

CITY OF
CAMBRIDGE,
MASSACHUSETTS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JULY 1, 2012 – JUNE 30, 2013

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

Fiscal Year
July 1, 2012 through June 30, 2013

Richard C. Rossi
City Manager

Lisa C. Peterson
Deputy City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Newly Renovated 5 Western Avenue Building

The cover features the 60,000 square foot former Cambridge Police Station located at 5 Western Avenue, which reopened in Spring 2013 after complete renovation of the interior and restoration of the building exterior. The new occupants include the Cambridge Multi-Service Center, Cambridge Community Learning Center, Cambridge Election Commission vault and the Cambridge Housing Authority. Improvements include a completely restored exterior with new energy efficient windows, a reflective white roof and gutter system, and brick, limestone and granite facade restoration. The interior renovation includes all new mechanical, electrical and air conditioning systems, a new sprinkler system, a high efficiency boiler, and lighting dimmer system. Many green building products were used in construction to make it eligible to achieve LEED Silver certification.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2013

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December 19, 2013

Mr. Richard C. Rossi
City Manager
City of Cambridge
Cambridge, Massachusetts 02139

Dear Mr. Rossi:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2013 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 15 and 16. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

Budgetary Control

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

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

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

Collateralized Deposits

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

The Reporting Entity

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

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

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2012 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

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

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

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager City
for Fiscal Affairs



James Monagle
City Auditor

December 19, 2013

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, 2013. 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 2013 Year in Review: Major Initiatives/Highlights

During fiscal year 2013, the City's fiscal year free cash position of \$142.2 million increased by \$26.4 million from the previous fiscal year. This balance represents the highest amount in the City's history. The general fund balance totaled \$196.0 million at year end, an increase of \$32.8 million or 20.1% over fiscal year 2012.

Real property assessed valuations totaled \$25.2 billion in fiscal year 2013, a \$0.8 billion or 3.1% increase from FY12. This change reflects the strength of the Cambridge real estate market. The commercial sector realized a 1.6% decrease in assessed value, \$98 million from fiscal year 2012. The residential sector assessed values increased by a modest \$549 million, a 3.7% increase from fiscal year 2012. Also, in fiscal 2013, the City's property tax levy limit grew to \$421.1 million from \$401.7 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$104.1 million in fiscal year 2013, an increase of \$1.5 million, or 1.4%, from fiscal year 2012.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2013 are as follows:

- The City retained the rare distinction of being one of 37 municipalities in the United States with three AAA ratings from the nation's three major credit rating agencies. The City has received AAA ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings every year since 1999.
- These ratings were in conjunction with the sale of \$65.3 million in General Obligation bonds, which took place on February 19, 2013 to finance such capital projects as King Elementary School Renovations, Sewer Reconstruction, Old Police Station Renovations, Improvements to the Harvard Square Tunnel, Open Space Improvements, Acquisition of a Fire Ladder Truck and Pumper, Building Improvements, and Street and Sidewalk Improvements at Kendall Square. The true interest cost of this issue was 2.04%.
- In addition, Standard & Poor's reaffirmed its "strong" Financial Management Assessment (FMA) of the City. 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 2013, the City borrowed \$715 thousand from the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments through February 2018.
- 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 FY13 was \$9.65 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 \$9.65 million appropriated or reserved included \$7.1 million in local receipts from the CPA surcharge with an additional state match of \$1.85 million and \$1.0 from CPA fund balance. Through fiscal year 2013, the City appropriated or reserved \$121 million in CPA funds with approximately \$42.1 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- As a result of continued strong fiscal management, the property tax levy for FY13 increased by only 5.97% when the City Council adopted the City Manager's property tax and classification recommendations in September 2012. During the past eight years, the average property tax levy increase is 4.5%. The FY13 Budget adopted in May 2012, reflected a 2.87% increase over the FY12 adjusted budget and called for a 6.6% increase in the property tax levy. However, the City was able to use additional nonproperty tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 5.97% increase. In FY13, the continued strong commercial market, coupled with a slight increase in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from residential taxpayers for the seventh year in a row. As a result, 74.9% of the residential taxpayers received a property tax bill that was lower, the same, or an increase less than \$100. In addition, another 15.8% of residential taxpayers received an increase between \$100 – 250.
- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved both these awards annually from the GFOA for the last 28 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 2013 with a total general fund balance of \$196.0 million, which represents 42.2% of general fund revenues, a increase from 36.8% in fiscal year 2012. In fiscal year 2013, operations produced a \$14.2 million surplus. Each year, a portion of fund balance is allocated to committed and nonspendable accounts. A total of \$46.0 million was held as committed and nonspendable accounts in fiscal year 2013, leaving an unassigned fund balance of \$149.9 million. General fund cash and short-term

investments totaled \$226.1 million, while the balance of cash and short-term investments for all funds totaled \$406.6 million, which is a \$63.4 million, or 18.5% increase from fiscal year 2012.

The following table presents the balance in the City's unreserved/unassigned general fund balance for fiscal years 2004 through 2013.

Fiscal year:	<u>Unreserved/ unassigned general fund balance</u>
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 (1)	99,698,895
2012	126,726,779
2013	149,940,041

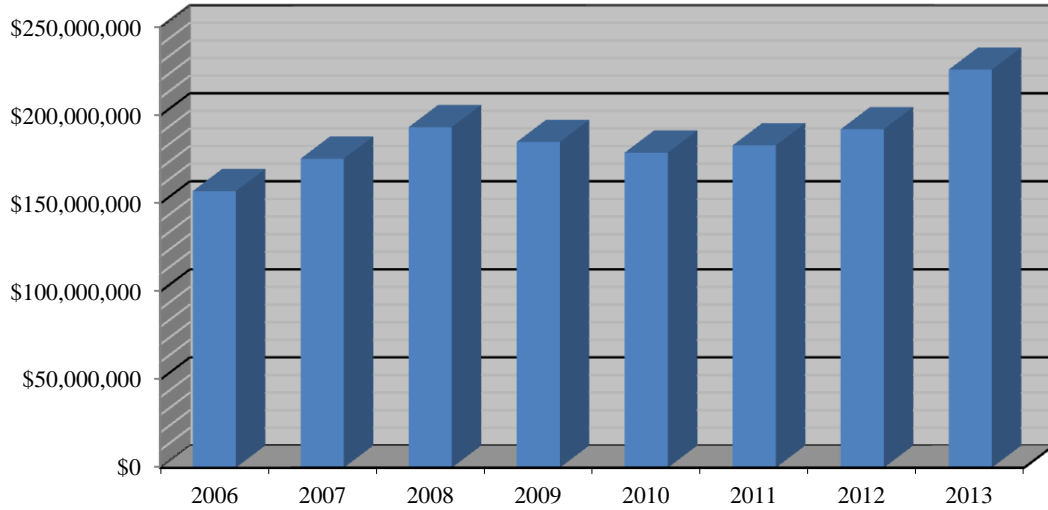
(1) The City, in 2011, implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Cash Position

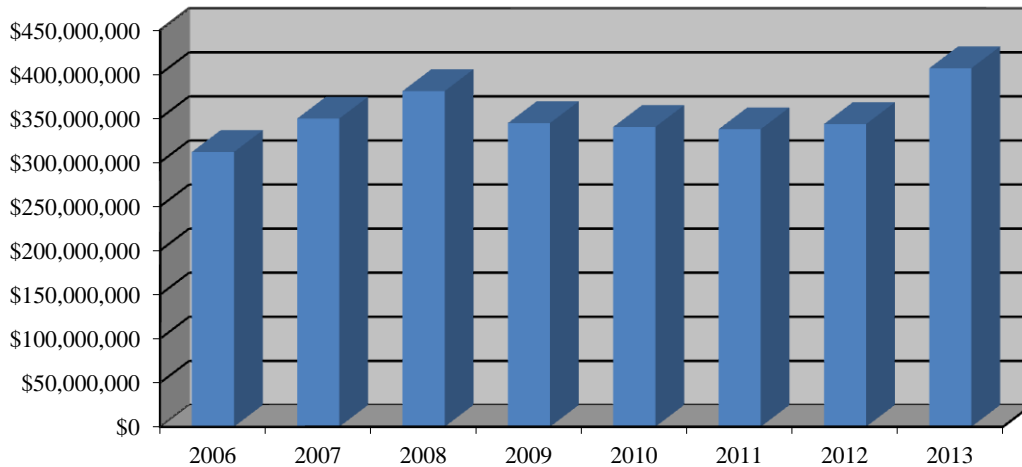
The table and charts displayed below present the changes in year-end general fund cash and total cash for all funds for the past eight fiscal years. The table and charts do not include cash for the Cambridge Health Alliance, a component unit.

Fiscal year:	<u>Year-end general fund cash and short-term investments</u>	<u>Year-end all funds cash and short-term investments</u>
2006	\$ 157,015,287	311,599,017
2007	175,514,111	349,547,200
2008	193,401,156	380,717,649
2009	184,961,474	344,372,924
2010	178,909,465	340,010,757
2011	183,045,990	337,450,678
2012	192,187,580	343,245,812
2013	226,051,224	406,643,471

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 2014 through fiscal year 2018, which was approved by the City Council in May 2013, has an estimated cost of \$345.1 million. Financing for the fiscal year 2014 portion of the capital plan was appropriated with the adoption of the fiscal year 2014 operating budget in May 2013.

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, 2013 totaled \$351.4 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 \$25.2 billion. Of that total, \$0.5 billion is attributable to new construction. The table below compares fiscal year 2013 property valuations and tax rates to fiscal year 2012 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2013	FY 2012	FY 2013	FY 2012
	(In millions)			
Commercial/industrial	\$ 8,576	8,478	21.50	20.76
Personal property	1,071	951	21.50	20.76
Residential	15,567	15,018	8.66	8.48
Total value	\$ 25,214	24,447		

Permanent Trust Fund

The City’s permanent trust fund has a total fund balance of \$3.6 million at June 30, 2013 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, and providing dental hygiene for school-age children.

Pension Liability

As of January 1, 2012, the City’s unfunded actuarial accrued liability is approximately \$237.8 million. In January 1991, the City established a State-approved funding schedule, which is updated based on current actuarial valuations and reviews every two years. It is projected that the City will eliminate its unfunded actuarial liabilities in June 30, 2029 based on an updated funding schedule.

OPEB Liability

As of June 30, 2013, the City’s unfunded actuarial accrued liability is approximately \$553.3 million. On December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund and transferred \$2 million to this fund. In addition, the City contributed \$1 million to the trust fund in fiscal year 2013 and the City Council has approved a \$2 million transfer to the trust fund in fiscal year 2014. The fair value of the assets as of June 30, 2013 is \$3.3 million.

Risk Management

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

Health insurance is provided to employees and retirees through managed care health plans. The City offers a variety of health maintenance organization (HMO) options including Blue Cross/Blue Shield’s Blue Choice and HMO Blue, Harvard Community Health Plan and Tufts Associated Health Plan. All nonmedicare plans are paid on a claims basis. All four plans require at least a 12% employee and 15% retiree contribution with the remaining balance covered by the City.

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

Independent Audit

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2013 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, 2012.

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 2013 unemployment rate of 4.8% 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 2012, the City's employment ratio was 100 jobs per 100 residents. In calendar year 2012, per capita personal income (PCPI) in the Cambridge metropolitan division is 50% higher than the PCPI for the USA, 7.7% higher than the State and slightly higher than the Boston MSA. Higher Education and Biotechnology continue to be important employment sectors for the City. Harvard University and the Massachusetts Institute of Technology, who employ approximately 18.0% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge.

Cambridge is experiencing a life sciences and high tech building boom. Venture capital firms are also moving their offices from the suburbs to Cambridge.

The presence of younger technology and other highly educated white collar workers has led to renewed interest in the development of larger rental housing projects catering to the preferred lifestyle of this group.

The expansion of existing companies combined with investments in innovative startups is providing a winning formula for Cambridge's continued economic stability and growth.

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 \$24.5 million in free cash in fiscal year 2013, on a budgetary basis, to lower the property tax levy and for supplemental appropriations. Due to surpluses in revenue accounts and expenditure savings, the City was able to replace the amount used during fiscal year 2013, the total free cash balance increased by \$26.4 million to the highest amount in the City's history of \$142.2 million. Based on the economic climate, this is a major accomplishment. These strong financial indicators combined with a AAA credit rating provide the City with enormous fiscal flexibility and stability.

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

Acknowledgments

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

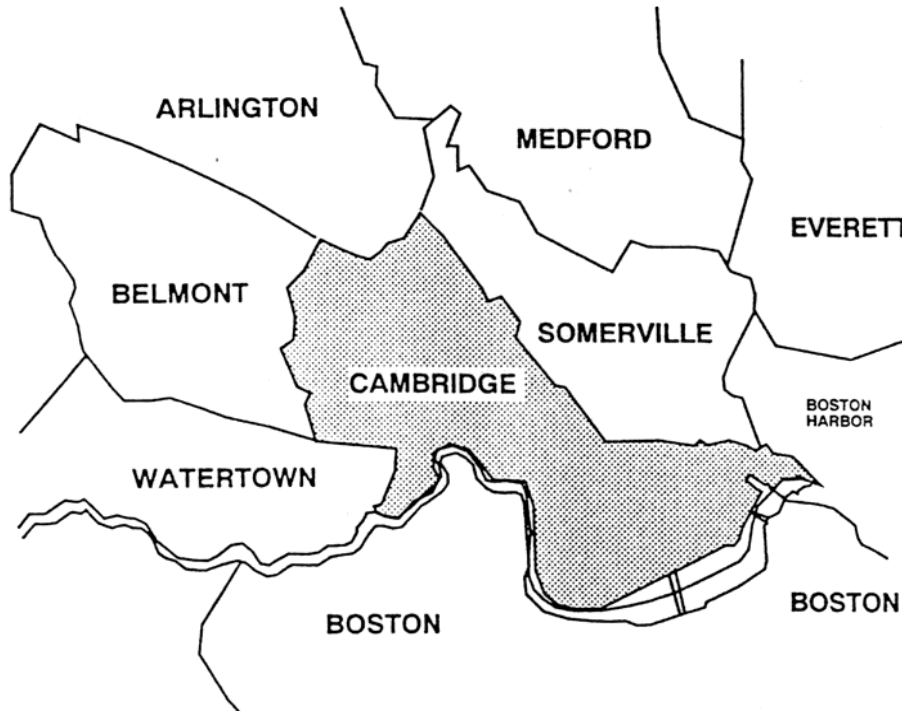
Additionally, I would like to acknowledge all of the City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

Very truly yours,

A handwritten signature in blue ink that reads "Richard C. Rossi". The signature is written in a cursive, flowing style.

Richard C. Rossi
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.

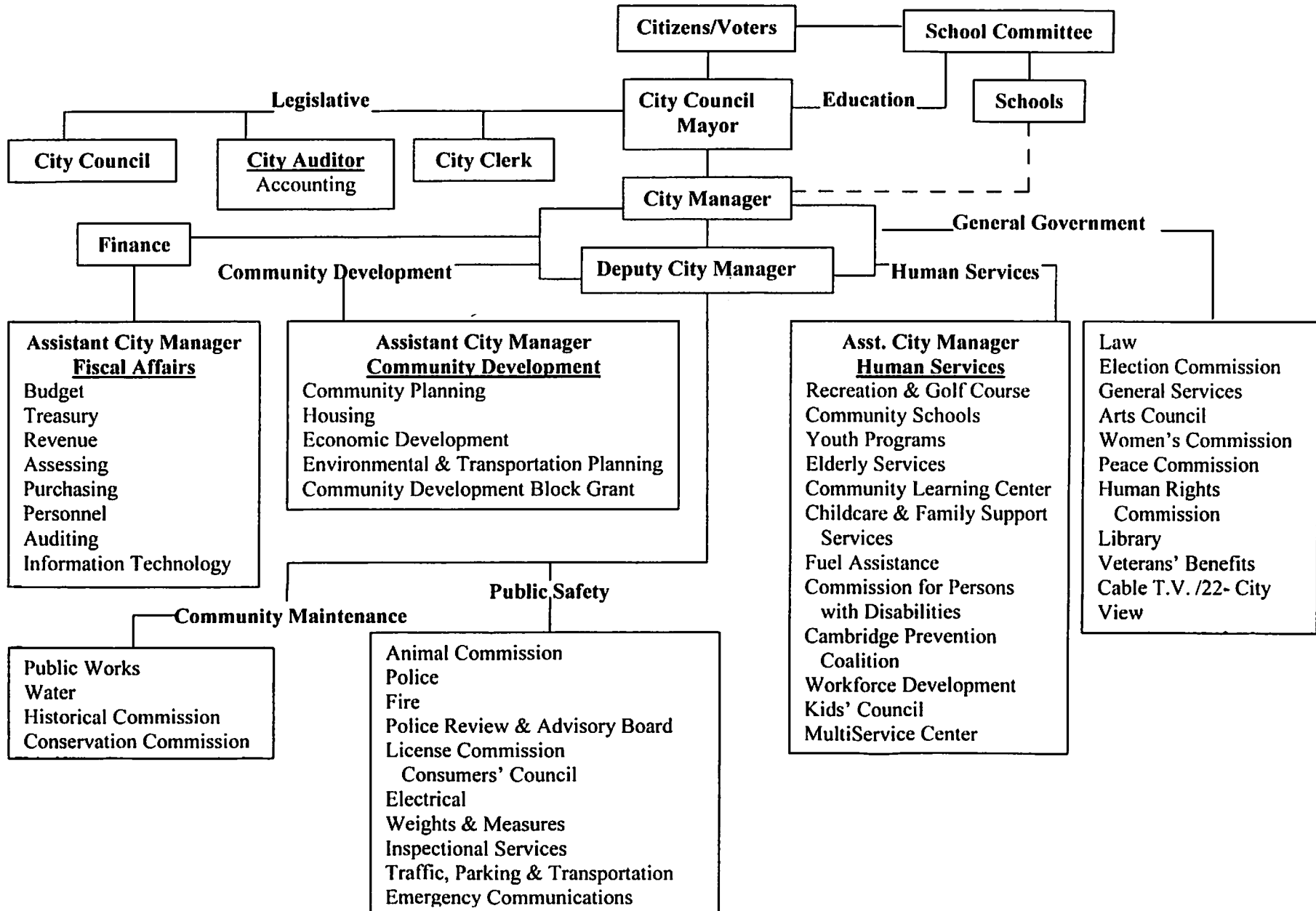
Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. The City has a Council-Manager form of government. The legislative and policy making body of the City is the nine-member City Council, whose members 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 June 30, 2016.

