



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2010 – June 30, 2011

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

Fiscal Year
July 1, 2010 through June 30, 2011

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:

Renovated and Newly Constructed Cambridge Public Library – Main Library

The cover features a photograph of the renovated and newly constructed Cambridge Public Library Main Library, which was completed and re-dedicated in 2009. The renovation work preserved the integrity of the historic building, donated by Frederick Rindge and listed in the National Register of Historic Places, while adding a striking new, glass curtain wall enveloped, 76,700 square foot wing, a 33,000 square foot (70 space) underground parking garage and a renovated park. The renovations dramatically improved the energy efficiency of the historic structure and achieved LEED Silver designation for the project’s many “green” features, while improving pedestrian and vehicular access, adding a climate controlled Cambridge History room, a computer training room, Children’s reading and Young Adult rooms, and public meeting and performance spaces, including a 230 seat auditorium/lecture hall. Since its completion, the Main Library has received a host of prestigious architectural and design awards, including the following:

	Bestowing Organization	Award
1	Boston Society of Architects	2010 Harleston Parker Medal
2	Boston Society of Architects	2010 Honor Award for Design Excellence
3	Boston Society of Architects	2010 Award for Interior Design/Interior Architecture
4	AIA New England	2010 Honor Award for Design Excellence
5	ARCHITECT Magazine	2010 Annual Design Review Award (November 2010 issue)
6	Massachusetts Historical Commission	2010 Preservation Award
7	New Hampshire AIA	2010 Integrated Design/Integrated Development Award (IDID) for Excellence in Sustainable Design
8	Associated General Contractors of America	2010 AGC Aon Build America Award
9	American Libraries Magazine	2010 Library Design Showcase
10	Sustainable Buildings Industry Council (SBIC) – Beyond Green High-Performance Building Awards	2010 Citation for Innovative Envelope System

Articles that have been published about the Main Library:

- *Architectural Record* (Oct 2010), “Legible and Luminous” by Joann Gonchar (6-page feature) http://www.archrecord.construction.com/projects/portfolio/2010/10/cambridge_public_library.asp
- *Architectural Record* (July 2010), “More than skin deep” by Joann Gonchar (Feature in the double-skin curtain walls issue)
- *Architect Magazine* (November 2010), “Annual Design Review Award: Cambridge Public Library” <http://www.architectmagazine.com/government-projects/awardnew-cambridge-public-library-cambridgemass.aspx>

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2011

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Introductory Section

December 16, 2011

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, 2011 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, 2010 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

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

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

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor

December 16, 2011

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, 2011. 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 2011 Year in Review: Major Initiatives/Highlights

During fiscal year 2011, the City's fiscal year free cash position of \$102.2 million increased by \$12.9 million from the previous fiscal year. This balance represents the highest amount in the City's history. The general fund balance totaled \$143.4 million at year end, a decrease of \$ 2.9 million (2.0%) over fiscal year 2010.

Real property assessed valuations totaled \$24.2 billion in fiscal year 2011, a \$0.1 billion or .45% decrease from FY10. This slight change reflects the strength of the Cambridge real estate market despite a very volatile environment. The commercial sector realized a 0.41% decrease in assessed value, \$39 million from fiscal year 2010. The residential sector assessed values decreased by a modest \$71 million, a 0.47% decrease from fiscal year 2010. Also, in fiscal 2011, the City's property tax levy limit grew to \$383.3 million from \$367.2 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$99.4 million in fiscal year 2011, an increase of \$0.8 million, or 0.8%, from fiscal year 2010.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2011 are as follows:

- In conjunction with the City's February 2011 bond sale, the three major credit rating agencies confirmed their highest rating available to cities.

Moody's Investors Service noted in its rating that "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 an exceptionally strong and resilient financial position which has performed well through the national economic downturn, management's consistently conservative approach to budgeting 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 universities and a robust financial position guided by sound management policies."

While Standard and Poor's wrote in its rating that "The rating reflects the City's: 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 a high market value per capita; Very strong financial position, despite a decline in fiscal

2010, coupled with an experienced management team and strong management policies; and Low debt burden and manageable capital plan.”

While Fitch Ratings noted “The rating rationale reflects the City’s exceptional financial management which is characterized by its high reserve and liquidity levels; Conservative budgeting practices along with a use of reserves the last two years has helped keep tax levy increases at moderate levels while the City faces increases in education and public safety costs; The stable presence of higher education, health care, biotechnology, and life sciences industries supports the well-diversified economy with low unemployment and above-average wealth levels; Growth in assessed value provides the City with tax levy flexibility for operations and debt service as the gap between the City’s actual tax levy and the statutory levy limit has grown to its highest level in the City’s history; and Debt levels are moderate and expected to remain manageable, aided by the City’s rapid amortization rate. Key Rating Driver includes: Ongoing sound financial management, which has benefited the City’s financial position.”

- In addition to assigning its ‘AAA’ rating, Standard and Poor’s reaffirmed its “strong” Financial Management Assessment (FMA) of the City in February 2011. 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 2011, the City’s issued \$46.2 million in general obligation bonds to finance a wide variety of projects including the Cambridge Rindge & Latin School (CRLS) Renovation Project, Sewer Reconstruction, Old Police Station Renovation Project, Radio System Replacement Project, Harvard and Kendall Square Surface Improvements, Municipal Building Renovations and Danehy Park Soccer Field Improvements. The true interest cost of this issue was 3.21%.
- 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 FY11 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 \$6.5 million in local receipts from the CPA surcharge with an additional state match of \$2.1 million and \$1.0 from CPA fund balance. Through fiscal year 2011, the City appropriated or reserved \$101.7 million in CPA funds with approximately \$38.6 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 FY11 increased by only 5.69% when the City Council adopted the City Manager’s property tax and classification recommendations in September 2010. During the past six years, the average property tax levy increase is 4.1%. The FY11 Budget adopted in May 2010, reflected a 3.1% increase over the FY10 adjusted budget and called for a 6.3% increase in the property tax levy. However, the City was able to use additional non-property tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 5.69% increase. In FY11, the continued strong commercial market, coupled with a slight decrease in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from residential taxpayers for the sixth year in a row. As a result, 51.7% of the residential taxpayers received a property tax bill that was

lower, the same, or an increase less than \$100. In addition, another 32.2% of residential taxpayers received an increase between \$100 – \$250.

- In FY11, the City successfully completed, on time, the triennial Department of Revenue (DOR) certification of real and personal property valuations process.
- The Other Post Employment Benefits (OPEB) Working Group continues to oversee the implementation of GASB 45. In addition, in FY11 the Working Group included providing necessary financial information to the actuarial firm to develop the updated OPEB liability as of July 1, 2010.
- 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 24 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 2011 with a total general fund balance of \$143.4 million, which represents 34.4% of general fund revenues, a decrease from 37.5% in fiscal year 2011. In fiscal year 2011, operations produced an \$18.6 million deficit. Each year, a portion of fund balance is allocated to committed and nonspendable accounts. A total of \$43.7 million was held as committed and nonspendable accounts in fiscal year 2011, leaving an unassigned fund balance of \$99.7 million. General fund cash and short-term investments totaled \$183.0 million, while the balance of cash and short-term investments for all funds totaled \$337.5 million, which is a \$2.5 million, or 0.7% decrease from fiscal year 2010.

The following table presents the balance in the City’s unreserved/unassigned general fund balance for fiscal years 2001 through 2011.

	Unreserved/ unassigned general fund balance
	<hr/>
Fiscal year:	
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

(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.

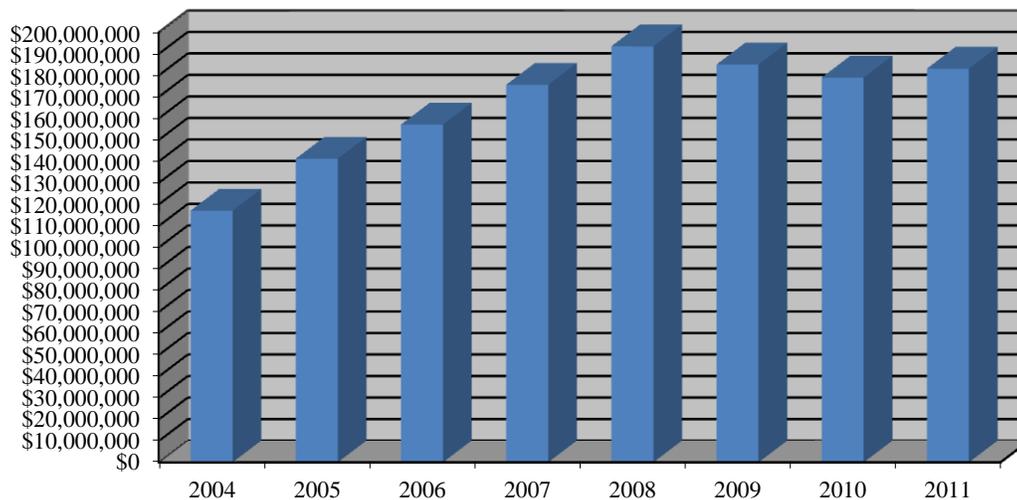
- (2) The City, in 2011, implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Cash Position

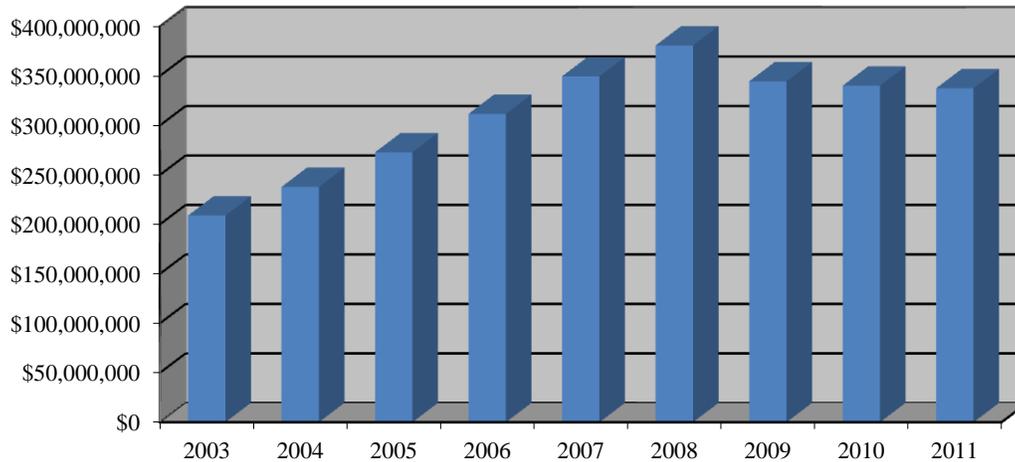
The table and charts displayed below present the changes in year-end general fund cash and total cash for all funds for the past eight fiscal years. The table and charts do not include cash for the Cambridge Health Alliance, a component unit.

Fiscal year:	<u>Year-end general fund cash and short-term investments</u>	<u>Year-end all funds cash and short-term investments</u>
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

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 2012 through fiscal year 2016, which was approved by the City Council in May 2011, has an estimated cost of \$278,869,045. Financing for the fiscal year 2012 portion of the capital plan was appropriated with the adoption of the fiscal year 2012 operating budget in May 2011.

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, 2011 totaled \$322.6 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 \$24.2 billion. Of that total, \$0.4 billion is attributable to new construction. The table below compares fiscal year 2011 property valuations and tax rates to fiscal year 2010 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2011	FY 2010	FY 2011	FY 2010
	(In millions)			
Commercial/industrial	\$ 8,378	8,467	19.90	18.75
Personal property	960	911	19.90	18.75
Residential	14,824	14,894	8.16	7.72
Total value	\$ 24,162	24,272		

Permanent Trust Fund

The City's permanent trust fund has a total fund balance of \$3,446,976 at June 30, 2011 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, 2010, the City's unfunded actuarial accrued liability is approximately \$153.9 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, 2011, the City's unfunded actuarial accrued liability is approximately \$586.2 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, 2011 is \$2.1 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.

New Accounting Standards

In 2011, The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this pronouncement is to enhance the usefulness of fund balance information and provide clearer fund balance classifications. Currently, fund balance is reported as reserved and unreserved. Effective for fiscal year 2011 reporting, fund balance is reported as nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional information on GASB Statement No. 54 can be found in the notes to the financial statements.

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, 2011 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, 2010.

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 2011 unemployment rate of 5.0% 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 2010, the City's employment ratio was 99 jobs per 100 residents. In calendar year 2009, per capita personal income (PCPI) in the Cambridge metropolitan division is 51.2% higher than the PCPI for the USA, 17.9% higher than the State and 9.7% 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 17.8% 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 \$12.8 million in free cash in fiscal year 2011, 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 not only able to replace the amount it used, it increased the total free cash balance by \$12.9 million to a the highest amount in the City's history of \$102.2. 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 non-property tax revenue, encourage expansion of the tax base, exercise restraint on expenditures and strategically use our reserve funds. While Cambridge is not insulated from current economic realities, we have positioned ourselves well to respond to these challenges in order to preserve our high level of municipal services as well as meet the needs of our infrastructure that will benefit our citizens for decades to come.

Acknowledgments

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

the members of the City Council for their concern and support in planning and constructing the financial operations of the City in a responsible and progressive manner.

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

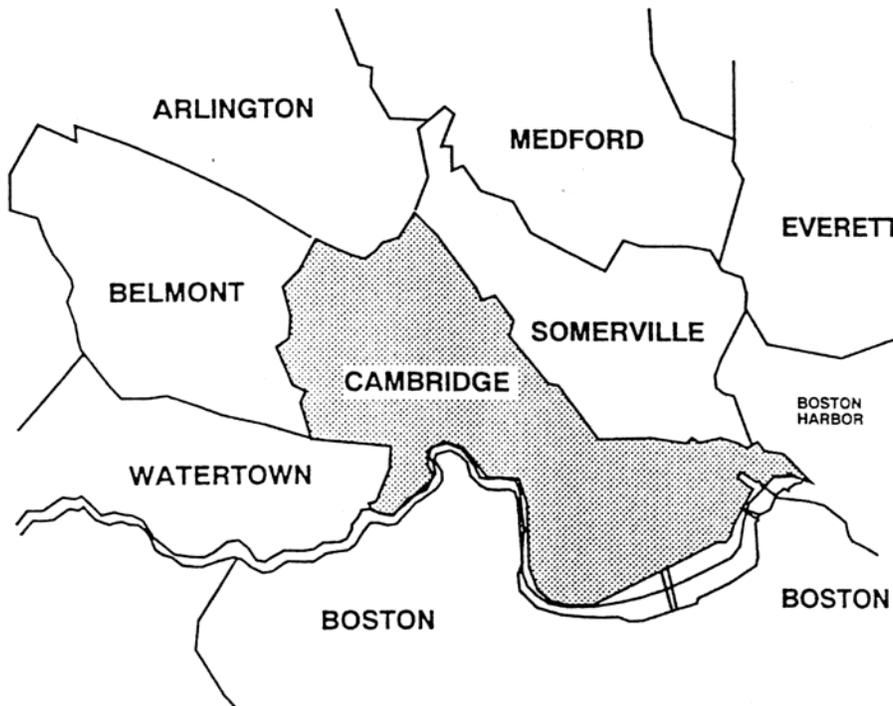
Finally, I would like to thank the City's delegation to the State Legislature, who has continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

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

Robert W. Healy
City Manager

A Few Words about Cambridge



The City of Cambridge, Massachusetts is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west, the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. Based on the 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 September 30, 2012.

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 2011
Directory of Officials
City Council

David P. Maher, Mayor

Henrietta Davis, Vice Mayor	Kenneth E. Reeves
Leland Cheung	Sam Seidel
Marjorie C. Decker	E. Denise Simmons
Craig A. Kelley	Timothy J. Toomey, Jr.

