

CITY OF CAMBRIDGE,
MASSACHUSETTS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JULY 1, 2014 – JUNE 30, 2015

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

Fiscal Year
July 1, 2014 through June 30, 2015

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:

Participatory Budgeting

In 2015, the City launched its first ever Participatory Budgeting (PB) process to allow residents to directly decide how to spend \$500,000 of the City's FY16 Capital Budget.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2015

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INTRODUCTORY SECTION

December 23, 2015

To the Honorable, the City Council, and the residents and taxpayers of Cambridge:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge (City) for the year ending June 30, 2015. This report was prepared by the City's Finance Department and is presented in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB) and meets the requirements of the Commonwealth of Massachusetts finance laws and the City Charter.

Responsibility for the accuracy, completeness, and reliability of the information contained in this report, rests with management. The City is also responsible for establishing and maintaining an internal control structure designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed its anticipated benefits.

The accounting firm KPMG LLP has issued unmodified opinions on the City's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

The City also undergoes an annual audit of its federal grant funds as required by the Single Audit Act and Office of Management and Budget Circular A-133. KPMG LLP issues a separate report on the City's internal control system and compliance with applicable laws and regulations that meet the requirements of the Single Audit Act.

Management's discussion and analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is intended to compliment the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Cambridge is located in southeast Middlesex County across the Charles River from the City of Boston, and occupies a land area of 6.26 square miles. The City is bordered by the Towns of Watertown and Belmont on the west and by the Town of Arlington and the City of Somerville on the north. According to the 2010 Census, the City's population in calendar year 2010 was 105,162, down from a 1950 peak of 120,740, but up from the 2000 population of 101,355.

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. Since 1942, the City has had a council-manager form of government with nine City Councilors elected at-large every two years.

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. The present Superintendent is employed under a contract which expires June 30, 2016.

Cambridge is a city of 13 neighborhoods, ranging in population from 832 (Cambridge Highlands) to 12,991 (Mid Cambridge) (Source: 2010 US Bureau of Census). Most neighborhoods have their own political and community organizations. Residents often participate vocally in City debates.

- Cambridge residents live closely together; only 10 U.S. cities with a population over 50,000 are denser. (Source: 2010 U.S. Bureau of Census)
- Cambridge is ethnically diverse. 67% of all residents are white; 12% are black; 15% are Asian; and 6% are other races, including American Indian, Pacific Islander, or two or more races in combination. 8% of all residents are of Hispanic background. (Source: 2010 U.S. Bureau of Census)
- 25% of residents are foreign born. Of those, over 40% were born in Asia and 25% were born in Europe. One third of residents speak a language other than English at home. Of these, 15% speak Spanish and 15% speak Chinese. The remainder uses a wide variety of languages. (Source: Community Development Department – CDD)
- Cambridge is a city of renters. 65.4% of all households rent; 34.6% own. (Source: CDD)
- Approximately 7.5% of homes are single family; 14.3% are two families; 12.6% are three families; 15.8% are in 4-12 unit buildings; and 49.8% are buildings of 13 or more units. Of this housing stock, 27% of units are condominiums; 5.6% are mixed use residential/commercial buildings; and 2.4% are rooming houses. 14.8% of all units are publicly controlled or subsidized for affordability. (Source: CDD)
- The Census recorded 44,032 households in 2010. Of these, 41% are single person households, one of the largest proportions in Massachusetts, 40% are family households, and 19% consist of roommates or unmarried partners. (Source: CDD)
- 17,420 families reside in Cambridge; 6,972 are families with minor children. (Source: CDD)

- 94.0% of residents who are 25 years or older are high school graduates, while 74.3% of the same age group have completed four or more years of college. (Source: 2010-2012 American Community Survey)

The City provides a wide range of services including police and fire protection; education; refuse collection, snow and leaf removal, traffic control; building inspections; licenses and permits; vital statistics; construction and maintenance of streets and other infrastructure; water distribution; recreational and cultural activities; library services; community development; and other human service programs.

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 liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government wide basis. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic financial statements present information on the City 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, the Cambridge Retirement System and the Cambridge Health Alliance.

The budget cycle for FY15 was initiated in November 2013. At that time, budget staff met with the City Manager and Finance Director to update the City's 5-year financial projections in order to establish general budgetary guidelines and limitations for the coming year. By state law, the budget must be submitted to the City Council within 170 days after the Council organizes in early January. The City Manager submitted the FY15 Budget to the City Council on April 28, 2014 and it was adopted on June 2, 2014. The Annual Budget for FY15 became effective July 1, 2014.

Local Economy

Cambridge is widely known as the University City. Harvard, America's oldest university was established here in 1636, six years after the City itself was founded in 1630. It is also home to Lesley University, Cambridge College and the Massachusetts Institute of Technology. Over one-fourth of residents are students, and more than one in four of all jobs are in these institutions. Yet Cambridge is more than a university city. It features high-tech workers and professionals, political activists, street musicians and immigrants from around the world.

- The City's per capita personal income of \$62,213 (2013) is higher than the Massachusetts, Boston, and U.S. averages.

- 2013 employment totaled 111,498, with private sector employment comprising 92.8% of total jobs.
- Cambridge's December 2014 unadjusted unemployment rate of 2.8% remains lower than the Boston PMSA, Massachusetts, and U.S. averages.
- Cambridge continues to maintain a high job to resident ratio, with 1.06 jobs for each resident.
- Education and health services leads the way among employment sectors, followed by professional and business services.
- Led by Harvard University and MIT, the higher education sector continues to drive the job market, employing more than 19,000 people.
- Preeminent research institutions such as MIT, Harvard, the Broad Institute, and the Whitehead Institute act as a magnet for commercial investment in the city and drive innovation.
- Cambridge continues to maintain and strengthen its position as a national leader in life sciences and high tech. According to the Massachusetts Biotechnology Council, by 2014, Cambridge had become home to 130 biopharma companies, the highest number in the Commonwealth. Biotechnology and pharmaceutical employment exceeds 10,000 workers.
- In the high tech sector, Google, Microsoft, Amazon, Facebook, HP, EMC/VMWare, IBM, and other major firms in the software, hardware, and internet spaces have research and development operations in the city, while Akamai and Pegasystems are headquartered here. In 2013, the Kaufman Foundation found that the Cambridge area has the fourth highest high tech startup density in the nation.

Due to its strong and healthy local economy, the City retained the rare distinction of being one of 34 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.

Financial Planning and Major Initiatives

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 years to come.

During FY15, the City's free cash position increased to \$192.7 million. This is an increase of \$32.2 million from the previous year and is the highest balance in the City's history.