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.

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts





Government Finance Officers Association

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

Presented to

**City of Cambridge
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Fiscal Year 2013
Directory of Officials
City Council

Henrietta Davis, Mayor

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

School Committee

Henrietta Davis, Chair

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

Principal Executive Officers

City Manager(1)	Robert W. Healy
Deputy City Manager	Richard C. Rossi
Assistant City Manager for Fiscal Affairs and Treasurer/Collector	Louis A. DePasquale
Assistant City Manager for Community Development	Brian P. Murphy
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Nancy Glowa
City Clerk	Donna Lopez

(1) Effective July 1, 2013, Richard C. Rossi was appointed City Manager.



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4– 14, the schedules of funding progress on page 56, the schedules of employers' contributions on page 57, and the schedule of revenues and expenditures – budgetary basis on pages 58 – 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 19, 2013

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(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, 2013. 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 Position – Presents all of the government's assets and liabilities, with the difference being reported as "net position". The amount of net position is widely considered a good measure of the City's financial health as increases and decreases in the City's net position serve as a useful indicator of whether the City's financial position is improving or deteriorating. The reader should consider other nonfinancial factors, such as the condition of the City's infrastructure and changes to the property tax base, to assess the overall health of the City.

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

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

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

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

Discretely Presented Component 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

Required Supplementary Information Management's Discussion and Analysis

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Government-Wide Financial Analysis

Statement of Net Position

The following table reflects the condensed net position based on the statement of net position found on page 15.

The City's combined net position (governmental and business-type activities) exceeded its liabilities at June 30, 2013 by \$813.6 million (presented as net position). Of this amount, \$130.4 million was reported as "unrestricted

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2013

(Unaudited)

net position". Unrestricted net position represents the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net position are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$668.5 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 \$381.1 million, up 18.3% from prior year; net receivables of \$31.3 million; and \$7.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$368.8 million in general obligation bonds and notes payable; \$18.4 million in compensated absence liabilities for unused sick and vacation; and \$13.8 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 \$22.4 million and an increase of \$36.5 million in general obligation bonds which was planned to provide funding for Capital Plan.

CITY OF CAMBRIDGE, MASSACHUSETTS

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(Unaudited)

Business-type activity long-term liabilities include \$16.1 million in general obligation bonds, \$524 thousand in compensated absences and \$1.6 million in future year workers' compensation and health benefits. The net reduction of \$2.5 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

Condensed Schedule of Net Position

June 30, 2013 and 2012

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 422.2	368.2	11.3	10.1	433.5	378.3
Capital assets	849.1	792.6	130.9	131.3	980.0	923.9
Total assets	<u>1,271.3</u>	<u>1,160.8</u>	<u>142.2</u>	<u>141.4</u>	<u>1,413.5</u>	<u>1,302.2</u>
Deferred outflows	3.6	3.9	0.4	0.5	4.0	4.4
Total assets and deferred outflows	<u>\$ 1,274.9</u>	<u>1,164.7</u>	<u>142.6</u>	<u>141.9</u>	<u>1,417.5</u>	<u>1,306.6</u>
Long-term liabilities	\$ 485.7	431.4	14.8	17.2	500.5	448.6
Other liabilities	99.0	95.9	4.3	4.3	103.3	100.2
Total liabilities	<u>\$ 584.7</u>	<u>527.3</u>	<u>19.1</u>	<u>21.5</u>	<u>603.8</u>	<u>548.8</u>
Net position:						
Net investment in capital assets	\$ 553.7	524.2	114.8	112.7	668.5	636.9
Restricted	14.7	14.5	—	—	14.7	14.5
Unrestricted	121.8	98.7	8.6	7.7	130.4	106.4
Total net position	<u>\$ 690.2</u>	<u>637.4</u>	<u>123.4</u>	<u>120.4</u>	<u>813.6</u>	<u>757.8</u>

Statement of Changes in Net Position

The City's total net position increased by \$55.8 million in fiscal year 2013 of which the governmental activities net position increased \$52.8 million and the business-type activity increased \$3.0 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2013

(Unaudited)

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

Condensed Schedule of Changes in Net Position

June 30, 2013 and 2012

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 97.3	94.0	18.3	18.8	115.6	112.8
Operating grants and contributions	23.2	23.1	—	—	23.2	23.1
Capital grants and contributions	23.8	13.1	—	—	23.8	13.1
General revenues:						
Taxes:						
Property taxes levied	315.2	298.0	—	—	315.2	298.0
Excises	22.9	21.3	—	—	22.9	21.3
Payment in lieu of taxes	7.6	7.6	—	—	7.6	7.6
Grants and contributions not restricted	31.0	31.9	—	—	31.0	31.9
Investment income	1.1	1.5	0.1	0.1	1.2	1.6
Miscellaneous	26.3	25.2	—	—	26.3	25.2
Total revenues	<u>548.4</u>	<u>515.7</u>	<u>18.4</u>	<u>18.9</u>	<u>566.8</u>	<u>534.6</u>
Expenses:						
General government	37.8	39.8	—	—	37.8	39.8
Public safety	127.8	124.0	—	—	127.8	124.0
Community maintenance and development	88.4	103.7	—	—	88.4	103.7
Human resource development	47.7	46.7	—	—	47.7	46.7
Education	185.5	181.2	—	—	185.5	181.2
Water department	—	—	14.7	13.2	14.7	13.2
Interest	9.1	8.3	—	—	9.1	8.3
Total expenses	<u>496.3</u>	<u>503.7</u>	<u>14.7</u>	<u>13.2</u>	<u>511.0</u>	<u>516.9</u>
Excess before transfers	52.1	12.0	3.7	5.7	55.8	17.7
Transfers	<u>0.7</u>	<u>0.7</u>	<u>(0.7)</u>	<u>(0.7)</u>	<u>—</u>	<u>—</u>
Change in net position	52.8	12.7	3.0	5.0	55.8	17.7
Net position – beginning, as restated	<u>637.4</u>	<u>624.7</u>	<u>120.4</u>	<u>115.4</u>	<u>757.8</u>	<u>740.1</u>
Net position – ending	<u>\$ 690.2</u>	<u>637.4</u>	<u>123.4</u>	<u>120.4</u>	<u>813.6</u>	<u>757.8</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

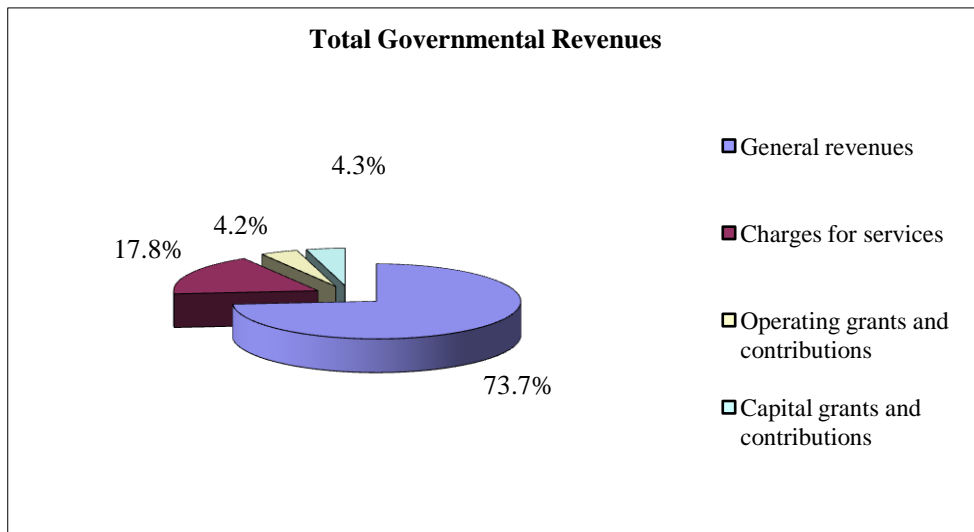
Required Supplementary Information
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$404.1 million, charges for services \$97.3 million, operating grants and contributions \$23.2 million and capital grants and contributions of \$23.8 million.



General

Real estate tax revenues are the City's largest revenue source at \$315.2 million representing 78.0% of general revenues. The assessed tax valuation base is \$25.2 billion up from \$24.4 billion assessed in the prior year showing a 3.1% increase mainly due to an increase in new construction.

Grants and contributions not restricted to specific programs is \$31.0 million representing 7.7% of general revenues and include state cherry sheet revenues and other unrestricted contributions.

Program

Charges for services are \$97.3 million and represent a variety of department revenues. Charges for services increased \$3.3 million from the prior year. The public safety portion of \$50.5 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. This category of revenues increased approximately 10.8% over prior year mainly due to an increase in building permit revenues from the universities and bio medical firms. The community maintenance and development portion of \$40.7 million includes sewer service revenues, community cable revenues, as well as, other public works type fees.

Operating grants and contributions of \$23.2 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 4.2% of the total City revenues.

CITY OF CAMBRIDGE, MASSACHUSETTS

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Capital grants and contributions of \$23.8 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues. The capital grants revenue increased by \$10.5 million over prior year mainly due to added amendments from the MWRA sewer separation grant.

Expenses

For the fiscal year ended June 30, 2013, expenses for government activities totaled \$496.3 million, which cover a range of services. On the whole, the City's expenditures decreased slightly by \$7.4 million or 1.5% over prior year. The decrease is attributable to lower pollution remediation costs and a decrease in affordable housing trust expenditures.

Education continues to be one of the City's highest priorities and commitments, representing \$185.5 million or 37.4% 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 2013, the City spent \$5.4 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net position by \$3.0 million. The main reason for the \$3.0 million increase is due to the drop off in debt service payments.

Financial Analysis of the Government's Funds

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

Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$350.7 million. Of this amount, \$4.4 million has been categorized as nonspendable which includes permanent funds and healthcare deposits. Another \$101.6 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Finally, \$94.7 million has been committed for specific purposes such as stabilization funds, health claims trust fund, parking fund, etc. for which the movement of these funds must be approved by the highest legislative level at the City, which is the City Council. The remainder of the Fund balance \$149.9 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 \$149.9 million, while the total fund balance was \$196.0 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

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As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 33.3% of total General Fund expenditures, while the total balance represents 43.5% 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 2013, the total fund balance was \$83.4 million. This reflects an increase over the prior fiscal year of \$18.1 million. The increase was attributable to a \$10 million increase in MWRA sewer separation grant and \$8 million increase in bond proceeds over the prior year.

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 2013, the total fund balance was \$35.7 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 position of the Water Fund at the end of the year consisted of unrestricted net position of \$8.6 million and a net investment in capital assets of \$114.8 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 2013 actual revenues on a budgetary basis totaled \$457.9 million. This represents an increase of \$23.7 million or 5.5% from fiscal year 2012. Property taxes are the single largest revenue source, representing approximately 68.2% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 8.7%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Expenditures

During fiscal year 2013, total expenditures remained flat on a budgetary basis as compared to fiscal year 2012 at \$454.0 million.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the City's capital assets of its governmental activities and business-type activity amounted to \$980.0 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 \$371.8 million in outstanding bonds and notes compared to \$345.7 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(In millions)					
General obligation bonds and notes payable \$	356.3	327.3	15.5	18.4	371.8	345.7

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 \$11.6 million, or 3.66%, to \$328.5 million in fiscal year 2014. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$104.1 million in FY 13 to \$117.5 million in FY 14, a 12.87% increase.

The FY 14 operating budget increased by 3.81% over the FY 13 adjusted budget. The increase is attributable to a 2.5% increase of employee salary costs, 5% increase in employee health insurance, and a 5.85% increase in employee pension costs. The capital budget of \$92.7 million is an increase of approximately \$54 million from the prior year.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
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Future Pronouncements

GASB has issued Statement Nos. 66-70, which have various effective dates. The City is currently evaluating the impact of these statements 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 Position

June 30, 2013

Assets and Deferred Outflows of Resources	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 380,478,540	6,870,189	387,348,729	271,324,181
Cash and investments held by trustees	600,000	—	600,000	15,574,144
Receivables, net:				
Property taxes	3,494,205	—	3,494,205	—
Motor vehicle excise	1,177,512	—	1,177,512	—
Tax title and possessions	3,578,291	—	3,578,291	—
Intergovernmental	8,708,218	—	8,708,218	—
Other	14,321,916	4,354,032	18,675,948	33,250,805
Other assets	2,359,193	—	2,359,193	29,153,012
Internal balances	(32,723)	32,723	—	—
Due from component unit	7,495,000	—	7,495,000	—
Capital assets:				
Nondepreciable	409,596,753	44,864,006	454,460,759	8,886,400
Depreciable, net	439,552,990	86,058,580	525,611,570	155,803,145
Total assets	1,271,329,895	142,179,530	1,413,509,425	513,991,687
Deferred outflows of resources:				
Related to debt refundings	3,567,536	392,416	3,959,952	—
Total assets and deferred outflows of resources	\$ 1,274,897,431	142,571,946	1,417,469,377	513,991,687
Liabilities				
Warrants and accounts payable	\$ 19,300,444	521,131	19,821,575	25,945,223
Accrued liabilities:				
Tax abatements	3,900,000	—	3,900,000	—
Accrued payroll	13,708,925	78,776	13,787,701	15,364,487
Accrued interest	4,584,868	296,625	4,881,493	—
Other	4,403,869	—	4,403,869	12,111,435
Unearned revenue	—	—	—	43,730,489
Due to primary government	—	—	—	7,495,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	39,475,663	2,840,000	42,315,663	57,843
Capital leases	—	—	—	3,183,431
Due to third parties	—	—	—	20,758,282
Compensated absences	6,878,000	188,000	7,066,000	16,097,398
Landfill	25,000	—	25,000	—
Judgments and claims	6,486,000	376,000	6,862,000	—
Pollution remediation	278,817	—	278,817	—
Due in more than one year:				
Bonds and notes payable	329,276,049	13,245,378	342,521,427	562,357
Capital leases	—	—	—	2,148,010
Due to third parties	—	—	—	33,985,909
Compensated absences	11,544,000	336,000	11,880,000	—
Landfill	175,000	—	175,000	—
Judgments and claims	7,309,000	1,258,000	8,567,000	—
Other postemployment benefit obligation	135,928,998	—	135,928,998	42,353,497
Pollution remediation	1,498,863	—	1,498,863	—
Total liabilities	\$ 584,773,496	19,139,910	603,913,406	223,793,361
Net Position				
Net investment in capital assets	\$ 553,655,888	114,837,208	668,493,096	151,242,905
Restricted for:				
Community preservation	10,418,749	—	10,418,749	—
Expendable permanent funds	1,472,735	—	1,472,735	—
Nonexpendable permanent funds	2,136,928	—	2,136,928	—
Other purposes	600,000	—	600,000	4,282,608
Unrestricted	121,839,635	8,594,828	130,434,463	134,672,813
Total net position	\$ 690,123,935	123,432,036	813,555,971	290,198,326

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities
Year ended June 30, 2013

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			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	\$ 37,777,409	452,496	—	—	(37,324,913)	—	(37,324,913)	
Public safety	127,768,163	50,486,221	—	400,000	(76,881,942)	—	(76,881,942)	
Community maintenance and development	88,401,456	40,660,130	3,402,855	21,993,288	(22,345,183)	—	(22,345,183)	
Human resource development	47,732,541	4,083,383	7,799,478	—	(35,849,680)	—	(35,849,680)	
Education	185,466,794	1,635,958	11,965,780	1,401,350	(170,463,706)	—	(170,463,706)	
Interest on long-term debt	9,142,323	—	—	—	(9,142,323)	—	(9,142,323)	
Total governmental activities	<u>496,288,686</u>	<u>97,318,188</u>	<u>23,168,113</u>	<u>23,794,638</u>	<u>(352,007,747)</u>	<u>—</u>	<u>(352,007,747)</u>	
Business-type activity:								
Water	14,701,032	18,318,827	—	—	—	3,617,795	3,617,795	
Total business-type activity	<u>14,701,032</u>	<u>18,318,827</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,617,795</u>	<u>3,617,795</u>	
Total primary government	<u>\$ 510,989,718</u>	<u>115,637,015</u>	<u>23,168,113</u>	<u>23,794,638</u>	<u>(352,007,747)</u>	<u>3,617,795</u>	<u>(348,389,952)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 554,261,827	279,570,017	254,899,468	—				(19,792,342)
Total component units	<u>\$ 554,261,827</u>	<u>279,570,017</u>	<u>254,899,468</u>	<u>—</u>				<u>(19,792,342)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 315,153,860	—	315,153,860	—
Excises					22,877,579	—	22,877,579	—
Payments in lieu of taxes					7,553,728	—	7,553,728	—
Grants and contributions not restricted					31,035,786	—	31,035,786	—
Investment income					1,101,514	100,337	1,201,851	1,104,407
Miscellaneous					26,339,352	—	26,339,352	—
Transfers					705,575	(705,575)	—	—
Total general revenues and transfers					<u>404,767,394</u>	<u>(605,238)</u>	<u>404,162,156</u>	<u>1,104,407</u>
Change in net position					52,759,647	3,012,557	55,772,204	(18,687,935)
Net position – beginning, as restated					<u>637,364,288</u>	<u>120,419,479</u>	<u>757,783,767</u>	<u>308,886,261</u>
Net position – ending					<u>\$ 690,123,935</u>	<u>123,432,036</u>	<u>813,555,971</u>	<u>290,198,326</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2013

