



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2006 – June 30, 2007

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year
July 1, 2006 through June 30, 2007

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:

Yerxa Road Underpass

The cover features a photo of the recently completed Yerxa Road Underpass in North Cambridge. The underpass between Walden Square Road and Yerxa Road provides a safe, direct route beneath the commuter rail in North Cambridge. After extensive renovation, it reopened to pedestrians and cyclists in November 2006. Located behind the Peabody School and Rindge Field, the underpass allows easy access connecting numerous community facilities on the north side of the tracks and the residential areas on the south side. The underpass is fully accessible, well lit and welcoming, with extensive landscaping and public art.

This project is an example of the City supporting the City Council Goals of “Fostering Community and Supporting Neighborhood Vitality” and “Providing High-Quality Services” as well as improving public safety and accessibility for our citizens.

Artist Randal Thurston created the artwork for the entrance ramps, portals and interior walls. The public art greatly enhances the experience of walking and biking through the underpass. His work was funded through Cambridge’s “1% for the Arts” Program, which commissions public art. The butterflies featured on the cover are the graphics from the tiles inside the underpass.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
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Introductory Section



City of Cambridge

FINANCE DEPARTMENT

LOUIS DePASQUALE

Assistant City Manager/Finance

December 28, 2007

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, 2007 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the general fund, capital projects fund, and other governmental funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government-wide basis as shown on pages 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

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

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

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

Collateralized Deposits

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

The Reporting Entity

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

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

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2006 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 28, 2007

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, 2007. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The CAFR is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City. Readers are further encouraged to consider this information in conjunction with the information that is supplied in the Management's Discussion and Analysis (MD&A) section of the City's basic financial statements.

Fiscal 2007 Year in Review: Major Initiatives/Highlights

During fiscal year 2007, the City continued the gains made in previous fiscal years. The general fund balance totaled \$152.7 million at year end, an increase of \$15.9 million (11.7%) over fiscal year 2006, and the largest in the City's history. The general fund increase allowed the City to increase its general fund reserves for the health claims trust (\$1.6 million increase), city stabilization fund (\$6.6 million increase), school stabilization fund (\$2.6 million increase). The parking fund which is included with other governmental funds increased \$1.0 million in 2007.

Real property assessed valuations increased from \$21.8 billion in fiscal year 2006 to \$22.2 billion in fiscal year 2007, a \$0.4 billion or 1.47% increase. The commercial sector realized a 1.3% gain in assessed value, \$92 million from fiscal year 2006. The residential sector assessed values increased by \$174 million, a 1.2% increase from fiscal year 2006. Also, in fiscal 2007, the City's property tax levy limit grew to \$305 million from \$288 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$73.7 million in fiscal year 2007, an increase of \$8.6 million, or 13.2%, from fiscal year 2006.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2007 are as follows:

- In conjunction with the City's February 2007 bond sale, the three major credit rating agencies confirmed their highest rating available to cities, Fitch Ratings noted its superior 'AAA' credit rating was based on the "City of Cambridge's diversified economy with a sizable tax base, stable employment base, exceptional financial management, low debt levels, and manageable capital needs. Moody's Investors Services assignment of its highest quality long-term rating noted that "Cambridge continues to maintain a robust financial position given a prudent fiscal strategy and policies implemented by a strong management team, steady revenue streams generated by its substantial and economically vibrant tax base, and a notable degree of flexibility to address future budgetary challenges." Standard and Poor's Rating Services assigned its 'AAA' rating, which "reflects the City's continued strong financial position; dynamic local economy, continued city-wide economic redevelopment; high wealth and income factors, including a high market value per capita; strong and experienced management team that uses detailed modeling to forecast revenue and capital trends; low debt burden and favorable capital plan."

- In February 2007, the City issued \$32,175,000 in general obligation bonds to finance a wide range of projects including the library, the West Cambridge youth and community center, Public Safety Facility, sewer and street reconstruction projects, open space enhancements, City Hall and other building improvements. The true interest cost of this issue was 3.91%.
- In March 2007, the City conducted its first refinancing of three existing general obligation bonds (\$35.7 million), originally issued between February 1998 and November 1999 for 20 year terms at the interest costs ranging 4.43% to 5.28%, to a lower rate of 3.65% to 3.68%, due to favorable market opportunities. The expected savings over the remaining 10 years of these issues is \$1.975 million.
- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA) which allows the City to impose a surcharge of 3% on real estate taxes. The amount appropriated or reserved in FY07 was \$12.5 million and the City continued a recommended policy to allocate funds as follows: 80% to affordable housing, 10% to historic preservation and 10% to open space. During fiscal year 2007, the CPA tax raised \$6.1 million from local revenues with the State contributing matching funds of \$5.9 million. Through fiscal year 2007, the City appropriated or reserved \$59.6 million in CPA funds with approximately \$25.1 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- Established an Other Post-Employment Benefit (OPEB) Steering Committee to oversee the City's first actuarial study, make decisions regarding economic assumptions, actuarial costs assumptions and amortization methods. The Committee would analyze the actuarial report and provide possible funding recommendations to the City Manager.
- Adoption by the City Council of formal Debt Management, Investment and Reserve Policies in May 2007 as part of the FY08 Adopted Budget.
- As a result of continued strong fiscal management, the property tax levy for FY07 increased by only 3.96% when the City Council adopted the City Manager's property tax and classification recommendations in September 2006, which followed a 0% increase in FY06. This was the lowest percentage increase since FY 2000, excluding FY06. The FY07 Budget adopted in May 2006, reflected a 3.9% increase over the FY06 adjusted budget and called for a 5.5% increase in the property tax levy. However, the City was able to use additional non-property tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 3.96% increase. In FY07, the continued strong commercial market, coupled with the slow-down in residential property value increases, resulted in the property tax burden shifting back to the commercial taxpayers from residential taxpayers for the second year in a row. As a result, 65% of the residential taxpayers received a property tax bill that was lower, the same, or only slightly higher (less than a \$100) than the previous year.
- The continued implementation of a comprehensive investment policy to maximize the increase in interest rates was the primary factor in the increase of investment earnings from \$9.7 million in fiscal year 2006 to \$14.4 million in fiscal year 2007.
- The City's fiscal year free cash position of \$73.8 million was the 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 20 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 2007 with a total general fund balance of \$152.7 million, which represents 40.7% of general fund revenues, an increase from 38.5% in fiscal year 2006. In fiscal year 2007, operations produced a \$10.4 million surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$17.8 million was held as reserve accounts in fiscal year 2007, leaving an unreserved fund balance of \$134.9 million. General fund cash and short-term investments totaled \$175.5 million, while the balance of cash and short-term investments for all funds totaled \$349.6 million, which is a \$37.9 million, or 12.2 % increase from fiscal year 2006.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 2000 through 2007.

	Unreserved general fund balance
Fiscal year:	
2000	\$ 25,154,076
2001	31,879,786
2002 (1)	69,586,739
2003	85,286,219
2004	90,479,144
2005	100,050,320
2006	120,245,450
2007	134,869,147

- (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.

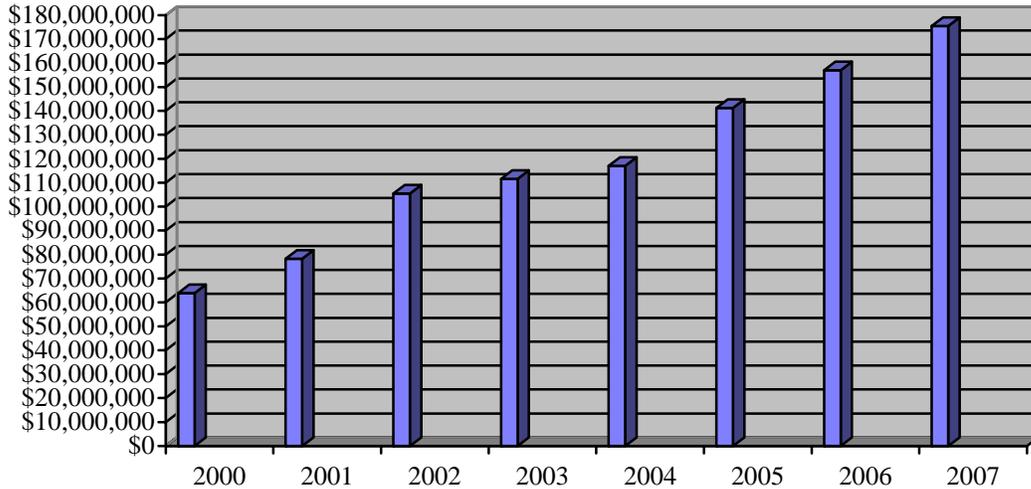
Cash Position

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

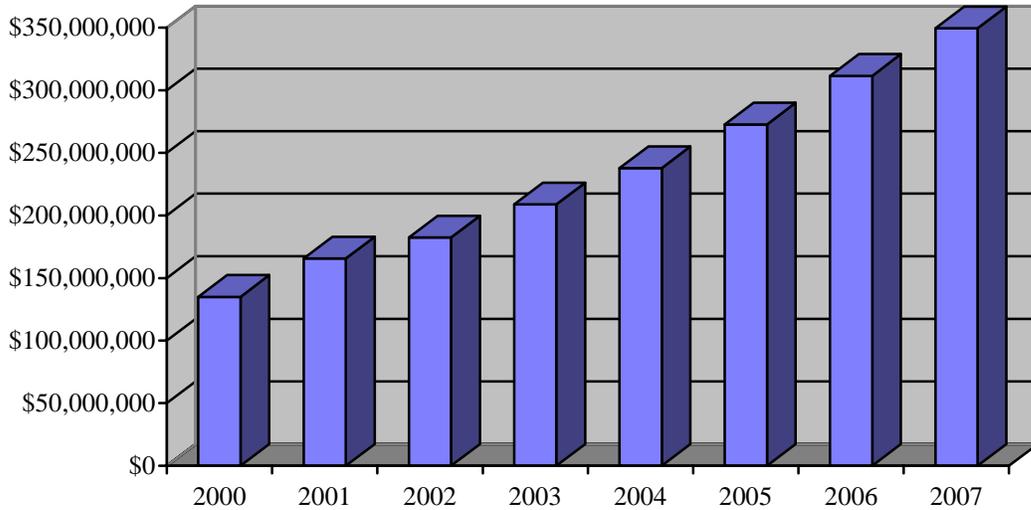
Fiscal year:	<u>Year-end general fund cash and short-term investments</u>	<u>Year-end all funds cash and short-term investments</u>
2000	\$ 63,837,512	134,939,537
2001	78,235,106	165,618,341
2002 (1)	105,531,056	182,379,699
2003	111,601,721	208,777,005
2004	117,007,650	237,761,490
2005	141,163,873	272,770,097
2006	157,015,287	311,599,017
2007	175,514,111	349,547,200

- (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 2008 through fiscal year 2012, which was approved by the City Council in May 2007, has an estimated cost of \$180,820,340. Financing for the fiscal year 2008 portion of the capital plan was appropriated with the adoption of the fiscal year 2008 operating budget in May 2007.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. The City’s outstanding bonded debt as of June 30, 2007 totaled \$279.2 million.

	Key debt ratios							
	2007	2006	2005	2004	2003	2002	2001	2000
Ratio of bonded debt to assessed value	1.3%	1.3%	1.3%	1.2%	1.2%	1.3%	1.6%	1.4%
Bonded debt per capita	\$ 2,755	2,781	2,721	2,204	2,127	2,099	1,986	1,548
Ratio of bonded debt per capita to per capita income	8.8%	8.9%	8.7%	7.1%	6.8%	6.8%	10.0%	7.7%
Ratio of debt service to total noncapital expenditures	9.3%	8.5%	8.5%	8.4%	8.0%	7.6%	6.3%	5.7%

Property Valuations

Based on valuations of all real and personal property as of January 1, 2006, the total value of all property in the City is \$22.2 billion. Of that total, \$767.1 million is attributable to new construction. The table below compares fiscal year 2007 property valuations and tax rates to fiscal year 2006 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2007	FY 2006	FY 2007	FY 2006
	(In millions)			
Commercial/industrial	\$ 7,372	7,280	18.30	17.86
Personal property	659	605	18.30	17.86
Residential	14,136	13,962	7.48	7.38
Total value	\$ 22,167	21,847		

Permanent Trust Fund

The City’s permanent trust fund has a total fund balance of \$3,065,858 at June 30, 2007 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, and providing dental hygiene for school-age children.

Pension Liability

As of January 1, 2006, the City’s unfunded actuarial accrued liability is approximately \$108.3 million. In January 1991, the City established a State-approved funding schedule that will eliminate the City’s unfunded actuarial liabilities by June 30, 2015.

Risk Management

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

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

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

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, 2007 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, 2006.

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

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

Economic Condition

The City continues to experience strong economic activity as evidenced by a September 2006 unemployment rate of 3.2% that is lower than the Boston PMSA, the Commonwealth of Massachusetts, and the United States. Cambridge continues to be a net importer of jobs within the region. In fiscal year 2006, the City's employment ratio was 104 jobs per 100 residents. Per capita personal income (PCPI) in the Cambridge metropolitan division is 50.5% higher than the PCPI for the USA, 19.2% higher than the State and 10% higher than Boston. Higher Education and Biotechnology continue to be important employment sectors for the City. Harvard University and the Massachusetts Institute of Technology, who employ approximately 17% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge. In addition, seven of the top 25 employers fall into the Biotechnology sector which employs approximately 7,400 individuals.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community.

There continue to be many reasons to be optimistic about the fiscal future of Cambridge. 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 2007. 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 and judicious use of reserve funds. These factors will enable Cambridge to maintain its high level of municipal services and remain fiscally strong while meeting the needs of our infrastructure that will benefit our citizens for decades to come.

One of the major issues facing the City is the reporting of the "Other Post-Employment Benefits" (OPEB) liability. The City has contracted The Segal Group, Inc. to perform an actuarial study to determine the unfunded liability. The OPEB steering committee made a recommendation to the City Manager in December 2007 to use the Project Unit Credit Method (PUC) with a 5% discount rate and a 4.5% increasing payment schedule. This resulted in an unfunded Actuarial Accrued Liability (UAAL) of approximately \$602,700,000 (on a pay-as-you-go basis) with Annual Required Contributions (ARC) of approximately \$37,486,000 with fiscal year 2008 pay-as-you-go expenditures projected at \$16.3 million. The City Manager has accepted these recommendations. The Steering Committee will be working on possible funding recommendations during fiscal year 2008 in conjunction with the Commonwealth's possible enactment of legislation that will provide a statutory vehicle to establish an irrevocable trust.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to thank the members of the City Council for their concern and support in planning and constructing the financial operations of the City in a responsible and progressive manner.

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

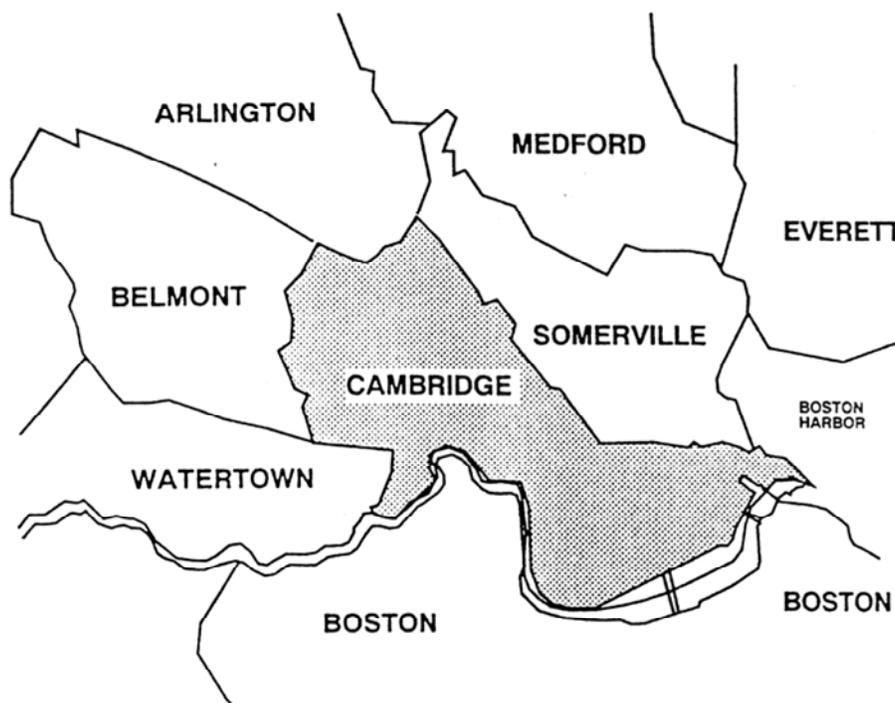
Finally, I would like to thank the City's delegation to the State Legislature, who has continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

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

Robert W. Healy
City Manager

A Few Words About Cambridge



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

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

The City Manager is the chief administrative officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 34 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires September 30, 2009.

