

CITY OF
CAMBRIDGE,
MASSACHUSETTS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JULY 1, 2011 – JUNE 30, 2012

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

Fiscal Year
July 1, 2011 through June 30, 2012

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:

Newly Renovated Cambridge Rindge and Latin High School

The cover features the 400,000 square foot CRLS complex which reopened last September after a comprehensive renovation completed in phases over two years. The most obvious improvements are refreshed classrooms and corridors, including new windows, lockers, flooring and paint. The renovation has enlivened the common areas and provides clear circulation and more internal transparency. The main entrance has been reopened so that, upon arrival, students and visitors can see the main office, cafeteria entrance, stairwells and corridors, welcoming those entering and relieving congestion in the lobby. The redesigned science core includes larger labs that accommodate both teaching areas and space for experiments, the theater is redesigned and rigged for live broadcasts, the cafeteria has been transformed into a light and airy dining commons, and the renovated library integrates new and traditional research tools. Less apparent than the bright, clean classrooms, but significant in terms of building health and efficiency, are the many sustainable design features of the building, making it eligible for LEED Silver certification, or better. Rooftop photovoltaic panels; water conservation systems (CRLS has over 35 bathrooms); efficient, smart lighting that turns off when adequate daylight is present; low-maintenance, highly durable flooring; and a heating and cooling system that is quiet, economical and well-suited to an environment with operable windows combine with other attributes to create a much greener CRLS.

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Annual Financial Report

June 30, 2012

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December 14, 2012

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, 2012 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the general fund, capital projects fund, affordable housing trust fund and other governmental funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government-wide basis as shown on pages 14 and 15. 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, 2011 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 City
for Fiscal Affairs



James Monagle
Auditor

December 14, 2012

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, 2012. 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 2012 Year in Review: Major Initiatives/Highlights

During fiscal year 2012, the City's fiscal year free cash position of \$115.8 million increased by \$13.6 million from the previous fiscal year. This balance represents the highest amount in the City's history. The general fund balance totaled \$163.2 million at year end, an increase of \$19.7 million or 13.8% over fiscal year 2011.

Real property assessed valuations totaled \$24.4 billion in fiscal year 2012, a \$0.3 billion or 1.2% increase from FY11. This slight change reflects the strength of the Cambridge real estate market despite a very volatile environment. The commercial sector realized a 0.97% increase in assessed value, \$90 million from fiscal year 2011. The residential sector assessed values increased by a modest \$195 million, a 1.3% increase from fiscal year 2011. Also, in fiscal 2012, the City's property tax levy limit grew to \$401.7 million from \$383.3 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$102.6 million in fiscal year 2012, an increase of \$3.2 million, or 3.2%, from fiscal year 2011.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2012 are as follows:

- In conjunction with the City's February 2012 bond sale, the three major credit rating agencies confirmed their highest rating available to cities.
- Moody's Investors Service noted in its rating the "The Aaa rating reflects the city's large, diverse and stable tax base, which is anchored by prominent higher education institutions and a growing research and development sector. Also incorporated into the Aaa rating are a strong financial position which has performed well through the national economic downturn, management's consistently conservative approach to budgeting and expenditure management and a favorable debt profile supported by healthy enterprise systems and historically strong commonwealth school construction aid. Strengths include; A large and diverse tax base anchored by stable institutions and a robust financial position guided by sound management policies."

- Standard and Poor's wrote that its rating reflects a "Strong and dynamic local economy, anchored by Harvard University and Massachusetts Institute of Technology (MIT), as well as biotechnology and high-tech firms; Above-average wealth and income factors, including an extremely strong market value per capita; Very strong financial position, despite general fund decreases in fiscals 2010 and 2011, coupled with an experienced management team and strong management policies; and Low debt burden and manageable capital plan."
- While Fitch Ratings noted the Key Rating Drivers its rating are "Management's conservative budgeting practices and prudent use of reserves; the city's positive financial profile is characterized by large reserves and ample liquidity. Additionally, the city's levy margin continues to grow favorably to the highest level in the city's history; The stable presence of higher education, healthcare, biotechnology, and life sciences industries supports the well-diversified economy with low unemployment and above-average wealth levels; Ongoing development within the city is projected to promote growth in assessed value, providing the city with tax levy flexibility for operations and debt service; Debt levels are moderate and expected to remain manageable, aided by the city's rapid amortization rate."
- In addition to assigning its 'AAA' rating, Standard and Poor's reaffirmed its "strong" Financial Management Assessment (FMA) of the City in February 2012. An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable. The strong rating indicates that the government maintains most best practices deemed critical to supporting credit quality and that these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue into the future and transcend changes in the operating environment or personnel.
- In February 2012, the City's issued \$40.5 million in general obligation bonds to finance a wide variety of projects including the Elementary school renovation project, Sewer Reconstruction, Old Police Station Renovation Project, Harvard and Kendall Square Surface Improvements, Open space improvements and street and side reconstruction, Municipal Building Renovations. The true interest cost of this issue was 1.64%.
- In November 2001, Cambridge voters approved adoption of the Community Preservation Act (CPA), a State law that allows the City to receive matching funds from the State for money raised locally in support of affordable housing, historic preservation and protection of open space. The local portion of CPA funding is raised through a 3% surcharge on taxes. The total amount appropriated or reserved in FY12 was \$9.6 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. The \$9.6 million appropriated or reserved included \$6.75 million in local receipts from the CPA surcharge with an additional state match of \$1.85 million and \$1.0 from CPA fund balance. Through fiscal year 2012, the City appropriated or reserved \$111.3 million in CPA funds with approximately \$40.45 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- As a result of continued strong fiscal management, the property tax levy for FY12 increased by only 5.33% when the City Council adopted the City Manager's property tax and classification recommendations in September 2011. During the past seven years, the average property tax levy increase is 4.3%. The FY12 Budget adopted in May 2011, reflected a 1.75% increase over the FY11 adjusted budget and called for a 6.47% increase in the property tax levy. However, the City was able to use additional nonproperty tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 5.33% increase. In FY12, the continued strong

commercial market, coupled with a slight increase in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from residential taxpayers for the seventh year in a row. As a result, 63.9% of the residential taxpayers received a property tax bill that was lower, the same, or an increase less than \$100. In addition, another 22.8% of residential taxpayers received an increase between \$100 – \$250.

- 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 both these awards annually from the GFOA for the last 25 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 2012 with a total general fund balance of \$163.2 million, which represents 36.8% of general fund revenues, a increase from 34.4% in fiscal year 2011. In fiscal year 2012, operations produced an \$2.5 million surplus. Each year, a portion of fund balance is allocated to committed and nonspendable accounts. A total of \$36.4 million was held as committed and nonspendable accounts in fiscal year 2012, leaving an unassigned fund balance of \$126.7 million. General fund cash and short-term investments totaled \$192.2 million, while the balance of cash and short-term investments for all funds totaled \$343.2 million, which is a \$5.7 million, or 1.7% increase from fiscal year 2011.

The following table presents the balance in the City’s unreserved/unassigned general fund balance for fiscal years 2001 through 2012.

Fiscal year:	<u>Unreserved/ unassigned general fund balance</u>
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
2008	150,312,018
2009	141,595,256
2010	129,495,866
2011 (2)	99,698,895
2012	126,726,779

(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.

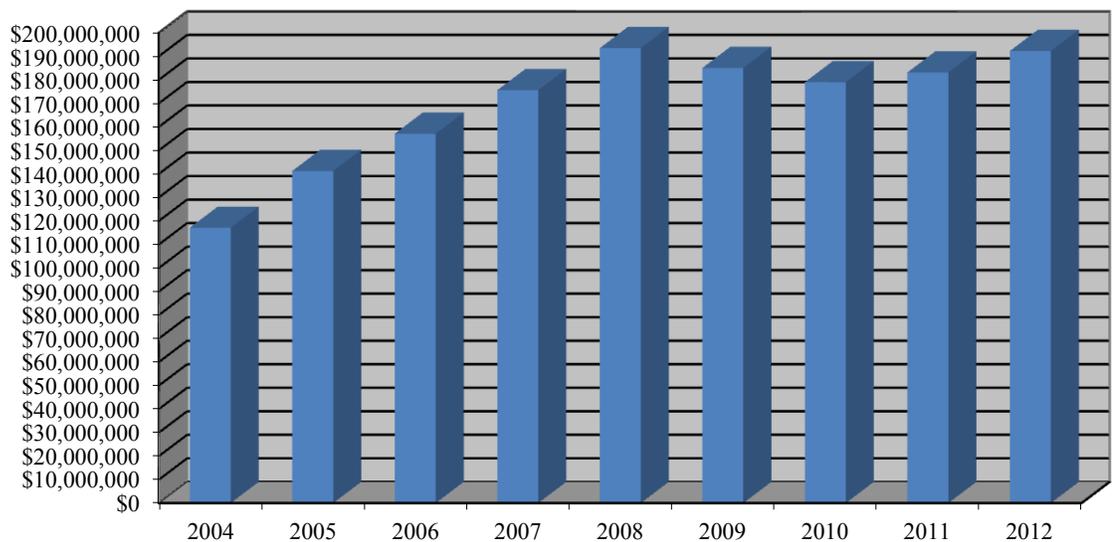
- (2) The City, in 2012, implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Cash Position

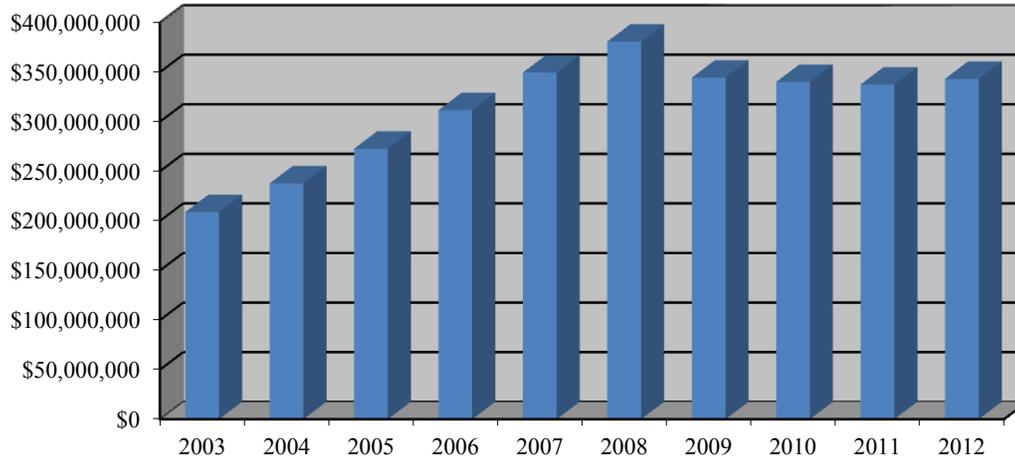
The table and charts displayed below present the changes in year-end general fund cash and total cash for all funds for the past eight fiscal years. The table and charts do not include cash for the Cambridge Health Alliance, a component unit.

Fiscal year:	Year-end general fund cash and short-term investments	Year-end all funds cash and short-term investments
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
2008	193,401,156	380,717,649
2009	184,961,474	344,372,924
2010	178,909,465	340,010,757
2011	183,045,990	337,450,678
2012	192,187,580	343,245,812

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 2013 through fiscal year 2017, which was approved by the City Council in May 2012, has an estimated cost of \$285,472,000. Financing for the fiscal year 2013 portion of the capital plan was appropriated with the adoption of the fiscal year 2013 operating budget in May 2012.

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, 2012 totaled \$340.1 million.

Property Valuations

Based on valuations of all real and personal property as of January 1, 2010, the total value of all property in the City is \$24.4 billion. Of that total, \$0.4 billion is attributable to new construction. The table below compares fiscal year 2012 property valuations and tax rates to fiscal year 2011 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2012	FY 2011	FY 2012	FY 2011
	(In millions)			
Commercial/industrial	\$ 8,478	8,378	20.76	19.90
Personal property	951	960	20.76	19.90
Residential	15,018	14,824	8.48	8.16
Total value	\$ 24,447	24,162		

Permanent Trust Fund

The City's permanent trust fund has a total fund balance of \$3,533,183 at June 30, 2012 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, 2012, the City's unfunded actuarial accrued liability is approximately \$237.8 million. In January 1991, the City established a State-approved funding schedule, which is updated based on current actuarial valuations and reviews every two years. It is projected that the City will eliminate its unfunded actuarial liabilities in June 30, 2029 based on an updated funding schedule.

OPEB Liability

As of June 30, 2012, the City's unfunded actuarial accrued liability is approximately \$611.0 million. On December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund and transferred \$2 million to this fund. The fair value of the assets as of June 30, 2012 is \$2.2 million.

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 15% 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, 2012 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, 2011.

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 2012 unemployment rate of 4.5% 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 calendar year 2011, the City's employment ratio was 100 jobs per 100 residents. In calendar year 2011, per capita personal income (PCPI) in the Cambridge metropolitan division is 57.6% higher than the PCPI for the USA, 9.1% higher than the State and slightly higher than the Boston MSA. Higher Education and Biotechnology continue to be important employment sectors for the City. Harvard University and the Massachusetts Institute of Technology, who employ approximately 18.0% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge.

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.

The past fiscal year was another solid year for the finances of the City: with the excess levy capacity increasing, actual revenues above projections, and strong assessed values. For planning purposes, the City used \$23.5 million in free cash in fiscal year 2012, on a budgetary basis, to lower the property tax levy and for supplemental appropriations. Due to surpluses in revenue accounts and expenditure savings, the City was able to replace the amount used during fiscal year 2012, the total free cash balance increased by \$13.6 million to the highest amount in the City's history of \$115.8 million. Based on the economic climate, this is a major accomplishment. These strong financial indicators combined with a AAA credit rating provide the City with enormous fiscal flexibility and stability.

These factors are important as we cautiously navigate through these challenging economic times, which will require us to look for ways to continue to expand nonproperty tax revenue, encourage expansion of the tax base, exercise restraint on expenditures and strategically use our reserve funds.

Acknowledgments

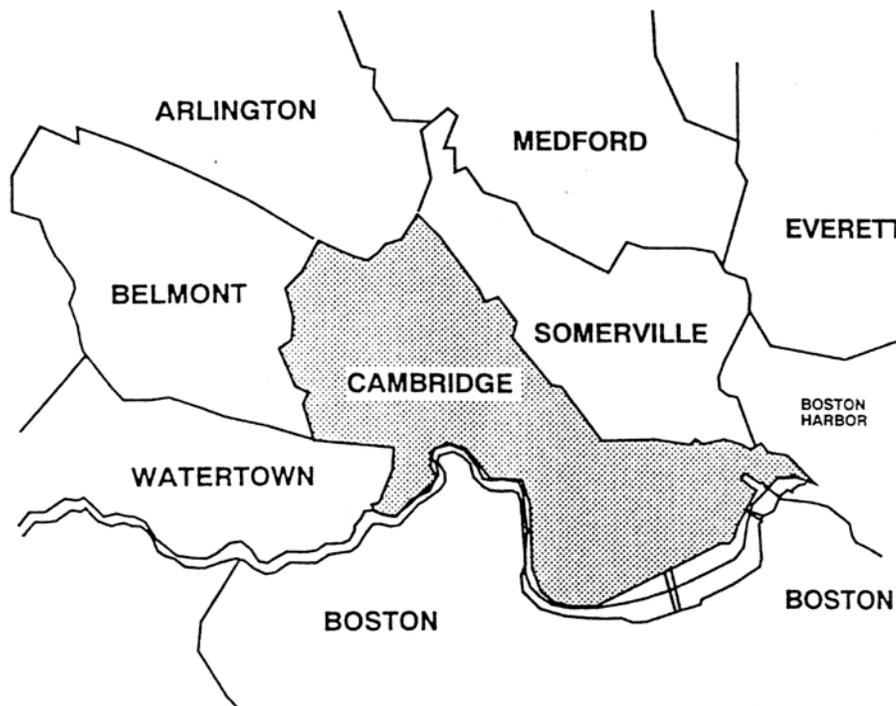
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also 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.

Very truly yours,



Robert W. Healy
City Manager



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 2010 Census, the City's estimated population was 105,162.

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 June 30, 2013.