School Committee

David P. Maher, Chair

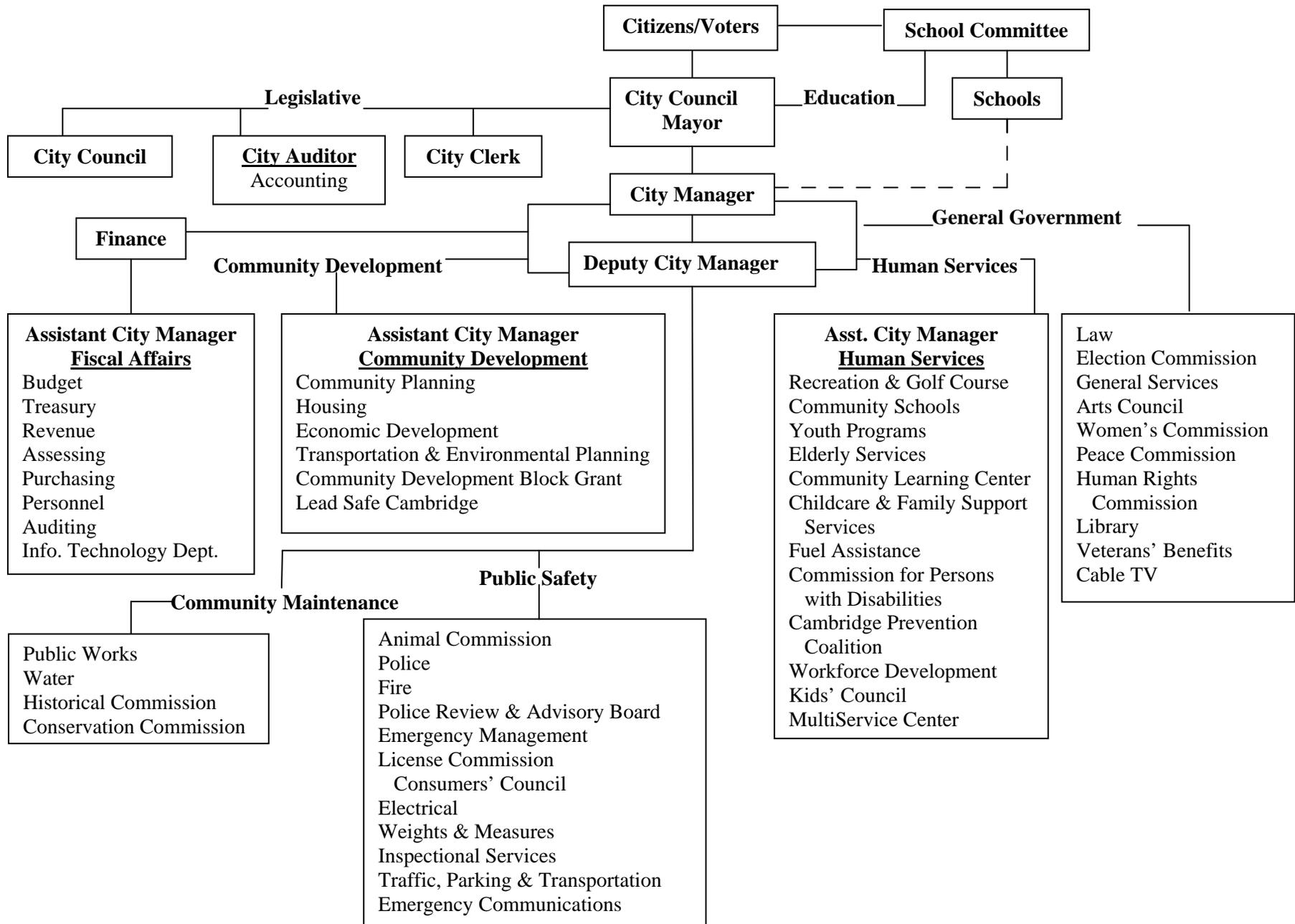
Alfred B. Fantini	Patricia M. Nolan
Richard Harding	Alice L. Turkel
Marc McGovern	Nancy Tauber

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	Donald A. Drisdell
City Clerk	D. Margaret Drury

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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

Financial Section



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City), as of and for the year ended June 30, 2011, 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 it relates to amounts included for that entity, is based solely on the report of the other auditors.

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

As described in note 2(n), the City, in 2011, implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2011, 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 16, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over



financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

December 16, 2011

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(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, 2011. 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

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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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2011

(Unaudited)

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, 2011 by \$742.0 million (presented as net assets). Of this amount, \$121.5 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and 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 \$606.8 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 \$315.6 million, down 1.8% from prior year; net receivables of \$29.5 million; and \$10.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$310.7 million in general obligation bonds and notes payable; \$18.1 million in compensated absence liabilities for unused sick and vacation; and \$24.6 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 \$24.4 million.

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Business-type activity long-term liabilities include \$22.3 million in general obligation bonds, \$496 thousand in compensated absences and \$887 thousand in future year workers' compensation and health benefits. The net reduction of \$5.1 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, 2011 and 2010

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 359.1	368.8	8.8	7.7	367.9	376.5
Capital assets	756.9	708.7	131.4	132.8	888.3	841.5
Total assets	\$ 1,116.0	1,077.5	140.2	140.5	1,256.2	1,218.0
Long-term liabilities	\$ 441.6	399.9	23.6	29.2	465.2	429.1
Other liabilities	47.9	47.3	1.1	0.9	49.0	48.2
Total liabilities	\$ 489.5	447.2	24.7	30.1	514.2	477.3
Net assets:						
Invested in capital assets, net of debt	\$ 497.7	454.8	109.2	105.5	606.9	560.3
Restricted	13.6	10.2	—	—	13.6	10.2
Unrestricted	115.2	165.3	6.3	4.9	121.5	170.2
Total net assets	\$ 626.5	630.3	115.5	110.4	742.0	740.7

Statement of Changes in Net Assets

The City's total net assets increased by \$1.3 million in fiscal year 2011 of which the governmental activities net assets decreased \$3.8 million and the business-type activity increased \$5.1 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2011

(Unaudited)

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

Condensed Schedule of Changes in Net Assets

June 30, 2011 and 2010

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 85.7	78.2	19.2	19.4	104.9	97.6
Operating grants and contributions	25.6	35.9	—	—	25.6	35.9
Capital grants and contributions	9.1	38.4	—	—	9.1	38.4
General revenues:						
Taxes:						
Property taxes levied	282.2	265.6	—	—	282.2	265.6
Excises	20.0	15.5	—	—	20.0	15.5
Payment in lieu of taxes	7.3	7.1	—	—	7.3	7.1
Grants and contributions not restricted	31.8	21.9	—	—	31.8	21.9
Investment income	1.3	1.9	0.1	0.1	1.4	2.0
Miscellaneous	18.9	17.6	—	—	18.9	17.6
Total revenues	<u>481.9</u>	<u>482.1</u>	<u>19.3</u>	<u>19.5</u>	<u>501.2</u>	<u>501.6</u>
Expenses:						
General government	46.6	44.0	—	—	46.6	44.0
Public safety	122.0	119.6	—	—	122.0	119.6
Community maintenance and development	90.9	74.0	—	—	90.9	74.0
Human resource development	45.8	43.7	—	—	45.8	43.7
Education	171.3	165.2	—	—	171.3	165.2
Water department	—	—	13.5	13.7	13.5	13.7
Interest	9.8	10.0	—	—	9.8	10.0
Total expenses	<u>486.4</u>	<u>456.5</u>	<u>13.5</u>	<u>13.7</u>	<u>499.9</u>	<u>470.2</u>
Excess before transfers	(4.5)	25.6	5.8	5.8	1.3	31.4
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	(3.8)	26.3	5.1	5.1	1.3	31.4
Net assets – beginning	<u>630.3</u>	<u>604.0</u>	<u>110.4</u>	<u>105.3</u>	<u>740.7</u>	<u>709.3</u>
Net assets – ending	<u>\$ 626.5</u>	<u>630.3</u>	<u>115.5</u>	<u>110.4</u>	<u>742.0</u>	<u>740.7</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

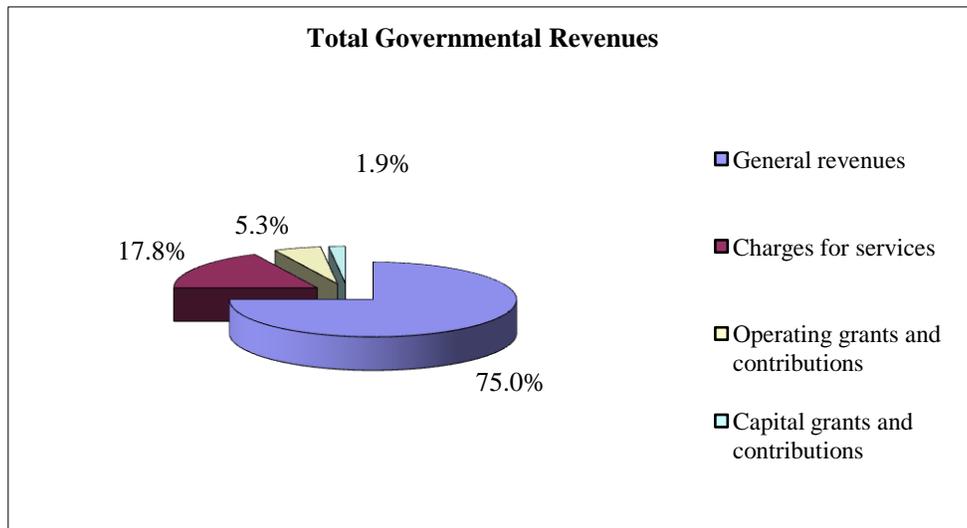
Required Supplementary Information
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(Unaudited)

Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$361.6 million, charges for services \$85.7 million, operating grants and contributions \$25.6 million and capital grants and contributions of \$9.1 million.



General

Real estate tax revenues are the City’s largest revenue source at \$282.2 million representing 78.1% of general revenues. The assessed tax valuation base is \$24.2 billion down from \$24.3 billion assessed in the prior year showing a 0.5% decrease mainly due to a slight drop in new construction.

Grants and contributions not restricted to specific programs is \$31.8 million representing 8.8% of general revenues and include state cherry sheet revenues and other unrestricted contributions.

Program

Charges for services are \$85.7 million and represent a variety of department revenues. Charges for services increased \$7.5 million from the prior year. The public safety portion of \$37.9 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$42.2 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category increased by \$2.5 million from the prior year mainly due to an increase of 9.5% in sewer charges attributable to a slight decrease in sewer abatements and a rate increase.

Operating grants and contributions of \$25.6 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 5.3% of the total City revenues.

CITY OF CAMBRIDGE, MASSACHUSETTS

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Capital grants and contributions of \$9.1 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, 2011, expenses for government activities totaled \$486.4 million, which cover a range of services. On the whole, the City's expenditures increased slightly by \$29.9 million or 6.5% 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 \$171.3 million or 35.2% 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 2011, the City spent \$8.8 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net assets by \$5.1 million, which is the same as prior years rise in net assets. The main reason for the \$5.1 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 \$272.3 million. Of this amount, \$3.7 million has been categorized nonspendable which includes permanent funds and health care deposits. Another \$70.5 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Finally, \$98.4 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 \$99.7 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 \$99.7 million, while the total fund balance was \$143.4 million. A portion of the change is due to an increase in expenditures of \$18.3 million or 4.4% over prior year, which is partly attributable to the increase of \$8.0 million in legal judgments. The remaining balance is primarily due to increases in employee healthcare and pension costs of \$10 million. Also, the City had a decrease in investment income of \$0.2 million due to the economic downturn over the last year.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(Unaudited)

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 22.9% of total General Fund expenditures, while the total balance represents 33% of that same amount.

The capital fund is the fund that captures all the capital projects expenditures for the City. At the end of fiscal year 2011, the total fund balance was \$52.1 million. This reflects a decrease over the prior fiscal year of \$15.1 million. The major decrease in fund balance is due to spending of bond proceeds on CRLS renovations.

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 2011, the total fund balance was \$42.4 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 \$6.3 million and an investment in capital assets, net of related debt of \$109.2 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 2011 actual revenues on a budgetary basis totaled \$408.1 million. This represents an increase of \$26.4 million or 6.9% from fiscal year 2010. Property taxes are the single largest revenue source, representing approximately 68.5% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 9.9%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2011

(Unaudited)

Expenditures

During fiscal year 2011, total expenditures increased on a budgetary basis by 4.2% from \$416.3 million to \$433.8 million.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, the City's capital assets of its governmental activities and business-type activity amounted to \$888.3 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 \$328.6 million in outstanding bonds and notes compared to \$323.5 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(In millions)					
General obligation bonds and notes payable \$	306.7	296.6	21.9	26.9	328.6	323.5

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 \$15.1 million, or 5.33%, to \$299.1 million in fiscal year 2012. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$99.4 million in FY 11 to \$102.6 million in FY 12, a 3.3% increase.

The FY 12 operating budget increased by 1.75% over the FY 11 adjusted budget. The increase is attributable to an 11.8% increase in employee health insurance, a 5.5% increase in employee pension costs. The capital budget of \$55.9 million is an increase of approximately \$33.6 million from the prior year.

CITY OF CAMBRIDGE, MASSACHUSETTS

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New Accounting Standards

In 2011, The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this pronouncement is to enhance the usefulness of fund balance information and provide clearer fund balance classifications. Currently, fund balance is reported as reserved and unreserved. Effective for fiscal year 2011 reporting, fund balance is reported as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional information on GASB Statement No. 54 can be found in the notes to the financial statements.

Future Pronouncements

GASB has issued Statement Nos. 55-64, which have various effective dates throughout the year ended June 30, 2012. 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, 2011

Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 315,018,086	4,029,125	319,047,211	302,189,836
Cash and investments held by trustees	600,000	—	600,000	15,702,691
Receivables, net:				
Property taxes	3,336,193	—	3,336,193	—
Motor vehicle excise	946,975	—	946,975	—
Tax title and possessions	3,056,350	—	3,056,350	—
Intergovernmental	6,704,335	—	6,704,335	—
Other	15,411,398	4,651,490	20,062,888	17,822,266
Other assets	3,564,847	68,831	3,633,678	50,721,646
Internal balances	(32,723)	32,723	—	—
Due from component unit	10,495,000	—	10,495,000	—
Capital assets:				
Nondepreciable	340,416,181	46,854,851	387,271,032	21,381,994
Depreciable, net	416,514,225	84,561,200	501,075,425	172,815,367
Total assets	1,116,030,867	140,198,220	1,256,229,087	580,633,800
Liabilities				
Warrants and accounts payable	21,753,848	636,184	22,390,032	103,601,394
Accrued liabilities:				
Tax abatements	3,700,000	—	3,700,000	—
Accrued payroll	13,094,062	60,729	13,154,791	10,603,534
Accrued interest	4,476,423	411,982	4,888,405	—
Other	4,885,794	—	4,885,794	9,317,252
Unearned revenue	—	—	—	44,079,905
Due to primary government	—	—	—	10,495,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	34,932,727	3,535,000	38,467,727	533,333
Capital leases	—	—	—	4,269,965
Due to third parties	—	—	—	30,941,630
Compensated absences	6,770,000	190,000	6,960,000	16,075,935
Landfill	25,000	—	25,000	—
Judgments and claims	14,335,000	204,000	14,539,000	—
Pollution remediation	175,654	—	175,654	—
Due in more than one year:				
Bonds and notes payable	275,721,986	18,718,040	294,440,026	5,333,334
Capital leases	—	—	—	13,393,374
Due to third parties	—	—	—	36,646,262
Compensated absences	11,290,000	306,000	11,596,000	—
Landfill	225,000	—	225,000	—
Judgments and claims	10,271,000	683,000	10,954,000	—
Other postemployment benefit obligation	86,709,262	—	86,709,262	30,817,071
Pollution remediation	1,161,122	—	1,161,122	—
Total liabilities	489,526,878	24,744,935	514,271,813	316,107,989
Net Assets				
Investment in capital assets, net of related debt	497,650,641	109,176,777	606,827,418	160,172,355
Restricted for:				
Community preservation	9,584,969	—	9,584,969	—
Expendable permanent funds	1,371,803	—	1,371,803	—
Nonexpendable permanent funds	2,075,173	—	2,075,173	—
Other purposes	600,000	—	600,000	5,163,315
Unrestricted	115,221,403	6,276,508	121,497,911	99,190,141
Total net assets	\$ 626,503,989	115,453,285	741,957,274	264,525,811