The City ended FY15 with a total general fund balance of \$275.7 million, which represents 52.6% of general fund revenues, and is a 21.2% increase over FY14. Each year, a portion of the fund

balance is allocated to committed and nonspendable accounts. A total of \$73.1 million was held as committed and nonspendable in FY15, leaving an unassigned fund balance of \$202.7 million.

The property tax levy for FY15 increased by only 3.93%. The ten-year average increase in the property tax levy is 4.37%. The FY15 Budget, adopted in June 2014, reflected a 2.91% increase over the FY14 Adjusted Budget and called for a 4.62% 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 3.93% increase.

In FY15, real estate property assessed valuations totaled \$30.1 billion, a \$3 billion or 10.98% increase from FY14. This change reflects the strength of the Cambridge real estate market. The strong commercial market, coupled with an increase in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from the residential taxpayers for the eighth year in a row. As a result, 72% of the residential taxpayers received a property tax bill that was lower, the same or an increase less than \$100. In addition, another 13% of residential taxpayers received a tax bill with an increase between \$100 – \$250.

The City's property tax levy limit grew to \$475.4 million from \$446 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and the tax levy was \$134 million in FY15, an increase of \$16.5 million or 14% from FY14.

The local portion of Community Preservation Act (CPA) funds are raised through a 3% surcharge on taxes. The total amount appropriated in FY15 was \$12.5 million (\$7.8 million local, \$1.7 million State, and \$3 million fund balance) and the City continued to allocate funds as follows: 80% to affordable housing, 10% to historic preservation, and 10% to open space. Through FY15, the City has appropriated \$143.8 million in CPA funds with approximately \$45.7 million in State matching funds.

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 (CIP) for the five-year period from FY16-FY20, which was adopted by the City Council in June 2015, has an estimated cost of \$393.6 million.

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 a sizable interest savings. In addition, the CIP funds a portion of the program on a "pay-as-you-go" basis out of current revenues. The City's outstanding bonded debt as of June 30, 2015 totaled \$395.6 million.

Relevant Financial Policies

One of the primary reasons that the City is held in high regard by the financial community is its development and implementation of a long-term financial plan. This plan is reviewed on an annual

basis in conjunction with the City's bond sale and credit rating application process. The budget for the current fiscal year is used as the base year upon which future year projections are built. All expenditures, revenues, and property valuations are reviewed to ensure that the timeliest information is available to be used for future year projections.

The budget for the current year is also compared to the projections for that year from previous five-year plans to determine the accuracy of the projections. If modifications to the projection process are needed to ensure more accuracy, the City's financial staff will make changes accordingly. After careful review, this plan is submitted to the rating agencies prior to their review of the City's financial condition. This plan serves as a basis upon which important decisions concerning the City's financial future are made.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2014. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded the Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable program requirements. A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the GFOA Certificate of Achievement program's requirements and we are submitting it to the GFOA for consideration for this year's award.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2014. The budget document was judged proficient as a policy document, financial plan, an operations guide, and a communications driver.

This report could not have been prepared without the skill, effort, and dedication of the staff of the Finance Department. We wish to express our appreciation to those who contributed to the preparation of this report. We would also like to thank 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, we would like to acknowledge all City employees who provide the wide array of high quality services to the citizens of Cambridge, and contributed to the accomplishments highlighted above.

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager for Fiscal Affairs



James Monagle
City Auditor

Fiscal Year 2015
Directory of Officials
City Council

David P. Maher, Mayor

Dennis A. Benzan, Vice Mayor	Nadeem A. Mazen
Dennis J. Carlone	Marc C. McGovern
Leland Cheung	E. Denise Simmons
Craig A. Kelley	Timothy J. Toomey, Jr.

School Committee

David P. Maher, Chair

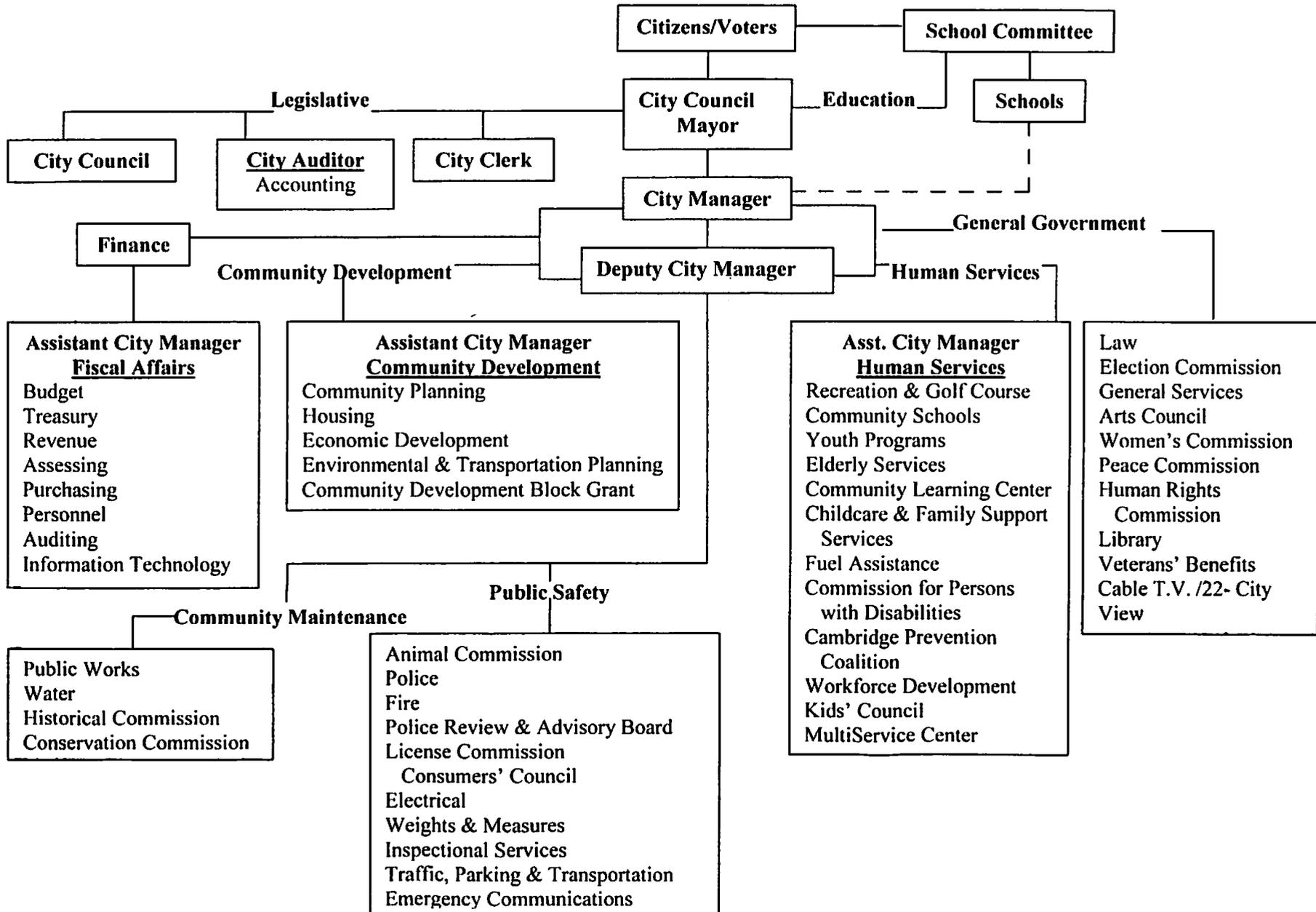
Fran Cronin	Kathleen Kelly
Alfred B. Fantini	Patricia M. Nolan
Richard Harding	Mervan F. Osborne