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

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

Fiscal Year 2007
Directory of Officials
City Council

Kenneth E. Reeves, Mayor

Timothy J. Toomey, Jr., Vice Mayor	Craig A. Kelley
Henrietta Davis	Brian Murphy
Marjorie C. Decker	E. Denise Simmons
Anthony D. Galluccio	Michael A. Sullivan

School Committee

Kenneth E. Reeves, Chair

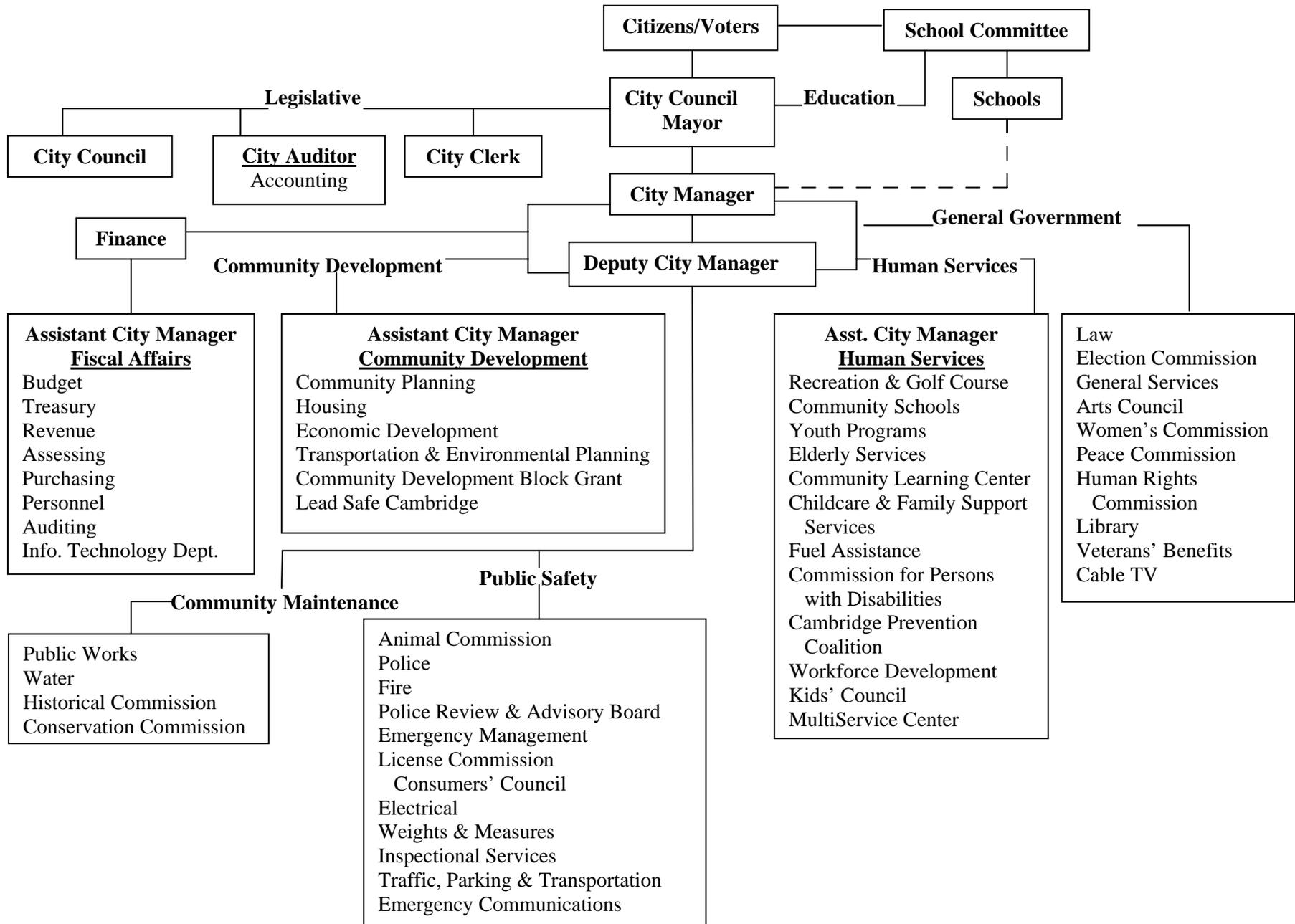
Alfred B. Fantini	Patricia M. Nolan
Joseph G. Grassi	Luc Schuster
Richard Harding, Jr.	Nancy Walser

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

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President



Executive Director

Financial Section



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 507 8321
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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for that entity, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis, the schedules of funding progress and employers' contributions, and the schedule of revenues and expenditures – budgetary basis as listed in the accompanying table of contents are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

December 28, 2007

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Management of the City of Cambridge (the City) provides this Management's Discussion and Analysis as part of the City's Comprehensive Annual Financial Report (CAFR) to assist readers of the basic financial statements in understanding the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which follow this section.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the City's general fund – the only fund for which an annual budget is legally adopted. The budgetary comparison also includes a reconciliation of revenues and expenditures reported on the City's budgetary basis of accounting and the revenues and expenditures reported on a GAAP basis. Also included is historical trend information for the Cambridge Retirement System which includes the schedule of funding progress, schedule of employers' 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, 2007 by \$690.4 million (presented as net assets). Of this amount, \$237.0 million was reported as

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

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(Unaudited)

“unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the City’s ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$448.0 million indicating the amount of capital debt does not exceed the net book value of the City’s capital assets. Since most of the City’s debt has a ten-year life, a considerable amount of the City’s capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Included within the governmental activities current and other assets are cash and investments of \$322.9 million up 13.1% over prior year; net receivables of \$38.3 million; and \$16.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$240.4 million in general obligation bonds and notes payable; \$17.3 million in compensated absence liabilities for unused sick and vacation; \$5.9 million in future year workers’ compensation benefits. The major increase in the long-term liabilities is the net increase in general obligation bonds of \$3.8 million which will be used for a public safety building, sewer projects, library remodeling and other large capital projects.

Business-type activity long-term liabilities include \$45.7 million in general obligation bonds and \$0.5 million in compensated absence costs and \$0.3 million future year workers’ compensation benefits. The net reduction of \$6.8 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

Condensed Schedule of Net Assets

June 30, 2007 and 2006

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 381.5	356.2	7.8	7.3	389.3	363.5
Capital assets	515.7	493.6	136.9	138.4	652.6	632.0
Total assets	\$ 897.2	849.8	144.7	145.7	1,041.9	995.5
Long-term liabilities	\$ 266.4	262.0	47.2	53.3	313.6	315.3
Other liabilities	36.9	30.0	0.9	0.9	37.8	30.9
Total liabilities	\$ 303.3	292.0	48.1	54.2	351.4	346.2
Net assets:						
Invested in capital assets, net of debt	\$ 357.5	336.9	90.5	86.1	448.0	423.0
Restricted	5.3	4.0	—	—	5.3	4.0
Unrestricted	231.0	216.9	6.0	5.4	237.0	222.3
Total net assets	\$ 593.8	557.8	96.5	91.5	690.3	649.3

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Statement of Changes in Net Assets

The City's total net assets increased by \$41.0 million in fiscal year 2007 of which the governmental activities net assets increased \$36.0 million and the business-type activity increased \$5 million.

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, 2007

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 73.6	73.7	19.0	19.6	92.6	93.3
Operating grants and contributions	26.2	28.1	—	—	26.2	28.1
Capital grants and contributions	6.5	15.4	—	—	6.5	15.4
General revenues:						
Taxes:						
Property taxes levied	230.7	227.0	—	—	230.7	227.0
Excises	12.5	12.5	—	—	12.5	12.5
Payment in lieu of taxes	6.9	6.6	—	—	6.9	6.6
Grants and contributions not restricted	41.3	39.5	—	—	41.3	39.5
Investment income	14.4	9.7	0.2	0.2	14.6	9.9
Miscellaneous	16.8	17.7	—	—	16.8	17.7
Total revenues	<u>428.9</u>	<u>430.2</u>	<u>19.2</u>	<u>19.8</u>	<u>448.1</u>	<u>450.0</u>
Expenses:						
General government	36.4	31.7	—	—	36.4	31.7
Public safety	88.3	84.8	—	—	88.3	84.8
Community maintenance and development	56.7	55.8	—	—	56.7	55.8
Human resource development	33.7	33.4	—	—	33.7	33.4
Education	138.7	133.9	—	—	138.7	133.9
State and district assessments	31.3	29.6	—	—	31.3	29.6
Water department	—	—	13.7	14.1	13.7	14.1
Interest	8.3	8.0	—	—	8.3	8.0
Total expenses	<u>393.4</u>	<u>377.2</u>	<u>13.7</u>	<u>14.1</u>	<u>407.1</u>	<u>391.3</u>
Excess before transfers	35.5	53.0	5.5	5.7	41.0	58.7
Transfers	<u>0.5</u>	<u>0.5</u>	<u>(0.5)</u>	<u>(0.5)</u>	<u>—</u>	<u>—</u>
Change in net assets	36.0	53.5	5.0	5.2	41.0	58.7
Net assets – beginning	<u>557.8</u>	<u>504.3</u>	<u>91.5</u>	<u>86.3</u>	<u>649.3</u>	<u>590.6</u>
Net assets – ending	<u>\$ 593.8</u>	<u>557.8</u>	<u>96.5</u>	<u>91.5</u>	<u>690.3</u>	<u>649.3</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

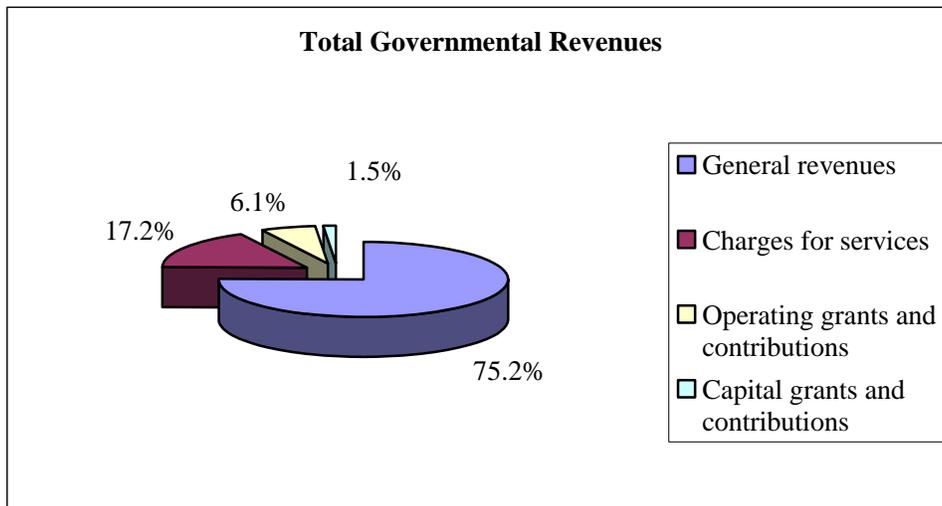
Required Supplementary Information
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(Unaudited)

Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$322.6 million, charges for services \$73.6 million, operating grants and contributions \$26.2 million and capital grants and contributions of \$6.5 million.



General

Real estate tax revenues are the City's largest revenue source at \$230.7 million representing 71.5% of general revenues. The assessed tax valuation base is \$22.2 billion up from \$21.8 billion assessed in the prior year showing a 1.47% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$41.3 million representing 12.8% of general revenues and includes state cherry sheet revenues and other unrestricted contributions.

Program

Charges for services are \$73.6 million and represent a variety of department revenues. Charges for services were flat compared to the prior year. The public safety portion of \$31.6 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$38.7 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category increased by \$2.1 million due primarily to an increase in sewer charges.

Operating grants and contributions of \$26.2 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.1% of the total City revenues.

Capital grants and contributions of \$6.5 million include community development capital grants, State revolving grants, and other capital restricted revenues.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

(Unaudited)

Expenses

For fiscal year ended June 30, 2007, expenses for governmental activities totaled \$393.4 million, which cover a range of services. On the whole, the City's expenditures increased \$16.2 million or 4.3% over prior year.

Education continues to be one of the City's highest priorities and commitments representing \$138.7 million or 35.3% of the total governmental activity expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the sixth 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 2007, the City spent \$6.9 million from the Affordable Housing Trust to subsidize housing projects.

General governmental expenses increased approximately \$4.7 million up approximately 14.8% compared to fiscal year 2006 due primarily to an increase in salary and fringe benefit costs.

Business-Type Activity

Business-type activity increased net assets by \$5.0 million, accounting for 12.2% 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 \$303.3 million. Of this amount, \$22.5 million is reserved for other purposes and \$8.0 million reserved for encumbrances. This leaves an unreserved balance of \$272.8 million.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance was \$134.9 million, while the total fund balance was \$152.7 million. This reflects an increase over fiscal year 2006 of \$14.7 million and \$16.0 million, respectively. A portion of the change in fund balance is due to an increase of \$3.7 million in interest income. This year, the Finance department has made significant strides in ensuring that the City's available cash is invested and earning the highest interest rates possible within governmental regulations. Also, the sewer charges grew over last year by \$4.9 million which can be attributed to the more accurate readings. The completion of a two-year implementation of Automated Meter Reading System is a large factor in the accuracy improvements. Finally, Other Departmental revenue also jumped by \$1.2 million mainly due to increases in building permits and other construction-type permits. The offsets to the revenue increases discussed above were higher debt service payments and increased employee benefits costs.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(Unaudited)

As a measure of liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 37.0% of total General Fund expenditures, while the total balance represents 41.9% of that same amount.

The capital fund is the fund that captures all the capital projects expenditures for the City. At the end of fiscal year 2007, the total fund balance was \$87.1 million. This reflects an increase over the prior fiscal year of \$6.9 million. The major increase in fund balance is due to the issuance of debt.

Proprietary Fund

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

Unrestricted net assets of the Water Fund at the end of the year was \$6.0 million and an investment in capital assets, net of related debt of \$90.5 million.

General Fund Budgetary Highlights

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

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

The following information pertains to the revenues and expenditures of the general fund. This data is included in the schedule of revenues and expenditures-budgetary basis-budget-and actual, which presents financial information on the budgetary basis of accounting.

Revenues and other Financing Sources

Fiscal year 2007 actual revenues on a budgetary basis totaled \$365.1 million. This represents an increase of \$20.8 million or 6.0% from fiscal year 2006. Property taxes are the single largest revenue source, representing approximately 62.3% of general fund revenues, net of abatements. Intergovernmental receipts comprise the City's next largest revenue source, representing 12.2%. Sewer receipts increased by 4.9 million to 38.8 million.

Increase of \$1.0 million in the hotel/motel excise reflect the rebounding local economy during fiscal year 2007.

The increase in investment income from \$6.3 million to \$9.0 million was the result of higher interest rates earned on a larger average cash and investment position in 2007 as compared to 2006.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
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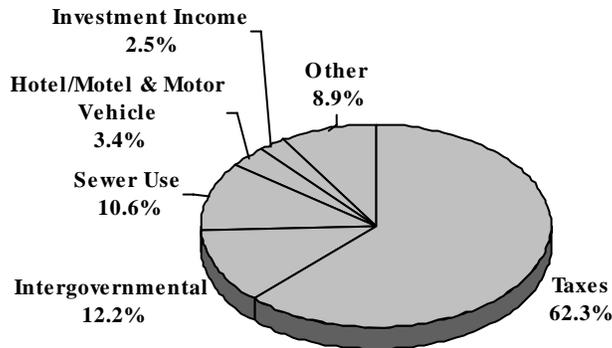
The following table and graph display the dollar amounts received from various sources of revenue for fiscal year 2007 and compares these amounts to those received in fiscal year 2006.

**General Fund Revenues
Budgetary Basis**

Fiscal Year 2007

(Dollars in thousands)

Revenue source	2007		2006		Increase (decrease) from fiscal year 2006	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Taxes, net of abatements	\$ 227,360	62.3%	\$ 218,450	63.5%	\$ 8,910	4.1%
Intergovernmental	44,658	12.2	44,143	12.8	515	1.2
Sewer use	38,761	10.6	33,835	9.8	4,926	14.6
Excise taxes:						
Hotel/motel	6,751	1.8	5,801	1.7	950	16.4
Motor vehicle	5,942	1.6	6,146	1.8	(204)	(3.3)
Investment income	9,018	2.5	6,325	1.8	2,693	42.6
Other	32,581	8.9	29,564	8.6	3,017	10.2
Total	365,071	100.0%	344,264	100.0%	20,807	6.0%
Net transfers in (out)	904		8,787		(7,883)	
Total, net of transfers	\$ 365,975		\$ 353,051		\$ 12,924	



CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
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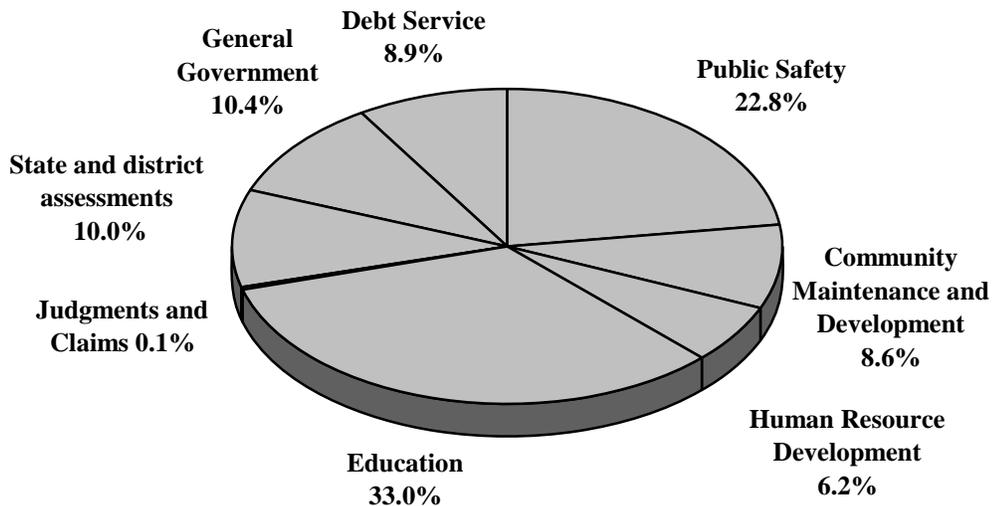
Expenditures

During fiscal year 2007, total expenditures increased on a budgetary basis by 4.8% from \$354.2 million to \$371.1 million.

As part of the agreement between the City and the CHA, the City will continue to subsidize the operations of the CHA for the year ended June 30, 2007. The City's State and District assessments include \$6 million of subsidy to the CHA. This amount is consistent with previous years.

**General Fund Expenditures
 Budgetary Basis
 Fiscal year 2007
 (Dollars in thousands)**

Expenditure function	2007		2006		Increase (decrease) from fiscal year 2006	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
General government	\$ 38,577	10.4%	\$ 34,537	9.8%	\$ 4,040	11.7%
Public safety	84,601	22.8	82,088	23.2	2,513	3.1
Community maintenance and development	31,841	8.6	31,117	8.8	724	2.3
Human resource development	23,053	6.2	22,085	6.2	968	4.4
Education	122,567	33.0	119,728	33.8	2,839	2.4
Judgments and claims	213	0.1	349	0.1	(136)	(39.0)
State and district assessments	37,294	10.0	35,890	10.1	1,404	3.9
Debt service	32,945	8.9	28,399	8.0	4,546	16.0
Grand total	\$ 371,091	100.0%	\$ 354,193	100.0%	\$ 16,898	4.8%



CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
 Management's Discussion and Analysis
 June 30, 2007
 (Unaudited)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2007, the City's investment in capital assets for its governmental and business-type activity amounted to \$652.6 million (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, open space, road and highways.

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

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

Debt

At year-end, the City had \$286.1 million in outstanding bonds and notes compared to \$289.1 million last year.

	Governmental activities		Business-type activity		Totals	
	2007	2006	2007	2006	2007	2006
	(In millions)					
General obligation bonds and notes payable \$	240.4	236.6	45.7	52.5	286.1	289.1

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

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

Economic Factors and Next Year's Budgets and Rates

The City's tax levy increased \$10.5 million, or 4.5%, to \$242.3 million in fiscal year 2008. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$73.7 million in FY 07 to \$88.3 million in FY 08, a 20% increase.