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2011

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	\$ 46,676,807	434,069	—	—	(46,242,738)	—	(46,242,738)	—
Public safety	122,033,751	37,946,079	—	—	(84,087,672)	—	(84,087,672)	—
Community maintenance and development	90,907,773	42,168,021	3,741,672	8,684,933	(36,313,147)	—	(36,313,147)	—
Human resource development	45,752,191	3,606,526	8,782,446	—	(33,363,219)	—	(33,363,219)	—
Education	171,283,824	1,544,095	13,038,648	406,342	(156,294,739)	—	(156,294,739)	—
Interest on long-term debt	9,756,666	—	—	—	(9,756,666)	—	(9,756,666)	—
Total governmental activities	<u>486,411,012</u>	<u>85,698,790</u>	<u>25,562,766</u>	<u>9,091,275</u>	<u>(366,058,181)</u>	<u>—</u>	<u>(366,058,181)</u>	
Business-type activity:								
Water	13,544,425	19,130,204	—	—	—	5,585,779	5,585,779	—
Total business-type activity	<u>13,544,425</u>	<u>19,130,204</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,585,779</u>	<u>5,585,779</u>	
Total primary government	<u>\$ 499,955,437</u>	<u>104,828,994</u>	<u>25,562,766</u>	<u>9,091,275</u>	<u>(366,058,181)</u>	<u>5,585,779</u>	<u>(360,472,402)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 1,284,600,860	230,455,007	1,108,812,286	—	—	—	—	54,666,433
Total component units	<u>\$ 1,284,600,860</u>	<u>230,455,007</u>	<u>1,108,812,286</u>	<u>—</u>				<u>54,666,433</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 282,244,351	—	282,244,351	—
Excises					19,977,226	—	19,977,226	—
Payments in lieu of taxes					7,344,911	—	7,344,911	—
Grants and contributions not restricted					31,795,812	—	31,795,812	—
Investment income					1,255,842	131,185	1,387,027	920,059
Miscellaneous					18,978,421	—	18,978,421	—
Transfers					687,510	(687,510)	—	—
Total general revenues and transfers					<u>362,284,073</u>	<u>(556,325)</u>	<u>361,727,748</u>	<u>920,059</u>
Change in net assets					(3,774,108)	5,029,454	1,255,346	55,586,492
Net assets – beginning					630,278,097	110,423,831	740,701,928	208,939,319
Net assets – ending					<u>\$ 626,503,989</u>	<u>115,453,285</u>	<u>741,957,274</u>	<u>264,525,811</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2011

Assets	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 183,045,990	59,572,863	37,547,000	34,852,233	315,018,086
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	3,336,193	—	—	—	3,336,193
Motor vehicle excise	946,975	—	—	—	946,975
Tax title and possessions	3,056,350	—	—	—	3,056,350
Intergovernmental	—	4,967,048	—	1,737,287	6,704,335
Departmental and other	10,448,658	—	4,253,242	709,498	15,411,398
Total receivables	17,788,176	4,967,048	4,253,242	2,446,785	29,455,251
Other assets	1,748,986	—	—	—	1,748,986
Due from other funds	—	834,969	—	—	834,969
Due from component unit	10,495,000	—	—	—	10,495,000
Total assets	\$ 213,078,152	65,374,880	42,400,242	37,299,018	358,152,292
Liabilities and Fund Balances					
Liabilities:					
Warrants and accounts payable	\$ 6,656,223	13,283,421	—	1,814,204	21,753,848
Accrued liabilities:					
Tax abatements	3,300,000	—	—	—	3,300,000
Judgments and claims	14,335,000	—	—	—	14,335,000
Accrued payroll	12,952,767	14,875	—	126,420	13,094,062
Other	4,840,222	—	—	45,572	4,885,794
Deferred revenue	27,531,381	—	—	53,328	27,584,709
Due to other funds	32,723	—	—	834,969	867,692
Total liabilities	69,648,316	13,298,296	—	2,874,493	85,821,105
Fund balances:					
Nonspendable	1,668,986	—	—	2,075,173	3,744,159
Restricted	—	52,076,584	600,000	17,846,787	70,523,371
Committed	42,061,955	—	41,800,242	14,502,565	98,364,762
Unassigned	99,698,895	—	—	—	99,698,895
Total fund balances	143,429,836	52,076,584	42,400,242	34,424,525	272,331,187
Total liabilities and fund balances	\$ 213,078,152	65,374,880	42,400,242	37,299,018	358,152,292

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, 2011

Total fund balance – governmental funds	\$ 272,331,187
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	756,930,406
Adjust deferred revenues to record revenues on an accrual basis	27,584,709
Bond issuance costs are capitalized in the government-wide statements	1,815,861
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	310,654,713
Accrued interest on bonds	4,476,423
Compensated absences	18,060,000
Landfill	250,000
Judgments and claims	10,271,000
Tax abatements	400,000
Other postemployment benefits	86,709,262
Pollution remediation	1,336,776
	<u>432,158,174</u>
Net assets of governmental activities	<u>\$ 626,503,989</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, 2011

	<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	\$ 281,812,153	—	—	—	281,812,153
Excises:					
Hotel/motel/meals	13,573,132	—	—	—	13,573,132
Motor vehicles	6,452,602	—	—	—	6,452,602
Payments in lieu of taxes	7,344,911	—	—	—	7,344,911
Intergovernmental	31,795,812	9,091,275	—	25,562,766	66,449,853
Investment income	1,064,224	15,871	86,372	89,375	1,255,842
Sewer use charges	40,346,895	—	—	—	40,346,895
Departmental and other	34,561,571	681,698	707,423	29,769,732	65,720,424
Total revenues	<u>416,951,300</u>	<u>9,788,844</u>	<u>793,795</u>	<u>55,421,873</u>	<u>482,955,812</u>
Expenditures:					
Current:					
General government	35,891,674	—	—	358,969	36,250,643
Public safety	100,413,995	—	—	1,439,350	101,853,345
Community maintenance and development	36,459,244	—	8,838,127	3,657,578	48,954,949
Human resource development	29,586,338	—	—	8,782,088	38,368,426
Education	134,077,602	—	—	13,341,394	147,418,996
Judgments and claims	9,029,151	—	—	—	9,029,151
State and district assessments	44,892,107	—	—	—	44,892,107
Capital outlays	—	76,208,380	—	—	76,208,380
Debt service	45,247,561	—	—	—	45,247,561
Total expenditures	<u>435,597,672</u>	<u>76,208,380</u>	<u>8,838,127</u>	<u>27,579,379</u>	<u>548,223,558</u>
Excess (deficiency) of revenues over expenditures	<u>(18,646,372)</u>	<u>(66,419,536)</u>	<u>(8,044,332)</u>	<u>27,842,494</u>	<u>(65,267,746)</u>
Other financing sources (uses):					
Premium on debt issuance	1,030,857	—	—	—	1,030,857
Issuance of debt	—	46,220,000	—	—	46,220,000
Transfers in	18,972,455	5,051,104	7,640,000	30,000	31,693,559
Transfers out	<u>(4,225,000)</u>	<u>—</u>	<u>—</u>	<u>(26,781,049)</u>	<u>(31,006,049)</u>
Total other financing (uses) sources	<u>15,778,312</u>	<u>51,271,104</u>	<u>7,640,000</u>	<u>(26,751,049)</u>	<u>47,938,367</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(2,868,060)</u>	<u>(15,148,432)</u>	<u>(404,332)</u>	<u>1,091,445</u>	<u>(17,329,379)</u>
Fund balance – beginning	146,297,896	67,225,016	42,804,574	33,333,080	289,660,566
Fund balance – ending	<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>

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, 2011

Net change in fund balances – total governmental funds	\$ (17,329,379)
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, (\$73,656,249) exceeded depreciation expense (\$25,449,739)	48,206,510
Revenues are recorded on an accrual basis	(1,006,418)
Proceeds of long-term debt (\$46,220,000) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$36,081,367) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds	(10,138,633)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net assets	(538,522)
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	(32,451)
Bond issuance costs are expenditures in the governmental funds, but are deferred assets, net of amortization, in the statement of net assets	83,533
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	(24,368,835)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000) and noncurrent claims (\$2,435,000) offset by the increase in accrued interest (\$48,189), compensated balances (\$456,000) and pollution remediation (\$605,724)	1,350,087
Change in net assets of governmental activities	\$ <u><u>(3,774,108)</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2011

	Enterprise fund Water fund
	<u> </u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,029,125
Receivables, net	4,651,490
Due from other funds	<u>32,723</u>
Total current assets	<u>8,713,338</u>
Noncurrent assets:	
Other	68,831
Capital assets:	
Nondepreciable	46,854,851
Depreciable, net	<u>84,561,200</u>
Total noncurrent assets	<u>131,484,882</u>
Total assets	\$ <u><u>140,198,220</u></u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 636,184
Accrued liabilities:	
Claims	204,000
Compensated absences	190,000
Accrued payroll	60,729
Interest	411,982
Current portion of long-term debt	<u>3,535,000</u>
Total current liabilities	<u>5,037,895</u>
Noncurrent liabilities:	
Bonds payable	18,718,040
Accrued liabilities:	
Claims	683,000
Compensated absences	<u>306,000</u>
Total noncurrent liabilities	<u>19,707,040</u>
Total liabilities	<u><u>24,744,935</u></u>
Net assets:	
Investment in capital assets, net of related debt	109,176,777
Unrestricted	<u>6,276,508</u>
Total net assets	\$ <u><u>115,453,285</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2011

	<u>Enterprise fund</u> <u>Water fund</u>
Operating revenues:	
Charges for services	\$ 19,130,204
Total operating revenues	<u>19,130,204</u>
Operating expenses:	
Administration	2,700,083
Service and support programs	6,923,218
Depreciation	<u>2,880,169</u>
Total operating expenses	<u>12,503,470</u>
Operating income	<u>6,626,734</u>
Nonoperating revenue (expense):	
Investment earnings – other	131,185
Interest expense	<u>(1,040,955)</u>
Nonoperating expense	<u>(909,770)</u>
Income before transfers	<u>5,716,964</u>
Transfers to other funds	<u>(687,510)</u>
Change in net assets	5,029,454
Total net assets – beginning	<u>110,423,831</u>
Total net assets – ending	<u>\$ 115,453,285</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2011

	Enterprise fund
	Water fund
	<u> </u>
Cash flows from operating activities:	
Cash received from customers	\$ 19,106,351
Cash paid to vendors	(6,419,329)
Cash paid to employees	<u>(3,274,025)</u>
Net cash provided by operating activities	<u>9,412,997</u>
Cash flows from noncapital financing activities:	
Transfers	<u>(687,510)</u>
Net cash used in noncapital financing activities	<u>(687,510)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,489,558)
Interest paid on debt	(1,354,888)
Repayment of long-term debt	<u>(4,958,332)</u>
Net cash used in capital and related financing activities	<u>(7,802,778)</u>
Cash flows from investing activities:	
Investment income	<u>131,185</u>
Net cash provided by investing activities	<u>131,185</u>
Increase in cash and cash equivalents	1,053,894
Cash and cash equivalents, beginning of year	<u>2,975,231</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,029,125</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,626,734
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	2,880,169
Amortization of deferred loss on refunding	98,142
Changes in operating assets and liabilities:	
Accounts receivable	(23,853)
Other liabilities	<u>(168,195)</u>
Net cash provided by operating activities	<u><u>\$ 9,412,997</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(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, 2010. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(c) *Discretely Presented Component Unit*

The Cambridge Health Alliance (CHA) is reported in a separate column to emphasize that it is legally separate from the City, but is included because the City is financially accountable for and is 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 governed by a nineteen member board, all of whom are appointed by the City Manager. CHA is responsible for the implementation of public health programs in the City.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

Complete financial statements for the CHA for its fiscal year ended June 30, 2011 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 the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

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.

(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.”

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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(f) *Uncollectible Tax and Other Receivables*

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

(g) *Capital Assets*

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

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

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

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

(h) *Compensated Absences*

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

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.

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. The City Finance Director has the authority to assign amounts to be used for specific purposes on behalf of the City.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(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, 2011, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

(m) *Use of Estimates*

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

(n) *Fund Balance Classification Policies and Procedures*

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the government is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2(j). GASB 54 also clarified the definitions of the governmental fund types. The effect of implementation of GASB 54 on the City's financial statements was limited to the use of the new fund balance classifications. Implementation did not result in a change in beginning fund balances nor did it affect the types of governmental funds reported by the City.

(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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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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, 2011, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	9,310,380
Discretely presented component unit (CHA)		—
	\$	<u>9,310,380</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.

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, 2011

(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, 2011:

<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	\$ 212,882,654	212,882,654	—	—	—
Certificates of deposit	56,280,134	36,838,937	18,069,955	881,505	489,737
U.S. agencies	10,969,901	270,534	6,014,465	2,662,269	2,022,633
Subtotal city	<u>280,132,689</u>	<u>249,992,125</u>	<u>24,084,420</u>	<u>3,543,774</u>	<u>2,512,370</u>
System (as of December 31, 2010):					
Cash collateral pool	107,721,744	107,721,744	—	—	—
U.S. treasury notes and bonds	4,024,396	2,418,597	530,029	502,244	573,526
U.S. agencies	2,412,731	—	576,837	1,072,888	763,006
Domestic corporate	62,909,050	2,802,672	20,247,829	25,056,031	14,802,518
Asset-backed:					
CMOs	2,774,521	—	—	60,475	2,714,046
Other	5,900,108	—	2,303,108	293,079	3,303,921
Pooled fixed-income investments	83,785,605	—	—	83,785,605	—
Subtotal system	<u>269,528,155</u>	<u>112,943,013</u>	<u>23,657,803</u>	<u>110,770,322</u>	<u>22,157,017</u>
OPEB Trust:					
Money market	1,544	1,544	—	—	—
Certificates of deposit	1,124,417	—	873,480	250,937	—
U.S. agencies	501,068	—	—	501,068	—
Corporate fixed income	49,704	—	—	—	49,704
Subtotal OPEB Trust	<u>1,676,733</u>	<u>1,544</u>	<u>873,480</u>	<u>752,005</u>	<u>49,704</u>
Total	<u>\$ 551,337,577</u>	<u>362,936,682</u>	<u>48,615,703</u>	<u>115,066,101</u>	<u>24,719,091</u>
Discretely presented component unit (CHA):					
Money market	\$ 82,086,883	82,086,883	—	—	—
MMDT	215,090,255	215,090,255	—	—	—
Total discretely presented component unit (CHA)	<u>\$ 297,177,138</u>	<u>297,177,138</u>	<u>—</u>	<u>—</u>	<u>—</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

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

(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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

The primary government's fixed income investments as of June 30, 2011 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	\$ 212,882,654	—	—	—	—	—	—	212,882,654
Certificates of deposit	56,280,134	—	—	—	—	—	—	56,280,134
U.S. agencies	<u>10,969,901</u>	<u>10,969,901</u>	—	—	—	—	—	—
Subtotal city	<u>280,132,689</u>	<u>10,969,901</u>	—	—	—	—	—	<u>269,162,788</u>
System (as of December 31, 2010):								
Cash collateral pool	107,721,744	—	—	—	—	—	—	107,721,744
U.S. agencies	2,412,731	2,412,731	—	—	—	—	—	—
Domestic corporate	62,909,050	6,700,033	4,216,535	12,779,313	8,700,409	12,116,887	17,492,058	903,815
Asset-backed:								
CMOs	2,774,521	2,060,363	714,158	—	—	—	—	—
Other	5,900,108	2,646,720	270,029	415,656	232,480	—	59,454	2,275,769
Pooled fixed-income investments	<u>83,785,605</u>	—	—	—	—	—	—	<u>83,785,605</u>
Subtotal system	<u>265,503,759</u>	<u>13,819,847</u>	<u>5,200,722</u>	<u>13,194,969</u>	<u>8,932,889</u>	<u>12,116,887</u>	<u>17,551,512</u>	<u>194,686,933</u>
OPEB Trust:								
Money market	1,544	—	—	—	—	—	—	1,544
Certificates of deposit	1,124,417	—	—	—	—	—	—	1,124,417
U.S. agencies	501,068	501,068	—	—	—	—	—	—
Corporate fixed income	<u>49,704</u>	—	—	49,704	—	—	—	—
Subtotal OPEB Trust	<u>1,676,733</u>	<u>501,068</u>	—	<u>49,704</u>	—	—	—	<u>1,125,961</u>
Total	<u>\$ 547,313,181</u>	<u>25,290,816</u>	<u>5,200,722</u>	<u>13,244,673</u>	<u>8,932,889</u>	<u>12,116,887</u>	<u>17,551,512</u>	<u>464,975,682</u>
Discretely presented component unit (CHA):								
Money market	\$ 82,086,883	Not rated						
MMDT	<u>215,090,255</u>	Not rated						
Total discretely presented component unit (CHA)	<u>\$ 297,177,138</u>							