Principal Executive Officers

City Manager	Richard C. Rossi
Deputy City Manager	Lisa C. Peterson
Assistant City Manager for Fiscal Affairs and Treasurer/Collector	Louis A. DePasquale
Assistant City Manager for Community Development	Iram Farooq
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Nancy Glowa
City Clerk	Donna Lopez

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts





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, 2014

Executive Director/CEO

FINANCIAL SECTION



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

Independent Auditors' Report

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

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, 2015, 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, 2015, 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.

Emphasis of Matters

Adoption of New Accounting Pronouncements

As discussed in note 2(o) to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of OPEB funding progress, schedule of employers' OPEB contributions, schedule of net pension liability, schedule of changes in net pension liability, schedules of contributions, schedule of investment returns, schedule of city's proportionate share of the net pension liability, and the schedule of revenues and expenditures – budgetary basis as listed in the table of contents 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 23, 2015 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 23, 2015

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2015

(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, 2015. We encourage readers to consider this information in conjunction with the transmittal letter 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 a 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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

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Required Supplementary Information
Management's Discussion and Analysis

June 30, 2015

(Unaudited)

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 17.

The City's combined net position (governmental and business-type activities) exceeded its liabilities at June 30, 2015 by \$840.1 million (presented as net position). Of this amount, \$29.4 million was reported as "unrestricted 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 \$757.8 million indicating the amount of capital debt does not exceed the net book value of the City's capital assets. Since most of the City's debt has a ten-year life, a considerable amount of the City's capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. 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 \$460.8 million, up 9.5% from prior year; net receivables of \$42.7 million; and \$4.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$423.9 million in general obligation bonds and notes payable; \$19.1 million in compensated absence liabilities for unused sick and vacation leave; and \$15.4 million in future year workers' compensation, health benefits and possible judgments. The major increase in the long-term liabilities is mainly due to the implementation of GASB 68 which requires the City's \$122.0 million net pension liability to be recorded on the government-wide financial statements. Other liability increases include \$21.6 million in other post-employment benefit obligations and \$57.2 million in general obligation bonds.

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Business-type activity long-term liabilities include \$10.3 million in general obligation bonds, \$577 thousand in compensated absences and \$1.4 million in future year workers' compensation and health benefits. The net reduction of \$2.7 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, 2015 and 2014

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 510.2	460.8	16.4	13.3	526.6	474.1
Capital assets	999.2	901.8	130.3	130.7	1,129.5	1,032.5
Total assets	1,509.4	1,362.6	146.7	144.0	1,656.1	1,506.6
Deferred outflows	20.9	3.2	0.2	0.3	21.1	3.5
Total assets and deferred outflows	\$ 1,530.3	1,365.8	146.9	144.3	1,677.2	1,510.1
Long-term liabilities	\$ 710.1	514.7	9.4	11.9	719.5	526.6
Other liabilities	110.3	102.7	3.9	4.2	114.2	106.9
Deferred inflows	3.4	—	—	—	3.4	—
Total liabilities	\$ 823.8	617.4	13.3	16.1	837.1	633.5
Net position:						
Net investment in capital assets	\$ 637.6	598.5	120.2	118.0	757.8	716.5
Restricted	52.9	18.0	—	—	52.9	18.0
Unrestricted	16.0	132.0	13.4	10.2	29.4	142.2
Total net position	\$ 706.5	748.5	133.6	128.2	840.1	876.7

Statement of Changes in Net Position

The City's total net position decreased by \$36.6 million in fiscal year 2015 of which the governmental activities net position decreased \$42.0 million and the business-type activity increased \$5.4 million. The continued drop in long term debt of \$2.6 million and the increase in cash by \$2.3 million are large contributing factors to the higher net position.

CITY OF CAMBRIDGE, MASSACHUSETTS

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This summary of net changes is based upon the statement found on page 18.

Condensed Schedule of Changes in Net Position

June 30, 2015 and 2014

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 111.0	100.4	20.1	18.5	131.1	118.9
Operating grants and contributions	23.3	25.5	—	—	23.3	25.5
Capital grants and contributions	21.9	21.7	—	—	21.9	21.7
General revenues:						
Taxes:						
Property taxes levied	343.6	326.7	—	—	343.6	326.7
Excises	25.1	23.5	—	—	25.1	23.5
Payment in lieu of taxes	8.1	7.7	—	—	8.1	7.7
Grants and contributions not restricted	45.5	58.6	—	—	45.5	58.6
Investment income	1.7	2.3	0.2	0.1	1.9	2.4
Miscellaneous	36.6	36.7	—	—	36.6	36.7
Total revenues	<u>616.8</u>	<u>603.1</u>	<u>20.3</u>	<u>18.6</u>	<u>637.1</u>	<u>621.7</u>
Expenses:						
General government	29.0	36.6	—	—	29.0	36.6
Public safety	138.6	134.2	—	—	138.6	134.2
Community maintenance and development	102.2	95.6	—	—	102.2	95.6
Human resource development	50.6	49.6	—	—	50.6	49.6
Education	211.0	220.0	—	—	211.0	220.0
Water department	—	—	14.2	13.1	14.2	13.1
Interest	9.4	9.5	—	—	9.4	9.5
Total expenses	<u>540.8</u>	<u>545.5</u>	<u>14.2</u>	<u>13.1</u>	<u>555.0</u>	<u>558.6</u>
Excess before transfers	76.0	57.6	6.1	5.5	82.1	63.1
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	76.7	58.3	5.4	4.8	82.1	63.1
Net position – beginning, as restated	<u>629.8</u>	<u>690.2</u>	<u>128.2</u>	<u>123.4</u>	<u>758.0</u>	<u>813.6</u>
Net position – ending	<u>\$ 706.5</u>	<u>748.5</u>	<u>133.6</u>	<u>128.2</u>	<u>840.1</u>	<u>876.7</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