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 2012
Directory of Officials
City Council

Henrietta Davis, Mayor

E. Denise Simmons, Vice Mayor	David P. Maher
Leland Cheung	Kenneth E. Reeves
Marjorie C. Decker	Timothy J. Toomey, Jr.
Craig A. Kelley	Minka vanBeuzekom

School Committee

Henrietta Davis, Chair

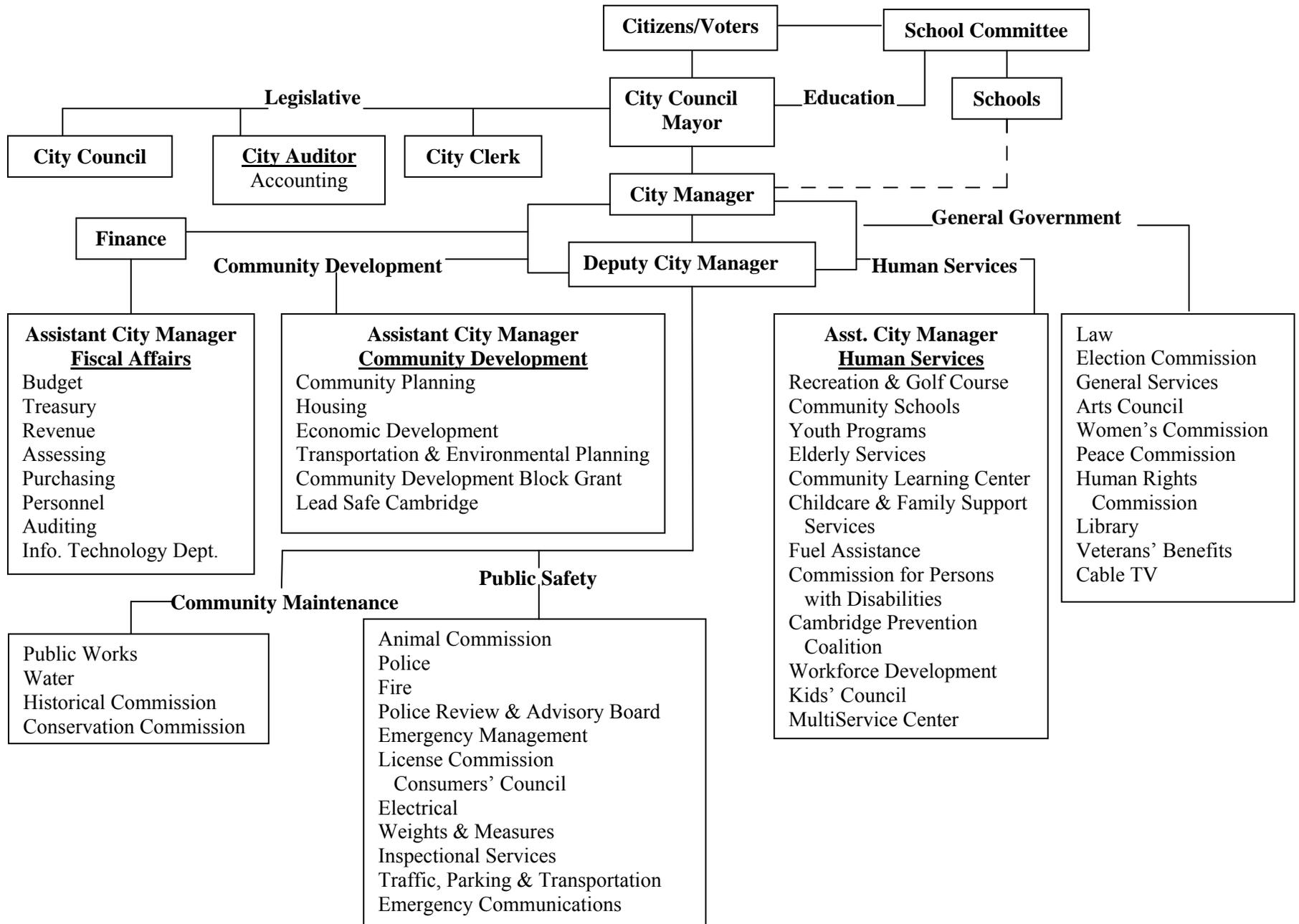
Alfred B. Fantini	Patricia M. Nolan
Richard Harding	Mervan F. Osborne
Marc McGovern	Alice L. Turkel

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	Brian P. Murphy
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Nancy Glowa
City Clerk	Donna Lopez

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director



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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City), as of and for the year ended June 30, 2012, 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 opinions, insofar as they relate 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2012, 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 14, 2012 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.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-13, schedules of funding progress and schedule of employers' contributions on page 55, and the schedule of revenues and expenditures – budgetary basis on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

December 14, 2012

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(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, 2012. 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 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 for which the City has financial accountability and provides operating subsidies. This entity, The Cambridge Health Alliance, (CHA) operates similar to a private sector business and the business-type activity described above.

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

Fund Financial Statements

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

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

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

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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 14.

The City's combined net assets (governmental and business-type activities) exceeded its liabilities at June 30, 2012 by \$759.7 million (presented as net assets). Of this amount, \$108.3 million was reported as "unrestricted

CITY OF CAMBRIDGE, MASSACHUSETTS

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Management's Discussion and Analysis

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(Unaudited)

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 \$636.9 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 \$321.3 million, up 1.8% from prior year; net receivables of \$35.7 million; and \$9.0 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$332.2 million in general obligation bonds and notes payable; \$18.2 million in compensated absence liabilities for unused sick and vacation; and \$11.9 million in future year workers' compensation, health benefits and possible judgments. The major increase in the long-term liabilities is due to an increase in other postemployment benefit obligations of \$26.8 million and an increase of \$21.6 million in general obligation bonds which was planned to provide funding for Capital Plan.

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Business-type activity long-term liabilities include \$18.6 million in general obligation bonds, \$502 thousand in compensated absences and \$765 thousand in future year workers' compensation and health benefits. The net reduction of \$3.5 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, 2012 and 2011

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 370.0	359.1	10.2	8.8	380.2	367.9
Capital assets	792.6	756.9	131.3	131.4	923.9	888.3
Total assets	\$ 1,162.6	1,116.0	141.5	140.2	1,304.1	1,256.2
Long-term liabilities	\$ 427.5	441.6	16.7	23.6	444.2	465.2
Other liabilities	95.9	47.9	4.3	1.1	100.2	49.0
Total liabilities	\$ 523.4	489.5	21.0	24.7	544.4	514.2
Net assets:						
Invested in capital assets, net of debt	\$ 524.2	497.7	112.7	109.2	636.9	606.9
Restricted	14.5	13.6	—	—	14.5	13.6
Unrestricted	100.5	115.2	7.8	6.3	108.3	121.5
Total net assets	\$ 639.2	626.5	120.5	115.5	759.7	742.0

Statement of Changes in Net Assets

The City's total net assets increased by \$17.7 million in fiscal year 2012 of which the governmental activities net assets increased \$12.7 million and the business-type activity increased \$5.0 million.

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Management's Discussion and Analysis

June 30, 2012

(Unaudited)

This summary of net changes is based upon the statement found on page 15.

Condensed Schedule of Changes in Net Assets

June 30, 2012 and 2011

(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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 94.0	85.7	18.8	19.2	112.8	104.9
Operating grants and contributions	23.1	25.6	—	—	23.1	25.6
Capital grants and contributions	13.1	9.1	—	—	13.1	9.1
General revenues:						
Taxes:						
Property taxes levied	298.0	282.2	—	—	298.0	282.2
Excises	21.3	20.0	—	—	21.3	20.0
Payment in lieu of taxes	7.6	7.3	—	—	7.6	7.3
Grants and contributions not restricted	31.9	31.8	—	—	31.9	31.8
Investment income	1.5	1.3	0.1	0.1	1.6	1.4
Miscellaneous	25.2	18.9	—	—	25.2	18.9
Total revenues	<u>515.7</u>	<u>481.9</u>	<u>18.9</u>	<u>19.3</u>	<u>534.6</u>	<u>501.2</u>
Expenses:						
General government	39.8	46.6	—	—	39.8	46.6
Public safety	124.0	122.0	—	—	124.0	122.0
Community maintenance and development	103.7	90.9	—	—	103.7	90.9
Human resource development	46.7	45.8	—	—	46.7	45.8
Education	181.2	171.3	—	—	181.2	171.3
Water department	—	—	13.2	13.5	13.2	13.5
Interest	8.3	9.8	—	—	8.3	9.8
Total expenses	<u>503.7</u>	<u>486.4</u>	<u>13.2</u>	<u>13.5</u>	<u>516.9</u>	<u>499.9</u>
Excess before transfers	12.0	(4.5)	5.7	5.8	17.7	1.3
Transfers	<u>0.7</u>	<u>0.7</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>—</u>	<u>—</u>
Change in net assets	12.7	(3.8)	5.0	5.1	17.7	1.3
Net assets – beginning	<u>626.5</u>	<u>630.3</u>	<u>115.5</u>	<u>110.4</u>	<u>742.0</u>	<u>740.7</u>
Net assets – ending	<u>\$ 639.2</u>	<u>626.5</u>	<u>120.5</u>	<u>115.5</u>	<u>759.7</u>	<u>742.0</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

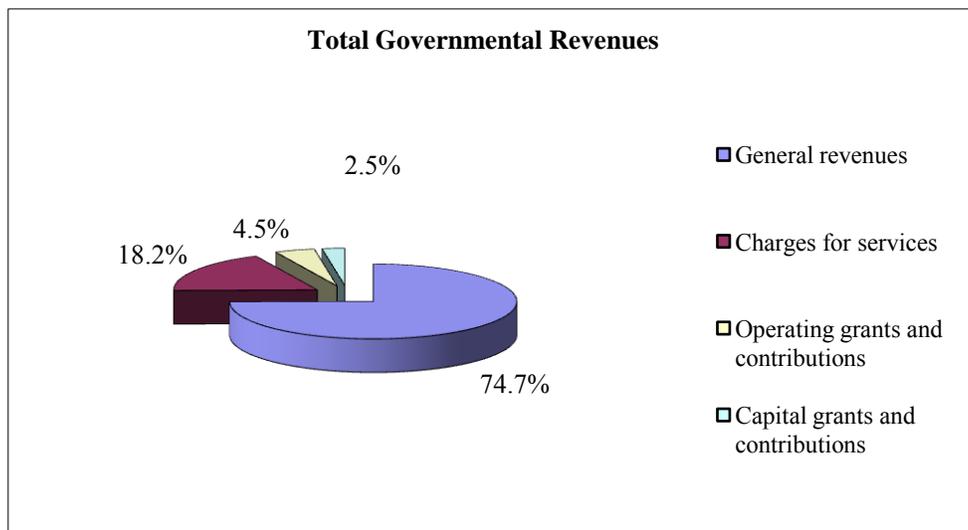
Required Supplementary Information
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$386.2 million, charges for services \$94.0 million, operating grants and contributions \$23.1 million and capital grants and contributions of \$13.1 million.



General

Real estate tax revenues are the City's largest revenue source at \$298.0 million representing 77.9% of general revenues. The assessed tax valuation base is \$24.4 billion up from \$24.2 billion assessed in the prior year showing a 1.2% increase mainly due to a slight increase in new construction.

Grants and contributions not restricted to specific programs is \$32.0 million representing 8.3% of general revenues and include state cherry sheet revenues and other unrestricted contributions.

Program

Charges for services are \$94.0 million and represent a variety of department revenues. Charges for services increased \$8.3 million from the prior year. The public safety portion of \$45.6 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. This category of revenues increased approximately 20% over prior year mainly due to an increase in building permit revenues from the universities and bio medical firms. The community maintenance and development portion of \$42.3 million includes sewer service revenues, community cable revenues, as well as, other public works type fees.

Operating grants and contributions of \$23.1 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.0% of the total City revenues.

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Capital grants and contributions of \$13.1 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues.

Expenses

For the fiscal year ended June 30, 2012, expenses for government activities totaled \$503.7 million, which cover a range of services. On the whole, the City's expenditures increased slightly by \$17.3 million or 3.6% over prior year. The increase is attributable to higher depreciation costs, increases in other postemployment benefits costs, increased employee insurance costs and pension costs.

Education continues to be one of the City's highest priorities and commitments, representing \$181.2 million or 36.0% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the ninth 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 2012, the City spent \$18.8 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net assets by \$5.0 million, which is the same as prior years rise in net assets. The main reason for the \$5.0 million increase is due to the drop off in debt service payments.

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 \$296.7 million. Of this amount, \$4.3 million has been categorized as nonspendable which includes permanent funds and health care deposits. Another \$84.4 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Finally, \$81.4 million has been committed for specific purposes such as stabilization funds, health claims trust fund, parking fund, etc. for which the movement of these funds must be approved by the highest legislative level at the City, which is the City Council. The remainder of the Fund balance \$126.7 million is considered "Unassigned".

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance was \$126.7 million, while the total fund balance was \$163.2 million.

As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 28.7% of total General Fund expenditures, while the total balance represents 37.0% of that same amount.

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The capital fund is the fund that captures all the capital projects expenditures for the City. At the end of fiscal year 2012, the total fund balance was \$65.3 million. This reflects an increase over the prior fiscal year of \$13.3 million. The major increase in fund balance is due to proceeds received from the issuance of debt to fund capital projects.

The affordable housing trust fund is the fund that captures all the affordable housing project expenditures for the City. At the end of fiscal year 2012, the total fund balance was \$31.9 million. This fund was established in the 90's to provide funding for housing projects to increase the supply of affordable housing units for the City.

Proprietary Fund

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

Net assets of the Water Fund at the end of the year consisted of unrestricted net assets of \$7.8 million and an investment in capital assets, net of related debt of \$112.7 million.

General Fund Budgetary Highlights

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

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

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

Revenues and Other Financing Sources

Fiscal year 2012 actual revenues on a budgetary basis totaled \$434.2 million. This represents an increase of \$26.0 million or 6.4% from fiscal year 2011. Property taxes are the single largest revenue source, representing approximately 67.8% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 9.3%.

Expenditures

During fiscal year 2012, total expenditures increased on a budgetary basis by 4.7% from \$433.8 million to \$454.0 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2012

(Unaudited)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the City's capital assets of its governmental activities and business-type activity amounted to \$923.9 million (net of depreciation). The City's capital assets include land, buildings, improvements, machinery and equipment, open space, road and highways.

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

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

Debt

At year-end, the City had \$345.7 million in outstanding bonds and notes compared to \$328.6 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(In millions)					
General obligation bonds and notes payable \$	327.3	306.7	18.4	21.9	345.7	328.6

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 \$17.9 million, or 5.97%, to \$317.0 million in fiscal year 2013. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$102.6 million in FY 12 to \$104.1 million in FY 13, a 1.5% increase.

The FY 13 operating budget increased by 2.87% over the FY 12 adjusted budget. The increase is attributable to an 3% increase of employee salary costs, 5% increase in employee health insurance, a 5.85% increase in employee pension costs. The capital budget of \$38.7 million is a decrease of approximately \$17.2 million from the prior year.

CITY OF CAMBRIDGE, MASSACHUSETTS

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Future Pronouncements

GASB has issued Statement Nos. 55-68, which have various effective dates. These Statements are not expected to have a significant impact on the City's financial statements.

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, 2012

Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 320,664,732	5,451,162	326,115,894	253,347,971
Cash and investments held by trustees	600,000	—	600,000	23,401,873
Receivables, net:				
Property taxes	3,866,014	—	3,866,014	—
Motor vehicle excise	1,043,063	—	1,043,063	—
Tax title and possessions	3,216,887	—	3,216,887	—
Intergovernmental	11,286,879	—	11,286,879	—
Other	16,267,730	4,656,373	20,924,103	33,262,335
Other assets	4,132,598	55,065	4,187,663	31,582,076
Internal balances	(32,723)	32,723	—	—
Due from component unit	8,995,000	—	8,995,000	—
Capital assets:				
Nondepreciable	386,734,063	42,311,219	429,045,282	9,654,156
Depreciable, net	405,857,151	88,954,313	494,811,464	176,940,968
Total assets	1,162,631,394	141,460,855	1,304,092,249	528,189,379
Liabilities				
Warrants and accounts payable	19,200,398	666,196	19,866,594	25,203,784
Accrued liabilities:				
Tax abatements	2,700,000	—	2,700,000	—
Accrued payroll	13,053,265	73,672	13,126,937	12,584,792
Accrued interest	4,308,962	353,942	4,662,904	—
Other	4,615,471	—	4,615,471	11,117,566
Unearned revenue	—	—	—	45,346,920
Due to primary government	—	—	—	8,995,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	36,960,381	2,840,000	39,800,381	55,303
Capital leases	—	—	—	4,205,106
Due to third parties	—	—	—	17,924,053
Compensated absences	6,643,000	175,000	6,818,000	16,190,303
Landfill	25,000	—	25,000	—
Judgments and claims	5,774,000	176,000	5,950,000	—
Pollution remediation	2,595,993	—	2,595,993	—
Due in more than one year:				
Bonds and notes payable	295,268,515	15,785,501	311,054,016	620,200
Capital leases	—	—	—	9,791,428
Due to third parties	—	—	—	30,465,704
Compensated absences	11,584,000	327,000	11,911,000	—
Landfill	200,000	—	200,000	—
Judgments and claims	6,082,000	589,000	6,671,000	—
Other postemployment benefit obligation	113,529,824	—	113,529,824	36,802,959
Pollution remediation	859,861	—	859,861	—
Total liabilities	523,400,670	20,986,311	544,386,981	219,303,118
Net Assets				
Investment in capital assets, net of related debt	524,201,859	112,708,862	636,910,721	162,928,087
Restricted for:				
Community preservation	10,323,970	—	10,323,970	—
Expendable permanent funds	1,426,710	—	1,426,710	—
Nonexpendable permanent funds	2,106,473	—	2,106,473	—
Other purposes	600,000	—	600,000	4,332,362
Unrestricted	100,571,712	7,765,682	108,337,394	141,625,812
Total net assets	\$ 639,230,724	120,474,544	759,705,268	308,886,261

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities
Year ended June 30, 2012

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	Governmental activities	Primary government Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 39,836,031	447,317	—	—	(39,388,714)	—	(39,388,714)	
Public safety	124,013,170	45,572,456	—	—	(78,440,714)	—	(78,440,714)	
Community maintenance and development	103,733,414	42,296,774	3,114,049	12,906,426	(45,416,165)	—	(45,416,165)	
Human resource development	46,689,220	3,883,114	8,766,088	—	(34,040,018)	—	(34,040,018)	
Education	181,180,963	1,807,664	11,257,561	187,432	(167,928,306)	—	(167,928,306)	
Interest on long-term debt	8,253,614	—	—	—	(8,253,614)	—	(8,253,614)	
Total governmental activities	503,706,412	94,007,325	23,137,698	13,093,858	(373,467,531)	—	(373,467,531)	
Business-type activity:								
Water	13,223,002	18,824,741	—	—	—	5,601,739	5,601,739	
Total business-type activity	13,223,002	18,824,741	—	—	—	5,601,739	5,601,739	
Total primary government	\$ 516,929,414	112,832,066	23,137,698	13,093,858	(373,467,531)	5,601,739	(367,865,792)	
Component unit:								
Cambridge Public Health Commission	\$ 793,003,999	282,231,793	504,338,796	—				(6,433,410)
Total component units	\$ 793,003,999	282,231,793	504,338,796	—				(6,433,410)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 297,981,301	—	297,981,301	—
Excises					21,289,347	—	21,289,347	—
Payments in lieu of taxes					7,586,219	—	7,586,219	—
Grants and contributions not restricted					31,954,472	—	31,954,472	—
Investment income					1,458,430	113,475	1,571,905	350,037
Miscellaneous					25,230,542	—	25,230,542	50,443,823
Transfers					693,955	(693,955)	—	—
Total general revenues and transfers					386,194,266	(580,480)	385,613,786	50,793,860
Change in net assets					12,726,735	5,021,259	17,747,994	44,360,450
Net assets – beginning					626,503,989	115,453,285	741,957,274	264,525,811
Net assets – ending					\$ 639,230,724	120,474,544	759,705,268	308,886,261

