



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2003 – June 30, 2004

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year
July 1, 2003 through June 30, 2004

Robert W. Healy
City Manager

Richard C. Rossi
Deputy City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

City Hall Annex at 344 Broadway (McCusker Building)

The newly renovated City Hall Annex at 344 Broadway reopened for business in February 2004 as the first municipally owned “green building.” City departments housed in the Annex include: Community Development, Traffic, Parking and Transportation, Cambridge Arts Council (and the new CAC Gallery), the Animal Commission and the Conservation Commission. Renovation of the four-story brick and brownstone began in October 2002. Under the leadership of City Manager Robert W. Healy and following the policies of the Cambridge City Council, the Annex reconstruction has been a unique project in which a historic public building was preserved and restored utilizing the most modern technologies in environmental design.

Environmentally friendly features and energy efficiency measures include: new insulated windows and walls; high efficiency integrated and indirect lighting systems; a ground-source heat pump system to supply all heating and cooling needs; demand control ventilation strategies; and photovoltaic solar panels on the roof to supply a portion of the building’s energy needs. The new “green building” elements are expected to reduce energy consumption by almost 56% compared to a conventionally constructed building. The City expects to receive a Silver LEED (Leadership in Energy and Environmental Design) Rating for the Annex project from the U.S. Green Building Council.

As a final touch, the Cambridge Arts Council commissioned nationally recognized artist Mike Glier to create the unique public art inside the Annex that ties into the work of the departments housed in the building. This work was coordinated through the Public Art Program which commissions public art in accordance with the 1979 Percent-for-Art Ordinance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

June 30, 2004

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CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2004

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Introductory Section



CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

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

December 27, 2004

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

Dear Mr. Healy:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2004 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

Accounting System and Budgetary Control

Basis of Accounting

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

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

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

Budgetary Control

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

Collateralized Deposits

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

The Reporting Entity

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

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

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2003, which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

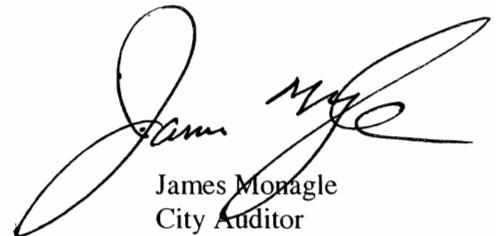
The City continues to show a strong financial position through responsible management of financial operations and through improved accounting and financial reporting practices. The sound financial decisions continued during the past fiscal year and will benefit the City in the years to come.

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

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 27, 2004

The Honorable Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2004. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The CAFR is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City. Readers are further encouraged to consider this information in conjunction with the information that is supplied in the Management's Discussion and Analysis (MD&A) section of the City's basic financial statements.

The report is divided into three major sections:

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

Fiscal 2004 Year in Review: Major Initiatives/Highlights

During fiscal year 2004, the City continued the gains made in previous fiscal years to reach the highest levels of general fund balance (\$8.6 million increase) in addition to seeing increases in special revenue and reserve fund balances such as the health claims trust (\$0.8 million increase), stabilization fund (\$1.1 million increase) and parking fund (\$0.8 million increase).

The City saw continued growth in assessed valuations from \$17.8 billion in fiscal year 2003 to \$19.2 billion in fiscal year 2004, a \$1.4 billion increase or 7.9%. The residential sector showed the largest gain in assessed value with an increase of \$1.3 billion or 12.4% from fiscal year 2003. Also, the City's tax levy limit grew to \$251 million from \$234 million in fiscal year 2003. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$41.4 million in fiscal year 2004, an increase of \$5.2 million or 14.4% from fiscal year 2003. In fiscal year 2004, Home Rule Legislation was passed to allow the City to increase the residential exemption from 20% to 30%. This change enabled the City to grant owner occupants of residential properties a deduction of up to 30% of the average residential parcel before the tax rate is applied. This translated into a deduction of approximately \$190,000 from the residential value of owner occupied properties.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2004 are as follows;

- The three major credit rating agencies confirmed the highest rating available to cities. Moody's Investors Service assignment of its highest quality long-term rating of Aaa to the City is based on the "continued strong financial operations, with expectation of further fund balance increases, as well as significant available operation flexibility; a diverse and large tax base with significant development plans underway; a modest debt position supported by an expanding tax base." Standard & Poor's recognized the City's "continued strong financial performance including a large increase in its unreserved general fund balance." Fitch IBCA, Inc. cited "a strong local economy, characterized by a sizable and stable employment base, a substantial and growing tax base, healthy fund balances, and a low debt burden" as the primary reasons for its rating.
- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA), which allows the City to impose the surcharge of 3% on real estate taxes. In fiscal year 2004 the City continued a recommended policy to allocate funds as follows: 80% affordable housing, 10% Historic Preservation, and 10% open space. During fiscal year 2004, the CPA tax raised \$5.5 million from local revenues with the State contributing matching funds of \$5.3 million. Through fiscal year 2004, the City appropriated or reserved a total of \$24.1 million in CPA funds with \$9.3 million attributable to State matching funds. To date, Cambridge has received more CPA matching funds from the State than any other participating community
- In January 2004, the City issued \$35,165,000 in general obligation bonds to finance a wide range of projects including: construction and renovation of the main library and other City buildings, sewer reconstruction, street reconstruction, open space improvements to Russell and Donnelly Fields, construction of the Yerxa Road underpass, installation of an automated meter reading system and network infrastructure improvements. The true interest cost of these capital projects was 2.97%.
- During fiscal year 2004, the City began the State-mandated triannual revaluation process to certify the full and fair cash values (as of January 1, 2004) for approximately 21,000 parcels, which is required in order to have tax bills certified in fiscal year 2005. This process includes the interior and exterior reinspection of residential and commercial properties as well as the analysis of sales, market rents, vacancies, expenses and capitalization rates and the like. This process was expedited with the recently implemented Computer Assisted Mass Appraisal (CAMA) system within the Assessing Department.
- Selection of an investment advisory services firm to enhance the City's overall investment strategy to maximize interest earnings.
- The City's fiscal year 2004 free cash position of \$34.9 million was the second largest free cash balance in the City's history.
- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved these awards annually from the GFOA for the last 17 years.

Financial Summary

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

General Fund Balances and Cash Position

The City ended fiscal year 2004 with a total general fund balance of \$99,972,630, which represents 31.7% of general fund revenues, a slight increase from 29.6% in fiscal year 2003. In fiscal year 2004, operations produced a \$1,214,383 surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$9,493,486 was transferred to reserve accounts in fiscal year 2004, leaving an unreserved fund balance of \$90,479,144. General fund cash and short-term investments totaled \$117,007,650 while the balance of cash and short-term investments for all funds totaled \$237,761,490, which is a \$28,984,485, or 13.9% increase from fiscal year 2003 with the largest portion of this increase occurring in the fiduciary funds.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 1999 through 2004.

	<u>Unreserved general fund balance</u>
Fiscal year:	
1999	\$ 23,223,656
2000	25,154,076
2001	31,879,786
2002 (1)	69,586,739
2003	85,286,219
2004	90,479,144

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

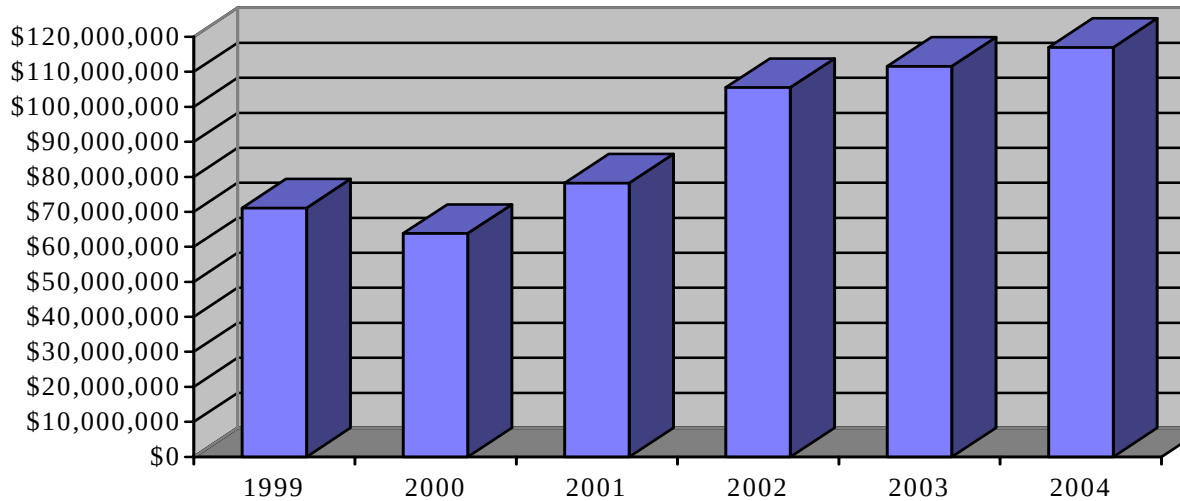
Cash Position

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

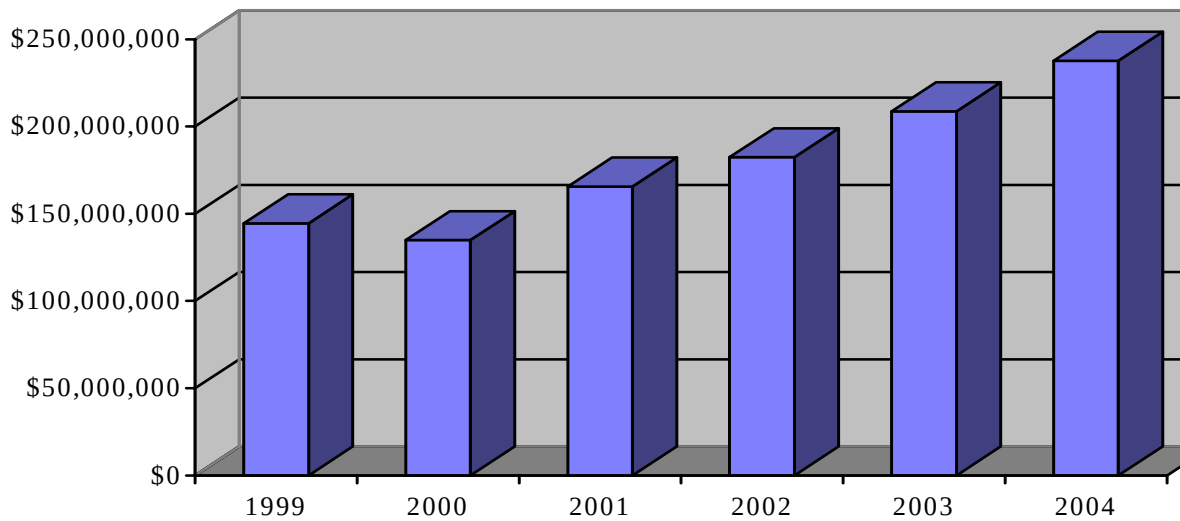
	<u>Year-end general fund cash and short- term investments</u>	<u>Year-end all funds cash and short-term investments</u>
Fiscal year:		
1999	\$ 71,132,435	144,468,983
2000	63,837,512	134,939,537
2001	78,235,106	165,618,341
2002(1)	105,531,056	182,379,699
2003	111,601,721	208,777,005
2004	117,007,650	237,761,490

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

Year-End Cash Balance – General Fund



Year-End Cash Balance – All Funds



Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for the five-year period from fiscal year 2005 through fiscal year 2009, which was approved by the City Council in June 2004, has an estimated cost of \$165,622,620. Financing for the fiscal year 2005 portion of the capital plan was appropriated with the adoption of the fiscal year 2005 operating budget in June 2004.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. In fiscal year 2004, the City’s outstanding bonded debt as of June 30, 2004 totaled \$223,337,142.

	Key Debt Ratios					
	2004	2003	2002	2001	2000	1999
Ratio of bonded debt to assessed value	1.2%	1.2%	1.3%	1.6%	1.4%	1.4%
Bonded debt per capita	\$ 2,204	2,127	2,098	1,986	1,535	1,413
Ratio of bonded debt per capita to per capita income	4.7%	6.8%	6.8%	10.0%	7.7%	7.1%
Ratio of debt service to total expenditures	11.5%	11.3%	10.6%	9.7%	8.9%	8.6%

Property Valuations

Based on valuations of all real and personal property as of January 1, 2003, the total value of all property in the City is \$19,226,572,680. Of that total, \$699,072,375 is attributable to new construction. The table below compares fiscal year 2004 property valuations and tax rates to fiscal year 2003 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2004	FY 2003	FY 2004	FY 2003
	(In thousands)			
Commercial/industrial	\$ 6,625,204	6,563,198	19.08	18.67
Personal property	443,868	367,927	19.08	18.67
Residential	12,157,500	10,819,610	7.63	7.26
Total value	\$ 19,226,572	17,750,735		

Permanent Trust Fund

The City’s permanent trust fund (excluding the retirement trust fund) has a total fund balance of \$2,654,566 at June 30, 2004 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, providing dental hygiene for school age children, and rehabilitating affordable housing.

Pension Liability

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

Risk Management

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

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

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

Independent Audit

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2004 is included herein.

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cambridge, Massachusetts, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003.

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

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

Economic Condition

The City continues to experience strong economic activity as evidenced by a significant decrease in the unemployment rate from a June 2003 figure of 3.8% to 3.2% in June 2004. In addition, a number of biotechnology companies have either established a presence in Cambridge or increased the size of their Cambridge operations. Office vacancy rates continue to be higher than in the late 1990's but showed signs of improvement in fiscal year 2004.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community. In fact, the overall property tax levy increased by 6.0% from the prior fiscal year with a large portion of the increase absorbed by new construction. There continue to be many reasons to be optimistic about the fiscal future of Cambridge.

Although the local economy has felt the effects of the recession, the City has historically been resilient to economic downturns. As mentioned in a previous section, both the cash position of all funds and the fund

equity of the general fund improved significantly during fiscal year 2004. These improvements are directly attributable to the strong financial management of the City. This was reaffirmed by all three credit agencies who awarded the City a triple A bond rating.