In addition to the above schedule, the System had \$4,024,396 invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

(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, 2010.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(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, 2010, 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)	\$ 132,721,953
International fixed income pooled funds (various currencies)	<u>34,598,270</u>
	<u>\$ 167,320,223</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 1/2" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 1/2 limits the total levy to an amount not greater than 2 1/2% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 1/2% of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 1/2 can be overridden by a Citywide referendum.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(5) Capital Assets

Capital asset activity for the year ended June 30, 2011 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	169,567,443	80,926,183	(75,285,220)	175,208,406
Total capital assets not being depreciated	<u>334,775,218</u>	<u>80,926,183</u>	<u>(75,285,220)</u>	<u>340,416,181</u>
Capital assets being depreciated:				
Buildings and improvements	332,993,070	72,534	—	333,065,604
Improvements – nonbuilding	52,626,333	43,922,585	—	96,548,918
Furniture and equipment	50,948,947	3,231,032	—	54,179,979
Infrastructure	241,475,996	20,789,135	—	262,265,131
Total capital assets being depreciated	<u>678,044,346</u>	<u>68,015,286</u>	<u>—</u>	<u>746,059,632</u>
Less accumulated depreciation for:				
Buildings and improvements	(97,954,489)	(9,861,134)	—	(107,815,623)
Improvements – nonbuilding	(16,905,869)	(3,120,483)	—	(20,026,352)
Furniture and equipment	(38,697,879)	(2,336,899)	—	(41,034,778)
Infrastructure	(150,537,431)	(10,131,223)	—	(160,668,654)
Total accumulated depreciation	<u>(304,095,668)</u>	<u>(25,449,739)</u>	<u>—</u>	<u>(329,545,407)</u>
Total capital assets being depreciated, net	<u>373,948,678</u>	<u>42,565,547</u>	<u>—</u>	<u>416,514,225</u>
Governmental activities capital assets, net	<u>\$ 708,723,896</u>	<u>123,491,730</u>	<u>(75,285,220)</u>	<u>756,930,406</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		\$ 709,925
Public safety		3,027,875
Community maintenance and development		14,948,207
Human resource development		1,883,940
Education		4,879,792
		<u>25,449,739</u>
Total depreciation expense – governmental activities		\$ <u>25,449,739</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	8,570,936	1,309,015	(2,289,425)	7,590,526
				<u>7,590,526</u>
Total capital assets not being depreciated	<u>47,835,261</u>	<u>1,309,015</u>	<u>(2,289,425)</u>	<u>46,854,851</u>
Capital assets being depreciated:				
Buildings and improvements	80,593,321	524,317	—	81,117,638
Furniture and equipment	1,633,393	261,777	—	1,895,170
Infrastructure	34,896,842	1,683,874	—	36,580,716
				<u>36,580,716</u>
Total capital assets being depreciated	<u>117,123,556</u>	<u>2,469,968</u>	<u>—</u>	<u>119,593,524</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,961,663)	(2,040,521)	—	(20,002,184)
Furniture and equipment	(1,248,899)	(106,309)	—	(1,355,208)
Infrastructure	(12,941,593)	(733,339)	—	(13,674,932)
				<u>(13,674,932)</u>
Total accumulated depreciation	<u>(32,152,155)</u>	<u>(2,880,169)</u>	<u>—</u>	<u>(35,032,324)</u>
Total capital assets being depreciated, net	<u>84,971,401</u>	<u>(410,201)</u>	<u>—</u>	<u>84,561,200</u>
Business-type activity capital assets, net	\$ <u>132,806,662</u>	<u>898,814</u>	<u>(2,289,425)</u>	<u>131,416,051</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(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	\$ 3,969,474	—	—	—	3,969,474	—
Motor vehicle taxes	3,180,783	—	—	—	3,180,783	—
Other taxes	3,395,944	—	—	—	3,395,944	—
Intergovernmental	—	9,128,528	—	1,737,287	10,865,815	—
Other	10,625,601	—	7,635,242	709,498	18,970,341	4,698,475
Gross receivables	21,171,802	9,128,528	7,635,242	2,446,785	40,382,357	4,698,475
Less allowance for uncollectibles	3,383,626	4,161,480	3,382,000	—	10,927,106	46,985
Net total receivables	\$ 17,788,176	4,967,048	4,253,242	2,446,785	29,455,251	4,651,490

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

Individual fund receivable and payable balances at June 30, 2011, 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	834,969	—
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	—	834,969
Balance at June 30, 2011	\$ 867,692	867,692

Receivable and payable balances between the primary government and CHA at June 30, 2011 are as follows:

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 10,495,000	—
Discretely presented component unit:		
CHA	—	10,495,000
Balance at June 30, 2011	\$ 10,495,000	10,495,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

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, 2011, the amount outstanding on hospital related debt is \$10,495,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2011:

	<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, 2031	12/1/00 to 2/15/11	2.0% – 5.0%	\$ 205,325,776	28,020,000	16,292,598	217,053,178	17,542,598
Urban redevelopment, serial maturities through February 15, 2021	12/1/00 to 2/15/11	2.0% – 5.0%	19,375,500	3,200,000	4,775,000	17,800,500	4,450,000
Schools, serial maturities through February 1, 2018	12/1/00 to 2/1/08	3.0% – 5.0%	4,307,336	—	1,002,167	3,305,169	472,167
Sewer, serial maturities through February 15, 2021	11/1/00 to 2/15/11	2.0% – 5.0%	49,289,500	15,000,000	12,273,330	52,016,170	10,416,856
Hospital, serial maturities through February 1, 2018	3/15/07	4.0%	11,995,000	—	1,500,000	10,495,000	1,500,000
Sub-total general obligation bonds			<u>290,293,112</u>	<u>46,220,000</u>	<u>35,843,095</u>	<u>300,670,017</u>	<u>34,381,621</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	290,000	—	25,000	265,000	30,000
Note payable serial maturities through July 1, 2021	4/20/00 to 6/30/01	2.00	6,000,000	—	213,272	5,786,728	521,106
Sub-total notes payable			<u>6,290,000</u>	<u>—</u>	<u>238,272</u>	<u>6,051,728</u>	<u>551,106</u>
Total governmental obligation bonds and notes payable			<u>\$ 296,583,112</u>	<u>46,220,000</u>	<u>36,081,367</u>	<u>306,721,745</u>	<u>34,932,727</u>
Add (deduct):							
Unamortized bond premium						4,082,819	
Deferred loss on refunding						(149,851)	
Current portion of long-term debt						<u>(34,932,727)</u>	
						<u>\$ 275,721,986</u>	
Other long-term obligations:							
Judgments and claims			\$ 19,017,000	46,079,984	40,490,984	24,606,000	14,335,000
Compensated absences			17,604,000	17,963,100	17,507,100	18,060,000	6,770,000
Landfill postclosure care costs			275,000	—	25,000	250,000	25,000
Other postemployment benefits			62,340,427	46,624,000	22,255,165	86,709,262	—
Pollution remediation			731,052	1,803,787	1,198,063	1,336,776	175,654
Total other governmental long-term obligations			<u>\$ 99,967,479</u>	<u>112,470,871</u>	<u>81,476,312</u>	<u>130,962,038</u>	<u>21,305,654</u>

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Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2011:

	<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	11/1/00 to 3/15/07	2.5% – 5.63%	\$ 26,853,332	—	4,958,332	21,895,000	3,535,000
Total business-type bonds payable			<u>\$ 26,853,332</u>	<u>—</u>	<u>4,958,332</u>	21,895,000	<u>3,535,000</u>
Add (deduct):							
Unamortized bond premium						946,664	
Deferred loss on refunding						(588,624)	
Current portion of long-term debt						<u>(3,535,000)</u>	
						\$ <u>18,718,040</u>	
Other long-term obligations:							
Judgments and claims			\$ 1,312,000	1,706,016	2,131,016	887,000	204,000
Compensated absences			<u>562,000</u>	<u>414,400</u>	<u>480,400</u>	<u>496,000</u>	<u>190,000</u>
Total other long-term obligations			<u>\$ 1,874,000</u>	<u>2,120,416</u>	<u>2,611,416</u>	<u>1,383,000</u>	<u>394,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

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, 2011, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2012	\$ 34,381,621	551,106	10,585,822	123,900	44,967,443	675,006
2013	31,823,404	592,320	9,501,168	111,317	41,324,572	703,637
2014	28,622,774	608,671	8,458,023	98,329	37,080,797	707,000
2015	26,277,218	755,250	7,509,851	82,557	33,787,069	837,807
2016	22,680,000	597,062	6,641,996	65,434	29,321,996	662,496
2017 – 2021	83,360,000	2,910,574	23,232,238	144,272	106,592,238	3,054,846
2022 – 2026	52,555,000	36,744	10,535,731	61	63,090,731	36,805
2027 – 2031	20,970,000	—	1,938,490	—	22,908,490	—
	<u>\$ 300,670,017</u>	<u>6,051,727</u>	<u>78,403,319</u>	<u>625,870</u>	<u>379,073,336</u>	<u>6,677,597</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, 2011, the principal amount outstanding is \$5,786,728.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$34.8 million and education expenditures of \$1 million totaling \$35.8 million of principal costs.

In February 2011, the City issued \$46,220,000 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 2031.

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$1,472,500 in subsidies during 2011 and expects to receive subsidies totaling approximately \$328,400 through 2015. Loan payments commenced on February 1, 2005 and end on August 1, 2014, with interest rates ranging from 4.0% to 5.0%.

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

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Notes to Basic Financial Statements

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As of June 30, 2011, the City may issue approximately \$1.0 billion additional general obligation debt under the normal debt limit. The City has approximately \$27.9 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 3,535,000	994,976	4,529,976
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 – 2020	<u>7,720,000</u>	<u>625,004</u>	<u>8,345,004</u>
	\$ <u>21,895,000</u>	<u>4,189,583</u>	<u>26,084,583</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 annual scheduled debt service requirements as of June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 533,333	319,905	853,238
2013	533,333	289,558	822,891
2014	533,333	259,211	792,544
2015	533,333	228,864	762,197
2016	2,666,667	689,122	3,355,789
2017 – 2022	<u>1,066,668</u>	<u>63,222</u>	<u>1,129,890</u>
	\$ <u>5,866,667</u>	<u>1,849,882</u>	<u>7,716,549</u>

(9) Retirement Plan

(a) Plan Description

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2011

(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.

(c) Membership

Membership in the System consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,809
Terminated plan members entitled to, but not receiving benefits	1,001
Terminated plan members with a vested right to a deferred or immediate benefit	173
Active plan members	<u>3,614</u>
Total membership	<u><u>6,597</u></u>
Total number of participating employers	4

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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(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, 2011, 2010, and 2009 were \$22,096,592, \$21,565,919, and \$20,876,886, respectively, and \$5,017,900, \$4,871,695, and \$4,792,800 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, 2010 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 212,738,880	Active members' contribution balance
Annuity reserve fund	54,594,850	Retired members' contribution account
Military service credit fund	5,882	Members' contribution account while on military leave
Pension reserve fund	502,102,661	Amounts appropriated to fund future retirement benefits
Pension fund	<u>5,320,102</u>	Remaining net assets
	<u>\$ 774,762,375</u>	

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

(f) Securities Lending

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

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

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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, 2010. 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, 2010, 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, 2010 were \$212,599.

At December 31, 2010, the fair value of securities loaned by the System amounted to \$104,586,136 against which was held collateral of \$107,721,744.

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.

(i) Funded Status and Funding Progress

The funded status of the System as of January 1, 2010, the most recent actuarial valuation, is as follows:

Actuarially accrued liability (AAL)	\$ 949,907,739
Actuarial value of plan assets	<u>796,015,770</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 153,891,969</u>
Funded ratio (actuarial value of plan assets/AAL)	83.8%
Covered payroll (active plan members)	\$ 232,842,117
UAAL as a percentage of covered payroll	66.1%

In the January 1, 2010 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.25% investment rate of return, projected salary increases of 5.0%, and cost of living adjustments of 3% of first \$12,000 of retirement income. The

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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 19 years from July 1, 2010 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 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

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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, 2011, 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:

Annual Required Contribution (ARC)	\$ 46,346,000
Interest on net OPEB obligation	2,805,000
Adjustment to ARC	<u>(2,527,000)</u>
Annual OPEB cost	46,624,000
Contributions made	<u>(22,255,165)</u>
Change in net OPEB obligation	24,368,835
Net OPEB obligation – beginning of year	<u>62,340,427</u>
Net OPEB obligation – end of year	<u><u>\$ 86,709,262</u></u>

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>
2011	\$ 46,624,000	47.73%	\$ 86,709,262
2010	44,892,610	53.20	62,340,427
2009	39,526,820	46.95	41,332,364
2008	37,485,904	45.68	20,363,504

(c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2010 that also included a projection of the plan's funded status as of June 30, 2011 was as follows:

Actuarially accrued liability (AAL)	\$ 588,268,000
Actuarial value of plan assets	<u>2,099,000</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 586,169,000</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0.4%
Covered payroll (active plan members)	\$ 162,472,878
UAAL as a percentage of covered payroll	360.8%

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

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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 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, 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

CITY OF CAMBRIDGE, MASSACHUSETTS

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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.

(11) Transfers

Transfers and their purposes during the year ended June 30, 2011 were as follows:

	<u>Governmental funds</u>				<u>Enterprise fund water</u>
	<u>General</u>	<u>Capital</u>	<u>Affordable Housing Trust fund</u>	<u>Other</u>	
Capital – to fund capital expenditures	\$ (4,195,000)	4,195,000	—	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	18,244,945	800,000	—	(19,044,945)	—
Other Grants – License Commission matching grant	(30,000)	—	—	30,000	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	40,000	—	—	(40,000)	—
CDBG – reimbursement of eligible capital costs	—	56,104	—	(56,104)	—
Water – reimbursement of administrative costs	687,510	—	—	—	(687,510)
Affordable housing fund – from CPA Fund	—	—	—	(7,640,000)	—
CPA Fund – to affordable housing fund	—	—	7,640,000	—	—
Total	<u>\$ 14,747,455</u>	<u>5,051,104</u>	<u>7,640,000</u>	<u>(26,751,049)</u>	<u>(687,510)</u>

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, 2011 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	\$ 1,668,986	—	—	—
Nonexpendable permanent funds	—	—	—	2,075,173
Restricted:				
Property and Development	—	9,824,867	—	—
Streets and Sidewalks	—	4,761,995	—	—
Parks and Recreation	—	682,719	—	—
Sewer Projects	—	16,015,105	—	—
Library	—	170,578	—	—
Schools	—	13,775,628	—	—
General Government	—	6,845,692	—	—
Affordable Housing	—	—	600,000	—
Community Preservation	—	—	—	9,531,641
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	363,369
General Government	—	—	—	433,774
Human Services	—	—	—	909,525
School Grants Fund Federal/State	—	—	—	5,236,675
Expendable permanent funds	—	—	—	1,371,803
Committed:				
Parking Fund	—	—	—	14,502,565
Health Claims	17,418,825	—	—	—
Budget Stabilization	11,343,130	—	—	—
Affordable Housing	—	—	41,800,242	—
Subsequent year's expenditures	13,300,000	—	—	—
Unassigned	99,698,895	—	—	—
Total fund balances	\$ <u>143,429,836</u>	<u>52,076,584</u>	<u>42,400,242</u>	<u>34,424,525</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

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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 \$2.7 million, \$1.7 million, and \$0 for fiscal years ended June 30, 2011, 2010, and 2009, 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Judgments and accrued claims, beginning of year	\$ 20,329,000	18,098,000
Incurred claims	47,786,000	43,093,790
Less payments of claims attributable to events of both current and prior fiscal years	<u>(42,622,000)</u>	<u>(40,862,790)</u>
Judgments and accrued claims, end of year	<u>\$ 25,493,000</u>	<u>20,329,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2011

(Unaudited)

Schedules of Funding Progress

(Dollars in thousands)

Pension

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
January 1, 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

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
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 increases assumed by the City.

