitigation Stabilization fund		3,483,705
Community Benefits Stabilization fund		<u>7,457,000</u>
Total Stabilization funds	\$	<u>67,767,216</u>

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

*Commitments and Contingencies*

The City has \$9.9 million in encumbrances for purchase orders and contracts in the General Fund, \$106.2 million in the Capital Fund, and \$2.5 million in the Other Governmental Funds.

*Infrastructure Investment Incentive Transactions*

Infrastructure Investment Incentive transactions (I-Cubed) are governed by Chapter 293 of the Acts of 2006 (the Act). Under the Act, the funding for the projects associated with these transactions is provided through proceeds of bonds issued by the Massachusetts Development Finance Agency (MDFA) and is to be used for approved public infrastructure improvements undertaken by the developer. The debt service on these bonds will be paid by the Commonwealth through State Infrastructure Development Assistance to the extent that New State Tax Revenues generated once the project is operational offset the amounts paid to the MDFA to cover the debt service. When this is not the case, the participating municipality or developer generally will be responsible for the shortfall depending on the transaction agreement. The Act provides for the establishment of a Municipal Liquidity Reserve (MLR) from which the participating municipality can draw to offset any required payments made to the Commonwealth. The MLR is generally funded by the developer either through cash or a direct pay letter of credit.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

The City executed an Infrastructure Development Assistance Agreement (IDAA) for I-Cubed transactions on December 20, 2017. The IDAA is for \$25.0 million in bonds issued by MDFA in February 2018. Also, an MLR of \$2.7 million was established at the time of the issuance of the bonds. The reserve is equal to twice the maximum annual debt service payable in any fiscal year on the bonds issued under the indenture. The City is obligated for any shortfalls between debt service on the bonds and New State Tax Revenues. However, it has the right to assess the developer or draw from the MLR for any payments on such obligations. The City had no obligations for shortfalls at June 30, 2018.

**(14) Risk Management**

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

The City has medical plans with Tufts, Harvard Pilgrim and Blue Cross/Blue Shield under which it makes actual claims payments. The medical plan providers act as claim processors and a transfer of risk does not occur. Approximately 90% of the City's employees participate in the self-insured plan with the remainder electing preferred provider plans that are premium based. The amount of settlements did not exceed insurance coverage for premium based health insurance elections for fiscal years ended June 30, 2018, 2017, and 2016.

Active employees contribute at least 12% of the cost of healthcare with the remainder paid by the City. These costs are accounted for in the general fund. The contribution rate for retirees is 1% for those who are currently enrolled in indemnity plans and 15% for those who enroll in HMO type plans. The City does not carry stop-loss insurance.

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

Changes in the self insurance liability for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Judgments and accrued claims, beginning of year	\$ 18,230,000	17,064,000
Incurred claims	53,332,809	51,200,979
Less payments of claims attributable to events of both current and prior fiscal years	<u>(55,061,809)</u>	<u>(50,034,979)</u>
Judgments and accrued claims, end of year	\$ <u>16,501,000</u>	<u>18,230,000</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Basic Financial Statements

June 30, 2018

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

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

June 30, 2018

(Unaudited)

**Schedule of Employer Contributions – OPEB  
(dollars in thousands)**

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 36,817	36,817
Contribution in relation to the actuarially determined contribution	<u>22,732</u>	<u>22,271</u>
Contribution deficiency (excess)	<u>\$ 14,085</u>	<u>14,546</u>
Covered-employee payroll	\$ 238,710	196,095

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

The actuarial determined contribution (ADC) for the year ending June 30, 2017 was based on a June 30, 2017 valuation rolled back on an actuarial basis to July 1, 2016 using the following assumptions:

*Salary Increase.* 3.5%

*Inflation Increase.* 2.5%

*Actuarial Cost Method and Amortization Period.* The entry age normal cost method based on level percentage of projected salary.

*Mortality.* RP-2014 generational table using Scale MP-2017, applied on a gender-specific basis.

*Discount Rate.* 3.65%

*Healthcare cost trend rates.* Trend rates begin with 7.0% (non-Medicare) and 6% (Medicare) and decrease 0.5% annually to an ultimate rate of 4.5%.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

June 30, 2018

(Unaudited)

**Schedule of Changes in the City's Net OPEB Liability and Related Ratios**

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 20,749,626	19,965,001
Interest cost	25,372,266	24,607,849
Changes of benefit items	—	—
Differences between expected and actual experience	—	—
Changes in assumptions or other inputs	(27,084,632)	(53,438,652)
Benefit payments	<u>(20,732,507)</u>	<u>(20,271,000)</u>
Net change in OPEB liability	(1,695,247)	(29,136,802)
Total OPEB liability – beginning	<u>635,221,348</u>	<u>664,358,150</u>
Total OPEB liability – ending	<u>633,526,101</u>	<u>635,221,348</u>
Plan fiduciary net position:		
Contributions – employer	22,732,507	22,271,000
Net investment income	(3,643)	589,155
Benefit payments	(20,732,507)	(20,271,000)
Admin. expense	<u>(63,412)</u>	<u>(23,551)</u>
Net change in plan fiduciary net position	1,932,945	2,565,604
Plan fiduciary net position – beginning	<u>12,913,233</u>	<u>10,347,629</u>
Plan fiduciary net position – ending	<u>14,846,178</u>	<u>12,913,233</u>
City's net OPEB liability – ending	\$ <u>618,679,923</u>	\$ <u>622,308,115</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.34 %	2.03 %
Covered-employee payroll	\$ 238,709,766	196,094,885
City's net OPEB liability as a percentage of covered-employee payroll	38.58 %	31.51 %

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

Schedule of the Net Pension Liability - Cambridge Retirement System

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,517,290,859	1,398,842,606	1,362,473,754	1,259,960,680
Plan fiduciary net position	<u>1,335,576,051</u>	<u>1,162,120,243</u>	<u>1,084,498,793</u>	<u>1,102,627,150</u>
System's net pension liability	<u>181,714,808</u>	<u>236,722,363</u>	<u>277,974,961</u>	<u>157,333,530</u>
Plan fiduciary net position as a percentage of the total pension liability	88.02 %	83.08 %	80.00 %	87.51 %
Covered – employee payroll	\$ 228,696,936	220,963,223	226,826,076	218,627,543
System's net pension liability as a percentage of covered – employee payroll	79.5 %	107.1 %	122.5 %	72.0 %

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

Schedule of Changes in the Net Pension Liability - Cambridge Retirement System

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 31,903,330	32,844,244	30,908,861	29,791,673
Interest	107,835,410	105,325,306	98,925,146	94,315,895
Changes of benefit terms	13,786,855	—	—	—
Differences between expected and actual experience	—	(29,237,110)	—	—
Changes of assumptions	43,565,250	—	42,033,481	—
Benefit payments, including refunds of member contributions	<u>(78,642,592)</u>	<u>(72,563,588)</u>	<u>(69,354,414)</u>	<u>(64,034,766)</u>
Net change in total pension liability	118,448,253	36,368,852	102,513,074	60,072,802
Total pension liability – beginning	<u>1,398,842,606</u>	<u>1,362,473,754</u>	<u>1,259,960,680</u>	<u>1,199,887,878</u>
Total pension liability – ending (a)	<u>1,517,290,859</u>	<u>1,398,842,606</u>	<u>1,362,473,754</u>	<u>1,259,960,680</u>
Plan fiduciary net position:				
Contributions – employers and nonemployer	40,831,840	40,047,891	37,851,149	35,775,814
Contributions – member	22,146,929	20,949,712	21,167,434	20,572,796
Net investment income	190,247,348	90,299,489	(6,716,067)	64,639,098
Benefit payments, including refunds of member contributions	(78,642,592)	(72,563,588)	(69,354,414)	(64,034,766)
Administrative expenses	<u>(1,127,717)</u>	<u>(1,112,054)</u>	<u>(1,076,459)</u>	<u>(1,031,915)</u>
Net change in plan fiduciary net position	173,455,808	77,621,450	(18,128,357)	55,921,027
Plan fiduciary net position – beginning	<u>1,162,120,243</u>	<u>1,084,498,793</u>	<u>1,102,627,150</u>	<u>1,046,706,123</u>
Plan fiduciary net position – ending (b)	<u>1,335,576,051</u>	<u>1,162,120,243</u>	<u>1,084,498,793</u>	<u>1,102,627,150</u>
Net pension liability – ending (a) – (b)	\$ <u>181,714,808</u>	<u>236,722,363</u>	<u>277,974,961</u>	<u>157,333,530</u>

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Required Supplementary Information

Schedule of Investment Returns

(Unaudited)

	<b>Cambridge Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	16.49 %	8.40 %	(0.60)%	6.20 %

	<b>Cambridge OPEB Trust Fund</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Annual money-weighted rate of return, net of investment expense	(0.50)%	5.47 %	NA	NA

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

See accompanying independent auditors' report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 40,531,840	39,747,891	37,551,149	35,475,814	35,475,814	31,662,897	29,912,987	28,353,542	27,727,711	26,891,503
Contributions in relation to the actuarially determined contribution	<u>40,831,840</u>	<u>40,047,891</u>	<u>37,851,149</u>	<u>35,775,814</u>	<u>35,775,814</u>	<u>31,967,897</u>	<u>32,212,987</u>	<u>28,553,542</u>	<u>27,727,711</u>	<u>26,891,503</u>
Contribution deficiency (excess)	<u>\$ (300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(305,000)</u>	<u>(2,300,000)</u>	<u>(200,000)</u>	<u>—</u>	<u>—</u>
Covered-employee payroll	\$ 228,696,936	220,963,223	226,826,076	218,627,543	217,086,299	217,086,299	232,842,117	232,842,117	222,162,255	231,770,736
Contributions as a percentage of covered-employee payroll	17.85 %	18.12 %	16.69 %	16.36 %	16.34 %	14.59 %	12.85 %	12.18 %	12.48 %	11.60 %

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

Methods and assumptions used to determine contribution rates:

**Valuation date:**

Actuarially determined contribution rates for fiscal 2017 and 2018 are determined with January 1, 2018 actuarial valuation

The following assumptions were used for the periods included in the funding for 2017 and 2016:

**Actuarial cost method:**

Entry age normal

**Amortization method:**

Prior year's contribution increased 1.97% plus an additional contribution of \$300,000

**Asset valuation method:**

5-year smoothed market

**Inflation:**

3.5%

**Salary increases:**

4.5%

**Investment rate of return:**

7.50%, net of plan investment expense for 2017 and 7.75%, net of plan investment expense for 2016

**Retirement benefits:**

Depending on age at retirement and "Group" classification 0.1%-2.5%

per year of service times highest three year average salary.

A five year salary is used for those hired after April 1, 2012

**Post-retirement cost of living increases:**

The cost-of-living base was increased to be \$14,000 to \$16,000 as of July 1, 2018. Annual cost of living increases are assumed to be 3.0% of the lesser of the base or annual benefits.

**Mortality:**

Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table set forward 1 year for female participants projected generationally using Scale MP-2017 (previously, RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009)

Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year for female participants projected generationally using Scale MP-2017 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009)

Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015)

**Changes of Assumptions:**

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipate future experience. When actuarial assumptions have changed in prior years, the Retirement Board formally adopted the change at a monthly meeting.

See accompanying independent auditors' report.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 30,772,819	30,523,432	28,665,468	27,505,315
Contributions in relation to the actuarially determined contribution	<u>30,772,819</u>	<u>30,523,432</u>	<u>28,665,468</u>	<u>27,505,315</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered-employee payroll	\$ 133,664,659	127,847,305	122,094,246	135,002,508
Contributions as a percentage of covered-employee payroll	23.02 %	23.87 %	23.48 %	20.37 %

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

Note: Certain prior year amounts have been changed to conform with the 2018 presentation.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of City's Proportionate Share of the Net Pension Liability  
 (Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	75.922581 %	76.792582 %	76.337126 %	77.532583 %
City's proportionate share of the net pension liability	\$ 137,962,571	181,785,216	212,198,096	121,984,750
City's covered-employee payroll	152,037,721	143,648,191	144,783,082	135,002,508
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	110.20 %	79.02 %	68.23 %	110.67 %
City of Cambridge Retirement System fiduciary net position as a percentage of the total pension liability	88.02	83.08	80.00	87.51

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

Note: Certain prior year amounts have been changed to conform with the 2018 presentation.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Schedule of Revenues and Expenditures – Budgetary Basis

Required Supplementary Information

General Fund – Budget and Actual

Year ended June 30, 2018

(Unaudited)

(with comparative actual amounts for 2017)