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

Acknowledgments

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

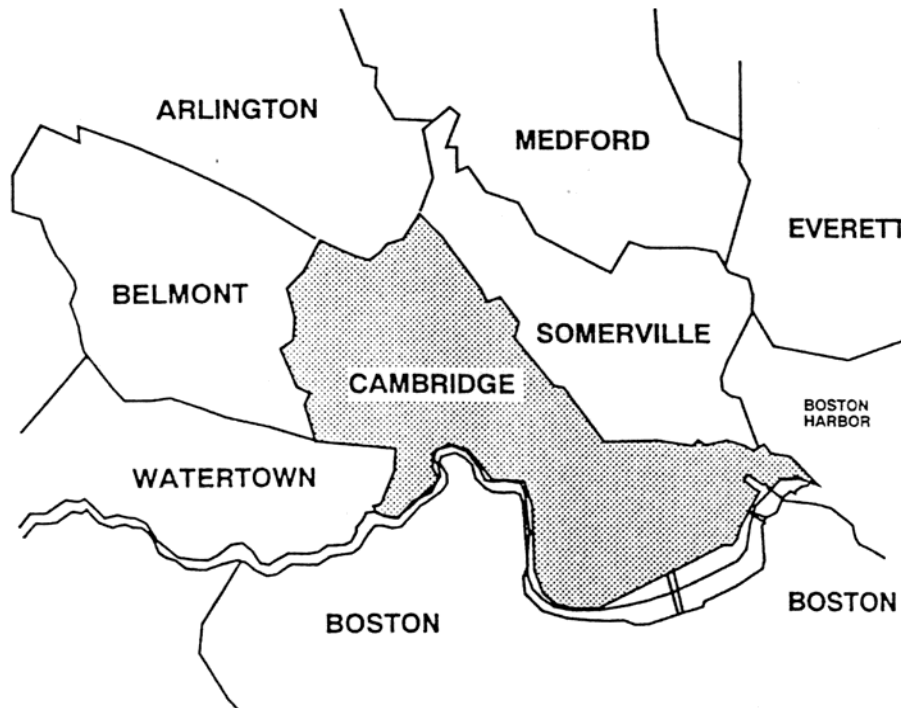
Finally, I would like to thank the City's delegation to the State Legislature, who have continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy", with a stylized, cursive script.

Robert W. Healy
City Manager

A Few Words About Cambridge



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

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

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

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

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

Fiscal Year 2004
Directory of Officials
City Council

Michael A. Sullivan, Mayor

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

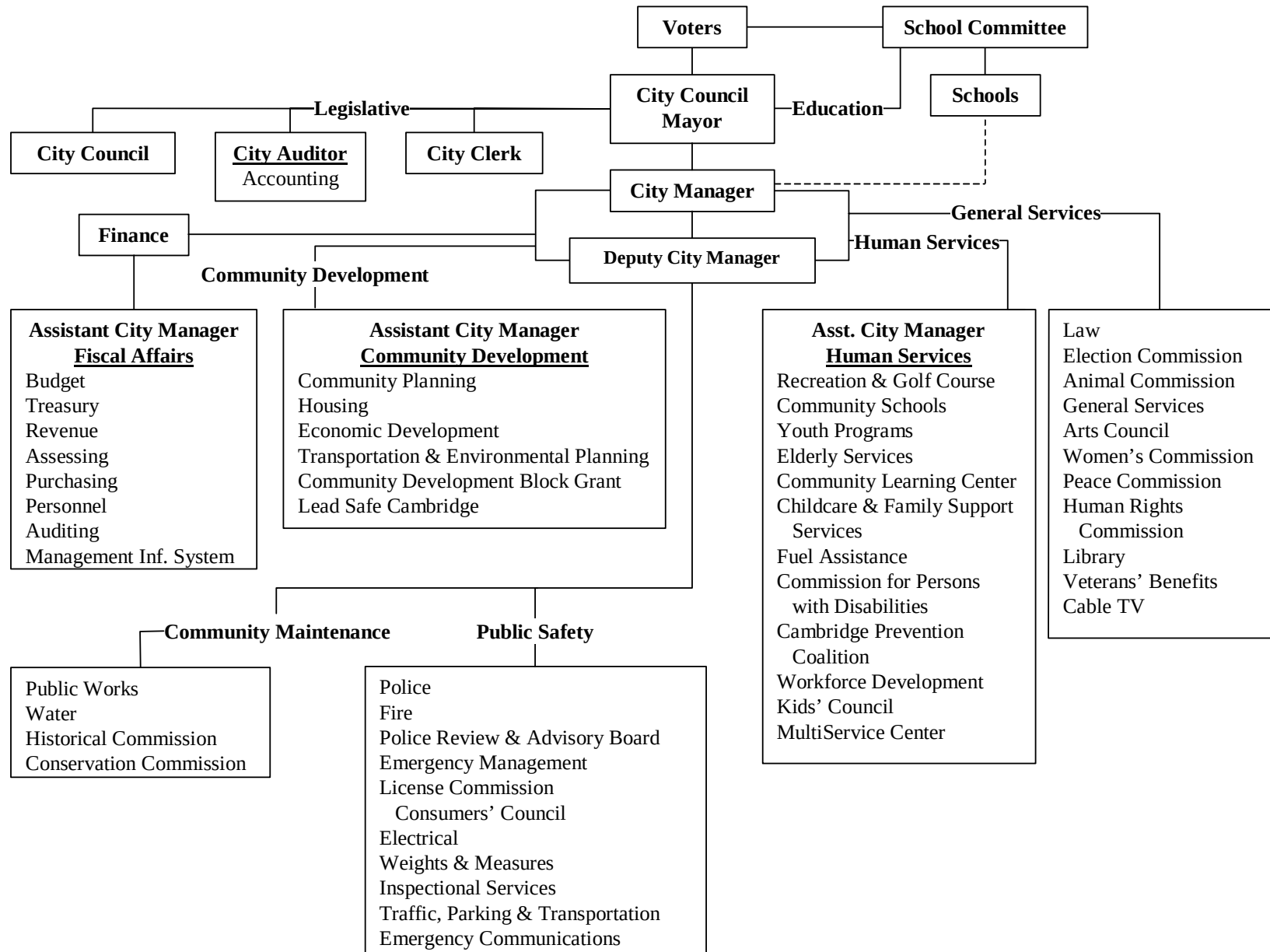
School Committee

Michael A. Sullivan, Chair

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

Principal Executive Officers

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



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen".

Executive Director

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Financial Section



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cambridge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for that entity, is based solely on the report of the other auditors.

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

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

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

KPMG LLP

December 27, 2004

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2004

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, 2004. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which follow this section.

Overview of the Financial Statements

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

Government-Wide Statements

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

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

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

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

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the City's basic services are reported here including

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general government, public safety, public works, parks and recreation, library, schools, human services, public health programs, state and district assessments, debt service and other employee benefits.

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

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

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

Fund Financial Statements

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

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

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

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

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

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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 business-type activities and the proprietary fund financial statements.

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Government – Wide Financial Analysis

Statement of Net Assets

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

The City's combined net assets (government and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2004 by \$522.2 million (presented as net assets). Of this amount, \$140.2 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructures (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$376.6 million indicating the amount of capital debt does not exceed the net book value of the City's capital assets. Since most of the City's debt has a ten-year life, a considerable amount of the City's capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending.

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It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Included within the governmental activities current and other assets are cash and investments of \$194.0 million up 10.3% over prior year; receivables, net of allowance, of \$28.2 million up 13.3% over prior year; and amount due from the Cambridge Public Health Commission in the amount of \$21 million.

Governmental activities long term liabilities included \$167.6 million in general obligation bonds and notes payable; \$16.8 million in compensated absence liabilities for unused sick and vacation; \$4.3 million in future year workers compensation benefits. The major increase in the long-term liabilities is the increase in general obligation bonds of \$10.4 million which will be used for street reconstruction, sewer projects, library remodeling and other large capital projects. Also, there was a decrease of \$3.3 million in compensated absence liabilities. Other liabilities balance of \$25.6 million includes tax abatement refunds and other accrued liabilities, including payroll, interest and other items.

Business type activity long-term liabilities include \$63.8 million in general obligation bonds and \$0.3 million in compensated absence costs. The reduction of \$3.0 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt, net of current year issuance of \$3 million to fund an automatic meter reading system for water billing.

Condensed Schedule of Net Assets

As of June 30, 2004 and 2003
(In millions)

	Governmental activities		Business-type activities		Total primary government	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Current and other assets	\$ 242.3	224.7	11.6	10.0	253.9	234.7
Capital assets	412.0	376.6	137.1	138.6	549.1	515.2
Total assets	\$ 654.3	601.3	148.7	148.6	803.0	749.9
Long-term liabilities	\$ 189.5	183.6	64.6	68.2	254.1	251.8
Other liabilities	25.6	27.3	1.1	0.3	26.7	27.6
Total liabilities	\$ 215.1	210.9	65.7	68.5	280.8	279.4
Net assets:						
Invested in capital assets, net of debt	\$ 300.3	269.6	76.3	71.8	376.6	341.4
Restricted	5.4	3.2	—	—	5.4	3.2
Unrestricted	133.5	117.6	6.7	8.3	140.2	125.9
Total net assets	\$ 439.2	390.4	83.0	80.1	522.2	470.5

Certain reclassifications were made to the 2003 amounts to conform to the 2004 presentation.

Statement of Changes in Net Assets

The City's total net assets increased by \$51.7 million in fiscal year 2004 of which the governmental activities net assets increased \$48.8 million and the business-type activities increased \$2.9 million.

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

Condensed Schedule of Changes in Net Assets

June 30, 2004
(In millions)

	Governmental activities		Business-type activities		Total primary government	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Revenues:						
Program revenues:						
Charges for services	\$ 56.1	61.4	16.9	16.9	73.0	78.3
Operating grants and contributions	23.9	17.5	—	—	23.9	17.5
Capital grants and contributions	5.5	12.9	—	—	5.5	12.9
General revenues:						
Taxes:						
Property taxes levied	211.4	198.1	—	—	211.4	198.1
Excises	10.6	10.2	—	—	10.6	10.2
Payment in lieu of taxes	6.3	4.6	—	—	6.3	4.6
Grants and contributions not restricted	42.6	42.3	—	—	42.6	42.3
Investment income	1.7	2.5	0.1	0.1	1.8	2.6
Miscellaneous	21.2	21.9	—	—	21.2	21.9
Total revenues	379.3	371.4	17.0	17.0	396.3	388.4
Expenses:						
General government	26.1	23.2	—	—	26.1	23.2
Public safety	72.6	77.6	—	—	72.6	77.6
Community maintenance and development	43.7	48.1	—	—	43.7	48.1
Human resource development	25.6	25.5	—	—	25.6	25.5
Education	123.7	127.3	—	—	123.7	127.3
Intergovernmental	33.6	28.9	—	—	33.6	28.9
Water department	—	—	—	14.1	—	14.1
Interest	5.6	4.7	13.7	—	19.3	4.7
Total expenses	330.9	335.3	13.7	14.1	344.6	349.4
Excess before transfers	48.4	36.1	3.3	2.9	51.7	39.0
Transfers	0.4	0.4	(0.4)	(0.4)	—	—
Change in net assets	48.8	36.5	2.9	2.5	51.7	39.0
Net assets – beginning	390.4	353.9	80.1	77.6	470.5	431.5
Net assets – ending	\$ 439.2	390.4	83.0	80.1	522.2	470.5

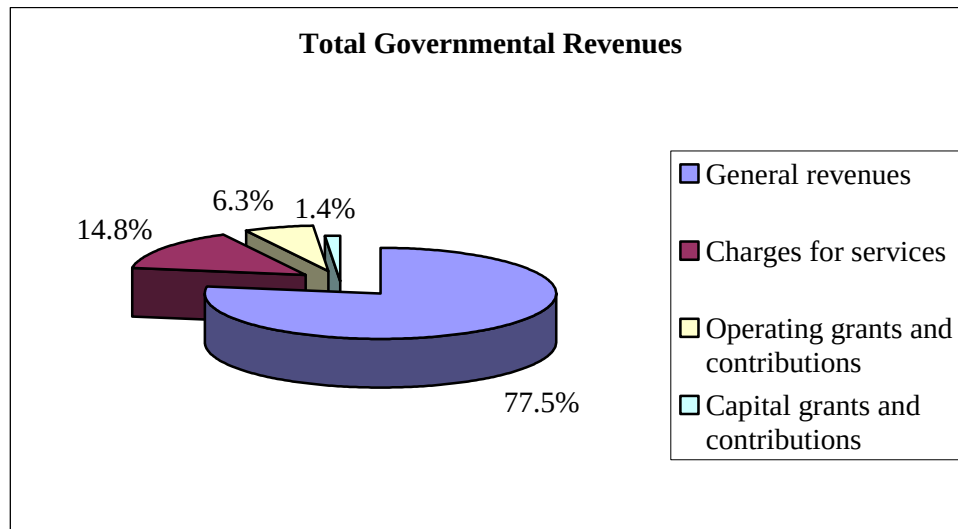
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$293.8 million, charges for services \$56.1 million, operating grants and contributions \$23.9 million and capital grants and contributions of \$5.5 million.



General

Real estate tax revenues are the City's largest revenue source at \$211.4 million representing 71.9% of general revenues. The assessed tax valuation base is \$19.2 billion up from \$17.8 billion assessed in the prior year showing a 7.9% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$42.6 million representing 14.4% of general revenues and includes state cherry sheet revenues of \$37.4 million, and other unrestricted contributions. The cherry sheet revenues are up 1.5% in the current year.

Program

Charges for services are \$56.1 million and represent a variety of department revenues. Charges for services decreased in the current year by \$5.3 million or 8.6%. The public safety portion of \$23.4 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. Public safety revenues decreased \$4.4 million due to a decrease in building permits revenues. The community maintenance and development portion of \$28.0 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category decreased by \$2.8 million due primarily to a decrease in water consumption.

Operating grants and contributions of \$23.9 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.3% of the total City revenues. There is an increase of \$6.4 million over prior year due to the City's aggressive grant monitoring efforts during 2004.

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Capital grants and contributions of \$5.5 million include community development capital grants, state revolving grants, and other capital restricted revenues. There is a decrease of \$7.4 million, which is the result of lower federal HOME grant revenues as well as state MWRA grant revenues.

Expenses

For fiscal year ended June 30, 2004, expenses for governmental activities totaled \$330.9 million, which cover a range of services. On the whole, the City's expenditures decreased \$4.4 million or 1.3% over prior year.

Education continues to be one of the City's highest priorities and commitments representing \$123.7 million or 37.4% of the total primary government expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the third year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations and the protection of open space. Expenditures related to these initiatives are recorded in the Community Maintenance and Development category. During 2004, the City spent \$2.3 million from the Affordable Housing Trust to subsidize housing projects.

General Governmental expenditures increased approximately \$2.9 million compared to fiscal year 2003 due primarily to a \$2.4 million increase in retiree health insurance costs and a \$0.3 million increase in retiree contributory pensions.

Business-Type Activities

Business-type activities increased net assets by \$2.9 million, accounting for 5.6% of the total growth in the City's net assets.

Financial Analysis of the Government's Funds

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

Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$179.7 million. Of this amount, \$8.9 million is reserved for other purposes and \$49.2 million reserved for encumbrances. This leaves an unreserved balance of \$121.6 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$90.5 million, while the total fund balance was \$100.0 million. As a measure of the General Funds liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 28.8% of total General Fund expenditures, while the total balance represents 31.8% of that same amount.