The operating budget increased 3.75% over the FY 07 adjusted budget. The increase is attributable to a 3.0% salary increase cost for all employees a 12.7% increase in employee health insurance; a 4.0% increase in employee pension costs; 4.5% combined increase in Massachusetts Water Resources Authority and (State) Cherry Street assessments, energy increases of 14.7% and a property tax-supported debt service increase of 15.1%. The capital budget of \$20.0 million is an increase of approximately \$8.6 million from the prior year.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(Unaudited)

Contacting the City's Financial Management

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets

June 30, 2007

Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 322,267,466	3,131,750	325,399,216	123,187,526
Cash and investments held by trustees	600,000	—	600,000	24,195,113
Receivables, net:				
Property taxes	4,925,377	—	4,925,377	—
Motor vehicle excise	989,864	—	989,864	—
Tax title and possessions	2,835,696	—	2,835,696	—
Intergovernmental	14,876,048	—	14,876,048	—
Other	14,701,960	4,526,978	19,228,938	28,988,822
Other assets	3,788,856	123,895	3,912,751	63,095,805
Internal balances	(32,723)	32,723	—	—
Due from component unit	16,500,000	—	16,500,000	—
Capital assets:				
Nondepreciable	262,086,158	45,744,530	307,830,688	18,131,832
Depreciable, net	253,631,263	91,111,419	344,742,682	218,769,077
Total assets	<u>897,169,965</u>	<u>144,671,295</u>	<u>1,041,841,260</u>	<u>476,368,175</u>
Liabilities				
Warrants and accounts payable	13,005,578	174,303	13,179,881	88,928,292
Accrued liabilities:				
Tax abatement refunds	4,500,000	—	4,500,000	—
Accrued payroll	11,843,044	72,298	11,915,342	13,810,557
Accrued interest	3,753,111	705,538	4,458,649	—
Other	4,014,347	—	4,014,347	4,817,636
Unearned revenue	—	—	—	29,394,275
Due to primary government	—	—	—	16,500,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	29,061,186	6,203,673	35,264,859	533,333
Capital leases	—	—	—	8,028,838
Due to third parties	—	—	—	714,585
Compensated absences	6,576,000	177,000	6,753,000	13,489,382
Landfill	25,000	—	25,000	—
Claims	4,527,000	71,000	4,598,000	—
Due in more than one year:				
Bonds and notes payable	213,564,778	40,213,887	253,778,665	7,466,667
Capital leases	—	—	—	26,004,383
Due to third parties	—	—	—	41,574,020
Compensated absences	10,739,000	293,000	11,032,000	—
Landfill	325,000	—	325,000	—
Claims	1,400,000	232,000	1,632,000	—
Total liabilities	<u>303,334,044</u>	<u>48,142,699</u>	<u>351,476,743</u>	<u>251,261,968</u>
Net Assets				
Investment in capital assets, net of related debt	357,453,373	90,562,284	448,015,657	178,367,688
Restricted for:				
Community preservation	1,740,096	—	1,740,096	—
Expendable permanent funds	1,014,325	—	1,014,325	—
Nonexpendable permanent funds	2,015,533	—	2,015,533	—
Other purposes	600,000	—	600,000	5,344,736
Unrestricted	231,012,594	5,966,312	236,978,906	41,393,783
Total net assets	<u>\$ 593,835,921</u>	<u>96,528,596</u>	<u>690,364,517</u>	<u>225,106,207</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2007

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 36,373,427	414,844	—	—	(35,958,583)	—	(35,958,583)	
Public safety	88,299,052	31,606,231	49,567	—	(56,643,254)	—	(56,643,254)	
Community maintenance and development	56,672,106	38,689,798	7,354,188	4,392,311	(6,235,809)	—	(6,235,809)	
Human resource development	33,728,004	2,856,637	8,174,402	2,149,149	(20,547,816)	—	(20,547,816)	
Education	138,673,636	—	10,632,474	—	(128,041,162)	—	(128,041,162)	
State and district assessments	31,294,026	—	—	—	(31,294,026)	—	(31,294,026)	
Interest on long-term debt	8,336,823	—	—	—	(8,336,823)	—	(8,336,823)	
Total governmental activities	<u>393,377,074</u>	<u>73,567,510</u>	<u>26,210,631</u>	<u>6,541,460</u>	<u>(287,057,473)</u>	<u>—</u>	<u>(287,057,473)</u>	
Business-type activity:								
Water	13,657,590	19,016,582	—	—	—	5,358,992	5,358,992	
Total business-type activity	<u>13,657,590</u>	<u>19,016,582</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,358,992</u>	<u>5,358,992</u>	
Total primary government	<u>\$ 407,034,664</u>	<u>92,584,092</u>	<u>26,210,631</u>	<u>6,541,460</u>	<u>(287,057,473)</u>	<u>5,358,992</u>	<u>(281,698,481)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 871,192,137	209,838,426	656,773,927	—	—	—	—	(4,579,784)
Total component units	<u>\$ 871,192,137</u>	<u>209,838,426</u>	<u>656,773,927</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,579,784)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 230,740,742	—	230,740,742	—
Excises					12,516,776	—	12,516,776	—
Payments in lieu of taxes					6,939,046	—	6,939,046	—
Grants and contributions not restricted					41,338,603	—	41,338,603	—
Investment income					14,434,985	227,998	14,662,983	—
Miscellaneous					16,571,631	—	16,571,631	6,955,800
Transfers					538,130	(538,130)	—	—
Total general revenues and transfers					<u>323,079,913</u>	<u>(310,132)</u>	<u>322,769,781</u>	<u>6,955,800</u>
Change in net assets					36,022,440	5,048,860	41,071,300	2,376,016
Net assets – beginning					557,813,481	91,479,736	649,293,217	222,730,191
Net assets – ending					<u>\$ 593,835,921</u>	<u>96,528,596</u>	<u>690,364,517</u>	<u>225,106,207</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2007

Assets	General	Capital fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 175,514,111	90,305,881	56,447,474	322,267,466
Cash and investments held by trustees	—	—	600,000	600,000
Receivables, net:				
Property taxes	4,925,377	—	—	4,925,377
Motor vehicle excise	989,864	—	—	989,864
Tax title and possessions	2,835,696	—	—	2,835,696
Intergovernmental	8,575,000	3,699,208	2,601,840	14,876,048
Departmental and other	9,074,020	—	5,627,940	14,701,960
Total receivables	<u>26,399,957</u>	<u>3,699,208</u>	<u>8,229,780</u>	<u>38,328,945</u>
Other assets	2,374,174	—	84,181	2,458,355
Due from other funds	—	924,969	—	924,969
Due from component unit	16,500,000	—	—	16,500,000
Total assets	<u>\$ 220,788,242</u>	<u>94,930,058</u>	<u>65,361,435</u>	<u>381,079,735</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 4,468,590	7,820,558	716,430	13,005,578
Accrued liabilities:				
Tax abatements	3,500,000	—	—	3,500,000
Claims	4,527,000	—	—	4,527,000
Accrued payroll	11,757,612	10,990	74,442	11,843,044
Other	3,001,670	—	12,677	3,014,347
Deferred revenue	40,839,988	—	113,738	40,953,726
Due to other funds	32,723	—	924,969	957,692
Total liabilities	<u>68,127,583</u>	<u>7,831,548</u>	<u>1,842,256</u>	<u>77,801,387</u>
Fund balances:				
Reserved for:				
Deposits	1,229,436	—	—	1,229,436
Encumbrances	5,508,934	—	2,449,886	7,958,820
Future appropriations	11,000,000	—	—	11,000,000
Reserved for specific purposes	53,142	—	2,340,096	2,393,238
Loans	—	—	4,831,434	4,831,434
Permanent funds	—	—	3,065,858	3,065,858
Unreserved, reported in:				
General fund	134,869,147	—	—	134,869,147
Capital fund	—	87,098,510	—	87,098,510
Special revenue funds	—	—	50,831,905	50,831,905
Total fund balances	<u>152,660,659</u>	<u>87,098,510</u>	<u>63,519,179</u>	<u>303,278,348</u>
Total liabilities and fund balances	<u>\$ 220,788,242</u>	<u>94,930,058</u>	<u>65,361,435</u>	<u>381,079,735</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, 2007

Total fund balance – governmental funds	\$ 303,278,348
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	515,717,421
Adjust deferred revenues to record revenues on an accrual basis	40,953,726
Bond issuance costs are capitalized in the government-wide statements	1,330,501
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds, net	242,625,964
Accrued interest on bonds	3,753,111
Compensated absences	17,315,000
Landfill	350,000
Claims	1,400,000
Tax abatements	1,000,000
Other	1,000,000
	267,444,075
Net assets of governmental activities	\$ 593,835,921

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, 2007

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Real and personal property taxes	\$ 231,875,724	—	—	231,875,724
Excises:				
Hotel/motel	6,751,419	—	—	6,751,419
Motor vehicles	5,942,196	—	—	5,942,196
Payments in lieu of taxes	6,939,046	—	—	6,939,046
Intergovernmental	44,658,328	6,541,460	26,210,631	77,410,419
Investment income	11,119,045	260,304	3,055,636	14,434,985
Sewer use charges	38,761,289	—	—	38,761,289
Departmental and other	29,074,694	408,031	25,072,243	54,554,968
Total revenues	<u>375,121,741</u>	<u>7,209,795</u>	<u>54,338,510</u>	<u>436,670,046</u>
Expenditures:				
Current:				
General government	34,283,722	—	181,771	34,465,493
Public safety	85,159,683	—	1,115,799	86,275,482
Community maintenance and development	30,527,153	—	11,033,977	41,561,130
Human resource development	22,425,908	—	7,238,866	29,664,774
Education	121,868,743	—	14,972,429	136,841,172
Judgments and claims	212,729	—	—	212,729
State and district assessments	37,294,026	—	—	37,294,026
Capital outlays	—	45,075,937	—	45,075,937
Debt service	32,941,610	—	—	32,941,610
Total expenditures	<u>364,713,574</u>	<u>45,075,937</u>	<u>34,542,842</u>	<u>444,332,353</u>
Excess (deficiency) of revenues over expenditures	<u>10,408,167</u>	<u>(37,866,142)</u>	<u>19,795,668</u>	<u>(7,662,307)</u>
Other financing sources (uses):				
Premium on debt issuance	708,969	—	—	708,969
Issuance of debt	13,495,000	32,175,000	—	45,670,000
Transfers in	16,368,865	12,591,148	18,750	28,978,763
Transfers out	(11,174,615)	(18,750)	(17,247,268)	(28,440,633)
Payment to fiscal escrow agent	(13,819,510)	—	—	(13,819,510)
Total other financing (uses) sources	<u>5,578,709</u>	<u>44,747,398</u>	<u>(17,228,518)</u>	<u>33,097,589</u>
Excess of revenues and other financing sources over expenditures and other financing uses	15,986,876	6,881,256	2,567,150	25,435,282
Fund balance – beginning	<u>136,673,783</u>	<u>80,217,254</u>	<u>60,952,029</u>	<u>277,843,066</u>
Fund balance – ending	\$ <u>152,660,659</u>	<u>87,098,510</u>	<u>63,519,179</u>	<u>303,278,348</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, 2007

Net change in fund balances – total governmental funds	\$ <u>25,435,282</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays, applicable to capital assets, (\$42,079,595) exceeded depreciation expense (\$19,923,532)	<u>22,156,063</u>
Revenues are recorded on an accrual basis.	<u>(8,608,662)</u>
Proceeds of long-term debt (\$45,670,000) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal, including amounts to defease long-term debt, (\$42,230,222) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	<u>(3,439,778)</u>
Premiums received, net of amortization, are revenues in the governmental funds, but are increases to long-term liabilities in the statement of net assets	<u>(433,525)</u>
Bond issuance costs, net of amortization, are expenditures in the governmental funds, but are deferred assets in the statement of net assets	<u>175,490</u>
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000), tax abatements (\$800,000), and noncurrent claims of (\$825,000) offset by the increase in accrued interest (\$430,430), compensated absences (\$232,000), and other items (\$250,000)	<u>737,570</u>
Change in net assets of governmental activities	\$ <u><u>36,022,440</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2007

	Enterprise fund
	Water fund
	<hr/>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 3,131,750
Receivables, net	4,526,978
Due from other funds	32,723
	<hr/>
Total current assets	7,691,451
	<hr/>
Noncurrent assets:	
Other	123,895
Capital assets:	
Nondepreciable	45,744,530
Depreciable, net	91,111,419
	<hr/>
Total noncurrent assets	136,979,844
	<hr/>
Total assets	144,671,295
	<hr/>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	174,303
Accrued liabilities:	
Claims	71,000
Compensated absences	177,000
Accrued payroll	72,298
Interest	705,538
Current portion of long-term debt	6,203,673
	<hr/>
Total current liabilities	7,403,812
	<hr/>
Noncurrent liabilities:	
Bonds payable	40,213,887
Accrued liabilities:	
Compensated absences	293,000
Other	232,000
	<hr/>
Total noncurrent liabilities	40,738,887
	<hr/>
Total liabilities	48,142,699
	<hr/>
Net assets:	
Investment in capital assets, net of related debt	90,562,284
Unrestricted	5,966,312
	<hr/>
Total net assets	\$ 96,528,596
	<hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2007

	<u>Enterprise fund</u> <u>Water fund</u>
Operating revenues:	
Charges for services	\$ 19,016,582
Total operating revenues	<u>19,016,582</u>
Operating expenses:	
Administration	2,651,778
Service and support programs	6,220,986
Other general services	46,410
Depreciation	2,756,195
Total operating expenses	<u>11,675,369</u>
Operating income	<u>7,341,213</u>
Nonoperating revenue (expense):	
Investment earnings – other	227,998
Interest expense	(1,982,221)
Nonoperating expense	<u>(1,754,223)</u>
Income before transfers	5,586,990
Transfers to other funds	(538,130)
Change in net assets	5,048,860
Total net assets – beginning	<u>91,479,736</u>
Total net assets – ending	<u>\$ 96,528,596</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2007

	Enterprise fund
	Water fund
	<hr/>
Cash flows from operating activities:	
Cash received from customers	\$ 20,310,444
Cash paid to vendors	(9,880,801)
Cash paid to employees	(2,917,542)
	<hr/>
Net cash provided by operating activities	7,512,101
	<hr/>
Cash flows from noncapital financing activities:	
Transfers	(538,130)
	<hr/>
Net cash used in noncapital financing activities	(538,130)
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,180,472)
Interest paid on debt	(2,260,805)
Repayment of long-term debt	(6,034,003)
Debt issuance costs paid	(137,661)
Issuance of long-term debt	22,245,000
Premium received on long-term debt	1,873,701
Defeasance of long-term debt	(23,981,040)
	<hr/>
Net cash used in capital and related financing activities	(9,475,280)
	<hr/>
Cash flows from investing activities:	
Investment income	227,998
	<hr/>
Net cash provided by investing activities	227,998
	<hr/>
Increase in cash and cash equivalents	(2,273,311)
	<hr/>
Cash and cash equivalents, beginning of year	5,405,061
	<hr/>
Cash and cash equivalents, end of year	\$ 3,131,750
	<hr/> <hr/>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 7,341,213
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	2,756,195
Changes in operating assets and liabilities:	
Accounts receivable	1,293,862
Due to other funds	(3,966,831)
Other liabilities	87,662
	<hr/>
Net cash provided by operating activities	\$ 7,512,101
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2007

Assets	Employee retirement plan (as of December 31, 2006)	Agency funds
	<hr/>	<hr/>
Cash and cash equivalents	\$ 20,227,943	3,320,011
Dividend and interest receivable	1,419,825	—
Contributions receivable:		
City of Cambridge	3,472,973	—
Cambridge Health Alliance	2,585,218	—
Other	229,261	—
Other assets	1,904,691	—
Investments, at fair value:		
Fixed income securities	70,307,988	—
Equities	232,446,823	—
Pooled investments:		
Fixed income	74,916,317	—
Real estate	67,179,523	—
Domestic equities	80,596,551	—
International equities	111,927,789	—
Alternative	44,341,062	—
Total investments	<hr/> 681,716,053	<hr/> —
Cash collateral on security lending	54,512,857	—
Total assets	<hr/> 766,068,821	<hr/> 3,320,011
Liabilities		
Accrued liabilities	653,646	—
Guarantee deposits	—	3,320,011
Due to brokers for securities purchased	540,719	—
Cash collateral on security lending	54,512,857	—
Total liabilities	<hr/> 55,707,222	<hr/> 3,320,011
Net Assets		
Held in trust for pension benefits	\$ <u><u>710,361,599</u></u>	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(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) *Retirement System*

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

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ended December 31, 2006. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(c) *Discretely Presented Component Unit*

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

CHA is a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts (the Commonwealth) established by Chapter 147 of the Acts of 1996. CHA is

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

governed by a nineteen member board, all of whom are appointed by the City Manager. CHA is responsible for the implementation of public health programs in the City.

Complete financial statements for the CHA for its fiscal year ended June 30, 2007 are available from its offices on 101 Station Landing, 5th Floor, Medford, Massachusetts 02155.

(d) Related Organizations

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

(2) Summary of Significant Accounting Policies

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

(a) Government-Wide and Fund Financial Statements

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

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and non-agency fiduciary fund financial statements. The agency fund has no basis of accounting and only reports assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in

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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.

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

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the enterprise fund include the cost of preparing and delivering the water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

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

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

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

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

(c) *Cash Equivalents*

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

The System considers short-term pooled money market funds to be cash equivalents. At December 31, 2006, such funds amount to approximately \$11,955,300.

(d) *Basis of Investment Valuation*

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

(e) *Interfund Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any

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residual balances outstanding between the governmental activities and the business-type activity are reported in the government-wide financial statements as “internal balances.”

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

(f) *Uncollectible Tax and Other Receivables*

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

(g) *Capital Assets*

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

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

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

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

(h) *Compensated Absences*

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

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

Premiums, discounts, and issue costs – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are

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reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(j) *Fund Equity*

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

(k) *Securities Lending Transactions*

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

(l) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2007, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

(m) *Use of Estimates*

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

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(3) Deposits and Investments

(a) Deposits

State and local statutes place certain limitations on the nature of deposits and investments available to the City. The City's policies require that deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized or insured by the financial institution involved.