	<u>2018 Original budget</u>	<u>2018 Final budget</u>	<u>2018 Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>2017 Actual</u>
Revenues:					
Property taxes	\$ 389,080,359	389,080,359	398,120,640	9,040,281	381,451,357
Provisions for tax abatements and adj.	(4,520,140)	(4,520,140)	(4,520,140)	—	(4,388,635)
Payments in lieu of tax receipts	7,812,500	7,812,500	7,388,601	(423,899)	8,100,931
Hotel/motel/meals excise tax	18,400,000	18,400,000	20,937,973	2,537,973	19,958,924
Intergovernmental	39,577,482	39,577,482	39,582,398	4,916	38,421,270
Sewer use	52,257,185	52,257,185	51,427,534	(829,651)	48,333,542
Motor vehicle excise	7,387,766	7,387,766	7,727,124	339,358	8,035,187
Investment income	1,700,000	1,700,000	4,139,619	2,439,619	2,768,001
Other	32,495,606	32,469,104	68,636,081	36,166,977	52,471,946
Total revenues	<u>544,190,758</u>	<u>544,164,256</u>	<u>593,439,830</u>	<u>49,275,574</u>	<u>555,152,523</u>
Expenditures:					
Current:					
General government	55,444,090	53,012,935	44,969,855	8,043,080	41,918,654
Public safety	133,433,040	135,357,785	133,144,576	2,213,209	128,276,938
Community maintenance and development	51,054,915	53,563,949	52,325,495	1,238,454	51,117,292
Human resource development	42,990,050	43,536,254	42,477,569	1,058,685	38,973,898
Education	183,046,445	182,621,445	182,074,475	546,970	172,141,327
Judgments and claims	200,000	200,000	196,843	3,157	4,071,023
State and district assessments	57,098,428	57,098,428	56,316,174	782,254	53,426,731
Debt service:					
Principal	47,241,170	47,241,170	47,241,168	2	44,135,669
Interest	15,199,540	15,199,540	14,599,590	599,950	13,689,372
Total expenditures	<u>585,707,678</u>	<u>587,831,506</u>	<u>573,345,745</u>	<u>14,485,761</u>	<u>547,750,904</u>
Excess (deficiency) of revenues over expenditures	<u>(41,516,920)</u>	<u>(43,667,250)</u>	<u>20,094,085</u>	<u>63,761,335</u>	<u>7,401,619</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	22,756,725	22,756,725	21,649,635	(1,107,090)	21,562,235
Capital projects funds	(7,674,000)	(7,674,000)	(21,627,580)	(13,953,580)	(20,018,000)
Trust funds	3,515,070	3,515,070	1,240,241	(2,274,829)	(1,957,036)
Enterprise fund	719,125	719,125	719,125	—	717,805
Total other financing sources (uses)	<u>19,316,920</u>	<u>19,316,920</u>	<u>1,981,421</u>	<u>(17,335,499)</u>	<u>305,004</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(22,200,000)</u>	<u>(24,350,330)</u>	<u>\$ 22,075,506</u>	<u>46,425,836</u>	<u>7,706,623</u>
Other budget items:					
Free cash appropriations	20,200,000	22,350,330			
Prior year deficits raised	—	—			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	<u>22,200,000</u>	<u>24,350,330</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Notes to Required Supplementary Information – Schedule of Revenues and Expenditures

Year ended June 30, 2018

(Unaudited)

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

Revenues are recorded when cash is received except for real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).

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

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

Amounts raised for the prior years’ deficits and available funds from prior years’ surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2018:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 593,439,830	573,345,745	1,981,421
Adjustments:			
Revenues to modified accrual basis	11,183,587	—	—
Expenditures, encumbrances and accruals, net	—	(4,480,287)	—
On-behalf contribution for teachers pension	28,016,682	28,016,682	—
Reclassification:			
Premium on debt issuance	—	—	81,188
Transfers not reported on a Budgetary/GAAP basis	<u>—</u>	<u>—</u>	<u>(1,989,856)</u>
As reported on a GAAP basis	\$ <u>632,640,099</u>	<u>596,882,140</u>	<u>72,753</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2018

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 481,312	481,312	—
Other ordinary maintenance	146,130	121,979	24,151
Travel and training	<u>29,500</u>	<u>17,465</u>	<u>12,035</u>
Total Mayor	<u>656,942</u>	<u>620,756</u>	<u>36,186</u>
City Manager:			
Salaries and wages	2,008,463	2,008,463	—
Other ordinary maintenance	820,300	722,053	98,247
Travel and training	<u>51,550</u>	<u>43,893</u>	<u>7,657</u>
Total City Manager	<u>2,880,313</u>	<u>2,774,409</u>	<u>105,904</u>
City Council:			
Salaries and wages	1,860,255	1,825,162	35,093
Other ordinary maintenance	86,400	62,571	23,829
Travel and training	<u>72,700</u>	<u>33,641</u>	<u>39,059</u>
Total City Council	<u>2,019,355</u>	<u>1,921,374</u>	<u>97,981</u>
City Clerk:			
Salaries and wages	1,231,575	1,155,278	76,297
Other ordinary maintenance	116,110	110,793	5,317
Travel and training	<u>4,420</u>	<u>3,896</u>	<u>524</u>
Total City Clerk	<u>1,352,105</u>	<u>1,269,967</u>	<u>82,138</u>
Law:			
Salaries and wages	1,883,170	1,872,183	10,987
Other ordinary maintenance	454,400	371,809	82,591
Travel and training	<u>14,245</u>	<u>12,106</u>	<u>2,139</u>
Total law	<u>2,351,815</u>	<u>2,256,098</u>	<u>95,717</u>
Finance:			
Salaries and wages	13,030,860	12,222,203	808,657
Other ordinary maintenance	5,102,110	4,632,548	469,562
Travel and training	318,725	303,770	14,955
Extraordinary expenditures	<u>62,800</u>	<u>60,000</u>	<u>2,800</u>
Total finance	<u>18,514,495</u>	<u>17,218,521</u>	<u>1,295,974</u>
Employment benefits:			
Salaries and wages	20,739,276	14,654,364	6,084,912
Other ordinary maintenance	882,700	824,241	58,459
Travel and training	<u>30,000</u>	<u>737</u>	<u>29,263</u>
Total employment benefits	<u>21,651,976</u>	<u>15,479,342</u>	<u>6,172,634</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General services:			
Salaries and wages	\$ 290,975	290,975	—
Other ordinary maintenance	<u>354,435</u>	<u>324,840</u>	<u>29,595</u>
Total general services	<u>645,410</u>	<u>615,815</u>	<u>29,595</u>
Election commission:			
Salaries and wages	1,053,450	1,046,142	7,308
Other ordinary maintenance	227,755	218,288	9,467
Travel and training	<u>2,270</u>	<u>—</u>	<u>2,270</u>
Total election commission	<u>1,283,475</u>	<u>1,264,430</u>	<u>19,045</u>
Public celebrations:			
Salaries and wages	677,455	662,075	15,380
Other ordinary maintenance	485,650	468,299	17,351
Travel and training	<u>1,325</u>	<u>590</u>	<u>735</u>
Total public celebrations	<u>1,164,430</u>	<u>1,130,964</u>	<u>33,466</u>
Reserve:			
Other ordinary maintenance	<u>34,150</u>	<u>—</u>	<u>34,150</u>
Total reserve	<u>34,150</u>	<u>—</u>	<u>34,150</u>
Animal commission:			
Salaries and wages	440,015	403,302	36,713
Other ordinary maintenance	18,305	14,777	3,528
Travel and training	<u>150</u>	<u>100</u>	<u>50</u>
Total animal commission	<u>458,470</u>	<u>418,179</u>	<u>40,291</u>
Total general government	<u>53,012,936</u>	<u>44,969,855</u>	<u>8,043,081</u>
Public safety:			
Fire:			
Salaries and wages	48,064,520	47,266,168	798,352
Other ordinary maintenance	1,757,430	1,686,769	70,661
Travel and training	589,500	556,683	32,817
Extraordinary expenditures	<u>309,000</u>	<u>269,446</u>	<u>39,554</u>
Total fire	<u>50,720,450</u>	<u>49,779,066</u>	<u>941,384</u>
Police:			
Salaries and wages	53,374,238	53,374,238	—
Other ordinary maintenance	2,141,155	2,050,376	90,779
Travel and training	412,200	362,145	50,055
Extraordinary expenditures	<u>545,500</u>	<u>539,621</u>	<u>5,879</u>
Total police	<u>56,473,093</u>	<u>56,326,380</u>	<u>146,713</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Traffic and parking:			
Salaries and wages	\$ 8,607,985	8,521,928	86,057
Other ordinary maintenance	4,167,040	3,696,121	470,919
Travel and training	111,000	95,061	15,939
Extraordinary expenditures	<u>69,000</u>	<u>47,010</u>	<u>21,990</u>
Total traffic and parking	<u>12,955,025</u>	<u>12,360,120</u>	<u>594,905</u>
Police review and advisory board:			
Other ordinary maintenance	700	48	652
Travel and training	<u>3,000</u>	<u>1,056</u>	<u>1,944</u>
Total police review and advisory board	<u>3,700</u>	<u>1,104</u>	<u>2,596</u>
Inspectional services:			
Salaries and wages	3,406,800	3,383,772	23,028
Other ordinary maintenance	140,680	104,573	36,107
Travel and training	10,425	6,538	3,887
Extraordinary expenditures	<u>10,000</u>	<u>—</u>	<u>10,000</u>
Total inspectional services	<u>3,567,905</u>	<u>3,494,883</u>	<u>73,022</u>
License:			
Salaries and wages	1,283,310	1,276,612	6,698
Other ordinary maintenance	63,610	23,659	39,951
Travel and training	<u>7,530</u>	<u>6,096</u>	<u>1,434</u>
Total license	<u>1,354,450</u>	<u>1,306,367</u>	<u>48,083</u>
Weights and measures:			
Salaries and wages	143,552	143,552	—
Other ordinary maintenance	6,280	5,074	1,206
Travel and training	<u>3,745</u>	<u>3,744</u>	<u>1</u>
Total weights and measures	<u>153,577</u>	<u>152,370</u>	<u>1,207</u>
Electrical:			
Salaries and wages	1,829,389	1,829,389	—
Other ordinary maintenance	996,460	784,428	212,032
Travel and training	55,170	53,830	1,340
Extraordinary expenditures	<u>50,000</u>	<u>35,561</u>	<u>14,439</u>
Total electrical	<u>2,931,019</u>	<u>2,703,208</u>	<u>227,811</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Emergency communications:			
Salaries and wages	\$ 6,632,505	6,521,242	111,263
Other ordinary maintenance	484,610	452,986	31,624
Travel and training	55,850	22,493	33,357
Extraordinary expenditures	25,600	24,357	1,243
Total emergency communications	<u>7,198,565</u>	<u>7,021,078</u>	<u>177,487</u>
Total public safety	<u>135,357,784</u>	<u>133,144,576</u>	<u>2,213,208</u>
Community maintenance and development:			
Public works:			
Salaries and wages	25,857,760	25,356,613	501,147
Other ordinary maintenance	16,493,770	16,394,169	99,601
Travel and training	380,930	329,304	51,626
Extraordinary expenditures	600,000	600,000	—
Total public works	<u>43,332,460</u>	<u>42,680,086</u>	<u>652,374</u>
Community development:			
Salaries and wages	6,982,032	6,652,436	329,596
Other ordinary maintenance	625,477	470,696	154,781
Travel and training	40,866	32,697	8,169
Extraordinary expenditures	23,770	23,770	—
Total community development	<u>7,672,145</u>	<u>7,179,599</u>	<u>492,546</u>
Historical commission:			
Salaries and wages	659,611	659,611	—
Other ordinary maintenance	36,750	25,738	11,012
Travel and training	1,200	860	340
Total historical commission	<u>697,561</u>	<u>686,209</u>	<u>11,352</u>
Peace commission:			
Salaries and wages	149,348	149,348	—
Other ordinary maintenance	9,325	5,628	3,697
Travel and training	2,850	1,045	1,805
Total peace commission	<u>161,523</u>	<u>156,021</u>	<u>5,502</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Cable television:			
Salaries and wages	\$ 587,110	551,258	35,852
Other ordinary maintenance	1,109,700	1,070,327	39,373
Travel and training	3,450	1,995	1,455
Total cable television	<u>1,700,260</u>	<u>1,623,580</u>	<u>76,680</u>
Total community maintenance and development	<u>53,563,949</u>	<u>52,325,495</u>	<u>1,238,454</u>
Human resource development:			
Library:			
Salaries and wages	7,899,928	7,899,928	—
Other ordinary maintenance	2,789,300	2,619,067	170,233
Travel and training	117,150	97,653	19,497
Total library	<u>10,806,378</u>	<u>10,616,648</u>	<u>189,730</u>
Human services:			
Salaries and wages	25,108,553	24,868,854	239,699
Other ordinary maintenance	5,600,095	5,035,141	564,954
Travel and training	89,760	68,219	21,541
Extraordinary expenditures	30,000	30,000	—
Total human services	<u>30,828,408</u>	<u>30,002,214</u>	<u>826,194</u>
Women's commission:			
Salaries and wages	253,119	253,119	—
Other ordinary maintenance	12,085	12,078	7
Travel and training	525	258	267
Total women's commission	<u>265,729</u>	<u>265,455</u>	<u>274</u>
Human rights commission:			
Salaries and wages	404,309	404,309	—
Other ordinary maintenance	54,500	24,445	30,055
Travel and training	1,200	860	340
Total human rights commission	<u>460,009</u>	<u>429,614</u>	<u>30,395</u>
Veterans benefits:			
Salaries and wages	321,130	321,130	—
Other ordinary maintenance	63,600	63,287	313
Travel and training	791,000	779,221	11,779
Total veterans benefits	<u>1,175,730</u>	<u>1,163,638</u>	<u>12,092</u>
Total human resource development	<u>43,536,254</u>	<u>42,477,569</u>	<u>1,058,685</u>

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Education:			
Salaries and wages	\$ 148,386,727	147,917,690	469,037
Other ordinary maintenance	32,487,249	32,482,642	4,607
Travel and training	1,014,850	944,364	70,486
Extraordinary expenditures	237,552	234,712	2,840
Debt:			
Principal payments	472,167	472,167	—
Interest payments	22,900	22,900	—
Total education	<u>182,621,445</u>	<u>182,074,475</u>	<u>546,970</u>
Judgments and claims	200,000	196,843	3,157
Debt retirement:			
Principal payments	47,241,170	47,241,168	2
Interest payments	15,199,540	14,599,590	599,950
Total debt retirement	<u>62,440,710</u>	<u>61,840,758</u>	<u>599,952</u>
State and district assessments:			
MBTA assessment	9,729,492	9,507,221	222,271
MWRA assessment	24,952,540	24,713,139	239,401
Other State assessments	15,216,396	14,895,814	320,582
Cambridge Health Alliance	7,200,000	7,200,000	—
Total state and district assessments	<u>57,098,428</u>	<u>56,316,174</u>	<u>782,254</u>
Total general fund expenditures	<u>\$ 587,831,506</u>	<u>573,345,745</u>	<u>14,485,761</u>

See accompanying independent auditors' report.