Proprietary Fund

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

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Unrestricted net assets of the Water Fund at the end of the year was \$6.7 million and an investment in capital assets, net of related debt of \$76.3 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. The State Grant component of the financing plan decreased by \$241 thousand due mainly to the elimination of the noncontributory cost-of-living increase from the State for fiscal year 2004.
3. Certain other revenues were adjusted based upon the previous year's actual and slightly increased estimates this year.

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

Revenues and other Financing Sources

Fiscal year 2004 actual revenues on a budgetary basis totaled \$309.3 million. This represents an increase of \$7.5 million or 2.5% from fiscal year 2003. Property taxes are the single largest revenue source, representing approximately 66.3% of General Fund revenues, net of abatements. Real and personal property tax revenues, net of abatements, increased by \$11.5 million, or 5.9%. Intergovernmental receipts comprise the City's next largest revenue source, representing 13.8%. Sewer receipts decreased by \$0.5 million to \$26.5 million.

Decrease of \$0.1 million in the hotel/motel excise reflect the continued sluggish local economy during fiscal year 2004. The hotel/motel industry was particularly hit hard by the aftermath of September 11th.

The 22.1% decrease in investment income from \$1.3 million to \$1.0 million was the result of lower interest rates earned on its cash and investment balances.

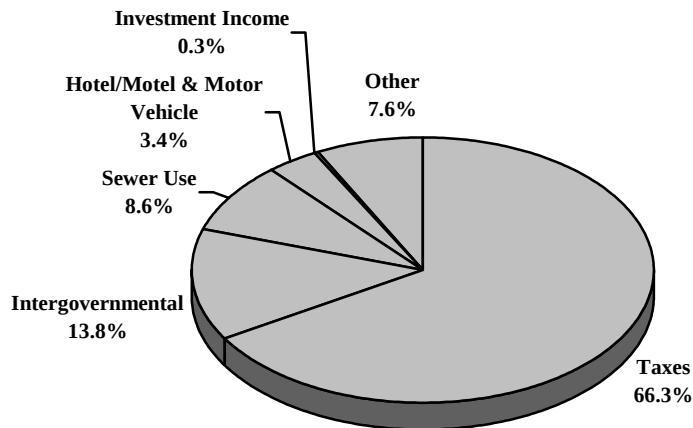
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The following table and graph display the dollar amounts received from various sources of revenue for fiscal year 2004 and compares these amounts to those received in fiscal year 2003.

Fiscal Year 2004 General Fund Revenues Budgetary Basis (Dollars in thousands)

Revenue source	2004		2003		Increase (decrease) from fiscal year 2003	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes, net of abatements	\$ 205,100	66.3%	\$ 193,576	64.2%	\$ 11,524	6.0%
Intergovernmental	42,601	13.8	42,690	14.1	(89)	(0.2)
Sewer use	26,546	8.6	27,061	9.0	(515)	(1.9)
Excise taxes:						
Hotel/motel	4,287	1.4	4,401	1.5	(114)	(2.6)
Motor vehicle	6,087	2.0	6,032	2.0	55	0.9
Investment income	1,008	0.3	1,295	0.4	(287)	(22.2)
Other	23,668	7.6	26,696	8.8	(3,028)	(11.3)
Total	309,297	100.0%	301,751	100.0%	7,546	2.5%
Net transfers in (out)	8,856		9,268		(412)	
Total, net of transfers	\$ 318,153		\$ 311,019		\$ 7,134	



Expenditures

During fiscal year 2004, total expenditures increased on a budgetary basis by 3.5% from \$313.3 million to \$324.3 million.

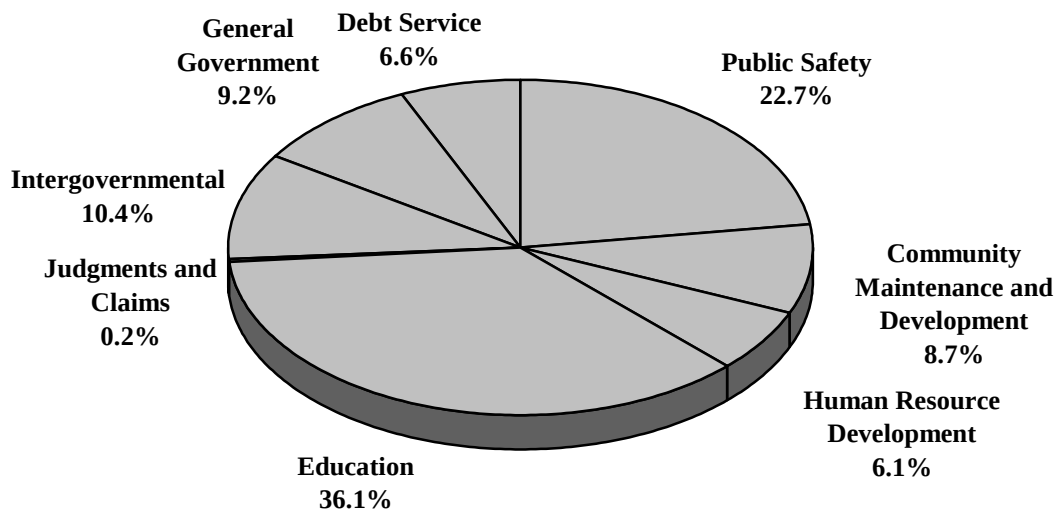
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As part of the agreement between the City and the CPHC, the City will continue to subsidize the operations of the CPHC for the year ended June 30, 2004. The City's intergovernmental expenditures include \$6.5 million of subsidy to the CPHC. This amount is consistent with previous years.

Fiscal Year 2004 General Fund Expenditures Budgetary Basis (Dollars in thousands)

Expenditure function	2004		2003		Increase (decrease) from fiscal year 2003	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 29,847	9.2%	\$ 26,589	8.5%	\$ 3,258	12.3%
Public safety	73,786	22.8	72,909	23.3	877	1.2
Community maintenance and development	28,130	8.7	27,626	8.8	504	1.8
Human resource development	19,848	6.1	19,519	6.2	329	1.7
Education	117,057	36.1	117,137	37.4	(80)	(0.1)
Judgments and claims	533	0.2	756	0.2	(223)	(29.5)
Intergovernmental	33,618	10.4	29,699	9.5	3,919	13.2
Debt service	21,435	6.6	19,071	6.1	2,364	12.4
Grand total	\$ 324,254	100.0%	\$ 313,306	100.0%	\$ 10,948	3.5%



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Capital Asset and Debt Administration

Capital Assets

As of June 30, 2004, the City's investment in capital assets for its governmental and business-type activities amounted to \$549.1 million (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, open space, road and highways.

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

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

Debt

At year-end, the City had \$231.4 million in outstanding bonds and notes compared to \$224.0 million last year. That is an increase of \$7.4 million or 3.3%.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(In millions)					
General obligation bonds and notes payable	\$ 167.6	157.2	63.8	66.8	231.4	224.0

The City maintains bond ratings with Fitch IBCA of AAA, Moody's Investors Service Inc. of Aaa, and Standard & Poor's Corporation of AAA. The true interest rate for the current years bond sale was 2.5% to 4.25% over the next twenty years.

The Commonwealth of Massachusetts statutorily limits the amount of general obligation debt a governmental entity may issue to 5.0% of the City's equalized assessed valuation. The current debt limitation is \$912.2 million.

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

Economic Factors and Next Year's Budgets and Rates

The City has increased the property tax levy by 6.4% to \$223.0 million in fiscal year 2005. Despite this increase, the City's excess tax levy capacity, an extremely important indication of the City's financial health is \$44.7 million for FY 05.

The operating budget increased 4.7% over FY 04 budget. The increase is attributable to a 4.3% salary increase cost for all employees; a 12% increase in employee health insurance; a 4.4% increase in employee pension costs; 3.5% in school spending and a debt service increase of 16.4%. The capital budget of \$38.9 million is a decrease of approximately \$27.6 million from the prior year. However, the fiscal year 2004 capital budget included a \$33.6 million loan order for extensive improvements to the Cambridge Rindge and Latin School which is not expected to be drawn upon for several years. Without this loan order, the total fiscal year 2004 budget for current projects would have been \$32.9 million and the increase in fiscal year 2005 would have been \$6.0 million.

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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.

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Statement of Net Assets

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Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 193,409,800	6,270,709	199,680,509	107,227,006
Cash and investments held by trustees	600,000	—	600,000	14,931,076
Receivables, net:				
Property taxes	5,326,385	—	5,326,385	—
Motor vehicle excise	718,667	—	718,667	—
Intergovernmental	10,090,029	—	10,090,029	—
Other	12,041,673	3,757,367	15,799,040	17,474,211
Other assets	784,947	—	784,947	16,771,124
Internal balances	(1,577,543)	1,577,543	—	—
Due from component unit	21,000,000	—	21,000,000	—
Capital assets:				
Nondepreciable	250,195,132	40,412,811	290,607,943	11,865,169
Depreciable, net	161,772,975	96,706,821	258,479,796	201,842,923
Total assets	654,362,065	148,725,251	803,087,316	370,111,509
Liabilities				
Warrants and accounts payable	2,446,414	86,725	2,533,139	35,551,978
Accrued liabilities:				
Tax abatement refunds	2,482,562	—	2,482,562	—
Accrued payroll	11,955,283	111,691	12,066,974	7,899,814
Accrued interest	1,659,366	1,002,451	2,661,817	—
Other	7,075,558	—	7,075,558	9,135,036
Deferred revenue	—	—	—	59,928,166
Due to primary government	—	—	—	21,000,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	23,570,424	6,273,814	29,844,238	—
Capital leases	—	—	—	4,835,465
Due to third parties	—	—	—	6,742,739
Compensated absences	7,071,467	182,677	7,254,144	10,993,107
Landfill	25,000	—	25,000	—
Claims	1,432,000	130,300	1,562,300	—
Due in more than one year:				
Bonds and notes payable	144,006,765	57,545,699	201,552,464	—
Capital leases	—	—	—	18,769,361
Due to third parties	—	—	—	27,840,173
Compensated absences	9,761,198	167,119	9,928,317	—
Landfill	400,000	—	400,000	—
Claims	2,864,400	260,500	3,124,900	—
Other	377,741	—	377,741	—
Total liabilities	215,128,178	65,760,976	280,889,154	202,695,839
Net Assets				
Investment in capital assets, net of related debt	300,322,357	76,300,119	376,622,476	169,103,266
Restricted for:				
Community preservation	2,146,000	—	2,146,000	—
Expendable permanent funds	893,896	—	893,896	—
Nonexpendable permanent funds	1,760,670	—	1,760,670	—
Other purposes	600,000	—	600,000	4,529,449
Unrestricted	133,510,964	6,664,156	140,175,120	(6,217,045)
Total net assets	\$ 439,233,887	82,964,275	522,198,162	167,415,670

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

For the year ended June 30, 2004

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 26,141,840	436,341	—	—	(25,705,499)		(25,705,499)	
Public safety	72,576,467	23,358,965	—	—	(49,217,502)		(49,217,502)	
Community maintenance and development	43,642,108	28,040,442	2,997,766	5,549,984	(7,053,916)		(7,053,916)	
Human resource development	25,625,075	4,283,188	7,097,965	—	(14,243,922)		(14,243,922)	
Education	123,732,466	—	13,782,009	—	(109,950,457)		(109,950,457)	
Intergovernmental	33,617,517	—	—	—	(33,617,517)		(33,617,517)	
Interest on long term debt	5,517,607	—	—	—	(5,517,607)		(5,517,607)	
Total governmental activities	330,853,080	56,118,936	23,877,740	5,549,984	(245,306,420)		(245,306,420)	
Business-type activities:								
Water	13,792,805	16,902,863	—	—	—	3,110,058	3,110,058	
Total business-type activities	13,792,805	16,902,863	—	—	—	3,110,058	3,110,058	
Total primary government	\$ 344,645,885	73,021,799	23,877,740	5,549,984	(245,306,420)	3,110,058	(242,196,362)	
Component unit:								
Cambridge Public Health Commission	\$ 563,923,619	182,281,172	382,252,078	5,000,000				5,609,631
Total component units	\$ 563,923,619	182,281,172	382,252,078	5,000,000				5,609,631
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 211,391,274	—	211,391,274	—
Excises					10,561,612	—	10,561,612	—
Payments in lieu of taxes					6,329,176	—	6,329,176	—
Grants and contributions not restricted					42,601,103	—	42,601,103	—
Investment income					1,659,344	135,575	1,794,919	947,703
Miscellaneous					21,217,361	—	21,217,361	—
Transfers					377,000	(377,000)	—	—
Total general revenues and transfers					294,136,870	(241,425)	293,895,445	947,703
Change in net assets					48,830,450	2,868,633	51,699,083	6,557,334
Net assets – beginning					390,403,437	80,095,642	470,499,079	160,858,336
Net assets – ending					\$ 439,233,887	82,964,275	522,198,162	167,415,670

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2004

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Assets				
Cash and investments	\$ 117,007,650	35,006,906	41,395,244	193,409,800
Cash and investments held by trustees	—	—	600,000	600,000
Receivables, net:				
Property taxes	5,326,385	—	—	5,326,385
Motor vehicle excise	718,667	—	—	718,667
Intergovernmental	3,831,857	5,156,395	1,101,777	10,090,029
Departmental and other	8,129,662	—	3,912,011	12,041,673
Total receivables	18,006,571	5,156,395	5,013,788	28,176,754
Other assets	193,767	—	—	193,767
Due from other funds	—	40,267	—	40,267
Due from component unit	21,000,000	—	—	21,000,000
Total assets	<u>\$ 156,207,988</u>	<u>40,203,568</u>	<u>47,009,032</u>	<u>243,420,588</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 1,686,838	—	759,576	2,446,414
Accrued liabilities:				
Tax abatements	2,482,562	—	—	2,482,562
Claims	1,432,000	—	—	1,432,000
Accrued payroll	11,889,445	—	65,838	11,955,283
Other	1,161,635	4,913,923	—	6,075,558
Deferred revenue	37,582,878	—	125,025	37,707,903
Due to other funds	—	—	1,617,810	1,617,810
Total liabilities	56,235,358	4,913,923	2,568,249	63,717,530
Fund balances:				
Reserved for:				
Encumbrances	8,457,734	35,992,291	4,777,830	49,227,855
Reserved for specific purposes	1,035,752	—	2,746,000	3,781,752
Loans	—	—	2,412,375	2,412,375
Nonexpendable permanent funds	—	—	2,654,566	2,654,566
Unreserved (deficit), reported in:				
General fund	90,479,144	—	—	90,479,144
Capital fund	—	(702,646)	—	(702,646)
Special revenue funds	—	—	31,850,012	31,850,012
Total fund balances	99,972,630	35,289,645	44,440,783	179,703,058
Total liabilities and fund balances	<u>\$ 156,207,988</u>	<u>40,203,568</u>	<u>47,009,032</u>	<u>243,420,588</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2004