Assets	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 226,051,224	89,435,005	31,722,958	33,269,353	380,478,540
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	3,494,205	—	—	—	3,494,205
Motor vehicle excise	1,177,512	—	—	—	1,177,512
Tax title and possessions	3,578,291	—	—	—	3,578,291
Intergovernmental	—	4,650,161	—	4,058,057	8,708,218
Departmental and other	10,081,275	—	3,449,357	791,284	14,321,916
Total receivables	18,331,283	4,650,161	3,449,357	4,849,341	31,280,142
Other assets	2,359,193	—	—	—	2,359,193
Due from other funds	—	774,969	—	—	774,969
Due from component unit	7,495,000	—	—	—	7,495,000
Total assets	\$ 254,236,700	94,860,135	35,772,315	38,118,694	422,987,844
Liabilities and Fund Balances					
Liabilities:					
Warrants and accounts payable	\$ 6,249,138	11,449,507	67,955	1,533,844	19,300,444
Accrued liabilities:					
Tax abatements	2,600,000	—	—	—	2,600,000
Judgments and claims	6,486,000	—	—	—	6,486,000
Accrued payroll	13,592,169	8,250	—	108,506	13,708,925
Other	4,366,098	—	—	37,771	4,403,869
Unearned revenue	24,929,214	—	—	55,299	24,984,513
Due to other funds	32,723	—	—	774,969	807,692
Total liabilities	58,255,342	11,457,757	67,955	2,510,389	72,291,443
Fund balances:					
Nonspendable	2,279,193	—	—	2,136,928	4,416,121
Restricted	—	83,402,378	600,000	17,617,620	101,619,998
Committed	43,762,124	—	35,104,360	15,853,757	94,720,241
Unassigned	149,940,041	—	—	—	149,940,041
Total fund balances	195,981,358	83,402,378	35,704,360	35,608,305	350,696,401
Total liabilities and fund balances	\$ 254,236,700	94,860,135	35,772,315	38,118,694	422,987,844

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2013

Total fund balance – governmental funds	\$ 350,696,401
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	849,149,743
Adjust deferred revenues to record revenues on an accrual basis	24,984,513
Capitalized loss on debt refunding in the government-wide statements that is not capitalized in the governmental funds	3,567,536
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	368,751,712
Accrued interest on bonds	4,584,868
Compensated absences	18,422,000
Landfill	200,000
Judgments and claims	7,309,000
Tax abatements	1,300,000
Other postemployment benefits	135,928,998
Pollution remediation	1,777,680
	<hr/>
	538,274,258
	<hr/>
Net position of governmental activities	\$ <u><u>690,123,935</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year ended June 30, 2013

	<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	\$ 315,776,734	—	—	—	315,776,734
Excises:					
Hotel/motel/meals	15,909,648	—	—	—	15,909,648
Motor vehicles	6,833,482	—	—	—	6,833,482
Payments in lieu of taxes	7,553,728	—	—	—	7,553,728
Intergovernmental	31,035,786	23,794,638	—	23,168,113	77,998,537
Investment income	616,276	18,064	376,453	90,721	1,101,514
Sewer use charges	40,019,569	—	—	—	40,019,569
Departmental and other	46,475,307	5,713,649	1,139,570	32,223,902	85,552,428
Total revenues	<u>464,220,530</u>	<u>29,526,351</u>	<u>1,516,023</u>	<u>55,482,736</u>	<u>550,745,640</u>
Expenditures:					
Current:					
General government	34,893,797	—	—	173,654	35,067,451
Public safety	106,985,572	—	—	1,289,000	108,274,572
Community maintenance and development	39,174,605	—	5,444,591	3,587,802	48,206,998
Human resource development	32,143,378	—	—	7,740,839	39,884,217
Education	143,787,568	—	—	14,273,132	158,060,700
Judgments and claims	75,633	—	—	—	75,633
State and district assessments	46,660,306	—	—	—	46,660,306
Capital outlays	—	85,829,182	—	—	85,829,182
Debt service	46,304,962	—	—	—	46,304,962
Total expenditures	<u>450,025,821</u>	<u>85,829,182</u>	<u>5,444,591</u>	<u>27,064,427</u>	<u>568,364,021</u>
Excess (deficiency) of revenues over expenditures	<u>14,194,709</u>	<u>(56,302,831)</u>	<u>(3,928,568)</u>	<u>28,418,309</u>	<u>(17,618,381)</u>
Other financing sources (uses):					
Premium on debt issuance	4,890,992	—	—	—	4,890,992
Issuance of debt	—	65,975,000	—	—	65,975,000
Transfers in	19,948,730	8,498,000	7,720,000	112,124	36,278,854
Transfers out	(6,223,000)	(112,124)	—	(29,238,155)	(35,573,279)
Total other financing (uses) sources	<u>18,616,722</u>	<u>74,360,876</u>	<u>7,720,000</u>	<u>(29,126,031)</u>	<u>71,571,567</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>32,811,431</u>	<u>18,058,045</u>	<u>3,791,432</u>	<u>(707,722)</u>	<u>53,953,186</u>
Fund balance – beginning	<u>163,169,927</u>	<u>65,344,333</u>	<u>31,912,928</u>	<u>36,316,027</u>	<u>296,743,215</u>
Fund balance – ending	<u>\$ 195,981,358</u>	<u>83,402,378</u>	<u>35,704,360</u>	<u>35,608,305</u>	<u>350,696,401</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, 2013

Net change in fund balances – total governmental funds	\$ 53,953,186
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, (\$83,432,261) exceeded depreciation expense (\$26,873,732)	56,558,529
Revenues are recorded on an accrual basis	(2,402,882)
Proceeds of long-term debt (\$65,975,000) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond principal, including amounts to defease long-term debt, (\$36,960,381) is an expenditure the governmental funds, but reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.	(29,014,619)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net position	(3,559,950)
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	(380,711)
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	(22,399,174)
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 pollution remediation (\$1,678,174), offset by the increase in noncurrent claims (\$1,227,000) and accrued interest (\$275,906) compensated absences (\$195,000)	5,268
Change in net position of governmental activities	\$ 52,759,647

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Position – Proprietary Fund

June 30, 2013

	Enterprise fund
	<u>Water fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,870,189
Receivables, net	4,354,032
Due from other funds	32,723
Total current assets	<u>11,256,944</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	44,864,006
Depreciable, net	86,058,580
Total noncurrent assets	<u>130,922,586</u>
Total assets	142,179,530
Deferred outflows of resources:	
Related to debt refundings	392,416
Total assets and deferred outflows of resources	<u>\$ 142,571,946</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 521,131
Accrued liabilities:	
Claims	376,000
Compensated absences	188,000
Accrued payroll	78,776
Interest	296,625
Current portion of long-term debt	2,840,000
Total current liabilities	<u>4,300,532</u>
Noncurrent liabilities:	
Bonds payable	13,245,378
Accrued liabilities:	
Claims	1,258,000
Compensated absences	336,000
Total noncurrent liabilities	<u>14,839,378</u>
Total liabilities	<u>\$ 19,139,910</u>
Net position:	
Net investment in capital assets	\$ 114,837,208
Unrestricted	8,594,828
Total net position	<u>\$ 123,432,036</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2013

	Enterprise fund
	Water fund
Operating revenues:	
Charges for services	\$ 18,318,827
Total operating revenues	<u>18,318,827</u>
Operating expenses:	
Administration	4,318,873
Service and support programs	6,405,860
Depreciation	3,283,355
Total operating expenses	<u>14,008,088</u>
Operating income	<u>4,310,739</u>
Nonoperating revenue (expense):	
Investment earnings – other	100,337
Interest expense	(692,944)
Nonoperating expense	<u>(592,607)</u>
Income before transfers	3,718,132
Transfers to other funds	<u>(705,575)</u>
Change in net position	3,012,557
Total net position – beginning, as restated	<u>120,419,479</u>
Total net position – ending	<u>\$ 123,432,036</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2013

	Enterprise fund
	<u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 18,621,168
Cash paid to vendors	(6,452,821)
Cash paid to employees	<u>(3,422,769)</u>
Net cash provided by operating activities	<u>8,745,578</u>
Cash flows from noncapital financing activities:	
Transfers	<u>(705,575)</u>
Net cash used in noncapital financing activities	<u>(705,575)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,940,409)
Interest paid on debt	(940,904)
Repayment of long-term debt	<u>(2,840,000)</u>
Net cash used in capital and related financing activities	<u>(6,721,313)</u>
Cash flows from investing activities:	
Investment income	<u>100,337</u>
Net cash provided by investing activities	<u>100,337</u>
Increase in cash and cash equivalents	1,419,027
Cash and cash equivalents, beginning of year	<u>5,451,162</u>
Cash and cash equivalents, end of year	\$ <u><u>6,870,189</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 4,310,739
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	3,283,355
Amortization of deferred loss on refunding	98,104
Changes in operating assets and liabilities:	
Accounts receivable	302,341
Other liabilities	<u>751,039</u>
Net cash provided by operating activities	\$ <u><u>8,745,578</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(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, 2012. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(c) *Discretely Presented Component Unit*

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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

Complete financial statements for the CHA for its fiscal year ended June 30, 2013 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Governmental Fund Financial Statements

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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

June 30, 2013

(f) *Uncollectible Tax and Other Receivables*

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

(g) *Deferred Inflows and Outflows*

The City accounts for certain transactions that result in the consumption or acquisition of resources in one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal year 2013, the City has reported deferred outflows pertaining to its debt refunding transactions.

(h) *Capital Assets*

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

(i) *Compensated Absences*

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

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

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

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reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method. Issue costs, other than prepaid insurance, if any, are expensed as incurred.

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

(k) *Net Position and Fund Balance*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) *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.

(m) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2013, 100% of the landfill site had been used and has not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

(n) *Use of Estimates*

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

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assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Adoption of New Accounting Pronouncements and Restatements

During fiscal year 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. There were no additional component units identified for inclusion in the City’s financial statements under the criteria set forth in the Statement.

During fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which resulted in the statements of net assets being replaced with the statements of net position in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. In addition, the term “net assets” is changed to “net position” throughout the financial statements.

During fiscal year 2013, the City also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

As a result of implementing GASB Statement No. 65, the City restated its net position at July 1, 2012 by writing off previously capitalized bond issue costs. The amount written off was not material.

(3) Deposits and Investments

(a) Deposits

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

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, 2013, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	60,924
Discretely presented component unit (CHA)		<u>23,567,228</u>
	\$	<u><u>23,628,152</u></u>

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(b) Investments

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

Investments of General Fund available cash balances consist of fully collateralized certificates of deposit with local banking institutions for duration of 6-9 months and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies with the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

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

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

(i) System Investment Policy

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

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

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

(ii) OPEB Investment Policy

The provisions of Massachusetts General Laws (M.G.L.) c. 44 sec 54 allows investment in securities listed on the Commonwealth's approved securities listing. The OPEB investment portfolio is managed by the City's Investment committee. The portfolio consists of 28% equities (securities from approved state listing) and 72% Fixed securities and certificates of deposit.

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(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, 2013:

<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	\$ 246,242,837	246,242,837	—	—	—
Certificates of deposit	78,630,933	52,496,110	18,265,183	6,763,611	1,106,029
Corporate fixed income	2,215,506	—	—	426,042	1,789,464
U.S. agencies	14,185,722	1,042,978	1,041,767	6,779,025	5,321,952
Subtotal city	<u>341,274,998</u>	<u>299,781,925</u>	<u>19,306,950</u>	<u>13,968,678</u>	<u>8,217,445</u>
System (as of December 31, 2012):					
Cash collateral pool	55,027,606	—	—	—	55,027,606
U.S. treasury notes and bonds	8,696,185	2,388,373	3,458,205	1,806,528	1,043,079
U.S. agencies	4,714,970	362,804	1,307,420	2,660,343	384,403
Domestic corporate	58,946,912	579,402	14,942,045	31,826,376	11,599,089
Asset-backed:					
CMOs	3,448,551	—	—	—	3,448,551
Other	7,800,969	—	3,412,028	—	4,388,941
Pooled fixed-income investments	96,103,261	—	—	—	96,103,261
Subtotal system	<u>234,738,454</u>	<u>3,330,579</u>	<u>23,119,698</u>	<u>36,293,247</u>	<u>171,994,930</u>
OPEB Trust:					
Money market	19,694	19,694	—	—	—
Certificates of deposit	2,258,351	468,693	1,040,045	357,710	391,903
Corporate fixed income	202,910	—	—	106,510	96,400
Subtotal OPEB Trust	<u>2,480,955</u>	<u>488,387</u>	<u>1,040,045</u>	<u>464,220</u>	<u>488,303</u>
Total	<u>\$ 578,494,407</u>	<u>303,600,891</u>	<u>43,466,693</u>	<u>50,726,145</u>	<u>180,700,678</u>
Discretely presented component unit (CHA):					
Money market	\$ 246,479,791	246,479,791	—	—	—
MMDT	17,780,388	17,780,388	—	—	—
Total discretely presented component unit (CHA)	<u>\$ 264,260,179</u>	<u>264,260,179</u>	<u>—</u>	<u>—</u>	<u>—</u>

The City and the System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The

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Notes to Basic Financial Statements

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

The primary government’s fixed income investments as of June 30, 2013 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale:

Investment type	Fair value	AAA	AA	A	BBB	BB	Less than BB	Not rated
City:								
Money market/MMDT	\$ 246,242,837	—	—	—	—	—	—	246,242,837
Certificates of deposit	78,630,933	—	—	—	—	—	—	78,630,933
Corporate fixed income	2,215,506	1,500,264	426,042	—	289,200	—	—	—
U.S. agencies	14,185,722	14,185,722	—	—	—	—	—	—
Subtotal city	<u>341,274,998</u>	<u>15,685,986</u>	<u>426,042</u>	<u>—</u>	<u>289,200</u>	<u>—</u>	<u>—</u>	<u>324,873,770</u>
System (as of December 31, 2012):								
Cash collateral pool	55,027,606	—	—	—	—	—	—	55,027,606
U.S. agencies	4,714,970	—	3,289,536	—	—	—	—	1,425,434
Domestic corporate	58,946,912	1,223,385	3,173,544	8,287,236	5,591,678	16,579,530	23,414,127	677,412
Asset-backed:								
CMOs	3,448,551	2,361,486	267,351	452,377	367,337	—	—	—
Other	7,800,969	3,412,027	—	545,095	—	—	—	3,843,847
Pooled fixed-income investments	<u>96,103,261</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>96,103,261</u>
Subtotal system	<u>226,042,269</u>	<u>6,996,898</u>	<u>6,730,431</u>	<u>9,284,708</u>	<u>5,959,015</u>	<u>16,579,530</u>	<u>23,414,127</u>	<u>157,077,560</u>
OPEB Trust:								
Money market	19,694	—	—	—	—	—	—	19,694
Certificates of deposit	2,258,351	—	—	—	—	—	—	2,258,351
Corporate fixed income	202,910	—	106,510	—	96,400	—	—	—
Subtotal OPEB Trust	<u>2,480,955</u>	<u>—</u>	<u>106,510</u>	<u>—</u>	<u>96,400</u>	<u>—</u>	<u>—</u>	<u>2,278,045</u>
Total	<u>\$ 569,798,222</u>	<u>22,682,884</u>	<u>7,262,983</u>	<u>9,284,708</u>	<u>6,344,615</u>	<u>16,579,530</u>	<u>23,414,127</u>	<u>484,229,375</u>
Discretely presented component unit (CHA):								
Money market	\$ 246,479,791	Not rated	—	—	—	—	—	—
MMDT	<u>17,780,388</u>	Not rated	—	—	—	—	—	—
Total discretely presented component unit (CHA)	<u>\$ 264,260,179</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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In addition to the above schedule, the System had \$8,696,185 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 position held in trust for pension benefits as of December 31, 2012.

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

(v) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System's asset allocation model which serves as a proxy for a foreign currency policy, limits the amount of foreign currency exposure to 19% of the System's total investments. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2012, 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)	\$ 138,641,082
International fixed income pooled funds (various currencies)	41,012,698
	<u>\$ 179,653,780</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.

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

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013 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	200,000	—	165,407,775
Construction in progress	<u>221,526,288</u>	<u>77,179,393</u>	<u>(54,516,703)</u>	<u>244,188,978</u>
Total capital assets not being depreciated	<u>386,734,063</u>	<u>77,379,393</u>	<u>(54,516,703)</u>	<u>409,596,753</u>
Capital assets being depreciated:				
Buildings and improvements	334,343,675	43,890,281	—	378,233,956
Improvements – nonbuilding	97,751,418	1,420,391	—	99,171,809
Furniture and equipment	59,796,404	3,945,763	—	63,742,167
Infrastructure	<u>269,982,910</u>	<u>11,313,136</u>	<u>—</u>	<u>281,296,046</u>
Total capital assets being depreciated	<u>761,874,407</u>	<u>60,569,571</u>	<u>—</u>	<u>822,443,978</u>
Less accumulated depreciation for:				
Buildings and improvements	(117,586,496)	(10,355,264)	—	(127,941,760)
Improvements – nonbuilding	(23,810,138)	(3,873,045)	—	(27,683,183)
Furniture and equipment	(43,899,375)	(3,256,153)	—	(47,155,528)
Infrastructure	<u>(170,721,247)</u>	<u>(9,389,270)</u>	<u>—</u>	<u>(180,110,517)</u>
Total accumulated depreciation	<u>(356,017,256)</u>	<u>(26,873,732)</u>	<u>—</u>	<u>(382,890,988)</u>
Total capital assets being depreciated, net	<u>405,857,151</u>	<u>33,695,839</u>	<u>—</u>	<u>439,552,990</u>
Governmental activities capital assets, net	<u>\$ 792,591,214</u>	<u>111,075,232</u>	<u>(54,516,703)</u>	<u>849,149,743</u>

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

Governmental activities:		
General government		\$ 732,660
Public safety		3,820,991
Community maintenance and development		14,769,222
Human resource development		1,887,632
Education		<u>5,663,227</u>
Total depreciation expense – governmental activities		<u>\$ 26,873,732</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	500,000	—	39,764,325
Construction in progress	<u>3,046,894</u>	<u>2,194,851</u>	<u>(142,064)</u>	<u>5,099,681</u>
Total capital assets not being depreciated	<u>42,311,219</u>	<u>2,694,851</u>	<u>(142,064)</u>	<u>44,864,006</u>
Capital assets being depreciated:				
Buildings and improvements	81,136,873	116,005	—	81,252,878
Furniture and equipment	6,434,847	271,617	—	6,706,464
Infrastructure	<u>39,531,366</u>	<u>—</u>	<u>—</u>	<u>39,531,366</u>
Total capital assets being depreciated	<u>127,103,086</u>	<u>387,622</u>	<u>—</u>	<u>127,490,708</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,061,100)	(2,059,637)	—	(24,120,737)
Furniture and equipment	(1,635,460)	(423,947)	—	(2,059,407)
Infrastructure	<u>(14,452,213)</u>	<u>(799,771)</u>	<u>—</u>	<u>(15,251,984)</u>
Total accumulated depreciation	<u>(38,148,773)</u>	<u>(3,283,355)</u>	<u>—</u>	<u>(41,432,128)</u>
Total capital assets being depreciated, net	<u>88,954,313</u>	<u>(2,895,733)</u>	<u>—</u>	<u>86,058,580</u>
Business-type activity capital assets, net	<u>\$ 131,265,532</u>	<u>(200,882)</u>	<u>(142,064)</u>	<u>130,922,586</u>

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(6) Receivables and Unearned Revenue

(a) Receivables

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

	Government funds				Enterprise fund	
	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds	Water fund
Receivables:						
Property taxes	\$ 3,988,393	—	—	—	3,988,393	—
Motor vehicle taxes	3,623,972	—	—	—	3,623,972	—
Other taxes	3,975,879	—	—	—	3,975,879	—
Intergovernmental	—	7,219,676	—	4,058,057	11,277,733	—
Other	10,264,498	—	6,831,413	791,284	17,887,195	4,398,012
Gross receivables	21,852,742	7,219,676	6,831,413	4,849,341	40,753,172	4,398,012
Less allowance for uncollectibles	3,521,459	2,569,515	3,382,056	—	9,473,030	43,980
Net total receivables	\$ 18,331,283	4,650,161	3,449,357	4,849,341	31,280,142	4,354,032

(b) Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent taxes receivable (General Fund)	\$ 10,834,172	—	10,834,172
Due from component units	7,495,000	—	7,495,000
Other	6,655,341	—	6,655,341
Total unavailable/unearned revenue for governmental funds	\$ 24,984,513	—	24,984,513

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

Individual fund receivable and payable balances at June 30, 2013, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General fund – payable to water fund – for bond premium transfer	\$ —	32,723
Capital fund – receivable from other governmental funds – for capital items	774,969	—
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	—	774,969
Balance at June 30, 2013	<u>\$ 807,692</u>	<u>807,692</u>

Receivable and payable balances between the primary government and CHA at June 30, 2013 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 7,495,000	—
Discretely presented component unit:		
CHA	—	7,495,000
Balance at June 30, 2013	<u>\$ 7,495,000</u>	<u>7,495,000</u>

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, 2013, the amount outstanding on hospital related debt is \$7,495,000.