Schedule of Employers' Contributions – Pension

(Dollars in thousands)

<u>Year ended December 31:</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
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, 2011
Unaudited
(with comparative actual amounts for 2010)

	2011 Original budget	2011 Final budget	2011 Actual	Variance favorable (unfavorable)	2010 Actual
Revenues:					
Property taxes	\$ 283,961,699	283,961,699	283,961,699	—	268,662,984
Provisions for tax abatements and adj.	(4,295,422)	(4,295,422)	(4,295,422)	—	(4,362,984)
Payments in lieu of tax receipts	6,720,000	6,720,000	7,344,911	624,911	7,105,643
Hotel/motel/meals excise tax	11,665,000	11,665,000	13,573,132	1,908,132	9,361,688
Intergovernmental	32,695,949	32,695,949	31,795,812	(900,137)	32,138,738
Sewer use	38,369,720	38,375,235	40,346,895	1,971,660	36,825,469
Motor vehicle excise	6,181,635	6,181,635	6,452,602	270,967	6,182,561
Investment income	870,000	870,000	536,337	(333,663)	872,705
Other	18,404,985	18,570,142	28,431,356	9,861,214	24,943,680
Total revenues	394,573,566	394,744,238	408,147,322	13,403,084	381,730,484
Expenditures:					
Current:					
General government	42,804,500	40,534,424	37,601,872	2,932,552	36,361,395
Public safety	100,879,625	101,840,990	101,117,208	723,782	96,466,498
Community maintenance and development	37,169,385	38,871,986	38,478,329	393,657	34,907,542
Human resource development	30,102,300	30,504,110	30,152,199	351,911	28,683,418
Education	137,492,275	136,567,275	135,368,303	1,198,972	133,250,468
Judgments and claims	200,000	929,155	929,151	4	924,862
State and district assessments	47,120,828	47,135,645	44,892,107	2,243,538	42,447,468
Debt service:					
Principal	34,865,930	34,865,930	34,865,929	1	32,775,576
Interest	10,439,725	10,439,725	10,381,632	58,093	10,450,318
Total expenditures	441,074,568	441,689,240	433,786,730	7,902,510	416,267,545
Excess (deficiency) of revenues over expenditures	(46,501,002)	(46,945,002)	(25,639,408)	21,305,594	(34,537,061)
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	20,080,190	20,080,190	18,214,945	(1,865,245)	17,930,169
Capital projects funds	(2,670,000)	(3,670,000)	(4,195,000)	(525,000)	(2,270,000)
Trust funds	16,538,615	16,538,615	16,538,615	—	17,585,770
Enterprise fund	687,510	687,510	687,510	—	684,930
Total other financing sources (uses)	34,636,315	33,636,315	31,246,070	(2,390,245)	33,930,869
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(11,864,687)	(13,308,687)	5,606,662	18,915,349	(606,192)
Other budget items:					
Free cash appropriations	11,400,000	12,844,000			
Prior year deficits raised	(1,535,313)	(1,535,313)			
Overlay Surplus	2,000,000	2,000,000			
Total other budget items	11,864,687	13,308,687			
Net budget and actual	\$ —	—			

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, 2011

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, 2011:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis:	\$ 408,147,322	433,786,730	31,246,070
Adjustments:			
Revenues to modified accrual basis	8,803,978	—	—
Expenditures, encumbrances and accruals, net	—	1,810,942	—
Reclassification:			
Premium on debt issuance	—	—	1,030,857
Transfers not reported on a Budgetary/GAAP basis	—	—	(16,498,615)
As reported on a GAAP basis	\$ <u>416,951,300</u>	<u>435,597,672</u>	<u>15,778,312</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2011

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 411,165	411,164	1
Other ordinary maintenance	111,130	111,045	85
Travel and training	29,500	18,799	10,701
Total Mayor	<u>551,795</u>	<u>541,008</u>	<u>10,787</u>
City Manager:			
Salaries and wages	1,463,545	1,463,509	36
Other ordinary maintenance	506,150	490,870	15,280
Travel and training	38,700	27,277	11,423
Total City Manager	<u>2,008,395</u>	<u>1,981,656</u>	<u>26,739</u>
City Council:			
Salaries and wages	1,429,470	1,429,421	49
Other ordinary maintenance	41,900	37,669	4,231
Travel and training	59,855	34,331	25,524
Total City Council	<u>1,531,225</u>	<u>1,501,421</u>	<u>29,804</u>
City Clerk:			
Salaries and wages	882,130	879,831	2,299
Other ordinary maintenance	56,110	42,031	14,079
Travel and training	4,420	857	3,563
Total City Clerk	<u>942,660</u>	<u>922,719</u>	<u>19,941</u>
Law:			
Salaries and wages	1,326,715	1,300,082	26,633
Other ordinary maintenance	508,655	495,522	13,133
Travel and training	10,245	6,476	3,769
Total law	<u>1,845,615</u>	<u>1,802,080</u>	<u>43,535</u>
Finance:			
Salaries and wages	8,584,555	8,567,531	17,024
Other ordinary maintenance	2,834,625	2,522,261	312,364
Travel and training	213,870	192,670	21,200
Extraordinary expenditures	62,800	55,435	7,365
Total finance	<u>11,695,850</u>	<u>11,337,897</u>	<u>357,953</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Employment benefits:			
Salaries and wages	\$ 18,284,084	16,263,575	2,020,509
Other ordinary maintenance	831,075	608,072	223,003
Travel and training	15,000	5,223	9,777
Total employment benefits	<u>19,130,159</u>	<u>16,876,870</u>	<u>2,253,289</u>
General services:			
Salaries and wages	313,915	313,267	648
Other ordinary maintenance	521,270	410,537	110,733
Total general services	<u>835,185</u>	<u>723,804</u>	<u>111,381</u>
Election commission:			
Salaries and wages	637,695	637,660	35
Other ordinary maintenance	273,635	241,636	31,999
Travel and training	2,270	—	2,270
Total election commission	<u>913,600</u>	<u>879,296</u>	<u>34,304</u>
Public celebrations:			
Salaries and wages	391,645	391,618	27
Other ordinary maintenance	370,900	359,857	11,043
Travel and training	1,125	629	496
Total public celebrations	<u>763,670</u>	<u>752,104</u>	<u>11,566</u>
Reserve:			
Other ordinary maintenance	32,500	—	32,500
Total reserve	<u>32,500</u>	<u>—</u>	<u>32,500</u>
Animal commission:			
Salaries and wages	270,315	270,289	26
Other ordinary maintenance	13,305	12,728	577
Travel and training	150	—	150
Total animal commission	<u>283,770</u>	<u>283,017</u>	<u>753</u>
Total general government	<u>40,534,424</u>	<u>37,601,872</u>	<u>2,932,552</u>
Public safety:			
Fire:			
Salaries and wages	36,303,025	36,302,954	71
Other ordinary maintenance	1,221,905	1,204,636	17,269
Travel and training	608,500	607,929	571
Extraordinary expenditures	84,000	83,640	360
Total fire	<u>38,217,430</u>	<u>38,199,159</u>	<u>18,271</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Police:			
Salaries and wages	\$ 40,019,060	40,019,036	24
Other ordinary maintenance	1,866,500	1,807,756	58,744
Travel and training	441,500	374,269	67,231
Extraordinary expenditures	435,550	434,706	844
Total police	<u>42,762,610</u>	<u>42,635,767</u>	<u>126,843</u>
Traffic and parking:			
Salaries and wages	6,646,150	6,450,997	195,153
Other ordinary maintenance	3,281,040	3,197,375	83,665
Travel and training	53,400	33,943	19,457
Extraordinary expenditures	54,000	51,451	2,549
Total traffic and parking	<u>10,034,590</u>	<u>9,733,766</u>	<u>300,824</u>
Police review and advisory board:			
Salaries and wages	86,485	81,831	4,654
Other ordinary maintenance	700	—	700
Travel and training	3,000	2,979	21
Total police review and advisory board	<u>90,185</u>	<u>84,810</u>	<u>5,375</u>
Inspectional services:			
Salaries and wages	2,692,210	2,692,158	52
Other ordinary maintenance	123,400	97,788	25,612
Travel and training	46,425	44,221	2,204
Extraordinary expenditures	23,915	23,840	75
Total inspectional services	<u>2,885,950</u>	<u>2,858,007</u>	<u>27,943</u>
License:			
Salaries and wages	839,095	805,569	33,526
Other ordinary maintenance	57,435	40,643	16,792
Travel and training	6,200	3,487	2,713
Total license	<u>902,730</u>	<u>849,699</u>	<u>53,031</u>
Weights and measures:			
Salaries and wages	120,865	120,863	2
Other ordinary maintenance	7,280	7,057	223
Travel and training	2,745	2,744	1
Total weights and measures	<u>130,890</u>	<u>130,664</u>	<u>226</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Electrical:			
Salaries and wages	\$ 1,484,610	1,480,814	3,796
Other ordinary maintenance	1,286,460	1,195,999	90,461
Travel and training	1,670	1,653	17
Extraordinary expenditures	25,000	22,354	2,646
Total electrical	<u>2,797,740</u>	<u>2,700,820</u>	<u>96,920</u>
Emergency communications:			
Salaries and wages	3,850,805	3,797,616	53,189
Other ordinary maintenance	148,210	113,604	34,606
Travel and training	15,850	11,431	4,419
Extraordinary expenditures	4,000	1,865	2,135
Total emergency communications	<u>4,018,865</u>	<u>3,924,516</u>	<u>94,349</u>
Total public safety	<u>101,840,990</u>	<u>101,117,208</u>	<u>723,782</u>
Community maintenance and development:			
Public works:			
Salaries and wages	19,053,897	19,052,980	917
Other ordinary maintenance	11,565,524	11,310,278	255,246
Travel and training	188,180	147,388	40,792
Extraordinary expenditures	520,000	514,117	5,883
Total public works	<u>31,327,601</u>	<u>31,024,763</u>	<u>302,838</u>
Community development:			
Salaries and wages	4,942,788	4,942,744	44
Other ordinary maintenance	431,189	368,856	62,333
Travel and training	15,798	15,683	115
Extraordinary expenditures	43,245	43,245	—
Total community development	<u>5,433,020</u>	<u>5,370,528</u>	<u>62,492</u>
Historical commission:			
Salaries and wages	538,120	538,107	13
Other ordinary maintenance	37,380	29,610	7,770
Travel and training	800	536	264
Total historical commission	<u>576,300</u>	<u>568,253</u>	<u>8,047</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Conservation commission:			
Salaries and wages	\$ 96,410	96,395	15
Other ordinary maintenance	2,200	644	1,556
Travel and training	<u>1,400</u>	<u>568</u>	<u>832</u>
Total conservation commission	<u>100,010</u>	<u>97,607</u>	<u>2,403</u>
Peace commission:			
Salaries and wages	113,305	113,274	31
Other ordinary maintenance	10,325	7,642	2,683
Travel and training	<u>1,850</u>	<u>1,298</u>	<u>552</u>
Total peace commission	<u>125,480</u>	<u>122,214</u>	<u>3,266</u>
Cable television:			
Salaries and wages	460,300	460,266	34
Other ordinary maintenance	845,825	832,448	13,377
Travel and training	<u>3,450</u>	<u>2,250</u>	<u>1,200</u>
Total cable television	<u>1,309,575</u>	<u>1,294,964</u>	<u>14,611</u>
Total community maintenance and development	<u>38,871,986</u>	<u>38,478,329</u>	<u>393,657</u>
Human resource development:			
Library:			
Salaries and wages	6,201,895	6,120,089	81,806
Other ordinary maintenance	1,952,035	1,932,338	19,697
Travel and training	<u>56,650</u>	<u>43,260</u>	<u>13,390</u>
Total library	<u>8,210,580</u>	<u>8,095,687</u>	<u>114,893</u>
Human services:			
Salaries and wages	17,681,425	17,658,364	23,061
Other ordinary maintenance	2,973,323	2,803,384	169,939
Travel and training	180,442	155,265	25,177
Extraordinary expenditures	<u>25,000</u>	<u>25,000</u>	<u>—</u>
Total human services	<u>20,860,190</u>	<u>20,642,013</u>	<u>218,177</u>
Women’s commission:			
Salaries and wages	201,140	198,642	2,498
Other ordinary maintenance	9,535	9,529	6
Travel and training	<u>1,025</u>	<u>189</u>	<u>836</u>
Total women’s commission	<u>211,700</u>	<u>208,360</u>	<u>3,340</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human rights commission:			
Salaries and wages	\$ 185,250	184,131	1,119
Other ordinary maintenance	4,055	3,433	622
Travel and training	700	678	22
Total human rights commission	<u>190,005</u>	<u>188,242</u>	<u>1,763</u>
Veterans benefits:			
Salaries and wages	298,235	298,203	32
Other ordinary maintenance	54,900	52,627	2,273
Travel and training	678,500	667,067	11,433
Total veterans benefits	<u>1,031,635</u>	<u>1,017,897</u>	<u>13,738</u>
Total human resource development	<u>30,504,110</u>	<u>30,152,199</u>	<u>351,911</u>
Education:			
Salaries and wages	106,122,238	105,078,128	1,044,110
Other ordinary maintenance	26,640,392	26,633,653	6,739
Travel and training	1,373,358	1,234,481	138,877
Extraordinary expenditures	1,224,920	1,223,423	1,497
Debt:			
Principal payments	1,009,916	1,002,167	7,749
Interest payments	196,451	196,451	—
Total education	<u>136,567,275</u>	<u>135,368,303</u>	<u>1,198,972</u>
Judgments and claims	929,155	929,151	4
Debt retirement:			
Principal payments	34,865,930	34,865,929	1
Interest payments	10,439,725	10,381,632	58,093
Total debt retirement	<u>45,305,655</u>	<u>45,247,561</u>	<u>58,094</u>
State and district assessments:			
MBTA assessment	8,618,085	8,618,077	8
MWRA assessment	21,622,820	21,622,817	3
Other State assessments	10,894,740	8,651,213	2,243,527
Cambridge Health Alliance	6,000,000	6,000,000	—
Total state and district assessments	<u>47,135,645</u>	<u>44,892,107</u>	<u>2,243,538</u>
Total general fund expenditures	<u>\$ 441,689,240</u>	<u>433,786,730</u>	<u>7,902,510</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2011

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, 2011

Assets	Special revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Cash and short-term investments	\$ 266,372	5,296,899	14,111,398	9,822,098	1,908,490	3,446,976	34,852,233
Accounts receivable	265,000	—	391,167	53,328	3	—	709,498
Due from other governments	375,638	552,604	—	—	809,045	—	1,737,287
Total assets	<u>\$ 907,010</u>	<u>5,849,503</u>	<u>14,502,565</u>	<u>9,875,426</u>	<u>2,717,538</u>	<u>3,446,976</u>	<u>37,299,018</u>
Liabilities and Fund Balances							
Warrants payable	\$ 48,518	589,998	—	250,539	925,149	—	1,814,204
Accrued liabilities	23,523	22,830	—	39,918	85,721	—	171,992
Deferred revenue	—	—	—	53,328	—	—	53,328
Due to other funds	834,969	—	—	—	—	—	834,969
Total liabilities	<u>907,010</u>	<u>612,828</u>	<u>—</u>	<u>343,785</u>	<u>1,010,870</u>	<u>—</u>	<u>2,874,493</u>
Fund balances:							
Nonspendable	—	—	—	—	—	2,075,173	2,075,173
Restricted	—	5,236,675	—	9,531,641	1,706,668	1,371,803	17,846,787
Committed	—	—	14,502,565	—	—	—	14,502,565
Total fund balances	<u>—</u>	<u>5,236,675</u>	<u>14,502,565</u>	<u>9,531,641</u>	<u>1,706,668</u>	<u>3,446,976</u>	<u>34,424,525</u>
Total liabilities and fund balances	<u>\$ 907,010</u>	<u>5,849,503</u>	<u>14,502,565</u>	<u>9,875,426</u>	<u>2,717,538</u>	<u>3,446,976</u>	<u>37,299,018</u>