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2012

Assets	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 192,187,580	64,457,094	28,451,179	35,568,879	320,664,732
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	3,866,014	—	—	—	3,866,014
Motor vehicle excise	1,043,063	—	—	—	1,043,063
Tax title and possessions	3,216,887	—	—	—	3,216,887
Intergovernmental	—	9,001,221	—	2,285,658	11,286,879
Departmental and other	10,486,691	—	4,845,699	935,340	16,267,730
Total receivables	18,612,655	9,001,221	4,845,699	3,220,998	35,680,573
Other assets	2,266,162	—	—	—	2,266,162
Due from other funds	—	804,969	—	—	804,969
Due from component unit	8,995,000	—	—	—	8,995,000
Total assets	\$ 222,061,397	74,263,284	33,896,878	38,789,877	369,011,436
Liabilities and Fund Balances					
Liabilities:					
Warrants and accounts payable	\$ 6,827,640	8,910,583	1,983,950	1,478,225	19,200,398
Accrued liabilities:					
Tax abatements	2,000,000	—	—	—	2,000,000
Judgments and claims	5,774,000	—	—	—	5,774,000
Accrued payroll	12,958,430	8,368	—	86,467	13,053,265
Other	4,575,622	—	—	39,849	4,615,471
Deferred revenue	26,723,055	—	—	64,340	26,787,395
Due to other funds	32,723	—	—	804,969	837,692
Total liabilities	58,891,470	8,918,951	1,983,950	2,473,850	72,268,221
Fund balances:					
Nonspendable	2,186,162	—	—	2,106,473	4,292,635
Restricted	—	65,344,333	600,000	18,417,343	84,361,676
Committed	34,256,986	—	31,312,928	15,792,211	81,362,125
Unassigned	126,726,779	—	—	—	126,726,779
Total fund balances	163,169,927	65,344,333	31,912,928	36,316,027	296,743,215
Total liabilities and fund balances	\$ 222,061,397	74,263,284	33,896,878	38,789,877	369,011,436

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, 2012

Total fund balance – governmental funds	\$ 296,743,215
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	792,591,214
Adjust deferred revenues to record revenues on an accrual basis	26,787,395
Bond issuance costs are capitalized in the government-wide statements	1,866,436
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	332,228,896
Accrued interest on bonds	4,308,962
Compensated absences	18,227,000
Landfill	225,000
Judgments and claims	6,082,000
Tax abatements	700,000
Other postemployment benefits	113,529,824
Pollution remediation	3,455,854
	<hr/>
	478,757,536
	<hr/>
Net assets of governmental activities	\$ <u><u>639,230,724</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2012

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:					
Real and personal property taxes	\$ 297,723,747	—	—	—	297,723,747
Excises:					
Hotel/motel/meals	14,954,425	—	—	—	14,954,425
Motor vehicles	6,238,835	—	—	—	6,238,835
Payments in lieu of taxes	7,586,219	—	—	—	7,586,219
Intergovernmental	31,954,472	13,093,858	—	23,137,698	68,186,028
Investment income	864,286	8,621	468,121	117,402	1,458,430
Sewer use charges	40,579,119	3,961,957	—	—	44,541,076
Departmental and other	43,555,600	—	131,453	32,460,692	76,147,745
Total revenues	<u>443,456,703</u>	<u>17,064,436</u>	<u>599,574</u>	<u>55,715,792</u>	<u>516,836,505</u>
Expenditures:					
Current:					
General government	35,852,058	—	—	171,374	36,023,432
Public safety	103,388,702	—	—	1,327,220	104,715,922
Community maintenance and development	36,682,794	—	18,766,888	2,558,058	58,007,740
Human resource development	30,919,537	—	—	8,228,736	39,148,273
Education	139,276,389	—	—	13,906,443	153,182,832
Judgments and claims	4,112,551	—	—	—	4,112,551
State and district assessments	46,146,725	—	—	—	46,146,725
Capital outlays	—	65,406,232	—	—	65,406,232
Debt service	44,562,469	—	—	—	44,562,469
Total expenditures	<u>440,941,225</u>	<u>65,406,232</u>	<u>18,766,888</u>	<u>26,191,831</u>	<u>551,306,176</u>
Excess (deficiency) of revenues over expenditures	<u>2,515,478</u>	<u>(48,341,796)</u>	<u>(18,167,314)</u>	<u>29,523,961</u>	<u>(34,469,671)</u>
Other financing sources (uses):					
Premium on debt issuance	5,851,746	—	—	—	5,851,746
Issuance of debt	24,850,000	56,515,115	—	—	81,365,115
Transfers in	19,478,490	5,462,402	7,680,000	417,972	33,038,864
Transfers out	(3,926,506)	(367,972)	—	(28,050,431)	(32,344,909)
Payment to Fiscal Escrow Agent	(29,029,117)	—	—	—	(29,029,117)
Total other financing (uses) sources	<u>17,224,613</u>	<u>61,609,545</u>	<u>7,680,000</u>	<u>(27,632,459)</u>	<u>58,881,699</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>19,740,091</u>	<u>13,267,749</u>	<u>(10,487,314)</u>	<u>1,891,502</u>	<u>24,412,028</u>
Fund balance – beginning	<u>143,429,836</u>	<u>52,076,584</u>	<u>42,400,242</u>	<u>34,424,525</u>	<u>272,331,187</u>
Fund balance – ending	<u>\$ 163,169,927</u>	<u>65,344,333</u>	<u>31,912,928</u>	<u>36,316,027</u>	<u>296,743,215</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, 2012

Net change in fund balances – total governmental funds	\$	24,412,028
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, (\$62,132,657) exceeded depreciation expense (\$26,471,849)		35,660,808
Revenues are recorded on an accrual basis		(1,097,314)
Proceeds of long-term debt (\$81,365,115) 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, (\$65,011,844) is an expenditure the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded payments.		(16,353,271)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net assets		(4,840,201)
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds		(380,711)
Bond issuance costs are expenditures in the governmental funds, but are deferred assets, net of amortization, in the statement of net assets		50,575
Other postemployment benefits expense reported in the statement of activities does require the use of current financial resources, and therefore, is not reported as an expenditure in the governmental funds		(26,820,562)
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), noncurrent claims (\$4,189,000) and accrued interest (\$167,461) offset by the increase in compensated absences (\$167,000) and pollution remediation (\$2,119,078)		<u>2,095,383</u>
Change in net assets of governmental activities	\$	<u><u>12,726,735</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2012

	Enterprise fund
	<u>Water fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,451,162
Receivables, net	4,656,373
Due from other funds	32,723
	<hr/>
Total current assets	10,140,258
Noncurrent assets:	
Other	55,065
Capital assets:	
Nondepreciable	42,311,219
Depreciable, net	88,954,313
	<hr/>
Total noncurrent assets	131,320,597
	<hr/>
Total assets	\$ 141,460,855
	<hr/> <hr/>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 666,196
Accrued liabilities:	
Claims	176,000
Compensated absences	175,000
Accrued payroll	73,672
Interest	353,942
Current portion of long-term debt	2,840,000
	<hr/>
Total current liabilities	4,284,810
Noncurrent liabilities:	
Bonds payable	15,785,501
Accrued liabilities:	
Claims	589,000
Compensated absences	327,000
	<hr/>
Total noncurrent liabilities	16,701,501
	<hr/>
Total liabilities	\$ 20,986,311
	<hr/> <hr/>
Net assets:	
Investment in capital assets, net of related debt	\$ 112,708,862
Unrestricted	7,765,682
	<hr/>
Total net assets	\$ 120,474,544
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2012

	<u>Enterprise fund Water fund</u>
Operating revenues:	
Charges for services	\$ 18,824,741
Total operating revenues	<u>18,824,741</u>
Operating expenses:	
Administration	3,256,572
Service and support programs	5,991,819
Depreciation	<u>3,116,449</u>
Total operating expenses	<u>12,364,840</u>
Operating income	<u>6,459,901</u>
Nonoperating revenue (expense):	
Investment earnings – other	113,475
Interest expense	<u>(858,162)</u>
Nonoperating expense	<u>(744,687)</u>
Income before transfers	5,715,214
Transfers to other funds	<u>(693,955)</u>
Change in net assets	5,021,259
Total net assets – beginning	<u>115,453,285</u>
Total net assets – ending	\$ <u><u>120,474,544</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2012

	Enterprise fund
	<u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 18,829,624
Cash paid to vendors	(6,086,409)
Cash paid to employees	(3,153,515)
	<u>9,589,700</u>
Net cash provided by operating activities	<u>9,589,700</u>
Cash flows from noncapital financing activities:	
Transfers	(693,955)
	<u>(693,955)</u>
Net cash used in noncapital financing activities	<u>(693,955)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,959,104)
Interest paid on debt	(1,093,079)
Repayment of long-term debt	(3,535,000)
	<u>(7,587,183)</u>
Net cash used in capital and related financing activities	<u>(7,587,183)</u>
Cash flows from investing activities:	
Investment income	113,475
	<u>113,475</u>
Net cash provided by investing activities	<u>113,475</u>
Increase in cash and cash equivalents	1,422,037
Cash and cash equivalents, beginning of year	<u>4,029,125</u>
Cash and cash equivalents, end of year	\$ <u><u>5,451,162</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,459,901
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	3,116,449
Amortization of deferred loss on refunding	98,104
Changes in operating assets and liabilities:	
Accounts receivable	(4,883)
Other liabilities	(79,871)
	<u>(54,754)</u>
Net cash provided by operating activities	\$ <u><u>9,589,700</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2012

Assets	Employee retirement plan (as of December 31, 2011)	OPEB Trust fund	Agency funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 9,920,833	1,664,060	4,945,025
Dividend and interest receivable	1,112,056		
Contributions receivable:			
City of Cambridge	4,186,879	—	—
Cambridge Health Alliance	2,940,447	—	—
Other	358,208	—	—
Other assets	2,588,738	—	—
Investments, at fair value:			
Fixed income securities	74,085,288	74,060	—
Equities	257,234,749	438,586	—
Pooled investments:			
Fixed income	51,675,689	—	—
Real estate	86,437,139	—	—
Domestic equities	59,104,085	—	—
International equities	114,059,589	—	—
International fixed income	36,210,663	—	—
Alternative	71,961,309	—	—
Total investments	<u>750,768,511</u>	<u>512,646</u>	<u>—</u>
Cash collateral on security lending	94,708,022		
Total assets	<u>866,583,694</u>	<u>2,176,706</u>	<u>4,945,025</u>
Liabilities			
Accrued liabilities	734,657	—	—
Guarantee deposits	—	—	4,945,025
Due to brokers for securities purchased	1,614,311	—	—
Cash collateral on security lending	94,708,022	—	—
Total liabilities	<u>97,056,990</u>	<u>—</u>	<u>4,945,025</u>
Net Assets			
Held in trust for pension benefits and other purposes	<u>\$ 769,526,704</u>	<u>2,176,706</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(1) The Financial Reporting Entity

(a) *Primary Government*

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

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

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

(b) *Retirement System*

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

The System is on a calendar fiscal year. As a result, the financial information of the System is as of and for the year ended December 31, 2011. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(c) *Discretely Presented Component Unit*

The Cambridge Health Alliance (CHA) is reported in a separate column to emphasize that it is legally separate from the City, but is included because the City is financially accountable for, is able to impose its will on the organization, and is responsible for the appointment of the hospital's board of trustees. Unless otherwise indicated, the notes to the basic financial statements pertain only to the primary government because certain disclosures of the component unit are not significant relative to the primary government. 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, 2012

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, 2012 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*, that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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 proscribed 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 the enterprise fund include the cost of preparing and delivering the water, administrative expenses,

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

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

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

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

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

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

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

(c) Cash Equivalents

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

(d) Basis of Investment Valuation

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(e) *Interfund Receivables and Payables*

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

(f) *Uncollectible Tax and Other Receivables*

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

(g) *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).

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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

Premiums, discounts, and issue costs – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type 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) ***Net Assets and Fund Balance***

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

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

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

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

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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

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

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

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

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

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

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

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

(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, 2012, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(m) Use of Estimates

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

(3) Deposits and Investments

(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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. As of June 30, 2012, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	117
Discretely presented component unit (CHA)		—
	\$	<u>117</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 and OPEB irrevocable trust fund have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

(i) System Investment Policy

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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, 2012:

<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	\$ 202,383,063	202,383,063	—	—	—
Certificates of deposit	66,851,646	45,119,821	15,214,975	6,026,864	489,986
U.S. agencies	7,327,981	202,996	2,157,896	4,967,089	—
Subtotal city	<u>276,562,690</u>	<u>247,705,880</u>	<u>17,372,871</u>	<u>10,993,953</u>	<u>489,986</u>
System (as of December 31, 2011):					
Cash collateral pool	94,708,022	94,708,022	—	—	—
U.S. treasury notes and bonds	4,542,405	3,020,731	812,733	431,408	277,533
U.S. agencies	2,110,683	—	1,551,411	—	559,272
Domestic corporate	59,597,104	3,115,057	14,169,131	28,690,683	13,622,233
Asset-backed:					
CMOs	3,576,741	—	—	—	3,576,741
Other	4,258,355	—	1,037,731	192,539	3,028,085
Pooled fixed-income investments	87,886,352	—	—	87,886,352	—
Subtotal system	<u>256,679,662</u>	<u>100,843,810</u>	<u>17,571,006</u>	<u>117,200,982</u>	<u>21,063,864</u>
OPEB Trust:					
Money market	27,614	27,614	—	—	—
Certificates of deposit	1,636,017	—	1,124,722	268,208	243,087
Corporate fixed income	74,060	—	—	—	74,060
Subtotal OPEB Trust	<u>1,737,691</u>	<u>27,614</u>	<u>1,124,722</u>	<u>268,208</u>	<u>317,147</u>
Total	<u>\$ 534,980,043</u>	<u>348,577,304</u>	<u>36,068,599</u>	<u>128,463,143</u>	<u>21,870,997</u>
Discretely presented component unit (CHA):					
Money market	\$ 87,428,994	87,428,994	—	—	—
MMDT	131,656,282	131,656,282	—	—	—
Total discretely presented component unit (CHA)	<u>\$ 219,085,276</u>	<u>219,085,276</u>	<u>—</u>	<u>—</u>	<u>—</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

Notes to Basic Financial Statements

June 30, 2012

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, 2012 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:

<u>Investment type</u>	<u>Fair value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>Less than BB</u>	<u>Not rated</u>
City:								
Money market/MMDT	\$ 202,383,063	—	—	—	—	—	—	202,383,063
Certificates of deposit	66,851,646	—	—	—	—	—	—	66,851,646
U.S. agencies	7,327,981	7,327,981	—	—	—	—	—	—
Subtotal city	<u>276,562,690</u>	<u>7,327,981</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>269,234,709</u>
System (as of December 31, 2011):								
Cash collateral pool	94,708,022	—	—	—	—	—	—	94,708,022
U.S. agencies	2,110,683	2,110,683	—	—	—	—	—	—
Domestic corporate	59,597,104	1,811,100	5,739,728	11,711,106	5,943,638	14,052,190	19,094,809	1,244,533
Asset-backed:								
CMOs	3,576,741	2,134,936	—	840,980	600,825	—	—	—
Other	4,258,355	1,230,270	—	524,668	—	—	—	2,503,417
Pooled fixed-income investments	87,886,352	—	—	—	—	—	—	87,886,352
Subtotal system	<u>252,137,257</u>	<u>7,286,989</u>	<u>5,739,728</u>	<u>13,076,754</u>	<u>6,544,463</u>	<u>14,052,190</u>	<u>19,094,809</u>	<u>186,342,324</u>
OPEB Trust:								
Money market	27,614	—	—	—	—	—	—	27,614
Certificates of deposit	1,636,017	—	—	—	—	—	—	1,636,017
Corporate fixed income	74,060	—	—	—	74,060	—	—	—
Subtotal OPEB Trust	<u>1,737,691</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>74,060</u>	<u>—</u>	<u>—</u>	<u>1,663,631</u>
Total	<u>\$ 530,437,638</u>	<u>14,614,970</u>	<u>5,739,728</u>	<u>13,076,754</u>	<u>6,618,523</u>	<u>14,052,190</u>	<u>19,094,809</u>	<u>457,240,664</u>
Discretely presented component unit (CHA):								
Money market	\$ 87,428,994	Not rated						
MMDT	131,656,282	Not rated						
Total discretely presented component unit (CHA)	<u>\$ 219,085,276</u>							

In addition to the above schedule, the System had \$4,542,405 invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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, 2011.

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 19% of the System's total investments. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2011, there were no open forward currency contracts.