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(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2013:

	<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, 2033	1/15/04 to 2/19/13	2.0% – 4.5%	\$ 219,942,123	39,315,000	18,272,255	240,984,868	19,447,252
Urban redevelopment, serial maturities through February 15, 2023	1/15/04 to 2/19/13	2.0% – 4.25%	17,950,500	4,540,000	4,785,000	17,705,500	4,480,000
Schools, serial maturities through February 1, 2018	2/1/08	3.0% – 3.25%	2,833,002	—	472,167	2,360,835	472,167
Sewer, serial maturities through February 15, 2023	1/15/04 to 2/19/13	2.0% – 5.0%	72,032,886	22,120,000	11,338,639	82,814,247	12,967,573
Hospital, serial maturities through February 1, 2018	3/15/07	4.0%	8,995,000	—	1,500,000	7,495,000	1,500,000
Sub-total general obligation bonds			<u>321,753,511</u>	<u>65,975,000</u>	<u>36,368,061</u>	<u>351,360,450</u>	<u>38,866,992</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	235,000	—	30,000	205,000	35,000
Note payable serial maturities through July 1, 2021	4/20/00 to 6/30/01	2.00%	5,265,622	—	562,320	4,703,302	573,671
Sub-total notes payable			<u>5,500,622</u>	<u>—</u>	<u>592,320</u>	<u>4,908,302</u>	<u>608,671</u>
Total governmental obligation bonds and notes payable			<u>\$ 327,254,133</u>	<u>65,975,000</u>	<u>36,960,381</u>	<u>356,268,752</u>	<u>39,475,663</u>
Add (deduct):							
Unamortized bond premium						12,482,960	
Current portion of long-term debt						(39,475,663)	
						<u>329,276,049</u>	
Other long-term obligations:							
Judgments and claims			\$ 11,856,000	39,098,118	37,159,118	13,795,000	6,486,000
Compensated absences			18,227,000	18,818,200	18,623,200	18,422,000	6,878,000
Landfill postclosure care costs			225,000	—	25,000	200,000	25,000
Other postemployment benefits			113,529,824	45,097,000	22,697,826	135,928,998	—
Pollution remediation			3,455,854	278,818	1,956,992	1,777,680	278,817
Total other governmental long-term obligations			<u>\$ 147,293,678</u>	<u>103,292,136</u>	<u>80,462,136</u>	<u>170,123,678</u>	<u>13,667,817</u>

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Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2013:

	<u>Date of issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General obligation bonds:							
General purpose, serial maturities through August 1, 2019	12/15/01 to 3/15/07	2.5% – 5.0%	\$ 18,360,000	—	2,840,000	15,520,000	2,840,000
Total business-type bonds payable			<u>\$ 18,360,000</u>	<u>—</u>	<u>2,840,000</u>	15,520,000	<u>2,840,000</u>
Add (deduct):							
Unamortized bond premium						565,378	
Current portion of long-term debt						<u>(2,840,000)</u>	
						<u>13,245,378</u>	
Other long-term obligations:							
Judgments and claims			\$ 765,000	5,827,584	4,958,584	1,634,000	376,000
Compensated absences			502,000	429,400	407,400	524,000	188,000
Total other long-term obligations			<u>\$ 1,267,000</u>	<u>6,256,984</u>	<u>5,365,984</u>	<u>2,158,000</u>	<u>564,000</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, 2013, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2014	\$ 38,866,992	608,671	11,174,222	98,329	50,041,214	707,000
2015	36,412,940	755,250	10,102,449	81,557	46,515,389	836,807
2016	32,812,228	597,063	9,013,641	65,434	41,825,869	662,497
2017	31,128,736	609,114	8,075,748	53,383	39,204,484	662,497
2018	29,000,246	621,408	7,175,454	41,088	36,175,700	662,496
2019 – 2023	108,129,308	1,716,796	23,921,125	49,862	132,050,433	1,766,658
2024 – 2028	56,120,000	—	9,199,245	—	65,319,245	—
2029 – 2033	18,890,000	—	1,485,376	—	20,375,376	—
	<u>\$ 351,360,450</u>	<u>4,908,302</u>	<u>80,147,260</u>	<u>389,653</u>	<u>431,507,710</u>	<u>5,297,955</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. At June 30, 2013, the principal and interest amount outstanding is \$4,703,302 and \$375,841, respectively.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$35.9 million and education expenditures of \$.5 million totaling \$36.4 million of principal costs.

In February 2013, the City issued \$65,260,000 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 2033.

In February 2013, the City borrowed \$715,000 from the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments through February 2018.

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 approximately \$87,000 in subsidies during 2013 and expects to receive subsidies totaling approximately \$591,000 through fiscal 2023. Loan payments commenced on February 1, 2005 and end on July 15, 2022, with interest rates ranging from 0% to 4.0%.

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

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Finance Oversight Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit, but are subject to other limitations.

As of June 30, 2013, the City may issue approximately \$844.4 million additional general obligation debt under the normal debt limit. The City has approximately \$20.4 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 2,840,000	708,000	3,548,000
2015	2,540,000	572,301	3,112,301
2016	2,420,000	446,501	2,866,501
2017	2,420,000	325,501	2,745,501
2018	2,420,000	204,501	2,624,501
2019 – 2020	2,880,000	95,002	2,975,002
	<u>\$ 15,520,000</u>	<u>2,351,806</u>	<u>17,871,806</u>

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

(9) Retirement Plan

(a) Plan Description

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

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

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

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

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(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, 2012, the date of the latest actuarial valuation:

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

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2013, 2012, and 2011, were

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Notes to Basic Financial Statements

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\$24,765,692, \$25,125,788 and \$22,096,592, respectively, and \$5,603,515, \$5,293,826, and \$5,017,845, 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, 2012 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 234,707,132	Active members' contribution balance
Annuity reserve fund	54,455,213	Retired members' contribution account
Military service credit fund	5,900	Members' contribution account while on military leave
Pension reserve fund	599,591,188	Amounts appropriated to fund future retirement benefits
Pension fund	<u>(11,090,862)</u>	Remaining net position
	<u>\$ 877,668,571</u>	

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

(f) Securities Lending

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

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

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2012. 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, 2012, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the

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amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2012 were \$404,659.

At December 31, 2012, the fair value of securities loaned by the System amounted to \$54,041,219 against which was held cash collateral of \$55,027,606.

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

(g) 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. The Commonwealth paid \$26.7 million on behalf of the City in fiscal year 2013.

(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, 2012, the most recent actuarial valuation, is as follows:

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

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

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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 2,356 retirees and 2,823 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.

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Notes to Basic Financial Statements

June 30, 2013

(b) Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2013, 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, 2012:

Annual Required Contribution (ARC)	\$ 44,937,000
Interest on net OPEB obligation	5,109,000
Adjustment to ARC	<u>(4,949,000)</u>
Annual OPEB cost	45,097,000
Contributions made	<u>(22,697,826)</u>
Change in net OPEB obligation	22,399,174
Net OPEB obligation – beginning of year	<u>113,529,824</u>
Net OPEB obligation – end of year	\$ <u><u>135,928,998</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>
2013	\$ 45,097,000	50.33%	\$ 135,928,998
2012	49,369,000	45.67	113,529,824
2011	46,624,000	47.73	86,709,262
2010	44,892,610	53.20	62,340,427

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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(c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of July 1, 2012, as of June 30, 2013 was as follows:

Actuarially accrued liability (AAL)	\$ 556,593,000
Actuarial value of plan assets	<u>3,329,783</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 553,263,217</u>
Funded ratio (actuarial value of plan assets/AAL)	0.6%
Covered payroll (active plan members)	\$ 170,516,684
UAAL as a percentage of covered payroll	324.5%

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

In January 2009, the Commonwealth adopted Chapter 479, which amends Chapter 32B and allows local municipalities to establish an OPEB liability trust fund and a funding schedule for the trust fund. On December 21, 2009, the City Council approved the establishment of an irrevocable OPEB trust fund and \$2 million was transferred to the fund. During fiscal year 2013, the City transferred an additional \$1 million to the trust fund. The City Council has approved \$2 million transfer to the trust fund in the fiscal year 2014 budget and has committed to that funding level for future years out.

(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, 2012 actuarial valuation, the projected unit credit cost method was used and the actuarial accrued liability is being amortized over a period of 26 years on a closed basis and is calculated assuming a level percentage of projected payroll.

As of July 1, 2012 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.

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Notes to Basic Financial Statements

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As of July 1, 2012, the healthcare cost trend rates begin with 9% and decrease 0.5% annually to an ultimate rate of 5.0%. The healthcare cost trend rates as of July 1, 2012 are based on current market conditions and updated normative trend data and studies.

As of July 1, 2012, 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, 2012, the inflation rate was 3%. This assumption should represent long-term increases in salary rates and healthcare costs.

As of July 1, 2012, 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, 2012, the percent of participants assumed to not be Medicare eligible at 65 was 7%.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(11) Transfers

Transfers and their purposes during the year ended June 30, 2013 were as follows:

	Governmental funds				
	General	Capital	Affordable Housing Trust fund	Other	Enterprise fund water
Capital – to fund capital expenditures	\$ (6,223,000)	6,223,000	—	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	19,203,155	2,275,000	—	(21,478,155)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	40,000	—	—	(40,000)	—
Capital – reimbursement of eligible CDBG program costs	—	(112,124)	—	112,124	—
Water – reimbursement of administrative costs	705,575	—	—	—	(705,575)
Affordable housing fund – from CPA Fund	—	—	7,720,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(7,720,000)	—
Total	\$ 13,725,730	8,385,876	7,720,000	(29,126,031)	(705,575)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(12) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2013 are as follows (in thousands):

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>
Fund balances:				
Nonspendable:				
Deposits	\$ 2,279,193	—	—	—
Nonexpendable permanent funds	—	—	—	2,136,928
Restricted:				
Property and Development	—	6,255,992	—	10,363,450
Streets and Sidewalks	—	8,698,902	—	—
Parks and Recreation	—	6,288,534	—	—
Sewer Projects	—	27,415,605	—	—
Library	—	376,423	—	—
Schools	—	29,363,941	—	—
General Government	—	5,002,866	—	—
Affordable Housing	—	—	600,000	—
Community Preservation	—	—	—	—
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	300,734
General Government	—	—	—	301,305
Human Services	—	115	—	1,715,439
School Grants Fund Federal/State	—	—	—	3,463,957
Expendable permanent funds	—	—	—	1,472,735
Committed:				
Parking Fund	—	—	—	15,853,757
Health Claims	18,013,277	—	—	—
Budget Stabilization	14,748,847	—	—	—
Affordable Housing	—	—	35,104,360	—
Subsequent year's expenditures	11,000,000	—	—	—
Unassigned	149,940,041	—	—	—
Total fund balances	\$ <u>195,981,358</u>	<u>83,402,378</u>	<u>35,704,360</u>	<u>35,608,305</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2013

(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.

The City has medical plans with Tufts, Harvard Pilgrim and Blue Cross/Blue Shield under which it makes actual claims payments. The medical plan providers act as claim processors and a transfer of risk does not occur. Approximately 90% of the City's employees participate in the self-insured plan with the remainder electing preferred provider plans that are premium based. The amount of settlements exceeded insurance coverage for premium based health insurance elections by \$0, \$0, and \$2.7 million for fiscal years ended June 30, 2013, 2012, and 2011, 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Judgments and accrued claims, beginning of year	\$ 12,621,000	25,493,000
Incurred claims	44,925,702	45,690,180
Less payments of claims attributable to events of both current and prior fiscal years	<u>(42,117,702)</u>	<u>(58,562,180)</u>
Judgments and accrued claims, end of year	<u>\$ 15,429,000</u>	<u>12,621,000</u>

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2013

(Unaudited)

Schedules of Funding Progress
(Dollars in thousands)

Pension

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
January 1, 2012	\$ 832,297	1,070,070	237,773	77.8%	\$ 217,086	109.5%
January 1, 2010	796,016	949,908	153,892	83.8	232,842	66.1
January 1, 2008	766,031	833,034	67,003	92.0	231,770	28.9
January 1, 2006	632,059	740,320	108,261	85.4	201,088	53.8
January 1, 2004	569,500	655,107	85,607	86.9	184,254	46.5
January 1, 2002	516,947	578,050	61,103	89.4	167,303	36.5
January 1, 2000	424,606	510,973	86,367	83.1	140,489	61.5

OPEB

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
July 1, 2012	\$ 3,330	556,593	553,263	0.6%	\$ 170,517	324.5%
July 1, 2011	2,177	613,189	611,012	0.4	166,594	366.8
July 1, 2010	2,099	588,268	586,169	0.4	162,473	360.8
January 1, 2009 (1)	1,986	624,815	622,829	0.3	156,520	397.9
January 1, 2009	—	598,995	598,995	—	152,151	393.7
December 31, 2006	—	602,697	602,697	—	155,456	387.7

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

Future cost of living increase assumed by the City.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2013

(Unaudited)

Schedule of Employers' Contributions – Pension

(Dollars in thousands)

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Year ended December 31:		
2012	\$ 31,963	100%
2011	32,213	100
2010	28,554	100
2009	27,728	100
2008	26,891	100
2007	28,067	100
2006	25,220	100
2005	24,577	100
2004	23,978	100

Schedule of Employers' Contributions – OPEB

(Dollars in thousands)

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Year ended June 30:		
2013	\$ 44,937	50.5 %
2012	49,096	45.9
2011	46,346	48.0
2010	44,704	53.4
2009	39,272	53.4
2008	37,486	45.7

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Revenues and Expenditures – Budgetary Basis

Required Supplementary Information

General Fund – Budget and Actual

Year ended June 30, 2013

(Unaudited)

(with comparative actual amounts for 2012)

	2013 Original budget	2013 Final budget	2013 Actual	Variance favorable (unfavorable)	2012 Actual
Revenues:					
Property taxes	\$ 316,947,770	316,947,770	316,947,770	—	299,090,638
Provisions for tax abatements and adj.	(4,447,770)	(4,447,770)	(4,447,770)	—	(4,390,639)
Payments in lieu of tax receipts	6,595,000	6,595,000	7,553,728	958,728	7,586,219
Hotel/motel/meals excise tax	14,146,387	14,146,387	15,909,648	1,763,261	14,954,425
Intergovernmental	32,286,119	32,286,119	31,035,786	(1,250,333)	31,954,472
Sewer use	38,840,895	38,840,895	40,019,569	1,178,674	40,579,119
Motor vehicle excise	6,287,108	6,287,108	6,833,482	546,374	6,238,835
Investment income	440,000	440,000	602,337	162,337	503,227
Other	20,043,225	20,117,453	43,429,852	23,312,399	37,651,056
Total revenues	431,138,734	431,212,962	457,884,402	26,671,440	434,167,352
Expenditures:					
Current:					
General government	48,604,110	46,807,865	35,066,184	11,741,681	38,147,800
Public safety	107,646,490	108,662,825	107,621,265	1,041,560	102,966,886
Community maintenance and development	39,692,106	41,390,142	40,880,958	509,184	38,064,537
Human resource development	32,666,392	33,043,472	32,763,418	280,054	31,850,273
Education	144,987,705	144,962,705	144,616,558	346,147	140,081,174
Judgments and claims	200,000	200,000	75,633	124,367	12,212,551
State and district assessments	49,327,783	49,328,255	46,660,306	2,667,949	46,146,725
Debt service:					
Principal	36,936,085	36,936,085	35,925,892	1,010,193	33,939,454
Interest	10,590,890	10,590,890	10,402,622	188,268	10,617,398
Total expenditures	470,651,561	471,922,239	454,012,836	17,909,403	454,026,798
Excess (deficiency) of revenues over expenditures	(39,512,827)	(40,709,277)	3,871,566	44,580,843	(19,859,446)
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	20,716,950	20,716,950	19,203,155	(1,513,795)	18,694,535
Capital projects funds	(2,023,000)	(2,196,550)	(6,223,000)	(4,026,450)	(3,876,506)
Trust funds	(850,430)	(850,430)	(850,430)	—	14,122,470
Enterprise fund	705,575	705,575	705,575	—	693,955
Total other financing sources (uses)	18,549,095	18,375,545	12,835,300	(5,540,245)	29,634,454
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(20,963,732)	(22,333,732)	16,706,866	39,040,598	9,775,008
Other budget items:					
Free cash appropriations	19,000,000	20,370,000			
Prior year deficits raised	(36,268)	(36,268)			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	20,963,732	22,333,732			
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, 2013