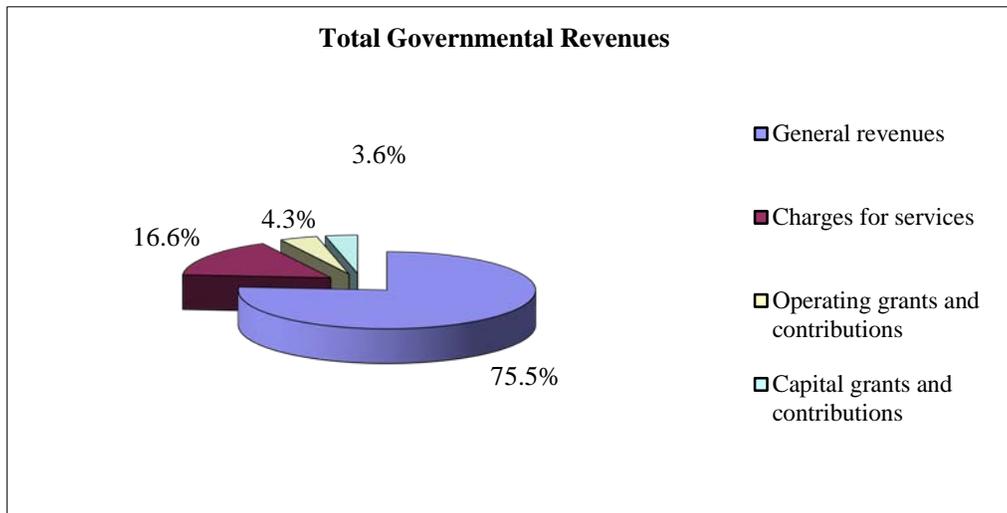
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$460.5 million, charges for services \$111.0 million, operating grants and contributions \$23.3 million and capital grants and contributions of \$21.9 million.



General

Real estate tax revenues are the City’s largest revenue source at \$343.6 million representing 74.6% of general revenues. The assessed tax valuation base is \$30.1 billion up from \$27.1 billion assessed in the prior year showing a 10.98% increase mainly due to an increase in new construction.

Grants and contributions not restricted to specific programs is \$45.5 million representing 9.9% of general revenues and include state cherry sheet revenues, Massachusetts Teachers Retirement contributions and other unrestricted contributions.

Program

Charges for services are \$111.0 million and represent a variety of department revenues. Charges for services increased \$10.6 million from the prior year. The public safety portion of \$53.8 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$50.9 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. The increase is predominately due to the increase in building permit revenues of approximately \$4.2 million and an increase in sewer revenues of approximately \$6.2 million due to increased building and economy.

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Operating grants and contributions of \$23.3 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 3.7% of the total City revenues. Capital grants and contributions of \$21.9 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues. The capital grants revenue increased slightly due to slight increase in public safety grants.

Expenses

For the fiscal year ended June 30, 2015, expenses for government activities totaled \$540.8 million, which cover a range of services. On the whole, the City's expenditures decreased approximately \$4.8 million or .9% over prior year. The main contributor to the slight decrease is due to the implementation of GASB 68. Due to the pension reporting changes required, the City's on behalf payment made by the Commonwealth for the Massachusetts Teachers Retirement System (MTRS) decreased \$14.9 million. Also the City's pension expense decreased approximately \$7.2 million which is reflected in the general government expense.

Education continues to be one of the City's highest priorities and commitments, representing \$211.0 million or 39.0% (including MTRS expenditures decrease) of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the thirteenth year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations, protection of open space and the restoration/creation of parks and recreation areas. Expenditures related to these initiatives are recorded in the community maintenance and development category. During 2015, the City spent \$11.9 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net position by \$5.3 million. Approximately \$2.4 million is attributable to higher water revenues. Although the water rates didn't increase in FY15, a slight increase in consumption, large increase in water lien payments due to a settlement with a large commercial customer and the automated sewer abatement processing all contributed to the increase. The decrease in water debt balances of \$2.6 million is the other factor adding to the increase in net position.

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 \$430.6 million. Of this amount, \$4.3 million has been categorized as nonspendable which includes permanent funds and healthcare deposits. Another \$98.3 million was restricted because the funds include grants or bonded projects that are controlled by external sources. Finally, \$125.3 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

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must be approved by the highest legislative level at the City, which is the City Council. The remainder of the Fund balance \$202.7 million is considered "Unassigned".

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance was \$202.7 million, while the total fund balance was \$275.7 million.

As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 40.4% of total General Fund expenditures, while the total balance represents 55% 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 2015, the total fund balance was \$78.3 million. This reflects a slight decrease over the prior fiscal year of \$3.4 million. In FY15, the bond proceeds increased significantly by \$53.7 million and capital outlays expenditures increased 45.3% over FY14. As a result, the capital fund balance will continue to decline as the larger projects like the MLK Elementary School progress to completion.

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 2015, the total fund balance was \$39.8 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 \$13.4 million and a net investment in capital assets of \$120.2 million.

General Fund Budgetary Highlights

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

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

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

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Revenues and Other Financing Sources

Fiscal year 2015 actual revenues on a budgetary basis totaled \$520.8 million. This represents an increase of \$47.5 million or 10% from fiscal year 2014. Property taxes are the single largest revenue source, representing approximately 64.7% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 9.2%. Other Income was significantly higher than budget \$44.7 million because of mitigation receipts recognized through the general fund of \$16.6 million.

Expenditures

During fiscal year 2015, total expenditures increased by \$22 million or 4.7% on a budgetary basis as compared to fiscal year 2014 at \$471.3 million which was mainly due to 2.0% cost of living increase, 4% increase in health insurance, and 5.85% increase related to pensions.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the City's capital assets of its governmental activities and business-type activity amounted to \$1.1 billion (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 \$434.2 million in outstanding bonds and notes compared to \$364.4 million last year.

	Governmental activities		Business-type activity		Totals	
	2015	2014	2015	2014	2015	2014
	(In millions)					
General obligation bonds and notes payable \$	423.9	351.7	10.3	12.7	434.2	364.4

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.

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Economic Factors and Next Year's Budgets and Rates

The City's tax levy increased \$13 million, or 3.8%, to \$354.4 million in fiscal year 2016. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$134.0 million in FY 15 to \$155.0 million in FY 16, a 15.7% increase.

The FY 16 operating budget increased by 2.83% over the FY 15 adjusted budget. The increase is attributable to a 2.4% increase of employee salary costs and a 5.85% increase in employee pension costs. The capital budget of \$85.3 million is a planned increase of approximately \$53.3 million from the prior year based upon the Five-Year Public Investment Plan.