(i) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. The City carries deposits that are fully insured by FDIC insurance or collateralized with securities held by the City or the City's agent in the City's name. The City also carries deposits that are not collateralized and are uninsured. As of June 30, 2007, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$ 740,818
Discretely presented component unit (CHA)	<u>25,449,772</u>
	<u>\$ 26,190,590</u>

(b) Investments

Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

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

(i) System Investment Policy

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

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

The System has retained an investment consultant to work with the Retirement Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ

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investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

(ii) *Interest Rate Risk*

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2007:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
City:					
Money market/MMDT	\$ 183,400,822	183,400,822	—	—	—
Certificates of deposit	250,000	250,000	—	—	—
US Agencies	19,686,700	—	17,182,800	2,503,900	—
Domestic corporate	1,150,000	—	1,150,000	—	—
Subtotal City	<u>204,487,522</u>	<u>183,650,822</u>	<u>18,332,800</u>	<u>2,503,900</u>	<u>—</u>
System (as of December 31, 2006):					
Cash collateral pool	54,512,857	54,512,857	—	—	—
U.S. Treasury notes and bonds	6,623,367	2,243,760	1,136,437	3,007,933	235,237
U.S. agencies	5,762,895	1,465,052	—	1,363,793	2,934,050
Domestic corporate	46,702,141	2,012,916	11,383,895	15,604,257	17,701,073
Asset-backed:					
CMOs	9,765,289	—	—	311,180	9,454,109
Other	1,454,296	—	—	87,060	1,367,236
Pooled fixed-income investments	74,916,317	—	—	74,916,317	—
Subtotal System	<u>199,737,162</u>	<u>60,234,585</u>	<u>12,520,332</u>	<u>95,290,540</u>	<u>31,691,705</u>
Total	<u>\$ 404,224,684</u>	<u>243,885,407</u>	<u>30,853,132</u>	<u>97,794,440</u>	<u>31,691,705</u>

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>
Discretely presented component unit (CHA):			
Money market	\$ 15,136,896	15,136,896	—
MMDT	65,561,784	65,561,784	—
U.S. Treasury notes and bonds	2,493,550	2,493,550	—
U.S. agencies	12,914,075	8,905,269	4,008,806
Domestic corporate	40,793,683	40,793,683	—
Total discretely presented component unit (CHA)	<u>\$ 136,899,988</u>	<u>132,891,182</u>	<u>4,008,806</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

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

(iii) *Credit Risk*

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

The primary government’s fixed income investments as of June 30, 2007 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale:

Investment type	Fair value	AAA	AA	A	BBB	BB	Less than BB	Not rated
City:								
Money market/MMDT	\$ 183,400,823	—	—	—	—	—	—	183,400,823
Certificates of deposit	250,000	—	—	—	—	—	—	250,000
US Agencies	19,686,700	19,686,700	—	—	—	—	—	—
Domestic corporate	1,150,000	1,150,000	—	—	—	—	—	—
Subtotal City	<u>204,487,523</u>	<u>20,836,700</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>183,650,823</u>
System (as of December 31, 2006):								
Cash collateral pool	54,512,857	—	—	—	—	—	—	54,512,857
U.S. agencies	5,762,895	5,762,895	—	—	—	—	—	—
Domestic corporate	46,702,141	1,590,905	4,988,558	7,905,873	5,779,229	5,913,604	19,967,250	556,722
International gov’t	—	—	—	—	—	—	—	—
Asset-backed:								
CMOs	9,765,289	9,765,289	—	—	—	—	—	—
Other	1,454,296	1,097,387	—	—	—	269,849	87,060	—
Pooled fixed-income investments	<u>74,916,317</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>74,916,317</u>
Subtotal System	<u>193,113,795</u>	<u>18,216,476</u>	<u>4,988,558</u>	<u>7,905,873</u>	<u>5,779,229</u>	<u>6,183,453</u>	<u>20,054,310</u>	<u>129,985,896</u>
Total	<u>\$ 397,601,318</u>	<u>39,053,176</u>	<u>4,988,558</u>	<u>7,905,873</u>	<u>5,779,229</u>	<u>6,183,453</u>	<u>20,054,310</u>	<u>313,636,719</u>
Discretely presented component unit (CPHC):								
Money market	\$ 15,136,896	Not rated						
MMDT	65,561,784	Not rated						
U.S. agencies	12,914,075	Rated “A” or better						
Domestic corporate	<u>40,793,683</u>	Rated “A” or better						
Total discretely presented component unit (CHA)	<u>\$ 134,406,438</u>							

In addition to the above schedule, the System and CHA had \$6,623,367 and \$2,493,550, respectively, invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(iv) *Concentration Risk*

The System has no individual investments, at fair value, that exceed 5% of the System's net assets held in trust for pension benefits as of December 31, 2006.

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

(v) *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System's asset allocation model which serves as a proxy for a foreign currency policy, limits the amount of foreign currency exposure to 18% of the System's total investments. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2006, there were no open forward currency contracts.

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

<u>Currency</u>	<u>Equity</u>
International equity pooled funds (various currencies)	\$ 111,927,789

(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

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Notes to Basic Financial Statements

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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.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,207,775	—	—	165,207,775
Construction in progress	<u>90,543,357</u>	<u>38,132,754</u>	<u>(31,797,728)</u>	<u>96,878,383</u>
Total capital assets not being depreciated	<u>255,751,132</u>	<u>38,132,754</u>	<u>(31,797,728)</u>	<u>262,086,158</u>
Capital assets being depreciated:				
Buildings and improvements	197,271,468	703,770	—	197,975,238
Improvements – nonbuilding	40,094,448	5,130,641	—	45,225,089
Furniture and equipment	43,859,456	891,033	—	44,750,489
Infrastructure	<u>174,895,592</u>	<u>29,019,125</u>	<u>—</u>	<u>203,914,717</u>
Total capital assets being depreciated	<u>456,120,964</u>	<u>35,744,569</u>	<u>—</u>	<u>491,865,533</u>
Less accumulated depreciation for:				
Buildings and improvements	(70,591,514)	(5,880,086)	—	(76,471,600)
Improvements – nonbuilding	(7,872,477)	(2,011,444)	—	(9,883,921)
Furniture and equipment	(27,500,162)	(3,426,540)	—	(30,926,702)
Infrastructure	<u>(112,346,585)</u>	<u>(8,605,462)</u>	<u>—</u>	<u>(120,952,047)</u>
Total accumulated depreciation	<u>(218,310,738)</u>	<u>(19,923,532)</u>	<u>—</u>	<u>(238,234,270)</u>
Total capital assets being depreciated, net	<u>237,810,226</u>	<u>15,821,037</u>	<u>—</u>	<u>253,631,263</u>
Governmental activities capital assets, net	\$ <u>493,561,358</u>	<u>53,953,791</u>	<u>(31,797,728)</u>	<u>515,717,421</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Governmental activities:		
General government		\$ 1,239,730
Public safety		2,794,105
Community maintenance and development		12,303,468
Human resource development		241,937
Education		<u>3,344,292</u>
Total depreciation expense – governmental activities		<u>\$ 19,923,532</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	<u>6,584,733</u>	<u>865,590</u>	<u>(970,118)</u>	<u>6,480,205</u>
Total capital assets not being depreciated	<u>45,849,058</u>	<u>865,590</u>	<u>(970,118)</u>	<u>45,744,530</u>
Capital assets being depreciated:				
Buildings and improvements	80,287,015	—	—	80,287,015
Furniture and equipment	1,140,069	154,597	—	1,294,666
Infrastructure	<u>32,138,474</u>	<u>1,130,403</u>	<u>—</u>	<u>33,268,877</u>
Total capital assets being depreciated	<u>113,565,558</u>	<u>1,285,000</u>	<u>—</u>	<u>114,850,558</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,897,556)	(2,007,175)	—	(11,904,731)
Furniture and equipment	(893,950)	(85,225)	—	(979,175)
Infrastructure	<u>(10,191,438)</u>	<u>(663,795)</u>	<u>—</u>	<u>(10,855,233)</u>
Total accumulated depreciation	<u>(20,982,944)</u>	<u>(2,756,195)</u>	<u>—</u>	<u>(23,739,139)</u>
Total capital assets being depreciated, net	<u>92,582,614</u>	<u>(1,471,195)</u>	<u>—</u>	<u>91,111,419</u>
Business-type activity capital assets, net	<u>\$ 138,431,672</u>	<u>(605,605)</u>	<u>(970,118)</u>	<u>136,855,949</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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(6) Receivables

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

	Government Funds				Enterprise fund
	General	Capital fund	Other governmental funds	Total governmental funds	Water fund
Receivables:					
Property taxes	\$ 5,174,769	—	—	5,174,769	—
Motor vehicle taxes	2,754,359	—	—	2,754,359	—
Other taxes	3,150,773	—	—	3,150,773	—
Intergovernmental	8,575,000	8,012,914	2,601,840	19,189,754	—
Other	9,230,891	—	9,009,996	18,240,887	4,706,436
Gross receivables	28,885,792	8,012,914	11,611,836	48,510,542	4,706,436
Less allowance for uncollectibles	2,485,835	4,313,706	3,382,056	10,181,597	179,458
Net total receivables	\$ 26,399,957	3,699,208	8,229,780	38,328,945	4,526,978

Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance to the City to build and/or renovate schools. As of June 30, 2007, under this program, the City was due funds totaling \$8.6 million, all of which is due in 2008. In the general fund, the receivable is offset by deferred revenue because the revenue is not considered available.

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

Individual fund receivable and payable balances at June 30, 2007, are as follows:

Interfund balances	Receivable	Payable
General fund – payable to water fund – for bond premium transfer	\$ —	32,723
Capital fund – receivable from other governmental funds – for capital items	924,969	—
Enterprise fund – receivable from general fund for bond premium	32,723	—
Other governmental funds – community development block grant payable to capital fund – for capital items	—	924,969
Balance at June 30, 2007	\$ 957,692	957,692

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

At December 31, 2006, the System has a receivable from the City's general fund. At June 30, 2007, this amount has been paid by the City. As a result, there is no corresponding payable to the System at June 30, 2007.

Receivable and payable balances between the primary government and CHA at June 30, 2007 are as follows:

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 16,500,000	—
Discretely presented component unit:		
CHA	—	16,500,000
Balance at June 30, 2007	\$ 16,500,000	16,500,000

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CHA for the construction of an ambulatory care center. CHA has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. In 2007, the City refunded a portion of the original general obligation hospital bond. As of June 30, 2007, the amount outstanding on hospital related debt is \$16,495,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(8) Long-Term Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2007:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through February 1, 2027	6/15/97 to 2/15/07	2.25-5.0%	\$ 96,140,000	25,650,000	7,930,000	113,860,000	8,915,000
Urban redevelopment, serial maturities through February 1, 2017	6/15/97 to 2/15/07	2.25-5.0%	34,290,500	3,100,000	4,735,000	32,655,500	4,690,000
Schools, serial maturities through December 1, 2010	2/1/98 to 12/1/00	4.5-5.9%	11,090,000	—	3,240,000	7,850,000	3,240,000
Sewer, serial maturities through February 1, 2017	5/1/97 to 2/15/07	2.25-5.9%	69,828,265	3,425,000	10,572,369	62,680,896	10,256,701
Hospital, serial maturities through February 1, 2018	2/1/98 to 3/15/07	4.0-4.65%	18,000,000	13,495,000	15,000,000	16,495,000	1,500,000
Sub-total general obligation bonds			<u>229,348,765</u>	<u>45,670,000</u>	<u>41,477,369</u>	<u>233,541,396</u>	<u>28,601,701</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	375,000	—	20,000	355,000	20,000
School equipment notes, serial maturities through October 15, 2008	7/15/97 to 5/15/98	6.58-6.95%	921,021	—	410,939	510,082	439,485
Note payable serial maturities April 2010 through August 1, 2021	4/20/00 to 6/30/01	2.00%	6,000,000	—	—	6,000,000	—
Sub-total notes payable			<u>7,296,021</u>	<u>—</u>	<u>430,939</u>	<u>6,865,082</u>	<u>459,485</u>
Total governmental obligation bonds and notes payable			<u>\$ 236,644,786</u>	<u>45,670,000</u>	<u>41,908,308</u>	<u>240,406,478</u>	<u>29,061,186</u>
Add (deduct):							
Unamortized bond premium						2,541,400	
Deferred loss on refunding						(321,914)	
Current portion of long-term debt						(29,061,186)	
						<u>\$ 213,564,778</u>	
Other long-term obligations:							
Claims			\$ 5,832,000	30,611,100	30,516,100	5,927,000	4,527,000
Compensated absences			17,083,000	17,791,900	17,559,900	17,315,000	6,576,000
Landfill postclosure care costs			375,000	—	25,000	350,000	25,000
Total other governmental long-term obligations			<u>\$ 23,290,000</u>	<u>48,403,000</u>	<u>48,101,000</u>	<u>23,592,000</u>	<u>11,128,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

Following is a summary of the business-type long-term obligations of the City as of June 30, 2007:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through November 1, 2019	8/1/98 to 3/15/07	4.0-5.75%	\$ 52,478,366	22,245,000	29,034,003	45,689,363	6,203,673
Total business-type bonds payable			<u>\$ 52,478,366</u>	<u>22,245,000</u>	<u>29,034,003</u>	45,689,363	<u>6,203,673</u>
Add (deduct):							
Unamortized bond premium						1,709,237	
Deferred loss on refunding						(981,040)	
Current portion of long-term debt						(6,203,673)	
						<u>\$ 40,213,887</u>	
Other long-term obligations:							
Claims			\$ 331,000	1,564,900	1,592,900	303,000	71,000
Compensated absences			<u>483,000</u>	<u>411,700</u>	<u>424,700</u>	<u>470,000</u>	<u>177,000</u>
Total other long-term obligations			<u>\$ 814,000</u>	<u>1,976,600</u>	<u>2,017,600</u>	<u>773,000</u>	<u>248,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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

General obligation bonds are backed by the full faith and credit of the City. The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2007, are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>	
	<u>G/O bonds</u>	<u>Notes</u>	<u>G/O bonds</u>	<u>Notes</u>	<u>G/O bonds</u>	<u>Notes</u>
Year ending June 30:						
2008	\$ 28,601,701	459,485	8,853,107	158,269	37,454,808	617,754
2009	27,361,816	90,597	7,897,439	137,363	35,259,255	227,960
2010	27,224,499	55,164	6,843,138	135,244	34,067,637	190,408
2011	25,619,851	208,109	5,805,282	131,749	31,425,133	339,858
2012	20,543,377	551,106	4,877,314	123,900	25,420,691	675,006
2013-2017	62,635,152	3,162,416	14,759,741	410,022	77,394,893	3,572,438
2018-2022	24,145,000	2,338,205	6,387,915	89,275	30,532,915	2,427,480
2023-2027	17,410,000	—	1,810,296	—	19,220,296	—
	<u>\$ 233,541,396</u>	<u>6,865,082</u>	<u>57,234,232</u>	<u>1,185,822</u>	<u>290,775,628</u>	<u>8,050,904</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, 2007, the principal amount outstanding is \$6,000,000.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$24.8 million and education expenditures of \$3.7 million totaling \$28.5 million of principal costs.

In February 2007, the City issued \$32,175,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest on the general obligation bonds is due semiannually on each February 1 and August 1, with principal payments due each February 1 until maturity in fiscal 2028.

In March 2007, the City issued general obligation bonds with interest rates ranging from 4.0% to 5.0% to advance refund \$13,500,000 of hospital general obligation bonds and \$23,000,000 of water general obligation bonds with interest rates ranging from 4.0% to 5.00%. The net proceeds of approximately \$37,800,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the bonds are considered to be defeased and the liability of those bonds has been removed from the City's long-term debt obligations. The expected cash flow savings are approximately \$1.975 million. The economic gain realized from the advance refunding is approximately \$1,600,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

The City enters into loan agreements with the MWPAT to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$2,662,861 in subsidies during 2007 and expects to receive subsidies totaling approximately \$8,175,000 (water portion \$3,292,000) through 2011. Loan payments commenced on February 1, 1994 and end on August 1, 2014, with interest rates ranging from 4.0% to 5.0%.

The City is subject to a dual general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the State Municipal 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, 2007, the City may issue approximately \$860.5 million additional general obligation debt under the normal debt limit. The City has approximately \$53.5 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 6,203,673	1,895,539	8,099,212
2009	6,284,829	1,741,175	8,026,004
2010	6,347,529	1,445,572	7,793,101
2011	4,958,332	1,188,257	6,146,589
2012	3,535,000	994,976	4,529,976
2013-2017	13,060,000	2,895,104	15,955,104
2018-2020	5,300,000	299,500	5,599,500
	<u>\$ 45,689,363</u>	<u>10,460,123</u>	<u>56,149,486</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 533,333	441,291	974,624
2009	533,333	410,944	944,277
2010	533,333	380,598	913,931
2011	533,333	350,251	883,584
2012	533,333	319,905	853,238
2013-2017	2,666,667	1,144,322	3,810,989
2018-2020	2,666,668	385,656	3,052,324
	<u>\$ 8,000,000</u>	<u>3,432,967</u>	<u>11,432,967</u>

(9) Retirement Plan

(a) Plan Description

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

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

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

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

(b) Basis of Accounting

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

Investments of the System are stated as follows:

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

(c) Membership

Membership in the System consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,736
Terminated plan members entitled to, but not receiving benefits	1,070
Active plan members	3,739
	<hr/>
Total membership	6,545
	<hr/> <hr/>
Total number of participating employers	4

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$19,774,476, \$19,181,256, and \$18,774,343, respectively, and \$4,458,290, \$4,349,555, and \$4,243,465, respectively.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2006 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 169,586,589	Active members' contribution balance
Annuity reserve fund	42,117,656	Retired members' contribution account
Military service credit fund	5,771	Members' contribution account while on military leave
Pension reserve fund	458,170,354	Amounts appropriated to fund future retirement benefits
Pension fund	40,481,229	Remaining net assets
	<u>\$ 710,361,599</u>	

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

(f) Securities Lending

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

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

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2006. 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, 2006, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2006 were \$2,246,680.