(Unaudited)

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

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

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

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

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

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2013:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis:	\$ 457,884,402	454,012,836	12,835,300
Adjustments:			
Revenues to modified accrual basis	6,336,128	—	—
Expenditures, encumbrances and accruals, net	—	(3,987,015)	—
Reclassification:			
Premium on debt issuance	—	—	4,890,992
Transfers not reported on a Budgetary/GAAP basis	—	—	890,430
As reported on a GAAP basis	<u>\$ 464,220,530</u>	<u>450,025,821</u>	<u>18,616,722</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2013

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, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 419,685	419,682	3
Other ordinary maintenance	111,130	104,061	7,069
Travel and training	29,500	24,807	4,693
Total Mayor	<u>560,315</u>	<u>548,550</u>	<u>11,765</u>
City Manager:			
Salaries and wages	1,551,105	1,551,102	3
Other ordinary maintenance	917,650	907,342	10,308
Travel and training	38,700	33,509	5,191
Total City Manager	<u>2,507,455</u>	<u>2,491,953</u>	<u>15,502</u>
City Council:			
Salaries and wages	1,544,480	1,544,471	9
Other ordinary maintenance	41,900	16,831	25,069
Travel and training	59,855	37,583	22,272
Total City Council	<u>1,646,235</u>	<u>1,598,885</u>	<u>47,350</u>
City Clerk:			
Salaries and wages	1,006,600	908,069	98,531
Other ordinary maintenance	56,110	54,382	1,728
Travel and training	4,420	437	3,983
Total City Clerk	<u>1,067,130</u>	<u>962,888</u>	<u>104,242</u>
Law:			
Salaries and wages	1,405,950	1,318,733	87,217
Other ordinary maintenance	443,300	258,578	184,722
Travel and training	12,245	9,704	2,541
Total law	<u>1,861,495</u>	<u>1,587,015</u>	<u>274,480</u>
Finance:			
Salaries and wages	9,208,710	9,151,088	57,622
Other ordinary maintenance	2,843,695	2,584,896	258,799
Travel and training	235,370	195,623	39,747
Extraordinary expenditures	62,800	59,925	2,875
Total finance	<u>12,350,575</u>	<u>11,991,532</u>	<u>359,043</u>
Employment benefits:			
Salaries and wages	22,912,930	12,436,693	10,476,237
Other ordinary maintenance	842,200	612,866	229,334
Travel and training	30,000	27,230	2,770
Total employment benefits	<u>23,785,130</u>	<u>13,076,789</u>	<u>10,708,341</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General services:			
Salaries and wages	\$ 225,220	218,313	6,907
Other ordinary maintenance	<u>501,255</u>	<u>395,576</u>	<u>105,679</u>
Total general services	<u>726,475</u>	<u>613,889</u>	<u>112,586</u>
Election commission:			
Salaries and wages	902,065	895,486	6,579
Other ordinary maintenance	271,040	207,558	63,482
Travel and training	<u>2,270</u>	<u>—</u>	<u>2,270</u>
Total election commission	<u>1,175,375</u>	<u>1,103,044</u>	<u>72,331</u>
Public celebrations:			
Salaries and wages	421,520	421,520	—
Other ordinary maintenance	377,400	365,718	11,682
Travel and training	<u>1,125</u>	<u>500</u>	<u>625</u>
Total public celebrations	<u>800,045</u>	<u>787,738</u>	<u>12,307</u>
Reserve:			
Other ordinary maintenance	<u>23,500</u>	<u>—</u>	<u>23,500</u>
Total reserve	<u>23,500</u>	<u>—</u>	<u>23,500</u>
Animal commission:			
Salaries and wages	290,680	290,679	1
Other ordinary maintenance	13,305	13,072	233
Travel and training	<u>150</u>	<u>150</u>	<u>—</u>
Total animal commission	<u>304,135</u>	<u>303,901</u>	<u>234</u>
Total general government	<u>46,807,865</u>	<u>35,066,184</u>	<u>11,741,681</u>
Public safety:			
Fire:			
Salaries and wages	38,514,410	38,507,144	7,266
Other ordinary maintenance	1,295,225	1,212,010	83,215
Travel and training	659,500	633,356	26,144
Extraordinary expenditures	<u>110,000</u>	<u>109,963</u>	<u>37</u>
Total fire	<u>40,579,135</u>	<u>40,462,473</u>	<u>116,662</u>
Police:			
Salaries and wages	43,112,705	43,112,604	101
Other ordinary maintenance	2,163,850	1,930,742	233,108
Travel and training	386,500	361,972	24,528
Extraordinary expenditures	<u>392,100</u>	<u>377,084</u>	<u>15,016</u>
Total police	<u>46,055,155</u>	<u>45,782,402</u>	<u>272,753</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Traffic and parking:			
Salaries and wages	\$ 7,131,395	6,901,460	229,935
Other ordinary maintenance	3,303,040	3,212,878	90,162
Travel and training	35,000	24,009	10,991
Extraordinary expenditures	82,000	57,747	24,253
Total traffic and parking	<u>10,551,435</u>	<u>10,196,094</u>	<u>355,341</u>
Police review and advisory board:			
Salaries and wages	69,590	69,588	2
Other ordinary maintenance	700	664	36
Travel and training	3,000	2,732	268
Total police review and advisory board	<u>73,290</u>	<u>72,984</u>	<u>306</u>
Inspectional services:			
Salaries and wages	2,924,250	2,924,245	5
Other ordinary maintenance	140,680	96,177	44,503
Travel and training	10,425	6,344	4,081
Extraordinary expenditures	40,000	20,441	19,559
Total inspectional services	<u>3,115,355</u>	<u>3,047,207</u>	<u>68,148</u>
License:			
Salaries and wages	923,980	824,820	99,160
Other ordinary maintenance	57,435	52,674	4,761
Travel and training	4,725	3,529	1,196
Total license	<u>986,140</u>	<u>881,023</u>	<u>105,117</u>
Weights and measures:			
Salaries and wages	125,555	125,551	4
Other ordinary maintenance	7,280	7,251	29
Travel and training	2,745	2,675	70
Extraordinary expenditures	30,000	30,000	—
Total weights and measures	<u>165,580</u>	<u>165,477</u>	<u>103</u>
Electrical:			
Salaries and wages	1,563,905	1,537,647	26,258
Other ordinary maintenance	1,276,460	1,200,788	75,672
Travel and training	1,670	1,332	338
Extraordinary expenditures	25,000	23,968	1,032
Total electrical	<u>2,867,035</u>	<u>2,763,735</u>	<u>103,300</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Emergency communications:			
Salaries and wages	\$ 4,101,640	4,101,637	3
Other ordinary maintenance	148,210	132,976	15,234
Travel and training	15,850	11,691	4,159
Extraordinary expenditures	4,000	3,566	434
Total emergency communications	<u>4,269,700</u>	<u>4,249,870</u>	<u>19,830</u>
Total public safety	<u>108,662,825</u>	<u>107,621,265</u>	<u>1,041,560</u>
Community maintenance and development:			
Public works:			
Salaries and wages	20,569,800	20,560,684	9,116
Other ordinary maintenance	12,281,625	11,858,477	423,148
Travel and training	354,030	344,648	9,382
Extraordinary expenditures	370,000	370,000	—
Total public works	<u>33,575,455</u>	<u>33,133,809</u>	<u>441,646</u>
Community development:			
Salaries and wages	5,142,276	5,141,899	377
Other ordinary maintenance	411,379	366,968	44,411
Travel and training	18,536	18,536	—
Extraordinary expenditures	—	—	—
Total community development	<u>5,572,191</u>	<u>5,527,403</u>	<u>44,788</u>
Historical commission:			
Salaries and wages	562,095	562,094	1
Other ordinary maintenance	34,380	33,460	920
Travel and training	800	798	2
Total historical commission	<u>597,275</u>	<u>596,352</u>	<u>923</u>
Conservation commission:			
Salaries and wages	100,385	100,383	2
Other ordinary maintenance	1,000	707	293
Travel and training	900	609	291
Total conservation commission	<u>102,285</u>	<u>101,699</u>	<u>586</u>
Peace commission:			
Salaries and wages	128,185	128,184	1
Other ordinary maintenance	10,325	7,729	2,596
Travel and training	1,850	591	1,259
Total peace commission	<u>140,360</u>	<u>136,504</u>	<u>3,856</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Cable television:			
Salaries and wages	\$ 511,610	511,610	—
Other ordinary maintenance	887,516	871,666	15,850
Travel and training	3,450	1,915	1,535
Total cable television	<u>1,402,576</u>	<u>1,385,191</u>	<u>17,385</u>
Total community maintenance and development	<u>41,390,142</u>	<u>40,880,958</u>	<u>509,184</u>
Human resource development:			
Library:			
Salaries and wages	6,566,450	6,566,352	98
Other ordinary maintenance	2,138,170	2,120,461	17,709
Travel and training	51,650	45,330	6,320
Total library	<u>8,756,270</u>	<u>8,732,143</u>	<u>24,127</u>
Human services:			
Salaries and wages	19,663,590	19,659,592	3,998
Other ordinary maintenance	3,099,187	2,931,879	167,308
Travel and training	72,100	52,951	19,149
Extraordinary expenditures	25,000	25,000	—
Total human services	<u>22,859,877</u>	<u>22,669,422</u>	<u>190,455</u>
Women's commission:			
Salaries and wages	215,440	215,438	2
Other ordinary maintenance	9,535	5,597	3,938
Travel and training	1,025	917	108
Total women's commission	<u>226,000</u>	<u>221,952</u>	<u>4,048</u>
Human rights commission:			
Salaries and wages	215,960	180,061	35,899
Other ordinary maintenance	3,000	2,032	968
Travel and training	1,200	469	731
Total human rights commission	<u>220,160</u>	<u>182,562</u>	<u>37,598</u>
Veterans benefits:			
Salaries and wages	247,765	232,614	15,151
Other ordinary maintenance	54,900	51,093	3,807
Travel and training	678,500	673,632	4,868
Total veterans benefits	<u>981,165</u>	<u>957,339</u>	<u>23,826</u>
Total human resource development	<u>33,043,472</u>	<u>32,763,418</u>	<u>280,054</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Education:			
Salaries and wages	\$ 117,737,590	117,469,891	267,699
Other ordinary maintenance	24,877,837	24,856,343	21,494
Travel and training	1,068,565	1,011,611	56,954
Extraordinary expenditures	669,145	669,145	—
Debt:			
Principal payments	472,167	472,167	—
Interest payments	137,401	137,401	—
Total education	<u>144,962,705</u>	<u>144,616,558</u>	<u>346,147</u>
Judgments and claims	200,000	75,633	124,367
Debt retirement:			
Principal payments	36,936,085	35,925,892	1,010,193
Interest payments	10,590,890	10,402,622	188,268
Total debt retirement	<u>47,526,975</u>	<u>46,328,514</u>	<u>1,198,461</u>
State and district assessments:			
MBTA assessment	8,891,750	8,891,744	6
MWRA assessment	21,006,055	20,768,232	237,823
Other State assessments	12,930,450	10,500,330	2,430,120
Cambridge Health Alliance	6,500,000	6,500,000	—
Total state and district assessments	<u>49,328,255</u>	<u>46,660,306</u>	<u>2,667,949</u>
Total general fund expenditures	<u>\$ 471,922,239</u>	<u>454,012,836</u>	<u>17,909,403</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Other Governmental Funds

June 30, 2013

Other Governmental Funds

Community Development Block Grant

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

School Grants

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

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2013

Assets	Special revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Cash and short-term investments	\$ 574,703	691,629	15,322,684	10,501,539	2,569,135	3,609,663	33,269,353
Accounts receivable	205,000	—	531,073	55,299	(88)	—	791,284
Due from other governments	70,024	3,644,274	—	—	343,759	—	4,058,057
Total assets	\$ 849,727	4,335,903	15,853,757	10,556,838	2,912,806	3,609,663	38,118,694
Liabilities and Fund Balances							
Warrants payable	\$ 50,368	821,128	—	105,972	556,376	—	1,533,844
Accrued liabilities	24,390	50,818	—	32,117	38,952	—	146,277
Deferred revenue	—	—	—	55,299	—	—	55,299
Due to other funds	774,969	—	—	—	—	—	774,969
Total liabilities	849,727	871,946	—	193,388	595,328	—	2,510,389
Fund balances:							
Nonspendable	—	—	—	—	—	2,136,928	2,136,928
Restricted	—	3,463,957	—	10,363,450	2,317,478	1,472,735	17,617,620
Committed	—	—	15,853,757	—	—	—	15,853,757
Total fund balances	—	3,463,957	15,853,757	10,363,450	2,317,478	3,609,663	35,608,305
Total liabilities and fund balances	\$ 849,727	4,335,903	15,853,757	10,556,838	2,912,806	3,609,663	38,118,694

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –

Other Governmental Funds

Year ended June 30, 2013

	Special revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Revenues:							
Intergovernmental	\$ 1,292,349	11,965,780	—	2,110,506	7,799,478	—	23,168,113
Investment income	—	—	51,911	27,166	1,946	9,698	90,721
Other:							
Permits	—	—	709,995	—	—	—	709,995
Fines	—	—	10,354,937	—	—	—	10,354,937
Charges for services	—	—	10,323,154	—	—	—	10,323,154
Miscellaneous	—	1,549,846	99,704	8,205,917	750,074	230,275	10,835,816
Total revenues	<u>1,292,349</u>	<u>13,515,626</u>	<u>21,539,701</u>	<u>10,343,589</u>	<u>8,551,498</u>	<u>239,973</u>	<u>55,482,736</u>
Expenditures:							
General government	—	—	—	4,619	45,542	123,493	173,654
Public safety	—	—	—	—	1,289,000	—	1,289,000
Community maintenance and development	913,209	—	—	2,515,150	159,443	—	3,587,802
Human services	491,264	—	—	—	7,249,575	—	7,740,839
Education	—	14,273,132	—	—	—	—	14,273,132
Total expenditures	<u>1,404,473</u>	<u>14,273,132</u>	<u>—</u>	<u>2,519,769</u>	<u>8,743,560</u>	<u>123,493</u>	<u>27,064,427</u>
Excess (deficiency) of revenues over expenditures	(112,124)	(757,506)	21,539,701	7,823,820	(192,062)	116,480	28,418,309
Other financing sources (uses):							
Transfers from other funds	112,124	—	—	—	—	—	112,124
Transfers to other funds	—	—	(21,478,155)	(7,720,000)	—	(40,000)	(29,238,155)
Excess of revenues over expenditures and transfers	—	(757,506)	61,546	103,820	(192,062)	76,480	(707,722)
Fund balances at beginning of year	—	4,221,463	15,792,211	10,259,630	2,509,540	3,533,183	36,316,027
Fund balances at end of year	\$ <u>—</u>	<u>3,463,957</u>	<u>15,853,757</u>	<u>10,363,450</u>	<u>2,317,478</u>	<u>3,609,663</u>	<u>35,608,305</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2013

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, 2013

Assets	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	497,286	150,031	418,198	229,119
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	181,154	4,769,511	4,810,200	140,465
Cambridge Fire Detail	70,801	919,623	904,188	86,236
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Dog Officer	—	—	—	—
Constable Fees	211,665	166,466	161,479	216,652
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	3,265	10,366	—	13,631
Accident and life Insurance	809,581	411,873	242,534	978,920
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	775,336	561,399	620,589	716,146
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	753,455	838,204	666,066	925,593
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	84,514	9,955	6,957	87,512
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	359,760	139,525	25,125	474,160
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	299,267	—	—	299,267
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	243	—	15	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	3,098	—	—	3,098
Firearms Recordkeeping Fund	11,771	12,150	9,263	14,658
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	150	—	25,901
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(151,962)	97,019	11,261	(66,204)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>4,945,025</u>	<u>8,086,272</u>	<u>7,875,875</u>	<u>5,155,422</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2013

<u>Liabilities</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2013</u>
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	497,286	150,031	418,198	229,119
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	181,154	4,769,511	4,810,200	140,465
Cambridge Fire Detail	70,801	919,623	904,188	86,236
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Dog Officer	—	—	—	—
Constable Fees	211,665	166,466	161,479	216,652
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	3,265	10,366	—	13,631
Accident and life Insurance	809,581	411,873	242,534	978,920
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	775,336	561,399	620,589	716,146
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	753,455	838,204	666,066	925,593
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	84,514	9,955	6,957	87,512
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	359,760	139,525	25,125	474,160
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	299,267	—	—	299,267
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	243	—	15	228
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	3,098	—	—	3,098
Firearms Recordkeeping Cash	11,771	12,150	9,263	14,658
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	150	—	25,901
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(151,962)	97,019	11,261	(66,204)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>4,945,025</u>	<u>8,086,272</u>	<u>7,875,875</u>	<u>5,155,422</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2013

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, 2013.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2013

	Uncollected June 30, 2012	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2013
Real estate taxes:								
2006	\$ —	—	—	—	—	(2,993)	2,993	—
2007	—	—	—	—	1,341	(1,341)	—	—
2008	6,050	—	—	—	—	(6,050)	—	—
2009	10,756	—	(17,970)	(387)	19,741	(10,693)	—	1,447
2010	13,475	—	(328,142)	(514)	373,161	(57,981)	1	—
2011	47,618	—	(276,620)	(20,227)	320,866	(64,507)	1,397	8,527
2012	2,762,693	—	(407,002)	(883,264)	750,020	(2,204,290)	(4,631)	13,526
2013	—	294,640,038	(1,133,186)	—	347,194	(291,575,142)	119,071	2,397,975
Total real estate	\$ <u>2,840,592</u>	<u>294,640,038</u>	<u>(2,162,920)</u>	<u>(904,392)</u>	<u>1,812,323</u>	<u>(293,922,997)</u>	<u>118,831</u>	<u>2,421,475</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, 2013