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

Currency:

International equity pooled funds (various currencies)	\$ 114,059,589
International fixed income pooled funds (various currencies)	<u>36,210,663</u>
	<u>\$ 150,270,252</u>

(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 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Citywide referendum.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2012 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>175,208,406</u>	<u>54,898,602</u>	<u>(8,580,720)</u>	<u>221,526,288</u>
Total capital assets not being depreciated	<u>340,416,181</u>	<u>54,898,602</u>	<u>(8,580,720)</u>	<u>386,734,063</u>
Capital assets being depreciated:				
Buildings and improvements	333,065,604	1,278,071	—	334,343,675
Improvements – nonbuilding	96,548,918	1,202,500	—	97,751,418
Furniture and equipment	54,179,979	5,616,425	—	59,796,404
Infrastructure	<u>262,265,131</u>	<u>7,717,779</u>	—	<u>269,982,910</u>
Total capital assets being depreciated	<u>746,059,632</u>	<u>15,814,775</u>	—	<u>761,874,407</u>
Less accumulated depreciation for:				
Buildings and improvements	(107,815,623)	(9,770,873)	—	(117,586,496)
Improvements – nonbuilding	(20,026,352)	(3,783,786)	—	(23,810,138)
Furniture and equipment	(41,034,778)	(2,864,597)	—	(43,899,375)
Infrastructure	<u>(160,668,654)</u>	<u>(10,052,593)</u>	—	<u>(170,721,247)</u>
Total accumulated depreciation	<u>(329,545,407)</u>	<u>(26,471,849)</u>	—	<u>(356,017,256)</u>
Total capital assets being depreciated, net	<u>416,514,225</u>	<u>(10,657,074)</u>	—	<u>405,857,151</u>
Governmental activities capital assets, net	<u>\$ 756,930,406</u>	<u>44,241,528</u>	<u>(8,580,720)</u>	<u>792,591,214</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

Governmental activities:

General government	\$ 793,763
Public safety	3,418,846
Community maintenance and development	15,135,814
Human resource development	1,882,575
Education	<u>5,240,851</u>
Total depreciation expense – governmental activities	<u>\$ 26,471,849</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>7,590,526</u>	<u>1,855,785</u>	<u>(6,399,417)</u>	<u>3,046,894</u>
Total capital assets not being depreciated	<u>46,854,851</u>	<u>1,855,785</u>	<u>(6,399,417)</u>	<u>42,311,219</u>
Capital assets being depreciated:				
Buildings and improvements	81,117,638	19,235	—	81,136,873
Furniture and equipment	1,895,170	4,539,677	—	6,434,847
Infrastructure	<u>36,580,716</u>	<u>2,950,650</u>	<u>—</u>	<u>39,531,366</u>
Total capital assets being depreciated	<u>119,593,524</u>	<u>7,509,562</u>	<u>—</u>	<u>127,103,086</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,002,184)	(2,058,916)	—	(22,061,100)
Furniture and equipment	(1,355,208)	(280,252)	—	(1,635,460)
Infrastructure	<u>(13,674,932)</u>	<u>(777,281)</u>	<u>—</u>	<u>(14,452,213)</u>
Total accumulated depreciation	<u>(35,032,324)</u>	<u>(3,116,449)</u>	<u>—</u>	<u>(38,148,773)</u>
Total capital assets being depreciated, net	<u>84,561,200</u>	<u>4,393,113</u>	<u>—</u>	<u>88,954,313</u>
Business-type activity capital assets, net	<u>\$ 131,416,051</u>	<u>6,248,898</u>	<u>(6,399,417)</u>	<u>131,265,532</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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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	Affordable Housing Trust fund	Other governmental funds	Total governmental funds	Water fund
Receivables:						
Property taxes	\$ 4,351,203	—	—	—	4,351,203	—
Motor vehicle taxes	3,390,596	—	—	—	3,390,596	—
Other taxes	3,574,319	—	—	—	3,574,319	—
Intergovernmental	—	10,873,693	—	2,285,658	13,159,351	—
Other	10,672,950	—	8,227,699	935,340	19,835,989	4,703,407
Gross receivables	21,989,068	10,873,693	8,227,699	3,220,998	44,311,458	4,703,407
Less allowance for uncollectibles	3,376,413	1,872,472	3,382,000	—	8,630,885	47,034
Net total receivables	\$ 18,612,655	9,001,221	4,845,699	3,220,998	35,680,573	4,656,373

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

Individual fund receivable and payable balances at June 30, 2012, 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	804,969	—
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	—	804,969
Balance at June 30, 2012	\$ 837,692	837,692

Receivable and payable balances between the primary government and CHA at June 30, 2012 are as follows:

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 8,995,000	—
Discretely presented component unit:		
CHA	—	8,995,000
Balance at June 30, 2012	\$ 8,995,000	8,995,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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, 2012, the amount outstanding on hospital related debt is \$8,995,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2012:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through February 15, 2032	12/15/01 to 3/22/12	2.0% – 4.5%	\$ 217,053,178	46,331,543	43,442,598	219,942,123	18,272,255
Urban redevelopment, serial maturities through February 15, 2022	1/15/03 to 2/15/12	2.0% – 4.25%	17,800,500	4,600,000	4,450,000	17,950,500	4,785,000
Schools, serial maturities through February 1, 2018	2/1/08	3.0% – 3.25%	3,305,169	—	472,167	2,833,002	472,167
Sewer, serial maturities through July 15, 2022	1/15/03 to 6/13/12	2.0% – 5.0%	52,016,170	30,433,572	10,416,856	72,032,886	11,338,639
Hospital, serial maturities through February 1, 2018	3/15/07	4.0%	10,495,000	—	1,500,000	8,995,000	1,500,000
Sub-total general obligation bonds			<u>300,670,017</u>	<u>81,365,115</u>	<u>60,281,621</u>	<u>321,753,511</u>	<u>36,368,061</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	265,000	—	30,000	235,000	30,000
Note payable serial maturities through July 1, 2021	4/20/00 to 6/30/01	2.00%	5,786,728	—	521,106	5,265,622	562,320
Sub-total notes payable			<u>6,051,728</u>	<u>—</u>	<u>551,106</u>	<u>5,500,622</u>	<u>592,320</u>
Total governmental obligation bonds and notes payable			<u>\$ 306,721,745</u>	<u>81,365,115</u>	<u>60,832,727</u>	<u>327,254,133</u>	<u>36,960,381</u>
Add (deduct):							
Unamortized bond premium						8,923,020	
Deferred loss on refunding						(3,948,257)	
Current portion of long-term debt						(36,960,381)	
						<u>\$ 295,268,515</u>	
Other long-term obligations:							
Judgments and claims			\$ 24,606,000	43,084,279	55,834,279	11,856,000	5,774,000
Compensated absences			18,060,000	18,102,900	17,935,900	18,227,000	6,643,000
Landfill postclosure care costs			250,000	—	25,000	225,000	25,000
Other postemployment benefits			86,709,262	49,369,000	22,548,438	113,529,824	—
Pollution remediation			1,336,776	2,859,672	740,594	3,455,854	2,595,993
Total other governmental long-term obligations			<u>\$ 130,962,038</u>	<u>113,415,851</u>	<u>97,084,211</u>	<u>147,293,678</u>	<u>15,037,993</u>

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Notes to Basic Financial Statements

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Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2012:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through August 1, 2019	12/15/01 to 3/15/07	2.5% – 5.0%	\$ 21,895,000	—	3,535,000	18,360,000	2,840,000
Total business-type bonds payable			<u>\$ 21,895,000</u>	<u>—</u>	<u>3,535,000</u>	18,360,000	<u>2,840,000</u>
Add (deduct):							
Unamortized bond premium						756,021	
Deferred loss on refunding						(490,520)	
Current portion of long-term debt						<u>(2,840,000)</u>	
						<u>\$ 15,785,501</u>	
Other long-term obligations:							
Judgments and claims			\$ 887,000	2,605,901	2,727,901	765,000	176,000
Compensated absences			496,000	414,800	408,800	502,000	175,000
Total other long-term obligations			<u>\$ 1,383,000</u>	<u>3,020,701</u>	<u>3,136,701</u>	<u>1,267,000</u>	<u>351,000</u>

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

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, 2012, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2013	\$ 36,368,061	592,320	10,258,516	111,317	46,626,577	703,637
2014	34,043,992	608,671	9,321,614	98,329	43,365,606	707,000
2015	31,594,940	755,250	8,285,049	82,557	39,879,989	837,807
2016	27,994,228	597,062	7,336,492	65,434	35,330,720	662,496
2017	26,310,736	609,114	6,538,849	53,383	32,849,585	662,497
2018 – 2022	96,726,377	2,338,205	22,123,324	90,950	118,849,701	2,429,155
2023 – 2027	52,260,177	—	9,025,856	—	61,286,033	—
2028 – 2031	16,455,000	—	1,301,720	—	17,756,720	—
	<u>\$ 321,753,511</u>	<u>5,500,622</u>	<u>74,191,420</u>	<u>501,970</u>	<u>395,944,931</u>	<u>6,002,592</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 \$117,000 annually. At June 30, 2012, the principal amount outstanding is \$5,265,622.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$33.9 million and education expenditures of \$.5 million totaling \$34.4 million of principal costs.

In February 2012, the City issued \$40,485,000 in general obligation bonds to fund various capital purchases and improvements throughout the City. Interest on the general obligation bonds is due semiannually on each February 15 and August 15, with principal payments due each February 15 until maturity in fiscal 2032.

In March 2012, the City issued general obligation bonds with interest rates ranging from 1.0% to 5.0% to advance refund \$25,900,000 of City general obligation bonds with interest rates ranging from 3.3% to 4.3%. The net proceeds of approximately \$29,100,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide 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 \$1.062 million. The economic gain realized from the advanced refunding is approximately \$1.0 million.

The City entered into a loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) for \$10,083,572 on June 13, 2012. Principal on the loan is due each July 15 until maturity in fiscal 2023 and there is zero interest. The MWPAT loans 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 approximately \$94,000 in subsidies during 2012 and expects to receive subsidies totaling approximately \$677,700 through fiscal 2023. Other MWPAT Loan payments

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Notes to Basic Financial Statements

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commenced on February 1, 2005 and end on August 1, 2014, with interest rates ranging from 4.0% to 5.0%.

In July 2011, City entered into a loan agreement with the Massachusetts School Building Authority (MSBA) for \$5,946,543 to provide funding for the Cambridge Rindge and Latin School Renovations Project. The loan agreement stipulates annual interest and principle payments a commenced on November 1, 2012 and ending in 2021 with an interest rate of 2.0%.

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

As of June 30, 2012, the City may issue approximately \$1.0 billion additional general obligation debt under the normal debt limit. The City has approximately \$23.9 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 2,840,000	842,801	3,682,801
2014	2,840,000	708,000	3,548,000
2015	2,540,000	572,301	3,112,301
2016	2,420,000	446,501	2,866,501
2017	2,420,000	325,501	2,745,501
2018 – 2020	5,300,000	299,503	5,599,503
	<u>\$ 18,360,000</u>	<u>3,194,607</u>	<u>21,554,607</u>

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

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 (30 day LIBOR +0.50 basis points) for a fixed rate of 5.69%. The commercial loan was paid off in its entirety during 2012. The swap agreement was also terminated and the CHA paid a termination amount of \$1,030,000. Collateral that had been posted for this commercial loan was released at the termination of the agreement and payoff of the obligation.

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

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Notes to Basic Financial Statements

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(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 Manager and a fifth member chosen by the other members.

(b) Basis of Accounting

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

Investments of the System are stated as follows:

- (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.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(c) Membership

Membership in the System consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,893
Terminated plan members entitled to, but not receiving benefits	1,041
Terminated plan members with a vested right to a deferred or immediate benefit	113
Active plan members	3,332
Total membership	6,379
Total number of participating employers	4

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$25,125,788, \$22,096,592, and \$21,565,919, respectively, and \$5,603,515, \$5,017,900, and \$4,871,695 respectively.

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

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2011 are as follows:

Description	Amount	Purpose
Annuity savings fund	\$ 224,419,942	Active members' contribution balance
Annuity reserve fund	53,906,749	Retired members' contribution account
Military service credit fund	5,894	Members' contribution account while on military leave
Pension reserve fund	490,569,000	Amounts appropriated to fund future retirement benefits
Pension fund	625,119	Remaining net assets
	\$ 769,526,704	

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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, 2011. 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, 2011, 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, 2011 were \$274,938.

At December 31, 2011, the fair value of securities loaned by the System amounted to \$91,962,652 against which was held collateral of \$94,708,022.

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(i) Funded Status and Funding Progress

The funded status of the System as of January 1, 2012, the most recent actuarial valuation, is as follows:

Actuarially accrued liability (AAL)	\$ 1,070,070,414
Actuarial value of plan assets	<u>832,296,715</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 237,773,699</u>
Funded ratio (actuarial value of plan assets/AAL)	77.8%
Covered payroll (active plan members)	\$ 217,086,299
UAAL as a percentage of covered payroll	109.5%

In the January 1, 2012 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8% investment rate of return, projected salary increases of 4% per year in 2012 and 2013 and 4.75% per year thereafter, and cost of living adjustments of 3% of first \$14,000 of retirement income. The actuarial value of assets was determined using the difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. The System's unfunded actuarial accrued liability is being amortized as increasing amortization for remaining unfunded liability. The remaining amortization period is 17 years from July 1, 2012 for remaining unfunded liability.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about termination rates, retirement rates, mortality and salary increases. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(10) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. As of the valuation date, approximately 2,285 retirees and 2,788 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

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through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim HealthCare, and Tufts Health Plan.

Groups 1 and 4 retirees, including teachers, with at least 10 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years of creditable service are eligible at age 45 or any age, respectively. Retirees on ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

(a) Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

(b) Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2010, rolled forward to July 1, 2011:

Annual Required Contribution (ARC)	\$ 49,096,000
Interest on net OPEB obligation	3,902,000
Adjustment to ARC	<u>(3,629,000)</u>
Annual OPEB cost	49,369,000
Contributions made	<u>(22,548,438)</u>
Change in net OPEB obligation	26,820,562
Net OPEB obligation – beginning of year	<u>86,709,262</u>
Net OPEB obligation – end of year	<u>\$ 113,529,824</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2012	\$ 49,369,000	45.67%	\$ 113,529,824
2011	46,624,000	47.73	86,709,262
2010	44,892,610	53.20	62,340,427

(c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2010 rolled forward to July 1, 2011, as of June 30, 2012 was as follows:

Actuarially accrued liability (AAL)	\$ 613,189,000
Actuarial value of plan assets	<u>2,176,706</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 611,012,294</u>
Funded ratio (actuarial value of plan assets/AAL)	0.4%
Covered payroll (active plan members)	\$ 166,594,082
UAAL as a percentage of covered payroll	366.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund. On December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund and \$2,000,000 was transferred to the fund.

(d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of

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each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit cost method was used and the actuarial accrued liability is being amortized over a period of 28 years on a closed basis and is calculated assuming a level percentage of projected payroll.

As of July 1, 2010 the discount rate was 4.5%. In general, the discount rate is to be equal to the long term rate of return of the assets paying retiree costs.

As of July 1, 2010, the healthcare cost trend rates begin with 10% and decrease 0.5% annually to an ultimate rate of 5.0%. The healthcare cost trend rates as of July 1, 2010 are based on current market conditions and updated normative trend data and studies.

As of July 1, 2010, the expected annual trend rates begin with 6% and decreases 0.25% annually to an ultimate rate of 5.0%. The healthcare cost trend rates as of July 1, 2010 are based on past annual increases in the Medicare Part B premium.

As of July 1, 2010, the payroll growth rate was 3.5%. This assumption should represent long-term expectations of the City's payroll growth. Therefore, recent salary increase rates, current economic environment, and the prior increases were considered. In addition, 3.5% appears to be a reasonable long-term rate of return for the City. This assumption does not affect the liability of the plan, but does affect the amortization of the unfunded actuarial accrued liability and, consequently, the annual costs.

As of July 1, 2010, the inflation rate was 3.5%. This assumption should represent long-term increases in salary rates and healthcare costs.

As of July 1, 2010, future retirees electing spouse coverage is based on the employees' current coverage election. In other words, employees in the current census data with spouse coverage are assumed to have spouse coverage at retirement.

As of July 1, 2010, the percent of participants assumed to not be Medicare eligible at 65 was 7% based on the current 156 retirees over 65 in the non-Medicare plans divided by the total 1,646 retirees over age 65. Based on this updated information, the percent of new retirees not being Medicare eligible at 65 decreased and is likely to continue to decrease. Therefore, it was assumed that 7% of retirees attaining 65 in the future would not be eligible for Medicare.

Current and future retirees contribute an amount based on the costs or premiums of the plan they elect.

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Notes to Basic Financial Statements

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(11) Transfers

Transfers and their purposes during the year ended June 30, 2012 were as follows:

	Governmental funds				
	General	Capital	Affordable Housing Trust fund	Other	Enterprise fund water
Capital – to fund capital expenditures	\$ (3,876,506)	3,876,506	—	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	18,744,535	1,585,896	—	(20,330,431)	—
Other Grants – License Commission matching grant	(50,000)	—	—	50,000	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	40,000	—	—	(40,000)	—
Capital – reimbursement of eligible CDBG program costs		(367,972)	—	367,972	—
Water – reimbursement of administrative costs	693,955	—		—	(693,955)
Affordable housing fund – from CPA Fund	—	—	7,680,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(7,680,000)	—
Total	\$ 15,551,984	5,094,430	7,680,000	(27,632,459)	(693,955)

CITY OF CAMBRIDGE, MASSACHUSETTS

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(12) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2012 are as follows (in thousands):

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>
Fund balances:				
Nonspendable:				
Deposits	\$ 2,186,162	—	—	—
Nonexpendable permanent funds	—	—	—	2,106,473
Restricted:				
Property and Development	—	19,610,630	—	—
Streets and Sidewalks	—	5,501,427	—	—
Parks and Recreation	—	—	—	—
Sewer Projects	—	30,902,706	—	—
Library	—	103,631	—	—
Schools	—	3,849,520	—	—
General Government	—	5,376,419	—	—
Affordable Housing	—	—	600,000	—
Community Preservation	—	—	—	10,259,630
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	35,490
General Government	—	—	—	854,956
Human Services	—	—	—	1,619,093
School Grants Fund Federal/State	—	—	—	4,221,464
Expendable permanent funds	—	—	—	1,426,710
Committed:				
Parking Fund	—	—	—	15,792,211
Health Claims	17,588,044	—	—	—
Budget Stabilization	5,668,942	—	—	—
Affordable Housing	—	—	31,312,928	—
Subsequent year's expenditures	11,000,000	—	—	—
Unassigned	<u>126,726,779</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>\$ 163,169,927</u>	<u>65,344,333</u>	<u>31,912,928</u>	<u>36,316,027</u>

(13) Risk Management

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

The City has medical plans with Tufts, Harvard Pilgrim and Blue Cross/Blue Shield under which it makes actual claims payments. The medical plan providers act as claim processors and a transfer of risk does not occur. Approximately 90% of the City's employees participate in the self-insured plan with the remainder electing preferred provider plans that are premium based. The amount of settlements exceeded insurance coverage for premium based health insurance elections by \$0, \$2.7 million, and \$1.7 million for fiscal years ended June 30, 2012, 2011, and 2010, respectively.

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

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

Changes in the self insurance liability for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Judgments and accrued claims, beginning of year	\$ 25,493,000	20,329,000
Incurred claims	45,690,180	47,786,000
Less payments of claims attributable to events of both current and prior fiscal years	<u>(58,562,180)</u>	<u>(42,622,000)</u>
Judgments and accrued claims, end of year	<u>\$ 12,621,000</u>	<u>25,493,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2012

(Unaudited)

Schedules of Funding Progress

(Dollars in thousands)

Pension

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
January 1, 2012	\$ 832,297	1,070,070	237,773	77.8%	\$ 217,086	109.5%
January 1, 2010	796,016	949,908	153,892	83.8	232,842	66.1
January 1, 2008	766,031	833,034	67,003	92.0	231,770	28.9
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

OPEB

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2011	\$ 2,177	613,189	611,012	0.4%	\$ 166,594	366.8%
July 1, 2010	2,099	588,268	586,169	0.4%	162,473	360.8%
January 1, 2009 (1)	1,986	624,815	622,829	0.3	156,520	397.9
January 1, 2009	—	598,995	598,995	—	152,151	393.7
December 31, 2006	—	602,697	602,697	—	155,456	387.7

(1) The January 1, 2009 actuarial valuation included a projection as of June 30, 2010. The actuarial value of assets represents the fair value of OPEB assets as of June 30, 2010.

Future cost of living increase assumed by the City.