## **CITY OF CAMBRIDGE, MASSACHUSETTS**

Other Governmental Funds

June 30, 2018

### **Other Governmental Funds**

#### **Community Development Block Grant**

Revenues from the community development block grant program are recorded in this fund. A transfer of revenues is made at the end of the fiscal year to the capital projects funds to cover block grant related expenditures in these funds during the fiscal year. All operating expenditures are recorded within this fund.

#### **School Grants**

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

#### **Parking Fund**

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

#### **Community Preservation Act**

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

#### **Other Grants**

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

#### **Permanent Funds**

This fund accumulates all the City's trust funds that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Combining Balance Sheet

Other Governmental Funds

June 30, 2018

Assets	Special revenue						Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	
Cash and short-term investments	\$ 580,154	1,423,674	16,168,333	14,644,670	3,616,000	4,144,598	40,577,429
Accounts receivable	—	—	380,837	75,881	—	—	456,718
Due from other governments	11,075	916,599	—	—	335,729	—	1,263,403
<b>Total assets</b>	<b>\$ 591,229</b>	<b>2,340,273</b>	<b>16,549,170</b>	<b>14,720,551</b>	<b>3,951,729</b>	<b>4,144,598</b>	<b>42,297,550</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Warrants payable	\$ 11,075	666,991	—	225,972	731,184	—	1,635,222
Accrued liabilities	10,185	123,461	—	943,913	34,303	—	1,111,862
Due to other funds	569,969	—	—	—	—	—	569,969
<b>Total liabilities</b>	<b>591,229</b>	<b>790,452</b>	<b>—</b>	<b>1,169,885</b>	<b>765,487</b>	<b>—</b>	<b>3,317,053</b>
Deferred inflows of resources:							
Unavailable revenue	—	—	—	75,881	—	—	75,881
Fund balances:							
Nonspendable	—	—	—	—	—	2,276,704	2,276,704
Restricted	—	1,549,821	—	13,474,785	3,186,242	1,867,894	20,078,742
Committed	—	—	16,549,170	—	—	—	16,549,170
<b>Total fund balances</b>	<b>—</b>	<b>1,549,821</b>	<b>16,549,170</b>	<b>13,474,785</b>	<b>3,186,242</b>	<b>4,144,598</b>	<b>38,904,616</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 591,229</b>	<b>2,340,273</b>	<b>16,549,170</b>	<b>14,720,551</b>	<b>3,951,729</b>	<b>4,144,598</b>	<b>42,297,550</b>

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Other Governmental Funds  
Year ended June 30, 2018

	<b>Special Revenue</b>						<b>Total</b>
	<b>Community development block grant</b>	<b>School grants</b>	<b>Parking fund</b>	<b>Community preservation act</b>	<b>Other grants</b>	<b>Permanent funds</b>	
Revenues:							
Intergovernmental	\$ 906,747	10,335,286	678,237	1,763,356	8,285,872	—	21,969,498
Investment income	—	—	446,245	147,529	6,146	67,185	667,105
Other:							
Permits	—	—	1,046,074	—	—	—	1,046,074
Fines	—	—	10,080,240	—	—	—	10,080,240
Charges for services	—	—	12,249,567	—	—	—	12,249,567
Miscellaneous	—	2,394,957	80,849	10,647,857	378,637	287,288	13,789,588
Total revenues	<u>906,747</u>	<u>12,730,243</u>	<u>24,581,212</u>	<u>12,558,742</u>	<u>8,670,655</u>	<u>354,473</u>	<u>59,802,072</u>
Expenditures:							
General government	—	—	—	11,402	63,430	222,202	297,034
Public safety	—	—	—	—	772,871	—	772,871
Community maintenance and development	629,830	—	—	1,970,682	885,358	—	3,485,870
Human services	396,608	—	—	—	7,681,360	—	8,077,968
Education	—	13,186,125	—	—	—	—	13,186,125
Total expenditures	<u>1,026,438</u>	<u>13,186,125</u>	<u>—</u>	<u>1,982,084</u>	<u>9,403,019</u>	<u>222,202</u>	<u>25,819,868</u>
Excess (deficiency) of revenues over expenditures	(119,691)	(455,882)	24,581,212	10,576,658	(732,364)	132,271	33,982,204
Other financing sources (uses):							
Transfers from other funds	119,691	—	30,000	—	259,835	—	409,526
Transfers to other funds	—	—	(22,937,635)	(10,056,000)	—	—	(32,993,635)
Excess (deficiency) of revenues over expenditures and transfers	—	(455,882)	1,673,577	520,658	(472,529)	132,271	1,398,095
Fund balances at beginning of year	—	2,005,703	14,875,593	12,954,127	3,658,771	4,012,327	37,506,521
Fund balances at end of year	<u>\$ —</u>	<u>1,549,821</u>	<u>16,549,170</u>	<u>13,474,785</u>	<u>3,186,242</u>	<u>4,144,598</u>	<u>38,904,616</u>

See accompanying independent auditors' report.

## **Pension and OPEB Trust Funds**

### **The Pension Trust Fund**

This pension trust fund accounts for the activities of the City of Cambridge Retirement System, which accumulates resources for pension benefit payments to retired City employees and employees of certain other entities.

### **The OPEB Trust Fund**

This trust fund is an irrevocable trust fund established to accumulate resources for other postemployment benefit payments to retired City employees. The assets are appropriated from the General Fund and this fund is currently not used for payments of benefits.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Combining Statement of Net Position

June 30, 2018

<b>Assets</b>	<b>Employee retirement plan 12/31/2017</b>	<b>OPEB Trust fund 6/30/2018</b>	<b>Total</b>
Cash and cash equivalents	\$ 8,264,315	785,081	9,049,396
Dividend and interest receivable	439,358	—	439,358
Other assets	1,466,482	—	1,466,482
Investments, at fair value:			
Fixed income securities	58,461,693	6,111,905	64,573,598
Equities	180,982,205	7,949,192	188,931,397
Pooled investments:			
Fixed income	141,316,831	—	141,316,831
Real estate	131,925,775	—	131,925,775
Domestic equities	379,253,400	—	379,253,400
International equities	209,745,975	—	209,745,975
International fixed income	65,539,176	—	65,539,176
Alternative	161,178,742	—	161,178,742
Total investments	1,328,403,797	14,061,097	1,342,464,894
Cash collateral on security lending	58,043,809	—	58,043,809
Total assets	<u>1,396,617,761</u>	<u>14,846,178</u>	<u>1,411,463,939</u>
<b>Liabilities</b>			
Accrued liabilities	931,583	—	931,583
Guarantee deposits	—	—	—
Due to brokers for securities purchased	2,066,318	—	2,066,318
Cash collateral on security lending	58,043,809	—	58,043,809
Total liabilities	<u>61,041,710</u>	<u>—</u>	<u>61,041,710</u>
Held in trust for pension benefits and other purposes	<u>\$ 1,335,576,051</u>	<u>14,846,178</u>	<u>1,350,422,229</u>

See independent auditors' report

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Combining Statement of Changes in Net Position  
Year ended June 30, 2018

	<b>Employee retirement plan 12/31/2017</b>	<b>OPEB Trust fund 6/30/2018</b>	<b>Total</b>
Additions:			
Contributions:			
Employers	\$ 37,004,588	22,732,507	59,737,095
Nonemployer – City	3,827,252	—	3,827,252
Plan members	22,146,929	—	22,146,929
Other systems	3,589,041	—	3,589,041
Commonwealth of Massachusetts	283,104	—	283,104
Total contributions	<u>66,850,914</u>	<u>22,732,507</u>	<u>89,583,421</u>
Investment earnings:			
Interest and dividends	22,183,919	401,281	22,585,200
Securities lending income	661,106	—	661,106
Net appreciation (depreciation) in the fair value of investments	175,807,364	(404,924)	175,402,440
Less:			
Management fees	(7,850,534)	—	(7,850,534)
Borrower rebates and fees under securities lending program	(501,027)	—	(501,027)
Net investment earnings	<u>190,300,828</u>	<u>(3,643)</u>	<u>190,297,185</u>
Total additions	<u>257,151,742</u>	<u>22,728,864</u>	<u>279,880,606</u>
Deductions:			
Benefits	76,970,845	20,732,507	97,703,352
Refunds of contributions	2,126,598	—	2,126,598
Other systems	3,470,774	—	3,470,774
Administrative expenses	1,127,717	63,412	1,191,129
Total deductions	<u>83,695,934</u>	<u>20,795,919</u>	<u>104,491,853</u>
Change in net position	173,455,808	1,932,945	175,388,753
Net position, beginning of year	<u>1,162,120,243</u>	<u>12,913,233</u>	<u>1,175,033,476</u>
Net position, end of year	<u>\$ 1,335,576,051</u>	<u>14,846,178</u>	<u>1,350,422,229</u>

See independent auditors' report

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2018

**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.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Combining Statement of Changes in Assets and Liabilities – Agency Funds  
 Year ended June 30, 2018

<b>Assets</b>	<b>Balance at June 30, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at June 30, 2018</b>
Cash and Cash Equivalents:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	502,147	456,336	375,000	583,483
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	61,606	5,433,455	5,535,201	(40,140)
Cambridge Fire Detail	68,563	2,374,151	2,369,637	73,077
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	23	23	2,390
Constable Fees	243,069	88,734	91,608	240,195
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	16	—	—	16
Purchase of Trees	547,861	32,603	396,285	184,179
Accident and life Insurance	1,056,884	286,819	327,665	1,016,038
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	23,528	—	—	23,528
Retirement Office Payroll	644,784	737,835	580,981	801,638
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,537,683	790,792	600,000	1,728,475
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	56,925	983	—	57,908
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
Stop Payments	22,667	—	—	22,667
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Water Department Deposits	768,810	188,500	95,500	861,810
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	728,557	—	—	728,557
Parking Garage Deposits	149,751	76,460	26,865	199,346
MASCO/Shuttle Program	621	1,225	—	1,846
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	228	—	—	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	—	19	19	—
Police – Found Cash	11,985	1,443	—	13,428
Firearms Recordkeeping Fund	17,170	7,544	11,812	12,902
Campport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,901	—	—	25,901
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(70,134)	1,279	125	(68,980)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	2,699	14,242	13,603	3,338
Fletcher/Maynard School Fund	867	42,945	44,098	(286)
Cambridgeport School Fund	1,396	25,113	22,783	3,726
Kennedy Longfellow School Fund	905	1,404	1,838	471
Graham & Parks School Fund	5,291	7,855	6,219	6,927
Putnam Ave Upper School Fund	2,810	8,077	8,302	2,585
Rindge Ave Upper School Fund	1,453	13,270	10,308	4,415
Baldwin School Fund	490	981	789	682
Amigos School Fund	4,375	2,032	5,670	737
Haggerty School Fund	1,216	6,226	6,325	1,117
King School Fund	4,287	4,557	6,172	2,672
Tobin School Fund	—	200	—	200
Cambridge Street Upper School	—	7	7	—
Vassal Lane Upper School Fund	2,528	16,076	14,999	3,605
CRLS Activities Fund	323	5,004	5,000	327
CRLS Scholarships Fund	64,860	69,592	69,114	65,338
Fletcher Maynard AP Fund	—	4,950	3,670	1,280
School Admin Agency Fund	—	3,006	3,000	6
<b>Total</b>	<b>\$ 7,451,717</b>	<b>10,703,738</b>	<b>10,632,618</b>	<b>7,522,837</b>

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Combining Statement of Changes in Assets and Liabilities – Agency Funds  
 Year ended June 30, 2018