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, 2011

	<u>Special revenue</u>						
	<u>Community development block grant</u>	<u>School grants</u>	<u>Parking fund</u>	<u>Community preservation act</u>	<u>Other grants</u>	<u>Permanent funds</u>	<u>Total</u>
Revenues:							
Intergovernmental	\$ 1,810,466	13,038,648	—	1,931,206	8,782,446	—	25,562,766
Investment income	—	—	64,020	18,287	(5,320)	12,388	89,375
Other:							
Permits	—	—	460,096	—	—	—	460,096
Fines	—	—	10,758,463	—	—	—	10,758,463
Charges for services	—	—	9,211,286	—	—	—	9,211,286
Miscellaneous	—	1,324,233	68,187	7,334,122	449,126	164,219	9,339,887
Total revenues	<u>1,810,466</u>	<u>14,362,881</u>	<u>20,562,052</u>	<u>9,283,615</u>	<u>9,226,252</u>	<u>176,607</u>	<u>55,421,873</u>
Expenditures:							
General government	—	—	—	200,631	49,240	109,098	358,969
Public safety	—	—	—	—	1,439,350	—	1,439,350
Community maintenance and development	1,192,446	—	—	2,163,878	301,254	—	3,657,578
Human services	561,916	—	—	—	8,220,172	—	8,782,088
Education	—	13,341,394	—	—	—	—	13,341,394
Total expenditures	<u>1,754,362</u>	<u>13,341,394</u>	<u>—</u>	<u>2,364,509</u>	<u>10,010,016</u>	<u>109,098</u>	<u>27,579,379</u>
Excess (deficiency) of revenues over expenditures	56,104	1,021,487	20,562,052	6,919,106	(783,764)	67,509	27,842,494
Other financing sources (uses):							
Transfers from other funds	—	—	—	—	30,000	—	30,000
Transfers to other funds	(56,104)	—	(19,044,945)	(7,640,000)	—	(40,000)	(26,781,049)
Excess of revenues over expenditures and transfers	—	1,021,487	1,517,107	(720,894)	(753,764)	27,509	1,091,445
Fund balances at beginning of year	—	4,215,188	12,985,458	10,252,535	2,460,432	3,419,467	33,333,080
Fund balances at end of year	\$ <u>—</u>	<u>5,236,675</u>	<u>14,502,565</u>	<u>9,531,641</u>	<u>1,706,668</u>	<u>3,446,976</u>	<u>34,424,525</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2011

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, 2011

Assets	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	266,560	199,387	260,871	205,076
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	180,018	4,624,162	4,718,767	85,413
Cambridge Fire Detail	96,701	921,466	935,358	82,809
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,703	2,687	2,528	2,862
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	203,055	139,529	122,604	219,980
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	102,650	2,540	104,269	921
Accident and life Insurance	673,984	157,812	142,588	689,208
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	700,441	419,792	438,508	681,725
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,207,254	667,144	300,000	1,574,398
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	67,653	9,858	3,725	73,786
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	192,615	130,720	27,450	295,885
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	(91)	447	264	92
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	3,482	—	384	3,098
Firearms Recordkeeping Fund	18,786	11,938	22,388	8,336
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	(154,919)	2,653	—	(152,266)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ 4,593,792	7,290,135	7,079,704	4,804,223

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2011

Liabilities	Balance at June 30, 2010	Additions	Deductions	Balance at June 30, 2011
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	266,560	199,387	260,871	205,076
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	180,018	4,624,162	4,718,767	85,413
Cambridge Fire Detail	96,701	921,466	935,358	82,809
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,703	2,687	2,528	2,862
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	203,055	139,529	122,604	219,980
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	102,650	2,540	104,269	921
Accident and life Insurance	673,984	157,812	142,588	689,208
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	700,441	419,792	438,508	681,725
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,207,254	667,144	300,000	1,574,398
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	67,653	9,858	3,725	73,786
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	192,615	130,720	27,450	295,885
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	(91)	447	264	92
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	3,482	—	384	3,098
Firearms Recordkeeping Cash	18,786	11,938	22,388	8,336
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	(154,919)	2,653	—	(152,266)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>4,593,792</u>	<u>7,290,135</u>	<u>7,079,704</u>	<u>4,804,223</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2011

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, 2011.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2011

	<u>Uncollected June 30, 2010</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2011</u>
Real estate taxes:								
2001	\$ —	—	—	—	4,785	—	(4,785)	—
2002	—	—	—	—	73	—	(73)	—
2003	—	—	—	—	—	—	521	521
2004	100	—	—	—	125	(1,009)	1,432	648
2005	101	—	(287,064)	—	141,760	287,572	(141,645)	724
2006	—	—	(536,795)	—	4,207	536,905	(3,911)	406
2007	1,447	—	(738,640)	—	527	846,252	(108,988)	598
2008	53,425	—	(205,315)	(41,545)	12,775	207,141	(19,474)	7,007
2009	441,770	—	(236,068)	(390,210)	16,038	205,817	(20,731)	16,616
2010	3,682,565	—	(478,436)	(690,927)	3,474	(2,420,991)	(32,977)	62,708
2011	—	266,017,136	(1,293,144)	—	79,468	(262,310,044)	(9,245)	2,484,171
Total real estate	<u>4,179,408</u>	<u>266,017,136</u>	<u>(3,775,462)</u>	<u>(1,122,682)</u>	<u>263,232</u>	<u>(262,648,357)</u>	<u>(339,876)</u>	<u>2,573,399</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, 2011

	Uncollected June 30, 2010	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2011
Personal property taxes:								
1998	\$ 20	—	—	—	—	—	—	20
2002	33	—	—	—	—	—	—	33
2003	172,686	—	—	—	—	(133)	—	172,553
2004	99,782	—	(2,692)	—	2,692	(158)	(9)	99,615
2005	66,316	—	—	—	—	—	—	66,316
2006	122,744	—	—	—	—	(468)	1	122,277
2007	89,484	—	—	—	—	(1,499)	(58)	87,927
2008	103,306	—	(15,825)	—	15,825	(1,167)	(630)	101,509
2009	228,415	—	(3,221)	—	6,106	(16,409)	(2,964)	211,927
2010	388,290	—	(6,472)	—	2,702	(227,400)	(7,753)	149,367
2011	—	19,220,571	(178,498)	—	34,097	(18,783,156)	—	293,014
Total personal property	1,271,076	19,220,571	(206,708)	—	61,422	(19,030,390)	(11,413)	1,304,558
Other	78,016	—	—	—	—	—	13,501	91,517
Property taxes	\$ 5,528,500	285,237,707	(3,982,170)	(1,122,682)	324,654	(281,678,747)	(337,788)	3,969,474

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, 2011

	Uncollected June 30, 2010	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2011
Motor vehicle excise taxes:								
1986	\$ 2,655	—	—	—	—	(5)	—	2,650
1987	57,499	—	—	—	—	(13)	1	57,487
1988	71,855	—	—	—	—	(56)	—	71,799
1989	76,641	—	—	—	—	(16)	—	76,625
1990	68,534	—	—	—	—	(16)	—	68,518
1991	51,623	—	—	—	—	(20)	—	51,603
1992	51,831	—	—	—	—	(79)	1	51,753
1993	49,166	—	—	—	—	(163)	—	49,003
1994	52,289	—	—	—	—	(482)	—	51,807
1995	56,260	—	—	—	—	(33)	—	56,227
1996	55,711	—	—	—	—	(38)	1	55,674
1997	47,927	—	—	—	—	(141)	—	47,786
1998	63,151	—	—	—	—	(230)	—	62,921
1999	111,297	—	—	—	—	(456)	—	110,841
2000	172,638	—	(75)	—	—	(781)	—	171,782
2001	215,520	—	—	—	—	(947)	—	214,573
2002	199,533	—	—	—	—	(2,272)	85	197,346
2003	180,416	—	—	—	—	(3,771)	144	176,789
2004	154,598	—	(77)	—	—	(5,704)	58	148,875
2005	129,282	—	—	—	—	(5,060)	88	124,310
2006	126,159	—	(301)	—	—	(9,089)	418	117,187
2007	197,522	—	(2,056)	—	—	(32,489)	57	163,034
2008	186,531	—	(3,742)	—	—	(36,975)	(1)	145,813
2009	228,270	6,029	(11,555)	—	58	(78,839)	(124)	143,839
2010	493,767	810,143	(87,601)	—	164	(971,587)	49	244,935
2011	—	5,664,363	(93,988)	—	11	(5,046,940)	(5,840)	517,606
Total motor vehicle	\$ 3,100,675	6,480,535	(199,395)	—	233	(6,196,202)	(5,063)	3,180,783

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, 2011

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2010	Additions	Retired	Balance June 30, 2011
Inside debt limit:							
Gately Center Renovations	4.5% – 5.0%	12/1/2000	12/1/2010	250,000	—	250,000	—
City Hall Renovations	4.5% – 5.0%	12/1/2000	12/1/2010	300,000	—	300,000	—
Yerxa Road Underpass	4.5% – 5.0%	12/1/2000	12/1/2010	190,000	—	190,000	—
Open Space Improvements	4.5% – 5.0%	12/1/2000	12/1/2010	450,000	—	450,000	—
MWPAT/Sewer Loan	N/A	10/6/1999	8/1/2009	—	—	—	—
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	227,522	—	227,522	—
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	130,424	—	130,424	—
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	27,142	—	27,142	—
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	928,678	—	928,678	—
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	423,271	—	423,271	—
MWPAT/Sewer Loan	4.5% – 5.0%	12/1/2000	12/1/2010	1,560,000	—	1,560,000	—
Hospital Series B 2007 Bonds	4.0%	3/15/2007	2/1/2018	11,995,000	—	1,500,000	10,495,000
City Hall Renovations	3.5% – 5.0%	12/15/2001	12/15/2011	2,640,000	—	1,320,000	1,320,000
Sewer Loan	3.5% – 5.0%	12/15/2001	12/15/2011	2,240,000	—	1,120,000	1,120,000
Traffic Improvement	3.5% – 5.0%	12/15/2001	12/15/2011	250,000	—	125,000	125,000
Sewer Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	3,985,000	—	1,325,000	2,660,000
Fire Station Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	1,455,000	—	485,000	970,000
Building Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	285,000	—	95,000	190,000
City Hall Annex Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	585,000	—	195,000	390,000
Street Reconstruction	2.25% – 4.00%	1/15/2003	1/1/2013	1,805,000	—	605,000	1,200,000
Golf Course Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	255,000	—	85,000	170,000
Open Space Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	75,000	—	25,000	50,000
Harvard Square Enhancements	2.25% – 4.00%	1/15/2003	1/1/2013	150,000	—	50,000	100,000
Fiber Optic Network Infrastructure	2.5% – 3.3%	1/15/2004	1/1/2014	140,000	—	35,000	105,000
Fire Station Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	65,000	—	15,000	50,000
War Memorial Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	480,000	—	120,000	360,000
Building Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	210,000	—	55,000	155,000
Library Construction	2.5% – 4.25%	1/15/2004	1/1/2024	6,040,000	—	435,000	5,605,000
Russell Donnelly Field Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	3,640,000	—	910,000	2,730,000
Yerxa Road Underpass	2.5% – 3.3%	1/15/2004	1/1/2014	500,000	—	125,000	375,000
Cambridge Street Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	600,000	—	150,000	450,000
Sewer Reconstruction	2.5% – 3.3%	1/15/2004	1/1/2014	3,760,000	—	940,000	2,820,000
Harvard Square Enhancements	3% – 4%	2/1/2005	1/1/2015	1,000,000	—	200,000	800,000
Gold Star Pool Improvements	3% – 4%	2/1/2005	1/1/2015	550,000	—	110,000	440,000
Library Construction	3% – 4%	2/1/2005	1/1/2025	10,500,000	—	700,000	9,800,000
Area 4 Park Improvements	3% – 4%	2/1/2005	1/1/2015	1,000,000	—	200,000	800,000
Russell Field Improvements	3% – 4%	2/1/2005	1/1/2015	1,705,500	—	345,000	1,360,500
Cambridge Street Improvements	3% – 4%	2/1/2005	1/1/2015	1,175,000	—	235,000	940,000
Porter Square Enhancements	3% – 4%	2/1/2005	1/1/2015	1,150,000	—	230,000	920,000
Yerxa Road Underpass	3% – 4%	2/1/2005	1/1/2015	1,100,000	—	220,000	880,000
MWPAT Loan	N/A	10/1/2004	8/1/2010	31,767	—	31,767	—
MWPAT Loan	N/A	11/23/2004	8/1/2014	1,323,016	—	249,736	1,073,280
MWPAT Loan	N/A	11/23/2004	8/1/2014	1,017,674	—	193,962	823,712
MWPAT Loan	N/A	11/23/2004	8/1/2014	69,836	—	13,299	56,537
Sewer Reconstruction	3% – 4%	2/1/2005	1/1/2015	7,754,500	—	1,550,000	6,204,500
Police Station Acquisition/ Renovations	3.50% – 4.25%	2/1/2006	1/1/2026	28,000,000	—	1,750,000	26,250,000
Library Construction	3.50% – 4.25%	2/1/2006	1/1/2026	12,800,000	—	800,000	12,000,000
West Cambridge Youth Center	3.50% – 4.25%	2/1/2006	1/1/2016	1,800,000	—	300,000	1,500,000
Building Renovations	3.50% – 4.25%	2/1/2006	1/1/2016	600,000	—	100,000	500,000
Yerxa Road Underpass	3.50% – 4.25%	2/1/2006	1/1/2016	600,000	—	100,000	500,000
Open Space Improvements	3.50% – 4.25%	2/1/2006	1/1/2016	300,000	—	50,000	250,000
Porter Square Enhancements	3.50% – 4.25%	2/1/2006	1/1/2016	480,000	—	80,000	400,000
MWRA Loan	N/A	11/17/2005	11/15/2010	39,050	—	39,050	—
Sewer Reconstruction	3.50% – 4.25%	2/1/2006	1/1/2016	6,120,000	—	1,020,000	5,100,000
Building Renovations	4.0%	2/15/2007	2/1/2017	455,000	—	65,000	390,000
Police Station Acquisition/ Renovations	4.0%	2/15/2007	2/1/2027	14,450,000	—	850,000	13,600,000
West Cambridge Youth Center	4.0%	2/15/2007	2/1/2017	5,600,000	—	800,000	4,800,000
Area 4 Park Improvements	4.0%	2/15/2007	2/1/2017	350,000	—	50,000	300,000
Yerxa Road Underpass	4.0%	2/15/2007	2/1/2017	770,000	—	110,000	660,000
Harvard Square Enhancements	4.0%	2/15/2007	2/1/2017	1,050,000	—	150,000	900,000
Sewer Reconstruction	4.0%	2/15/2007	2/1/2017	2,390,000	—	345,000	2,045,000
CRLS Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	4,500,000	—	250,000	4,250,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	9,780,776	—	1,222,598	8,558,178
Police Station Acquisition/ Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	7,270,000	—	400,000	6,870,000
West Cambridge Youth Center	3.0% – 3.25%	2/1/2008	2/1/2018	4,710,000	—	590,000	4,120,000
Library Construction	3.0% – 4.0%	2/1/2008	2/1/2028	24,415,000	—	1,360,000	23,055,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	3,777,336	—	472,167	3,305,169
Harvard Square Enhancements	3.0% – 3.25%	2/1/2008	2/1/2018	480,000	—	60,000	420,000
Sewer Reconstruction	3.0% – 3.25%	2/1/2008	2/1/2018	4,981,888	—	625,235	4,356,653
MWRA Loan	—	8/23/2007	8/15/2012	1,029,732	—	343,244	686,488