New Accounting Standards

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 for employers' provision of pension benefits related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

Future Pronouncements

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

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The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also makes amendments to certain pronouncements of Statements No. 67 and No. 68. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. The requirements for defined benefit pensions not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This Statement is effective for fiscal years beginning after June 15, 2017.

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

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The GASB has issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

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, 2015

Assets and Deferred Outflows of Resources	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 460,232,185	10,492,891	470,725,076	132,815,246
Cash and investments held by trustees	600,000	—	600,000	24,287,050
Receivables, net:				
Property taxes	4,914,817	—	4,914,817	—
Motor vehicle excise	950,825	—	950,825	—
Tax title and possessions	3,473,779	—	3,473,779	—
Intergovernmental	14,854,919	—	14,854,919	—
Other	18,534,694	5,833,809	24,368,503	35,165,066
Other assets	2,157,459	—	2,157,459	175,273,399
Internal balances	(32,723)	32,723	—	—
Due from component unit	4,495,000	—	4,495,000	—
Capital assets:				
Nondepreciable	512,594,356	47,097,378	559,691,734	10,044,475
Depreciable, net	486,595,644	83,218,862	569,814,506	128,086,237
Total assets	<u>1,509,370,955</u>	<u>146,675,663</u>	<u>1,656,046,618</u>	<u>505,671,473</u>
Deferred outflows of resources:				
Related to debt refundings	6,606,803	196,208	6,803,011	—
Related to pensions	14,350,210	—	14,350,210	2,469,956
Total assets and deferred outflows of resources	<u>\$ 1,530,327,968</u>	<u>146,871,871</u>	<u>1,677,199,839</u>	<u>508,141,429</u>
Liabilities and Deferred Inflows of Resources				
Warrants and accounts payable	\$ 24,432,701	648,226	25,080,927	24,511,193
Accrued liabilities:				
Tax abatements	4,800,000	—	4,800,000	—
Accrued payroll	15,760,331	128,477	15,888,808	14,639,041
Accrued interest	5,052,933	186,042	5,238,975	—
Other	3,195,282	—	3,195,282	11,630,677
Unearned revenue	—	—	—	1,708,428
Due to primary government	—	—	—	4,495,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	42,750,055	2,420,000	45,170,055	58,114
Capital leases	—	—	—	1,937,299
Due to third parties	—	—	—	15,678,358
Compensated absences	7,154,000	212,000	7,366,000	15,125,295
Landfill	25,000	—	25,000	—
Judgments and claims	6,646,279	331,128	6,977,407	—
Pollution remediation	493,166	—	493,166	—
Due in more than one year:				
Bonds and notes payable	381,115,340	7,907,365	389,022,705	438,576
Capital leases	—	—	—	1,658,724
Due to third parties	—	—	—	29,897,722
Compensated absences	11,919,000	365,000	12,284,000	—
Landfill	125,000	—	125,000	—
Judgments and claims	8,716,927	1,108,557	9,825,484	—
Other postemployment benefit obligation	182,967,722	—	182,967,722	50,934,368
Pollution remediation	3,264,990	—	3,264,990	—
Net pension liability	121,984,750	—	121,984,750	27,843,972
Total liabilities	<u>820,403,476</u>	<u>13,306,795</u>	<u>833,710,271</u>	<u>200,556,767</u>
Deferred Inflows of resources:				
Related to pensions	3,382,252	—	3,382,252	—
Total liabilities and deferred inflows of resources	<u>\$ 823,785,728</u>	<u>13,306,795</u>	<u>837,092,523</u>	<u>200,556,767</u>
Net Position				
Net investment in capital assets	\$ 637,618,851	120,185,083	757,803,934	129,542,998
Restricted for:				
Capital projects	30,657,436	—	30,657,436	—
Community preservation	12,830,265	—	12,830,265	—
Expendable permanent funds	1,602,177	—	1,602,177	—
Nonexpendable permanent funds	2,199,328	—	2,199,328	—
Specific purposes	5,060,123	—	5,060,123	—
Other purposes	600,000	—	600,000	4,344,070
Unrestricted	15,974,060	13,379,993	29,354,053	173,697,594
Total net position	<u>\$ 706,542,240</u>	<u>133,565,076</u>	<u>840,107,316</u>	<u>307,584,662</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2015

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	Primary government			
					Governmental activities	Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 29,002,206	436,687	—	—	(28,565,519)	—	(28,565,519)	
Public safety	138,554,014	53,782,729	—	208,195	(84,563,090)	—	(84,563,090)	
Community maintenance and development	102,203,863	50,851,436	4,051,406	21,705,324	(25,595,697)	—	(25,595,697)	
Human resource development	50,644,258	4,726,472	8,442,100	—	(37,475,686)	—	(37,475,686)	
Education	211,018,908	1,212,711	10,789,024	—	(199,017,173)	—	(199,017,173)	
Interest on long-term debt	9,381,387	—	—	—	(9,381,387)	—	(9,381,387)	
Total governmental activities	<u>540,804,636</u>	<u>111,010,035</u>	<u>23,282,530</u>	<u>21,913,519</u>	<u>(384,598,552)</u>	<u>—</u>	<u>(384,598,552)</u>	
Business-type activity:								
Water	14,226,883	20,091,724	—	—	—	5,864,841	5,864,841	
Total business-type activity	<u>14,226,883</u>	<u>20,091,724</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,864,841</u>	<u>5,864,841</u>	
Total primary government	<u>\$ 555,031,519</u>	<u>131,101,759</u>	<u>23,282,530</u>	<u>21,913,519</u>	<u>(384,598,552)</u>	<u>5,864,841</u>	<u>(378,733,711)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 577,189,388	308,946,397	275,706,266	—				7,463,275
Total component units	<u>\$ 577,189,388</u>	<u>308,946,397</u>	<u>275,706,266</u>	<u>—</u>				<u>7,463,275</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 343,594,775	—	343,594,775	—
Excises					25,079,784	—	25,079,784	—
Payments in lieu of taxes					8,082,220	—	8,082,220	—
Grants and contributions not restricted					45,502,677	—	45,502,677	—
Investment income					1,662,538	192,482	1,855,020	754,763
Miscellaneous					36,626,619	—	36,626,619	20,634,692
Transfers					709,855	(709,855)	—	—
Total general revenues and transfers					<u>461,258,468</u>	<u>(517,373)</u>	<u>460,741,095</u>	<u>21,389,455</u>
Change in net position					76,659,916	5,347,468	82,007,384	28,852,730
Net position – beginning, as restated					<u>629,882,324</u>	<u>128,217,608</u>	<u>758,099,932</u>	<u>278,731,932</u>
Net position – ending					<u>\$ 706,542,240</u>	<u>133,565,076</u>	<u>840,107,316</u>	<u>307,584,662</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2015