<b>Liabilities</b>	<b>Balance at June 30, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at June 30, 2018</b>
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	502,147	456,336	375,000	583,483
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	61,606	5,433,455	5,535,201	(40,140)
Cambridge Fire Detail	68,563	2,374,151	2,369,637	73,077
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	23	23	2,390
Constable Fees	243,069	88,734	91,608	240,195
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	16	—	—	16
Purchase of Trees	547,861	32,603	396,285	184,179
Accident and life Insurance	1,056,884	286,819	327,665	1,016,038
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	23,528	—	—	23,528
Retirement Office Payroll	644,784	737,835	580,981	801,638
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,537,683	790,792	600,000	1,728,475
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	56,925	983	—	57,908
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
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Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	228	—	—	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	—	19	19	—
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Tenant – 199 Prospect St.	25,901	—	—	25,901
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(70,134)	1,279	125	(68,980)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	2,699	14,242	13,603	3,338
Fletcher/Maynard School Fund	867	42,945	44,098	(286)
Cambridgeport School Fund	1,396	25,113	22,783	3,726
Kennedy Longfellow School Fund	905	1,404	1,838	471
Graham & Parks School Fund	5,291	7,855	6,219	6,927
Putnam Ave Upper School Fund	2,810	8,077	8,302	2,585
Rindge Ave Upper School Fund	1,453	13,270	10,308	4,415
Baldwin School Fund	490	981	789	682
Amigos School Fund	4,375	2,032	5,670	737
Haggerty School Fund	1,216	6,226	6,325	1,117
King School Fund	4,287	4,557	6,172	2,672
Tobin School Fund	—	200	—	200
Cambridge Street Upper School	—	7	7	—
Vassal Lane Upper School Fund	2,528	16,076	14,999	3,605
CRLS Activities Fund	323	5,004	5,000	327
CRLS Scholarships Fund	64,860	69,592	69,114	65,338
Fletcher Maynard AP Fund	—	4,950	3,670	1,280
School Admin Agency Fund	—	3,006	3,000	6
<b>Total</b>	<b>\$ 7,451,717</b>	<b>10,703,738</b>	<b>10,632,618</b>	<b>7,522,837</b>

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Supplemental Statements and Schedules

June 30, 2018

**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, 2018.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

June 30, 2018

	<b>Uncollected June 30, 2017</b>	<b>Commitments</b>	<b>Abatements</b>	<b>Transfers to tax title</b>	<b>Refunds</b>	<b>Collections</b>	<b>Adjustments increase (decrease)</b>	<b>Uncollected June 30, 2018</b>
Real estate taxes:								
2003	\$ —	—	—	2,719	—	—	(2,719)	—
2004	—	—	—	3,287	—	—	(3,287)	—
2009	1,447	—	—	—	—	(95)	—	1,352
2014	—	—	(5,844)	—	5,844	—	—	—
2015	—	—	—	9,851	30,053	(39,406)	—	498
2016	4,664	—	(30,805)	10,705	69,313	(45,071)	(1)	8,805
2017	3,113,169	—	(72,214)	(881,691)	84,083	(2,206,418)	(12,493)	24,436
2018	—	370,716,965	(1,118,247)	—	516,881	(367,128,295)	95,207	3,082,511
Total real estate	\$ <u>3,119,280</u>	<u>370,716,965</u>	<u>(1,227,110)</u>	<u>(855,129)</u>	<u>706,174</u>	<u>(369,419,285)</u>	<u>76,707</u>	<u>3,117,602</u>

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

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

June 30, 2018

	<b>Uncollected June 30, 2017</b>	<b>Commitments</b>	<b>Abatements</b>	<b>Transfers to tax title</b>	<b>Refunds</b>	<b>Collections</b>	<b>Adjustments increase (decrease)</b>	<b>Uncollected June 30, 2018</b>
Personal property taxes:								
2002	\$ 13	—	—	—	—	—	(13)	—
2003	5,382	—	—	—	—	—	(503)	4,879
2004	8,536	—	—	—	—	—	(3,735)	4,801
2005	11,750	—	—	—	—	—	(1,247)	10,503
2006	6,667	—	—	—	—	(230)	(1,036)	5,401
2007	9,389	—	—	—	—	(11)	(465)	8,913
2008	10,011	—	—	—	—	(201)	(613)	9,197
2009	15,247	—	(110,433)	—	110,433	(110,557)	109,734	14,424
2010	23,252	—	—	—	—	(191)	(1,984)	21,077
2011	32,209	—	(18,571)	—	18,741	(19,601)	16,258	29,036
2012	51,508	—	(18,571)	—	18,571	(19,168)	14,804	47,144
2013	184,952	—	(18,571)	—	18,571	(23,891)	(97,599)	63,462
2014	229,550	—	(18,571)	—	18,571	(19,363)	(155,419)	54,768
2015	240,720	—	(18,571)	—	18,571	(21,463)	(156,342)	62,915
2016	1,059,080	—	(45,705)	—	45,705	(722,223)	(134,629)	202,228
2017	1,261,928	—	—	—	442	(707,684)	(1,850)	552,836
2018	—	21,947,364	(56,816)	—	13,824	(20,983,553)	(221,827)	698,992
Total personal property	3,150,194	21,947,364	(305,809)	—	263,429	(22,628,136)	(636,466)	1,790,576
Other	213,172	—	—	—	—	—	12,470	225,642
Property taxes	\$ 6,482,646	392,664,329	(1,532,919)	(855,129)	969,603	(392,047,421)	(547,289)	5,133,820

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes  
June 30, 2018

	Uncollected June 30, 2017	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2018
Motor vehicle excise taxes:								
1986	\$ 2,643	—	—	—	—	—	—	2,643
1987	57,239	—	—	—	—	(22)	—	57,217
1988	71,467	—	—	—	—	(62)	—	71,405
1989	75,917	—	—	—	—	(24)	—	75,893
1990	67,846	—	—	—	—	(12)	—	67,834
1991	50,962	—	—	—	—	(18)	—	50,944
1992	51,363	—	—	—	—	—	—	51,363
1993	48,542	—	—	—	—	—	—	48,542
1994	51,436	—	—	—	—	(26)	—	51,410
1995	55,783	—	—	—	—	(60)	—	55,723
1996	55,194	—	—	—	—	(54)	—	55,140
1997	46,868	—	(21)	—	—	—	—	46,847
1998	61,511	—	(16)	—	16	(16)	—	61,495
1999	108,079	—	(16)	—	16	(126)	—	107,953
2000	168,432	—	(42)	—	—	(181)	—	168,209
2001	210,314	—	—	—	—	(95)	—	210,219
2002	190,587	—	(71)	—	—	(98)	—	190,418
2003	169,367	—	(74)	—	—	(21)	—	169,272
2004	140,505	—	—	—	—	(123)	—	140,382
2005	114,033	—	—	—	—	(664)	—	113,369
2006	102,101	—	—	—	—	(529)	—	101,572
2007	135,303	—	—	—	12	(718)	—	134,597
2008	117,094	—	—	—	6	(1,855)	1	115,246
2009	98,612	—	(342)	—	—	(1,849)	—	96,421
2010	111,000	—	(88)	—	—	(1,086)	—	109,826
2011	113,942	—	(16)	—	180	(1,520)	1	112,587
2012	107,788	—	(118)	—	—	(2,880)	—	104,790
2013	104,967	—	(833)	—	688	(5,740)	—	99,082
2014	125,403	—	(1,497)	—	2,705	(16,522)	3	110,092
2015	156,001	—	(6,856)	—	7,716	(31,904)	4	124,961
2016	267,865	—	(10,317)	—	15,324	(104,684)	26	168,214
2017	533,283	926,385	(90,203)	—	75,043	(1,158,035)	(36)	286,437
2018	—	7,326,914	(170,815)	—	45,335	(6,357,536)	(348)	843,550
Total motor vehicle	<u>\$ 3,771,447</u>	<u>8,253,299</u>	<u>(281,325)</u>	<u>—</u>	<u>147,041</u>	<u>(7,686,460)</u>	<u>(349)</u>	<u>4,203,653</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2018

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2017	Additions	Retired	Balance June 30, 2018
Inside debt limit:							
Hospital Series B 2007 Bonds	4.00 %	3/15/2007	2/1/2018	\$ 1,495,000	—	1,495,000	—
CRLS Renovations	3.00%-4.00%	2/1/2008	2/1/2028	250,000	—	250,000	—
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	1,222,590	—	1,222,590	—
Police Station Acquisition/Renovations	3.00%-4.00%	2/1/2008	2/1/2028	405,000	—	405,000	—
West Cambridge Youth Center	3.00%-3.25%	2/1/2008	2/1/2018	585,000	—	585,000	—
Library Construction	3.00%-4.00%	2/1/2008	2/1/2028	1,355,000	—	1,355,000	—
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	472,167	—	472,167	—
Harvard Square Enhancements	3.00%-3.25%	2/1/2008	2/1/2018	60,000	—	60,000	—
Sewer Reconstruction	3.00%-3.25%	2/1/2008	2/1/2018	620,243	—	620,243	—
Fire Station Renovations	2.00%-4.00%	3/15/2009	3/15/2019	200,000	—	100,000	100,000
Library Construction	2.00%-4.375%	3/15/2009	3/15/2029	1,060,000	—	530,000	530,000
Building Renovations	2.00%-4.00%	3/15/2009	3/15/2019	100,000	—	50,000	50,000
CRLS Renovations	2.00%-4.375%	3/15/2009	3/15/2029	3,000,000	—	1,500,000	1,500,000
Replacement of Radio System	2.00%-4.00%	3/15/2009	3/15/2019	100,000	—	50,000	50,000
Sewer Reconstruction	2.00%-4.00%	3/15/2009	3/15/2019	960,000	—	480,000	480,000
War Memorial Renovations (MSBA)	2.00	6/25/2009	11/1/2019	630,000	—	210,000	420,000
CRLS Renovations	2.00%-3.75%	2/15/2010	2/15/2030	16,250,000	—	1,250,000	15,000,000
Sewer Reconstruction	2.00%-3.00%	2/15/2010	2/15/2020	2,070,000	—	690,000	1,380,000
Yerxa Road Underpass Construction	2.00%-3.00%	2/15/2010	2/15/2020	90,000	—	30,000	60,000
War Memorial Renovations	2.00%-4.00%	2/15/2011	2/15/2021	60,000	—	15,000	45,000
Building Renovations	2.00%-4.00%	2/15/2011	2/15/2021	600,000	—	150,000	450,000
Replacement of Radio System	2.00%-4.00%	2/15/2011	2/15/2021	2,480,000	—	620,000	1,860,000
Old Police Station Renovations	2.00%-4.50%	2/15/2011	2/15/2031	2,800,000	—	200,000	2,600,000
CRLS Renovations	2.00%-4.50%	2/15/2011	2/15/2031	11,285,000	—	810,000	10,475,000
Harvard Square Enhancements	2.00%-4.00%	2/15/2011	2/15/2021	1,000,000	—	250,000	750,000
Danehy Park Improvements	2.00%-4.00%	2/15/2011	2/15/2021	280,000	—	70,000	210,000
Sewer Reconstruction	2.00%-4.00%	2/15/2011	2/15/2021	6,000,000	—	1,500,000	4,500,000
CRLS Renovations (MSBA)	2.00	7/12/2011	11/1/2021	2,973,270	—	594,654	2,378,616
Building Renovations	2.00	2/15/2012	2/15/2022	1,000,000	—	200,000	800,000
Old Police Station Renovations	2.00%-3.00%	2/15/2012	2/15/2032	7,885,000	—	530,000	7,355,000
Refunding Bonds (2004, 2005, 2006)	1.00%-5.00%	3/22/2012	1/1/2024	22,385,000	—	3,635,000	18,850,000
Street/Sidewalk Reconstruction	2.00	2/15/2012	2/15/2022	500,000	—	100,000	400,000
Open Space Improvements	2.00	2/15/2012	2/15/2022	650,000	—	130,000	520,000
Kendall Square Improvements	2.00	2/15/2012	2/15/2022	150,000	—	30,000	120,000
Harvard Square Tunnel Improvements	2.00	2/15/2012	2/15/2022	1,000,000	—	200,000	800,000
Sewer Reconstruction	2.00	2/15/2012	2/15/2022	10,175,000	—	2,035,000	8,140,000
MCWT Loan (Gross Payment) (CW-10-04)	—	6/13/2012	7/15/2022	6,068,284	—	1,007,592	5,060,692
King School Renovations	2.00%-3.00%	2/19/2013	2/15/2033	26,400,000	—	1,650,000	24,750,000
Old Police Station Renovations	2.00%-3.00%	2/19/2013	2/15/2033	3,250,000	—	205,000	3,045,000
Acquisitions of Fire Vehicles	2.00%-3.00%	2/19/2013	2/15/2023	745,000	—	125,000	620,000
City Hall Roof Replacement	2.00%-3.00%	2/19/2013	2/15/2023	600,000	—	100,000	500,000
Street/Sidewalk Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	600,000	—	100,000	500,000
Harvard Square Tunnel Improvements	2.00%-3.00%	2/19/2013	2/15/2023	900,000	—	150,000	750,000
Danehy Park Improvements	2.00%-3.00%	2/19/2013	2/15/2023	920,000	—	155,000	765,000
Kendall Square Improvements	2.00%-3.00%	2/19/2013	2/15/2023	300,000	—	50,000	250,000
Sewer Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	12,840,000	—	2,140,000	10,700,000
MWRA Loan	—	2/25/2013	2/15/2018	143,000	—	143,000	—
King School Renovations	3.00%-5.00%	2/18/2014	2/15/2034	15,725,000	—	925,000	14,800,000
Kendall Square Improvements	5.00	2/18/2014	2/15/2024	700,000	—	100,000	600,000
Street/Sidewalk Reconstruction	5.00	2/18/2014	2/15/2024	700,000	—	100,000	600,000
Harvard Square Tunnel Improvements	5.00	2/18/2014	2/15/2024	700,000	—	100,000	600,000
Cambridge Common Improvements	5.00	2/18/2014	2/15/2024	350,000	—	50,000	300,000
Sewer Reconstruction	5.00	2/18/2014	2/15/2024	9,030,000	—	1,290,000	7,740,000
MCWT Loan (CWP-13-03)	2.00	1/7/2015	1/15/2025	10,725,991	—	1,242,049	9,483,942
King School Renovations	2.00%-5.00%	3/3/2015	2/15/2035	36,900,000	—	2,050,000	34,850,000
344 Broadway Building Renovations (Comprehensive)	2.00%-5.00%	3/3/2015	2/15/2025	1,200,000	—	150,000	1,050,000
School Building Renovations	2.00%-5.00%	3/3/2015	2/15/2025	600,000	—	75,000	525,000
Police Station Elevator Repairs	2.00%-5.00%	3/3/2015	2/15/2020	90,000	—	30,000	60,000
City Hall Women's Restroom	2.00%-5.00%	3/3/2015	2/15/2020	60,000	—	20,000	40,000
Old Police Station Renovations	2.00%-5.00%	3/3/2015	2/15/2020	60,000	—	20,000	40,000
Kendall Square Surface Improvements	2.00%-5.00%	3/3/2015	2/15/2025	3,200,000	—	400,000	2,800,000
Cambridge Common Improvements	2.00%-5.00%	3/3/2015	2/15/2025	940,000	—	120,000	820,000
Danehy Park Improvements	2.00%-5.00%	3/3/2015	2/15/2025	920,000	—	115,000	805,000
Street/Sidewalk Reconstruction	2.00%-5.00%	3/3/2015	2/15/2025	800,000	—	100,000	700,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2018