Total fund balance – Governmental Funds	\$ 179,703,058
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	411,968,107
Adjust deferred revenues to record tax revenues on an accrual basis	37,707,903
Bond issuance costs are capitalized in the government wide statements	591,180
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(167,577,189)
Accrued interest on bonds	(1,659,366)
Compensated absences	(16,832,665)
Landfill	(425,000)
Claims	(2,864,400)
Other	(1,377,741)
	(190,736,361)
Net assets of governmental activities	\$ 439,233,887

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, 2004

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Real and personal property taxes	\$ 206,354,390	—	—	206,354,390
Excises:				
Hotel/motel	4,286,681	—	—	4,286,681
Motor vehicles	6,087,063	—	—	6,087,063
Payments in lieu of taxes	6,329,176	—	—	6,329,176
Intergovernmental	42,601,103	5,549,984	24,047,906	72,198,993
Investment income	1,180,958	—	478,386	1,659,344
Sewer use charges	26,546,224	—	—	26,546,224
Departmental and other	22,382,874	2,702,600	29,067,621	54,153,095
Total revenues	<u>315,768,469</u>	<u>8,252,584</u>	<u>53,593,913</u>	<u>377,614,966</u>
Expenditures:				
Current:				
General government	23,987,401	—	94,719	24,082,120
Public safety	74,323,702	—	1,763,612	76,087,314
Community maintenance and development	27,019,260	—	7,338,801	34,358,061
Human resource development	19,127,273	—	6,463,387	25,590,660
Education	114,518,995	—	12,838,579	127,357,574
Judgments and claims	533,419	—	—	533,419
State and district assessments	33,617,517	—	—	33,617,517
Capital outlays	—	47,781,887	—	47,781,887
Debt service	21,426,519	—	—	21,426,519
Total expenditures	<u>314,554,086</u>	<u>47,781,887</u>	<u>28,499,098</u>	<u>390,835,071</u>
Excess (deficiency) of revenues over expenditures	<u>1,214,383</u>	<u>(39,529,303)</u>	<u>25,094,815</u>	<u>(13,220,105)</u>
Other financing sources (uses):				
Premium on bond issuance	377,741	—	—	377,741
Bond proceeds	—	32,760,980	—	32,760,980
Transfers in	19,813,350	12,418,804	8,518,696	40,750,850
Transfers out	(12,816,935)	(1,158,500)	(26,398,415)	(40,373,850)
Total other financing (uses) sources	<u>7,374,156</u>	<u>44,021,284</u>	<u>(17,879,719)</u>	<u>33,515,721</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	8,588,539	4,491,981	7,215,096	20,295,616
Fund balance – beginning	<u>91,384,091</u>	<u>30,797,664</u>	<u>37,225,687</u>	<u>159,407,442</u>
Fund balance – ending	\$ <u>99,972,630</u>	<u>35,289,645</u>	<u>44,440,783</u>	<u>179,703,058</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, 2004

Net change in fund balances – total governmental funds	\$ 20,295,616
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, (\$50,428,105) exceeded depreciation expense (\$15,023,996).	35,404,109
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds.	728,048
Proceeds of long-term debt (\$32,760,980) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$22,405,970) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(10,355,010)
Bond issuance costs are expenditures in the governmental funds, but are deferred assets in the statement of net assets.	253,926
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), compensated absences of (\$3,261,984), and other items (\$384,243) offset by the increase in accrued interest (\$383,511) and claims (\$783,935).	2,503,761
Change in net assets of governmental activities	\$ 48,830,450

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2004

	Enterprise fund Water fund
Assets:	
Current assets:	
Cash and investments	\$ 6,270,709
Receivables, net	3,757,367
Due from other funds	1,577,543
Total current assets	<u>11,605,619</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	40,412,811
Depreciable, net	96,706,821
Total noncurrent assets	<u>137,119,632</u>
Total assets	<u>148,725,251</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	86,725
Accrued liabilities:	
Claims	130,300
Compensated absences	182,677
Accrued payroll	111,691
Interest	1,002,451
Current portion of long-term debt	6,273,814
Total current liabilities	<u>7,787,658</u>
Noncurrent liabilities:	
Bonds payable	57,545,699
Accrued liabilities:	
Compensated absences	167,119
Other	260,500
Total noncurrent liabilities	<u>57,973,318</u>
Total liabilities	<u>65,760,976</u>
Net assets:	
Investment in capital assets, net of related debt	76,300,119
Unrestricted	6,664,156
Total net assets	<u><u>\$ 82,964,275</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2004

	Enterprise fund Water fund
Operating revenues:	
Charges for services	\$ 15,236,640
Other	1,666,223
Total operating revenues	16,902,863
Operating expenses:	
Administration	2,282,291
Service and support programs	5,500,502
Other general services	44,909
Depreciation	2,711,029
Total operating expenses	10,538,731
Operating income	6,364,132
Nonoperating revenue (expense):	
Investment earnings – other	135,575
Interest expense	(3,254,074)
Nonoperating expense	(3,118,499)
Income before transfers	3,245,633
Transfers to other funds	(377,000)
Change in net assets	2,868,633
Total net assets – beginning	80,095,642
Total net assets – ending	\$ 82,964,275

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2004

	Enterprise fund Water fund
Cash flows from operating activities:	
Cash received from customers	\$ 15,283,357
Cash paid to vendors	(6,750,260)
Cash paid to employees	(2,123,384)
Net cash provided in operating activities	<u>6,409,713</u>
Cash flows from noncapital financing activities:	
Transfers	<u>(377,000)</u>
Net cash used by noncapital financing activities	<u>(377,000)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,208,538)
Interest paid on debt	(3,063,072)
Proceeds from issuance of long-term debt	3,000,000
Repayment of long-term debt	(5,969,782)
Net cash used by capital and related financing activities	<u>(7,241,392)</u>
Cash flows from investing activities:	
Investment income	<u>135,575</u>
Net cash provided by investing activities	<u>135,575</u>
Decrease in cash and cash equivalents	(1,073,104)
Cash and investments, beginning of year	<u>7,343,813</u>
Total cash and investments, end of year	<u><u>\$ 6,270,709</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,364,132
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	2,711,029
Changes in operating assets and liabilities:	
Accounts receivable	46,716
Due to/from other funds	(2,759,529)
Other accrued liabilities	47,365
Net cash provided by operating activities	<u><u>\$ 6,409,713</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2004

Assets	Employee retirement plan (as of December 31, 2003)	Agency funds
Cash and cash equivalents	\$ 34,128,359	3,352,622
Accounts receivable	6,729,205	—
Investments, at fair value:		
Fixed income securities	188,578,327	—
Equities	159,126,214	—
Pooled investments:		
Fixed income	3,995,427	—
Real estate	21,139,828	—
Domestic equities	79,980,618	—
International equities	50,107,665	—
Other	5,266,399	—
Total investments	508,194,478	—
Other assets	2,383,963	—
Cash collateral on security lending	25,481,356	—
Total assets	\$ 576,917,361	3,352,622
Liabilities		
Accrued liabilities	\$ 580,610	—
Guarantee deposits	—	3,352,622
Due to brokers for securities purchased	18,083,381	—
Cash collateral on security lending	25,481,356	—
Total liabilities	44,145,347	3,352,622
Net Assets		
Held in trust for pension benefits	\$ 532,772,014	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2004

	Employee retirement plan (as of December 31, 2003)
Additions:	
Contributions:	
Employers	\$ 23,761,798
Plan members	16,300,153
Commonwealth of Massachusetts	1,459,758
Total contributions	<u>41,521,709</u>
Investment earnings (loss):	
Interest and dividends	15,487,361
Securities lending income	310,240
Net appreciation in the fair value of investments	71,548,570
Less management fees	(2,513,004)
Less borrower rebates and fees under securities lending program	<u>(261,033)</u>
Net investment earnings	<u>84,572,134</u>
Total additions	<u>126,093,843</u>
Deductions:	
Benefits	34,325,815
Refunds of contributions	2,099,456
Administrative expenses	641,854
Total deductions	<u>37,067,125</u>
Change in net assets	89,026,718
Net assets, beginning of year	<u>443,745,296</u>
Net assets, end of year	<u><u>\$ 532,772,014</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(1) The Financial Reporting Entity

(a) Primary Government

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

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

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

(b) Blended Component Unit

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

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

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ended December 31, 2003. The System does not issue stand-alone financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(c) Discretely Presented Component Unit

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

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

Complete financial statements for the CPHC for its fiscal year ended June 30, 2004 are available from its offices on 10 Presidents Way, 5th Floor, Medford, Massachusetts 02155.

(d) Related Organizations

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

(2) Summary of Significant Accounting Policies

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

(a) Government-Wide and Fund Financial Statements

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

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

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

Government-Wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

Proprietary Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(c) Cash Equivalents

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

(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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

investments of the System, which are described in note 8. Further, income from investments is recognized in the same fund as the related investments.

(e) *Interfund Receivables and Payables*

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

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

(f) *Uncollectible Tax and Other Receivables*

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

(g) *Capital Assets*

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

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

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

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

(h) *Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The cost of compensated absences for employees is

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured (i.e., come due for payment). The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

(i) Long-Term Obligations and Related Costs

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

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

(j) Fund Equity

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

(k) Securities Lending Transactions

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

(l) Landfill Postclosure Care Costs

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2004, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(m) Use of Estimates

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

(3) Deposits and Investments

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

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

(a) Deposits

The City categorized deposits according to the level of risk assumed. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized. The City's deposits at June 30, 2004 are as follows:

Primary government	Category			Total bank balance	Carrying amount
	1	2	3		
Total cash deposits	\$ 400,000	25,983,566	2,423,013	28,806,579	24,277,213

Discretely Presented Component Unit (CPHC)	Category			Total bank balance	Carrying amount
	1	2	3		
Total cash deposits	\$ 500,000	—	7,488,535	7,988,535	1,836,062

(b) Investments

The City and the System categorize investments according to the level of risk assumed. Category 1 includes investments that are insured, registered, or held by the entity or its agent in the entity's

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent, but not in the entity's name. MMDT, other mutual funds, pooled funds, venture capital funds and real estate investments are not categorized. The City's investments are as follows:

Primary government June 30, 2004	Category			Fair value
	1	2	3	
Categorized:				
Fixed income securities:				
Not on loan	\$ 164,520,423	—	—	164,520,423
On loan	—	—	4,192,299	4,192,299
Equity securities:				
Not on loan	154,052,174	—	—	154,052,174
On loan	—	—	45,101	45,101
Short-term cash equivalent investments	34,128,359	—	—	34,128,359
	<u>\$ 352,700,956</u>	<u>—</u>	<u>4,237,400</u>	<u>356,938,356</u>
Not categorized:				
Securities loaned:				
Fixed income securities				19,865,605
Equity securities				5,028,939
MMDT				55,023,238
Money market funds				124,332,680
Cash collateral pool				25,481,356
Other pooled funds				<u>160,489,937</u>
				<u>\$ 747,160,111</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

Of the investments reflected in the preceding table, investments of the System constitute 76% of the amount of the Primary Government.

CHPC June 30, 2004	Category			Fair value
	1	2	3	
Categorized:				
U.S. Government obligations	\$ 9,083,705	—	—	9,083,705
Debt securities	6,654,364	—	—	6,654,364
	<u>\$ 15,738,069</u>	<u>—</u>	<u>—</u>	<u>15,738,069</u>
Not categorized:				
MMDT				84,423,221
Money market funds				<u>20,160,730</u>
				<u>\$ 120,322,020</u>

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

(4) Property Taxes

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(5) Capital Assets

Capital asset activity for the year ended June 30, 2004 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	\$ 162,314,121	240,000	—	162,554,121
Construction in progress	<u>55,380,587</u>	<u>37,825,098</u>	<u>(5,564,674)</u>	<u>87,641,011</u>
Total capital assets not being depreciated	<u>217,694,708</u>	<u>38,065,098</u>	<u>(5,564,674)</u>	<u>250,195,132</u>
Capital assets being depreciated:				
Buildings and improvements	150,697,912	756,874	—	151,454,786
Improvements – nonbuilding	24,934,589	1,943,170	—	26,877,759
Furniture and equipment	23,347,136	8,280,590	—	31,627,726
Infrastructure	<u>127,361,834</u>	<u>6,947,047</u>	<u>—</u>	<u>134,308,881</u>
Total capital assets being depreciated	<u>326,341,471</u>	<u>17,927,681</u>	<u>—</u>	<u>344,269,152</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,050,036)	(3,595,725)	—	(60,645,761)
Improvements – nonbuilding	(4,029,562)	(964,090)	—	(4,993,652)
Furniture and equipment	(15,846,370)	(3,822,953)	—	(19,669,323)
Infrastructure	<u>(90,546,213)</u>	<u>(6,641,228)</u>	<u>—</u>	<u>(97,187,441)</u>
Total accumulated depreciation	<u>(167,472,181)</u>	<u>(15,023,996)</u>	<u>—</u>	<u>(182,496,177)</u>
Total capital assets being depreciated, net	<u>158,869,290</u>	<u>2,903,685</u>	<u>—</u>	<u>161,772,975</u>
Governmental activities capital assets, net	<u>\$ 376,563,998</u>	<u>40,968,783</u>	<u>(5,564,674)</u>	<u>411,968,107</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

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

Governmental activities:

General government	\$ 1,135,332
Public safety	1,657,291
Community maintenance and development	8,834,360
Human resource development	277,217
Education	3,119,796
	<u>15,023,996</u>
Total depreciation expense – governmental activities	\$ <u>15,023,996</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,264,325	—	—	39,264,325
Construction in progress	572,898	575,588	—	1,148,486
	<u>39,837,223</u>	<u>575,588</u>	<u>—</u>	<u>40,412,811</u>
Total capital assets not being depreciated	<u>39,837,223</u>	<u>575,588</u>	<u>—</u>	<u>40,412,811</u>
Capital assets being depreciated:				
Buildings and improvements	80,287,015	32,581	—	80,319,596
Furniture and equipment	985,316	37,718	—	1,023,034
Infrastructure	30,287,727	562,651	—	30,850,378
	<u>111,560,058</u>	<u>632,950</u>	<u>—</u>	<u>112,193,008</u>
Total capital assets being depreciated	<u>111,560,058</u>	<u>632,950</u>	<u>—</u>	<u>112,193,008</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,875,283)	(2,007,175)	—	(5,882,458)
Furniture and equipment	(581,790)	(98,433)	—	(680,223)
Infrastructure	(8,318,085)	(605,421)	—	(8,923,506)
	<u>(12,775,158)</u>	<u>(2,711,029)</u>	<u>—</u>	<u>(15,486,187)</u>
Total accumulated depreciation	<u>(12,775,158)</u>	<u>(2,711,029)</u>	<u>—</u>	<u>(15,486,187)</u>
Total capital assets being depreciated, net	<u>98,784,900</u>	<u>(2,078,079)</u>	<u>—</u>	<u>96,706,821</u>
Business-type activity capital assets, net	\$ <u>138,622,123</u>	<u>(1,502,491)</u>	<u>—</u>	<u>137,119,632</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