Assets	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 306,259,261	81,616,890	36,323,436	36,032,598	460,232,185
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	4,914,817	—	—	—	4,914,817
Motor vehicle excise	950,825	—	—	—	950,825
Tax title and possessions	3,473,779	—	—	—	3,473,779
Intergovernmental	—	11,731,435	—	3,123,484	14,854,919
Departmental and other	14,865,318	—	3,218,746	450,630	18,534,694
Total receivables	<u>24,204,739</u>	<u>11,731,435</u>	<u>3,218,746</u>	<u>3,574,114</u>	<u>42,729,034</u>
Other assets	2,157,459	—	—	—	2,157,459
Due from other funds	—	569,969	—	—	569,969
Due from component unit	4,495,000	—	—	—	4,495,000
Total assets	<u>\$ 337,116,459</u>	<u>93,918,294</u>	<u>40,142,182</u>	<u>39,606,712</u>	<u>510,783,647</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Warrants and accounts payable	\$ 6,782,946	15,594,187	382,537	1,673,031	24,432,701
Accrued liabilities:					
Tax abatements	2,400,000	—	—	—	2,400,000
Judgments and claims	6,646,279	—	—	—	6,646,279
Accrued payroll	15,595,962	16,679	—	147,690	15,760,331
Other	2,826,155	—	—	369,127	3,195,282
Due to other funds	32,723	—	—	569,969	602,692
Total liabilities	<u>34,284,065</u>	<u>15,610,866</u>	<u>382,537</u>	<u>2,759,817</u>	<u>53,037,285</u>
Deferred Inflows of Resources:					
Unavailable revenue	27,084,605	—	—	85,733	27,170,338
Fund balances:					
Nonspendable	2,077,459	—	—	2,199,328	4,276,787
Restricted	—	78,307,428	600,000	19,406,832	98,314,260
Committed	70,997,088	—	39,159,645	15,155,002	125,311,735
Unassigned	202,673,242	—	—	—	202,673,242
Total fund balances	<u>275,747,789</u>	<u>78,307,428</u>	<u>39,759,645</u>	<u>36,761,162</u>	<u>430,576,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 337,116,459</u>	<u>93,918,294</u>	<u>40,142,182</u>	<u>39,606,712</u>	<u>510,783,647</u>

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, 2015

Total fund balance – governmental funds	\$ 430,576,024
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	999,190,000
Adjust deferred revenues to record revenues on an accrual basis	27,170,338
Capitalized loss on debt refunding in the government-wide statements that is not capitalized in the governmental funds	6,606,803
Deferred outflows related to pensions	14,350,210
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	423,865,395
Accrued interest on bonds	5,052,933
Compensated absences	19,073,000
Landfill	150,000
Judgments and claims	8,716,927
Tax abatements	2,400,000
Other postemployment benefits	182,967,722
Pollution remediation	3,758,156
Net pension liability	121,984,750
Deferred inflows related to pensions	3,382,252
	771,351,135
Net position of governmental activities	\$ 706,542,240

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, 2015

	<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	\$ 342,853,089	—	—	—	342,853,089
Excises:					
Hotel/motel/meals	17,861,201	—	—	—	17,861,201
Motor vehicles	7,200,225	—	—	—	7,200,225
Payments in lieu of taxes	8,082,220	—	—	—	8,082,220
Intergovernmental	45,502,677	21,913,519	—	23,282,530	90,698,726
Investment income	1,523,445	25,941	—	113,152	1,662,538
Sewer use charges	47,920,611	—	—	—	47,920,611
Departmental and other	53,411,564	864,883	3,167,213	32,897,159	90,340,819
Total revenues	<u>524,355,032</u>	<u>22,804,343</u>	<u>3,167,213</u>	<u>56,292,841</u>	<u>606,619,429</u>
Expenditures:					
Current:					
General government	33,317,266	—	—	199,736	33,517,002
Public safety	117,991,207	—	—	1,202,965	119,194,172
Community maintenance and development	46,003,969	—	11,882,924	3,592,895	61,479,788
Human resource development	34,301,944	—	—	8,041,055	42,342,999
Education	168,366,479	—	—	13,036,408	181,402,887
Judgments and claims	121,540	—	—	—	121,540
State and district assessments	50,184,292	—	—	—	50,184,292
Capital outlays	—	120,099,925	—	—	120,099,925
Debt service	51,359,112	—	—	—	51,359,112
Total expenditures	<u>501,645,809</u>	<u>120,099,925</u>	<u>11,882,924</u>	<u>26,073,059</u>	<u>659,701,717</u>
Excess (deficiency) of revenues over expenditures	<u>22,709,223</u>	<u>(97,295,582)</u>	<u>(8,715,711)</u>	<u>30,219,782</u>	<u>(53,082,288)</u>
Other financing sources (uses):					
Premium on debt issuance	12,114,100	—	—	—	12,114,100
Issuance of debt	38,105,000	88,596,390	—	—	126,701,390
Transfers in	36,808,100	21,638,121	10,000,000	—	68,446,221
Transfers out	(19,264,285)	(16,327,990)	—	(32,144,091)	(67,736,366)
Payment to Fiscal Escrow Agent	(42,222,413)	—	—	—	(42,222,413)
Total other financing (uses) sources	<u>25,540,502</u>	<u>93,906,521</u>	<u>10,000,000</u>	<u>(32,144,091)</u>	<u>97,302,932</u>
Net change in fund balances	<u>48,249,725</u>	<u>(3,389,061)</u>	<u>1,284,289</u>	<u>(1,924,309)</u>	<u>44,220,644</u>
Fund balance – beginning	227,498,064	81,696,489	38,475,356	38,685,471	386,355,380
Fund balance – ending	<u>\$ 275,747,789</u>	<u>78,307,428</u>	<u>39,759,645</u>	<u>36,761,162</u>	<u>430,576,024</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, 2015

Net change in fund balances – total governmental funds	\$ 44,220,644
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, (\$125,479,923) exceeded depreciation expense (\$28,097,487)	97,382,436
Revenues are recorded on an accrual basis	1,687,368
Proceeds of long-term debt (\$126,701,390) 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, (\$79,234,164) 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.	(47,467,226)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net position	(9,730,484)
Change in deferred outflows related to debt refundings	4,117,413
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	(697,435)
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	(21,628,724)
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), pollution remediation (\$2,302,144) and pension costs (\$7,565,160) offset by noncurrent claims (\$485,927), accrued interest (\$365,453) and compensated absences (\$265,000)	8,775,924
Change in net position of governmental activities	\$ <u>76,659,916</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Position – Proprietary Fund