At December 31, 2006, the fair value of securities loaned by the System amounted to \$52,969,892 against which was held collateral of \$54,512,857.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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

(g) *Massachusetts Teachers' Retirement System*

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

(h) *Administrative Costs*

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

(10) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, 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 \$14.0 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2007.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(11) Transfers

Transfers and their purposes during the year ended June 30, 2007 were as follows:

	Governmental funds			Enterprise fund Water
	General	Capital	Other	
Capital – to fund capital expenditures	\$ (11,174,615)	11,174,615	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	15,785,735	1,380,000	(17,165,735)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	45,000	—	(45,000)	—
CDBG – reimbursement of eligible capital costs	—	36,533	(36,533)	—
Water – reimbursement of administrative costs	538,130	—	—	(538,130)
Capital to CPA fund for appropriation recission	—	(18,750)	18,750	—
Affordable housing fund – from CPA Fund	—	—	10,000,000	—
CPA Fund – to affordable housing fund	—	—	(10,000,000)	—
Total	\$ 5,194,250	12,572,398	(17,228,518)	(538,130)

(12) Risk Management

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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

Changes in the self insurance liability for the years ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Accrued claims, beginning of year	\$ 6,163,000	6,598,000
Incurred claims	32,176,000	31,298,560
Less payments of claims attributable to events of both current and prior fiscal years	<u>(32,109,000)</u>	<u>(31,733,560)</u>
Accrued claims, end of year	<u>\$ 6,230,000</u>	<u>6,163,000</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, 2007

(Unaudited)

Schedule of Funding Progress

(Dollars in thousands)

<u>Actuarial stock valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
January 1, 2006	\$ 632,059	740,320	108,261	85.4%	\$ 201,088	53.8%
January 1, 2004	569,500	655,107	85,607	86.9	184,254	46.5
January 1, 2002	516,947	578,050	61,103	89.4	167,303	36.5
January 1, 2000	424,606	510,973	86,367	83.1	140,489	61.5
January 1, 1998	342,788	436,216 (1)	93,428	78.6	132,440	70.5
January 1, 1996	233,883	361,885	128,002	64.6	114,485	111.8

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

Schedule of Employers' Contributions

(Dollars in thousands)

<u>Year ended December 31:</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
2006	\$ 25,192	100%
2005	24,577	100
2004	23,978	100
2003	23,762	100
2002	21,399	100
2001	22,030	100

See accompanying notes to required supplementary pension information.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementaray Pension Information

June 30, 2007

(Unaudited)

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2006
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	2 years from July 1, 2006 for 1992 ERI, 2 1/2 years from July 1, 2006 for 2002 ERI, 3 years from July 1, 2006 for 2003 ERI, and 9 years from July 1, 2004 for remaining unfunded liability.
Asset-valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	4.5% over next 3 years, 5.5% thereafter
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Revenues and Expenditures – Budgetary Basis
General Fund – Budget and Actual
Year ended June 30, 2007
(with comparative actual amounts for 2006)

	2007 Original budget	2007 Final budget	2007 Actual	Variance favorable (unfavorable)	2006 Actual
Revenues:					
Property taxes	\$ 231,787,094	231,787,094	231,787,094	—	222,960,291
Provisions for tax abatements and adj.	(4,427,094)	(4,427,094)	(4,427,094)	—	(4,510,291)
Payments in lieu of tax receipts	4,281,885	4,281,885	7,972,326	3,690,441	5,546,100
Hotel/motel excise tax	6,768,290	6,768,290	6,751,419	(16,871)	5,800,992
Intergovernmental	43,143,059	43,143,059	44,658,329	1,515,270	44,143,276
Sewer use	32,346,150	32,346,150	38,761,289	6,415,139	33,834,690
Motor vehicle excise	5,799,099	5,799,099	5,942,195	143,096	6,146,422
Investment income	3,800,000	3,800,000	9,017,561	5,217,561	6,324,565
Other	24,453,125	25,884,726	24,607,592	(1,277,134)	24,017,826
Total revenues	<u>347,951,608</u>	<u>349,383,209</u>	<u>365,070,711</u>	<u>15,687,502</u>	<u>344,263,871</u>
Expenditures:					
Current:					
General government	40,880,830	41,148,305	38,576,674	2,571,631	34,536,953
Public safety	83,918,130	85,381,590	84,601,097	780,493	82,087,794
Community maintenance and development	31,199,950	32,309,948	31,840,865	469,083	31,117,067
Human resource development	22,140,000	23,123,995	23,053,092	70,903	22,084,556
Education	125,362,205	123,287,205	122,566,588	720,617	119,727,753
Judgments and claims	250,000	250,000	212,729	37,271	348,993
State and district assessments	39,876,590	39,558,263	37,294,026	2,264,237	35,890,415
Debt service:					
Principal	24,756,125	24,756,125	24,756,123	2	20,952,766
Interest	8,313,460	8,313,460	8,189,521	123,939	7,446,472
Total expenditures	<u>376,697,290</u>	<u>378,128,891</u>	<u>371,090,715</u>	<u>7,038,176</u>	<u>354,192,769</u>
Excess (deficiency) of revenues over expenditures	<u>(28,745,682)</u>	<u>(28,745,682)</u>	<u>(6,020,004)</u>	<u>(22,725,678)</u>	<u>(9,928,898)</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	14,480,052	14,480,052	15,785,735	(1,305,683)	14,533,440
Capital projects funds	(3,177,500)	(3,177,500)	(11,174,615)	7,997,115	(7,385,380)
Trust funds	5,905,000	5,905,000	(4,245,000)	10,150,000	1,103,800
Enterprise fund	538,130	538,130	538,130	—	535,000
Total other financing sources (uses)	<u>17,745,682</u>	<u>17,745,682</u>	<u>904,250</u>	<u>16,841,432</u>	<u>8,786,860</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(11,000,000)</u>	<u>(11,000,000)</u>	<u>(5,115,754)</u>	<u>(39,567,110)</u>	<u>(1,142,038)</u>
Other budget items:					
Free cash appropriations	9,000,000	9,000,000			
Overlay Surplus	2,000,000	2,000,000			
Total other budget items	<u>11,000,000</u>	<u>11,000,000</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Budget Information

Year ended June 30, 2007

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, 2007:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 365,070,711	371,090,715	904,250
Adjustments:			
Revenues to modified accrual basis	10,051,030	—	—
Expenditures, encumbrances and accruals, net	—	(6,377,141)	—
Transfers not reported on a Budgetary/GAAP basis	<u>—</u>	<u>—</u>	<u>4,290,000</u>
As reported on a GAAP basis	<u>\$ 375,121,741</u>	<u>364,713,574</u>	<u>5,194,250</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2007

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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 568,810	472,812	95,998
Other ordinary maintenance	117,130	103,187	13,943
Travel and training	40,250	33,121	7,129
Total Mayor	<u>726,190</u>	<u>609,120</u>	<u>117,070</u>
City Manager:			
Salaries and wages	1,127,545	1,127,538	7
Other ordinary maintenance	468,500	458,084	10,416
Travel and training	37,500	34,042	3,458
Total City Manager	<u>1,633,545</u>	<u>1,619,664</u>	<u>13,881</u>
City Council:			
Salaries and wages	974,510	974,507	3
Other ordinary maintenance	41,900	33,797	8,103
Travel and training	45,500	43,595	1,905
Total City Council	<u>1,061,910</u>	<u>1,051,899</u>	<u>10,011</u>
City Clerk:			
Salaries and wages	732,540	732,533	7
Other ordinary maintenance	58,110	57,072	1,038
Travel and training	2,420	650	1,770
Extraordinary expenditures	20,000	20,000	—
Total City Clerk	<u>813,070</u>	<u>810,255</u>	<u>2,815</u>
Law:			
Salaries and wages	1,103,655	1,103,639	16
Other ordinary maintenance	509,225	501,088	8,137
Travel and training	9,675	7,976	1,699
Extraordinary expenditures	25,000	25,000	—
Total Law	<u>1,647,555</u>	<u>1,637,703</u>	<u>9,852</u>
Finance:			
Salaries and wages	7,313,505	7,313,162	343
Other ordinary maintenance	2,549,640	2,513,969	35,671
Travel and training	193,500	163,875	29,625
Extraordinary expenditures	77,800	77,666	134
Total Finance	<u>10,134,445</u>	<u>10,068,672</u>	<u>65,773</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Employment Benefits:			
Salaries and wages	\$ 21,347,985	19,305,383	2,042,602
Other ordinary maintenance	704,310	640,869	63,441
Total Employment Benefits	<u>22,052,295</u>	<u>19,946,252</u>	<u>2,106,043</u>
General Services:			
Salaries and wages	443,195	443,132	63
Other ordinary maintenance	627,635	428,756	198,879
Total General Services	<u>1,070,830</u>	<u>871,888</u>	<u>198,942</u>
Election Commission:			
Salaries and wages	560,540	549,113	11,427
Other ordinary maintenance	323,675	310,979	12,696
Travel and training	2,270	2,078	192
Total Election Commission	<u>886,485</u>	<u>862,170</u>	<u>24,315</u>
Public Celebrations:			
Salaries and wages	380,660	374,761	5,899
Other ordinary maintenance	451,500	445,734	5,766
Travel and training	1,125	290	835
Extraordinary expenditures	—	—	—
Total Public Celebrations	<u>833,285</u>	<u>820,785</u>	<u>12,500</u>
Reserve:			
Other ordinary maintenance	8,850	—	8,850
Total Reserve	<u>8,850</u>	<u>—</u>	<u>8,850</u>
Animal Commission:			
Salaries and wages	236,390	236,274	116
Other ordinary maintenance	13,305	12,789	516
Travel and training	150	150	—
Extraordinary expenditures	30,000	29,053	947
Total Animal Commission	<u>279,845</u>	<u>278,266</u>	<u>1,579</u>
Total General Government	<u>41,148,305</u>	<u>38,576,674</u>	<u>2,571,631</u>
Public Safety:			
Fire:			
Salaries and wages	30,625,980	30,625,960	20
Other ordinary maintenance	988,765	987,784	981
Travel and training	956,660	955,777	883
Extraordinary expenditures	95,090	95,089	1
Total Fire	<u>32,666,495</u>	<u>32,664,610</u>	<u>1,885</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2007

	Budget	Actual	Variance positive (negative)
Police:			
Salaries and wages	\$ 32,602,490	32,297,886	304,604
Other ordinary maintenance	970,290	969,664	626
Travel and training	434,000	385,332	48,668
Extraordinary expenditures	432,100	383,364	48,736
Total Police	<u>34,438,880</u>	<u>34,036,246</u>	<u>402,634</u>
Traffic and Parking:			
Salaries and wages	5,463,080	5,351,164	111,916
Other ordinary maintenance	3,269,040	3,169,298	99,742
Travel and training	41,900	29,860	12,040
Extraordinary expenditures	75,000	56,276	18,724
Total Traffic and Parking	<u>8,849,020</u>	<u>8,606,598</u>	<u>242,422</u>
Police Review and Advisory Board:			
Salaries and wages	62,550	62,548	2
Other ordinary maintenance	1,000	251	749
Travel and training	3,000	3,000	—
Total Police Review and Advisory Board	<u>66,550</u>	<u>65,799</u>	<u>751</u>
Inspectional Services:			
Salaries and wages	2,259,445	2,191,179	68,266
Other ordinary maintenance	124,400	111,007	13,393
Travel and training	51,825	47,909	3,916
Extraordinary expenditures	15,000	12,440	2,560
Total Inspectional Services	<u>2,450,670</u>	<u>2,362,535</u>	<u>88,135</u>
License:			
Salaries and wages	723,145	716,887	6,258
Other ordinary maintenance	60,602	57,864	2,738
Travel and training	9,288	9,287	1
Total License	<u>793,035</u>	<u>784,038</u>	<u>8,997</u>
Weights and Measures:			
Salaries and wages	97,755	97,675	80
Other ordinary maintenance	8,280	7,892	388
Travel and training	1,745	1,745	—
Total Weights and Measures	<u>107,780</u>	<u>107,312</u>	<u>468</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2007

	Budget	Actual	Variance positive (negative)
Electrical:			
Salaries and wages	\$ 1,299,830	1,298,070	1,760
Other ordinary maintenance	1,041,705	1,041,600	105
Travel and training	1,670	284	1,386
Extraordinary expenditures	25,000	19,949	5,051
Total Electrical	<u>2,368,205</u>	<u>2,359,903</u>	<u>8,302</u>
Emergency Management:			
Salaries and wages	148,870	148,814	56
Other ordinary maintenance	14,535	13,550	985
Travel and training	100		100
Total Emergency Management	<u>163,505</u>	<u>162,364</u>	<u>1,141</u>
Emergency Communications:			
Salaries and wages	3,277,090	3,253,186	23,904
Other ordinary maintenance	174,010	173,641	369
Travel and training	22,350	20,882	1,468
Extraordinary expenditures	4,000	3,983	17
Total Emergency Communications	<u>3,477,450</u>	<u>3,451,692</u>	<u>25,758</u>
Total Public Safety	<u>85,381,590</u>	<u>84,601,097</u>	<u>780,493</u>
Community Maintenance and Development:			
Public Works:			
Salaries and wages	15,514,445	15,245,354	269,091
Other ordinary maintenance	9,729,845	9,687,955	41,890
Travel and training	192,085	156,790	35,295
Extraordinary expenditures	400,000	400,000	—
Total Public Works	<u>25,836,375</u>	<u>25,490,099</u>	<u>346,276</u>
Community Development:			
Salaries and wages	4,095,608	4,042,117	53,491
Other ordinary maintenance	563,790	508,614	55,176
Travel and training	20,500	17,594	2,906
Total Community Development	<u>4,679,898</u>	<u>4,568,325</u>	<u>111,573</u>
Historical Commission:			
Salaries and wages	444,085	444,037	48
Other ordinary maintenance	46,280	46,246	34
Travel and training	800	800	—
Total Historical Commission	<u>491,165</u>	<u>491,083</u>	<u>82</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Conservation Commission:			
Salaries and wages	\$ 89,440	89,440	—
Other ordinary maintenance	3,865	1,358	2,507
Travel and training	885	380	505
Total Conservation Commission	<u>94,190</u>	<u>91,178</u>	<u>3,012</u>
Peace Commission:			
Salaries and wages	69,415	69,411	4
Other ordinary maintenance	10,861	10,861	—
Travel and training	1,269	—	1,269
Total Peace Commission	<u>81,545</u>	<u>80,272</u>	<u>1,273</u>
Cable Television:			
Salaries and wages	427,210	427,209	1
Other ordinary maintenance	687,815	681,079	6,736
Travel and training	11,750	11,620	130
Total Cable Television	<u>1,126,775</u>	<u>1,119,908</u>	<u>6,867</u>
Total Community Maintenance and Development	<u>32,309,948</u>	<u>31,840,865</u>	<u>469,083</u>
Human Resource Development:			
Library:			
Salaries and wages	4,949,220	4,915,781	33,439
Other ordinary maintenance	960,695	950,150	10,545
Travel and training	43,150	42,277	873
Total Library	<u>5,953,065</u>	<u>5,908,208</u>	<u>44,857</u>
Human Services:			
Salaries and wages	13,522,189	13,522,189	—
Other ordinary maintenance	2,550,197	2,548,343	1,854
Travel and training	68,394	58,753	9,641
Extraordinary expenditures	49,500	48,570	930
Total Human Services	<u>16,190,280</u>	<u>16,177,855</u>	<u>12,425</u>
Women's Commission:			
Salaries and wages	176,199	175,761	438
Other ordinary maintenance	10,716	10,716	—
Travel and training	150	150	—
Total Women's Commission	<u>187,065</u>	<u>186,627</u>	<u>438</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human Rights Commission:			
Salaries and wages	\$ 169,120	169,117	3
Other ordinary maintenance	4,055	2,799	1,256
Travel and training	700	700	—
Total Human Rights Commission	<u>173,875</u>	<u>172,616</u>	<u>1,259</u>
Veterans Benefits:			
Salaries and wages	261,660	253,371	8,289
Other ordinary maintenance	48,900	46,893	2,007
Travel and training	309,150	307,522	1,628
Total Veterans Benefits	<u>619,710</u>	<u>607,786</u>	<u>11,924</u>
Total Human Resource Development	<u>23,123,995</u>	<u>23,053,092</u>	<u>70,903</u>
Education:			
Salaries and wages	91,176,346	90,489,401	686,945
Other ordinary maintenance	24,271,390	24,265,914	5,476
Travel and training	1,883,270	1,858,477	24,793
Extraordinary expenditures	2,231,324	2,227,921	3,403
Debt:			
Principal payments	3,240,000	3,240,000	—
Interest payments	484,875	484,875	—
Total Education	<u>123,287,205</u>	<u>122,566,588</u>	<u>720,617</u>
Judgments and Claims	<u>250,000</u>	<u>212,729</u>	<u>37,271</u>
Debt Retirement:			
Principal payments	24,756,125	24,756,123	2
Interest payments	8,313,460	8,189,521	123,939
Total Debt Retirement	<u>33,069,585</u>	<u>32,945,644</u>	<u>123,941</u>
State and District assessments:			
MBTA assessment	7,818,100	7,818,096	4
MWRA assessment	17,678,620	16,822,068	856,552
Other State assessments	8,061,543	6,653,862	1,407,681
Cambridge Health Alliance	6,000,000	6,000,000	—
Total State and District assessments	<u>39,558,263</u>	<u>37,294,026</u>	<u>2,264,237</u>
Total General Fund Expenditures	<u>\$ 378,128,891</u>	<u>371,090,715</u>	<u>7,038,176</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2007

OTHER GOVERNMENTAL FUNDS

Community Development Block Grant

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

School Grants

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

Fuel Assistance

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

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2007

Special revenue

Assets	Community development block grant	School grants	Affordable Housing Trust	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Cash and short-term investments	\$ 514,951	1,797,253	27,525,273	12,193,526	8,996,264	2,354,349	3,065,858	56,447,474
Restricted cash and investments	—	—	600,000	—	—	—	—	600,000
Accounts receivable	355,000	—	4,876,455	282,746	113,739	—	—	5,627,940
Other Assets	—	—	38,814	—	—	45,367	—	84,181
Due from other funds	—	—	—	—	—	—	—	—
Due from other governments	128,938	1,600,048	—	—	—	872,854	—	2,601,840
Total assets	\$ 998,889	3,397,301	33,040,542	12,476,272	9,110,003	3,272,570	3,065,858	65,361,435
Liabilities and Fund Balances								
Warrants payable	\$ 55,769	155,589	—	—	—	505,072	—	716,430
Accrued liabilities	18,151	18,767	—	—	7,024	43,177	—	87,119
Deferred revenue	—	—	—	—	113,738	—	—	113,738
Due to other funds	924,969	—	—	—	—	—	—	924,969
Total liabilities	998,889	174,356	—	—	120,762	548,249	—	1,842,256
Fund balances:								
Reserved for encumbrances	—	910,463	—	—	—	1,539,423	—	2,449,886
Reserved for specific purposes	—	—	600,000	—	1,740,096	—	3,065,858	5,405,954
Reserved for loans	—	—	4,831,434	—	—	—	—	4,831,434
Unreserved	—	2,312,482	27,609,108	12,476,272	7,249,145	1,184,898	—	50,831,905
Total fund balances	—	3,222,945	33,040,542	12,476,272	8,989,241	2,724,321	3,065,858	63,519,179
Total liabilities and fund balances	\$ 998,889	3,397,301	33,040,542	12,476,272	9,110,003	3,272,570	3,065,858	65,361,435

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Equity

Other Governmental Funds

Year ended June 30, 2007

	Special revenue							
	Community development block grant	School grants	Affordable Housing Trust Funds	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 1,404,405	10,632,474	—	49,567	5,949,783	8,174,402	—	26,210,631
Investment income	—	—	1,479,203	1,014,574	338,654	78,042	145,163	3,055,636
Other:								
Permits	—	—	—	447,820	—	—	—	447,820
Fines	—	—	—	10,000,812	—	—	—	10,000,812
Charges for services	—	—	—	6,577,023	—	—	—	6,577,023
Miscellaneous	—	1,467,191	224,481	110,045	6,053,538	24,432	166,901	8,046,588
Total revenues	1,404,405	12,099,665	1,703,684	18,199,841	12,341,975	8,276,876	312,064	54,338,510
Expenditures:								
General government	—	—	—	—	—	23,951	157,820	181,771
Public safety	—	—	—	—	—	1,115,799	—	1,115,799
Community maintenance and development	897,578	—	6,908,526	—	2,269,212	958,661	—	11,033,977
Human services	470,294	—	—	—	—	6,768,572	—	7,238,866
Education	—	14,972,429	—	—	—	—	—	14,972,429
Total expenditures	1,367,872	14,972,429	6,908,526	—	2,269,212	8,866,983	157,820	34,542,842
Excess (deficiency) of revenues over expenditures	36,533	(2,872,764)	(5,204,842)	18,199,841	10,072,763	(590,107)	154,244	19,795,668
Other financing sources (uses):								
Transfers from other funds	—	—	10,000,000	—	18,750	—	—	10,018,750
Transfers to other funds	(36,533)	—	—	(17,165,735)	(10,000,000)	—	(45,000)	(27,247,268)
Excess of revenues over expenditures and transfers	—	(2,872,764)	4,795,158	1,034,106	91,513	(590,107)	109,244	2,567,150
Fund balances at beginning of year	—	6,095,709	28,245,384	11,442,166	8,897,728	3,314,428	2,956,614	60,952,029
Fund balances at end of year	\$ —	<u>3,222,945</u>	<u>33,040,542</u>	<u>12,476,272</u>	<u>8,989,241</u>	<u>2,724,321</u>	<u>3,065,858</u>	<u>63,519,179</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2007