Schedule of Employers' Contributions – Pension

(Dollars in thousands)

Year ended December 31:	Annual required contribution	Percentage contributed
2011	\$ 32,213	100%
2010	28,554	100
2009	27,728	100
2008	26,891	100
2007	28,067	100
2006	25,220	100
2005	24,577	100
2004	23,978	100

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Revenues and Expenditures – Budgetary Basis
Required Supplementary Information
General Fund – Budget and Actual
Year ended June 30, 2012
Unaudited
(with comparative actual amounts for 2011)

	2012 Original budget	2012 Final budget	2012 Actual	Variance favorable (unfavorable)	2011 Actual
Revenues:					
Property taxes	\$ 299,090,638	299,090,638	299,090,638	—	283,961,699
Provisions for tax abatements and adj.	(4,390,639)	(4,390,639)	(4,390,639)	—	(4,295,422)
Payments in lieu of tax receipts	6,320,000	6,320,000	7,586,219	1,266,219	7,344,911
Hotel/motel/meals excise tax	13,300,000	13,300,000	14,954,425	1,654,425	13,573,132
Intergovernmental	30,762,697	30,762,697	31,954,472	1,191,775	31,795,812
Sewer use	38,973,100	38,973,100	40,579,119	1,606,019	40,346,895
Motor vehicle excise	6,253,255	6,253,255	6,238,835	(14,420)	6,452,602
Investment income	500,000	500,000	503,227	3,227	536,337
Other	19,696,452	19,796,153	37,651,056	17,854,903	28,431,356
Total revenues	<u>410,505,503</u>	<u>410,605,204</u>	<u>434,167,352</u>	<u>23,562,148</u>	<u>408,147,322</u>
Expenditures:					
Current:					
General government	47,655,159	45,773,627	38,147,800	7,625,827	37,601,872
Public safety	103,863,215	104,297,515	102,966,886	1,330,629	101,117,208
Community maintenance and development	37,846,816	38,509,777	38,064,537	445,240	38,478,329
Human resource development	31,148,658	32,107,917	31,850,273	257,644	30,152,199
Education	140,719,260	140,794,260	140,081,174	713,086	135,368,303
Judgments and claims	200,000	12,212,552	12,212,551	1	929,151
State and district assessments	48,177,032	48,183,655	46,146,725	2,036,930	44,892,107
Debt service:					
Principal	33,939,460	33,939,460	33,939,454	6	34,865,929
Interest	10,655,370	10,655,370	10,617,398	37,972	10,381,632
Total expenditures	<u>454,204,970</u>	<u>466,474,133</u>	<u>454,026,798</u>	<u>12,447,335</u>	<u>433,786,730</u>
Excess (deficiency) of revenues over expenditures	<u>(43,699,467)</u>	<u>(55,868,929)</u>	<u>(19,859,446)</u>	<u>36,009,483</u>	<u>(25,639,408)</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	20,376,255	20,376,255	18,694,535	(1,681,720)	18,214,945
Capital projects funds	(3,798,000)	(3,798,000)	(3,876,506)	(78,506)	(4,195,000)
Trust funds	14,122,470	14,122,470	14,122,470	—	16,538,615
Enterprise fund	693,955	693,955	693,955	—	687,510
Total other financing sources (uses)	<u>31,394,680</u>	<u>31,394,680</u>	<u>29,634,454</u>	<u>(1,760,226)</u>	<u>31,246,070</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(12,304,787)</u>	<u>(24,474,249)</u>	<u>9,775,008</u>	<u>34,249,257</u>	<u>5,606,662</u>
Other budget items:					
Free cash appropriations	11,300,000	23,469,462			
Prior year deficits raised	(995,213)	(995,213)			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	<u>12,304,787</u>	<u>24,474,249</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Information

Year ended June 30, 2012

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

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

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

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

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2012:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis:	\$ 434,167,352	454,026,798	29,634,454
Adjustments:			
Revenues to modified accrual basis	9,289,351	—	—
Expenditures, encumbrances and accruals, net	—	(13,085,573)	—
Reclassification:			
Premium on debt issuance	—	—	5,851,746
Transfers not reported on a Budgetary/GAAP basis	—	—	(14,082,470)
Deferred loss on refunding	—	—	(4,179,117)
As reported on a GAAP basis	<u>\$ 443,456,703</u>	<u>440,941,225</u>	<u>17,224,613</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2012

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 446,605	383,452	63,153
Other ordinary maintenance	120,130	119,066	1,064
Travel and training	16,500	15,301	1,199
Total Mayor	<u>583,235</u>	<u>517,819</u>	<u>65,416</u>
City Manager:			
Salaries and wages	1,496,370	1,496,340	30
Other ordinary maintenance	508,400	470,734	37,666
Travel and training	38,700	27,453	11,247
Total City Manager	<u>2,043,470</u>	<u>1,994,527</u>	<u>48,943</u>
City Council:			
Salaries and wages	1,501,205	1,499,046	2,159
Other ordinary maintenance	41,900	27,798	14,102
Travel and training	59,855	36,219	23,636
Total City Council	<u>1,602,960</u>	<u>1,563,063</u>	<u>39,897</u>
City Clerk:			
Salaries and wages	927,156	927,149	7
Other ordinary maintenance	56,110	53,348	2,762
Travel and training	4,420	25	4,395
Total City Clerk	<u>987,686</u>	<u>980,522</u>	<u>7,164</u>
Law:			
Salaries and wages	1,393,890	1,363,825	30,065
Other ordinary maintenance	411,565	262,994	148,571
Travel and training	12,245	10,068	2,177
Total law	<u>1,817,700</u>	<u>1,636,887</u>	<u>180,813</u>
Finance:			
Salaries and wages	9,033,550	9,033,418	132
Other ordinary maintenance	2,846,935	2,624,593	222,342
Travel and training	215,120	185,356	29,764
Extraordinary expenditures	62,800	61,088	1,712
Total finance	<u>12,158,405</u>	<u>11,904,455</u>	<u>253,950</u>
Employment benefits:			
Salaries and wages	22,709,026	16,157,894	6,551,132
Other ordinary maintenance	839,100	708,573	130,527
Travel and training	30,000	5,035	24,965
Total employment benefits	<u>23,578,126</u>	<u>16,871,502</u>	<u>6,706,624</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General services:			
Salaries and wages	\$ 217,945	213,282	4,663
Other ordinary maintenance	521,270	346,895	174,375
Total general services	<u>739,215</u>	<u>560,177</u>	<u>179,038</u>
Election commission:			
Salaries and wages	704,620	704,590	30
Other ordinary maintenance	423,055	324,540	98,515
Travel and training	2,270	268	2,002
Total election commission	<u>1,129,945</u>	<u>1,029,398</u>	<u>100,547</u>
Public celebrations:			
Salaries and wages	408,300	408,299	1
Other ordinary maintenance	387,400	387,059	341
Travel and training	1,125	537	588
Total public celebrations	<u>796,825</u>	<u>795,895</u>	<u>930</u>
Reserve:			
Other ordinary maintenance	12,500	—	12,500
Total reserve	<u>12,500</u>	<u>—</u>	<u>12,500</u>
Animal commission:			
Salaries and wages	310,105	280,277	29,828
Other ordinary maintenance	13,305	13,278	27
Travel and training	150	—	150
Total animal commission	<u>323,560</u>	<u>293,555</u>	<u>30,005</u>
Total general government	<u>45,773,627</u>	<u>38,147,800</u>	<u>7,625,827</u>
Public safety:			
Fire:			
Salaries and wages	37,304,320	36,906,118	398,202
Other ordinary maintenance	1,117,245	1,097,615	19,630
Travel and training	583,500	583,034	466
Extraordinary expenditures	110,000	109,274	726
Total fire	<u>39,115,065</u>	<u>38,696,041</u>	<u>419,024</u>
Police:			
Salaries and wages	40,800,285	40,800,275	10
Other ordinary maintenance	2,168,950	2,131,822	37,128
Travel and training	391,500	321,579	69,921
Extraordinary expenditures	417,100	392,441	24,659
Total police	<u>43,777,835</u>	<u>43,646,117</u>	<u>131,718</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Traffic and parking:			
Salaries and wages	\$ 6,911,030	6,681,786	229,244
Other ordinary maintenance	3,271,040	3,197,501	73,539
Travel and training	48,400	47,993	407
Extraordinary expenditures	64,000	41,744	22,256
Total traffic and parking	<u>10,294,470</u>	<u>9,969,024</u>	<u>325,446</u>
Police review and advisory board:			
Salaries and wages	100,045	63,699	36,346
Other ordinary maintenance	700	105	595
Travel and training	3,000	2,202	798
Total police review and advisory board	<u>103,745</u>	<u>66,006</u>	<u>37,739</u>
Inspectional services:			
Salaries and wages	2,891,515	2,891,502	13
Other ordinary maintenance	123,400	93,363	30,037
Travel and training	46,425	10,213	36,212
Extraordinary expenditures	—	—	—
Total inspectional services	<u>3,061,340</u>	<u>2,995,078</u>	<u>66,262</u>
License:			
Salaries and wages	869,750	787,590	82,160
Other ordinary maintenance	57,435	45,745	11,690
Travel and training	4,725	3,209	1,516
Total license	<u>931,910</u>	<u>836,544</u>	<u>95,366</u>
Weights and measures:			
Salaries and wages	122,590	122,590	—
Other ordinary maintenance	7,280	5,332	1,948
Travel and training	2,745	1,689	1,056
Total weights and measures	<u>132,615</u>	<u>129,611</u>	<u>3,004</u>
Electrical:			
Salaries and wages	1,481,985	1,481,976	9
Other ordinary maintenance	1,286,460	1,120,868	165,592
Travel and training	1,670	210	1,460
Extraordinary expenditures	25,000	25,000	—
Total electrical	<u>2,795,115</u>	<u>2,628,054</u>	<u>167,061</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Emergency communications:			
Salaries and wages	\$ 3,917,360	3,870,749	46,611
Other ordinary maintenance	148,210	110,471	37,739
Travel and training	15,850	15,626	224
Extraordinary expenditures	4,000	3,565	435
Total emergency communications	<u>4,085,420</u>	<u>4,000,411</u>	<u>85,009</u>
Total public safety	<u>104,297,515</u>	<u>102,966,886</u>	<u>1,330,629</u>
Community maintenance and development:			
Public works:			
Salaries and wages	19,624,988	19,624,880	108
Other ordinary maintenance	10,696,520	10,319,974	376,546
Travel and training	224,030	213,469	10,561
Extraordinary expenditures	458,000	458,000	—
Total public works	<u>31,003,538</u>	<u>30,616,323</u>	<u>387,215</u>
Community development:			
Salaries and wages	4,837,763	4,837,751	12
Other ordinary maintenance	465,077	421,318	43,759
Travel and training	37,791	37,663	128
Extraordinary expenditures	1,710	1,710	—
Total community development	<u>5,342,341</u>	<u>5,298,442</u>	<u>43,899</u>
Historical commission:			
Salaries and wages	543,810	543,809	1
Other ordinary maintenance	40,130	39,452	678
Travel and training	800	691	109
Total historical commission	<u>584,740</u>	<u>583,952</u>	<u>788</u>
Conservation commission:			
Salaries and wages	99,325	99,321	4
Other ordinary maintenance	2,200	165	2,035
Travel and training	1,400	583	817
Total conservation commission	<u>102,925</u>	<u>100,069</u>	<u>2,856</u>
Peace commission:			
Salaries and wages	112,065	112,065	—
Other ordinary maintenance	10,325	7,462	2,863
Travel and training	1,850	—	1,850
Total peace commission	<u>124,240</u>	<u>119,527</u>	<u>4,713</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Cable television:			
Salaries and wages	\$ 481,035	481,033	2
Other ordinary maintenance	867,508	862,791	4,717
Travel and training	3,450	2,400	1,050
Total cable television	<u>1,351,993</u>	<u>1,346,224</u>	<u>5,769</u>
Total community maintenance and development	<u>38,509,777</u>	<u>38,064,537</u>	<u>445,240</u>
Human resource development:			
Library:			
Salaries and wages	6,422,900	6,422,897	3
Other ordinary maintenance	1,976,980	1,943,418	33,562
Travel and training	43,650	41,748	1,902
Total library	<u>8,443,530</u>	<u>8,408,063</u>	<u>35,467</u>
Human services:			
Salaries and wages	18,945,559	18,945,559	—
Other ordinary maintenance	3,131,582	3,007,231	124,351
Travel and training	80,046	56,416	23,630
Extraordinary expenditures	25,000	24,811	189
Total human services	<u>22,182,187</u>	<u>22,034,017</u>	<u>148,170</u>
Women's commission:			
Salaries and wages	211,070	211,070	—
Other ordinary maintenance	9,535	9,188	347
Travel and training	1,025	85	940
Total women's commission	<u>221,630</u>	<u>220,343</u>	<u>1,287</u>
Human rights commission:			
Salaries and wages	222,155	222,154	1
Other ordinary maintenance	4,055	1,984	2,071
Travel and training	700	584	116
Total human rights commission	<u>226,910</u>	<u>224,722</u>	<u>2,188</u>
Veterans benefits:			
Salaries and wages	300,260	288,409	11,851
Other ordinary maintenance	54,900	45,336	9,564
Travel and training	678,500	629,383	49,117
Total veterans benefits	<u>1,033,660</u>	<u>963,128</u>	<u>70,532</u>
Total human resource development	<u>32,107,917</u>	<u>31,850,273</u>	<u>257,644</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Education:			
Salaries and wages	\$ 113,336,947	112,635,450	701,497
Other ordinary maintenance	25,020,852	25,017,415	3,437
Travel and training	1,193,153	1,185,008	8,145
Extraordinary expenditures	610,840	610,833	7
Debt:			
Principal payments	472,167	472,167	—
Interest payments	160,301	160,301	—
Total education	<u>140,794,260</u>	<u>140,081,174</u>	<u>713,086</u>
Judgments and claims	12,212,552	12,212,551	1
Debt retirement:			
Principal payments	33,939,460	33,939,454	6
Interest payments	10,655,370	10,617,398	37,972
Total debt retirement	<u>44,594,830</u>	<u>44,556,852</u>	<u>37,978</u>
State and district assessments:			
MBTA assessment	8,743,630	8,743,628	2
MWRA assessment	21,699,800	21,495,855	203,945
Other State assessments	11,740,225	9,907,242	1,832,983
Cambridge Health Alliance	6,000,000	6,000,000	—
Total state and district assessments	<u>48,183,655</u>	<u>46,146,725</u>	<u>2,036,930</u>
Total general fund expenditures	<u>\$ 466,474,133</u>	<u>454,026,798</u>	<u>12,447,335</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Other Governmental Funds

June 30, 2012

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, 2012

	Special revenue						Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	
Assets							
Cash and short-term investments	\$ 389,600	3,379,395	15,156,308	10,428,000	2,682,393	3,533,183	35,568,879
Accounts receivable	235,000	—	635,903	64,340	97	—	935,340
Due from other governments	251,976	1,633,327	—	—	400,355	—	2,285,658
Total assets	\$ 876,576	5,012,722	15,792,211	10,492,340	3,082,845	3,533,183	38,789,877
Liabilities and Fund Balances							
Warrants payable	\$ 48,362	757,091	—	134,174	538,598	—	1,478,225
Accrued liabilities	23,245	34,168	—	34,196	34,707	—	126,316
Deferred revenue	—	—	—	64,340	—	—	64,340
Due to other funds	804,969	—	—	—	—	—	804,969
Total liabilities	876,576	791,259	—	232,710	573,305	—	2,473,850
Fund balances:							
Nonspendable	—	—	—	—	—	2,106,473	2,106,473
Restricted	—	4,221,463	—	10,259,630	2,509,540	1,426,710	18,417,343
Committed	—	—	15,792,211	—	—	—	15,792,211
Total fund balances	—	4,221,463	15,792,211	10,259,630	2,509,540	3,533,183	36,316,027
Total liabilities and fund balances	\$ 876,576	5,012,722	15,792,211	10,492,340	3,082,845	3,533,183	38,789,877

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, 2012

	Special revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Revenues:							
Intergovernmental	\$ 1,129,183	11,257,561	—	1,984,866	8,766,088	—	23,137,698
Investment income	—	—	67,989	36,064	1,787	11,562	117,402
Other:							
Permits	—	—	568,966	—	—	—	568,966
Fines	—	—	10,731,571	—	—	—	10,731,571
Charges for services	—	—	9,913,001	—	—	—	9,913,001
Miscellaneous	—	1,633,670	332,654	7,728,592	1,327,848	224,390	11,247,154
Total revenues	1,129,183	12,891,231	21,614,181	9,749,522	10,095,723	235,952	55,715,792
Expenditures:							
General government	—	—	—	37,931	23,698	109,745	171,374
Public safety	—	—	—	—	1,327,220	—	1,327,220
Community maintenance and development	1,010,127	—	—	1,243,611	304,320	—	2,558,058
Human services	487,028	—	—	59,991	7,681,717	—	8,228,736
Education	—	13,906,443	—	—	—	—	13,906,443
Total expenditures	1,497,155	13,906,443	—	1,341,533	9,336,955	109,745	26,191,831
Excess (deficiency) of revenues over expenditures	(367,972)	(1,015,212)	21,614,181	8,407,989	758,768	126,207	29,523,961
Other financing sources (uses):							
Transfers from other funds	367,972	—	—	—	50,000	—	417,972
Transfers to other funds	—	—	(20,324,535)	(7,680,000)	(5,896)	(40,000)	(28,050,431)
Excess of revenues over expenditures and transfers	—	(1,015,212)	1,289,646	727,989	802,872	86,207	1,891,502
Fund balances at beginning of year	—	5,236,675	14,502,565	9,531,641	1,706,668	3,446,976	34,424,525
Fund balances at end of year	\$ —	4,221,463	15,792,211	10,259,630	2,509,540	3,533,183	36,316,027

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2012

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, 2012

Assets	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	205,076	467,851	175,641	497,286
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	85,413	5,142,989	5,047,248	181,154
Cambridge Fire Detail	82,809	744,680	756,688	70,801
Dog Licenses	14,212	—	3,555	10,657
Sporting Licenses	2,862	556	1,028	2,390
Dog Officer	(3,555)	3,555	—	—
Constable Fees	219,980	112,678	120,993	211,665
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	921	2,344	—	3,265
Accident and life Insurance	689,208	209,808	89,435	809,581
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	681,725	575,192	481,581	775,336
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,574,398	756,018	1,576,961	753,455
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	73,786	12,405	1,677	84,514
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
Stop Payments	22,667	—	—	22,667
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Water Department Deposits	295,885	137,350	73,475	359,760
Salem State Reading Spec. Prog	—	36,951	36,450	501
Citizens Bank Cks June 2012	—	299,267	—	299,267
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	92	371	220	243
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	3,098	—	—	3,098
Firearms Recordkeeping Fund	8,336	21,335	17,900	11,771
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	(152,266)	304	—	(151,962)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>4,804,223</u>	<u>8,523,654</u>	<u>8,382,852</u>	<u>4,945,025</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2012