	Uncollected June 30, 2012	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2013
Personal property taxes:								
1998	\$ 25	—	—	—	—	—	—	25
2002	38	—	—	—	—	—	—	38
2003	24,266	—	—	—	—	(121)	1	24,146
2004	15,780	—	—	—	—	(157)	—	15,623
2005	44,421	—	—	—	—	(179)	—	44,242
2006	113,467	—	(25,628)	—	—	(223)	(4)	87,612
2007	84,926	—	(21,362)	—	—	(146)	(9)	63,409
2008	98,008	—	(14,239)	—	—	(177)	(7)	83,585
2009	208,125	—	(18,351)	—	—	(43,966)	(51,544)	94,264
2010	136,668	—	(14,612)	—	—	(156)	(15)	121,885
2011	155,085	—	(10,485)	—	63	(2,965)	(137)	141,561
2012	538,110	—	(21)	—	23,855	(218,549)	(2,660)	340,735
2013	—	23,010,316	(44,684)	—	2,253	(22,350,243)	(175,324)	442,318
Total personal property	1,418,919	23,010,316	(149,382)	—	26,171	(22,616,882)	(229,699)	1,459,443
Other	91,692	—	—	—	—	—	15,783	107,475
Property taxes	\$ 4,351,203	317,650,354	(2,312,302)	(904,392)	1,838,494	(316,539,879)	(95,085)	3,988,393

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, 2013

	Uncollected June 30, 2012	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2013
Motor vehicle excise taxes:								
1986	\$ 2,650	—	—	—	—	—	(2)	2,648
1987	57,473	—	(116)	—	—	—	—	57,357
1988	71,890	—	—	—	—	(34)	—	71,856
1989	76,429	—	—	—	—	(43)	—	76,386
1990	68,081	—	—	—	—	(25)	—	68,056
1991	51,290	—	—	—	—	(65)	—	51,225
1992	51,714	—	—	—	—	(33)	—	51,681
1993	48,911	—	—	—	—	(60)	—	48,851
1994	51,697	—	—	—	—	(49)	—	51,648
1995	56,126	—	—	—	—	(70)	—	56,056
1996	55,518	—	—	—	10	(173)	(9)	55,346
1997	47,740	—	(15)	—	15	(152)	—	47,588
1998	62,863	—	—	—	—	(188)	—	62,675
1999	109,831	—	(23)	—	—	(264)	1	109,545
2000	170,970	—	—	—	—	(282)	(25)	170,663
2001	213,399	—	—	—	—	(680)	(50)	212,669
2002	195,270	—	—	—	—	(871)	1	194,400
2003	174,161	—	(425)	—	—	(1,012)	(16)	172,708
2004	146,358	—	(497)	—	168	(2,176)	1	143,854
2005	120,829	—	(313)	—	—	(1,986)	(49)	118,481
2006	110,507	—	(130)	—	260	(3,140)	99	107,596
2007	151,611	—	(596)	—	340	(8,284)	(4)	143,067
2008	136,321	—	(1,500)	—	300	(7,073)	1	128,049
2009	121,496	—	(478)	—	208	(8,003)	(3)	113,220
2010	163,826	—	(2,434)	—	2,956	(26,912)	(16)	137,420
2011	305,234	3,800	(11,372)	—	12,079	(154,582)	229	155,388
2012	568,401	711,790	(80,902)	—	74,234	(1,054,912)	159	218,770
2013	—	6,276,926	(114,429)	—	39,528	(5,405,403)	147	796,769
Total motor vehicle	\$ 3,390,596	6,992,516	(213,230)	—	130,098	(6,676,472)	464	3,623,972

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, 2013

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2012	Additions	Retired	Balance June 30, 2013
Inside debt limit:							
Hospital Series B 2007 Bonds	3.65%	3/15/2007	2/1/2018	\$ 8,995,000	—	1,500,000	7,495,000
Sewer Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	1,330,000	—	1,330,000	—
Fire Station Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	485,000	—	485,000	—
Building Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	95,000	—	95,000	—
City Hall Annex Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	195,000	—	195,000	—
Street Reconstruction	2.25% – 4.00%	1/15/2003	1/1/2013	600,000	—	600,000	—
Golf Course Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	85,000	—	85,000	—
Open Space Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	25,000	—	25,000	—
Harvard Square Enhancements	2.25% – 4.00%	1/15/2003	1/1/2013	50,000	—	50,000	—
Fiber Optic Network Infrastructure	2.5% – 3.3%	1/15/2004	1/1/2014	70,000	—	35,000	35,000
Fire Station Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	35,000	—	20,000	15,000
War Memorial Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	240,000	—	120,000	120,000
Building Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	100,000	—	50,000	50,000
Library Construction	2.5% – 4.25%	1/15/2004	1/1/2024	870,000	—	435,000	435,000
Russell Donnelly Field Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	1,820,000	—	910,000	910,000
Yerxa Road Underpass	2.5% – 3.3%	1/15/2004	1/1/2014	250,000	—	125,000	125,000
Cambridge Street Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	300,000	—	150,000	150,000
Sewer Reconstruction	2.5% – 3.3%	1/15/2004	1/1/2014	1,880,000	—	940,000	940,000
Harvard Square Enhancements	3% – 4%	2/1/2005	1/1/2015	600,000	—	200,000	400,000
Gold Star Pool Improvements	3% – 4%	2/1/2005	1/1/2015	330,000	—	110,000	220,000
Library Construction	3% – 4%	2/1/2005	1/1/2025	2,800,000	—	700,000	2,100,000
Area 4 Park Improvements	3% – 4%	2/1/2005	1/1/2015	600,000	—	200,000	400,000
Russell Field Improvements	3% – 4%	2/1/2005	1/1/2015	1,015,500	—	345,000	670,500
Cambridge Street Improvements	3% – 4%	2/1/2005	1/1/2015	705,000	—	235,000	470,000
Porter Square Enhancements	3% – 4%	2/1/2005	1/1/2015	690,000	—	230,000	460,000
Yerxa Road Underpass	3% – 4%	2/1/2005	1/1/2015	660,000	—	220,000	440,000
MWPAT Loan	N/A	11/23/2004	8/1/2014	816,746	—	263,588	553,158
MWPAT Loan	N/A	11/23/2004	8/1/2014	625,467	—	202,666	422,801
MWPAT Loan	N/A	11/23/2004	8/1/2014	42,939	—	13,906	29,033
Sewer Reconstruction	3% – 4%	2/1/2005	1/1/2015	4,654,505	—	1,550,000	3,104,500
Police Station Acquisition/Renovations	3.50% – 4.25%	2/1/2006	1/1/2026	14,000,000	—	1,750,000	12,250,000
Library Construction	3.50% – 4.25%	2/1/2006	1/1/2026	6,400,000	—	800,000	5,600,000
West Cambridge Youth Center	3.50% – 4.25%	2/1/2006	1/1/2016	1,200,000	—	300,000	900,000
Building Renovations	3.50% – 4.25%	2/1/2006	1/1/2016	400,000	—	100,000	300,000
Yerxa Road Underpass	3.50% – 4.25%	2/1/2006	1/1/2016	400,000	—	100,000	300,000
Open Space Improvements	3.50% – 4.25%	2/1/2006	1/1/2016	200,000	—	50,000	150,000
Porter Square Enhancements	3.50% – 4.25%	2/1/2006	1/1/2016	320,000	—	80,000	240,000
Sewer Reconstruction	3.50% – 4.25%	2/1/2006	1/1/2016	4,080,000	—	1,020,000	3,060,000
Building Renovations	4.0%	2/15/2007	2/1/2017	325,000	—	65,000	260,000
Police Station Acquisition/Renovations	4.0%	2/15/2007	2/1/2027	12,750,000	—	850,000	11,900,000
West Cambridge Youth Center	4.0%	2/15/2007	2/1/2017	4,000,000	—	800,000	3,200,000
Area 4 Park Improvements	4.0%	2/15/2007	2/1/2017	250,000	—	50,000	200,000
Yerxa Road Underpass	4.0%	2/15/2007	2/1/2017	550,000	—	110,000	440,000
Harvard Square Enhancements	4.0%	2/15/2007	2/1/2017	750,000	—	150,000	600,000
Sewer Reconstruction	4.0%	2/15/2007	2/1/2017	1,700,000	—	340,000	1,360,000
CRLS Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	4,000,000	—	250,000	3,750,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	7,335,580	—	1,222,598	6,112,982
Police Station Acquisition/Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	6,470,000	—	400,000	6,070,000
West Cambridge Youth Center	3.0% – 3.25%	2/1/2008	2/1/2018	3,530,000	—	590,000	2,940,000
Library Construction	3.0% – 4.0%	2/1/2008	2/1/2028	21,695,000	—	1,360,000	20,335,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	2,833,002	—	472,167	2,360,835
Harvard Square Enhancements	3.0% – 3.25%	2/1/2008	2/1/2018	360,000	—	60,000	300,000
Sewer Reconstruction	3.0% – 3.25%	2/1/2008	2/1/2018	3,731,418	—	625,235	3,106,183
MWRA Loan	—	8/23/2007	8/15/2012	343,244	—	343,244	—
Fire Station Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	700,000	—	100,000	600,000
Library Construction	2.0% – 4.375%	3/15/2009	3/15/2029	8,985,000	—	530,000	8,455,000
Building Renovations	2.0% – 4.0%	3/15/2009	3/15/2019	350,000	—	50,000	300,000
CRLS Renovations	2.0% – 4.375%	3/15/2009	3/15/2029	25,500,000	—	1,500,000	24,000,000
Replacement of Radio System	2.0% – 4.0%	3/15/2009	3/15/2019	350,000	—	50,000	300,000
Sewer Reconstruction	2.0% – 4.0%	3/15/2009	3/15/2019	3,360,000	—	480,000	2,880,000
War Memorial Renovations (MSBA)	2.0%	6/25/2009	11/1/2019	1,680,000	—	210,000	1,470,000
CRLS Renovations	2.0% – 3.0%	2/15/2010	2/15/2030	22,500,000	—	1,250,000	21,250,000
Sewer Reconstruction	2.0% – 3.5%	2/15/2010	2/15/2020	5,535,000	—	695,000	4,840,000
Yerxa Road Underpass Construction	2.0% – 3.75%	2/15/2010	2/15/2020	240,000	—	30,000	210,000
War Memorial Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	155,000	—	20,000	135,000
Building Renovations	2.0% – 4.0%	2/15/2011	2/15/2021	1,350,000	—	150,000	1,200,000
Replacement of Radio System	2.0% – 4.0%	2/15/2011	2/15/2021	5,580,000	—	620,000	4,960,000
Old Police Station Renovation	2.0% – 4.5%	2/15/2011	2/15/2031	3,800,000	—	200,000	3,600,000
CRLS Renovations	2.0% – 4.5%	2/15/2011	2/15/2031	15,335,000	—	810,000	14,525,000
Harvard Square Enhancements	2.0% – 4.0%	2/15/2011	2/15/2021	1,850,000	—	150,000	1,700,000
Danehy Park Improvements	2.0% – 4.0%	2/15/2011	2/15/2021	630,000	—	70,000	560,000
Kendall Square Improvements	2.0%	2/15/2011	2/15/2016	400,000	—	100,000	300,000
Sewer Reconstruction	2.0% – 4.0%	2/15/2011	2/15/2021	13,500,000	—	1,500,000	12,000,000
CRLS Renovations (MSBA)	2.0%	7/12/2011	11/1/2021	5,946,543	—	594,657	5,351,886
Building Renovations	2.0%	2/15/2012	2/15/2022	2,000,000	—	200,000	1,800,000
Old Police Station Renovation	2.0% – 3.0%	2/15/2012	2/15/2032	10,535,000	—	530,000	10,005,000
Elementary School Renovations (Design)	2.0%	2/15/2012	2/15/2022	3,000,000	—	600,000	2,400,000
Refinancing Bonds (2004,2005,2006)	1.9%	3/22/2012	1/1/2024	24,850,000	—	125,000	24,725,000
Street / Sidewalk Reconstruction	2.0%	2/15/2012	2/15/2022	1,000,000	—	100,000	900,000
Open Space Improvements	2.0%	2/15/2012	2/15/2022	1,300,000	—	130,000	1,170,000
Kendall Square Improvements	2.0%	2/15/2012	2/15/2022				

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2013

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
Harvard Square Tunnel Improvements	2.0%	2/15/2012	2/15/2022	\$ 2,000,000	—	200,000	1,800,000
Sewer Reconstruction	2.0%	2/15/2012	2/15/2022	20,350,000	—	2,035,000	18,315,000
MWPAT Loan (Gross Pay) CW-10-04)	—	6/13/2012	7/15/2022	10,083,572	—	—	10,083,572
King School Renovations	2.0% – 3.0%	2/19/2013	2/15/2033	—	33,000,000	—	33,000,000
Old Police Station Renovations	2.0% – 3.0%	2/19/2013	2/15/2033	—	4,070,000	—	4,070,000
Acquisitions of Fire Vehicles	2.0% – 3.0%	2/19/2013	2/15/2033	—	1,245,000	—	1,245,000
City Hall Roof Replacement	2.0% – 3.0%	2/19/2013	2/15/2033	—	1,000,000	—	1,000,000
Street / Sidewalk Reconstruction	2.0% – 3.0%	2/19/2013	2/15/2023	—	1,000,000	—	1,000,000
Harvard Square Tunnel Improvements	2.0% – 3.0%	2/19/2013	2/15/2023	—	1,500,000	—	1,500,000
Danehy Park Improvements	2.0% – 3.0%	2/19/2013	2/15/2023	—	1,540,000	—	1,540,000
Kendall Square Improvements	2.0% – 3.0%	2/19/2013	2/15/2023	—	500,000	—	500,000
Sewer Reconstruction	2.0% – 3.0%	2/19/2013	2/15/2023	—	21,405,000	—	21,405,000
MWRA Loan	—	2/25/2013	2/25/2018	—	715,000	—	715,000
Total inside debt limit				<u>321,753,511</u>	<u>65,975,000</u>	<u>36,368,061</u>	<u>351,360,450</u>
Outside debt limit:							
Water:							
Automated Meter Reading System	2.5% – 3.3%	1/15/2004	1/1/2014	600,000	—	300,000	300,000
Automated Meter Reading System	3% – 4%	2/1/2005	1/1/2015	360,000	—	120,000	240,000
Water Series C 2007 Bonds	4% – 5.0%	3/15/2007	8/1/2019	17,400,000	—	2,420,000	14,980,000
Total water				<u>18,360,000</u>	<u>—</u>	<u>2,840,000</u>	<u>15,520,000</u>
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	235,000	—	30,000	205,000
Housing Trust Fund:							
Note payable	2.00%	6/30/2007	7/1/2021	5,265,622	—	562,320	4,703,302
Total outside debt limit				<u>23,860,622</u>	<u>—</u>	<u>3,432,320</u>	<u>20,428,302</u>
Total debt outstanding				<u>\$ 345,614,133</u>	<u>65,975,000</u>	<u>39,800,381</u>	<u>371,788,752</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

June 30, 2013

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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General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years	
General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years	
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Fund Balances of Governmental Funds – Last Ten Fiscal Years	
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<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		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	\$	34,894	35,852	35,892	40,101	31,765	32,572	34,284	30,533	27,402	23,987
Percentage of total		7.8%	8.1%	8.2%	9.6%	8.0%	8.6%	9.4%	8.7%	8.5%	7.6%
Percentage change		(2.7)	(0.1)	(10.5)	26.2	(2.5)	(5.0)	12.3	11.4	14.2	15.2
Public safety	\$	106,985	103,389	100,414	95,717	95,817	89,514	85,160	82,619	77,756	74,324
Percentage of total		23.8%	23.4%	23.0%	22.9%	24.0%	23.7%	23.3%	23.6%	24.0%	23.6%
Percentage change		3.5	3.0	4.9	0.1	7.0	5.1	3.1	6.3	4.6	2.0
Community maintenance and development	\$	39,175	36,683	36,459	34,127	35,040	33,331	30,527	31,404	28,551	27,019
Percentage of total		8.7%	8.3%	8.4%	8.2%	8.8%	8.8%	8.4%	9.0%	8.8%	8.6%
Percentage change		6.8	0.6	6.8	2.6	5.1	9.2	(2.8)	10.0	5.7	0.2
Human resource	\$	32,143	30,919	29,586	28,133	25,464	23,944	22,426	20,835	20,668	19,127
Percentage of total		7.1%	7.0%	6.8%	6.7%	6.4%	6.3%	6.1%	5.9%	6.4%	6.1%
Percentage change		4.0	4.5	5.2	10.5	6.3	6.8	7.6	0.8	8.1	0.4
Education	\$	143,788	139,276	134,078	132,652	129,031	124,531	121,868	120,688	111,213	114,519
Percentage of total		32.0%	31.6%	30.8%	31.8%	32.4%	33.0%	33.4%	34.4%	34.3%	36.4%
Percentage change		3.2	3.9	1.1	2.8	3.6	2.2	1.0	8.5	(2.9)	(2.7)
Judgments and claims	\$	76	4,113	9,029	925	171	115	213	346	225	533
Percentage of total		—%	0.9%	2.1%	0.2%	—%	—%	0.1%	0.1%	0.1%	0.2%
Percentage change		(98.2)	(54.4)		440.9	48.7	(46.0)	(38.4)	53.8	(57.8)	241.7
State assessments	\$	46,660	46,147	44,892	42,448	41,020	39,567	37,294	35,890	33,888	33,618
Percentage of total		10.4%	10.5%	10.3%	10.2%	10.3%	10.5%	10.2%	10.2%	10.5%	10.7%
Percentage change		1.1	2.8	5.8	3.5	3.7	6.1	3.9	5.9	0.8	13.2
Debt service	\$	46,305	44,562	45,248	43,215	40,169	34,124	32,942	28,184	24,076	21,427
Percentage of total		10.3%	10.1%	10.3%	10.4%	10.1%	9.0%	9.0%	8.0%	7.4%	6.8%
Percentage change		3.9	(1.5)	4.7	7.6	17.7	3.6	16.9	17.1	12.4	12.4
Total expenditures	\$	450,026	440,941	435,598	417,318	398,477	377,698	364,714	350,499	323,779	314,554
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		2.1	1.2	4.4	4.7	5.5	3.6	4.1	8.3	2.9	2.7

(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)