June 30, 2015

	Enterprise fund Water fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 10,492,891
Receivables, net	5,833,809
Due from other funds	32,723
Total current assets	<u>16,359,423</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	47,097,378
Depreciable, net	83,218,862
Total noncurrent assets	<u>130,316,240</u>
Total assets	146,675,663
Deferred outflows of resources:	
Related to debt refundings	196,208
Total assets and deferred outflows of resources	<u>\$ 146,871,871</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 648,226
Accrued liabilities:	
Claims	331,128
Compensated absences	212,000
Accrued payroll	128,477
Interest	186,042
Current portion of long-term debt	2,420,000
Total current liabilities	<u>3,925,873</u>
Noncurrent liabilities:	
Bonds payable	7,907,365
Accrued liabilities:	
Claims	1,108,557
Compensated absences	365,000
Total noncurrent liabilities	<u>9,380,922</u>
Total liabilities	<u>\$ 13,306,795</u>
Net position:	
Net investment in capital assets	\$ 120,185,083
Unrestricted	13,379,993
Total net position	<u>\$ 133,565,076</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, 2015

	Enterprise fund
	<u>Water fund</u>
Operating revenues:	
Charges for services	\$ 20,091,724
Total operating revenues	<u>20,091,724</u>
Operating expenses:	
Administration	3,800,282
Service and support programs	6,635,576
Depreciation	<u>3,360,807</u>
Total operating expenses	<u>13,796,665</u>
Operating income	<u>6,295,059</u>
Nonoperating revenue (expense):	
Investment earnings – other	192,482
Interest expense	<u>(430,218)</u>
Nonoperating expense	<u>(237,736)</u>
Income before transfers	6,057,323
Transfers to other funds	<u>(709,855)</u>
Change in net position	5,347,468
Total net position – beginning	<u>128,217,608</u>
Total net position – ending	\$ <u><u>133,565,076</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2015

	Enterprise fund
	Water fund
Cash flows from operating activities:	
Cash received from customers	\$ 19,326,942
Cash paid to vendors	(6,448,787)
Cash paid to employees	(3,946,368)
Net cash provided by operating activities	8,931,787
Cash flows from noncapital financing activities:	
Transfers	(709,855)
Net cash used in noncapital financing activities	(709,855)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(2,930,985)
Interest paid on debt	(670,404)
Repayment of long-term debt	(2,540,000)
Net cash used in capital and related financing activities	(6,141,389)
Cash flows from investing activities:	
Investment income	192,482
Net cash provided by investing activities	192,482
Increase in cash and cash equivalents	2,273,025
Cash and cash equivalents, beginning of year	8,219,866
Cash and cash equivalents, end of year	\$ 10,492,891
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,295,059
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	3,360,807
Amortization of deferred loss on refunding	98,104
Changes in operating assets and liabilities:	
Accounts receivable	(764,782)
Other liabilities	(57,401)
Net cash provided by operating activities	\$ 8,931,787

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(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, 2014. 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 governed

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

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, 2015 are available from its offices on 350 Main St, Suite 31, Malden, Massachusetts 02148.

(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 the year

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

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, 2015

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, 2015

(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 2015, the City has reported deferred outflows pertaining to its debt refunding and pension transactions in the government-wide statements and a deferred inflow related to pension transactions in the government wide statements and related to unavailable revenue in the governmental fund statements.

(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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Notes to Basic Financial Statements

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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.

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:

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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, 2015, 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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(o) Adoption of New Accounting Pronouncements and Restatements

For the year ended December 31, 2014, the City of Cambridge Retirement System adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Accounting for Pension Plans*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts. The Statement requires the presentation of a statement of changes in fiduciary net position and enhances note disclosures and required supplementary information (RSI). For defined benefit pension plans, this Statement specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability).

For the year ended June 30, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this Statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. City employees are provided with defined benefit pensions through the Cambridge Retirement System, a cost-sharing, multiple employer defined benefit pension plan. In accordance with the provisions of Statement No. 68, the City has reported its proportionate share of the Cambridge Retirement System’s collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

As a result of the implementation of Statement No. 68, beginning net position of the governmental activities and discretely presented component unit as of July 1, 2014, were restated as follows:

	Governmental activities	Discretely presented component unit
Beginning net position, as previously reported	\$ 748,464,276	305,841,148
Implementation of GASB Statement No. 68	(118,581,952)	(27,109,216)
Beginning net position, as restated	\$ 629,882,324	278,731,932

The City also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 71 requires a government recognize a deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the net pension liability.

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Notes to Basic Financial Statements

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(3) Deposits and Investments

(a) Deposits

State and local statutes place certain limitations on the nature of deposits and investments available to the City. The City's 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, 2015, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	192
Discretely presented component unit (CHA)		32,468,316
	\$	32,468,508

(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 the 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.

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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 43% equities (securities from approved state listing) and 57% Fixed securities and certificates of deposit.

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(iii) 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, 2015:

<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	\$ 284,125,719	284,125,719	—	—	—
Certificates of deposit	103,020,931	85,445,906	13,995,032	2,597,684	982,309
Corporate fixed income	12,629,545	—	3,007,619	6,075,030	3,546,896
U.S. agencies	16,773,115	—	9,441,699	5,840,514	1,490,902
Subtotal city	<u>416,549,310</u>	<u>369,571,625</u>	<u>26,444,350</u>	<u>14,513,228</u>	<u>6,020,107</u>
System (as of December 31, 2014):					
Cash collateral pool	62,430,984	62,430,984	—	—	—
U.S. treasury notes and bonds	10,214,570	—	7,857,825	398,672	1,958,073
U.S. agencies	2,342,586	561,345	1,485,953	295,288	—
Domestic corporate	75,042,710	618,214	20,081,340	41,483,776	12,859,380
Asset-backed:					
CMOs	6,937,804	242,023	818,547	195,522	5,681,712
Other	10,284,910	—	3,197,590	1,764,020	5,323,300
Pooled fixed-income investments	<u>119,841,743</u>	<u>119,841,743</u>	<u>—</u>	<u>—</u>	<u>—</u>
Subtotal system	<u>287,095,307</u>	<u>183,694,309</u>	<u>33,441,255</u>	<u>44,137,278</u>	<u>25,822,465</u>
OPEB Trust:					
Money market	54,946	54,946	—	—	—
Certificates of deposit	2,020,458	392,574	995,413	253,452	379,019
Corporate fixed income	2,315,345	—	1,304,243	395,073	616,029
U.S. agencies	1,018,907	—	1,018,907	—	—
Subtotal OPEB Trust	<u>5,409,656</u>	<u>447,520</u>	<u>3,318,563</u>	<u>648,525</u>	<u>995,048</u>
Total	<u>\$ 709,054,273</u>	<u>553,713,454</u>	<u>63,204,168</u>	<u>59,299,031</u>	<u>32,837,620</u>
Discretely presented component unit (CHA):					
Money market	\$ 115,428,676	115,428,676	—	—	—
MMDT	<u>10,468,200</u>	<u>10,468,200</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total discretely presented component unit (CHA)	<u>\$ 125,896,876</u>	<u>125,896,876</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 manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