Liabilities	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	205,076	467,851	175,641	497,286
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	85,413	5,142,989	5,047,248	181,154
Cambridge Fire Detail	82,809	744,680	756,688	70,801
Dog Licenses	14,212	—	3,555	10,657
Sporting Licenses	2,862	556	1,028	2,390
Dog Officer	(3,555)	3,555	—	—
Constable Fees	219,980	112,678	120,993	211,665
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	921	2,344	—	3,265
Accident and life Insurance	689,208	209,808	89,435	809,581
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	681,725	575,192	481,581	775,336
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,574,398	756,018	1,576,961	753,455
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	73,786	12,405	1,677	84,514
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	64,992	—	—	64,992
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	265,329	—	—	265,329
Stop Payments	22,667	—	—	22,667
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Water Department Deposits	295,885	137,350	73,475	359,760
Salem State Reading Spec. Prog	—	36,951	36,450	501
Citizens Bank Cks June 2012	—	299,267	—	299,267
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	92	371	220	243
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	3,098	—	—	3,098
Firearms Recordkeeping Cash	8,336	21,335	17,900	11,771
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	(152,266)	304	—	(151,962)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 4,804,223	8,523,654	8,382,852	4,945,025

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2012

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, 2012.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2012

	Uncollected June 30, 2011	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2012
Real estate taxes:								
2003	\$ 521	—	(521)	—	—	—	—	—
2004	648	—	(648)	—	—	—	—	—
2005	724	—	(724)	—	—	—	—	—
2006	406	—	(4,228)	—	3,822	—	—	—
2007	598	—	(598)	—	—	(205)	205	—
2008	7,007	—	(414,717)	—	413,760	—	—	6,050
2009	16,616	—	(204,448)	—	602,066	(403,329)	(149)	10,756
2010	62,708	—	(389,523)	—	500,604	(159,593)	(721)	13,475
2011	2,484,171	—	(474,836)	(729,043)	788,754	(2,026,734)	5,306	47,618
2012	—	279,545,698	(1,279,494)	—	835,812	(276,303,985)	(35,338)	2,762,693
Total real estate	<u>2,573,399</u>	<u>279,545,698</u>	<u>(2,769,737)</u>	<u>(729,043)</u>	<u>3,144,818</u>	<u>(278,893,846)</u>	<u>(30,697)</u>	<u>2,840,592</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, 2012

	Uncollected June 30, 2011	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2012
Personal property taxes:								
1998	\$ 20	—	—	—	5	—	—	25
2002	33	—	—	—	—	(81)	86	38
2003	172,553	—	(148,257)	—	—	—	(30)	24,266
2004	99,615	—	(83,545)	—	—	(15,794)	15,504	15,780
2005	66,316	—	(21,662)	—	—	(233)	—	44,421
2006	122,277	—	(6,856)	—	124	(2,064)	(14)	113,467
2007	87,927	—	(2,199)	—	143	(944)	(1)	84,926
2008	101,509	—	(153,906)	—	153,222	(2,806)	(11)	98,008
2009	211,927	—	(137,532)	—	158,783	(25,031)	(22)	208,125
2010	149,367	—	(708)	—	1,828	(13,812)	(7)	136,668
2011	293,014	—	(1,376)	—	1,797	(138,294)	(56)	155,085
2012	—	19,723,937	(82,973)	—	697	(19,101,945)	(1,606)	538,110
Total personal property	1,304,558	19,723,937	(639,014)	—	316,599	(19,301,004)	13,843	1,418,919
Other	91,517	—	—	—	—	—	175	91,692
Property taxes	\$ 3,969,474	299,269,635	(3,408,751)	(729,043)	3,461,417	(298,194,850)	(16,679)	4,351,203

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, 2012

	Uncollected June 30, 2011	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2012
Motor vehicle excise taxes:								
1986	\$ 2,650	—	—	—	—	—	—	2,650
1987	57,487	—	—	—	—	(14)	—	57,473
1988	71,799	—	—	—	—	(11)	102	71,890
1989	76,625	—	—	—	—	(196)	—	76,429
1990	68,518	—	—	—	—	(436)	(1)	68,081
1991	51,603	—	—	—	—	(313)	—	51,290
1992	51,753	—	(29)	—	—	(10)	—	51,714
1993	49,003	—	—	—	—	(93)	1	48,911
1994	51,807	—	—	—	—	(110)	—	51,697
1995	56,227	—	—	—	—	(101)	—	56,126
1996	55,674	—	—	—	—	(155)	(1)	55,518
1997	47,786	—	—	—	—	(46)	—	47,740
1998	62,921	—	—	—	—	(59)	1	62,863
1999	110,841	—	(224)	—	—	(786)	—	109,831
2000	171,782	—	(25)	—	793	(1,580)	—	170,970
2001	214,573	—	—	—	—	(1,174)	—	213,399
2002	197,346	—	(641)	—	323	(1,758)	—	195,270
2003	176,789	—	—	—	—	(2,629)	1	174,161
2004	148,875	—	(544)	—	101	(2,073)	(1)	146,358
2005	124,310	—	65	—	287	(3,835)	2	120,829
2006	117,187	—	(548)	—	285	(6,015)	(402)	110,507
2007	163,034	—	(1,333)	—	520	(10,653)	43	151,611
2008	145,813	—	(990)	—	721	(9,234)	11	136,321
2009	143,839	—	(1,998)	—	1,810	(22,150)	(5)	121,496
2010	244,935	—	(10,754)	—	18,878	(89,576)	343	163,826
2011	517,606	653,234	(78,773)	—	76,072	(854,529)	(8,376)	305,234
2012	—	5,785,279	(108,433)	—	48,612	(5,156,861)	(196)	568,401
Total motor vehicle	\$ 3,180,783	6,438,513	(204,227)	—	148,402	(6,164,397)	(8,478)	3,390,596

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2012

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2011	Additions	Retired	Balance June 30, 2012
Inside debt limit:							
Hospital Series B 2007 Bonds	4.0%	3/15/2007	2/1/2018	\$ 10,495,000	—	1,500,000	8,995,000
City Hall Renovations	3.5% – 5.0%	12/15/2001	12/15/2011	1,320,000	—	1,320,000	—
Sewer Loan	3.5% – 5.0%	12/15/2001	12/15/2011	1,120,000	—	1,120,000	—
Traffic Improvement	3.5% – 5.0%	12/15/2001	12/15/2011	125,000	—	125,000	—
Sewer Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	2,660,000	—	1,330,000	1,330,000
Fire Station Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	970,000	—	485,000	485,000
Building Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	190,000	—	95,000	95,000
City Hall Annex Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	390,000	—	195,000	195,000
Street Reconstruction	2.25% – 4.00%	1/15/2003	1/1/2013	1,200,000	—	600,000	600,000
Golf Course Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	170,000	—	85,000	85,000
Open Space Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	50,000	—	25,000	25,000
Harvard Square Enhancements	2.25% – 4.00%	1/15/2003	1/1/2013	100,000	—	50,000	50,000
Fiber Optic Network Infrastructure	2.5% – 3.3%	1/15/2004	1/1/2014	105,000	—	35,000	70,000
Fire Station Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	50,000	—	15,000	35,000
War Memorial Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	360,000	—	120,000	240,000
Building Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	155,000	—	55,000	100,000
Library Construction	2.5% – 4.25%	1/15/2004	1/1/2024	5,605,000	—	4,735,000	870,000
Russell Donnelly Field Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	2,730,000	—	910,000	1,820,000
Yerxa Road Underpass	2.5% – 3.3%	1/15/2004	1/1/2014	375,000	—	125,000	250,000
Cambridge Street Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	450,000	—	150,000	300,000
Sewer Reconstruction	2.5% – 3.3%	1/15/2004	1/1/2014	2,820,000	—	940,000	1,880,000
Harvard Square Enhancements	3% – 4%	2/1/2005	1/1/2015	800,000	—	200,000	600,000
Gold Star Pool Improvements	3% – 4%	2/1/2005	1/1/2015	440,000	—	110,000	330,000
Library Construction	3% – 4%	2/1/2005	1/1/2025	9,800,000	—	7,000,000	2,800,000
Area 4 Park Improvements	3% – 4%	2/1/2005	1/1/2015	800,000	—	200,000	600,000
Russell Field Improvements	3% – 4%	2/1/2005	1/1/2015	1,360,500	—	345,000	1,015,500
Cambridge Street Improvements	3% – 4%	2/1/2005	1/1/2015	940,000	—	235,000	705,000
Porter Square Enhancements	3% – 4%	2/1/2005	1/1/2015	920,000	—	230,000	690,000
Yerxa Road Underpass	3% – 4%	2/1/2005	1/1/2015	880,000	—	220,000	660,000
MWPAT Loan	N/A	11/23/2004	8/1/2014	1,073,280	—	256,534	816,746
MWPAT Loan	N/A	11/23/2004	8/1/2014	823,712	—	198,245	625,467
MWPAT Loan	N/A	11/23/2004	8/1/2014	56,537	—	13,598	42,939
Sewer Reconstruction	3% – 4%	2/1/2005	1/1/2015	6,204,500	—	1,550,000	4,654,500
Police Station Acquisition/Renovations	3.50% – 4.25%	2/1/2006	1/1/2026	26,250,000	—	12,250,000	14,000,000
Library Construction	3.50% – 4.25%	2/1/2006	1/1/2026	12,000,000	—	5,600,000	6,400,000
West Cambridge Youth Center	3.50% – 4.25%	2/1/2006	1/1/2016	1,500,000	—	300,000	1,200,000
Building Renovations	3.50% – 4.25%	2/1/2006	1/1/2016	500,000	—	100,000	400,000
Yerxa Road Underpass	3.50% – 4.25%	2/1/2006	1/1/2016	500,000	—	100,000	400,000
Open Space Improvements	3.50% – 4.25%	2/1/2006	1/1/2016	250,000	—	50,000	200,000
Porter Square Enhancements	3.50% – 4.25%	2/1/2006	1/1/2016	400,000	—	80,000	320,000
Sewer Reconstruction	3.50% – 4.25%	2/1/2006	1/1/2016	5,100,000	—	1,020,000	4,080,000
Building Renovations	4.0%	2/15/2007	2/1/2017	390,000	—	65,000	325,000
Police Station Acquisition/Renovations	4.0%	2/15/2007	2/1/2027	13,600,000	—	850,000	12,750,000
West Cambridge Youth Center	4.0%	2/15/2007	2/1/2017	4,800,000	—	800,000	4,000,000
Area 4 Park Improvements	4.0%	2/15/2007	2/1/2017	300,000	—	50,000	250,000
Yerxa Road Underpass	4.0%	2/15/2007	2/1/2017	660,000	—	110,000	550,000
Harvard Square Enhancements	4.0%	2/15/2007	2/1/2017	900,000	—	150,000	750,000
Sewer Reconstruction	4.0%	2/15/2007	2/1/2017	2,045,000	—	345,000	1,700,000
CRLS Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	4,250,000	—	250,000	4,000,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	8,558,178	—	1,222,598	7,335,580
Police Station Acquisition/Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	6,870,000	—	400,000	6,470,000
West Cambridge Youth Center	3.0% – 3.25%	2/1/2008	2/1/2018	4,120,000	—	590,000	3,530,000
Library Construction	3.0% – 4.0%	2/1/2008	2/1/2028	23,055,000	—	1,360,000	21,695,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	3,305,169	—	472,167	2,833,002
Harvard Square Enhancements	3.0% – 3.25%	2/1/2008	2/1/2018	420,000	—	60,000	360,000
Sewer Reconstruction	3.0% – 3.25%	2/1/2008	2/1/2018	4,356,653	—	625,235	3,731,418
MWRA Loan	—	8/23/2007	8/15/2012	686,488	—	343,244	343,244
Fire Station Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	800,000	—	100,000	700,000
Library Construction	2.0% – 4.375%	3/15/2009	3/15/2029	9,515,000	—	530,000	8,985,000
Building Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	400,000	—	50,000	350,000
CRLS Renovations	2.0% – 4.375%	3/15/2009	3/15/2029	27,000,000	—	1,500,000	25,500,000
Replacement of Radio System	2.0% – 4.0%	3/15/2009	3/15/2019	400,000	—	50,000	350,000
Sewer Reconstruction	2.0% – 4.0%	3/15/2009	3/15/2019	3,840,000	—	480,000	3,360,000
War Memorial Renovations (MSBA)	2.0%	6/25/2009	11/1/2019	1,890,000	—	210,000	1,680,000
CRLS Renovations	2.0% – 3.0%	2/15/2010	2/15/2030	23,750,000	—	1,250,000	22,500,000
Sewer Reconstruction	2.0% – 3.5%	2/15/2010	2/15/2020	6,230,000	—	695,000	5,535,000
Yerxa Road Underpass Construction	2.0% – 3.75%	2/15/2010	2/15/2020	270,000	—	30,000	240,000
War Memorial Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	175,000	—	20,000	155,000
Building Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	1,500,000	—	150,000	1,350,000
Replacement of Radio System	2.0% – 4.0%	2/15/2011	2/15/2021	6,200,000	—	620,000	5,580,000
Old Police Station Renovation	2.0% – 4.5%	2/15/2011	2/15/2031	4,000,000	—	200,000	3,800,000
CRLS Renovations	2.0% – 4.5%	2/15/2011	2/15/2031	16,145,000	—	810,000	15,335,000
Harvard Square Enhancements	2.0% – 4.0%	2/15/2011	2/15/2021	2,000,000	—	150,000	1,850,000
Danehy Park Improvements	2.0% – 4.0%	2/15/2011	2/15/2021	700,000	—	70,000	630,000
Kendall Square Improvements	2.0%	2/15/2011	2/15/2016	500,000	—	100,000	400,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2012

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2011	Additions	Retired	Balance June 30, 2012
Sewer Reconstruction	2.0% – 4.0%	2/15/2011	2/15/2021	\$ 15,000,000	—	1,500,000	13,500,000
CRLS Renovations (MSBA)	2.0%	7/12/2011	11/1/2021	—	5,946,543	—	5,946,543
Building Renovations	2.0%	2/15/2012	2/15/2022	—	2,000,000	—	2,000,000
Old Police Station Renovation	2.0% – 3.0%	2/15/2012	2/15/2032	—	10,535,000	—	10,535,000
Elementary School Renovations (Design)	2.0%	2/15/2012	2/15/2022	—	3,000,000	—	3,000,000
Refinancing Bonds (2004,2005,2006)	1.9%	3/22/2012	1/1/2024	—	24,850,000	—	24,850,000
Street / Sidewalk Reconstruction	2.0%	2/15/2012	2/15/2022	—	1,000,000	—	1,000,000
Open Space Improvements	2.0%	2/15/2012	2/15/2022	—	1,300,000	—	1,300,000
Kendall Square Improvements	2.0%	2/15/2012	2/15/2022	—	300,000	—	300,000
Harvard Square Tunnel Improvements	2.0%	2/15/2012	2/15/2022	—	2,000,000	—	2,000,000
Sewer Reconstruction	2.0%	2/15/2012	2/15/2022	—	20,350,000	—	20,350,000
MWPAT Loan (Gross Pay) CW-10-04)	—	6/13/2012	7/15/2022	—	10,083,572	—	10,083,572
Total inside debt limit				300,670,017	81,365,115	60,281,621	321,753,511
Outside debt limit:							
Water:							
Construction/Stoney Brook Automated Meter Reading System	3.5% – 5.0%	12/15/2001	12/15/2011	695,000	—	695,000	—
Automated Meter Reading System	2.5% – 3.3%	1/15/2004	1/1/2014	900,000	—	300,000	600,000
Automated Meter Reading System	3% – 4%	2/1/2005	1/1/2015	480,000	—	120,000	360,000
Water Series C 2007 Bonds	4% – 5.0%	3/15/2007	8/1/2019	19,820,000	—	2,420,000	17,400,000
Total water				21,895,000	—	3,535,000	18,360,000
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	265,000	—	30,000	235,000
Housing Trust Fund: Note payable	2.00%	6/30/2007	7/1/2021	5,786,728	—	521,106	5,265,622
Total outside debt limit				27,946,728	—	4,086,106	23,860,622
Total debt outstanding				\$ 328,616,745	81,365,115	64,367,727	345,614,133

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2012

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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<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (See accompanying Management's Discussion and Analysis, Statement of Net Assets and Statement of Activities);</i>	
General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
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Fund Balances of Governmental Funds – Last Ten Fiscal Years	
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Direct and Overlapping Governmental Activities Debt	
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Demographic and Economic Statistics – Last Ten Calendar Years	
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<i>Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>	

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

Function		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	\$	35,852	35,892	40,101	31,765	32,572	34,284	30,533	27,402	23,987	20,820
Percentage of total		8.1%	8.2%	9.6%	8.0%	8.6%	9.4%	8.7%	8.5%	7.6%	6.8%
Percentage change		(0.1)	(10.5)	26.2	(2.5)	(5.0)	12.3	11.4	14.2	15.2	(22.3)
Public safety	\$	103,389	100,414	95,717	95,817	89,514	85,160	82,619	77,756	74,324	72,870
Percentage of total		23.4%	23.0%	22.9%	24.0%	23.7%	23.3%	23.6%	24.0%	23.6%	23.8%
Percentage change		3.0	4.9	0.1	7.0	5.1	3.1	6.3	4.6	2.0	3.5
Community maintenance and development	\$	36,683	36,459	34,127	35,040	33,331	30,527	31,404	28,551	27,019	26,957
Percentage of total		8.3%	8.4%	8.2%	8.8%	8.8%	8.4%	9.0%	8.8%	8.6%	8.8%
Percentage change		0.6	6.8	2.6	5.1	9.2	(2.8)	10.0	5.7	0.2	11.5
Human resource	\$	30,919	29,586	28,133	25,464	23,944	22,426	20,835	20,668	19,127	19,056
Percentage of total		7.0%	6.8%	6.7%	6.4%	6.3%	6.1%	5.9%	6.4%	6.1%	6.2%
Percentage change		4.5	5.2	10.5	6.3	6.8	7.6	0.8	8.1	0.4	8.7
Education	\$	139,276	134,078	132,652	129,031	124,531	121,868	120,688	111,213	114,519	117,721
Percentage of total		31.6%	30.8%	31.8%	32.4%	33.0%	33.4%	34.4%	34.3%	36.4%	38.4%
Percentage change		3.9	1.1	2.8	3.6	2.2	1.0	8.5	(2.9)	(2.7)	4.2
Judgments and claims	\$	4,113	9,029	925	171	115	213	346	225	533	156
Percentage of total		0.9%	2.1%	0.2%	—%	—%	0.1%	0.1%	0.1%	0.2%	0.1%
Percentage change		(54.4)		440.9	48.7	(46.0)	(38.4)	53.8	(57.8)	241.7	(23.9)
State assessments	\$	46,147	44,892	42,448	41,020	39,567	37,294	35,890	33,888	33,618	29,698
Percentage of total		10.5%	10.3%	10.2%	10.3%	10.5%	10.2%	10.2%	10.5%	10.7%	9.7%
Percentage change		2.8	5.8	3.5	3.7	6.1	3.9	5.9	0.8	13.2	6.0
Debt service	\$	44,562	45,248	43,215	40,169	34,124	32,942	28,184	24,076	21,427	19,069
Percentage of total		10.1%	10.3%	10.4%	10.1%	9.0%	9.0%	8.0%	7.4%	6.8%	6.2%
Percentage change		(1.5)	4.7	7.6	17.7	3.6	16.9	17.1	12.4	12.4	16.4
Total expenditures	\$	440,941	435,598	417,318	398,477	377,698	364,714	350,499	323,779	314,554	306,347
Percentage of total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage change		1.2	4.4	4.7	5.5	3.6	4.1	8.3	2.9	2.7	3.3

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

See accompanying independent auditors' report.