<u>Source</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Property taxes	\$ 315,777	297,724	281,812	266,862	251,256	238,747	231,875	222,987	220,910	206,354
Percentage of total	68.0%	67.1%	67.6%	68.4%	66.9%	62.2%	61.8%	62.8%	65.3%	65.3%
Percentage change	6.1	5.6	5.6	6.2	5.2	3.0	4.0	0.9	7.1	3.8
Motor vehicle excises	\$ 6,833	6,239	6,453	6,182	6,140	6,650	5,942	6,146	6,452	6,087
Percentage of total	1.5%	1.4%	1.5%	1.6%	1.6%	1.7%	1.6%	1.7%	1.9%	1.9%
Percentage change	9.5	(3.3)	4.4	0.7	(7.7)	11.9	(3.3)	(4.7)	6.0	0.9
Hotel/motel/meals	\$ 15,910	14,954	13,573	9,362	6,803	6,863	6,751	5,801	5,461	4,287
Percentage of total	3.4%	3.4%	3.3%	2.4%	1.8%	1.8%	1.8%	1.6%	1.6%	1.4%
Percentage change	6.4	10.2	45.0	38.0	(0.9)	1.7	16.4	6.2	27.4	(2.6)
Fines	\$ 608	599	637	633	629	767	726	922	352	539
Percentage of total	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%
Percentage change	1.5	(6.0)	0.6	0.6	(18.0)	5.6	(21.3)	161.9	(34.7)	439.0
Intergovernmental	\$ 31,036	31,954	31,796	32,139	37,235	47,575	44,658	44,143	43,802	42,601
Percentage of total	6.7%	7.2%	7.6%	8.2%	9.9%	12.4%	11.9%	12.4%	13.0%	13.5%
Percentage change	(2.9)	0.5	(1.1)	(13.7)	(21.7)	6.5	1.2	0.8	2.8	(0.2)
Licenses and permits	\$ 25,213	20,832	14,273	10,305	8,053	12,390	11,701	12,508	8,976	7,790
Percentage of total	5.4%	4.7%	3.4%	2.6%	2.1%	3.2%	3.1%	3.5%	2.7%	2.5%
Percentage change	21.0	46.0	38.5	28.0	(35.0)	5.9	(6.5)	39.3	15.2	(37.1)
Payment in lieu of taxes	\$ 7,554	7,586	7,345	7,106	7,012	7,319	6,939	6,579	6,839	6,329
Percentage of total	1.6%	1.7%	1.8%	1.8%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%
Percentage change	(0.4)	3.3	3.4	1.3	(4.2)	5.5	5.5	(3.8)	8.1	36.3
Investment income	\$ 616	864	1,064	1,274	4,257	9,295	11,119	7,410	2,888	1,181
Percentage of total	0.1%	0.2%	0.3%	0.3%	1.1%	2.4%	3.0%	2.1%	0.9%	0.4%
Percentage change	(28.7)	(18.8)	(16.5)	(70.1)	(54.2)	(16.4)	50.1	156.6	144.5	(21.9)
Charges for services	\$ 40,020	40,579	40,347	36,825	36,058	36,874	38,761	33,835	28,661	26,546
Percentage of total	8.6%	9.2%	9.7%	9.4%	9.6%	9.6%	10.3%	9.5%	8.5%	8.4%
Percentage change	(1.4)	0.6	9.6	2.1	(2.2)	(4.9)	14.6	18.1	8.0	(1.9)
Departmental/other	\$ 20,654	22,126	19,652	19,132	18,205	17,564	16,650	14,491	13,841	14,054
Percentage of total	4.4%	5.0%	4.7%	4.9%	4.8%	4.6%	4.4%	4.1%	4.1%	4.5%
Percentage change	(6.7)	12.6	2.7	5.1	3.6	5.5	14.9	4.7	(1.5)	25.1
Total revenues	\$ 464,221	443,457	416,951	389,820	375,648	384,044	375,122	354,822	338,182	315,768
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	4.7	6.4	7.0	3.8	(2.2)	2.4	5.7	4.9	7.1	2.2

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Net Position by Component

Last Ten Years

(Accrual Basis of Accounting)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 300,322,357	315,270,305	336,878,930	357,453,373	381,832,841	415,315,555	454,771,570	497,650,641	524,201,859	553,655,888
Restricted	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412
Unrestricted	133,510,964	185,379,626	216,871,591	231,012,594	224,490,592	177,054,725	165,339,378	115,221,403	100,571,712	121,839,635
Total governmental activities net position	439,233,887	504,340,865	557,813,481	593,835,921	616,313,815	604,016,590	630,278,097	626,503,989	639,230,724	690,123,935
Business-type activities:										
Net investment in capital assets	76,300,119	79,061,585	86,100,235	90,562,284	94,430,046	99,633,725	105,516,517	109,176,777	112,708,862	114,837,208
Unrestricted	6,664,156	7,203,272	5,379,501	5,966,312	6,772,116	5,654,829	4,907,314	6,276,508	7,765,682	8,594,828
Total business-type activities net position	82,964,275	86,264,857	91,479,736	96,528,596	101,202,162	105,288,554	110,423,831	115,453,285	120,474,544	123,432,036
Primary government:										
Net investment in capital assets	376,622,476	394,331,890	422,979,165	448,015,657	476,262,887	514,949,280	560,288,087	606,827,418	636,910,721	668,493,096
Restricted	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412
Unrestricted	140,175,120	192,582,898	222,251,092	236,978,906	231,262,708	182,709,554	170,246,692	121,497,911	108,337,394	130,434,463
Total primary government net position	\$ 522,198,162	590,605,722	649,293,217	690,364,517	717,515,977	709,305,144	740,701,928	741,957,274	759,705,268	813,555,971

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 26,141,840	27,614,108	31,690,819	36,373,427	35,225,912	39,085,426	44,027,730	46,676,807	39,836,031	37,777,409
Public safety	72,576,467	81,863,575	84,796,098	88,299,052	100,538,293	106,362,564	119,538,796	122,033,751	124,013,170	127,768,163
Community maintenance and development	43,642,108	41,674,280	55,766,148	56,672,106	61,727,373	70,461,598	73,990,003	90,907,773	103,733,414	88,401,456
Human resource development	30,760,075	32,883,356	33,453,013	33,728,004	37,432,501	40,393,841	43,737,742	45,752,191	46,689,220	47,732,541
Education	125,097,466	126,177,359	133,952,334	138,673,636	150,992,375	156,458,805	165,216,021	171,283,824	181,180,963	185,466,794
State and district assessments (1)	27,117,517	27,386,544	29,640,415	31,294,026	33,567,157	35,020,229	—	—	—	—
Interest on long-term debt	5,517,607	6,184,656	8,007,458	8,336,823	9,303,724	9,503,428	10,039,003	9,756,666	8,253,614	9,142,323
Total governmental activities	<u>330,853,080</u>	<u>343,783,878</u>	<u>377,306,285</u>	<u>393,377,074</u>	<u>428,787,335</u>	<u>457,285,891</u>	<u>456,549,295</u>	<u>486,411,012</u>	<u>503,706,412</u>	<u>496,288,686</u>
Business-type activities:										
Water	13,792,805	14,456,090	14,118,060	13,657,590	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032
Total business-type activities expenses	<u>13,792,805</u>	<u>14,456,090</u>	<u>14,118,060</u>	<u>13,657,590</u>	<u>14,411,374</u>	<u>14,620,020</u>	<u>13,721,172</u>	<u>13,544,425</u>	<u>13,223,002</u>	<u>14,701,032</u>
Total primary government expenses	<u>344,645,885</u>	<u>358,239,968</u>	<u>391,424,345</u>	<u>407,034,664</u>	<u>443,198,709</u>	<u>471,905,911</u>	<u>470,270,467</u>	<u>499,955,437</u>	<u>516,929,414</u>	<u>510,989,718</u>
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	23,358,965	26,731,634	33,739,682	31,606,231	34,640,573	29,786,501	33,174,134	37,946,079	45,572,456	50,486,221
Community maintenance and development	28,040,442	31,311,866	36,633,238	38,689,798	38,967,973	37,767,491	39,685,063	42,168,021	42,296,774	40,660,130
Human resource and development	4,283,188	4,786,376	2,800,184	2,856,637	3,142,447	3,397,736	3,554,633	3,606,526	3,883,114	4,083,383
Other activities	436,341	503,519	503,010	414,844	493,643	499,322	1,863,149	1,978,164	2,254,981	2,088,454
Operating grants and contributions	23,877,740	24,521,234	28,125,429	26,210,631	27,238,759	28,910,186	35,953,873	25,562,766	23,137,698	23,168,113
Capital grants and contributions	5,549,984	4,556,870	15,366,641	6,541,460	16,129,811	10,191,408	38,367,032	9,091,275	13,093,858	23,794,638
Total governmental activities program revenues	<u>85,546,660</u>	<u>92,411,499</u>	<u>117,168,184</u>	<u>106,319,601</u>	<u>120,613,206</u>	<u>110,552,644</u>	<u>152,597,884</u>	<u>120,352,831</u>	<u>130,238,881</u>	<u>144,280,939</u>
Business-type activities:										
Charges for services:										
Water	16,902,863	18,153,081	19,629,812	19,016,582	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827
Total business-type program revenues	<u>16,902,863</u>	<u>18,153,081</u>	<u>19,629,812</u>	<u>19,016,582</u>	<u>19,597,687</u>	<u>19,070,169</u>	<u>19,396,031</u>	<u>19,130,204</u>	<u>18,824,741</u>	<u>18,318,827</u>
Total primary government program revenues	<u>102,449,523</u>	<u>110,564,580</u>	<u>136,797,996</u>	<u>125,336,183</u>	<u>140,210,893</u>	<u>129,622,813</u>	<u>171,993,915</u>	<u>139,483,035</u>	<u>149,063,622</u>	<u>162,599,766</u>
Net (expense) revenue:										
Governmental activities	(245,306,420)	(251,372,379)	(260,138,101)	(287,057,473)	(308,174,129)	(346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)	(352,007,747)
Business-type activities	3,110,058	3,696,991	5,511,752	5,358,992	5,186,313	4,450,149	5,674,859	5,585,779	5,601,739	3,617,795
Total primary government net expense	<u>\$ (242,196,362)</u>	<u>(247,675,388)</u>	<u>(254,626,349)</u>	<u>(281,698,481)</u>	<u>(302,987,816)</u>	<u>(342,283,098)</u>	<u>(298,276,552)</u>	<u>(360,472,402)</u>	<u>(367,865,792)</u>	<u>(348,389,952)</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 211,391,274	214,906,034	227,024,672	230,740,742	238,400,940	252,948,784	265,565,126	282,244,351	297,981,301	315,153,860
Excise taxes	10,561,612	11,753,246	12,555,704	12,516,776	13,676,112	12,801,715	15,526,734	19,977,226	21,289,347	22,877,579
Unrestricted grants and contributions	42,601,103	43,801,641	39,553,164	41,338,603	40,149,251	36,085,639	21,853,897	31,795,812	31,954,472	31,035,786
Payments in lieu of taxes	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728
Investment income	1,659,344	3,873,379	9,699,805	14,434,985	12,467,474	5,865,388	1,894,610	1,255,842	1,458,430	1,101,514
Miscellaneous	21,217,361	12,480,304	17,662,993	16,571,631	17,961,549	20,038,690	17,581,978	18,978,421	25,230,542	26,339,352
Special item	—	22,293,549	—	—	—	—	—	—	—	—
Transfers	377,000	531,835	535,000	538,130	678,130	482,585	684,930	687,510	693,955	705,575
Total governmental activities	<u>294,136,870</u>	<u>316,479,357</u>	<u>313,610,718</u>	<u>323,079,913</u>	<u>330,652,023</u>	<u>335,234,754</u>	<u>330,212,918</u>	<u>362,284,073</u>	<u>386,194,266</u>	<u>404,767,394</u>
Business-type activities:										
Investment income	135,575	135,426	238,127	227,998	165,383	118,828	145,348	131,185	113,475	100,337
Transfers	(377,000)	(531,835)	(535,000)	(538,130)	(678,130)	(482,585)	(684,930)	(687,510)	(693,955)	(705,575)
Total business-type activities	<u>(241,425)</u>	<u>(396,409)</u>	<u>(296,873)</u>	<u>(310,132)</u>	<u>(512,747)</u>	<u>(363,757)</u>	<u>(539,582)</u>	<u>(556,325)</u>	<u>(580,480)</u>	<u>(605,238)</u>
Total primary government	<u>\$ 293,895,445</u>	<u>316,082,948</u>	<u>313,313,845</u>	<u>322,769,781</u>	<u>330,139,276</u>	<u>334,870,997</u>	<u>329,673,336</u>	<u>361,727,748</u>	<u>385,613,786</u>	<u>404,162,156</u>
Change in net position:										
Governmental activities	\$ 48,830,450	65,106,978	53,472,617	36,022,440	22,477,894	(11,498,493)	26,261,507	(3,774,108)	12,726,735	52,759,647
Business-type activities	2,868,633	3,300,582	5,214,879	5,048,860	4,673,566	4,086,392	5,135,277	5,029,454	5,021,259	3,012,557
Total primary government	<u>\$ 51,699,083</u>	<u>68,407,560</u>	<u>58,687,496</u>	<u>41,071,300</u>	<u>27,151,460</u>	<u>(7,412,101)</u>	<u>31,396,784</u>	<u>1,255,346</u>	<u>17,747,994</u>	<u>55,772,204</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund:										
Reserved	\$ 9,493,486	24,203,862	16,428,333	17,791,512	17,206,706	14,900,082	16,802,030	—	—	—
Unreserved	90,479,144	100,050,320	120,245,450	134,869,147	150,312,018	141,595,256	129,495,866	—	—	—
Nonspendable (2)	—	—	—	—	—	—	—	1,668,986	2,186,162	2,279,193
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Committed (2)	—	—	—	—	—	—	—	42,061,955	34,256,986	43,762,124
Unassigned (2)	—	—	—	—	—	—	—	99,698,895	126,726,779	149,940,041
Total general fund	\$ <u>99,972,630</u>	<u>124,254,182</u>	<u>136,673,783</u>	<u>152,660,659</u>	<u>167,518,724</u>	<u>156,495,338</u>	<u>146,297,896</u>	<u>143,429,836</u>	<u>163,169,927</u>	<u>195,981,358</u>
All other governmental funds:										
Reserved	\$ 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	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	(702,646)	41,596,488	62,252,680	50,831,905	30,946,966	59,319,015	4,499,536	—	—	—
Nonspendable (2)	—	—	—	—	—	—	—	2,075,173	2,106,473	2,136,928
Restricted (2)	—	—	—	—	—	—	—	70,523,371	84,361,676	101,619,998
Committed (2)	—	—	—	—	—	—	—	56,302,807	47,105,139	50,958,117
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ <u>79,730,428</u>	<u>108,808,180</u>	<u>141,169,283</u>	<u>150,617,689</u>	<u>160,375,458</u>	<u>139,325,563</u>	<u>143,362,670</u>	<u>128,901,351</u>	<u>133,573,288</u>	<u>154,715,043</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Real and personal property taxes	\$ 206,354,390	220,910,263	222,986,633	231,875,724	238,747,275	251,255,629	266,861,794	281,812,153	297,723,747	315,776,734
Excises:										
Hotel/motel/meals (3)	4,286,681	5,461,027	5,800,992	6,751,419	6,862,581	6,802,768	9,361,688	13,573,132	14,954,425	15,909,648
Motor vehicles	6,087,063	6,452,475	6,146,422	5,942,196	6,649,769	6,139,573	6,182,561	6,452,602	6,238,835	6,833,482
Payments in lieu of taxes	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728
Intergovernmental	72,198,993	72,879,748	87,635,346	77,410,419	90,943,960	76,336,094	96,174,802	66,449,853	68,186,028	77,998,537
Investment income	1,659,344	3,877,381	9,699,805	14,434,985	12,467,474	5,865,388	1,894,609	1,255,842	1,458,430	1,101,514
Sewer use charges	26,546,224	28,661,479	33,834,690	38,761,289	36,874,045	36,058,033	36,825,469	40,346,895	44,541,076	40,019,569
Departmental and other	54,153,095	52,913,882	57,676,624	54,554,968	59,358,026	55,799,892	60,882,792	65,720,424	76,147,745	85,552,428
Total revenues	<u>377,614,966</u>	<u>397,995,624</u>	<u>430,359,892</u>	<u>436,670,046</u>	<u>459,221,697</u>	<u>445,269,330</u>	<u>485,289,358</u>	<u>482,955,812</u>	<u>516,836,505</u>	<u>550,745,640</u>
Expenditures:										
General government	24,082,120	27,558,970	30,661,962	34,465,493	32,828,519	31,916,657	40,319,061	36,409,755	36,208,277	35,314,267
Public safety	76,087,314	78,453,371	83,255,981	86,275,482	90,299,577	97,140,430	96,824,874	101,853,345	104,715,922	108,274,572
Community maintenance and development	34,358,061	35,224,167	44,595,033	44,557,472	45,478,865	55,510,022	38,032,205	51,507,080	61,281,315	50,603,919
Human resource development	25,590,660	27,129,994	28,081,349	29,664,774	31,372,419	33,766,144	36,852,936	38,368,426	39,148,273	39,884,217
Education (1)	119,887,725	120,973,010	129,073,427	132,655,957	135,144,165	143,381,070	144,306,482	146,220,378	152,550,364	157,451,132
Judgments and claims	533,419	224,964	346,008	212,729	114,641	170,865	924,862	9,029,151	4,112,551	75,633
State and district assessments	33,617,517	33,886,544	35,890,415	37,294,026	39,567,157	41,020,229	42,447,468	44,892,107	46,146,725	46,660,306
Capital outlays (2)	47,781,887	74,043,756	38,509,574	42,079,595	94,264,563	85,028,601	79,574,710	73,656,249	62,132,657	83,432,261
Debt service:										
Interest (1)	6,490,398	6,621,664	7,958,766	8,719,761	9,273,441	9,503,428	10,704,491	10,418,972	10,598,471	10,269,653
Principal (1)	22,405,970	23,570,424	24,822,015	28,407,064	28,953,226	30,665,746	35,287,743	35,868,095	34,411,621	36,398,061
Total expenditures	<u>390,835,071</u>	<u>427,686,864</u>	<u>423,194,530</u>	<u>444,332,353</u>	<u>507,296,573</u>	<u>528,103,192</u>	<u>525,274,832</u>	<u>548,223,558</u>	<u>551,306,176</u>	<u>568,364,021</u>
Excess of revenues over (under) expenditures	<u>(13,220,105)</u>	<u>(29,691,240)</u>	<u>7,165,362</u>	<u>(7,662,307)</u>	<u>(48,074,876)</u>	<u>(82,833,862)</u>	<u>(39,985,474)</u>	<u>(65,267,746)</u>	<u>(34,469,671)</u>	<u>(17,618,381)</u>
Other financing sources (uses):										
Premium on bond issue	377,741	1,768,923	370,092	708,969	411,360	792,996	915,209	1,030,857	5,851,746	4,890,992
Bond proceeds	32,760,980	80,749,786	36,710,250	45,670,000	71,601,220	49,485,000	32,225,000	46,220,000	81,365,115	65,975,000
Transfer in	40,750,850	25,738,992	37,875,917	28,978,763	38,229,302	35,441,124	29,106,459	31,693,559	33,038,864	36,278,854
Transfer out	(40,373,850)	(25,207,157)	(37,340,917)	(42,260,143)	(37,551,172)	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)	(35,573,279)
Transfer (out) to Fiscal Escrow Agent	—	—	—	—	—	—	—	—	(29,029,117)	—
Total other financing sources (uses)	<u>33,515,721</u>	<u>83,050,544</u>	<u>37,615,342</u>	<u>33,097,589</u>	<u>72,690,710</u>	<u>50,760,581</u>	<u>33,825,139</u>	<u>47,938,367</u>	<u>58,881,699</u>	<u>71,571,567</u>
Net change in fund balances	<u>\$ 20,295,616</u>	<u>53,359,304</u>	<u>44,780,704</u>	<u>25,435,282</u>	<u>24,615,834</u>	<u>(32,073,281)</u>	<u>(6,160,335)</u>	<u>(17,329,379)</u>	<u>24,412,028</u>	<u>53,953,186</u>
Debt service as a percentage of noncapital expenditures	8.42%	8.54%	8.52%	9.23%	9.26%	9.07%	10.30%	9.75%	9.29%	9.62%