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

Individual fund receivable and payable balances at June 30, 2004, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
Capital fund – Community Development Block Grant receivable from other governmental fund – for capital items	\$ 40,267	—
Enterprise fund – Community Development Block Grant receivable from other governmental fund – for capital items	1,577,543	—
Other governmental fund – Community Development Block Grant payable to Enterprise and Capital fund – for capital items	—	1,617,810
Balance at June 30, 2004	<u><u>\$ 1,617,810</u></u>	<u><u>1,617,810</u></u>

Receivable and payable balances between the primary government and CPHC at June 30, 2004 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government: General	\$ 21,000,000	—
Discretely presented component unit: CPHC	—	21,000,000
Balance at June 30, 2004	<u><u>\$ 21,000,000</u></u>	<u><u>21,000,000</u></u>

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CPHC for the construction of an ambulatory care center. CPHC has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. These general obligation bonds amounted to \$21,000,000 at June 30, 2004.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(7) Long-Term Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2004:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds and notes payable:							
General purpose, serial maturities through January 1, 2024	6/15/92 to 1/15/04	2.25-6.0%	\$ 30,840,000	10,895,000	4,810,000	36,925,000	5,470,000
Urban redevelopment, serial maturities through January 1, 2014	6/15/92 to 1/15/04	2.25-5.9%	15,535,000	11,850,000	2,090,000	25,295,000	3,095,000
Schools, serial maturities through December 1, 2010	6/15/92 to 12/1/00	3.75-5.9%	25,251,000	—	5,868,000	19,383,000	4,808,000
Sewer, serial maturities through January 1, 2014	2/1/94 to 1/15/04	2.25-5.9%	54,690,663	10,015,980	7,792,014	56,914,629	8,328,133
Hospital, serial maturities through February 1, 2018	2/1/98	4.50%	22,500,000	—	1,500,000	21,000,000	1,500,000
Section 108 HUD notes payable, serial maturities through August 15, 2014	2/1/95	7.71-9.03%	405,000	—	10,000	395,000	10,000
School equipment notes, serial maturities through October 15, 2008	6/15/98	6.85%	2,000,516	—	335,956	1,664,560	359,291
Note payable serial maturities April 2010 through April 15, 2021	4/15/00	2.00%	6,000,000	—	—	6,000,000	—
Total governmental obligation bonds and notes payable			<u>157,222,179</u>	<u>32,760,980</u>	<u>22,405,970</u>	<u>167,577,189</u>	<u>23,570,424</u>
Other long-term obligations:							
Claims			4,509,534	31,238,360	31,451,494	4,296,400	1,432,000
Compensated absences, net			20,094,649	—	3,261,984	16,832,665	7,071,467
Landfill postclosure care costs			450,000	—	25,000	425,000	25,000
Total other governmental long-term obligations			<u>25,054,183</u>	<u>31,238,360</u>	<u>34,738,478</u>	<u>21,554,065</u>	<u>8,528,467</u>
Total governmental long-term obligations			<u>\$ 182,276,362</u>	<u>63,999,340</u>	<u>57,144,448</u>	<u>189,131,254</u>	<u>32,098,891</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

Following is a summary of the business-type long-term obligations of the City as of June 30, 2004:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through November 1, 2019	2/1/94 to 1/15/04	2.5-5.9%	\$ 66,789,295	3,000,000	5,969,782	63,819,513	6,273,814
Total business-type bonds payable			<u>66,789,295</u>	<u>3,000,000</u>	<u>5,969,782</u>	<u>63,819,513</u>	<u>6,273,814</u>
Other long-term obligations:							
Claims			246,454	276,649	132,303	390,800	130,300
Compensated absences, net			<u>361,452</u>	<u>—</u>	<u>11,656</u>	<u>349,796</u>	<u>182,677</u>
Total other long-term obligations			<u>607,906</u>	<u>276,649</u>	<u>143,959</u>	<u>740,596</u>	<u>312,977</u>
Total business-type long-term obligations			<u>\$ 67,397,201</u>	<u>3,276,649</u>	<u>6,113,741</u>	<u>64,560,109</u>	<u>6,586,791</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2004, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 23,570,424	6,365,469	29,935,893
2006	20,565,130	5,506,612	26,071,742
2007	19,900,850	4,714,271	24,615,121
2008	18,174,311	3,909,926	22,084,237
2009	16,554,429	3,188,025	19,742,454
2010-2014	54,212,414	7,351,314	61,563,728
2015-2019	11,366,786	1,626,377	12,993,163
2020-2040	3,232,845	286,843	3,519,688
	<u>\$ 167,577,189</u>	<u>32,948,837</u>	<u>200,526,026</u>

The City has entered into loan agreements with the President and Fellows of Harvard College. The loans provide funding to further the development of affordable housing within the City. The notes carry interest at 2% per year for a period of twenty years with principal payments beginning in 2010. Interest costs will be \$120,000 annually. At June 30, 2004, the principal amount outstanding is \$6,000,000.

General obligation bonds are backed by the full faith and credit of the City. The Commonwealth has approved school construction assistance, subject to annual appropriation by the state legislature and reports filed with the Commonwealth by the City, to partially provide resources for future principal and interest requirements on general obligation school bonds of the City. As of June 30, 2004, such resources expected to be provided to the City total approximately \$26,782,000 from the Commonwealth.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$16,202,014 and education expenditures of \$6,203,956 totaling \$22,405,970 of principal costs.

In January 2004, the City issued \$35,165,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each January 1 and July 1, with principal payments due each January 1 until maturity in fiscal 2024.

In January 2004, the City borrowed \$595,980 from the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments of \$119,196 through February 15, 2009.

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$3,540,512 in subsidies during 2004. Loan payments commenced on February 1, 1994 and end on August 1, 2010, with interest rates ranging from 4.0% to 5.0%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

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, 2004, the City may issue approximately \$314 million additional general obligation debt under the normal debt limit. The City has approximately \$83.2 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 6,273,814	2,873,419	9,147,233
2006	6,147,332	2,602,873	8,750,205
2007	5,914,004	2,326,188	8,240,192
2008	6,083,673	2,054,967	8,138,640
2009	6,164,829	1,771,225	7,936,054
2010-2014	20,235,861	5,327,619	25,563,480
2015-2019	12,500,000	1,739,378	14,239,378
2020	500,000	14,063	514,063
	<u>\$ 63,819,513</u>	<u>18,709,732</u>	<u>82,529,245</u>

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

(8) Retirement Plan

(a) Plan Description

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

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

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

The System is administered by a five-person Board of Retirement consisting of the City Auditor who serves as a member *ex officio*, two members who are elected by the participants, in or retired from

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

the service of the System, a fourth member appointed by the Mayor and a fifth member chosen by the other members.

(b) Basis of Accounting

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

Investments of the System are stated as follows:

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

(c) Membership

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

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

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. Effective July 1, 1998 Chapter 32 of the Massachusetts General Laws assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CPHC's required and actual contributions to the System for the years ended June 30, 2004, 2003 and 2002 were \$13,241,325, \$13,277,195, and \$14,372,278, and \$8,808,317, \$8,121,556, and \$7,658,168, respectively.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2003 are as follows:

Description	Amount	Purpose
Annuity savings fund	\$ 137,415,261	Active members' contribution balance
Annuity reserve fund	37,680,137	Retired members' contribution account
Military service credit	1,822	Members' contribution account while on military leave
Pension reserve fund	298,401,669	Amounts appropriated to fund future retirement benefits
Pension fund	59,273,125	Remaining net assets
	<u>\$ 532,772,014</u>	

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

(f) Investment Concentration

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

(g) Securities Lending

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

At the System's direction, the custodian lends the System's securities and receives cash (including both 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, 2003. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2003, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2003 were \$261,033.

At December 31, 2003, the fair value of securities loaned by the System amounted to \$29,131,944, against which was held collateral of \$29,802,627.

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

(h) *Massachusetts Teachers' Retirement System*

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

(i) *Administrative Costs*

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

(9) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 8, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 1,746 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 90% of Blue Cross/Blue Shield of Massachusetts (BC/BS) premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree.

Expenditures of approximately \$12.1 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2004.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

(10) Transfers

Transfers and their purposes during the year ended June 30, 2004 were as follows:

	Governmental funds			Enterprise fund
	General	Capital	Other	Water
Capital – to fund capital expenditures	\$ (6,957,085)	6,957,085	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	13,531,500	—	(13,531,500)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	45,000	—	(45,000)	—
CDBG – transfer of revenues to reimburse eligible capital costs	—	1,545,578	(1,545,578)	—
Water – reimbursement of administrative costs	377,000	—	—	(377,000)
Community Preservation Act – for affordable housing	—	2,134,000	(2,134,000)	—
Parking – to replace obsolete traffic signals	—	623,641	(623,641)	—
Total	<u>\$ 6,996,415</u>	<u>11,260,304</u>	<u>(17,879,719)</u>	<u>(377,000)</u>

(11) Risk Management

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2004

Changes in the self-insurance liability for the years ended June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Accrued claims, beginning of year	\$ 4,755,988	5,583,894
Incurred claims	31,515,009	30,981,087
Less payments of claims attributable to events of both current and prior fiscal years	<u>(31,583,797)</u>	<u>(31,808,993)</u>
Accrued claims, end of year	<u>\$ 4,687,200</u>	<u>4,755,988</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

June 30, 2004

(Unaudited)

Schedule of Funding Progress

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

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

Schedule of Employers' Contributions

	Annual required contribution	Percentage contributed
Year ended December 31:		
2003	\$ 23,762	100%
2002	21,399	100
2001	22,030	100
2000	21,669	100
1999	21,284	100
1998	20,696	100

See accompanying notes to required supplementary pension information.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Pension Information

June 30, 2004

(Unaudited)

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
(Unaudited)

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

Year ended June 30, 2004
(with comparative actual amounts for 2003)

	Original budget	Final budget	Actual	Variance positive (negative)	2003 Actual
Revenues and other available funds:					
Property taxes	\$ 208,163,216	209,599,396	209,599,396	—	197,720,546
Provision for abatements and adjustments	(4,499,396)	(4,499,396)	(4,499,396)	—	(4,145,297)
Payment in lieu of tax receipts	3,600,000	3,600,000	6,329,176	2,729,176	4,644,373
Hotel/motel excise tax	6,000,000	5,850,000	4,286,681	(1,563,319)	4,401,259
Intergovernmental	35,213,552	38,568,497	42,601,103	4,032,606	42,690,197
Sewer use	25,850,635	26,950,635	26,546,224	(404,411)	27,061,324
Motor vehicle excise	5,600,000	5,613,465	6,087,063	473,598	6,031,393
Investment income	1,500,000	1,290,000	1,008,439	(281,561)	1,295,124
Other	24,000,880	22,324,734	17,338,702	(4,986,032)	22,051,719
Total revenues	305,428,887	309,297,331	309,297,388	57	301,750,638
Expenditures:					
Current:					
General government	33,742,010	31,306,315	29,846,608	1,459,707	26,589,312
Public safety	73,874,360	74,755,855	73,785,582	970,273	72,909,499
Community maintenance and development	27,378,125	28,360,415	28,130,441	229,974	27,625,956
Human resource development	19,607,265	19,957,115	19,848,202	108,913	19,519,291
Education	117,872,457	117,713,522	117,057,354	656,168	117,137,186
Judgments and claims	250,000	534,015	533,419	596	755,696
Intergovernmental	30,524,395	34,163,367	33,617,517	545,850	29,698,511
Debt service:					
Principal	16,218,310	16,192,014	16,192,014	—	14,050,350
Interest	5,027,305	5,053,602	5,037,412	16,190	5,020,548
Other (includes lease payments and bond sale fees)	217,200	217,200	205,092	12,108	
Total expenditures	324,711,427	328,253,420	324,253,641	3,999,779	313,306,349
Excess (deficiency) of revenues over expenditures	(19,282,540)	(18,956,089)	(14,956,253)	3,999,836	(11,555,711)
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	15,000,540	15,498,380	13,531,350	(1,967,030)	13,361,470
Capital projects funds	—	(5,098,935)	(6,956,935)	(1,858,000)	(7,875,000)
Permanent funds	3,905,000	1,905,000	1,905,000	—	3,405,000
Enterprise fund	377,000	377,000	377,000	—	376,870
Total other financing sources (uses)	19,282,540	12,681,445	8,856,415	(3,825,030)	9,268,340
Excess (deficiency) of revenues and other financing source over expenditures and other financing uses	\$ —	(6,274,644)	(6,099,838)	174,806	(2,287,371)
Other budget items:					
Free cash appropriations		6,275,000			
Prior year deficits raised		(356)			
Total other budget items		6,274,644			
Net budget and actual		\$ —			

See accompanying notes to required supplementary budget information.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Budget Information

Year ended June 30, 2004

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

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2004:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 309,297,388	324,253,641	8,856,415
Adjustments:			
Revenues to modified accrual basis	4,988,822	—	—
Expenditures, encumbrances and accruals, net	—	(9,699,555)	—
Reclassifications:			
Bond premium	(377,741)	—	377,741
Permanent trust fund transfer	1,860,000	—	(1,860,000)
As reported on a GAAP basis	<u>\$ 315,768,469</u>	<u>314,554,086</u>	<u>7,374,156</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2004

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, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 298,935	262,098	36,837
Other ordinary maintenance	111,440	104,490	6,950
Travel and training	20,500	20,464	36
Total Mayor	<u>430,875</u>	<u>387,052</u>	<u>43,823</u>
City Manager:			
Salaries and wages	888,225	888,223	2
Other ordinary maintenance	396,500	390,589	5,911
Travel and training	29,965	28,369	1,596
Total City Manager	<u>1,314,690</u>	<u>1,307,181</u>	<u>7,509</u>
City Council:			
Salaries and wages	847,560	847,217	343
Other ordinary maintenance	41,900	23,366	18,534
Travel and training	38,000	37,476	524
Total City Council	<u>927,460</u>	<u>908,059</u>	<u>19,401</u>
City Clerk:			
Salaries and wages	611,400	592,875	18,525
Other ordinary maintenance	59,780	57,813	1,967
Travel and training	750	184	566
Total City Clerk	<u>671,930</u>	<u>650,872</u>	<u>21,058</u>
Law:			
Salaries and wages	950,645	919,244	31,401
Other ordinary maintenance	509,225	479,244	29,981
Travel and training	6,570	7,166	(596)
Total Law	<u>1,466,440</u>	<u>1,405,654</u>	<u>60,786</u>
Finance:			
Salaries and wages	5,913,705	5,913,705	—
Other ordinary maintenance	2,163,860	2,137,202	26,658
Travel and training	175,980	163,343	12,637
Extraordinary expenditures	77,800	77,718	82
Total Finance	<u>8,331,345</u>	<u>8,291,968</u>	<u>39,377</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2004