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2011

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2010	Additions	Retired	Balance June 30, 2011
Fire Station Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	\$ 900,000	—	100,000	800,000
Library Construction	2.0% – 4.375%	3/15/2009	3/15/2029	10,045,000	—	530,000	9,515,000
Building Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	450,000	—	50,000	400,000
CRLS Renovations	2.0% – 4.375%	3/15/2009	3/15/2029	28,500,000	—	1,500,000	27,000,000
Replacement of Radio System	2.0% – 4.0%	3/15/2009	3/15/2019	450,000	—	50,000	400,000
Sewer Reconstruction	2.0% – 4.0%	3/15/2009	3/15/2019	4,325,000	—	485,000	3,840,000
War Memorial Renovations (MSBA)	2.0%	6/25/2009	11/1/2019	2,100,000	—	210,000	1,890,000
CRLS Renovations	2.0% – 3.0%	2/15/2010	2/15/2030	25,000,000	—	1,250,000	23,750,000
Sewer Reconstruction	2.0% – 3.5%	2/15/2010	2/15/2020	6,925,000	—	695,000	6,230,000
Yerxa Road Underpass Construction	2.0% – 3.75%	2/15/2010	2/15/2020	300,000	—	30,000	270,000
War Memorial Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	—	175,000	—	175,000
Building Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	—	1,500,000	—	1,500,000
Replacement of Radio System	2.0% – 4.0%	2/15/2011	2/15/2021	—	6,200,000	—	6,200,000
Old Police Station Renovation	2.0% – 4.5%	2/15/2011	2/15/2031	—	4,000,000	—	4,000,000
CRLS Renovations	2.0% – 4.5%	2/15/2011	2/15/2031	—	16,145,000	—	16,145,000
Harvard Square Enhancements	2.0% – 4.0%	2/15/2011	2/15/2021	—	2,000,000	—	2,000,000
Danehy Park Improvements	2.0% – 4.0%	2/15/2011	2/15/2021	—	700,000	—	700,000
Kendall Square Improvements	2.0%	2/15/2011	2/15/2016	—	500,000	—	500,000
Sewer Reconstruction	2.0% – 4.0%	2/15/2011	2/15/2021	—	15,000,000	—	15,000,000
Total inside debt limit				<u>289,763,112</u>	<u>46,220,000</u>	<u>35,313,095</u>	<u>300,670,017</u>
Outside debt limit:							
School:							
Elementary school renovations	4.5% – 5.0%	12/1/2000	12/1/2010	530,000	—	530,000	—
Total school				<u>530,000</u>	<u>—</u>	<u>530,000</u>	<u>—</u>
Water:							
MWPAT/Water Loan	4.25% – 5.63%	11/1/2000	11/1/2010	1,418,332	—	1,418,332	—
Construction/Stoney Brook	3.5% – 5.0%	12/15/2001	12/15/2011	1,390,000	—	695,000	695,000
Automated Meter Reading System	2.5% – 3.3%	1/15/2004	1/1/2014	1,200,000	—	300,000	900,000
Automated Meter Reading System	3% – 4%	2/1/2005	1/1/2015	600,000	—	120,000	480,000
Water Series C 2007 Bonds	4% – 5.0%	3/15/2007	8/1/2019	22,245,000	—	2,425,000	19,820,000
Total water				<u>26,853,332</u>	<u>—</u>	<u>4,958,332</u>	<u>21,895,000</u>
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	290,000	—	25,000	265,000
Housing Trust Fund: Note payable	2.00%	6/30/2007	7/1/2021	6,000,000	—	213,272	5,786,728
Total outside debt limit				<u>33,673,332</u>	<u>—</u>	<u>5,726,604</u>	<u>27,946,728</u>
Total debt outstanding				<u>\$ 323,436,444</u>	<u>46,220,000</u>	<u>41,039,699</u>	<u>328,616,745</u>

See accompanying independent auditors' report.

Statistical Section

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2011

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>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		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	\$	35,892	40,101	31,765	32,572	34,284	30,533	27,402	23,987	20,820	26,805
Percentage of total		8.2%	9.6%	8.0%	8.6%	9.4%	8.7%	8.5%	7.6%	6.8%	9.0%
Percentage change		(10.5)	26.2	(2.5)	(5.0)	12.3	11.4	14.2	15.2	(22.3)	18.9
Public safety	\$	100,414	95,717	95,817	89,514	85,160	82,619	77,756	74,324	72,870	70,387
Percentage of total		23.0%	22.9%	24.0%	23.7%	23.3%	23.6%	24.0%	23.6%	23.8%	23.7%
Percentage change		4.9	0.1	7.0	5.1	3.1	6.3	4.6	2.0	3.5	5.4
Community maintenance and development	\$	36,459	34,127	35,040	33,331	30,527	31,404	28,551	27,019	26,957	24,172
Percentage of total		8.4%	8.2%	8.8%	8.8%	8.4%	9.0%	8.8%	8.6%	8.8%	8.2%
Percentage change		6.8	2.6	5.1	9.2	(2.8)	10.0	5.7	0.2	11.5	(1.7)
Human resource	\$	29,586	28,133	25,464	23,944	22,426	20,835	20,668	19,127	19,056	17,531
Percentage of total		6.8%	6.7%	6.4%	6.3%	6.1%	5.9%	6.4%	6.1%	6.2%	5.9%
Percentage change		5.2	10.5	6.3	6.8	7.6	0.8	8.1	0.4	8.7	9.8
Education	\$	134,078	132,652	129,031	124,531	121,868	120,688	111,213	114,519	117,721	112,961
Percentage of total		30.8%	31.8%	32.4%	33.0%	33.4%	34.4%	34.3%	36.4%	38.4%	38.1%
Percentage change		1.1	2.8	3.6	2.2	1.0	8.5	(2.9)	(2.7)	4.2	7.3
Judgments and claims	\$	9,029	925	171	115	213	346	225	533	156	205
Percentage of total		2.1%	0.2%	—%	—%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Percentage change			440.9	48.7	(46.0)	(38.4)	53.8	(57.8)	241.7	(23.9)	(71.1)
State assessments	\$	44,892	42,448	41,020	39,567	37,294	35,890	33,888	33,618	29,698	28,019
Percentage of total		10.3%	10.2%	10.3%	10.5%	10.2%	10.2%	10.5%	10.7%	9.7%	9.5%
Percentage change		5.8	3.5	3.7	6.1	3.9	5.9	0.8	13.2	6.0	32.7
Debt service	\$	45,248	43,215	40,169	34,124	32,942	28,184	24,076	21,427	19,069	16,387
Percentage of total		10.3%	10.4%	10.1%	9.0%	9.0%	8.0%	7.4%	6.8%	6.2%	5.5%
Percentage change		4.7	7.6	17.7	3.6	16.9	17.1	12.4	12.4	16.4	44.2
Total expenditures	\$	435,598	417,318	398,477	377,698	364,714	350,499	323,779	314,554	306,347	296,467
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		4.4	4.7	5.5	3.6	4.1	8.3	2.9	2.7	3.3	10.5

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 General Government Revenues by Source (GAAP Basis) (1)

Last Ten Fiscal Years
 (Dollars in thousands)

Source	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Property taxes	\$ 281,812	266,862	251,256	238,747	231,875	222,987	220,910	206,354	198,784	198,806
Percentage of total	67.6%	68.4%	66.9%	62.2%	61.8%	62.8%	65.3%	65.3%	64.4%	64.5%
Percentage change	5.6	6.2	5.2	3.0	4.0	0.9	7.1	3.8	—	13.8
Motor vehicle excises	\$ 6,453	6,182	6,140	6,650	5,942	6,146	6,452	6,087	6,031	5,838
Percentage of total	1.5%	1.6%	1.7%	1.7%	1.6%	1.7%	1.9%	1.9%	2.0%	1.9%
Percentage change	4.4	0.7	(7.7)	11.9	(3.3)	(4.7)	6.0	0.9	3.3	(1.4)
Hotel/motel/meals	\$ 13,573	9,362	6,803	6,863	6,751	5,801	5,461	4,287	4,401	4,908
Percentage of total	3.3%	2.4%	1.8%	1.8%	1.8%	1.6%	1.6%	1.4%	1.4%	1.6%
Percentage change	45.0	38.0	(0.9)	1.7	16.4	6.2	27.4	(2.6)	(10.3)	(13.1)
Fines	\$ 637	633	629	767	726	922	352	539	100	536
Percentage of total	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%	—%	0.2%
Percentage change	0.6	0.6	(18.0)	5.6	(21.3)	161.9	(34.7)	439.0	(81.3)	(67.6)
Intergovernmental	\$ 31,796	32,139	37,235	47,575	44,658	44,143	43,802	42,601	42,690	46,822
Percentage of total	7.6%	8.2%	9.9%	12.4%	11.9%	12.4%	13.0%	13.5%	13.8%	15.2%
Percentage change	(1.1)	(13.7)	(21.7)	6.5	1.2	0.8	2.8	(0.2)	(8.8)	(0.4)
Licenses and permits	\$ 14,273	10,305	8,053	12,390	11,701	12,508	8,976	7,790	12,387	7,201
Percentage of total	3.4%	2.6%	2.1%	3.2%	3.1%	3.5%	2.7%	2.5%	4.0%	2.3%
Percentage change	38.5	28.0	(35.0)	5.9	(6.5)	39.3	15.2	(37.1)	72.0	(38.6)
Payment in lieu of taxes	\$ 7,345	7,106	7,012	7,319	6,939	6,579	6,839	6,329	4,644	5,316
Percentage of total	1.8%	1.8%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%	1.5%	1.7%
Percentage change	3.4	1.3	(4.2)	5.5	5.5	(3.8)	8.1	36.3	(12.6)	10.6
Investment income	\$ 1,064	1,274	4,257	9,295	11,119	7,410	2,888	1,181	1,513	2,344
Percentage of total	0.3%	0.3%	1.1%	2.4%	3.0%	2.1%	0.9%	0.4%	0.5%	0.8%
Percentage change	(16.5)	(70.1)	(54.2)	(16.4)	50.1	156.6	144.5	(21.9)	(35.5)	(26.9)
Charges for services	\$ 40,347	36,825	36,058	36,874	38,761	33,835	28,661	26,546	27,061	23,837
Percentage of total	9.7%	9.4%	9.6%	9.6%	10.3%	9.5%	8.5%	8.4%	8.8%	7.6%
Percentage change	9.6	2.1	(2.2)	(4.9)	14.6	18.1	8.0	(1.9)	13.5	15.9
Departmental/other	\$ 19,652	19,132	18,205	17,564	16,650	14,491	13,841	14,054	11,234	12,536
Percentage of total	4.7%	4.9%	4.8%	4.6%	4.4%	4.1%	4.1%	4.5%	3.6%	4.1%
Percentage change	2.7	5.1	3.6	5.5	14.9	4.7	(1.5)	25.1	(10.4)	23.9
Total revenues	\$ 416,951	389,820	375,648	384,044	375,122	354,822	338,182	315,768	308,845	308,144
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	7.0	3.8	(2.2)	2.4	5.7	4.9	7.1	2.2	0.2	8.0

(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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of net of related debt	\$ 255,226,705	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
Restricted	3,128,414	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
Unrestricted	95,543,686	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
Total governmental activities net assets	<u>353,898,805</u>	<u>390,403,437</u>	<u>439,233,887</u>	<u>504,340,865</u>	<u>557,813,481</u>	<u>593,835,921</u>	<u>616,313,815</u>	<u>604,016,590</u>	<u>630,278,097</u>	<u>626,503,989</u>
Business-type activities:										
Invested in capital assets, net of related debt	67,646,029	71,832,828	76,300,119	79,061,585	86,100,235	90,562,284	94,430,046	99,633,725	105,516,517	109,176,777
Unrestricted	9,914,329	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
Total business-type activities net assets	<u>77,560,358</u>	<u>154,460,969</u>	<u>82,964,275</u>	<u>86,264,857</u>	<u>91,479,736</u>	<u>96,528,596</u>	<u>101,202,162</u>	<u>105,288,554</u>	<u>110,423,831</u>	<u>115,453,285</u>
Primary government:										
Invested in capital assets, net of related debt	322,872,734	291,174,648	376,622,476	394,331,890	422,979,165	448,015,657	476,262,887	514,949,280	560,288,087	606,827,418
Restricted	3,128,414	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
Unrestricted	105,458,015	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
Total primary government net assets	<u>\$ 431,459,163</u>	<u>544,864,406</u>	<u>522,198,162</u>	<u>590,605,722</u>	<u>649,293,217</u>	<u>690,364,517</u>	<u>717,515,977</u>	<u>709,305,144</u>	<u>740,701,928</u>	<u>741,957,274</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

Changes in Net Assets, Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:										
Governmental activities:										
General government	\$ 28,365,001	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
Public safety	73,177,887	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
Community maintenance and development	37,355,588	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
Human resource development	28,678,036	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
Education	124,103,073	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
State and district assessments (1)	21,420,935	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	5,065,745	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
Total governmental activities	318,166,265	335,329,418	330,853,080	343,783,878	377,306,285	393,377,074	428,787,335	457,285,891	456,549,295	486,411,012
Business-type activities:										
Water	15,079,842	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
Total business-type activities expenses	15,079,842	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
Total primary government expenses	333,246,107	349,528,562	344,645,885	358,239,968	391,424,345	407,034,664	443,198,709	471,905,911	470,270,467	499,955,437
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	22,627,366	27,772,926	23,358,965	26,731,634	33,739,682	31,606,231	34,640,573	29,786,501	33,174,134	37,946,079
Sewer charges	25,251,184	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
Human resource and development	2,443,060	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
Other activities	228,388	373,838	436,341	503,519	503,010	414,844	493,643	499,322	1,863,149	1,978,164
Operating grants and contributions	22,735,760	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
Capital grants and contributions	3,537,887	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
Total governmental activities program revenues	76,823,645	91,810,566	85,546,660	92,411,499	117,168,184	106,319,601	120,613,206	110,552,644	152,597,884	120,352,831
Business-type activities:										
Charges for services:										
Water	15,523,309	16,979,446	16,902,863	18,153,081	19,629,812	19,016,582	19,597,687	19,070,169	19,396,031	19,130,204
Total business-type program revenues	15,523,309	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
Total primary government program revenues	92,346,954	108,790,012	102,449,523	110,564,580	136,797,996	125,336,183	140,210,893	129,622,813	171,993,915	139,483,035
Net (expense) revenue:										
Governmental activities	(241,342,620)	(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)
Business-type activities	443,467	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
Total primary government net expense	\$ (240,899,153)	(240,738,550)	(242,196,362)	(247,675,388)	(254,626,349)	(281,698,481)	(302,987,816)	(342,283,098)	(298,276,552)	(360,472,402)