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2017	Additions	Retired	Balance June 30, 2018
Golf Course Improvements	2.00%–5.00%	3/3/2015	2/15/2025	\$ 440,000	—	55,000	385,000
Sewer Reconstruction	2.00%–5.00%	3/3/2015	2/15/2025	19,085,000	—	2,450,000	16,635,000
Refunding Bonds (2005, 2006, 2007 and 2008)	2.00%–4.00%	3/4/2015	1/1/2028	35,735,000	—	830,000	34,905,000
School Building Renovations (Kennedy Longfellow Roof)	2.00%–4.00%	3/1/2016	2/15/2026	2,250,000	—	250,000	2,000,000
Police Station Elevator Repairs	2.00%–4.00%	3/1/2016	2/15/2021	120,000	—	30,000	90,000
Harvard Square Kiosk Design	2.00%–4.00%	3/1/2016	2/15/2021	480,000	—	120,000	360,000
King Open and Cambridge St. Upper School and Community Complex	2.00%–4.00%	3/1/2016	2/15/2036	10,450,000	—	550,000	9,900,000
Building Renovations (344 Broadway and Comprehensive)	2.00%–4.00%	3/1/2016	2/15/2026	3,150,000	—	350,000	2,800,000
Street/Sidewalk Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	3,600,000	—	400,000	3,200,000
Harvard Square Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	450,000	—	50,000	400,000
Sewer Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	11,465,000	—	1,275,000	10,190,000
MCWT Loan (CWP-13-03-A)	2.00 %	2/11/2016	1/15/2026	12,731,529	—	1,296,040	11,435,489
Building Renovation/Energy Improvements	3.00%–5.00%	3/1/2017	2/15/2027	2,340,000	—	235,000	2,105,000
Kennedy School Roof Replacement	3.00%–5.00%	3/1/2017	2/15/2027	2,050,000	—	205,000	1,845,000
Police Station Elevator Repairs	3.00%–5.00%	3/1/2017	2/15/2022	150,000	—	30,000	120,000
King Open and Cambridge St. Upper School and Community Complex	3.00%–5.00%	3/1/2017	2/15/2037	19,875,000	—	995,000	18,880,000
School Building Roof Repairs	3.00%–5.00%	3/1/2017	2/15/2027	2,335,000	—	235,000	2,100,000
School Boiler Maintenance	3.00%–5.00%	3/1/2017	2/15/2027	470,000	—	50,000	420,000
Comprehensive Facilities Improvements Plan	3.00%–5.00%	3/1/2017	2/15/2027	4,670,000	—	470,000	4,200,000
Cambridge Common Improvements	3.00%–5.00%	3/1/2017	2/15/2027	470,000	—	50,000	420,000
Harvard Square Surface Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	3,270,000	—	330,000	2,940,000
Street/Sidewalk Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	1,870,000	—	190,000	1,680,000
Sewer Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	21,045,000	—	2,120,000	18,925,000
Library Construction (Refunding)	4.00 %	6/12/2017	2/15/2029	4,895,000	—	30,000	4,865,000
CRLS Renovations (Refunding)	4.00 %	6/12/2017	2/15/2029	13,910,000	—	80,000	13,830,000
MWRA bond	0.0	11/27/2017	11/15/2022	—	2,972,350	—	2,972,350
King Open and Cambridge St Upper School and Community Complex	3.0-5.0	3/1/2018	2/15/2038	—	59,101,000	—	59,101,000
Municipal Facilities Improvement Plan	4.3-5.0	3/1/2018	2/15/2028	—	4,400,000	—	4,400,000
Fletcher Maynard Academy Roof	4.3-5.0	3/1/2018	2/15/2028	—	1,325,000	—	1,325,000
School Boiler Maintenance	4.3-5.0	3/1/2018	2/15/2028	—	440,000	—	440,000
East Grand Junction design	4.6-5.0	3/1/2018	2/15/2023	—	925,000	—	925,000
Street / Sidewalk Reconstruction	4.3-5.0	3/1/2018	2/15/2023	—	3,520,000	—	3,520,000
Sewer Reconstruction	4.3-5.0	3/1/2018	2/15/2028	—	14,612,000	—	14,612,000
<b>Total inside debt limit</b>				<b>414,922,074</b>	<b>87,295,350</b>	<b>47,713,335</b>	<b>454,504,089</b>
Outside debt limit:							
Water:							
Water Series C 2007 Bonds	4.00%–5.00%	3/15/2007	8/1/2019	5,300,000	—	2,420,000	2,880,000
Total water				5,300,000	—	2,420,000	2,880,000
Housing Trust Fund:							
Note payable	2.00	4/20/00 and 7/16/01	4/1/20 and 7/1/21	2,842,916	—	—	2,842,916
Total outside debt limit				8,142,916	—	2,420,000	5,722,916
Total debt outstanding				\$ 423,064,990	87,295,350	50,133,335	460,227,005

See accompanying independent auditors' report.



CITY OF CAMBRIDGE, MASSACHUSETTS

June 30, 2018

Statistical Section

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

<b>Contents</b>	<b>Page</b>
Financial trends: <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. (See accompanying Management’s Discussion and Analysis, Statement of Net Position and Statement of Activities):</i>  General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years Net Position by Component – Last Ten Fiscal Years Changes in Net Position by Component– Last Ten Fiscal Years Fund Balances of Governmental Funds – Last Ten Fiscal Years Changes in Fund Balances of Government Funds – Last Ten Fiscal Years	103
Revenue capacity: <i>These schedules contain information to help the reader assess the City’s most significant revenue source, the property tax:</i>  Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years Property and Motor Vehicle Tax Rates – Last Ten Fiscal Years Largest Principal Taxpayers – Current Year and Ten Years Ago Property Tax Levies and Collections – Last Ten Fiscal Years	110
Debt capacity: <i>These schedules contain information to assist the reader in assessing the City’s current debt outstanding and their ability to issue additional debt in the future: (See accompanying note 8 of the basic financial statements):</i>  Ratios of Outstanding Debt by Type – Last Ten Fiscal Years Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years Direct and Overlapping Governmental Activities Debt Legal Debt Margin Information – Last Ten Fiscal Years	114
Demographic and economic information: <i>These schedules contain information to help the reader understand the economic environment with which the City’s financial activities take place and assist with comparisons over time and among other City’s:</i>  Demographic and Economic Statistics – Last Ten Calendar Years Principal Employers – Current Year and Ten Years Ago	118
Operating information: <i>These schedules contain information to provide contextual information about the City’s operations and resources to help readers gain an understanding of the City’s economic condition:</i>  Full-Time Position Employees by Function/Program – Last Ten Fiscal Years Operating Indicators by Function/Program – Last Ten Fiscal Years Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	120
<i>Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>	

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Government Expenditures by Function (GAAP Basis) (1)

Last Ten Fiscal Years

(Dollars in thousands)

<b>Function</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
General government	\$ 43,290	38,852	38,656	33,317	33,235	34,894	35,852	35,892	40,101	31,765
Percentage of total	7.3 %	6.9 %	7.3 %	6.6 %	6.7 %	7.8 %	8.1 %	8.2 %	9.6 %	8.0 %
Percentage change	11.4	0.5	16.0	0.2	(4.8)	(2.7)	(0.1)	(10.5)	26.2	(2.5)
Public safety	\$ 132,296	128,759	116,756	117,991	112,496	106,985	103,389	100,414	95,717	95,817
Percentage of total	22.2 %	22.9 %	22.0 %	23.5 %	22.8 %	23.8 %	23.4 %	23.0 %	22.9 %	24.0 %
Percentage change	2.7	10.3	(1.0)	4.9	5.2	3.5	3.0	4.9	0.1	7.0
Community maintenance and development	\$ 51,393	48,449	46,667	46,004	40,570	39,175	36,683	36,459	34,127	35,040
Percentage of total	8.6 %	8.6 %	8.8 %	9.2 %	8.2 %	8.7 %	8.3 %	8.4 %	8.2 %	8.8 %
Percentage change	6.1	3.8	1.4	13.4	3.6	6.8	0.6	6.8	2.6	5.1
Human resource	\$ 41,678	38,125	36,155	34,302	32,861	32,143	30,919	29,586	28,133	25,464
Percentage of total	7.0 %	6.8 %	6.8 %	6.8 %	6.7 %	7.1 %	7.0 %	6.8 %	6.7 %	6.4 %
Percentage change	9.3	5.4	5.4	4.4	2.2	4.0	4.5	5.2	10.5	6.3
Education	\$ 209,886	197,087	183,324	168,367	176,930	143,788	139,276	134,078	132,652	129,031
Percentage of total	35.2 %	35.0 %	34.5 %	33.6 %	35.9 %	32.0 %	31.6 %	30.8 %	31.8 %	32.4 %
Percentage change	6.5	7.5	8.9	(4.8)	23.0	3.2	3.9	1.1	2.8	3.6
Judgments and claims	\$ 197	371	2,715	122	52	76	4,113	9,029	925	171
Percentage of total	— %	0.1 %	0.5 %	— %	— %	— %	0.9 %	2.1 %	0.2 %	— %
Percentage change	(46.9)	(86.3)	2,125.4	134.6	(31.6)	(98.2)	(54.4)	—	440.9	48.7
State assessments	\$ 56,316	53,427	52,024	50,184	47,683	46,660	46,147	44,892	42,448	41,020
Percentage of total	9.4 %	9.5 %	9.8 %	10.0 %	9.7 %	10.4 %	10.5 %	10.3 %	10.2 %	10.3 %
Percentage change	5.4	2.7	3.7	5.2	2.2	1.1	2.8	5.8	3.5	3.7
Debt service	\$ 61,826	57,823	54,814	51,359	49,669	46,305	44,562	45,248	43,215	40,169
Percentage of total	10.4 %	10.3 %	10.3 %	10.2 %	10.1 %	10.3 %	10.1 %	10.3 %	10.4 %	10.1 %
Percentage change	6.9	5.5	6.7	3.4	7.3	3.9	(1.5)	4.7	7.6	17.7
Total expenditures	\$ 596,882	562,893	531,111	501,646	493,496	450,026	440,941	435,598	417,318	398,477
Percentage of total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Percentage change	6.0	6.0	5.9	1.7	9.7	2.1	1.2	4.4	4.7	5.5

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

General Government Revenues by Source (GAAP Basis) (1)

Last Ten Fiscal Years

(Dollars in thousands)