	Budget	Actual	Variance positive (negative)
Employment Benefits:			
Salaries and wages	\$ 14,733,735	13,663,963	1,069,772
Other ordinary maintenance	681,740	661,317	20,423
Total Employment Benefits	15,415,475	14,325,280	1,090,195
General Services:			
Salaries and wages	386,605	386,602	3
Other ordinary maintenance	592,555	427,293	165,262
Total General Services	979,160	813,895	165,265
Election Commission:			
Salaries and wages	495,535	495,535	—
Other ordinary maintenance	273,430	266,958	6,472
Travel and training	2,270	174	2,096
Total Election Commission	771,235	762,667	8,568
Public Celebrations:			
Salaries and wages	373,645	373,644	1
Other ordinary maintenance	403,732	403,457	275
Travel and training	1,125	1,094	31
Total Public Celebrations	778,502	778,195	307
Reserve:			
Other ordinary maintenance	2,568	—	2,568
Total Reserve	2,568	—	2,568
Animal Commission:			
Salaries and wages	203,920	203,920	—
Other ordinary maintenance	12,595	11,745	850
Travel and training	120	120	—
Total Animal Commission	216,635	215,785	850
Total General Government	31,306,315	29,846,608	1,459,707
Public Safety:			
Fire:			
Salaries and wages	26,973,095	26,973,092	3
Other ordinary maintenance	765,490	748,009	17,481
Travel and training	403,750	400,279	3,471
Extraordinary expenditures	95,000	88,692	6,308
Total Fire	28,237,335	28,210,072	27,263

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2004

	Budget	Actual	Variance positive (negative)
Police:			
Salaries and wages	\$ 28,525,385	28,049,959	475,426
Other ordinary maintenance	801,555	796,833	4,722
Travel and training	348,500	342,484	6,016
Extraordinary expenditures	290,500	286,536	3,964
Total Police	29,965,940	29,475,812	490,128
Traffic and Parking:			
Salaries and wages	4,668,305	4,577,735	90,570
Other ordinary maintenance	3,140,640	3,035,600	105,040
Travel and training	19,400	12,062	7,338
Extraordinary expenditures	75,000	72,762	2,238
Total Traffic and Parking	7,903,345	7,698,159	205,186
Police Review and Advisory Board:			
Salaries and wages	63,740	31,301	32,439
Other ordinary maintenance	8,550	—	8,550
Travel and training	3,000	—	3,000
Total Police Review and Advisory Board	75,290	31,301	43,989
Inspectional Services:			
Salaries and wages	2,027,060	2,006,757	20,303
Other ordinary maintenance	107,100	102,015	5,085
Travel and training	51,825	45,095	6,730
Total Inspectional Services	2,185,985	2,153,867	32,118
License:			
Salaries and wages	615,085	548,949	66,136
Other ordinary maintenance	161,090	149,213	11,877
Travel and training	8,800	8,553	247
Total License	784,975	706,715	78,260
Weights and Measures:			
Salaries and wages	84,890	84,835	55
Other ordinary maintenance	7,780	7,776	4
Travel and training	1,745	1,745	—
Total Weights and Measures	94,415	94,356	59

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2004

	Budget	Actual	Variance positive (negative)
Electrical:			
Salaries and wages	\$ 920,860	846,955	73,905
Other ordinary maintenance	1,440,580	1,423,614	16,966
Travel and training	1,670	794	876
Total Electrical	2,363,110	2,271,363	91,747
Emergency Management:			
Salaries and wages	122,250	122,247	3
Other ordinary maintenance	13,635	12,509	1,126
Travel and training	100	—	100
Total Emergency Management	135,985	134,756	1,229
Emergency Communications:			
Salaries and wages	2,823,615	2,823,612	3
Other ordinary maintenance	166,010	166,006	4
Travel and training	15,850	15,850	—
Extraordinary expenditures	4,000	3,713	287
Total Emergency Communications	3,009,475	3,009,181	294
Total Public Safety	74,755,855	73,785,582	970,273
Community Maintenance and Development:			
Public Works:			
Salaries and wages	13,614,405	13,576,679	37,726
Other ordinary maintenance	8,320,920	8,311,733	9,187
Travel and training	100,625	95,130	5,495
Extraordinary expenditures	535,000	532,169	2,831
Total Public Works	22,570,950	22,515,711	55,239
Community Development:			
Salaries and wages	3,554,615	3,515,293	39,322
Other ordinary maintenance	623,040	618,224	4,816
Travel and training	98,070	23,226	74,844
Total Community Development	4,275,725	4,156,743	118,982
Historical Commission:			
Salaries and wages	369,995	364,990	5,005
Other ordinary maintenance	74,880	63,074	11,806
Travel and training	800	737	63
Total Historical Commission	445,675	428,801	16,874

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2004

	Budget	Actual	Variance positive (negative)
Conservation Commission:			
Salaries and wages	\$ 83,175	71,033	12,142
Other ordinary maintenance	3,865	1,415	2,450
Travel and training	885	855	30
Total Conservation Commission	87,925	73,303	14,622
Peace Commission:			
Salaries and wages	60,970	60,966	4
Other ordinary maintenance	11,280	11,046	234
Travel and training	1,350	1,343	7
Total Peace Commission	73,600	73,355	245
Cable Television:			
Salaries and wages	350,990	340,936	10,054
Other ordinary maintenance	552,100	538,892	13,208
Travel and training	3,450	2,700	750
Total Cable Television	906,540	882,528	24,012
Total Community Maintenance and Development	28,360,415	28,130,441	229,974
Human Resource Development:			
Library:			
Salaries and wages	4,216,450	4,216,449	1
Other ordinary maintenance	941,545	934,575	6,970
Travel and training	25,150	21,952	3,198
Total Library	5,183,145	5,172,976	10,169
Human Services:			
Salaries and wages	11,226,705	11,185,965	40,740
Other ordinary maintenance	2,624,501	2,624,501	—
Travel and training	74,674	42,186	32,488
Extraordinary expenditures	25,000	23,859	1,141
Total Human Services	13,950,880	13,876,511	74,369
Women's Commission:			
Salaries and wages	138,320	138,317	3
Other ordinary maintenance	9,860	9,859	1
Travel and training	1,000	995	5
Total Women's Commission	149,180	149,171	9

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human Rights Commission:			
Salaries and wages	\$ 155,575	155,572	3
Other ordinary maintenance	2,825	2,731	94
Travel and training	1,930	1,106	824
Total Human Rights Commission	<u>160,330</u>	<u>159,409</u>	<u>921</u>
Veterans Benefits:			
Salaries and wages	233,480	233,475	5
Other ordinary maintenance	49,300	43,591	5,709
Travel and training	230,800	213,069	17,731
Total Veterans Benefits	<u>513,580</u>	<u>490,135</u>	<u>23,445</u>
Total Human Resource Development	<u>19,957,115</u>	<u>19,848,202</u>	<u>108,913</u>
Education:			
Salaries and wages	83,091,860	83,083,575	8,285
Other ordinary maintenance	25,565,262	24,956,244	609,018
Travel and training	633,142	598,462	34,680
Extraordinary expenditures	1,131,610	1,127,425	4,185
Debt:			
Principal payments	5,868,000	5,868,000	—
Interest payments	1,423,648	1,423,648	—
Total Education	<u>117,713,522</u>	<u>117,057,354</u>	<u>656,168</u>
Judgments and Claims	<u>534,015</u>	<u>533,419</u>	<u>596</u>
Debt Retirement:			
Principal payments	16,192,014	16,192,014	—
Interest payments	5,270,802	5,242,504	28,298
Total Debt Retirement	<u>21,462,816</u>	<u>21,434,518</u>	<u>28,298</u>
State assessments:			
MBTA assessment	7,273,945	7,269,183	4,762
MWRA assessment	15,735,430	15,731,616	3,814
Other State assessments	4,653,992	4,116,718	537,274
Cambridge Public Health Commission	6,500,000	6,500,000	—
Total Intergovernmental	<u>34,163,367</u>	<u>33,617,517</u>	<u>545,850</u>
Total General Fund Expenditures	<u>\$ 328,253,420</u>	<u>324,253,641</u>	<u>3,999,779</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2004

OTHER GOVERNMENTAL FUNDS

Community Development Block Grant

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

School Grants

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

Fuel Assistance

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

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2004

		Special revenue							
		Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Assets									
Cash and short-term investments	\$	192,071	4,624,006	276,276	8,054,291	4,202,635	21,391,399	2,654,566	41,395,244
Restricted cash and investments		—	—	—	—	—	600,000	—	600,000
Accounts receivable		1,000,000	—	—	—	125,025	374,611	—	1,499,636
Accounts receivable-developer		—	—	—	—	—	2,412,375	—	2,412,375
Due from other governments		525,978	575,799	—	—	—	—	—	1,101,777
Total assets	\$	<u>1,718,049</u>	<u>5,199,805</u>	<u>276,276</u>	<u>8,054,291</u>	<u>4,327,660</u>	<u>24,778,385</u>	<u>2,654,566</u>	<u>47,009,032</u>
Liabilities and Fund Balances									
Warrants payable	\$	100,239	304,013	—	—	—	355,324	—	759,576
Accrued liabilities		—	—	—	—	—	65,838	—	65,838
Deferred revenue		—	—	—	—	125,025	—	—	125,025
Due to other funds		<u>1,617,810</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,617,810</u>
Total liabilities		<u>1,718,049</u>	<u>304,013</u>	<u>—</u>	<u>—</u>	<u>125,025</u>	<u>421,162</u>	<u>—</u>	<u>2,568,249</u>
Fund balances:									
Reserved for encumbrances		—	1,017,445	—	—	—	3,760,385	—	4,777,830
Reserved for specific purposes		—	—	—	—	2,146,000	600,000	2,654,566	5,400,566
Reserved for loans		—	—	—	—	—	2,412,375	—	2,412,375
Unreserved		<u>—</u>	<u>3,878,347</u>	<u>276,276</u>	<u>8,054,291</u>	<u>2,056,635</u>	<u>17,584,463</u>	<u>—</u>	<u>31,850,012</u>
Total fund balances		<u>—</u>	<u>4,895,792</u>	<u>276,276</u>	<u>8,054,291</u>	<u>4,202,635</u>	<u>24,357,223</u>	<u>2,654,566</u>	<u>44,440,783</u>
Total liabilities and fund balances	\$	<u>1,718,049</u>	<u>5,199,805</u>	<u>276,276</u>	<u>8,054,291</u>	<u>4,327,660</u>	<u>24,778,385</u>	<u>2,654,566</u>	<u>47,009,032</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity
Other Governmental Funds
Year ended June 30, 2004

	Special revenue							
	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 2,997,766	13,782,009	967,235	170,166	—	6,130,730	—	24,047,906
Investment income	—	12,290	1,957	192,807	—	244,468	26,864	478,386
Other:								
Permits	—	—	—	283,487	—	—	—	283,487
Fines	—	—	—	8,192,650	—	—	—	8,192,650
Charges for services	—	—	—	6,059,410	—	—	—	6,059,410
Miscellaneous	220,609	1,397,807	—	45,444	10,823,115	1,911,695	133,404	14,532,074
Total revenues	3,218,375	15,192,106	969,192	14,943,964	10,823,115	8,286,893	160,268	53,593,913
Expenditures:								
General government	—	—	—	—	—	20,893	73,826	94,719
Public safety	—	—	—	—	—	1,763,612	—	1,763,612
Community maintenance and development	991,194	—	—	—	—	6,347,607	—	7,338,801
Human services	681,603	—	—	—	—	4,842,775	—	5,524,378
Fuel assistance	—	—	939,009	—	—	—	—	939,009
Education	—	12,838,579	—	—	—	—	—	12,838,579
Total expenditures	1,672,797	12,838,579	939,009	—	—	12,974,887	73,826	28,499,098
Excess (deficiency) of revenues over expenditures	1,545,578	2,353,527	30,183	14,943,964	10,823,115	(4,687,994)	86,442	25,094,815
Other financing sources (uses):								
Transfers from other funds	—	—	—	—	—	8,480,000	38,696	8,518,696
Transfers to other funds	(1,545,578)	—	—	(14,155,141)	(10,614,000)	—	(83,696)	(26,398,415)
Excess of revenues over expenditures and transfers	—	2,353,527	30,183	788,823	209,115	3,792,006	41,442	7,215,096
Fund balances at beginning of year	—	2,542,265	246,093	7,265,468	3,993,520	20,565,217	2,613,124	37,225,687
Fund balances at end of year	\$ —	4,895,792	276,276	8,054,291	4,202,635	24,357,223	2,654,566	44,440,783

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2004

AGENCY FUNDS

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2004

Assets	Balance at June 30, 2003	Additions	Deductions	Balance at June 30, 2004
Contract Bids	\$ 105,665	8,400	50	114,015
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	1,042,944	209,787	1,232,978	19,753
Street Openings	74,584	—	—	74,584
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(710,114)	4,179,393	3,838,881	(369,602)
Cambridge Fire Detail	560,069	956,138	1,247,973	268,234
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,074	1,293	1,285	3,082
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	187,497	34,940	25,099	197,338
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	52,437	2,353	—	54,790
Accident and life Insurance	309,455	147,833	16,423	440,865
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	13,719	3,798	463	17,054
Retirement Office Payroll	96,743	305,209	286,398	115,554
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,003,963	195,214	—	1,199,177
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	28,891	8,883	—	37,774
Retroactive Wages	6	—	—	6
Land Court Fees	51,306	961	515	51,752
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	215	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	396,215	121	143	396,193
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	442	—	—	442
Police – Found Cash	8,715	—	4,703	4,012
Firearms Recordkeeping Fund	3,438	16,010	15,395	4,053
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(225,950)	—	19,147	(245,097)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 3,971,957	6,070,333	6,689,668	3,352,622

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2004

Liabilities	Balance at June 30, 2003	Additions	Deductions	Balance at June 30, 2004
Guarantee deposits and amounts due other:				
Contract Bids	\$ 105,665	8,400	50	114,015
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	1,042,944	209,787	1,232,978	19,753
Street Openings	74,584	—	—	74,584
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(710,114)	4,179,393	3,838,881	(369,602)
Cambridge Fire Detail	560,069	956,138	1,247,973	268,234
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,074	1,293	1,285	3,082
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	187,497	34,940	25,099	197,338
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	52,437	2,353	—	54,790
Accident and life Insurance	309,455	147,833	16,423	440,865
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	13,719	3,798	463	17,054
Retirement Office Payroll	96,743	305,209	286,398	115,554
New England Life	156,078	—	—	156,078
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,003,963	195,214	—	1,199,177
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	28,891	8,883	—	37,774
Retroactive Wages	6	—	—	6
Land Court Fees	51,306	961	515	51,752
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	215	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	396,215	121	143	396,193
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	442	—	—	442
Police – Found Cash	8,715	—	4,703	4,012
Firearms Recordkeeping Cash	3,438	16,010	15,395	4,053
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(225,950)	—	19,147	(245,097)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 3,971,957	6,070,333	6,689,668	3,352,622