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

Source	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property taxes	\$ 297,724	281,812	266,862	251,256	238,747	231,875	222,987	220,910	206,354	198,784
Percentage of total	67.1%	67.6%	68.4%	66.9%	62.2%	61.8%	62.8%	65.3%	65.3%	64.4%
Percentage change	5.6	5.6	6.2	5.2	3.0	4.0	0.9	7.1	3.8	—
Motor vehicle excises	\$ 6,239	6,453	6,182	6,140	6,650	5,942	6,146	6,452	6,087	6,031
Percentage of total	1.4%	1.5%	1.6%	1.6%	1.7%	1.6%	1.7%	1.9%	1.9%	2.0%
Percentage change	(3.3)	4.4	0.7	(7.7)	11.9	(3.3)	(4.7)	6.0	0.9	3.3
Hotel/motel/meals	\$ 14,954	13,573	9,362	6,803	6,863	6,751	5,801	5,461	4,287	4,401
Percentage of total	3.4%	3.3%	2.4%	1.8%	1.8%	1.8%	1.6%	1.6%	1.4%	1.4%
Percentage change	10.2	45.0	38.0	(0.9)	1.7	16.4	6.2	27.4	(2.6)	(10.3)
Fines	\$ 599	637	633	629	767	726	922	352	539	100
Percentage of total	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%	—%
Percentage change	(6.0)	0.6	0.6	(18.0)	5.6	(21.3)	161.9	(34.7)	439.0	(81.3)
Intergovernmental	\$ 31,954	31,796	32,139	37,235	47,575	44,658	44,143	43,802	42,601	42,690
Percentage of total	7.2%	7.6%	8.2%	9.9%	12.4%	11.9%	12.4%	13.0%	13.5%	13.8%
Percentage change	0.5	(1.1)	(13.7)	(21.7)	6.5	1.2	0.8	2.8	(0.2)	(8.8)
Licenses and permits	\$ 20,832	14,273	10,305	8,053	12,390	11,701	12,508	8,976	7,790	12,387
Percentage of total	4.7%	3.4%	2.6%	2.1%	3.2%	3.1%	3.5%	2.7%	2.5%	4.0%
Percentage change	46.0	38.5	28.0	(35.0)	5.9	(6.5)	39.3	15.2	(37.1)	72.0
Payment in lieu of taxes	\$ 7,586	7,345	7,106	7,012	7,319	6,939	6,579	6,839	6,329	4,644
Percentage of total	1.7%	1.8%	1.8%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%	1.5%
Percentage change	3.3	3.4	1.3	(4.2)	5.5	5.5	(3.8)	8.1	36.3	(12.6)
Investment income	\$ 864	1,064	1,274	4,257	9,295	11,119	7,410	2,888	1,181	1,513
Percentage of total	0.2%	0.3%	0.3%	1.1%	2.4%	3.0%	2.1%	0.9%	0.4%	0.5%
Percentage change	(18.8)	(16.5)	(70.1)	(54.2)	(16.4)	50.1	156.6	144.5	(21.9)	(35.5)
Charges for services	\$ 40,579	40,347	36,825	36,058	36,874	38,761	33,835	28,661	26,546	27,061
Percentage of total	9.2%	9.7%	9.4%	9.6%	9.6%	10.3%	9.5%	8.5%	8.4%	8.8%
Percentage change	0.6	9.6	2.1	(2.2)	(4.9)	14.6	18.1	8.0	(1.9)	13.5
Departmental/other	\$ 22,126	19,652	19,132	18,205	17,564	16,650	14,491	13,841	14,054	11,234
Percentage of total	5.0%	4.7%	4.9%	4.8%	4.6%	4.4%	4.1%	4.1%	4.5%	3.6%
Percentage change	12.6	2.7	5.1	3.6	5.5	14.9	4.7	(1.5)	25.1	(10.4)
Total revenues	\$ 443,457	416,951	389,820	375,648	384,044	375,122	354,822	338,182	315,768	308,845
Percentage of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage change	6.4	7.0	3.8	(2.2)	2.4	5.7	4.9	7.1	2.2	0.2

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Net Assets by Component

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of net of related debt	\$ 219,341,820	300,322,357	315,270,305	336,878,930	357,453,373	381,832,841	415,315,555	454,771,570	497,650,641	524,201,859
Restricted	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153
Unrestricted	167,848,493	133,510,964	185,379,626	216,871,591	231,012,594	224,490,592	177,054,725	165,339,378	115,221,403	100,571,712
Total governmental activities net assets	390,403,437	439,233,887	504,340,865	557,813,481	593,835,921	616,313,815	604,016,590	630,278,097	626,503,989	639,230,724
Business-type activities:										
Invested in capital assets, net of related debt	71,832,828	76,300,119	79,061,585	86,100,235	90,562,284	94,430,046	99,633,725	105,516,517	109,176,777	112,708,862
Unrestricted	82,628,141	6,664,156	7,203,272	5,379,501	5,966,312	6,772,116	5,654,829	4,907,314	6,276,508	7,765,682
Total business-type activities net assets	154,460,969	82,964,275	86,264,857	91,479,736	96,528,596	101,202,162	105,288,554	110,423,831	115,453,285	120,474,544
Primary government:										
Invested in capital assets, net of related debt	291,174,648	376,622,476	394,331,890	422,979,165	448,015,657	476,262,887	514,949,280	560,288,087	606,827,418	636,910,721
Restricted	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153
Unrestricted	250,476,634	140,175,120	192,582,898	222,251,092	236,978,906	231,262,708	182,709,554	170,246,692	121,497,911	108,337,394
Total primary government net assets	\$ 544,864,406	522,198,162	590,605,722	649,293,217	690,364,517	717,515,977	709,305,144	740,701,928	741,957,274	759,705,268

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 23,235,936	26,141,840	27,614,108	31,690,819	36,373,427	35,225,912	39,085,426	44,027,730	46,676,807	39,836,031
Public safety	77,556,200	72,576,467	81,863,575	84,796,098	88,299,052	100,538,293	106,362,564	119,538,796	122,033,751	124,013,170
Community maintenance and development	48,106,254	43,642,108	41,674,280	55,766,148	56,672,106	61,727,373	70,461,598	73,990,003	90,907,773	103,733,414
Human resource development	30,682,567	30,760,075	32,883,356	33,453,013	33,728,004	37,432,501	40,393,841	43,737,742	45,752,191	46,689,220
Education	128,699,429	125,097,466	126,177,359	133,952,334	138,673,636	150,992,375	156,458,805	165,216,021	171,283,824	181,180,963
State and district assessments (1)	22,328,710	27,117,517	27,386,544	29,640,415	31,294,026	33,567,157	35,020,229	—	—	—
Interest on long-term debt	4,720,322	5,517,607	6,184,656	8,007,458	8,336,823	9,303,724	9,503,428	10,039,003	9,756,666	8,253,614
Total governmental activities	<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>	<u>428,787,335</u>	<u>457,285,891</u>	<u>456,549,295</u>	<u>486,411,012</u>	<u>503,706,412</u>
Business-type activities:										
Water	14,199,144	13,792,805	14,456,090	14,118,060	13,657,590	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002
Total business-type activities expenses	<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>	<u>14,411,374</u>	<u>14,620,020</u>	<u>13,721,172</u>	<u>13,544,425</u>	<u>13,223,002</u>
Total primary government expenses	<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>	<u>443,198,709</u>	<u>471,905,911</u>	<u>470,270,467</u>	<u>499,955,437</u>	<u>516,929,414</u>
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	27,772,926	23,358,965	26,731,634	33,739,682	31,606,231	34,640,573	29,786,501	33,174,134	37,946,079	45,572,456
Community maintenance and development	30,821,353	28,040,442	31,311,866	36,633,238	38,689,798	38,967,973	37,767,491	39,685,063	42,168,021	42,296,774
Human resource and development	2,461,592	4,283,188	4,786,376	2,800,184	2,856,637	3,142,447	3,397,736	3,554,633	3,606,526	3,883,114
Other activities	373,838	436,341	503,519	503,010	414,844	493,643	499,322	1,863,149	1,978,164	2,254,981
Operating grants and contributions	17,455,370	23,877,740	24,521,234	28,125,429	26,210,631	27,238,759	28,910,186	35,953,873	25,562,766	23,137,698
Capital grants and contributions	12,925,487	5,549,984	4,556,870	15,366,641	6,541,460	16,129,811	10,191,408	38,367,032	9,091,275	13,093,858
Total governmental activities program revenues	<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>	<u>120,613,206</u>	<u>110,552,644</u>	<u>152,597,884</u>	<u>120,352,831</u>	<u>130,238,881</u>
Business-type activities:										
Charges for services:										
Water	16,979,446	16,902,863	18,153,081	19,629,812	19,016,582	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741
Total business-type program revenues	<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>	<u>19,597,687</u>	<u>19,070,169</u>	<u>19,396,031</u>	<u>19,130,204</u>	<u>18,824,741</u>
Total primary government program revenues	<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>	<u>140,210,893</u>	<u>129,622,813</u>	<u>171,993,915</u>	<u>139,483,035</u>	<u>149,063,622</u>
Net (expense) revenue:										
Governmental activities	(243,518,852)	(245,306,420)	(251,372,379)	(260,138,101)	(287,057,473)	(308,174,129)	(346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)
Business-type activities	2,780,302	3,110,058	3,696,991	5,511,752	5,358,992	5,186,313	4,450,149	5,674,859	5,585,779	5,601,739
Total primary government net expense	<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>	<u>(302,987,816)</u>	<u>(342,283,098)</u>	<u>(298,276,552)</u>	<u>(360,472,402)</u>	<u>(367,865,792)</u>

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 198,116,572	211,391,274	214,906,034	227,024,672	230,740,742	238,400,940	252,948,784	265,565,126	282,244,351	297,981,301
Excise taxes	10,204,545	10,561,612	11,753,246	12,555,704	12,516,776	13,676,112	12,801,715	15,526,734	19,977,226	21,289,347
Unrestricted grants and contributions	42,311,932	42,601,103	43,801,641	39,553,164	41,338,603	40,149,251	36,085,639	21,853,897	31,795,812	31,954,472
Payments in lieu of taxes	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219
Investment income	2,546,628	1,659,344	3,873,379	9,699,805	14,434,985	12,467,474	5,865,388	1,894,610	1,255,842	1,458,430
Miscellaneous	21,822,564	21,217,361	12,480,304	17,662,993	16,571,631	17,961,549	20,038,690	17,581,978	18,978,421	25,230,542
Special item	—	—	22,293,549	—	—	—	—	—	—	—
Transfers	376,870	377,000	531,835	535,000	538,130	678,130	482,585	684,930	687,510	693,955
Total governmental activities	<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>	<u>330,652,023</u>	<u>335,234,754</u>	<u>330,212,918</u>	<u>362,284,073</u>	<u>386,194,266</u>
Business-type activities:										
Investment income	131,852	135,575	135,426	238,127	227,998	165,383	118,828	145,348	131,185	113,475
Transfers	(376,870)	(377,000)	(531,835)	(535,000)	(538,130)	(678,130)	(482,585)	(684,930)	(687,510)	(693,955)
Total business-type activities	<u>(245,018)</u>	<u>(241,425)</u>	<u>(396,409)</u>	<u>(296,873)</u>	<u>(310,132)</u>	<u>(512,747)</u>	<u>(363,757)</u>	<u>(539,582)</u>	<u>(556,325)</u>	<u>(580,480)</u>
Total primary government	<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>	<u>330,139,276</u>	<u>334,870,997</u>	<u>329,673,336</u>	<u>361,727,748</u>	<u>385,613,786</u>
Change in net assets:										
Governmental activities	\$ 36,504,632	48,830,450	65,106,978	53,472,617	36,022,440	22,477,894	(11,498,493)	26,261,507	(3,774,108)	12,726,735
Business-type activities	2,535,284	2,868,633	3,300,582	5,214,879	5,048,860	4,673,566	4,086,392	5,135,277	5,029,454	5,021,259
Total primary government	<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>	<u>27,151,460</u>	<u>(7,412,101)</u>	<u>31,396,784</u>	<u>1,255,346</u>	<u>17,747,994</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Reserved	\$ 6,097,472	9,493,486	24,203,862	16,428,333	17,791,512	17,206,706	14,900,082	16,802,030	—	—
Unreserved	85,286,619	90,479,144	100,050,320	120,245,450	134,869,147	150,312,018	141,595,256	129,495,866	—	—
Nonspendable (2)	—	—	—	—	—	—	—	—	1,668,986	2,186,162
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Committed (2)	—	—	—	—	—	—	—	—	42,061,955	34,256,986
Unassigned (2)	—	—	—	—	—	—	—	—	99,698,895	126,726,779
Total general fund	\$ <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>	<u>167,518,724</u>	<u>156,495,338</u>	<u>146,297,896</u>	<u>143,429,836</u>	<u>163,169,927</u>
All other governmental funds:										
Reserved	\$ 41,115,518	48,583,062	28,515,541	28,660,330	12,687,274	76,741,409	31,315,543	79,650,408	—	—
Unreserved, reported in:										
Special revenue funds and permanent funds	28,361,764	31,850,012	38,696,151	50,256,273	87,098,510	52,687,083	48,691,005	21,007,217	—	—
Affordable Housing Trust fund (1)	—	—	—	—	—	—	—	38,205,509	—	—
Capital funds	(1,453,931)	(702,646)	41,596,488	62,252,680	50,831,905	30,946,966	59,319,015	4,499,536	—	—
Nonspendable (2)	—	—	—	—	—	—	—	—	2,075,173	2,106,473
Restricted (2)	—	—	—	—	—	—	—	—	70,523,371	84,361,676
Committed (2)	—	—	—	—	—	—	—	—	56,302,807	47,105,139
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ <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>	<u>160,375,458</u>	<u>139,325,563</u>	<u>143,362,670</u>	<u>128,901,351</u>	<u>133,573,288</u>

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Real and personal property taxes	\$ 198,783,571	206,354,390	220,910,263	222,986,633	231,875,724	238,747,275	251,255,629	266,861,794	281,812,153	297,723,747
Excises:										
Hotel/motel/meals (3)	4,401,259	4,286,681	5,461,027	5,800,992	6,751,419	6,862,581	6,802,768	9,361,688	13,573,132	14,954,425
Motor vehicles	6,031,393	6,087,063	6,452,475	6,146,422	5,942,196	6,649,769	6,139,573	6,182,561	6,452,602	6,238,835
Payments in lieu of taxes	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219
Intergovernmental	72,692,789	72,198,993	72,879,748	87,635,346	77,410,419	90,943,960	76,336,094	96,174,802	66,449,853	68,186,028
Investment income	2,546,628	1,659,344	3,877,381	9,699,805	14,434,985	12,467,474	5,865,388	1,894,609	1,255,842	1,458,430
Sewer use charges	27,061,324	26,546,224	28,661,479	33,834,690	38,761,289	36,874,045	36,058,033	36,825,469	40,346,895	44,541,076
Departmental and other	53,788,079	54,153,095	52,913,882	57,676,624	54,554,968	59,358,026	55,799,892	60,882,792	65,720,424	76,147,745
Total revenues	<u>369,949,416</u>	<u>377,614,966</u>	<u>397,995,624</u>	<u>430,359,892</u>	<u>436,670,046</u>	<u>459,221,697</u>	<u>445,269,330</u>	<u>485,289,358</u>	<u>482,955,812</u>	<u>516,836,505</u>
Expenditures:										
General government	20,934,488	24,082,120	27,558,970	30,661,962	34,465,493	32,828,519	31,916,657	40,319,061	36,409,755	36,208,277
Public safety	73,640,401	76,087,314	78,453,371	83,255,981	86,275,482	90,299,577	97,140,430	96,824,874	101,853,345	104,715,922
Community maintenance and development	35,002,529	34,358,061	35,224,167	44,595,033	44,557,472	45,478,865	55,510,022	38,032,205	51,507,080	61,281,315
Human resource development	25,089,027	25,590,660	27,129,994	28,081,349	29,664,774	31,372,419	33,766,144	36,852,936	38,368,426	39,148,273
Education (1)	122,512,065	119,887,725	120,973,010	129,073,427	132,655,957	135,144,165	143,381,070	144,306,482	146,220,378	152,550,364
Judgments and claims	155,696	533,419	224,964	346,008	212,729	114,641	170,865	924,862	9,029,151	4,112,551
State and district assessments	29,698,511	33,617,517	33,886,544	35,890,415	37,294,026	39,567,157	41,020,229	42,447,468	44,892,107	46,146,725
Capital outlays (2)	40,323,991	47,781,887	74,043,756	38,509,574	42,079,595	94,264,563	85,028,601	79,574,710	73,656,249	62,132,657
Debt service:										
Interest (1)	4,436,907	6,490,398	6,621,664	7,958,766	8,719,761	9,273,441	9,503,428	10,704,491	10,418,972	10,598,471
Principal (1)	22,384,150	22,405,970	23,570,424	24,822,015	28,407,064	28,953,226	30,665,746	35,287,743	35,868,095	34,411,621
Total expenditures	<u>374,177,765</u>	<u>390,835,071</u>	<u>427,686,864</u>	<u>423,194,530</u>	<u>444,332,353</u>	<u>507,296,573</u>	<u>528,103,192</u>	<u>525,274,832</u>	<u>548,223,558</u>	<u>551,306,176</u>
Excess of revenues over (under) expenditures	<u>(4,228,349)</u>	<u>(13,220,105)</u>	<u>(29,691,240)</u>	<u>7,165,362</u>	<u>(7,662,307)</u>	<u>(48,074,876)</u>	<u>(82,833,862)</u>	<u>(39,985,474)</u>	<u>(65,267,746)</u>	<u>(34,469,671)</u>
Other financing sources (uses):										
Premium on bond issue	—	377,741	1,768,923	370,092	708,969	411,360	792,996	915,209	1,030,857	5,851,746
Bond proceeds	29,053,565	32,760,980	80,749,786	36,710,250	45,670,000	71,601,220	49,485,000	32,225,000	46,220,000	81,365,115
Transfer in	29,167,918	40,750,850	25,738,992	37,875,917	28,978,763	38,229,302	35,441,124	29,106,459	31,693,559	33,038,864
Transfer out	(28,791,048)	(40,373,850)	(25,207,157)	(37,340,917)	(42,260,143)	(37,551,172)	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)
Transfer (out) to Fiscal Escrow Agent	—	—	—	—	—	—	—	—	—	(29,029,117)
Total other financing sources (uses)	<u>29,430,435</u>	<u>33,515,721</u>	<u>83,050,544</u>	<u>37,615,342</u>	<u>33,097,589</u>	<u>72,690,710</u>	<u>50,760,581</u>	<u>33,825,139</u>	<u>47,938,367</u>	<u>58,881,699</u>
Net change in fund balances	\$ <u>25,202,086</u>	<u>20,295,616</u>	<u>53,359,304</u>	<u>44,780,704</u>	<u>25,435,282</u>	<u>24,615,834</u>	<u>(32,073,281)</u>	<u>(6,160,335)</u>	<u>(17,329,379)</u>	<u>24,412,028</u>
Debt service as a percentage of noncapital expenditures	8.03%	8.42%	8.54%	8.52%	9.23%	9.26%	9.07%	10.30%	9.75%	9.29%

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

(2) Capital outlays that do not qualify as capital assets have been reclassified into the appropriate expense line.