Source	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Property taxes	\$ 391,038	375,682	356,247	342,853	327,999	315,777	297,724	281,812	266,862	251,256
Percentage of total	61.8 %	63.4 %	63.5 %	65.4 %	64.4 %	68.0 %	67.1 %	67.6 %	68.4 %	66.9 %
Percentage change	4.1	5.5	3.9	4.5	3.9	6.1	5.6	5.6	6.2	5.2
Motor vehicle excises	\$ 7,727	8,035	7,452	7,200	7,230	6,833	6,239	6,453	6,182	6,140
Percentage of total	1.2 %	1.4 %	1.3 %	1.4 %	1.4 %	1.5 %	1.4 %	1.5 %	1.6 %	1.6 %
Percentage change	(3.8)	7.8	3.5	(0.4)	5.8	9.5	(3.3)	4.4	0.7	(7.7)
Hotel/motel/meals	\$ 20,938	19,959	19,213	17,861	16,525	15,910	14,954	13,573	9,362	6,803
Percentage of total	3.3 %	3.4 %	3.4 %	3.4 %	3.2 %	3.4 %	3.4 %	3.3 %	2.4 %	1.8 %
Percentage change	4.9	3.9	7.6	8.1	3.9	6.4	10.2	45.0	38.0	(0.9)
Fines	\$ 304	342	364	488	500	608	599	637	633	629
Percentage of total	— %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %
Percentage change	(11.1)	(6.0)	(25.4)	(2.4)	(17.8)	1.5	(6.0)	0.6	0.6	(18.0)
Intergovernmental	\$ 67,599	65,150	52,554	45,503	58,572	31,036	31,954	31,796	32,139	37,235
Percentage of total	10.7 %	11.0 %	9.4 %	8.7 %	11.5 %	6.7 %	7.2 %	7.6 %	8.2 %	9.9 %
Percentage change	3.8	24.0	15.5	(22.3)	88.7	(2.9)	0.5	(1.1)	(13.7)	(21.7)
Licenses and permits	\$ 40,662	29,051	32,181	27,561	23,329	25,213	20,832	14,273	10,305	8,053
Percentage of total	6.4 %	4.9 %	5.7 %	5.3 %	4.6 %	5.4 %	4.7 %	3.4 %	2.6 %	2.1 %
Percentage change	40.0	(9.7)	16.8	18.1	(7.5)	21.0	46.0	38.5	28.0	(35.0)
Payment in lieu of taxes	\$ 7,389	8,101	9,191	8,082	7,759	7,554	7,586	7,345	7,106	7,012
Percentage of total	1.2 %	1.4 %	1.6 %	1.5 %	1.5 %	1.6 %	1.7 %	1.8 %	1.8 %	1.9 %
Percentage change	(8.8)	(11.9)	13.7	4.2	2.7	(0.4)	3.3	3.4	1.3	(4.2)
Investment income	\$ 6,025	4,877	3,274	1,523	1,622	616	864	1,064	1,274	4,257
Percentage of total	1.0 %	0.8 %	0.6 %	0.3 %	0.3 %	0.1 %	0.2 %	0.3 %	0.3 %	1.1 %
Percentage change	23.5	49.0	115.0	(6.1)	163.3	(28.7)	(18.8)	(16.5)	(70.1)	(54.2)
Charges for services	\$ 51,427	48,334	48,819	47,921	41,690	40,020	40,579	40,347	36,825	36,058
Percentage of total	8.1 %	8.2 %	8.7 %	9.1 %	8.2 %	8.6 %	9.2 %	9.7 %	9.4 %	9.6 %
Percentage change	6.4	(1.0)	1.9	14.9	4.2	(1.4)	0.6	9.6	2.1	(2.2)
Departmental/other	\$ 39,531	33,067	31,403	25,363	24,064	20,654	22,126	19,652	19,132	18,205
Percentage of total	6.2 %	5.6 %	5.7 %	4.8 %	4.7 %	4.4 %	5.0 %	4.7 %	4.9 %	4.8 %
Percentage change	19.5	5.3	23.8	5.4	16.5	(6.7)	12.6	2.7	5.1	3.6
Total revenues	\$ 632,640	592,598	560,698	524,355	509,290	464,221	443,457	416,951	389,820	375,648
Percentage of total	100.0 %	100.0 %	100.1 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Percentage change	6.8	5.7	6.9	3.0	9.7	4.7	6.4	7.0	3.8	(2.2)

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Net Position by Component

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 415,315,555	454,771,570	497,650,641	524,201,859	553,655,888	598,532,113	637,618,851	673,717,401	729,145,088	778,225,743
Restricted	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849	68,958,578	85,639,778
Unrestricted	177,054,725	165,339,378	115,221,403	100,571,712	121,839,635	131,964,205	15,974,060	1,931,327	(14,425,882)	(391,023,437)
Total governmental activities net position	\$ <u>604,016,590</u>	<u>630,278,097</u>	<u>626,503,989</u>	<u>639,230,724</u>	<u>690,123,935</u>	<u>748,464,276</u>	<u>706,542,240</u>	<u>748,998,577</u>	<u>783,677,784</u>	<u>472,842,084</u>
Business-type activities:										
Net investment in capital assets	\$ 99,633,725	105,516,517	109,176,777	112,708,862	114,837,208	117,985,639	120,185,083	120,185,083	125,305,918	131,655,638
Unrestricted	5,654,829	4,907,314	6,276,508	7,765,682	8,594,828	10,231,969	13,379,993	17,982,299	13,682,522	10,988,999
Total business-type activities net position	\$ <u>105,288,554</u>	<u>110,423,831</u>	<u>115,453,285</u>	<u>120,474,544</u>	<u>123,432,036</u>	<u>128,217,608</u>	<u>133,565,076</u>	<u>138,167,382</u>	<u>138,988,440</u>	<u>142,644,637</u>
Primary government:										
Net investment in capital assets	\$ 514,949,280	560,288,087	606,827,418	636,910,721	668,493,096	716,517,752	757,803,934	793,902,484	854,451,006	909,881,381
Restricted	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849	68,958,578	85,639,778
Unrestricted	182,709,554	170,246,692	121,497,911	108,337,394	130,434,463	142,196,174	29,354,053	19,913,626	(743,360)	(380,034,438)
Total primary government net position	\$ <u>709,305,144</u>	<u>740,701,928</u>	<u>741,957,274</u>	<u>759,705,268</u>	<u>813,555,971</u>	<u>876,681,884</u>	<u>840,107,316</u>	<u>887,165,959</u>	<u>922,666,224</u>	<u>615,486,721</u>

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 39,085,426	44,027,730	46,676,807	39,836,031	37,777,409	36,588,647	29,002,206	56,389,559	58,919,949	69,141,946
Public safety	106,362,564	119,538,796	122,033,751	124,013,170	127,768,163	134,185,406	138,554,014	134,762,503	155,775,352	145,638,049
Community maintenance and development	70,461,598	73,990,003	90,907,773	103,733,414	88,401,456	95,640,484	102,203,863	112,901,226	96,825,775	111,620,459
Human resource development	40,393,841	43,737,742	45,752,191	46,689,220	47,732,541	49,606,417	50,644,258	53,357,816	56,006,242	56,913,782
Education	156,458,805	165,216,021	171,283,824	181,180,963	185,466,794	220,006,395	211,018,908	228,453,104	246,388,426	245,765,315
State and district assessments (1)	35,020,229	—	—	—	—	—	—	—	—	—
Interest on long-term debt	9,503,428	10,039,003	9,756,666	8,253,614	9,142,323	9,537,632	9,381,387	10,938,908	10,430,981	13,443,479
<b>Total governmental activities</b>	<b>457,285,891</b>	<b>456,549,295</b>	<b>486,411,012</b>	<b>503,706,412</b>	<b>496,288,686</b>	<b>545,564,981</b>	<b>540,804,636</b>	<b>596,803,116</b>	<b>624,346,725</b>	<b>642,523,030</b>
<b>Business-type activities:</b>										
Water	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032	13,127,587	14,226,883	14,228,525	15,855,491	14,198,148
<b>Total business-type activities expenses</b>	<b>14,620,020</b>	<b>13,721,172</b>	<b>13,544,425</b>	<b>13,223,002</b>	<b>14,701,032</b>	<b>13,127,587</b>	<b>14,226,883</b>	<b>14,228,525</b>	<b>15,855,491</b>	<b>14,198,148</b>
<b>Total primary government expenses</b>	<b>\$ 471,905,911</b>	<b>470,270,467</b>	<b>499,955,437</b>	<b>516,929,414</b>	<b>510,989,718</b>	<b>558,692,568</b>	<b>555,031,519</b>	<b>611,031,641</b>	<b>640,202,216</b>	<b>656,721,178</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Public safety	\$ 29,786,501	33,174,134	37,946,079	45,572,456	50,486,221	49,919,980	53,782,729	58,678,631	56,139,937	69,974,862
Community maintenance and development	37,767,491	39,685,063	42,168,021	42,296,774	40,660,130	44,521,761	50,851,436	52,489,213	42,067,768	52,798,914
Human resource development	3,397,736	3,554,633	3,606,526	3,883,114	4,083,383	4,578,908	4,726,472	4,978,730	5,562,842	5,932,108
Other activities	499,322	1,863,149	1,978,164	2,254,981	2,088,454	1,366,380	1,649,398	2,266,034	2,336,489	2,233,207
Operating grants and contributions	28,910,186	35,953,873	25,562,766	23,137,698	23,168,113	25,475,845	23,282,530	24,526,412	22,482,361	21,969,498
Capital grants and contributions	10,191,408	38,367,032	9,091,275	13,093,858	23,794,638	21,680,944	21,913,519	15,508,261	4,857,466	19,479,360
<b>Total governmental activities program revenues</b>	<b>110,552,644</b>	<b>152,597,884</b>	<b>120,352,831</b>	<b>130,238,881</b>	<b>144,280,939</b>	<b>147,543,818</b>	<b>156,206,084</b>	<b>158,447,281</b>	<b>133,446,863</b>	<b>172,387,949</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827	18,507,650	20,091,724	19,288,216	17,210,466	18,465,997
<b>Total business-type program revenues</b>	<b>19,070,169</b>	<b>19,396,031</b>	<b>19,130,204</b>	<b>18,824,741</b>	<b>18,318,827</b>	<b>18,507,650</b>	<b>20,091,724</b>	<b>19,288,216</b>	<b>17,210,466</b>	<b>18,465,997</b>
<b>Total primary government program revenues</b>	<b>\$ 129,622,813</b>	<b>171,993,915</b>	<b>139,483,035</b>	<b>149,063,622</b>	<b>162,599,766</b>	<b>166,051,468</b>	<b>176,297,808</b>	<b>177,735,497</b>	<b>150,657,329</b>	<b>190,853,946</b>
<b>Net (expense) revenue:</b>										
Governmental activities	\$ (346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)	(352,007,747)	(398,021,163)	(384,598,552)	(438,355,835)	(490,899,862)	(470,135,081)
Business-type activities	4,450,149	5,674,859	5,585,779	5,601,739	3,617,795	5,380,063	5,864,841	5,059,691	1,354,975	4,267,849
<b>Total primary government net expense</b>	<b>\$ (342,283,098)</b>	<b>(298,276,552)</b>	<b>(360,472,402)</b>	<b>(367,865,792)</b>	<b>(348,389,952)</b>	<b>(392,641,100)</b>	<b>(378,733,711)</b>	<b>(433,296,144)</b>	<b>(489,544,887)</b>	<b>(465,867,232)</b>

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

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 252,948,784	265,565,126	282,244,351	297,981,301	315,153,860	326,755,052	343,594,775	356,993,674	374,927,115	390,851,108
Excise taxes	12,801,715	15,526,734	19,977,226	21,289,347	22,877,579	23,510,611	25,079,784	26,806,239	27,876,390	28,971,646
Unrestricted grants and contributions	36,085,639	21,853,897	31,795,812	31,954,472	31,035,786	58,572,275	45,502,677	52,554,349	65,150,348	67,599,080
Payments in lieu of taxes	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431	8,100,931	7,388,601
Investment income	5,865,388	1,894,610	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,256,036	7,678,166	7,488,958
Miscellaneous	20,038,690	17,581,978	18,978,421	25,230,542	26,339,352	36,691,219	36,626,619	31,296,358	41,128,314	51,310,617
Transfers	482,585	684,930	687,510	693,955	705,575	705,575	709,855	714,085	717,805	719,125
Total governmental activities	<u>335,234,754</u>	<u>330,212,918</u>	<u>362,284,073</u>	<u>386,194,266</u>	<u>404,767,394</u>	<u>456,361,504</u>	<u>461,258,468</u>	<u>480,812,172</u>	<u>525,579,069</u>	<u>554,329,135</u>
Business-type activities:										
Investment income	118,828	145,348	131,185	113,475	100,337	111,084	192,482	256,700	183,888	107,473
Transfers	(482,585)	(684,930)	(687,510)	(693,955)	(705,575)	(705,575)	(709,855)	(714,085)	(717,805)	(719,125)
Total business-type activities	<u>(363,757)</u>	<u>(539,582)</u>	<u>(556,325)</u>	<u>(580,480)</u>	<u>(605,238)</u>	<u>(594,491)</u>	<u>(517,373)</u>	<u>(457,385)</u>	<u>(533,917)</u>	<u>(611,652)</u>
Total primary government	<u>\$ 334,870,997</u>	<u>329,673,336</u>	<u>361,727,748</u>	<u>385,613,786</u>	<u>404,162,156</u>	<u>455,767,013</u>	<u>460,741,095</u>	<u>480,354,787</u>	<u>525,045,152</u>	<u>553,717,483</u>
Change in net position:										
Governmental activities	\$ (11,498,493)	26,261,507	(3,774,108)	12,726,735	52,759,647	58,340,341	76,659,916	42,456,337	34,679,207	84,194,054
Business-type activities	4,086,392	5,135,277	5,029,454	5,021,259	3,012,557	4,785,572	5,347,468	4,602,306	821,058	3,656,197
Total primary government	<u>\$ (7,412,101)</u>	<u>31,396,784</u>	<u>1,255,346</u>	<u>17,747,994</u>	<u>55,772,204</u>	<u>63,125,913</u>	<u>82,007,384</u>	<u>47,058,643</u>	<u>35,500,265</u>	<u>87,850,251</u>