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, 2007

Assets	Balance at June 30, 2006	Additions	Deductions	Balance at June 30, 2007
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	114,174	354,912	181,178	287,908
Street Openings	—	—	—	—
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(238,487)	5,152,408	4,906,361	7,560
Cambridge Fire Detail	256,232	909,958	889,614	276,576
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,740	1,202	1,191	2,751
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	211,749	49,188	68,615	192,322
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	1,131	4,071	—	5,202
Accident and life Insurance	523,062	77,466	52,598	547,930
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	23,528	—	—	23,528
Retirement Office Payroll	369,836	383,169	348,081	404,924
New England Life	156,078	—	156,078	—
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,781,914	353,621	1,857,585	277,950
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	51,535	9,003	4,623	55,915
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	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	396,185	189	74	396,300
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	426,546	—	426,104	442
Police – Found Cash	4,012	—	—	4,012
Firearms Recordkeeping Fund	14,615	9,596	10,613	13,598
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	(313,802)	156,373	—	(157,429)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>4,761,570</u>	<u>7,461,156</u>	<u>8,902,715</u>	<u>3,320,011</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2007

<u>Liabilities</u>	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2007</u>
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	114,174	354,912	181,178	287,908
Street Openings	—	—	—	—
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(238,487)	5,152,408	4,906,361	7,560
Cambridge Fire Detail	256,232	909,958	889,614	276,576
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,740	1,202	1,191	2,751
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	211,749	49,188	68,615	192,322
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	1,131	4,071	—	5,202
Accident and life Insurance	523,062	77,466	52,598	547,930
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	23,528	—	—	23,528
Retirement Office Payroll	369,836	383,169	348,081	404,924
New England Life	156,078	—	156,078	—
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,781,914	353,621	1,857,585	277,950
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	51,535	9,003	4,623	55,915
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	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	396,185	189	74	396,300
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	426,546	—	426,104	442
Police – Found Cash	4,012	—	—	4,012
Firearms Recordkeeping Cash	14,615	9,596	10,613	13,598
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	(313,802)	156,373	—	(157,429)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 4,761,570	7,461,156	8,902,715	3,320,011

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2007

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, 2007.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2007

	<u>Uncollected June 30, 2006</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2007</u>
Real estate taxes:								
1992	\$ 13,911	—	—	—	—	(13,911)	—	—
1998	1,223	—	—	—	—	(1,222)	(1)	—
2002	429	—	(40,224)	—	8,039	39,843	(8,087)	—
2003	—	—	(125,541)	—	4,484	127,142	(6,085)	—
2004	416,217	—	(354,245)	(416,578)	49,421	112,469	192,716	—
2005	812,242	—	(613,013)	(417,476)	66,548	368,800	(217,101)	—
2006	4,180,248	—	(899,431)	(823,610)	105,301	(2,293,903)	(14,779)	253,826
2007	—	221,248,892	(1,404,931)	—	78,947	(215,549,876)	(281,525)	4,091,507
Total real estate	<u>5,424,270</u>	<u>221,248,892</u>	<u>(3,437,385)</u>	<u>(1,657,664)</u>	<u>312,740</u>	<u>(217,210,658)</u>	<u>(334,862)</u>	<u>4,345,333</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2007

	<u>Uncollected June 30, 2006</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2007</u>
Personal property taxes:								
1989	\$ 75	—	(75)	—	—	—	1	1
1991	139	—	(139)	—	—	—	—	—
1992	273	—	(273)	—	—	—	—	—
1993	124	—	(124)	—	—	—	—	—
1994	202	—	(202)	—	—	—	—	—
1995	672	—	(672)	—	—	—	—	—
1996	2,999	—	(2,999)	—	—	—	—	—
1997	19,770	—	(19,770)	—	—	—	—	—
1998	30,890	—	(30,869)	—	—	—	(1)	20
1999	26,842	—	(26,842)	—	—	385	(385)	—
2000	27,904	—	(27,903)	—	—	71	(72)	—
2001	54,387	—	(54,982)	—	—	592	3	—
2002	69,426	—	(69,264)	—	—	(174)	45	33
2003	176,048	—	—	—	—	(287)	121	175,882
2004	1,621,144	—	(3,834)	—	—	(1,512,216)	(3,790)	101,304
2005	69,577	—	(230)	—	—	(1,335)	(180)	67,832
2006	183,940	—	—	—	—	(53,488)	(62)	130,390
2007	—	12,065,395	(84,230)	—	18	(11,627,227)	18	353,974
Total personal property	2,284,412	12,065,395	(322,408)	—	18	(13,193,679)	(4,302)	829,436
Other	57,125	—	—	—	—	—	—	57,125
Property taxes	\$ 7,765,807	233,314,287	(3,759,793)	(1,657,664)	312,758	(230,404,337)	(339,164)	5,231,894

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

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2007

	Uncollected June 30, 2006	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2007
Motor vehicle excise taxes:								
1986	\$ 2,662	—	—	—	—	(10)	—	2,652
1987	150,765	—	(92,664)	—	7	2	(115)	57,995
1988	162,578	—	(89,772)	—	6	(539)	9	72,282
1989	193,337	—	(115,722)	—	—	(271)	22	77,366
1990	147,189	—	(77,838)	—	14	(346)	(31)	68,988
1991	151,354	—	(99,027)	—	—	(399)	(8)	51,920
1992	110,659	—	(58,715)	—	33	100	(128)	51,949
1993	99,167	—	(49,532)	—	19	(154)	(143)	49,357
1994	106,138	—	(52,913)	—	39	(57)	(430)	52,777
1995	114,862	—	(57,652)	—	11	(19)	(71)	57,131
1996	119,286	—	(62,902)	—	20	(206)	(45)	56,153
1997	127,020	—	(76,738)	—	31	(637)	(20)	49,656
1998	130,623	—	(65,858)	—	53	(364)	(35)	64,419
1999	140,425	—	(26,016)	—	143	(947)	(729)	112,876
2000	170,996	—	(195)	—	337	(5,413)	12,972	178,697
2001	240,771	—	(478)	—	457	(11,429)	(247)	229,074
2002	237,076	—	(2,279)	—	721	(17,938)	(914)	216,666
2003	246,679	—	(4,792)	—	996	(39,968)	1,639	204,554
2004	250,724	—	(16,337)	—	12,014	(50,722)	(4,379)	191,300
2005	286,199	11,778	(19,563)	—	18,874	(106,922)	(501)	189,865
2006	512,736	887,519	(92,161)	—	90,160	(1,152,217)	307	246,344
2007	—	5,000,057	(104,508)	—	49,357	(4,473,394)	826	472,338
Total motor vehicle	\$ 3,701,246	5,899,354	(1,165,662)	—	173,292	(5,861,850)	7,979	2,754,359

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

For the fiscal year ended June 30, 2007

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2007</u>
Inside debt limit:							
Frisoli Youth Center	4.0-5.0%	6/15/1997	6/15/2007	\$ 360,000	—	360,000	—
Area 4 Youth Center Renovations	4.0-5.0%	6/15/1997	6/15/2007	20,000	—	20,000	—
Building Renovations	4.0-5.0%	6/15/1997	6/15/2007	50,000	—	50,000	—
Fiber Optics Network	4.0-5.0%	6/15/1997	6/15/2007	100,000	—	100,000	—
Frisoli Youth Center	4.35-5.0%	8/1/1998	8/1/2008	210,000	—	70,000	140,000
Public Art	4.75-5.0%	11/1/1999	11/1/2009	20,000	—	5,000	15,000
City Hall Renovations	4.75-5.0%	11/1/1999	11/1/2009	200,000	—	50,000	150,000
Gately Center Renovations	4.5-5.0%	12/1/2000	12/1/2010	1,250,000	—	250,000	1,000,000
City Hall Renovations	4.5-5.0%	12/1/2000	12/1/2010	1,500,000	—	300,000	1,200,000
Central Square Enhancements	4.0-5.0%	6/15/1997	6/15/2007	355,000	—	355,000	—
Yerxa Road Underpass	4.5-5.0%	12/1/2000	12/1/2010	950,000	—	190,000	760,000
Open Space Improvements	4.5-5.0%	12/1/2000	12/1/2010	2,250,000	—	450,000	1,800,000
MWPAT/Sewer Loan	4.0-5.0%	6/15/1997	6/15/2007	50,000	—	50,000	—
MWPAT/Sewer Loan	4.0-5.0%	5/1/1997	2/1/2007	514,637	—	514,637	—
MWPAT/Sewer Loan	N/A	10/6/1999	8/1/2009	186,735	—	45,003	141,732
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	1,091,863	—	208,403	883,460
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	625,838	—	119,443	506,395
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	130,214	—	24,847	105,367
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	4,456,756	—	850,673	3,606,083
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	2,031,274	—	387,713	1,643,561
MWPAT/Sewer Loan	4.5-5.0%	12/1/2000	12/1/2010	7,800,000	—	1,560,000	6,240,000
Hospital (Ambulatory Center)	4.5-4.65%	2/1/1998 & 3/15/07	2/1/2009	18,000,000	—	15,000,000	3,000,000
Hospital Series B 2007 Bonds	4.0%	3/15/2007	2/1/2018	—	13,495,000	—	13,495,000
MWRA Loan	N/A	10/18/2001	10/18/2006	249,283	—	249,283	—
Improvements to War Memorial	3.5-5.0%	12/15/2001	12/15/2006	200,000	—	200,000	—
City Hall Renovations	3.5-5.0%	12/15/2001	12/15/2011	7,930,000	—	1,325,000	6,605,000
Sewer Loan	3.5-5.0%	12/15/2001	12/15/2011	6,615,000	—	1,015,000	5,600,000
Traffic Improvement	3.5-5.0%	12/15/2001	12/15/2011	750,000	—	125,000	625,000
MWRA Loan	N/A	9/5/2002	8/15/2007	151,426	—	75,713	75,713
Sewer Renovations	2.25-4.00%	1/15/2003	1/1/2013	9,285,000	—	1,325,000	7,960,000
Fire Station Renovations	2.25-4.00%	1/15/2003	1/1/2013	3,405,000	—	490,000	2,915,000
Building Renovations	2.25-4.00%	1/15/2003	1/1/2013	665,000	—	95,000	570,000
City Hall Anex Renovations	2.25-4.00%	1/15/2003	1/1/2013	1,365,000	—	195,000	1,170,000
Street Reconstruction	2.25-4.00%	1/15/2003	1/1/2013	4,225,000	—	605,000	3,620,000
Golf Course Improvements	2.25-4.00%	1/15/2003	1/1/2013	595,000	—	85,000	510,000
Open Space Improvements	2.25-4.00%	1/15/2003	1/1/2013	175,000	—	25,000	150,000
Harvard Square Enhancements	2.25-4.00%	1/15/2003	1/1/2013	350,000	—	50,000	300,000
Fiber Optic Network Infrastructure	2.5-3.3%	1/15/2004	1/1/2014	280,000	—	35,000	245,000
Fire Station Renovations	2.5-3.3%	1/15/2004	1/1/2014	125,000	—	15,000	110,000
War Memorial Renovations	2.5-3.3%	1/15/2004	1/1/2014	960,000	—	120,000	840,000
Building Renovations	2.5-3.3%	1/15/2004	1/1/2014	430,000	—	55,000	375,000
Library Construction	2.5-4.25%	1/15/2004	1/1/2024	7,780,000	—	435,000	7,345,000
Russell Donnelly Field Improvements	2.5-3.3%	1/15/2004	1/1/2014	7,280,000	—	910,000	6,370,000
Yerxa Road Underpass	2.5-3.3%	1/15/2004	1/1/2014	1,000,000	—	125,000	875,000
Cambridge Street Improvements	2.5-3.3%	1/15/2004	1/1/2014	1,200,000	—	150,000	1,050,000
Sewer Reconstruction	2.5-3.3%	1/15/2004	1/1/2014	7,530,000	—	945,000	6,585,000
MWRA Loan	N/A	2/26/2004	2/26/2009	357,588	—	119,196	238,392
Harvard Square Enhancements	3-4%	2/1/2005	1/1/2015	1,800,000	—	200,000	1,600,000
Gold Star Pool Improvements	3-4%	2/1/2005	1/1/2015	990,000	—	110,000	880,000
Library Construction	3-4%	2/1/2005	1/1/2025	13,300,000	—	700,000	12,600,000
Area 4 Park Improvements	3-4%	2/1/2005	1/1/2015	1,800,000	—	200,000	1,600,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

For the fiscal year ended June 30, 2007

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2007</u>
Russell Field Improvements	3-4%	2/1/2005	1/1/2015	\$ 3,085,500	—	345,000	2,740,500
Cambridge Street Improvements	3-4%	2/1/2005	1/1/2015	2,125,000	—	240,000	1,885,000
Porter Square Enhancements	3-4%	2/1/2005	1/1/2015	2,070,000	—	230,000	1,840,000
Yerxa Road Underpass	3-4%	2/1/2005	1/1/2015	1,980,000	—	220,000	1,760,000
MWPAT Loan	N/A	10/1/2004	8/1/2010	154,274	—	30,793	123,481
MWPAT Loan	N/A	11/23/2004	8/1/2014	2,247,819	—	221,910	2,025,909
MWPAT Loan	N/A	11/23/2004	8/1/2014	1,744,958	—	175,868	1,569,090
MWPAT Loan	N/A	11/23/2004	8/1/2014	119,642	—	12,035	107,607
MWPAT Loan	N/A	12/2/2004	11/15/2009	131,207	—	32,801	98,406
Sewer Reconstruction	3-4%	2/1/2005	1/1/2015	13,944,500	—	1,545,000	12,399,500
Police Station Acquisition/ Renovations	3.50-4.25%	2/1/2006	1/1/2026	35,000,000	—	1,750,000	33,250,000
Library Construction	3.50-4.25%	2/1/2006	1/1/2026	16,000,000	—	800,000	15,200,000
West Cambridge Youth Center	3.50-4.25%	2/1/2006	1/1/2016	3,000,000	—	300,000	2,700,000
Building Renovations	3.50-4.25%	2/1/2006	1/1/2016	1,000,000	—	100,000	900,000
Yerxa Road Underpass	3.50-4.25%	2/1/2006	1/1/2016	1,000,000	—	100,000	900,000
Open Space Improvements	3.50-4.25%	2/1/2006	1/1/2016	500,000	—	50,000	450,000
Porter Square Enhancements	3.50-4.25%	2/1/2006	1/1/2016	800,000	—	80,000	720,000
MWRA Loan	N/A	11/17/2005	11/15/2010	195,250	—	39,050	156,200
Sewer Reconstruction	3.50-4.25%	2/1/2006	1/1/2016	10,215,000	—	1,025,000	9,190,000
Building Renovations	4.0%	2/15/2007	2/1/2017	—	650,000	—	650,000
Police Station Acquisition/ Renovations	4.0%	2/15/2007	2/1/2027	—	17,000,000	—	17,000,000
West Cambridge Youth Center	4.0%	2/15/2007	2/1/2017	—	8,000,000	—	8,000,000
Area 4 Park Improvements	4.0%	2/15/2007	2/1/2017	—	500,000	—	500,000
Yerxa Road Underpass	4.0%	2/15/2007	2/1/2017	—	1,100,000	—	1,100,000
Harvard Square Enhancements	4.0%	2/15/2007	2/1/2017	—	1,500,000	—	1,500,000
Sewer Reconstruction	4.0%	2/15/2007	2/1/2017	—	3,425,000	—	3,425,000
Total inside debt limit				<u>218,258,764</u>	<u>45,670,000</u>	<u>38,237,368</u>	<u>225,691,396</u>
Outside debt limit:							
School:							
Elementary school construction	4.5%	2/1/1998	2/1/2008	2,400,000	—	1,200,000	1,200,000
Elementary school renovation-Fitz	4.75-5.0%	11/1/1999	11/1/2009	5,760,000	—	1,440,000	4,320,000
Elementary school renovation-Morse	4.75-5.0%	11/1/1999	11/1/2009	280,000	—	70,000	210,000
Elementary school renovations	4.5-5.0%	12/1/2000	12/1/2010	2,650,000	—	530,000	2,120,000
Total school				<u>11,090,000</u>	<u>—</u>	<u>3,240,000</u>	<u>7,850,000</u>
Water:							
New Water Treatment Plant	4.35-5.00%	8/1/1998 & 3/15/07	8/1/2009	26,000,000	—	20,000,000	6,000,000
MWPAT/Water Loan	4.0-5.75%	10/6/1999	8/1/2009	5,160,786	—	1,240,019	3,920,767
Construction/Water Treatment Plant	4.65-5.625%	11/1/1999 & 3/15/07	11/1/2009	7,000,000	—	5,500,000	1,500,000
MWPAT/Water Loan	4.25-5.63%	11/1/2000	11/1/2010	6,762,581	—	1,273,985	5,488,596
Construction/Stoney Brook	3.5-5.0%	12/15/2001	12/15/2011	4,075,000	—	600,000	3,475,000
Automated Meter Reading System	2.5-3.3%	1/15/2004	1/1/2014	2,400,000	—	300,000	2,100,000
Automated Meter Reading System	3-4%	2/1/2005	1/1/2015	1,080,000	—	120,000	960,000
Water Series C 2007 Bonds	4-5.0%	3/15/2007	8/1/2019	—	22,245,000	—	22,245,000
Total water				<u>52,478,367</u>	<u>22,245,000</u>	<u>29,034,004</u>	<u>45,689,363</u>
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	375,000	—	20,000	355,000
School Equipment Notes	6.58-6.95%	7/15/1997	10/15/2008	921,021	—	410,939	510,082
Housing Trust Fund:							
Note payable	2.00%	4/20/2000	8/1/2021	6,000,000	—	—	6,000,000
Total outside debt limit				<u>70,864,388</u>	<u>22,245,000</u>	<u>32,704,943</u>	<u>60,404,445</u>
Total debt outstanding				<u>\$ 289,123,152</u>	<u>67,915,000</u>	<u>70,942,311</u>	<u>286,095,841</u>

See accompanying independent auditors' report.