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

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(In millions of dollars)

Fiscal year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate	Weighted average direct rate
2004	\$ 12,157	4,818	1,808	444	19,227	7.63	19.08	11.84
2005	13,871	4,980	2,030	467	21,348	7.78	18.28	11.46
2006	13,962	4,930	2,350	605	21,847	7.38	17.86	11.16
2007	14,136	4,929	2,443	659	22,167	7.48	18.30	11.40
2008	14,427	5,541	2,836	737	23,541	7.36	17.24	11.19
2009	14,651	5,606	2,851	768	23,876	7.56	17.97	11.58
2010	14,894	5,561	2,906	911	24,272	7.72	18.75	11.98
2011	14,824	5,528	2,850	960	24,162	8.16	19.90	12.70
2012	15,018	5,492	2,986	951	24,447	8.48	20.76	13.22
2013	15,567	5,405	3,171	1,071	25,214	8.66	21.50	13.57

(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 Finance Department

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
2004	\$	7.63	19.08	19.08	25.00
2005		7.78	18.28	18.28	25.00
2006		7.38	17.86	17.86	25.00
2007		7.48	18.30	18.30	25.00
2008		7.36	17.24	17.24	25.00
2009		7.56	17.97	17.97	25.00
2010		7.72	18.75	18.75	25.00
2011		8.16	19.90	19.90	25.00
2012		8.48	20.76	20.76	25.00
2013		8.66	21.50	21.50	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	2013			Taxpayer	2004		
	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)	\$ 1,811,175,900	36,490,355	11.51%	Massachusetts Institute of Technology (1)	\$ 1,221,886,000	22,209,847	10.60%
BioMed Realty Trust	935,211,800	20,012,641	6.31	Boston Properties	374,520,900	7,145,859	3.41
Boston Properties	559,733,000	12,034,260	3.80	Lyme Properties	303,850,700	5,703,775	2.72
Equity Partners	364,188,000	7,351,557	2.32	Equity Partners	221,228,500	4,221,040	2.01
Presidents & Fellows of Harvard College (1)	377,125,700	5,435,269	1.71	One Kendall LLC	198,930,100	3,768,474	1.80
New England Development	232,700,000	5,003,050	1.58	Riverfront LLC	191,337,400	3,665,718	1.75
Novartis Pharmaceuticals	222,727,600	4,788,643	1.51	Presidents and Fellows of Harvard College (1)	260,220,900	3,127,956	1.49
PREEF American Reit II Corp.	198,976,500	4,277,995	1.35	The Bullfinch Company	149,250,600	2,847,701	1.36
RB Kendall Fee LLC	179,527,300	3,846,386	1.21	New England Development	142,429,600	2,717,557	1.30
Alexandria Real Estate	162,993,400	3,440,417	1.09	G.E. Capital Investment Advisors	114,271,000	2,180,291	1.04
Total	\$ 5,044,359,200	102,680,573	32.39%		\$ 3,177,925,700	57,588,218	27.48%

(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
2004	\$ 210.10	203.00	96.62	2.10	205.10	97.62
2005	223.10	214.10	95.97	1.40	215.50	96.59
2006	223.20	217.50	97.45	0.80	218.30	97.80
2007	233.30	227.10	97.34	0.20	227.30	97.43
2008	243.00	237.90	97.90	—	237.90	97.90
2009	258.50	250.20	96.79	2.50	252.70	97.76
2010	269.10	263.10	97.77	2.00	265.10	98.51
2011	285.20	281.00	98.53	1.10	282.10	98.91
2012	299.30	295.40	98.70	0.80	296.20	98.96
2013	317.70	313.60	98.71	N/A	313.60	98.71

(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				
2004	\$ 159,517,629	395,000	1,664,560	6,000,000	63,819,513	231,396,702	7.33	2,283	1.20
2005	217,066,282	385,000	1,305,269	6,000,000	58,745,699	283,502,250	8.98	2,797	1.33
2006	229,348,765	375,000	921,021	6,000,000	52,478,366	289,123,152	9.16	2,853	1.32
2007	233,541,396	355,000	510,082	6,000,000	45,689,363	286,095,841	9.06	2,823	1.29
2008	276,540,915	335,000	—	6,000,000	39,485,690	322,361,605	10.21	3,181	1.37
2009	293,330,855	315,000	—	6,000,000	33,200,861	332,846,716	10.54	3,284	1.39
2010	290,293,112	290,000	—	6,000,000	26,853,332	323,436,444	10.24	3,191	1.33
2011	300,670,017	265,000	—	5,786,728	21,895,000	328,616,745	6.86	3,125	1.36
2012	321,753,511	235,000	—	5,265,622	18,360,000	345,614,133	7.22	3,286	1.41
2013	351,360,450	205,000	—	4,703,302	15,520,000	371,788,752	7.77	3,535	1.48

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

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal year	General obligation bonds outstanding	Total taxable assessed value	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
2004	\$ 223,337,142	19,227,000,000	2,204	1.16
2005	275,811,981	21,348,000,000	2,721	1.29
2006	281,827,131	21,847,000,000	2,781	1.29
2007	279,230,759	22,167,000,000	2,755	1.26
2008	316,026,605	23,541,000,000	3,118	1.34
2009	326,531,716	23,876,000,000	3,222	1.37
2010	317,146,444	24,272,000,000	3,129	1.31
2011	322,565,017	24,162,000,000	3,067	1.34
2012	340,113,511	24,447,000,000	3,234	1.39
2013	366,880,450	25,214,000,000	3,489	1.46

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Direct and Overlapping Governmental Activities Debt

June 30, 2013

Name of unit	Direct debt (1)	Outstanding overlapping debt	Percentage applicable to City of Cambridge	Total City of Cambridge direct and overlapping debt
City of Cambridge	\$ 351,360,450	—	1.00%	351,360,450
Massachusetts Water Resources Authority	—	4,033,856,000	4.80	193,432,995
Total direct and overlapping debt	\$ 351,360,450	4,033,856,000		544,793,445

(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 2013:

Fiscal year 2012 equalized valuation (1)	\$ 26,450,846,400
Debt limit (5% of assessed value) (2)	<u>1,322,542,320</u>
Debt applicable to limit:	
General obligation bonds	366,880,450
Total authorized/unissued	<u>126,793,235</u>
Total debt outstanding plus authorized/unissued	493,673,685
Less general obligation bonds exempted by authority of the State legislature	<u>15,520,000</u>
Amount within debt limit	<u>478,153,685</u>
Legal debt margin	\$ <u><u>844,388,635</u></u>

	Fiscal year (dollars in thousands)									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 912,162	1,064,126	1,064,126	1,226,473	1,226,473	1,306,216	1,306,216	1,408,101	1,408,101	1,322,542
Total net debt applicable to limit	<u>313,959</u>	<u>363,536</u>	<u>340,956</u>	<u>365,939</u>	<u>388,105</u>	<u>402,855</u>	<u>382,057</u>	<u>405,608</u>	<u>373,969</u>	<u>478,154</u>
Legal debt margin	\$ <u><u>598,203</u></u>	<u><u>700,590</u></u>	<u><u>723,170</u></u>	<u><u>860,534</u></u>	<u><u>838,368</u></u>	<u><u>903,361</u></u>	<u><u>924,159</u></u>	<u><u>1,002,493</u></u>	<u><u>1,034,132</u></u>	<u><u>844,388</u></u>
Total net debt applicable to the limit as a percentage of debt limit	34.42%	34.16%	32.04%	29.84%	31.64%	30.84%	29.25%	28.81%	26.56%	36.15%

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population (1)	Median family income (1)	Per capita income (1)	Median age (1)	School enrollment (2)	Unemployment rate (3)
2004	101,355	\$ 59,423	31,156	30.4	6,756	3.60
2005	101,355	59,423	31,156	30.4	6,450	3.40
2006	101,355	59,423	31,156	30.4	6,001	3.70
2007	101,355	59,423	31,156	30.4	5,797	3.20
2008	101,355	59,423	31,156	30.4	5,861	3.80
2009	101,355	59,423	31,156	30.4	5,950	6.60
2010	101,355	59,423	31,156	30.4	6,137	5.60
2011	105,162	88,574	45,521	30.2	6,202	5.00
2012	105,162	88,574	45,521	30.2	6,224	4.50
2013	105,162	88,574	45,521	30.2	6,393	5.30

(1) Source 2004 – 2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011 – 2013: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2010

(2) Source: Cambridge School Department

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

2013				2004			
Employer	Employees	Rank	Percentage of total city employment	Employer	Employees	Rank	Percentage of total city employment
Harvard University	11,167	1	10.31%	Harvard University	8,727	1	8.26%
MIT	7,824	2	7.22	MIT	8,569	2	8.11
City of Cambridge (2)	2,925	3	2.70	City of Cambridge (2)	3,226	3	3.05
Novartis Institute	2,276	4	2.10	Cambridge Public Health Commission	1,746	4	1.65
Mt. Auburn Hospital	1,731	5	1.60	Federal Government	1,690	5	1.60
Biogen Idec	1,530	6	1.41	Biogen Inc	1,467	6	1.39
Cambridge Innovation Center	1,453	7	1.34	Mt. Auburn Hospital	1,449	7	1.37
Vertex Pharmaceuticals	1,420	8	1.31	Millennium Pharmaceuticals	1,412	8	1.34
Federal Government	1,226	9	1.13	Genzyme Corporation	1,005	9	0.95
Draper Laboratory Inc	1,214	10	1.12	Draper Laboratory Inc	923	10	0.87
	<u>32,766</u>		<u>30.24%</u>		<u>30,214</u>		<u>28.59%</u>
Total average employed	<u>108,329</u>				<u>105,662</u>		

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

(2) Includes the Cambridge School Department

Source: Cambridge Community Development Department and cited employers

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

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

Function/program	Full-time equivalent positions as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Executive management	15	15	15	16	16	16	16	16	16	16
Clerk	10	10	10	10	10	10	10	10	10	10
Law	11	11	11	11	11	11	11	11	11	11
Finance	83	83	83	83	83	83	80	81	81	83
Other	23	20	19	19	19	15	15	15	15	14
Subtotal	142	139	138	139	139	135	132	133	133	134
Public safety:										
Fire	283	284	284	284	284	284	284	285	285	285
Police	309	309	307	307	307	313	311	311	311	311
Traffic	81	81	80	80	80	80	81	81	81	81
Inspectional	28	28	28	27	27	27	27	27	27	27
Emergency communication	39	39	39	39	39	39	38	38	38	38
Other	25	31	30	30	30	30	28	27	27	27
Subtotal	765	772	768	767	767	773	769	769	769	769
Community maintenance:										
Public works	220	219	215	213	211	214	213	213	213	213
Community development	44	45	45	45	45	45	44	44	44	43
Other	12	13	13	13	13	13	13	12	12	12
Subtotal	276	277	273	271	269	272	270	269	269	268
Human resource development:										
Library	60	60	60	60	60	60	64	65	65	66
Human services	128	129	127	128	128	130	135	136	136	139
Other	7	7	7	7	7	7	7	7	7	6
Subtotal	195	196	194	195	195	197	206	208	208	211
Education	1,253	1,229	1,197	1,218	1,238	1,244	1,264	1,274	1,257	1,334
Water	65	65	63	63	63	63	60	55	55	55
Grand total	2,696	2,678	2,633	2,653	2,671	2,684	2,701	2,708	2,691	2,771

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire:										
Emergency responses	31,052	28,920	30,278	32,436	33,207	33,223	31,907	32,396	30,289	30,197
Fires extinguished	334	388	574	585	859	904	995	933	951	967
Hazardous materials emergency	497	250	248	287	206	232	206	198	219	207
Police:										
Physical arrests	1,248	1,185	1,234	1,385	1,740	1,605	1,534	2,200	1,418	1,327
Traffic violations	24,336	24,973	22,745	22,231	24,853	27,127	21,408	18,426	15,338	15,521
Traffic:										
Number of meters on street	2,804	2,770	2,815	3,157	3,075	2,909	3,035	3,067	3,101	3,121
Meter violations	181,974	192,462	200,000	187,797	191,583	194,001	201,959	206,101	208,145	198,706
Overtime meter violations	34,896	33,957	34,000	21,771	25,718	25,718	26,012	28,263	32,885	33,070
Inspectional:										
Major permits issued	75	109	143	285	89	45	343	82	110	118
Short form permits issued	2,500	2,824	2,910	2,818	2,796	2,866	2,737	2,957	2,218	2,551
Compliance inspections	3,645	6,044	5,946	6,942	6,797	5,224	4,809	5,359	5,268	5,325
Emergency communications:										
Total 911 Incidents dispatched	96,045	89,739	92,375	101,766	107,620	103,671	102,669	118,577	117,221	115,588
Medical	7,670	7,668	8,373	9,531	10,723	10,326	10,978	11,104	10,931	11,391
Traffic/MV-Related	22,898	25,319	27,219	23,772	22,066	21,443	17,754	15,726	13,330	13,804
Crime and Directed Patrol	32,258	28,700	28,796	38,232	44,402	43,588	45,536	60,392	62,359	58,821
Public works:										
Street Resurfacing (miles)	17.8	22.5	12.4	6.5	7.5	11.9	7.4	9.4	14.0	8.6
Sidewalk replaced (miles)	6.7	5.8	3.5	4.8	3.0	8.0	12.8	6.8	7.0	7.2
Rubbish collected (tons)	25,104	23,993	23,425	20,230	18,592	18,171	16,963	16,066	15,548	14,984
Recycling collected (tons)	13,065	12,742	12,600	12,710	13,166	12,954	12,685	13,300	14,016	13,900
New stormwater drains installed (linear feet)	3,000	1,200	525	750	3,190	1,595	3,257	4,099	6,363	6,363
New sanitary sewer installed (linear feet)	1,000	850	290	590	1,559	247	2,293	2,617	3,411	3,411
Community development:										
Number of affordable multi-family rental units	44	6	26	70	51	80	155	125	380	14
Number of affordable homeownership units developed	23	28	26	42	17	2	2	14	8	14
Human resource development:										
Library system circulation	1,123,755	986,501	940,330	1,015,073	1,064,743	1,035,135	1,087,466	1,397,593	1,517,178	1,458,167
Library acquisitions for collection	35,649	24,822	34,508	34,813	28,827	40,166	45,145	48,046	49,261	46,566
Number of clients served in youth and family services programs	1,344	2,172	2,173	2,536	942	1,101	1,010	970	906	1,009
Number of clients served through homelessness prevention programs	5,494	4,843	5,142	5,492	4,882	5,019	6,094	6,675	5,552	5,329
Total number of golf rounds annually	31,560	38,590	41,400	41,178	41,809	42,569	40,266	40,953	40,541	40,479
Water:										
Number of accounts transitioned to AMR system	N/A	6,750	7,900	425	N/A	—	—	—	—	—
Total water quality tests performed	67,729	56,718	60,313	63,039	61,267	62,925	63,702	62,078	62,616	62,933
Water treatment plant tests performed	60,633	49,564	52,513	54,760	53,378	55,199	54,789	53,343	53,961	54,140
Install, clean and line, and/or replace water mains; (linear feet)	3,770	5,180	1,380	5,650	1,890	1,850	3,045	4,611	11,470	14,509
Elimination of parallel old 6" cast iron pipe (linear feet)	1,500	5,200	4,410	2,950	1,940	4,450	3,220	5,298	11,350	15,339
Education:										
Total enrollment	6,756	6,450	6,001	5,797	5,861	5,950	6,137	6,202	6,224	6,393

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	21	21	21	25	26	26	27	28	28	29
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	79	79	79	84	80	80	79	79	79	77
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	18	18	18	15	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,193	7,017	7,264	7,285	7,383	7,604	7,615	7,649	7,667	7,371
Traffic signals	196	196	195	189	188	187	187	185	185	185
Sewer:										
Sanitary sewers (miles)	147	148	149	147	147	147	147	150	149	150
Storm sewers (miles)	87	97	88	90	92	92	92	94	96	96
Library:										
Main library	1	1	1	1	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Acreage	496	496	496	496	497	497	497	497	497	497
Playgrounds	59	59	59	59	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5	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	185	185	185
Fire hydrants	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,800	1,800	1,800
Storage capacity (tens of 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	12	12	12	12	12	12	12	12	12	12
High school	1	1	1	1	1	1	1	1	1	1

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2013

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