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund:										
Reserved	\$ 14,900,082	16,802,030	—	—	—	—	—	—	—	—
Unreserved	141,595,256	129,495,866	—	—	—	—	—	—	—	—
Nonspendable (2)	—	—	1,668,986	2,186,162	2,279,193	1,806,542	2,077,459	1,536,290	2,466,688	2,505,371
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Assigned (2)	—	—	—	—	—	—	—	12,180,000	14,200,000	11,000,000
Committed (2)	—	—	42,061,955	34,256,986	43,762,124	59,468,937	70,997,088	71,455,514	86,509,702	99,295,248
Unassigned (2)	—	—	99,698,895	126,726,779	149,940,041	166,222,585	202,673,242	215,772,588	229,632,250	255,838,733
Total general fund	<u>\$ 156,495,338</u>	<u>146,297,896</u>	<u>143,429,836</u>	<u>163,169,927</u>	<u>195,981,358</u>	<u>227,498,064</u>	<u>275,747,789</u>	<u>300,944,392</u>	<u>332,808,640</u>	<u>368,639,352</u>
All other governmental funds:										
Reserved	\$ 31,315,543	79,650,408	—	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds and permanent funds	48,691,005	21,007,217	—	—	—	—	—	—	—	—
Affordable Housing Trust fund (1)	—	38,205,509	—	—	—	—	—	—	—	—
Capital funds	59,319,015	4,499,536	—	—	—	—	—	—	—	—
Nonspendable (2)	—	—	2,075,173	2,106,473	2,136,928	2,170,328	2,199,328	2,234,567	2,244,204	2,276,704
Restricted (2)	—	—	70,523,371	84,361,676	101,619,998	102,945,688	98,314,260	102,467,578	117,848,103	142,910,928
Committed (2)	—	—	56,302,807	47,105,139	50,958,117	53,741,300	54,314,647	43,524,368	51,545,527	56,345,935
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	<u>\$ 139,325,563</u>	<u>143,362,670</u>	<u>128,901,351</u>	<u>133,573,288</u>	<u>154,715,043</u>	<u>158,857,316</u>	<u>154,828,235</u>	<u>148,226,513</u>	<u>171,637,834</u>	<u>201,533,567</u>

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

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Changes in Fund Balances, Governmental Funds  
 Last Ten Fiscal Years

	Fiscal years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Real and personal property taxes	\$ 251,255,629	266,861,794	281,812,153	297,723,747	315,776,734	327,998,703	342,853,089	356,247,426	375,682,378	391,037,632
Excises:										
Hotel/motel/meals (1)	6,802,768	9,361,688	13,573,132	14,954,425	15,909,648	16,525,182	17,861,201	19,212,693	19,958,924	20,937,973
Motor vehicles	6,139,573	6,182,561	6,452,602	6,238,835	6,833,482	7,230,474	7,200,225	7,452,353	8,035,187	7,727,124
Payments in lieu of taxes	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431	8,100,931	7,388,601
Intergovernmental	76,336,094	96,174,802	66,449,853	68,186,028	77,998,537	105,729,064	90,698,726	92,589,021	92,490,175	109,047,938
Investment income	5,865,388	1,894,609	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,557,639	7,678,166	7,488,958
Sewer use charges	36,058,033	36,825,469	40,346,895	44,541,076	40,019,569	41,690,417	47,920,611	48,818,911	48,333,542	51,427,534
Departmental and other	55,799,892	60,882,792	65,720,424	76,147,745	85,552,428	94,500,678	90,340,819	98,811,972	107,094,771	131,502,497
Total revenues	<u>445,269,330</u>	<u>485,289,358</u>	<u>482,955,812</u>	<u>516,836,505</u>	<u>550,745,640</u>	<u>603,801,290</u>	<u>606,619,429</u>	<u>635,881,446</u>	<u>667,374,074</u>	<u>726,558,257</u>
Expenditures:										
General government	31,916,657	40,319,061	36,409,755	36,208,277	35,314,267	33,666,421	33,939,319	39,263,469	40,855,932	43,683,064
Public safety	97,140,430	96,824,874	101,853,345	104,715,922	108,274,572	113,968,219	119,194,172	117,208,429	129,514,130	133,068,609
Community maintenance and development	55,510,022	38,032,205	51,507,080	61,281,315	50,603,919	52,362,862	56,099,790	72,599,793	56,863,214	69,020,813
Human resource development	33,766,144	36,852,936	38,368,426	39,148,273	39,884,217	40,972,087	42,342,999	43,971,684	45,924,052	49,756,470
Education (2)	143,381,070	144,306,482	146,220,378	152,550,364	157,451,132	188,662,328	180,839,120	196,938,970	209,648,999	222,577,254
Judgments and claims	170,865	924,862	9,029,151	4,112,551	75,633	52,394	121,540	2,714,745	371,023	196,843
State and district assessments	41,020,229	42,447,468	44,892,107	46,146,725	46,660,306	47,682,872	50,184,292	52,023,584	53,426,731	56,316,174
Capital outlays (3)	85,028,601	79,574,710	73,656,249	62,132,657	83,432,261	80,397,730	125,479,923	90,735,725	77,094,496	112,083,782
Debt service:										
Interest (2)	9,503,428	10,704,491	10,418,972	10,598,471	10,269,653	11,183,721	11,652,622	12,900,991	13,215,082	14,511,131
Principal (2)	30,665,746	35,287,743	35,868,095	34,411,621	36,398,061	38,901,992	39,847,940	42,151,998	44,607,836	47,713,335
Total expenditures	<u>528,103,192</u>	<u>525,274,832</u>	<u>548,223,558</u>	<u>551,306,176</u>	<u>568,364,021</u>	<u>607,850,626</u>	<u>659,701,717</u>	<u>670,509,388</u>	<u>671,521,495</u>	<u>748,927,475</u>
Excess of revenues over (under) expenditures	<u>(82,833,862)</u>	<u>(39,985,474)</u>	<u>(65,267,746)</u>	<u>(34,469,671)</u>	<u>(17,618,381)</u>	<u>(4,049,336)</u>	<u>(53,082,288)</u>	<u>(34,627,942)</u>	<u>(4,147,421)</u>	<u>(22,369,218)</u>
Other financing sources (uses):										
Premium on bond issue	792,996	915,209	1,030,857	5,851,746	4,890,992	4,102,740	12,114,100	3,518,738	3,046,706	81,188
Bond proceeds	49,485,000	32,225,000	46,220,000	81,365,115	65,975,000	34,900,000	126,701,390	48,990,000	77,350,000	87,295,350
Transfer in	35,441,124	29,106,459	31,693,559	33,038,864	36,278,854	39,395,794	68,446,221	60,642,718	53,059,097	56,239,646
Transfer out	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)	(35,573,279)	(38,690,219)	(67,736,366)	(59,928,633)	(52,341,292)	(55,520,521)
Transfer (out) to Fiscal Escrow Agent	—	—	—	(29,029,117)	—	—	(42,222,413)	—	(21,691,521)	—
Total other financing sources (uses)	<u>50,760,581</u>	<u>33,825,139</u>	<u>47,938,367</u>	<u>58,881,699</u>	<u>71,571,567</u>	<u>39,708,315</u>	<u>97,302,932</u>	<u>53,222,823</u>	<u>59,422,990</u>	<u>88,095,663</u>
Net change in fund balances	\$ <u>(32,073,281)</u>	<u>(6,160,335)</u>	<u>(17,329,379)</u>	<u>24,412,028</u>	<u>53,953,186</u>	<u>35,658,979</u>	<u>44,220,644</u>	<u>18,594,881</u>	<u>55,275,569</u>	<u>65,726,445</u>
Debt service as a percentage of noncapital expenditures	9.07 %	10.30 %	9.75 %	9.29 %	9.62 %	9.50 %	9.64 %	9.50 %	9.73 %	9.77 %

- (1) The City started charging Meals Tax in 2010 and has added it to the Hotel/Motel/Meals category since then.
- (2) Adjusted to reflect reclassification of debt service payments that are included in education expense in basic financial statements.
- (3) Capital outlays that do not qualify as capital assets have been reclassified into the appropriate expense line.

See accompanying independent auditors' report.

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

<b>Fiscal year ended June 30</b>	<b>Residential property</b>	<b>Commercial property</b>	<b>Industrial property</b>	<b>Personal property</b>	<b>Total taxable assessed value (1)</b>	<b>Residential rate</b>	<b>Personal, commercial and industrial rate</b>	<b>Weighted average direct rate</b>
2009	\$ 14,651	5,606	2,851	768	23,876	7.56	17.97	11.58
2010	14,894	5,561	2,906	911	24,272	7.72	18.75	11.98
2011	14,824	5,528	2,850	960	24,162	8.16	19.90	12.70
2012	15,018	5,492	2,986	951	24,447	8.48	20.76	13.22
2013	15,567	5,405	3,171	1,071	25,214	8.66	21.50	13.57
2014	16,642	5,936	3,503	1,080	27,161	8.38	20.44	13.05
2015	18,562	6,577	3,914	1,090	30,143	7.82	19.29	12.23
2016	21,584	7,187	4,687	1,222	34,680	6.99	17.71	11.04
2017	24,498	7,998	5,747	1,387	39,630	6.49	16.12	10.17
2018	26,426	8,907	6,812	1,474	43,619	6.29	14.81	9.65

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

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

Source: City of Cambridge Finance Department

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

<b>Fiscal year</b>	<b>Residential real property</b>	<b>Commercial and industrial real property</b>	<b>Personal property</b>	<b>Motor vehicle</b>
2009	\$ 7.56	17.97	17.97	25.00
2010	7.72	18.75	18.75	25.00
2011	8.16	19.90	19.90	25.00
2012	8.48	20.76	20.76	25.00
2013	8.66	21.50	21.50	25.00
2014	8.38	20.44	20.44	25.00
2015	7.82	19.29	19.29	25.00
2016	6.99	17.71	17.71	25.00
2017	6.49	16.12	16.12	25.00
2018	6.29	14.81	14.81	25.00

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Largest Principal Taxpayers  
Current Year and Ten Years Ago

Taxpayer	2018			Taxpayer	2008		
	Taxable assessed value	Amount of tax	Percentage of total tax levy		Taxable assessed value	Amount of tax	Percentage of total tax levy
Massachusetts Institute of Technology (1)	\$ 3,192,744,500	46,517,795	11.96 %	Massachusetts Institute of Technology (1)	\$ 1,570,107,800	25,399,853	10.48 %
BioMed Realty Trust	1,284,063,700	18,999,999	4.88	BioMed Realty Trust	720,854,800	12,346,800	5.09
Alexandria Real Estate	1,187,858,600	17,590,562	4.52	Boston Properties	594,228,900	10,244,506	4.23
Boston Properties	647,854,200	8,742,286	2.25	Equity Partners	285,593,900	4,560,178	1.88
Presidents & Fellows of Harvard College (1)	428,869,100	6,351,551	1.63	Presidents and Fellows of Harvard College (1)	371,106,600	4,532,821	1.87
MBA-Rogers Street, LLC	581,021,500	5,745,301	1.48	New England Development	220,000,000	3,792,800	1.57
Equity Partners	325,453,300	4,819,963	1.24	Novartis Pharmaceuticals	204,571,600	3,526,814	1.46
PREEF American Reit II Corp.	318,416,000	4,715,741	1.21	PREEF American Reit II Corp.	199,921,100	3,446,640	1.42
Novartis Pharmaceuticals	271,089,600	4,014,837	1.03	Alexandria Real Estate	193,479,300	3,335,583	1.38
New England Development	512,379,400	3,294,340	0.85	RB Kendall Fee LLC	194,428,600	3,330,222	1.37
<b>Total</b>	<b>\$ 8,749,749,900</b>	<b>120,792,375</b>	<b>31.05 %</b>		<b>\$ 4,554,292,600</b>	<b>74,516,217</b>	<b>30.75 %</b>

(1) Excludes in-lieu payment on exempt property

Source: City of Cambridge Finance Department

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

(In millions of dollars)

Fiscal year ended June 30	Taxes levied (2) for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2009	\$ 258.50	250.20	96.79	2.50	252.70	97.76
2010	269.10	263.10	97.77	2.00	265.10	98.51
2011	285.20	281.00	98.53	1.10	282.10	98.91
2012	299.30	294.60	98.43	1.70	296.30	99.00
2013	317.70	313.60	98.71	1.50	315.10	99.18
2014	329.20	324.20	98.48	3.10	327.30	99.42
2015	342.30	337.50	98.60	3.20	340.70	99.53
2016	355.80	350.20	98.43	3.70	353.90	99.47
2017	375.30	368.40	98.16	2.83	371.23	98.92
2018	392.70	387.58	98.70	N/A	387.58	98.70

(1) Real and personal property taxes.

(2) Gross tax levied before overlay reserve.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal year	Governmental activities			Business-type activities	Total primary government (c)	Percentage of per capita income (a)	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
	General obligation bonds	Section 108 HUD notes payable	Notes payable	General obligation bonds				
2009	\$ 293,330,855	315,000	6,000,000	33,200,861	332,846,716	10.54	3,284	1.39
2010	290,293,112	290,000	6,000,000	26,853,332	323,436,444	10.24	3,191	1.33
2011	300,670,017	265,000	5,786,728	21,895,000	328,616,745	6.86	3,125	1.36
2012	321,753,511	235,000	5,265,622	18,360,000	345,614,133	7.22	3,286	1.41
2013	351,360,450	205,000	4,703,302	15,520,000	371,788,752	7.77	3,535	1.48
2014	347,393,458	170,000	4,128,675	12,680,000	364,372,133	7.61	3,465	1.34
2015	395,616,908	—	3,542,451	10,140,000	409,299,359	8.55	3,892	1.36
2016	402,454,910	—	2,944,394	7,720,000	413,119,304	8.60	3,928	1.19
2017	440,665,990	—	2,842,916	5,300,000	448,808,906	9.08	4,268	1.32
2018	477,490,177	—	2,842,916	2,880,000	483,213,093	10.09	4,595	1.11

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

- a. See page 115 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b. See page 107 for the taxable assessed valuation figures.
- c. Beginning in FY2017, unamortized Bond Premium added to General Obligation bond total to tie out to page 16.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

<b>Fiscal year</b>	<b>General obligation bonds outstanding</b>	<b>Total taxable assessed value</b>	<b>Per capita (a)</b>	<b>Ratio of debt to taxable assessed valuation (b)</b>
2009	\$ 326,531,716	23,876,000,000	3,222	1.37
2010	317,146,444	24,272,000,000	3,129	1.31
2011	322,565,017	24,162,000,000	3,067	1.34
2012	340,113,511	24,447,000,000	3,234	1.39
2013	366,880,450	25,214,000,000	3,489	1.46
2014	360,073,458	27,161,000,000	3,424	1.33
2015	405,756,908	30,143,000,000	3,858	1.35
2016	410,174,910	34,680,000,000	3,900	1.18
2017	445,965,990	39,630,000,000	4,241	1.13
2018	480,370,177	43,619,000,000	4,568	1.10

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

- a. See page 115 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b. See page 107 for the taxable assessed valuation figures.