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2004

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, 2004.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2004

	Uncollected June 30, 2003	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2004
Real estate taxes:								
1979 and prior	\$ 5,408	—	—	—	—	—	(28)	5,380
1980	—	—	—	—	—	—	—	—
1981	3,268	—	—	—	—	(420)	(1,831)	1,017
1982	3,416	—	—	—	—	(665)	(2,286)	465
1983	1,971	—	—	—	—	—	—	1,971
1984	17,256	—	—	—	—	—	(5,678)	11,578
1985	1,025	—	—	—	—	—	—	1,025
1987	376	—	—	—	—	—	(376)	—
1992	13,911	—	—	—	—	—	—	13,911
1993	3,013	—	—	—	—	—	(3,013)	—
1995	1	—	—	—	—	—	(1)	—
1996	6,771	—	(3,590)	—	113	—	(3,294)	—
1997	660	—	—	—	2,834	—	(2,834)	660
1998	5,457	—	—	—	6,342	(11,551)	2,888	3,136
1999	9,755	—	(236)	—	71,620	(48,791)	(30,152)	2,196
2000	9,358	—	(3,391)	—	63,553	(68,802)	4,333	5,051
2001	11,823	—	—	—	266,032	(274,025)	165	3,995
2002	13,029	—	(342,208)	—	669,187	(611,320)	(91,281)	(362,593)
2003	3,023,087	—	(1,101,436)	—	1,169,926	(2,445,278)	(298,940)	347,359
2004	—	201,614,824	(1,563,153)	—	889,682	(197,332,975)	32,284	3,640,662
Total real estate	3,129,585	201,614,824	(3,014,014)	—	3,139,289	(200,793,827)	(400,044)	3,675,813

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2004

	Uncollected June 30, 2003	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2004
Personal property taxes:								
1988	\$ 155,185	—	(155,185)	—	—	—	—	—
1989	125,187	—	(125,111)	—	—	—	(1)	75
1990	139,173	—	(139,171)	—	—	—	(1)	1
1991	120,046	—	(119,813)	—	—	—	(94)	139
1992	137,659	—	(137,386)	—	—	—	—	273
1993	141,864	—	(141,731)	—	—	(9)	—	124
1994	45,850	—	(45,648)	—	—	—	—	202
1995	65,720	—	(65,048)	—	—	—	—	672
1996	58,129	—	(54,974)	—	—	—	—	3,155
1997	63,360	—	(39,635)	—	—	(63)	(3,590)	20,072
1998	56,141	—	(46,611)	—	—	(224)	21,938	31,244
1999	69,518	—	(42,238)	—	—	(60)	(7)	27,213
2000	67,367	—	(36,724)	—	—	—	(1,257)	29,386
2001	107,881	—	(48,020)	—	—	(2,414)	1,527	58,974
2002	28,820	—	(9,719)	—	—	—	53,860	72,961
2003	305,402	—	—	—	—	—	(105,351)	200,051
2004	—	8,469,014	(218,057)	—	50,493	(6,638,586)	257	1,663,121
Total personal property	1,687,302	8,469,014	(1,425,071)	—	50,493	(6,641,356)	(32,719)	2,107,663
Tax deferrals	—	—	—	—	—	—	22,602	22,602
Property taxes	\$ 4,816,887	210,083,838	(4,439,085)	—	3,189,782	(207,435,183)	(410,161)	5,806,078

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2004

	Uncollected June 30, 2003	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2004
Motor vehicle excise taxes:								
1986	\$ 2,776	—	—	—	—	—	—	2,776
1987	153,028	—	(102)	—	—	(309)	(1)	152,616
1988	164,949	—	(176)	—	—	(443)	(96)	164,234
1989	195,761	—	(176)	—	—	(550)	(69)	194,966
1990	149,462	—	(184)	—	—	(520)	(71)	148,687
1991	153,465	—	(69)	—	—	(473)	2	152,925
1992	113,127	—	(29)	—	—	(463)	—	112,635
1993	100,663	—	(29)	—	—	(498)	—	100,136
1994	108,331	—	(99)	—	—	(835)	1	107,398
1995	117,034	—	(29)	—	—	(725)	—	116,280
1996	121,834	—	(53)	—	—	(1,128)	1	120,654
1997	133,249	—	(89)	—	—	(3,189)	2	129,973
1998	138,394	—	(106)	—	—	(3,321)	(1)	134,966
1999	154,543	—	(121)	—	199	(6,290)	(1)	148,330
2000	241,754	—	(1,036)	—	232	(45,282)	(63)	195,605
2001	377,180	—	(3,083)	—	199	(55,851)	341	318,786
2002	442,032	—	(10,738)	—	8,157	(136,368)	43,368	346,451
2003	530,800	1,283,183	(91,952)	—	77,253	(1,434,310)	14,092	379,066
2004	—	5,130,124	(88,288)	—	21,760	(4,343,347)	(1,582)	718,667
Total motor vehicle	\$ <u>3,398,382</u>	<u>6,413,307</u>	<u>(196,359)</u>	<u>—</u>	<u>107,800</u>	<u>(6,033,902)</u>	<u>55,923</u>	<u>3,745,151</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2004

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2003	Additions	Retired	Balance June 30, 2004
Inside debt limit:							
Senior Center/City Hall							
Renovations	4.75-5.75%	6/15/1996	6/15/2006	\$ 135,000	—	45,000	90,000
Emergency Communications	4.75-5.75%	6/15/1996	6/15/2006	990,000	—	330,000	660,000
Acquisition of computers	4.75-5.75%	6/15/1996	6/15/2006	180,000	—	60,000	120,000
Frisoli Youth Center	4.0-5.0%	6/15/1997	6/15/2007	1,440,000	—	360,000	1,080,000
Area 4 Youth Center Renovations	4.0-5.0%	6/15/1997	6/15/2007	80,000	—	20,000	60,000
Building Renovations	4.0-5.0%	6/15/1997	6/15/2007	200,000	—	50,000	150,000
Fiber Optics Network	4.0-5.0%	6/15/1997	6/15/2007	400,000	—	100,000	300,000
Frisoli Youth Center	4.3-5.0%	8/1/1998	8/1/2018	420,000	—	70,000	350,000
Personal Computer Acquisition	4.75%	11/1/1999	11/1/2004	900,000	—	450,000	450,000
Public Art	4.75-5.0%	11/1/1999	11/1/2009	35,000	—	5,000	30,000
City Hall Renovations	4.75-5.0%	11/1/1999	11/1/2009	350,000	—	50,000	300,000
Gately Center Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,000,000	—	250,000	1,750,000
City Hall Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,400,000	—	300,000	2,100,000
Open Space Improvements	3.75-4.3%	2/1/1994	2/1/2004	175,000	—	175,000	—
City Hall Renovations	5.5-5.9%	11/1/1994	11/1/2004	60,000	—	30,000	30,000
Senior Center Renovations	5.5-5.9%	11/1/1994	11/1/2004	770,000	—	385,000	385,000
Open Space Improvements	5.5-5.9%	11/1/1994	11/1/2004	50,000	—	25,000	25,000
Central Square Enhancements	4.0-5.0%	6/15/1997	6/15/2007	1,425,000	—	360,000	1,065,000
Yerxa Road Underpass	4.5-5.0%	12/1/2000	12/1/2010	1,520,000	—	190,000	1,330,000
Open Space Improvements	4.5-5.0%	12/1/2000	12/1/2010	3,600,000	—	450,000	3,150,000
MWPAT/Sewer Loan	3.75-4.3%	2/1/1994	2/1/2004	50,000	—	50,000	—
MWPAT/Sewer Loan	5.5-5.9%	11/1/1994	11/1/2004	100,000	—	50,000	50,000
MWPAT/Sewer Loan	2.35-5.5%	5/21/1993	8/1/2003	403,243	—	403,243	—
MWPAT/Sewer Loan	4.0-6.13%	5/1/1995	2/1/2005	1,582,548	—	771,410	811,138
MWPAT/Sewer Loan	4.25-5.75%	6/15/1996	6/15/2006	225,000	—	75,000	150,000
MWPAT/Sewer Loan	4.0-5.0%	6/15/1997	6/15/2007	200,000	—	50,000	150,000
MWPAT/Sewer Loan	4.0-5.0%	5/1/1997	2/1/2007	1,971,718	—	473,997	1,497,721
MWRA Loan	N/A	5/20/1999	5/20/2004	159,321	—	159,321	—
MWPAT/Sewer Loan	4.0-5.75%	10/6/1999	8/1/2009	316,104	—	42,326	273,778
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	1,690,595	—	195,389	1,495,206
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	968,964	—	111,971	856,993
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	201,579	—	23,286	178,293
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	6,900,726	—	797,566	6,103,160
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	3,145,168	—	363,509	2,781,659
MWPAT/Sewer Loan	4.5-5.0%	12/1/2000	12/1/2010	12,480,000	—	1,560,000	10,920,000
Hospital (Ambulatory Center)	4.5%	2/1/1998	2/1/2018	22,500,000	—	1,500,000	21,000,000
MWRA Loan	N/A	10/18/2001	10/18/2006	997,132	—	249,283	747,849
Improvements to War Memorial	3.5-5.0%	12/15/2001	12/15/2011	800,000	—	200,000	600,000
City Hall Renovations	3.5-5.0%	12/15/2001	12/15/2011	11,905,000	—	1,325,000	10,580,000
Sewer Loan	3.5-5.0%	12/15/2001	12/15/2011	9,660,000	—	1,015,000	8,645,000
Traffic Improvement	3.5-5.0%	12/15/2001	12/15/2011	1,125,000	—	125,000	1,000,000
MWRA Loan	N/A	9/5/2002	8/15/2007	378,565	—	75,713	302,852
Sewer Renovations	2.25-4.00%	1/15/2003	1/15/2013	13,260,000	—	1,325,000	11,935,000
Fire Station Renovations	2.25-4.00%	1/15/2003	1/15/2013	4,875,000	—	490,000	4,385,000
Building Renovations	2.25-4.00%	1/15/2003	1/15/2013	950,000	—	95,000	855,000
City Hall Anex Renovations	2.25-4.00%	1/15/2003	1/15/2013	1,950,000	—	195,000	1,755,000
Street Reconstruction	2.25-4.00%	1/15/2003	1/15/2013	6,040,000	—	605,000	5,435,000
Golf Course Improvements	2.25-4.00%	1/15/2003	1/15/2013	850,000	—	85,000	765,000
Open Space Improvements	2.25-4.00%	1/15/2003	1/15/2013	250,000	—	25,000	225,000
Harvard Square Enhancements	2.25-4.00%	1/15/2003	1/15/2013	500,000	—	50,000	450,000
Fiber Optic Network							
Infrastructure	2.5-3.3%	1/15/2004	1/1/2014	—	350,000	—	350,000
Fire Station Renovations	2.5-3.3%	1/15/2004	1/1/2014	—	155,000	—	155,000
War Memorial Renovations	2.5-3.3%	1/15/2004	1/1/2014	—	1,200,000	—	1,200,000
Building Renovations	2.5-3.3%	1/15/2004	1/1/2014	—	540,000	—	540,000
Library Construction	2.5-4.25%	1/15/2004	1/1/2014	—	8,650,000	—	8,650,000
Russell Donnelly Field							
Improvements	2.5-3.3%	1/15/2004	1/1/2014	—	9,100,000	—	9,100,000
Yerxa Road Underpass							
Construction	2.5-3.3%	1/15/2004	1/1/2014	—	1,250,000	—	1,250,000
Cambridge Street Improvements	2.5-3.3%	1/15/2004	1/1/2014	—	1,500,000	—	1,500,000
Sewer Reconstruction	2.5-3.3%	1/15/2004	1/1/2014	—	9,420,000	—	9,420,000
MWRA Loan	N/A	2/26/2004	2/26/2009	—	595,980	—	595,980
Total inside debt limit				<u>123,565,663</u>	<u>32,760,980</u>	<u>16,192,014</u>	<u>140,134,629</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2004

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2003	Additions	Retired	Balance June 30, 2004
Outside debt limit:							
School:							
Elementary school construction	3.75-4.3%	2/1/1994	2/1/2004	\$ 1,055,000	—	1,055,000	—
Elementary school construction	5.5-5.9%	11/1/1994	11/1/2004	2,646,000	—	1,323,000	1,323,000
Elementary school construction	4.75-5.75%	6/15/1996	6/15/2006	725,000	—	245,000	480,000
Elementary school construction	4.5%	2/1/1998	2/1/2008	6,000,000	—	1,200,000	4,800,000
Elementary school renovation-Fitz	4.75-5.0%	11/1/1999	11/1/2009	10,095,000	—	1,445,000	8,650,000
Elementary school renovation-Morse	4.75-5.0%	11/1/1999	11/1/2009	490,000	—	70,000	420,000
Elementary school renovations	4.5-5.0%	12/1/2000	12/1/2010	4,240,000	—	530,000	3,710,000
Total school				<u>25,251,000</u>	<u>—</u>	<u>5,868,000</u>	<u>19,383,000</u>
Water:							
Treatment Plant Renovations	3.75-4.3%	2/1/1994	2/1/2004	55,000	—	55,000	—
Water Plant Equipment	5.5-5.9%	11/1/1994	11/1/2004	174,000	—	87,000	87,000
Water Main Replacements	5.5-5.9%	11/1/1994	11/1/2004	200,000	—	100,000	100,000
Water Main Replacements	4.25-5.75%	6/15/1996	6/15/2006	900,000	—	300,000	600,000
New Water Treatment Plant	4.3-5.0%	8/1/1998	8/1/2018	32,000,000	—	2,000,000	30,000,000
MWPAT/Water Loan	4.0-5.75%	10/6/1999	8/1/2009	8,700,533	—	1,152,002	7,548,531
Construction/Water Treatment Plant	4.75-5.75%	11/1/1999	11/1/2019	8,500,000	—	500,000	8,000,000
MWPAT/Water Loan	4.25-5.63%	11/1/2000	11/1/2010	10,384,762	—	1,175,780	9,208,982
Construction/Stoney Brook Automated Meter Reading System	3.5-5.0%	12/15/2001	12/15/2011	5,875,000	—	600,000	5,275,000
	2.5-3.3%	1/15/2004	1/1/2014	—	3,000,000	—	3,000,000
Total water				<u>66,789,295</u>	<u>3,000,000</u>	<u>5,969,782</u>	<u>63,819,513</u>
HUD Sec 108 Notes	7.71-9.03%	2/1/1995	8/1/2014	405,000	—	10,000	395,000
School Equipment Notes	6.85%	6/15/1998	10/15/2008	2,000,516	—	335,956	1,664,560
Housing Trust Fund: Note payable	2.00%	4/15/2000	4/15/2021	6,000,000	—	—	6,000,000
Total outside debt limit				<u>100,445,811</u>	<u>3,000,000</u>	<u>12,183,738</u>	<u>91,262,073</u>
Total debt outstanding				<u>\$ 224,011,474</u>	<u>35,760,980</u>	<u>28,375,752</u>	<u>231,396,702</u>