Statistical Section

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2007

Statistical Section

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

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

Function	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government	\$ 34,284	30,533	27,402	23,987	20,820	26,805	22,544	18,032	21,752	17,475
% of total	9.4	8.7	8.5	7.6	6.8	9.0	8.4	7.0	8.9	7.5
% change	12.3	11.4	14.2	15.2	(22.3)	18.9	25.0	(17.1)	24.5	4.5
Public safety	\$ 85,160	82,619	77,756	74,324	72,870	70,387	66,776	66,443	61,995	62,070
% of total	23.3	23.6	24.0	23.6	23.8	23.7	24.9	25.9	25.4	26.6
% change	3.1	6.3	4.6	2.0	3.5	5.4	0.5	7.2	(0.1)	11.0
Community maintenance and development	\$ 30,527	31,404	28,551	27,019	26,957	24,172	24,592	21,582	19,380	19,328
% of total	8.4	9.0	8.8	8.6	8.8	8.2	9.2	8.4	7.9	8.3
% change	(2.8)	10.0	5.7	0.2	11.5	(1.7)	13.9	11.4	0.3	1.3
Human resource	\$ 22,426	20,835	20,668	19,127	19,056	17,531	15,970	14,699	12,602	12,343
% of total	6.1	5.9	6.4	6.1	6.2	5.9	6.0	5.7	5.2	5.3
% change	7.6	0.8	8.1	0.4	8.7	9.8	8.6	16.6	2.1	10.5
Education	\$ 121,868	120,688	111,213	114,519	117,721	112,961	105,324	100,200	93,371	90,481
% of total	33.4	34.4	34.3	36.4	38.4	38.1	39.2	39.1	38.3	38.8
% change	1.0	8.5	(2.9)	(2.7)	4.2	7.3	5.1	7.3	3.2	5.8
Judgments and claims	\$ 213	346	225	533	156	205	709	2,479	1,000	538
% of total	0.1	0.1	0.1	0.2	0.1	0.1	0.3	1.0	0.4	0.2
% change	(38.4)	53.8	(57.8)	241.7	(23.9)	(71.1)	(71.4)	147.9	85.9	(42.5)
State assessments	\$ 37,294	35,890	33,888	33,618	29,698	28,019	21,107	21,408	21,223	20,826
% of total	10.2	10.2	10.5	10.7	9.7	9.5	7.9	8.4	8.7	8.9
% change	3.9	5.9	0.8	13.2	6.0	32.7	(1.4)	0.9	1.9	0.8
Debt service	\$ 32,942	28,184	24,076	21,427	19,069	16,387	11,368	11,492	12,683	10,279
% of total	9.0	8.0	7.4	6.8	6.2	5.5	4.2	4.5	5.2	4.4
% change	16.9	17.1	12.4	12.4	16.4	44.2	(1.1)	(9.4)	23.4	4.0
Total expenditures	\$ 364,714	350,499	323,779	314,554	306,347	296,467	268,390	256,335	244,006	233,340
% of total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% change	4.1	8.3	2.9	2.7	3.3	10.5	4.7	5.1	4.6	6.1

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

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

Source	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Property taxes	\$ 231,875	222,987	220,910	206,354	198,784	198,806	174,681	162,190	151,056	153,007
% of total	61.8	62.8	65.3	65.3	64.4	64.5	61.2	61.2	60.7	63.7
% change	4.0	0.9	7.1	3.8	—	13.8	7.7	7.4	(1.3)	7.0
Motor vehicle excises	\$ 5,942	6,146	6,452	6,087	6,031	5,838	5,921	5,849	4,825	4,717
% of total	1.6	1.7	1.9	1.9	2.0	1.9	2.1	2.2	1.9	2.0
% change	(3.3)	(4.7)	6.0	0.9	3.3	(1.4)	1.2	21.2	2.3	4.9
Hotel/motel	\$ 6,751	5,801	5,461	4,287	4,401	4,908	5,651	5,697	4,955	4,450
% of total	1.8	1.6	1.6	1.4	1.4	1.6	2.0	2.2	2.0	1.9
% change	16.4	6.2	27.4	(2.6)	(10.3)	(13.1)	(0.8)	15.0	11.3	15.3
Fines	\$ 726	922	352	539	100	536	1,655	697	604	637
% of total	0.2	0.3	0.1	0.2	—	0.2	0.6	0.3	0.2	0.3
% change	(21.3)	161.9	(34.7)	439.0	(81.3)	(67.6)	137.4	15.4	(5.2)	3.7
Intergovernmental	\$ 44,658	44,143	43,802	42,601	42,690	46,822	47,022	39,821	42,924	37,207
% of total	11.9	12.4	13.0	13.5	13.8	15.2	16.5	15.0	17.2	15.5
% change	1.2	0.8	2.8	(0.2)	(8.8)	(0.4)	18.1	(7.2)	15.4	2.2
Licenses and permits	\$ 11,701	12,508	8,976	7,790	12,387	7,201	11,731	10,201	6,234	6,739
% of total	3.1	3.5	2.7	2.5	4.0	2.3	4.1	3.9	2.5	2.8
% change	(6.5)	39.3	15.2	(37.1)	72.0	(38.6)	15.0	63.6	(7.5)	10.6
Payment in lieu of taxes	\$ 6,939	6,579	6,839	6,329	4,644	5,316	4,807	3,692	4,545	2,283
% of total	1.8	1.9	2.0	2.0	1.5	1.7	1.7	1.4	1.8	1.0
% change	5.5	(3.8)	8.1	36.3	(12.6)	10.6	30.2	(18.8)	99.1	(3.1)
Investment income	\$ 11,119	7,410	2,888	1,181	1,513	2,344	3,208	2,484	1,624	2,102
% of total	3.0	2.1	0.9	0.4	0.5	0.8	1.1	0.9	0.7	0.9
% change	50.1	156.6	144.5	(21.9)	(35.5)	(26.9)	29.1	53.0	(22.7)	(11.4)
Charges for services	\$ 38,761	33,835	28,661	26,546	27,061	23,837	20,563	20,716	19,461	19,206
% of total	10.3	9.5	8.5	8.4	8.8	7.6	7.2	7.7	7.8	8.1
% change	14.6	18.1	8.0	(1.9)	13.5	15.9	(0.7)	6.4	1.3	3.5
Departmental/other	\$ 16,650	14,491	13,841	14,054	11,234	12,536	10,114	13,504	12,767	9,913
% of total	4.4	4.1	4.1	4.5	3.6	4.1	3.5	5.1	5.1	4.1
% change	14.9	4.7	(1.5)	25.1	(10.4)	23.9	(25.1)	5.8	28.8	(8.2)
Total revenues	\$ 375,122	354,822	338,182	315,768	308,845	308,144	285,353	264,851	248,995	240,261
% of total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
% change	5.7	4.9	7.1	2.2	0.2	8.0	7.7	6.4	3.6	5.1

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Net Assets by Component

Last Six Years

(Accrual basis of accounting)

	Fiscal year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Invested in capital assets, net of related debt	\$ 255,226,705	219,341,820	300,322,357	315,270,305	336,878,930	357,453,373
Restricted	3,128,414	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954
Unrestricted	<u>95,543,686</u>	<u>167,848,493</u>	<u>133,510,964</u>	<u>185,379,626</u>	<u>216,871,591</u>	<u>231,012,594</u>
Total governmental activities net assets	<u>353,898,805</u>	<u>390,403,437</u>	<u>439,233,887</u>	<u>504,340,865</u>	<u>557,813,481</u>	<u>593,835,921</u>
Business-type activities:						
Invested in capital assets, net of related debt	67,646,029	71,832,828	76,300,119	79,061,585	86,100,235	90,562,284
Unrestricted	<u>9,914,329</u>	<u>82,628,141</u>	<u>6,664,156</u>	<u>7,203,272</u>	<u>5,379,501</u>	<u>5,966,312</u>
Total business-type activities net assets	<u>77,560,358</u>	<u>154,460,969</u>	<u>82,964,275</u>	<u>86,264,857</u>	<u>91,479,736</u>	<u>96,528,596</u>
Primary government:						
Invested in capital assets, net of related debt	322,872,734	291,174,648	376,622,476	394,331,890	422,979,165	448,015,657
Restricted	3,128,414	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954
Unrestricted	<u>105,458,015</u>	<u>250,476,634</u>	<u>140,175,120</u>	<u>192,582,898</u>	<u>222,251,092</u>	<u>236,978,906</u>
Total primary government net assets	\$ <u>431,459,163</u>	<u>544,864,406</u>	<u>522,198,162</u>	<u>590,605,722</u>	<u>649,293,217</u>	<u>690,364,517</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets, Last Six Fiscal Years

(Accrual basis of accounting)

	Fiscal year					
	2002	2003	2004	2005	2006	2007
Expenses:						
Governmental activities:						
General government	\$ 28,365,001	23,235,936	26,141,840	27,614,108	31,690,819	36,373,427
Public safety	73,177,887	77,556,200	72,576,467	81,863,575	84,796,098	88,299,052
Community maintenance and development	37,355,588	48,106,254	43,642,108	41,674,280	55,766,148	56,672,106
Human resource development	28,678,036	30,682,567	30,760,075	32,883,356	33,453,013	33,728,004
Education	124,103,073	128,699,429	125,097,466	126,177,359	133,952,334	138,673,636
State and district assessments	21,420,935	22,328,710	27,117,517	27,386,544	29,640,415	31,294,026
Interest on long-term debt	5,065,745	4,720,322	5,517,607	6,184,656	8,007,458	8,336,823
Total governmental activities	<u>318,166,265</u>	<u>335,329,418</u>	<u>330,853,080</u>	<u>343,783,878</u>	<u>377,306,285</u>	<u>393,377,074</u>
Business-type activities:						
Water	15,079,842	14,199,144	13,792,805	14,456,090	14,118,060	13,657,590
Total business-type activities expenses	<u>15,079,842</u>	<u>14,199,144</u>	<u>13,792,805</u>	<u>14,456,090</u>	<u>14,118,060</u>	<u>13,657,590</u>
Total primary government expenses	<u>333,246,107</u>	<u>349,528,562</u>	<u>344,645,885</u>	<u>358,239,968</u>	<u>391,424,345</u>	<u>407,034,664</u>
Program revenues:						
Governmental activities:						
Charges for services:						
Public Safety	22,627,366	27,772,926	23,358,965	26,731,634	33,739,682	31,606,231
Sewer Charges	25,251,184	30,821,353	28,040,442	31,311,866	36,633,238	38,689,798
Human resource and development	2,443,060	2,461,592	4,283,188	4,786,376	2,800,184	2,856,637
Other activities	228,388	373,838	436,341	503,519	503,010	414,844
Operating grants and contributions	22,735,760	17,455,370	23,877,740	24,521,234	28,125,429	26,210,631
Capital grants and contributions	3,537,887	12,925,487	5,549,984	4,556,870	15,366,641	6,541,460
Total governmental activities program revenues	<u>76,823,645</u>	<u>91,810,566</u>	<u>85,546,660</u>	<u>92,411,499</u>	<u>117,168,184</u>	<u>106,319,601</u>
Business-type activities:						
Charges for services:						
Water	15,523,309	16,979,446	16,902,863	18,153,081	19,629,812	19,016,582
Total business-type program revenues	<u>15,523,309</u>	<u>16,979,446</u>	<u>16,902,863</u>	<u>18,153,081</u>	<u>19,629,812</u>	<u>19,016,582</u>
Total primary government program revenues	<u>92,346,954</u>	<u>108,790,012</u>	<u>102,449,523</u>	<u>110,564,580</u>	<u>136,797,996</u>	<u>125,336,183</u>
Net (expense)/revenue:						
Governmental activities	(241,342,620)	(243,518,852)	(245,306,420)	(251,372,379)	(260,138,101)	(287,057,473)
Business-type activities	443,467	2,780,302	3,110,058	3,696,991	5,511,752	5,358,992
Total primary government net expense	\$ <u>(240,899,153)</u>	<u>(240,738,550)</u>	<u>(242,196,362)</u>	<u>(247,675,388)</u>	<u>(254,626,349)</u>	<u>(281,698,481)</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets, Last Six Fiscal Years

(Accrual basis of accounting)

	Fiscal year					
	2002	2003	2004	2005	2006	2007
General revenues and other changes in net assets:						
Governmental activities:						
Taxes						
Property taxes	\$ 199,963,787	198,116,572	211,391,274	214,906,034	227,024,672	230,740,742
Excise taxes	10,745,939	10,204,545	10,561,612	11,753,246	12,555,704	12,516,776
Unrestricted grants and contributions	46,822,454	42,311,932	42,601,103	43,801,641	39,553,164	41,338,603
Payments in lieu of taxes	5,316,254	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046
Investment income	3,331,545	2,546,628	1,659,344	3,873,379	9,699,805	14,434,985
Miscellaneous	15,515,230	21,822,564	21,217,361	12,480,304	17,662,993	16,571,631
Special item	—	—	—	22,293,549	—	—
Transfers	376,870	376,870	377,000	531,835	535,000	538,130
Total governmental activities	<u>282,072,079</u>	<u>280,023,484</u>	<u>294,136,870</u>	<u>316,479,357</u>	<u>313,610,718</u>	<u>323,079,913</u>
Business-type activities:						
Investment Income	56,962	131,852	135,575	135,426	238,127	227,998
Transfers	(376,870)	(376,870)	(377,000)	(531,835)	(535,000)	(538,130)
Total business-type activities	<u>(319,908)</u>	<u>(245,018)</u>	<u>(241,425)</u>	<u>(396,409)</u>	<u>(296,873)</u>	<u>(310,132)</u>
Total primary government	<u>\$ 281,752,171</u>	<u>279,778,466</u>	<u>293,895,445</u>	<u>316,082,948</u>	<u>313,313,845</u>	<u>322,769,781</u>
Change in net assets:						
Governmental activities	\$ 40,729,459	36,504,632	48,830,450	65,106,978	53,472,617	36,022,440
Business-type activities	123,559	2,535,284	2,868,633	3,300,582	5,214,879	5,048,860
Total primary government	<u>\$ 40,853,018</u>	<u>39,039,916</u>	<u>51,699,083</u>	<u>68,407,560</u>	<u>58,687,496</u>	<u>41,071,300</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund:										
Reserved	\$ 33,186,811	40,512,051	40,242,193	34,996,593	13,390,746	6,097,472	9,493,486	24,203,862	16,428,333	17,791,512
Unreserved	34,958,456	24,018,711	25,954,330	32,683,214	69,586,739	85,286,619	90,479,144	100,050,320	120,245,450	134,869,147
Total general fund	\$ <u>68,145,267</u>	<u>64,530,762</u>	<u>66,196,523</u>	<u>67,679,807</u>	<u>82,977,485</u>	<u>91,384,091</u>	<u>99,972,630</u>	<u>124,254,182</u>	<u>136,673,783</u>	<u>152,660,659</u>
All other governmental funds										
Reserved	\$ 31,933,654	103,958,944	85,970,142	50,411,010	50,451,757	41,115,518	48,583,062	28,515,541	28,660,330	12,687,274
Unreserved, reported in:										
Special revenue funds	(2,247,220)	(2,497,209)	(665,033)	5,816,749	—	28,361,764	31,850,012	38,696,151	50,256,273	87,098,510
Capital funds	(14,097,663)	(93,404,566)	(82,121,384)	(23,176,449)	776,114	(1,453,931)	(702,646)	41,596,488	62,252,680	50,831,905
Total all other governmental funds	\$ <u>15,588,771</u>	<u>8,057,169</u>	<u>3,183,725</u>	<u>33,051,310</u>	<u>51,227,871</u>	<u>68,023,351</u>	<u>79,730,428</u>	<u>108,808,180</u>	<u>141,169,283</u>	<u>150,617,689</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Real and personal property taxes	\$ 153,007,084	151,056,435	162,189,559	174,681,244	198,805,559	198,783,571	206,354,390	220,910,263	222,986,633	231,875,724
Excises:										
Hotel/motel	4,449,984	4,955,494	5,696,567	5,651,401	4,907,532	4,401,259	4,286,681	5,461,027	5,800,992	6,751,419
Motor vehicles	4,716,502	4,824,980	5,848,595	5,921,137	5,838,407	6,031,393	6,087,063	6,452,475	6,146,422	5,942,196
Payments in lieu of taxes	2,282,897	4,544,599	3,692,279	4,807,067	5,316,254	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046
Intergovernmental	53,631,928	60,697,132	73,272,476	69,514,089	73,096,101	72,692,789	72,198,993	72,879,748	87,635,346	77,410,419
Investment income	5,693,599	5,295,093	6,263,010	6,898,417	3,331,545	2,546,628	1,659,344	3,877,381	9,699,805	14,434,985
Sewer use charges	19,206,157	19,460,697	20,716,194	20,563,466	23,836,866	27,061,324	26,546,224	28,661,479	33,834,690	38,761,289
Departmental and other	32,173,453	35,126,392	41,139,114	39,311,014	42,489,144	53,788,079	54,153,095	52,913,882	57,676,624	54,554,968
Total revenues	275,161,604	285,960,822	318,817,794	327,347,835	357,621,408	369,949,416	377,614,966	397,995,624	430,359,892	436,670,046
Expenditures:										
General government	17,542,354	21,793,159	18,166,578	22,614,889	26,999,819	20,934,488	24,082,120	27,558,970	30,661,962	34,465,493
Public safety	62,609,636	62,746,991	67,021,363	67,526,146	71,036,613	73,640,401	76,087,314	78,453,371	83,255,981	86,275,482
Community maintenance and development	24,958,638	25,239,196	36,018,303	31,849,038	28,286,492	35,002,529	34,358,061	35,224,167	45,867,415	41,561,130
Human resource development	16,207,667	16,816,950	19,496,047	21,505,655	23,142,859	25,089,027	25,590,660	27,129,994	28,081,349	29,664,774
Education (1)	94,146,893	101,349,818	103,646,643	108,614,947	117,192,210	122,512,065	119,887,725	120,973,010	129,073,427	132,655,957
Judgments and claims	537,451	1,000,000	2,479,013	708,847	205,418	155,696	533,419	224,964	346,008	212,729
State and district assessments	20,825,930	21,222,529	29,002,282	28,703,942	28,018,935	29,698,511	33,617,517	33,886,544	35,890,415	37,294,026
Capital outlays	29,506,801	36,165,817	48,504,599	45,562,817	40,585,634	40,323,991	47,781,887	74,043,756	37,237,192	45,075,937
Debt service:										
Interest (1)	3,489,320	3,485,734	4,805,574	5,525,356	6,711,387	4,436,907	6,490,398	6,621,664	7,958,766	8,719,761
Principal (1)	11,065,884	9,222,443	11,808,201	13,311,078	17,546,087	22,384,150	22,405,970	23,570,424	24,822,015	28,407,064
Total expenditures	280,890,574	299,042,637	340,948,603	345,922,715	359,725,454	374,177,765	390,835,071	427,686,864	423,194,530	444,332,353
Excess of revenues over (under) expenditures	(5,728,970)	(13,081,815)	(22,130,809)	(18,574,880)	(2,104,046)	(4,228,349)	(13,220,105)	(29,691,240)	7,165,362	(7,662,307)
Other financing sources (uses):										
Premium on bond issue	—	—	—	—	—	—	377,741	1,768,923	370,092	708,969
Bond proceeds	15,343,453	1,496,605	18,382,057	49,545,705	31,401,415	29,053,565	32,760,980	80,749,786	36,710,250	45,670,000
Transfer in	34,334,357	40,721,525	42,530,898	49,290,798	30,134,149	29,167,918	40,750,850	25,738,992	37,875,917	28,978,763
Transfer out	(33,968,923)	(40,308,675)	(41,995,028)	(48,913,928)	(29,757,279)	(28,791,048)	(40,373,850)	(25,207,157)	(37,340,917)	(42,260,143)
Total other financing sources (uses)	15,708,887	1,909,455	18,917,927	49,922,575	31,778,285	29,430,435	33,515,721	83,050,544	37,615,342	33,097,589
Net change in fund balances	\$ 9,979,917	(11,172,360)	(3,212,882)	31,347,695	29,674,239	25,202,086	20,295,616	53,359,304	44,780,704	25,435,282
Debt service as a percentage of noncapital expenditures	\$ 5.79%	4.83%	5.68%	6.27%	7.60%	8.03%	8.42%	8.54%	8.49%	9.30%

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

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

Fiscal Year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate
1998	\$ 4,760	2,031	464	249	7,504	13.43	35.98
1999	5,725	2,934	628	256	9,543	11.05	27.25
2000	6,773	3,288	702	275	11,038	9.64	25.16
2001	7,709	3,772	929	293	12,703	9.21	23.39
2002	10,317	4,994	1,221	305	16,837	7.22	18.81
2003	10,820	5,098	1,466	368	17,752	7.26	18.67
2004	12,157	4,818	1,808	444	19,227	7.63	19.08
2005	13,871	4,980	2,030	467	21,348	7.78	18.28
2006	13,962	4,930	2,350	605	21,847	7.38	17.86
2007	14,136	4,929	2,443	659	22,167	7.48	18.30

(1) As of January 1st.