Note: FY17 amount was changed to conform with the 2018 presentation.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
 Direct and Overlapping Governmental Activities Debt  
 June 30, 2018

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt (2)</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 480,333,093		100.00 %	480,333,093
Massachusetts Water Resources Authority		5,493,233	4.88	168,328,061
Total direct and overlapping debt	<u>\$ 480,333,093</u>	<u>5,493,233</u>		<u>648,661,154</u>

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

(2) Overlapping debt amount and calculation obtained from Massachusetts Water Resources Authority (MWRA).

Per the MWRA – the overlapping debt percentages are based on the MWRA's debt service portion of its current fiscal year water and sewer assessment.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2018:

Fiscal year 2016 equalized valuation (1)	\$ 39,570,828,700
Debt limit (5% of assessed value) (2)	<u>1,978,541,435</u>
Debt applicable to limit:	
General obligation bonds	457,384,089
Total authorized/unissued	<u>190,612,775</u>
Total debt outstanding plus authorized/unissued	647,996,864
Less general obligation bonds exempted by authority of the State legislature	<u>2,880,000</u>
Amount within debt limit	<u>645,116,864</u>
Legal debt margin	\$ <u>1,333,424,571</u>

	<b>Fiscal year (dollars in thousands)</b>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 1,306,216	1,306,216	1,408,101	1,408,101	1,332,006	1,332,006	1,486,690	1,486,690	1,978,541	1,978,541
Total net debt applicable to limit	<u>402,855</u>	<u>382,057</u>	<u>405,608</u>	<u>373,969</u>	<u>478,154</u>	<u>463,877</u>	<u>474,434</u>	<u>634,382</u>	<u>616,477</u>	<u>645,116</u>
Legal debt margin	\$ <u>903,361</u>	<u>924,159</u>	<u>1,002,493</u>	<u>1,034,132</u>	<u>853,852</u>	<u>868,129</u>	<u>1,012,256</u>	<u>852,308</u>	<u>1,362,064</u>	<u>1,333,425</u>
Total net debt applicable to the limit as a percentage of debt limit	30.84 %	29.25 %	28.81 %	26.56 %	35.90 %	34.83 %	31.91 %	42.67 %	31.16 %	32.61 %

(1) In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own determination of fair cash value of the taxable property in each municipality. This is known as "equalized valuation." The last redetermination of "equalized valuation" for the City was made as of January 1, 2016.

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Year</u>	<u>Population (1)</u>	<u>Median family income (1)</u>	<u>Per capita income (1)</u>	<u>Median age (1)</u>	<u>School enrollment (2)</u>	<u>Unemployment rate (3)</u>
2009	101,355	\$ 59,423	31,156	30.4	5,950	6.60
2010	101,355	59,423	31,156	30.4	6,137	5.60
2011	105,162	88,574	45,521	30.2	6,202	5.00
2012	105,162	88,574	45,521	30.2	6,224	4.50
2013	105,162	88,574	45,521	30.2	6,393	5.30
2014	105,162	88,574	45,521	30.2	6,518	4.40
2015	105,162	88,574	45,521	30.2	6,539	3.50
2016	105,162	88,574	45,521	30.2	6,607	2.80
2017	105,162	88,574	45,521	30.2	6,794	4.30
2018	105,162	88,574	45,521	30.2	7,072	3.60

(1) Source 2009–2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000  
 Source 2011–2018: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2010

(2) Source: Massachusetts Department of Education

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

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Principal Employers (1)

Current Year and Ten Years Ago

2018				2008			
Employer	Employees	Rank	Percentage of total city employment	Employer	Employees	Rank	Percentage of total city employment
Harvard University	12,287	1	10.21 %	Harvard University	10,031	1	9.53 %
Massachusetts Institute	9,043	2	7.52	MIT	8,044	2	7.64
City of Cambridge (2)	3,098	3	2.57	City of Cambridge (2)	2,857	3	2.71
Novartis Institute	2,326	4	1.93	Mt. Auburn Hospital	1,875	4	1.78
Mt. Auburn Hospital	2,109	5	1.75	Biogen Idec	1,543	5	1.47
Biogen	2,100	6	1.75	Cambridge Health Alliance	1,436	6	1.36
Cambridge Innovation Center(3)	1,872	7	1.56	Federal Government	1,426	7	1.35
Akamai Technologies	1,845	8	1.53	Novartis Institute	1,399	8	1.33
Cambridge Health Alliance	1,824	9	1.52	Genzyme Corporation	1,388	9	1.32
Draper Laboratory	1,557	10	1.29	Draper Labs, Inc.	1,123	10	1.07
	<u>38,061</u>		<u>31.63 %</u>		<u>31,122</u>		<u>29.56 %</u>
Total average employed	<u>120,331</u>				<u>105,292</u>		

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

(2) Includes the Cambridge School Department

(3) The Cambridge Innovation Center is a start-up incubator that houses employees from 587 companies.

Source: Cambridge Community Development Department and cited employers

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**  
Full-Time Equivalent Positions by Function/Program

Fiscal Years		Full-time equivalent positions as of June 30									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>n/program</b>											
Gc	Executive management	16	16	16	16	16	18	18	19	18	22
	Clerk	10	10	10	10	10	11	10	10	10	9
	Law	11	11	11	11	11	11	11	11	13	13
	Finance	83	80	81	81	83	85	87	91	97	97
	Other	15	15	15	15	14	14	14	15	16	16
	Subtotal	135	132	133	133	134	139	140	146	154	157
Pt	Fire	284	284	285	285	285	285	285	285	283	283
	Police	313	311	311	311	311	317	318	319	316	322
	Traffic	80	81	81	81	81	81	82	82	83	85
	Inspectional	27	27	27	27	27	27	27	28	28	28
	Emergency communication	39	38	38	38	38	38	41	42	50	51
	Other	30	28	27	27	27	26	26	28	29	29
	Subtotal	773	769	769	769	769	774	779	784	789	798
Cc	Public works	214	213	213	213	213	213	215	222	228	232
	Community development	45	44	44	44	43	43	45	49	54	57
	Other	13	13	12	12	12	12	12	11	11	12
	Subtotal	272	270	269	269	268	268	272	282	293	301
Hl	Library	60	64	65	65	66	68	68	68	69	70
	Human services	130	135	136	136	139	141	143	144	160	163
	Other	7	7	7	7	6	6	6	6	6	6
	Subtotal	197	206	208	208	211	215	217	218	235	239
Education		1,244	1,264	1,274	1,257	1,334	1,438	1,470	1,504	1,548	1,586
		63	60	55	55	55	55	55	55	55	55
Water	Grand total	2,684	2,701	2,708	2,691	2,771	2,889	2,933	2,989	3,074	3,136

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Operating Indicators by Function/Program

Last Five Fiscal Years

Function/program	2014	2015	2016	2017	2018
Emergency communications:					
911 call pickups (land lines)	19,024	18,135	17,567	17,325	14,086
911 call pickups (cell phones)	16,171	17,203	17,434	14,700	18,358
Percent of 911 calls answered within 20 seconds	99 %	99 %	99 %	99 %	99 %
Percent of dispatchers and supervisors fully cross-certified	27 %	30 %	33 %	35 %	45 %
Fire:					
Number of state-mandated inspections of facilities	1,088	1,088	1,088	1,110	1,150
First response to fire emergency within 4-8 minutes	95 %	95 %	95 %	93 %	93 %
Respond to EMS requests within 4-6 minutes, 90% of the time	95 %	95 %	95 %	93 %	93 %
Inspectional:					
Number of BZA applications	136	167	141	173	158
Number of compliance inspections (buildings)	4,852	4,641	6,383	6,316	6,433
Number of compliance inspections and re-inspections	2,351	1,999	1,999	2,712	2,640
Number of inspections (housing complaints)	4,743	4,076	4,087	4,610	3,191
Number of licensed dumpster inspections completed	914	635	633	1,097	1,108
Police:					
Number of part 1 crimes reported	2,868	3,010	2,850	2,362	2,340
Average number of days between identified Part 1 crime patterns and the elimination of the pattern by an arrest or increase in police presence	19	34	24	21	76
Number of accidents citywide	n/a	1,733	1,560	1,589	1,444
Number of bicycle accidents citywide	145	169	168	174	139
Traffic:					
Short-term, on street spaces managed by parking meters and pay citations	3,140	3,161	3,167	3,114	2,874
Percent of tickets paid within 21 days from issuance without a notice	62.5 %	62.0 %	62.6 %	60.1 %	55.0 %
Percent of tickets issued this fiscal year that have been paid this year	86.8 %	85.6 %	86.1 %	78.5 %	74.0 %
Community Development:					
Number of projects undergoing urban design review	46	25	41	43	38
Number of small businesses assisted through the Best Retail Practices Program and Retail Interior Accessibility Program (includes workshops, grants, and in-store consultations)	10	41	29	43	35
Number of projects to support and enhance conditions for bicycling, walking, and/or use of public transportation, such as public bike rack installations and traffic calming	10	10	10	12	10
Number of local and regional transportation infrastructure projects and programs that advance the City's environmental, public health, and community livability goals, such as Hubway bike share and the Transit Strategic Plan	12	10	10	11	15
New rental units under development and existing units preserved as affordable housing with City financing	94	124	104	125	140
New affordable homeownership units under development with City financing and older homes rehabilitated for new buyers	15	11	11	14	11
New affordable inclusionary housing units approved	29	57	98	56	127
New households purchasing affordable homes through CDD	22	16	10	12	18
Public Works:					
Number of CPS buildings with food scrap collection for composting	8	10	13	14	18
Complete planting requests within 1 year (percent of requests)	97 %	90 %	80 %	70 %	68 %
Water:					
Meters replaced	392	314	327	427	438
Number of fire hydrants replaced	57	101	66	15	15

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Operating Indicators by Function/Program

Last Five Fiscal Years

Function/program	2014	2015	2016	2017	2018
Human Services:					
ADA trainings, technical assistance sessions, and disability awareness trainings provided to City staff and other public entities	321	260	200	200	196
Number of clients served in youth and family services programs	1,102	2,600	2,600	2,695	2,610
Number of clients served through domestic violence and abuse prevention programs	74	70	68	70	68
Number of clients served through homelessness prevention/service programs	4,805	4,700	3,597	3,500	3,500
Number of students served at Community Learning Center	978	881	890	900	840
Number of clients receiving case management and information and referral services through elderly services	4,316	3,553	3,800	3,900	3,700
Number of families placed in housing Multi-Service Center	24	25	35	37	25
Number of residents served through the Cambridge Employment Program (CEP)	278	257	240	250	245
Number of youth recreation and swimming classes	118	121	141	136	1,145
Number of books distributed to children, families, and staff	7,807	8,700	9,450	9,550	9,000
Number of parents participating in Baby University and Alumni Association activities	88	141	161	159	130
Number of families participating in Center for Families programming	726	864	715	725	750
Number of children served in summer camps	762	949	1,050	1,070	1,153
Number of teens enrolled in school year programming	532	397	500	500	500
Number of involved in summer programming	399	369	378	375	1,475
Library:					
Check-outs	1,360,545	1,326,584	1,249,878	1,218,788	1,200,835
Select, purchase, and catalog new acquisitions for library collection	50,596	47,147	50,427	48,520	52,326
Number of items in collection	401,469	401,469	374,290	391,263	330,863
Provide a welcoming environment for all visitors at Main Library	601,078	579,935	592,377	556,198	565,422
Number of visitors to the branches	n/a	377,542	368,046	348,002	340,668
Education:					
Total enrollment	6,518	6,539	6,607	6,794	7,072

Note: In FY14 the City Departments changed operating indicator data to conform to the performance measures reflected in the newly formatted adopted Budget Book.

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	26	27	28	28	29	30	32	31	31	33
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	80	79	79	79	77	83	80	80	80	80
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	15	15	15	15	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,604	7,615	7,649	7,667	7,371	7,374	7,110	7,279	7,257	7,268
Traffic signals	187	187	185	185	185	184	185	188	180	181
Sewer:										
Sanitary sewers (miles)	147	147	150	149	150	151	151	148	148	149
Storm sewers (miles)	92	92	94	96	96	95	95	97	97	97
Library:										
Main library	1	1	1	1	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Acreage	497	497	497	497	497	497	497	497	497	497
Playgrounds	59	59	59	59	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5	50	5	5	5
Senior centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water treatment plant	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	190	190	185	185	185	185	185	185	195	195
Fire hydrants	1,750	1,750	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Storage capacity (gallons)	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
Reservoirs	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Education:										
Elementary schools	12	12	12	12	12	12	12	12	12	12
High school	1	1	1	1	1	1	1	1	1	1

See accompanying independent auditors' report.

**CITY OF CAMBRIDGE, MASSACHUSETTS**

Comprehensive Annual Financial Report

Year ended June 30, 2018

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