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Statistical Section

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2004

STATISTICAL SECTION

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

CITY OF CAMBRIDGE, MASSACHUSETTS
General Governmental Expenditures by Function – Budgetary Basis (1)
Last Ten Fiscal Years

Fiscal year	General government, inter-governmental and judgments and claims	Public safety	Community maintenance and development	Health, hospital, and Neville Manor	Human resource development	Education	Water	Debt service	Total
1995	\$ 38,463,753	53,707,656	19,711,035	84,112,435	9,909,005	81,351,321	7,517,510	6,091,530	300,864,245
1996	38,707,201	54,986,388	20,317,721	10,896,015	10,713,945	85,952,725	—	7,486,944	229,060,939
1997	46,441,468	56,250,701	21,544,794	—	11,912,355	86,933,392	—	9,908,476	232,991,186
1998	47,913,478	61,549,659	19,925,112	—	12,984,351	89,886,002	—	10,296,287	242,554,889
1999	50,685,628	62,625,823	21,433,013	—	13,478,195	94,377,533	—	12,648,513	255,248,705
2000	51,522,351	67,003,685	23,387,335	—	15,720,011	101,032,870	—	11,499,738	270,165,990
2001	52,394,957	66,713,078	23,832,988	—	16,655,361	105,521,654	—	11,366,687	276,484,725
2002	55,745,479	70,409,269	26,039,634	—	18,257,711	112,573,192	—	16,388,633	299,413,918
2003	57,043,519	72,909,499	27,625,956	—	19,519,291	117,137,186	—	19,070,898	313,306,349
2004	63,997,544	73,785,582	28,130,441	—	19,848,202	117,057,354	—	21,434,518	324,253,641

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

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

(In thousands)

<u>Fiscal year</u>	<u>General government</u>	<u>Public safety</u>	<u>Community maintenance and development</u>	<u>Health</u>	<u>Human resource development</u>	<u>Education</u>	<u>Fuel assistance</u>	<u>Judgments and claims</u>	<u>State assessments</u>	<u>Other</u>	<u>Debt service</u>	<u>Total</u>
1995	\$ 18,219	53,814	18,090	1,413	9,439	81,368	1,072	11	19,752	5,380	6,085	214,643
1996	17,842	55,362	19,229	— (2)	10,153	85,836	837	846	21,067	5,369	7,383	223,924
1997	16,719	55,931	19,076	— (2)	11,169	85,514	744	936	20,660	4,350	9,884	224,983
1998	17,475	62,070	19,328	— (2)	12,343	90,481	650	537	20,826	4,268	10,280	238,258
1999	21,752	61,995	19,379	— (2)	12,602	93,371	614	1,000	21,223	—	12,683	244,619
2000	18,032	66,443	21,582	— (2)	14,699	100,200	907	2,479	21,407	—	11,492	257,241
2001	22,544	66,776	24,592	— (2)	15,970	105,324	1,308	709	21,107	—	11,369	269,699
2002	26,805	70,387	24,172	— (2)	17,531	112,961	964	205	28,019	—	16,387	297,431
2003	20,820	72,870	26,957	— (2)	19,056	117,721	1,135	156	29,698	—	19,069	307,482
2004	23,987	74,324	27,019	— (2)	19,127	114,519	939	533	33,618	—	21,427	315,493

(1) Includes General and selected Special Revenue Funds.

(2) Included in Enterprise Fund for fiscal year 1996 and Cambridge Public Health Commission in 1997 through 2004.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Revenues by Source – Budgetary Basis (1)

Last Ten Fiscal Years

Fiscal year		Taxes (2)	Licenses and permits	Inter-governmental revenue	Charges for service	Fines and forfeits (3)	Miscellaneous revenue	Total revenues
1995	\$	149,853,977	3,894,207	35,154,075	116,806,361	7,463,198	18,744,229	331,916,047
1996		150,282,907	4,019,555	35,464,750	21,976,741	7,270,904	7,558,188	226,573,045
1997		154,534,476	6,094,715	36,420,810	21,908,242	7,336,024	9,739,440	236,033,707
1998		160,453,362	6,738,798	37,207,164	22,688,087	7,281,070	8,714,293	243,082,774
1999		167,834,981	6,233,681	41,403,415	22,940,870	7,317,736	13,960,295	259,690,978
2000		174,987,441	10,201,219	39,820,586	20,716,194	7,316,708	12,477,812	265,519,960
2001		190,574,030	11,731,007	47,022,550	20,563,466	8,943,462	13,357,728	292,192,243
2002		199,245,566	7,200,524	46,822,454	23,836,866	8,538,450	11,304,914	296,948,774
2003		208,652,274	12,386,635	42,690,197	27,061,324	8,171,791	10,860,234	309,822,455
2004		221,802,920	7,789,553	42,601,103	26,546,224	8,732,360	10,017,878	317,490,038

- (1) Includes General, Hospital, Neville Manor, and Water Funds for fiscal years 1994 through 1995 and the General Fund for fiscal years 1996 through 2001.
- (2) Includes property taxes, net of abatements, hotel/motel and motor vehicle excise taxes, and payments in lieu of taxes.
- (3) Includes parking fines reported in the Special Revenue Fund as follows: \$6,855,815 in 1995, \$6,620,432 in 1996, \$6,722,343 in 1997, \$6,643,771 in 1998, \$6,714,453 in 1999, \$6,620,191 in 2000, \$7,288,425 in 2001, \$8,002,287 in 2002, \$8,071,817 in 2003, and \$8,192,650 in 2004 .

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Fiscal year	Net tax (2) levy	Current tax (3) collections	Percent of net levy collected	Prior year tax collections (refunds) (4)	Total tax collections	Total collections as a % of net levy	Outstanding and/or delinquent taxes (5)	Outstanding delinquent taxes as a % of net levy
1995	\$ 140,195,748	139,981,553	100%	1,478,539	141,460,092	101%	5,179,797	4%
1996	140,191,464	139,860,593	100	(1,618,909)	138,241,684	99	4,447,397	3
1997	143,820,000	143,985,981	100	(6,610,010)	137,375,971	96	4,531,992	3
1998	150,053,550	150,900,173	101	(392,618)	150,507,555	100	4,451,252	3
1999	154,749,999	155,715,163	101	173,390	155,888,553	101	3,799,562	2
2000	159,750,000	161,042,071	101	533,202	161,575,273	101	4,424,002	3
2001	174,311,575	173,621,734	100	190,578	173,812,312	100	5,403,720	3
2002	183,678,342	182,954,775	100	2,083,030	185,037,805	101	6,095,610	3
2003	193,746,192	192,373,785	99	2,641,375	195,015,160	101	4,816,887	2
2004	205,100,000	203,921,561	99	663,015	204,584,576	100	5,326,385	3

(1) Real and personal property taxes.

(2) Total tax levy less overlay reserve for abatements.

(3) Current tax collections reflect the amount of a fiscal year's tax levy collected during the fiscal year, net of related refunds.

(4) Prior year tax collections for any fiscal year exclude interest and penalties, and relate to collections in the current year that relate to prior year levies, net of refunds.

(5) Outstanding and/or delinquent taxes exclude accrued interest and penalties.

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Equalized Valuation of Taxable Property

Last Ten Fiscal Years

Fiscal year	Real property	Personal property	Total assessed value (1)	Equalized valuation (2)	% of total assessed value to equalized
1995	\$ 6,533,446,242	221,500,000	6,754,946,242	7,508,093,800	90
1996	6,782,990,307	227,040,000	7,010,030,307	7,508,093,800	93
1997	7,006,073,437	236,051,000	7,242,124,437	7,593,801,600	95
1998	7,254,711,431	248,991,150	7,503,702,581	7,593,801,600	99
1999	9,286,634,355	256,202,460	9,542,836,815	8,505,892,500	112
2000	10,763,157,000	274,785,030	11,037,942,030	8,505,892,500	130
2001	12,410,137,200	293,000,330	12,703,137,530	12,681,060,300	100
2002	16,531,950,616	305,136,510	16,837,087,126	12,681,060,300	133
2003	17,382,808,566	367,927,030	17,750,735,596	18,243,245,900	97
2004	18,782,704,000	443,868,680	19,226,572,680	18,243,245,900	105

(1) As of January 1st.

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates (1)

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
1995	\$	14.17	34.86	34.86	25.00
1996		13.32	34.89	34.89	25.00
1997		13.02	35.78	35.78	25.00
1998		13.43	35.98	35.78	25.00
1999		11.05	27.25	27.25	25.00
2000		9.64	25.16	25.16	25.00
2001		9.21	23.39	23.39	25.00
2002		7.22	18.81	18.81	25.00
2003		7.26	18.67	18.67	25.00
2004		7.63	19.08	19.08	25.00

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

Fiscal year	Population (1)	Assessed value	Net bonded debt (2)	Ratio of net bonded debt to assessed valuation	Net bonded debt per capita
1995	99,890	\$ 6,754,946,242	77,407,264	1.1%	775
1996	99,890	7,010,030,307	80,567,165	1.1	807
1997	99,890	7,242,124,437	79,134,995	1.1	792
1998	93,793	7,503,702,581	106,181,111	1.4	1,132
1999	93,793	9,542,836,815	132,517,560	1.4	1,413
2000	102,202	11,037,942,030	156,852,807	1.4	1,535
2001	101,355	12,703,137,530	201,254,166	1.6	1,986
2002	101,355	16,837,087,126	212,729,858	1.3	2,098
2003	101,355	17,750,735,596	215,605,958	1.2	2,127
2004	101,355	19,226,572,680	223,337,142	1.2	2,204

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

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Last Ten Fiscal Years

Fiscal year		Principal (1)	Interest (1)	Total debt service (2)	Total expenditures (3)	Ratio of debt service to total expenditures
1995	\$	10,706,980	3,500,789	14,207,769	300,864,245	4.7
1996		13,130,099	4,005,353	17,135,452	229,060,939	7.5
1997		15,955,828	4,160,269	20,116,097	224,394,170	9.0
1998		13,963,884	3,932,297	17,896,181	233,957,889	7.6
1999		15,165,156	5,948,723	21,113,879	246,651,705	8.6
2000		16,064,380	7,100,178	23,164,558	261,568,990	8.9
2001		17,829,926	8,384,966	26,214,892	268,886,725	9.7
2002		22,510,723	9,281,559	31,792,282	299,413,918	10.6
2003		25,825,664	9,550,789	35,376,453	313,306,349	11.3
2004		28,039,796	9,223,497	37,263,293	324,433,265	11.5

- (1) Includes principal and interest on all general obligation notes and bonds outstanding, including bonds payable reported in the Enterprise Fund.
- (2) Does not include debt service on short-term borrowing, such as revenue anticipation notes, which are retired during the fiscal year.
- (3) Includes all categories of operating expenditures for 1995 and General Fund budgetary expenditures from 1996 to 2004.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Legal Debt Margin

June 30, 2004

Fiscal year 2004 equalized valuation (1)	\$ 18,243,245,900
Normal debt limit (5% of equalized valuation)	912,162,295
Amount of debt applicable to debt limit:	
Total bonded debt	223,337,142
Total authorized/unissued	173,824,370
Less:	
General obligation bonds exempted by authority of the state legislature	83,202,513
Amount within debt limit	313,958,999
Legal debt margin	\$ 598,203,296

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Direct and Overlapping Debt

June 30, 2004

Name of unit	Direct debt (1)	Outstanding overlapping debt	Percentage applicable to City of Cambridge	Total City of Cambridge direct and overlapping debt
City of Cambridge	\$ 223,337,142	—	100.00%	\$ 223,337,142
Massachusetts Water Resources Authority	—	3,550,263,000	4.86	172,491,253
Total direct and overlapping debt	\$ <u>223,337,142</u>	<u>3,550,263,000</u>		\$ <u>395,828,395</u>

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

(Dollars in thousands)

Fiscal year	Real property assessed value		Building permits issued (1)	Construction value		% Distribution (1)		Bank deposits (2)
						Residential	Commercial	
1995	\$	6,533,446	1,749	\$	162,757	22	78	2,202,852
1996		6,782,990	1,664		185,205	33	67	2,267,170
1997		7,006,073	1,995		388,057	25	75	1,949,015
1998		7,254,711	2,460		430,160	38	62	2,452,040
1999		9,286,634	2,572		321,835	31	69	2,595,209
2000		10,763,157	2,135		720,647	29	71	2,685,395
2001		12,410,137	1,946		825,696	28	72	2,946,832
2002		16,531,951	1,878		462,909	26	74	3,225,932
2003		17,382,809	1,948		844,863	33	67	3,498,380
2004		18,782,704	1,922		412,337	40	60	3,808,517

(1) Source: Inspection Services Department.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Taxpayers (1)

June 30, 2004

Name	Nature of business	Assessed valuation	Amount of tax	% of total tax levy
Mass. Institute of Technology	Educational	\$ 1,221,886,000	22,209,847 (1)	10.60%
Boston Properties	Commercial	374,520,900	7,145,859	3.41
Lyme Properties	Commercial	303,850,700	5,703,775	2.72
Equity Partners	Commercial	221,228,500	4,221,040	2.01
One Kendall LLC	Commercial	198,930,100	3,768,474	1.80
Riverfront LLC	Commercial	191,337,400	3,665,718	1.75
Presidents & Fellows of Harvard College	Educational	260,220,900	3,127,956 (2)	1.49
The Bullfinch Company	Commercial	149,250,600	2,847,701	1.36
New England Development	Commercial	142,429,600	2,717,557	1.30
GE Capital Investments Advisors	Commercial	114,271,000	2,180,291	1.04
Totals		\$ 3,177,925,700	57,588,218	27.48%

(1) As of January 1, 2003.

(2) Excludes in lieu payments on exempt property.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Salaries of Principal Officials

June 30, 2004

City Council:	
Chairman (Mayor)	\$ 86,414
Members	57,867
City Clerk	86,779
City Auditor	86,779
Executive:	
City Manager	192,247
Deputy City Manager	157,712
Assistant City Manager/Fiscal Affairs	119,640
Assistant City Manager/Community Development	119,640
Assistant City Manager/Human Services	119,640
Budget Director	99,910
Personnel Director	102,457
Director of Assessment	94,479
City Solicitor	107,532
Commissioner of Public Works	104,053
Commissioner of Inspectional Services	94,931
Superintendent of Schools	175,000
Police Commissioner	151,292
Fire Chief	141,494
Director of Libraries/Communications	94,931

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

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

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

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

(3) Source: Massachusetts Division of Labor and Industries

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2004

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

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