(3) The City started charging Meals Tax in 2010 and has added it to the Hotel/Motel/Meals category since then.

See accompanying independent auditors' report.

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

Fiscal Year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate	Weighted average direct rate
2003	\$ 10,820	5,098	1,466	368	17,752	7.26	18.67	11.72
2004	12,157	4,818	1,808	444	19,227	7.63	19.08	11.84
2005	13,871	4,980	2,030	467	21,348	7.78	18.28	11.46
2006	13,962	4,930	2,350	605	21,847	7.38	17.86	11.16
2007	14,136	4,929	2,443	659	22,167	7.48	18.30	11.40
2008	14,427	5,541	2,836	737	23,541	7.36	17.24	11.19
2009	14,651	5,606	2,851	768	23,876	7.56	17.97	11.58
2010	14,894	5,561	2,906	911	24,272	7.72	18.75	11.98
2011	14,824	5,528	2,850	960	24,162	8.16	19.90	12.70
2012	15,018	5,492	2,986	951	24,447	8.48	20.76	13.22

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

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

Source: City Department of Finance

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

<u>Fiscal year</u>		<u>Residential real property</u>	<u>Commercial and industrial real property</u>	<u>Personal property</u>	<u>Motor vehicle</u>
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
2008		7.36	17.24	17.24	25.00
2009		7.56	17.97	17.97	25.00
2010		7.72	18.75	18.75	25.00
2011		8.16	19.90	19.90	25.00
2012		8.48	20.76	20.76	25.00

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Largest Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	2012			Taxpayer	2003		
	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)	\$ 1,785,069,900	35,044,087	11.72%	Massachusetts Institute of Technology (1)	\$ 985,624,100	17,248,669	8.72%
BioMed Realty Trust	853,862,400	16,383,756	5.48	Boston Properties	419,721,100	7,836,193	3.96
Boston Properties	543,093,700	11,280,056	3.77	Equity Partners	245,640,500	4,586,108	2.32
Equity Partners	283,730,200	5,234,116	1.75	Riverfront LLC	212,597,100	3,969,188	2.01
Presidents & Fellows of Harvard College (1)	363,550,400	5,130,190	1.72	Lyme Properties	184,654,500	3,379,893	1.71
New England Development	219,500,000	4,559,015	1.52	The Bullfinch Company	172,529,300	3,168,084	1.60
Novartis Pharmaceuticals	203,265,600	4,221,827	1.41	Cambridge Gas & Electric Co./NSTAR	167,276,610	3,123,054	1.58
PREEF American Reit II Corp.	190,166,600	3,949,760	1.32	Presidents & Fellows of Harvard College (1)	245,604,700	2,784,023	1.41
RB Kendall Fee LLC	178,748,900	3,721,320	1.24	New England Development	145,518,700	2,716,834	1.37
Alexandria Real Estate	159,876,500	3,316,394	1.11	GE Capital Investments Advisors	123,954,000	2,331,582	1.18
Total	\$ 4,780,864,200	92,840,521	31.04%		\$ 2,903,120,610	51,143,628	25.86%

(1) Excludes in-lieu payment on exempt property

Source: City of Cambridge Finance Department

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

(In millions of dollars)

Fiscal year ended June 30	Taxes levied (2) for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2003	\$ 197.9	192.4	97.22	0.4	192.8	97.42
2004	210.1	203.0	96.62	2.1	205.1	97.62
2005	223.1	214.1	95.97	1.4	215.5	96.59
2006	223.2	217.5	97.45	0.8	218.3	97.80
2007	233.3	227.1	97.34	0.2	227.3	97.43
2008	243.0	237.9	97.90	0.6	238.5	98.15
2009	258.5	250.2	96.79	2.8	253.0	97.87
2010	269.1	263.1	97.77	2.6	265.7	98.74
2011	285.2	281.0	98.53	2.2	283.2	99.30
2012	299.3	295.4	98.70	N/A	295.4	98.70

(1) Real and personal property taxes.

(2) †Gross tax levied before overlay reserve.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal year	Governmental activities				Business-type activities	Total primary government	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				
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
2008	276,540,915	335,000	—	6,000,000	39,485,690	322,361,605	10.21	3,181	1.37
2009	293,330,855	315,000	—	6,000,000	33,200,861	332,846,716	10.54	3,284	1.39
2010	290,293,112	290,000	—	6,000,000	26,853,332	323,436,444	10.24	3,191	1.33
2011	300,670,017	265,000	—	5,786,728	21,895,000	328,616,745	6.86	3,125	1.36
2012	321,753,511	235,000	—	5,265,622	18,360,000	345,614,133	7.22	3,286	1.41

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

- a. See page 93 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b. See page 85 for the taxable assessed valuation figures.

Note 2: According to the 2006-2008 Census Bureau's American Community Survey Program, which is the most recent figure available, total personal income for Cambridge residents is \$3,132,936,400.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal year	General obligation bonds outstanding	Total taxable assessed value	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
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
2008	316,026,605	23,541,000,000	3,118	1.34
2009	326,531,716	23,876,000,000	3,222	1.37
2010	317,146,444	24,272,000,000	3,129	1.31
2011	322,565,017	24,162,000,000	3,067	1.34
2012	340,113,511	24,447,000,000	3,234	1.39

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

- a. See page 93 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b. See page 85 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2012

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 340,113,511	—	100.00%	340,113,511
Massachusetts Water Resources Authority	—	4,027,396,000	4.821	194,165,739
Total direct and overlapping debt	\$ <u>340,113,511</u>	<u>4,027,396,000</u>		<u>534,279,250</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012:

Fiscal year 2011 equalized valuation (1)	\$ 28,162,029,300
Debt limit (5% of assessed value) (2)	<u>1,408,101,465</u>
Debt applicable to limit:	
General obligation bonds	340,113,511
Total authorized/unissued	<u>52,215,235</u>
Total debt outstanding plus authorized/unissued	392,328,746
Less general obligation bonds exempted by authority of the State legislature	<u>18,360,000</u>
Amount within debt limit	<u>373,968,746</u>
Legal debt margin	\$ <u><u>1,034,132,719</u></u>

	Fiscal year (dollars in thousands)									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 456,081	912,162	1,064,126	1,064,126	1,226,473	1,226,473	1,306,216	1,306,216	1,408,101	1,034,132
Total net debt applicable to limit	<u>272,051</u>	<u>313,959</u>	<u>363,536</u>	<u>340,956</u>	<u>365,939</u>	<u>388,105</u>	<u>402,855</u>	<u>382,057</u>	<u>405,608</u>	<u>373,969</u>
Legal debt margin	\$ <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>	<u><u>838,368</u></u>	<u><u>903,361</u></u>	<u><u>924,159</u></u>	<u><u>1,002,493</u></u>	<u><u>660,163</u></u>
Total net debt applicable to the limit as a percentage of debt limit	59.65%	34.42%	34.16%	32	29.84%	31.64%	30.84%	29	28.81%	36.16%

(1) In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own determination of fair cash value of the taxable property in each municipality. This is known as "equalized valuation." The last redetermination of "equalized valuation" for the City was made as of January 1, 2008.

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population (1)	Median family income (1)	Per capita income (1)	Median age (1)	School enrollment (2)	Unemployment rate (3)
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	101,355	59,423	31,156	30.4	5,797	3.20
2008	101,355	59,423	31,156	30.4	5,861	3.80
2009	101,355	59,423	31,156	30.4	5,950	6.60
2010	101,355	59,423	31,156	30.4	6,137	5.60
2011	105,162	88,574	45,521	30.2	6,202	5.00
2012	105,162	88,574	45,521	30.2	6,224	4.50

(1) Source 2003 – 2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011 – 2012: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2010

(2) Source: Cambridge School Department

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

Employer	2012			Employer	2003		
	Employees	Rank	Percentage of total city employment		Employees	Rank	Percentage of total city employment
Harvard University	10,906	1	10.32%	Harvard University	8,722	1	7.69%
MIT	7,640	2	7.23	MIT	7,741	2	6.82
City of Cambridge (2)	2,947	3	2.79	City of Cambridge (2)	2,934	3	2.59
Novartis Institute	2,271	4	2.15	Millennium Pharmaceuticals	1,882	4	1.66
Vertex Pharmaceuticals	1,600	5	1.51	Cambridge Public Health Commission	1,671	5	1.47
Mt. Auburn Hospital	1,558	6	1.47	Federal Government	1,632	6	1.44
Draper Laboratory	1,281	7	1.21	Mt. Auburn Hospital	1,528	7	1.35
Biogen Idec	1,272	8	1.20	Biogen Idec	1,400	8	1.23
Genzyme Corporation	1,259	9	1.19	Genzyme Corporation	1,161	9	1.02
Cambridge Health Alliance	1,172	10	1.11	Draper Laboratory	953	10	0.84
	<u>31,906</u>		<u>30.18%</u>		<u>29,624</u>		<u>26.11%</u>
Total average employed	<u>105,628</u>				<u>113,446</u>		

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

(2) Includes the Cambridge School Department

Source: Cambridge Community Development Department and cited employers

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

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

Function/program	Full-time equivalent positions as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Executive management	16	15	15	15	16	16	16	16	16	16
Clerk	10	10	10	10	10	10	10	10	10	10
Law	12	11	11	11	11	11	11	11	11	11
Finance	83	83	83	83	83	83	83	80	81	81
Other	23	23	20	19	19	19	15	15	15	15
Subtotal	144	142	139	138	139	139	135	132	133	133
Public safety:										
Fire	285	283	284	284	284	284	284	284	285	285
Police	312	309	309	307	307	307	313	311	311	311
Traffic	82	81	81	80	80	80	80	81	81	81
Inspectional	28	28	28	28	27	27	27	27	27	27
Emergency communication	39	39	39	39	39	39	39	38	38	38
Other	26	25	31	30	30	30	30	28	27	27
Subtotal	772	765	772	768	767	767	773	769	769	769
Community maintenance:										
Public works	223	220	219	215	213	211	214	213	213	213
Community development	47	44	45	45	45	45	45	44	44	44
Other	12	12	13	13	13	13	13	13	12	12
Subtotal	282	276	277	273	271	269	272	270	269	269
Human resource development:										
Library	60	60	60	60	60	60	60	64	65	65
Human services	132	128	129	127	128	128	130	135	136	136
Other	7	7	7	7	7	7	7	7	7	7
Subtotal	199	195	196	194	195	195	197	206	208	208
Education	1,335	1,253	1,229	1,197	1,218	1,238	1,244	1,264	1,274	1,257
Water	67	65	65	63	63	63	63	60	55	55
Grand total	2,799	2,696	2,678	2,633	2,653	2,671	2,684	2,701	2,708	2,691

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire:										
Emergency responses	32,008	31,052	28,920	30,278	32,436	33,207	33,223	31,907	32,396	30,289
Fires extinguished	565	334	388	574	585	859	904	995	933	951
Hazardous materials emergency	379	497	250	248	287	206	232	206	198	219
Police:										
Physical arrests	1,263	1,248	1,185	1,234	1,385	1,740	1,605	1,534	2,200	1,418
Traffic violations	20,396	24,336	24,973	22,745	22,231	24,853	27,127	21,408	18,426	15,338
Traffic:										
Number of meters on street	2,804	2,804	2,770	2,815	3,157	3,075	2,909	3,035	3,067	3,101
Meter violations	199,490	181,974	192,462	200,000	187,797	191,583	194,001	201,959	206,101	208,145
Overtime meter violations	28,344	34,896	33,957	34,000	21,771	25,718	25,718	26,012	28,263	32,885
Inspectional:										
Major permits issued	90	75	109	143	285	89	45	343	82	110
Short form permits issued	2,413	2,500	2,824	2,910	2,818	2,796	2,866	2,737	2,957	2,218
Compliance inspections	5,998	3,645	6,044	5,946	6,942	6,797	5,224	4,809	5,359	5,268
Emergency communications:										
Total 911 Incidents dispatched	97,714	96,045	89,739	92,375	101,766	107,620	103,671	102,669	118,577	117,221
Medical	7,608	7,670	7,668	8,373	9,531	10,723	10,326	10,978	11,104	10,931
Traffic/MV-Related	21,970	22,898	25,319	27,219	23,772	22,066	21,443	17,754	15,726	13,330
Crime and Directed Patrol	34,502	32,258	28,700	28,796	38,232	44,402	43,588	45,536	60,392	62,359
Public works:										
Street Resurfacing (miles)	22.2	17.8	22.5	12.4	6.5	7.5	11.9	7.4	9.4	13.6
Sidewalk replaced (miles)	6.7	6.7	5.8	3.5	4.8	3.0	8.0	12.8	6.8	6.5
Rubbish collected (tons)	25,223	25,104	23,993	23,425	20,230	18,592	18,171	16,963	16,066	15,548
Recycling collected (tons)	11,966	13,065	12,742	12,600	12,710	13,166	12,954	12,685	13,300	14,016
New stormwater drains installed (linear feet)	1,500	3,000	1,200	525	750	3,190	1,595	3,257	4,099	6,363
New sanitary sewer installed (linear feet)	700	1,000	850	290	590	1,559	247	2,293	2,617	3,411
Community development:										
Number of affordable multi-family rental units	45	44	6	26	70	51	80	155	125	380
Number of affordable homeownership units developed	7	23	28	26	42	17	2	2	14	8
Human resource development:										
Library system circulation	1,116,012	1,123,755	986,501	940,330	1,015,073	1,064,743	1,035,135	1,087,466	1,397,593	1,517,178
Library acquisitions for collection	34,106	35,649	24,822	34,508	34,813	28,827	40,166	45,145	48,046	49,261
Number of clients served in youth and family services programs	1,339	1,344	2,172	2,173	2,536	942	1,101	1,010	970	906
Number of clients served through homelessness prevention programs	4,307	5,494	4,843	5,142	5,492	4,882	5,019	6,094	6,675	5,552
Total number of golf rounds annually	45,940	31,560	38,590	41,400	41,178	41,809	42,569	40,266	40,953	40,541
Water:										
Number of accounts transitioned to AMR system	N/A	N/A	6,750	7,900	425	N/A	—	—	—	—
Total water quality tests performed	66,170	67,729	56,718	60,313	63,039	61,267	62,925	63,702	62,078	62,616
Water treatment plant tests performed	59,073	60,633	49,564	52,513	54,760	53,378	55,199	54,789	53,343	53,961
Install, clean and line, and/or replace water mains; (linear feet)	4,790	3,770	5,180	1,380	5,650	1,890	1,850	3,045	4,611	11,470
Elimination of parallel old 6" cast iron pipe (linear feet)	N/A	1,500	5,200	4,410	2,950	1,940	4,450	3,220	5,298	11,350
Education:										
Total enrollment	7,111	6,756	6,450	6,001	5,797	5,861	5,950	6,137	6,202	6,224

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	21	21	21	21	25	26	26	27	28	28
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	79	79	79	79	84	80	80	79	79	79
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	18	18	18	18	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,017	7,193	7,017	7,264	7,285	7,383	7,604	7,615	7,649	7,667
Traffic signals	196	196	196	195	189	188	187	187	185	185
Sewer:										
Sanitary sewers (miles)	146.50	147.30	148.00	148.70	147.00	147.00	147.00	147.00	150.00	149
Storm sewers (miles)	86.12	86.77	97.42	88.07	90.00	92.00	92.00	92.00	94.00	96
Library:										
Main library	1	1	1	1	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Acreage	496	496	496	496	496	497	497	497	497	497
Playgrounds	59	59	59	59	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5	5	5	5	5
Senior centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water treatment plant	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	190	190	190	190	190	190	190	190	185	185
Fire hydrants	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,800	1,800
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	2,100
Reservoirs	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Education:										
Elementary schools	15	12	12	12	12	12	12	12	12	12
High school	1	1	1	1	1	1	1	1	1	1

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2012

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