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 in fiscal 2010 and 2011.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets, Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General revenues and other changes in net assets:										
Governmental activities:										
Property taxes	\$ 199,963,787	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
Excise taxes	10,745,939	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
Unrestricted grants and contributions	46,822,454	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
Payments in lieu of taxes	5,316,254	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
Investment income	3,331,545	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
Miscellaneous	15,515,230	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
Special item	—	—	—	22,293,549	—	—	—	—	—	—
Transfers	376,870	376,870	377,000	531,835	535,000	538,130	678,130	482,585	684,930	687,510
Total governmental activities	<u>282,072,079</u>	<u>280,023,484</u>	<u>294,136,870</u>	<u>316,479,357</u>	<u>313,610,718</u>	<u>323,079,913</u>	<u>330,652,023</u>	<u>335,234,754</u>	<u>330,212,918</u>	<u>362,284,073</u>
Business-type activities:										
Investment income	56,962	131,852	135,575	135,426	238,127	227,998	165,383	118,828	145,348	131,185
Transfers	(376,870)	(376,870)	(377,000)	(531,835)	(535,000)	(538,130)	(678,130)	(482,585)	(684,930)	(687,510)
Total business-type activities	<u>(319,908)</u>	<u>(245,018)</u>	<u>(241,425)</u>	<u>(396,409)</u>	<u>(296,873)</u>	<u>(310,132)</u>	<u>(512,747)</u>	<u>(363,757)</u>	<u>(539,582)</u>	<u>(556,325)</u>
Total primary government	<u>\$ 281,752,171</u>	<u>279,778,466</u>	<u>293,895,445</u>	<u>316,082,948</u>	<u>313,313,845</u>	<u>322,769,781</u>	<u>330,139,276</u>	<u>334,870,997</u>	<u>329,673,336</u>	<u>361,727,748</u>
Change in net assets:										
Governmental activities	\$ 40,729,459	36,504,632	48,830,450	65,106,978	53,472,617	36,022,440	22,477,894	(11,498,493)	26,261,507	(3,774,108)
Business-type activities	123,559	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
Total primary government	<u>\$ 40,853,018</u>	<u>39,039,916</u>	<u>51,699,083</u>	<u>68,407,560</u>	<u>58,687,496</u>	<u>41,071,300</u>	<u>27,151,460</u>	<u>(7,412,101)</u>	<u>31,396,784</u>	<u>1,255,346</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund:										
Reserved	\$ 13,390,746	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	69,586,739	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
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Committed (2)	—	—	—	—	—	—	—	—	—	42,061,955
Unassigned (2)	—	—	—	—	—	—	—	—	—	99,698,895
Total general fund	\$ <u>82,977,485</u>	<u>91,384,091</u>	<u>99,972,630</u>	<u>124,254,182</u>	<u>136,673,783</u>	<u>152,660,659</u>	<u>167,518,724</u>	<u>156,495,338</u>	<u>146,297,896</u>	<u>143,429,836</u>
All other governmental funds:										
Reserved	\$ 50,451,757	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	776,114	(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
Restricted (2)	—	—	—	—	—	—	—	—	—	70,523,371
Committed (2)	—	—	—	—	—	—	—	—	—	56,302,807
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ <u>51,227,871</u>	<u>68,023,351</u>	<u>79,730,428</u>	<u>108,808,180</u>	<u>141,169,283</u>	<u>150,617,689</u>	<u>160,375,458</u>	<u>139,325,563</u>	<u>143,362,670</u>	<u>128,901,351</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Real and personal property taxes	\$ 198,805,559	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
Excises:										
Hotel/motel	4,907,532	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
Motor vehicles	5,838,407	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
Payments in lieu of taxes	5,316,254	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
Intergovernmental	73,096,101	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
Investment income	3,331,545	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
Sewer use charges	23,836,866	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
Departmental and other	42,489,144	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
Total revenues	<u>357,621,408</u>	<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>
Expenditures:										
General government	26,999,819	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
Public safety	71,036,613	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
Community maintenance and development	28,286,492	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
Human resource development	23,142,859	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
Education (1)	117,192,210	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
Judgments and claims	205,418	155,696	533,419	224,964	346,008	212,729	114,641	170,865	924,862	9,029,151
State and district assessments	28,018,935	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
Capital outlays (2)	40,585,634	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
Debt service:										
Interest (1)	6,711,387	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
Principal (1)	17,546,087	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
Total expenditures	<u>359,725,454</u>	<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>
Excess of revenues over (under) expenditures	<u>(2,104,046)</u>	<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>
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
Bond proceeds	31,401,415	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
Transfer in	30,134,149	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
Transfer out	(29,757,279)	(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)
Total other financing sources (uses)	<u>31,778,285</u>	<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>
Net change in fund balances	\$ <u>29,674,239</u>	<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>
Debt service as a percentage of noncapital expenditures	7.60%	8.03%	8.42%	8.54%	8.52%	9.23%	9.26%	9.07%	10.30%	9.75%

(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.

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
2002	\$ 10,317	4,994	1,221	305	16,837	7.22	18.81	11.71
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

(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>
2002	\$	7.22	18.81	18.81	25.00
2003		7.26	18.67	18.67	25.00
2004		7.63	19.08	19.08	25.00
2005		7.78	18.28	18.28	25.00
2006		7.38	17.86	17.86	25.00
2007		7.48	18.30	18.30	25.00
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

(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	2011			Taxpayer	2002		
	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)	\$ 1,780,800,100	33,929,810	11.95%	Massachusetts Institute of Technology (1)	\$ 788,944,000	14,116,236	7.53%
BioMed Realty Trust	806,074,400	15,867,559	5.59	Boston Properties	451,045,500	8,484,166	4.53
Boston Properties	568,494,000	11,313,031	3.98	Equity Partners	242,671,700	4,564,655	2.44
Equity Partners	284,062,200	5,021,479	1.77	Riverfront LLC	211,617,999	3,982,416	2.12
Presidents & Fellows of Harvard College (1)	362,094,900	4,894,440	1.72	The Bullfinch Company	157,566,700	2,911,315	1.55
New England Development	214,500,000	4,268,550	1.50	President & Fellows of Harvard College (1)	216,697,147	2,382,155	1.27
Novartis Pharmaceuticals	195,624,900	3,892,936	1.37	New England Development	125,843,200	2,367,111	1.26
PREEF American Reit II Corp.	188,138,600	3,743,958	1.32	Lotus Development Corp./IBM Corp.	122,810,400	2,338,738	1.25
RB Kendall Fee LLC	191,032,300	3,789,490	1.33	Cambridge Gas & Electric/Nstar	124,178,299	2,335,999	1.25
Alexandria Real Estate	156,467,400	3,109,721	1.10	GE Capital Investments Advisors	123,954,000	2,331,582	1.24
Total	\$ 4,747,288,800	89,830,974	31.63%		\$ 2,565,328,945	45,814,373	24.44%

(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
2002	\$ 187.4	183.0	97.65	(0.4)	\$ 182.6	97.44
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	N/A	281.0	98.53

(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					
2002	\$ 140,028,249	825,000	2,314,652	6,000,000	72,701,609	221,869,510	7.03%	\$ 2,189	1.32%	
2003	148,816,663	405,000	2,000,516	6,000,000	66,789,295	224,011,474	7.09	2,210	1.26	
2004	159,517,629	395,000	1,664,560	6,000,000	63,819,513	231,396,702	7.33	2,283	1.20	
2005	217,066,282	385,000	1,305,269	6,000,000	58,745,699	283,502,250	8.98	2,797	1.33	
2006	229,348,765	375,000	921,021	6,000,000	52,478,366	289,123,152	9.16	2,853	1.32	
2007	233,541,396	355,000	510,082	6,000,000	45,689,363	286,095,841	9.06	2,823	1.29	
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	

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

- a See page 92 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b See page 84 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)
2002	\$ 212,729,858	16,837,000,000	2,099	1.26%
2003	215,605,958	17,752,000,000	2,127	1.21
2004	223,337,142	19,227,000,000	2,204	1.16
2005	275,811,981	21,348,000,000	2,721	1.29
2006	281,827,131	21,847,000,000	2,781	1.29
2007	279,230,759	22,167,000,000	2,755	1.26
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

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

- a See page 92 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b See page 84 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2011

<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 (1)</u>
City of Cambridge	\$ 300,670,017	—	100.00%	300,670,017
Massachusetts Water Resources Authority	—	4,004,845,000	5.008	200,559,646
Total direct and overlapping debt	<u>\$ 300,670,017</u>	<u>4,004,845,000</u>		<u>501,229,663</u>

(1) Excludes 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 2011:

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	322,830,017
Total authorized/unissued	<u>104,673,551</u>
Total debt outstanding plus authorized/unissued	427,503,568
Less general obligation bonds exempted by authority of the State legislature	<u>21,895,000</u>
Amount within debt limit	<u>405,608,568</u>
Legal debt margin	\$ <u><u>1,002,492,897</u></u>

		Fiscal year (Dollars in thousands)									
		<u>2002</u>	<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>
Debt limit	\$	317,027	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
Total net debt applicable to limit		<u>228,807</u>	<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>
Legal debt margin	\$	<u><u>88,220</u></u>	<u><u>184,030</u></u>	<u><u>598,203</u></u>	<u><u>700,590</u></u>	<u><u>723,170</u></u>	<u><u>860,534</u></u>	<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>
Total net debt applicable to the limit as a percentage of debt limit		72.17%	59.65%	34.42%	34.16%	32.04%	29.84%	31.64%	30.84%	29.25%	28.81%

(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

<u>Year</u>	<u>Population (1)</u>	<u>Median family income (1)</u>	<u>Per capita income (1)</u>	<u>Median age (1)</u>	<u>School enrollment (2)</u>	<u>Unemployment rate (3)</u>
2002	101,355	\$ 59,423	31,156	30.4	7,296	3.60%
2003	101,355	59,423	31,156	30.4	7,111	3.80
2004	101,355	59,423	31,156	30.4	6,756	3.60
2005	101,355	59,423	31,156	30.4	6,450	3.40
2006	101,355	59,423	31,156	30.4	6,001	3.70
2007	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 ⁽⁴⁾

(1) Source 2002 – 2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011: U.S. Department of Commerce, Bureau of Census, Decennial Census

(2) Source: Cambridge School Department

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

2011				2002			
Employer	Employees	Rank	Percentage of total city employment	Employer	Employees	Rank	Percentage of total city employment
Harvard University	10,718	1	10.07%	Harvard University	8,403	1	7.27%
MIT	7,604	2	7.15	MIT	7,426	2	6.42
City of Cambridge (2)	2,922	3	2.75	City of Cambridge (2)	3,018	3	2.61
Novartis Institute	2,095	4	1.97	Cambridge Public Health Commission	1,729	4	1.50
Mt. Auburn Hospital	1,665	5	1.56	Lotus Development Corp./IBM	1,620	5	1.40
Vertex Pharmaceuticals	1,600	6	1.50	Federal Government	1,485	6	1.28
Genzyme Corporation	1,504	7	1.41	Mt. Auburn Hospital	1,476	7	1.28
Biogen Idec	1,350	8	1.27	Millenium Pharmaceuticals	1,348	8	1.17
Federal Government	1,316	9	1.24	Biogen Idec	1,155	9	1.00
Pfizer (Wyeth)	1,300	10	1.22	Genzyme Corporation	1,112	10	0.96
	<u>32,074</u>		<u>30.14%</u>		<u>28,772</u>		<u>24.89%</u>
Total average employed	<u>106,405</u>				<u>115,614</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 Positions by Function/Program

Last Ten Fiscal Years

Function/program	Full-time positions as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Executive management	18	16	15	15	15	16	16	16	16	16
Clerk	10	10	10	10	10	10	10	10	10	10
Law	12	12	11	11	11	11	11	11	11	11
Finance	83	83	83	83	83	83	83	83	80	81
Other	23	23	23	20	19	19	19	15	15	15
Subtotal	146	144	142	139	138	139	139	135	132	133
Public safety:										
Fire	284	285	283	284	284	284	284	284	284	285
Police	309	312	309	309	307	307	307	313	311	311
Traffic	82	82	81	81	80	80	80	80	81	81
Inspectional	28	28	28	28	28	27	27	27	27	27
Emergency communication	39	39	39	39	39	39	39	39	38	38
Other	25	26	25	31	30	30	30	30	28	27
Subtotal	767	772	765	772	768	767	767	773	769	769
Community maintenance:										
Public works	223	223	220	219	215	213	211	214	213	213
Community development	47	47	44	45	45	45	45	45	44	44
Other	12	12	12	13	13	13	13	13	13	12
Subtotal	282	282	276	277	273	271	269	272	270	269
Human resource development:										
Library	59	60	60	60	60	60	60	60	64	65
Human services	125	132	128	129	127	128	128	130	135	136
Other	7	7	7	7	7	7	7	7	7	7
Subtotal	191	199	195	196	194	195	195	197	206	208
Education	1,357	1,335	1,253	1,229	1,197	1,218	1,238	1,244	1,264	1,274
Water	67	67	65	65	63	63	63	63	60	55
Grand total	2,810	2,799	2,696	2,678	2,633	2,653	2,671	2,684	2,701	2,708

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire:										
Emergency responses	31,960	32,008	31,052	28,920	30,278	32,436	33,207	33,223	31,907	32,396
Fires extinguished	611	565	334	388	574	859	904	904	995	933
Hazardous materials emergency	499	379	497	250	248	287	206	232	206	198
Police:										
Physical arrests	1,199	1,263	1,248	1,185	1,234	1,385	1,740	1,605	1,534	2,200
Traffic violations	20,661	20,396	24,336	24,973	22,745	22,231	24,853	27,127	21,408	18,426
Traffic:										
Number of meters on street	3,026	2,804	2,804	2,770	2,815	3,157	3,075	2,909	3,035	3,067
Meter violations	218,010	199,490	181,974	192,462	200,000	187,797	191,583	194,001	201,959	206,101
Overtime meter violations	34,871	28,344	34,896	33,957	34,000	21,771	25,718	25,718	26,012	28,263
Inspectional:										
Major permits issued	85	90	75	109	143	285	89	45	343	82
Short form permits issued	2,203	2,413	2,500	2,824	2,910	2,818	2,796	2,866	2,737	2,957
Compliance inspections	6,792	5,998	3,645	6,044	5,946	6,942	6,797	5,224	4,809	5,359
Emergency communications:										
Total 911 Incidents dispatched	106,363	97,714	96,045	89,739	92,375	101,766	107,620	103,671	102,669	118,577
Medical	7,725	7,608	7,670	7,668	8,373	9,531	10,723	10,326	10,978	11,104
Traffic/MV-Related	24,605	21,970	22,898	25,319	27,219	23,772	22,066	21,443	17,754	15,726
Crime and Directed Patrol	40,805	34,502	32,258	28,700	28,796	38,232	44,402	43,588	45,536	60,392
Public works:										
Street Resurfacing (miles)	10.8	22.2	17.8	22.5	12.4	6.5	7.5	11.9	7.4	9.4
Sidewalk replaced (miles)	7.6	6.7	6.7	5.8	3.5	4.8	3.0	8.0	12.8	6.8
Rubbish collected (tons)	24,893	25,223	25,104	23,993	23,425	20,230	18,592	18,171	16,963	16,066
Recycling collected (tons)	11,789	11,966	13,065	12,742	12,600	12,710	13,166	12,954	12,685	13,300
New stormwater drains installed (linear feet)	3,000	1,500	3,000	1,200	525	750	3,190	1,595	3,257	4,099
New sanitary sewer installed (linear feet)	500	700	1,000	850	290	590	1,559	247	2,293	2,617
Community development:										
Number of affordable multi-family rental units	82	45	44	6	26	70	51	80	155	125
Number of affordable homeownership units developed	6	7	23	28	26	42	17	2	2	14
Human resource development:										
Library system circulation	998,331	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
Library acquisitions for collection	41,134	34,106	35,649	24,822	34,508	34,813	28,827	40,166	45,145	48,046
Number of clients served in youth and family services programs	1,631	1,339	1,344	2,172	2,173	2,536	942	1,101	1,010	970
Number of clients served through homelessness prevention programs	3,454	4,307	5,494	4,843	5,142	5,492	4,882	5,019	6,094	6,675
Number of clients visits to food pantry programs	7,308	17,366	19,954	20,000	23,642	27,554	25,273	24,984	30,964	30,667
Total number of golf rounds annually	56,565	45,940	31,560	38,590	41,400	41,178	41,809	42,569	40,266	40,953
Water:										
Number of accounts transitioned to AMR system	N/A	N/A	N/A	6,750	7,900	425	N/A	—	—	—
Total water quality tests performed	47,422	66,170	67,729	56,718	60,313	63,039	61,267	62,925	63,702	62,078
Water treatment plant tests performed	41,878	59,073	60,633	49,564	52,513	54,760	53,378	55,199	54,789	53,343
Install, clean and line, and/or replace water mains; (linear feet)	49,000	4,790	3,770	5,180	1,380	5,650	1,890	1,850	3,045	4,611
Elimination of parallel old 6" cast iron pipe (linear feet)	N/A	N/A	1,500	5,200	4,410	2,950	1,940	4,450	3,220	5,298
Education:										
Total enrollment	7,296	7,111	6,756	6,450	6,001	5,797	5,861	5,950	6,137	6,202

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	21	21	21	21	21	25	26	26	27	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	80	79	79	79	79	84	80	80	79	79
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	18	18	18	18	18	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	6,978	7,017	7,193	7,017	7,264	7,285	7,383	7,604	7,615	7,649
Traffic signals	196	196	196	196	195	189	188	187	187	185
Sewer:										
Sanitary sewers (miles)	145.80	146.50	147.30	148.00	148.70	147.00	147.00	147.00	147.00	150.00
Storm sewers (miles)	85.50	86.12	86.77	97.42	88.07	90.00	92.00	92.00	92.00	94.00
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	496	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	190	185
Fire hydrants	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	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	3,200
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	15	12	12	12	12	12	12	12	12
High school	1	1	1	1	1	1	1	1	1	1

Information for years prior to 2002 is not available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2011

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