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

Source: City Department of Finance

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
1998	\$	13.43	35.98	35.98	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
2005		7.78	18.28	18.28	25.00
2006		7.38	17.86	17.86	25.00
2007		7.48	18.30	18.30	25.00

(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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Largest Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	2007			Taxpayer	1998		
	Taxable assessed value	Amount of tax	Percentage of total tax levy		Taxable Assessed Value	Amount of Tax	Percentage of Total Tax Levy
Massachusetts Institute of Technology	\$ 1,420,488,100	24,374,479	10.52%	Commonwealth Energy / Steam Corp.	\$ 196,235,200	7,055,825	4.57%
Boston Properties	468,316,000	8,570,183	3.70	Boston Properties	165,499,400	5,954,668	3.86
BioMed Realty Trust	432,837,100	7,920,919	3.42	M.I.T.	157,093,002	5,083,081	3.29
Equity Partners	244,367,800	4,112,838	1.77	Cambridge Side Galleria – New England Develop	93,726,000	3,372,261	2.19
Novartis Pharmaceuticals	221,426,400	4,052,103	1.75	Asahi Seimei Prudential Associates	92,427,400	3,325,538	2.16
New England Development	193,047,200	3,532,764	1.52	The Atheneum Group	85,113,900	3,059,812	1.98
PREEF American Reit II Corp.	180,000,400	3,294,007	1.42	Spaulding & Slye Corp	59,203,600	2,130,146	1.38
One Kendall LLC	177,922,500	3,232,199	1.39	E.M.I. Cambridge Limited Partnership	56,484,500	2,032,312	1.32
Presidents & Fellows of Harvard College	276,892,410	3,075,356	1.33	Presidents and Fellows of Harvard College (1)	114,305,609	1,823,883	1.18
Lyme Properties	152,607,200	2,421,560	1.04	The Congress Group	54,916,300	1,814,796	1.18
Total	\$ 3,767,905,110	64,586,408	27.86%		\$ 1,075,004,911	35,652,322	23.11%

(1) Excludes in-lieu payment on exempt property

Source: City of Cambridge Finance Department

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

(In millions of dollars)

Fiscal year ended June 30	Taxes levied (2) for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
1998	\$ 154.3	150.9	97.80%	4.2	\$ 155.1	100.52%
1999	159.0	155.7	97.92	3.4	159.1	100.06
2000	164.0	161.0	98.17	4.4	165.4	100.85
2001	178.5	173.6	97.25	5.3	178.9	100.22
2002	187.4	182.9	97.60	5.9	188.8	100.75
2003	197.7	192.4	97.32	4.5	196.9	99.60
2004	209.6	203.9	97.28	5.1	209.0	99.71
2005	222.6	214.1	96.18	7.2	221.3	99.42
2006	223.2	217.6	97.49	2.2	219.8	98.48
2007	233.3	227.1	97.34	N/A	227.1	97.34

(1) Real and personal property taxes.

(2) Gross tax levied before overlay reserve.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal year	Governmental activities				Business-type activities		Total primary government	Percentage of per capita income (a)	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
	General obligation bonds	Section 108 HUD notes payable	School equipment notes payable	Notes payable	General obligation bonds					
1998	\$ 96,868,111	990,000	3,343,453	—	9,313,000	110,514,564	5.80%	\$ 1,154	1.47%	
1999	86,104,560	985,000	3,139,869	—	46,413,000	136,642,429	4.58	1,426	1.43	
2000	92,940,237	980,000	2,883,048	2,000,000	63,912,570	162,715,855	5.15	1,605	1.47	
2001	129,769,186	935,000	2,608,387	2,000,000	71,484,980	206,797,553	6.55	2,040	1.63	
2002	140,028,249	825,000	2,314,652	6,000,000	72,701,609	221,869,510	7.03	2,189	1.32	
2003	148,816,663	405,000	2,000,516	6,000,000	66,789,295	224,011,474	7.09	2,210	1.26	
2004	159,517,629	395,000	1,664,560	6,000,000	63,819,513	231,396,702	7.33	2,283	1.20	
2005	217,066,282	385,000	1,305,269	6,000,000	58,745,699	283,502,250	8.98	2,797	1.33	
2006	229,348,765	375,000	921,021	6,000,000	52,478,366	289,123,152	9.16	2,853	1.32	
2007	233,541,396	355,000	510,082	6,000,000	45,689,363	286,095,841	9.06	2,823	1.29	

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

- a See Page 89 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b See Page 81 for the taxable assessed valuation figures.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal year		General obligation bonds outstanding	Total taxable assessed value	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
1998	\$	106,181,111	7,504,000,000	1,108	1.41%
1999		132,517,560	9,543,000,000	1,383	1.39
2000		156,852,807	11,038,000,000	1,548	1.42
2001		201,254,166	12,703,000,000	1,986	1.58
2002		212,729,858	16,837,000,000	2,099	1.26
2003		215,605,958	17,752,000,000	2,127	1.21
2004		223,337,142	19,227,000,000	2,204	1.16
2005		275,811,981	21,348,000,000	2,721	1.29
2006		281,827,131	21,847,000,000	2,781	1.29
2007		279,230,759	22,167,000,000	2,755	1.26

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

- a See page 89 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b See page 81 for the taxable assessed valuation figures.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2007

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	\$ 279,230,759	—	100.00%	279,230,759
Massachusetts Water Resources Authority	—	3,618,254,000	5.11	185,026,900
Total direct and overlapping debt	\$ 279,230,759	3,618,254,000		464,257,659

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2007

Fiscal year 2007 equalized valuation (1)	\$ 24,529,458,900
Debt limit (5% of assessed value) (2)	1,226,472,945
Debt applicable to limit:	
General obligation bonds	279,585,759
Total authorized/unissued	<u>139,892,444</u>
Total debt outstanding plus authorized/unissued	419,478,203
Less general obligation bonds exempted by authority of the State legislature	<u>53,539,363</u>
Amount within debt limit	<u>365,938,840</u>
Legal debt margin	\$ <u><u>860,534,105</u></u>

	Fiscal year (Dollars in thousands)									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 189,845	212,647	212,647	317,027	317,027	456,081	912,162	1,064,126	1,064,126	1,226,473
Total net debt applicable to limit	<u>116,370</u>	<u>147,198</u>	<u>140,176</u>	<u>227,017</u>	<u>228,807</u>	<u>272,051</u>	<u>313,959</u>	<u>363,536</u>	<u>340,956</u>	<u>365,939</u>
Legal debt margin	\$ <u><u>73,475</u></u>	<u><u>65,449</u></u>	<u><u>72,471</u></u>	<u><u>90,010</u></u>	<u><u>88,220</u></u>	<u><u>184,030</u></u>	<u><u>598,203</u></u>	<u><u>700,590</u></u>	<u><u>723,170</u></u>	<u><u>860,534</u></u>
Total net debt applicable to the limit as a percentage of debt limit	61.30%	69.22%	65.92%	71.61%	72.17%	59.65%	34.42%	34.16%	32.04%	29.84%

(1) In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biannually makes his own determination of fair cash value of the taxable property in each municipality. This is known as "equalized valuation." The last redetermination of "equalized valuation" for the City was made as of January 1, 2006.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population (1)	Median family income (1)	Per capita income (1)	Median age (1)	School enrollment	Unemployment rate (2)
1998	95,802	\$ 39,990	19,879	31.1	7,866	1.90%
1999	95,802	59,423	31,156	31.1	7,638	1.90
2000	101,355	59,423	31,156	30.4	7,491	1.70
2001	101,355	59,423	31,156	30.4	7,308	2.60
2002	101,355	59,423	31,156	30.4	7,296	3.60
2003	101,355	59,423	31,156	30.4	7,111	3.80
2004	101,355	59,423	31,156	30.4	6,756	3.60
2005	101,355	59,423	31,156	30.4	6,450	3.40
2006	101,355	59,423	31,156	30.4	6,001	3.70
2007 (3)	101,355	59,423	31,156	30.4	5,797	3.20

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

(2) Source: Massachusetts Division of Labor and Industries

(3) As of September 2007

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

Employer	1998			Employer	2007		
	Employees	Rank	Percentage of total city employment		Employees	Rank	Percentage of total city employment
M.I.T.	7,839	1	7.31%	Harvard University	10,068	1	9.85%
Harvard University	7,394	2	6.89	M.I.T.	7,864	2	7.69
City of Cambridge (2)	3,060	3	2.85	City of Cambridge (1)(2)	2,819	3	2.76
Lotus Development Corp./IBM	1,883	4	1.76	Mt. Auburn Hospital	1,813	4	1.77
Bolt, Beranek & Newman, Inc.	1,847	5	1.72	Cambridge PublicHealth Alliance	1,567	5	1.53
Cambridge Public Health Commission	1,524	6	1.42	Federal Government	1,514	6	1.48
Mt. Auburn Hospital	1,496	7	1.40	Biogen Idec	1,434	7	1.40
Federal Government	1,489	8	1.39	Genzyme Corporation	1,370	8	1.37
Polaroid Corporation	1,118	9	1.07	Novartis Institute	1,200	9	1.17
Draper Labs, Inc.	1,059	10	0.99	Millennium Pharmaceuticals	1,175	10	1.15
	<u>28,709</u>		<u>26.77%</u>		<u>30,824</u>		<u>30.15%</u>
Total average employed	<u>107,240</u>			Total average employed	<u>102,250</u>		

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

(2) Includes the Cambridge School Department

Source: Cambridge Community Development Department and cited employers, 2006.

Source: Massachusetts Division of Employment and Training

CITY OF CAMBRIDGE, MASSACHUSETTS

Full-Time Positions by Function/Program

Last Ten Fiscal Years

Function/program	Full-time positions as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government:										
Executive management	13	15	16	17	18	16	15	15	15	16
Clerk	9	9	9	10	10	10	10	10	10	10
Law	13	12	12	12	12	12	11	11	11	11
Finance	79	79	80	81	83	83	83	83	83	83
Other	23	23	23	23	23	23	23	20	19	19
Subtotal	137	138	140	143	146	144	142	139	138	139
Public safety:										
Fire	283	283	283	283	284	285	283	284	284	284
Police	308	309	309	309	309	312	309	309	307	307
Traffic	85	84	83	82	82	82	81	81	80	80
Inspectional	26	27	28	28	28	28	28	28	28	27
Emergency communication	37	38	38	38	39	39	39	39	39	39
Other	22	24	24	24	25	26	25	31	30	30
Subtotal	761	765	765	764	767	772	765	772	768	767
Community maintenance:										
Public works	214	214	212	212	223	223	220	219	215	213
Community development	42	42	44	46	47	47	44	45	45	45
Other	9	9	10	12	12	12	12	13	13	13
Subtotal	265	265	266	270	282	282	276	277	273	271
Human resource development:										
Library	55	56	56	58	59	60	60	60	60	60
Human services	94	98	106	117	125	132	128	129	127	127
Other	7	7	7	7	7	7	7	7	7	7
Subtotal	156	161	169	182	191	199	195	196	194	194
Education	1,303	1,291	1,314	1,353	1,357	1,335	1,253	1,229	1,197	1,218
Water	65	59	55	69	67	67	65	65	63	63
Grand total	2,687	2,679	2,709	2,781	2,810	2,799	2,696	2,678	2,633	2,652

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Eight Fiscal Years

Function/program	Fiscal year							
	2000	2001	2002	2003	2004	2005	2006	2007
Fire:								
Emergency responses	28,113	30,219	31,960	32,008	31,052	28,920	30,278	32,436
Fires extinguished	513	544	611	565	334	388	574	585
Hazardous materials emergency	345	455	499	379	497	250	248	287
Police:								
Physical arrests	1,314	1,244	1,199	1,263	1,248	1,185	1,234	1,385
Traffic violations	24,750	21,963	20,661	20,396	24,336	24,973	22,745	22,231
Traffic:								
Number of meters on street	2,900	2,897	3,026	2,804	2,804	2,770	2,815	3,157
Meter violations	199,316	208,658	218,010	199,490	181,974	192,462	200,000	187,797
Overtime meter violations	45,256	40,738	34,871	28,344	34,896	33,957	34,000	21,771
Inspectional:								
Major permits issued	159	134	85	90	75	109	143	285
Short form permits issued	2,355	2,326	2,203	2,413	2,500	2,824	2,910	2,818
Compliance inspections	7,104	7,266	6,792	5,998	3,645	6,044	5,946	6,942
Emergency communications:								
Total 911 Incidents dispatched	93,096	101,794	106,363	97,714	96,045	89,739	92,375	101,766
Medical	8,408	8,322	7,725	7,608	7,670	7,668	8,373	9,531
Traffic/MV-Related	20,022	23,700	24,605	21,970	22,898	25,319	27,219	23,772
Crime and Directed Patrol	35,152	35,644	40,805	34,502	32,258	28,700	28,796	38,232
Public works:								
Street Resurfacing (miles)	10	1.8	10.8	22.2	17.8	22.5	12.4	6.5
Sidewalk replaced (miles)	8	2.3	7.6	6.7	6.7	5.8	3.5	4.8
Rubbish collected (tons)	25,127	25,119	24,893	25,223	25,104	23,993	23,425	20,230
Recycling collected (tons)	n/a	n/a	11,789	11,966	13,065	12,742	12,600	12,710
New stormwater drains installed (linear feet)	4,500	3,000	3,000	1,500	3,000	1,200	525	750
New sanitary sewer installed (linear feet)	200	300	500	700	1,000	850	290	590
Community development:								
Number of affordable multi-family rental unit	164	141	82	45	44	6	26	70
Number of affordable homeownership units developed	9	—	6	7	23	28	26	42
Human resource department:								
Library system circulation	954,434	926,057	998,331	1,116,012	1,123,755	986,501	940,330	1,015,073
Library acquisitions for collector	36,530	36,697	41,134	34,106	35,649	24,822	34,508	34,813
Number of clients served in youth and family services program	1,453	1,430	1,631	1,339	1,344	2,172	2,173	2,536
Number of clients served through homelessness prevention program	3,082	2,242	3,454	4,307	5,494	4,843	5,142	5,492
Number of clients visits to food pantry program	13,775	13,500	7,308	17,366	19,954	20,000	23,642	27,554
Total number of golf rounds annually	62,095	55,448	56,565	45,940	31,560	38,590	41,400	41,178
Water:								
Number of accounts transitioned to AMR system	n/a	n/a	n/a	n/a	n/a	6,750	7,900	425
Total water quality tests performed	14,916	36,127	47,422	66,170	67,729	56,718	60,313	63,039
Water treatment plant tests performed	n/a	n/a	41,878	59,073	60,633	49,564	52,513	54,760
Install, clean and line, and/or replace water mains; (linear feet)	4,000	12,000	49,000	4,790	3,770	5,180	1,380	5,650
Elimination of parallel old 6" cast iron pipe (linear feet)	n/a	n/a	n/a	n/a	1,500	5,200	4,410	2,950
Education:								
Total enrollment	7,491	7,308	7,296	7,111	6,756	6,450	6,001	5,797

Information for years prior to 2000 is not available.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Six Fiscal Years

Function/program	Fiscal year					
	2002	2003	2004	2005	2006	2007
Fire:						
Fire stations	8	8	8	8	8	8
Emergency vehicles	21	21	21	21	21	25
Maintenance facility	1	1	1	1	1	1
Police:						
Stations	1	1	1	1	1	1
Patrol units	80	79	79	79	79	84
Traffic:						
Garages	2	2	2	2	2	2
Public works:						
Collection trucks	18	18	18	18	18	15
Streets (miles)	125	125	125	125	125	125
Electric:						
Streetlights	6,978	7,017	7,193	7,017	7,264	7,285
Traffic signals	196	196	196	196	195	189
Sewer:						
Sanitary sewers (miles)	145.8	146.5	147.3	148	148.7	147
Storm sewers (miles)	85.5	86.12	86.77	97.42	88.07	90
Library:						
Main library	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6
Parks and recreation:						
Acreage	496	496	496	496	496	496
Playgrounds	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5
Senior centers	2	2	2	2	2	2
Water:						
Water treatment plant	1	1	1	1	1	1
Water mains (miles)	190	190	190	190	190	190
Fire hydrants	1,750	1,750	1,750	1,750	1,750	1,750
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200
Reservoirs	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Education:						
Elementary schools	15	15	12	12	12	12
High school	1	1	1	1	1	1

Information for years prior to 2002 is not available.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2007

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
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