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

(iv) 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, 2015 were rated by Standard and Poor’s and/or an equivalent national rating organization. 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	\$ 284,125,719	—	—	—	—	—	—	284,125,719
Certificates of deposit	103,020,931	—	—	—	—	—	—	103,020,931
Corporate fixed income	12,629,545	2,376,080	3,485,129	6,036,062	—	732,274	—	—
U.S. agencies	16,773,115	16,773,115	—	—	—	—	—	—
Subtotal city	<u>416,549,310</u>	<u>19,149,195</u>	<u>3,485,129</u>	<u>6,036,062</u>	<u>—</u>	<u>732,274</u>	<u>—</u>	<u>387,146,650</u>
System (as of December 31, 2014):								
Cash collateral pool	62,430,984	62,430,984	—	—	—	—	—	—
U.S. Treasury notes and bonds	10,214,570	4,989,162	—	—	—	—	—	5,225,408
U.S. agencies	2,342,586	—	428,407	—	—	—	—	1,914,179
Domestic corporate	75,042,710	1,198,157	2,969,393	7,949,336	14,118,992	24,265,472	23,909,124	632,236
Asset-backed:								
CMOs	6,937,804	2,270,626	1,147,138	1,390,540	505,648	163,575	—	1,460,277
Other	10,284,910	4,792,368	—	486,011	—	—	—	5,006,531
Pooled fixed-income investments	119,841,744	—	—	—	—	—	—	119,841,744
Subtotal system	<u>287,095,308</u>	<u>75,681,297</u>	<u>4,544,938</u>	<u>9,825,887</u>	<u>14,624,640</u>	<u>24,429,047</u>	<u>23,909,124</u>	<u>134,080,375</u>
OPEB Trust:								
Money market	54,946	—	—	—	—	—	—	54,946
Certificates of deposit	2,020,458	—	—	—	—	—	—	2,020,458
Corporate fixed income	2,315,345	145,800	345,500	646,214	635,281	542,550	—	—
U.S. agencies	1,018,907	653,575	365,332	—	—	—	—	—
Subtotal OPEB Trust	<u>5,409,656</u>	<u>799,375</u>	<u>710,832</u>	<u>646,214</u>	<u>635,281</u>	<u>542,550</u>	<u>—</u>	<u>2,075,404</u>
Total	<u>\$ 709,054,274</u>	<u>95,629,867</u>	<u>8,740,899</u>	<u>16,508,163</u>	<u>15,259,921</u>	<u>25,703,871</u>	<u>23,909,124</u>	<u>523,302,429</u>
Discretely presented component unit (CHA):								
Money market	\$ 115,428,676	Not rated						
MMDT	10,468,200	Not rated						
Total discretely presented component unit (CHA)	<u>\$ 125,896,876</u>							

(v) 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, 2014.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

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(vi) 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, 2014, 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)	\$ 178,616,606
International fixed income pooled funds (various currencies)	<u>51,451,018</u>
	<u>\$ 230,067,624</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. Leaning of properties on which taxes remain unpaid occurs annually. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,407,775	—	—	165,407,775
Construction in progress	282,676,974	113,459,142	(48,949,535)	347,186,581
	<u>448,084,749</u>	<u>113,459,142</u>	<u>(48,949,535)</u>	<u>512,594,356</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	396,961,272	31,094,595	—	428,055,867
Improvements – nonbuilding	99,793,850	1,904,811	—	101,698,661
Furniture and equipment	79,385,083	4,195,501	—	83,580,584
Infrastructure	288,213,507	23,775,409	—	311,988,916
	<u>864,353,712</u>	<u>60,970,316</u>	<u>—</u>	<u>925,324,028</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(139,103,936)	(11,336,053)	—	(150,439,989)
Improvements – nonbuilding	(31,635,328)	(3,983,587)	—	(35,618,915)
Furniture and equipment	(50,994,684)	(4,294,660)	—	(55,289,344)
Infrastructure	(188,896,949)	(8,483,187)	—	(197,380,136)
	<u>(410,630,897)</u>	<u>(28,097,487)</u>	<u>—</u>	<u>(438,728,384)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>453,722,815</u>	<u>32,872,829</u>	<u>—</u>	<u>486,595,644</u>
Governmental activities capital assets, net	\$ <u>901,807,564</u>	<u>146,331,971</u>	<u>(48,949,535)</u>	<u>999,190,000</u>

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

Governmental activities:		
General government		\$ 754,245
Public safety		4,342,493
Community maintenance and development		14,890,816
Human resource development		2,319,355
Education		5,790,578
Total depreciation expense – governmental activities		<u>\$ 28,097,487</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,764,325	—	—	39,764,325
Construction in progress	<u>5,846,837</u>	<u>2,870,190</u>	<u>(1,383,974)</u>	<u>7,333,053</u>
Total capital assets not being depreciated	<u>45,611,162</u>	<u>2,870,190</u>	<u>(1,383,974)</u>	<u>47,097,378</u>
Capital assets being depreciated:				
Buildings and improvements	81,252,878	—	—	81,252,878
Furniture and equipment	6,843,841	1,444,769	—	8,288,610
Infrastructure	<u>41,796,023</u>	—	—	<u>41,796,023</u>
Total capital assets being depreciated	<u>129,892,742</u>	<u>1,444,769</u>	—	<u>131,337,511</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,179,893)	(2,059,157)	—	(28,239,050)
Furniture and equipment	(2,522,053)	(506,903)	—	(3,028,956)
Infrastructure	<u>(16,055,896)</u>	<u>(794,747)</u>	—	<u>(16,850,643)</u>
Total accumulated depreciation	<u>(44,757,842)</u>	<u>(3,360,807)</u>	—	<u>(48,118,649)</u>
Total capital assets being depreciated, net	<u>85,134,900</u>	<u>(1,916,038)</u>	—	<u>83,218,862</u>
Business-type activity capital assets, net	<u>\$ 130,746,062</u>	<u>954,152</u>	<u>(1,383,974)</u>	<u>130,316,240</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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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	\$ 5,295,504	—	—	—	5,295,504	—
Motor vehicle taxes	3,565,116	—	—	—	3,565,116	—
Other taxes	3,859,755	—	—	—	3,859,755	—
Intergovernmental	—	14,300,950	—	3,123,484	17,424,434	—
Other	15,153,207	—	6,600,802	450,630	22,204,639	5,892,736
Gross receivables	27,873,582	14,300,950	6,600,802	3,574,114	52,349,448	5,892,736
Less allowance for uncollectibles	3,668,843	2,569,515	3,382,056	—	9,620,414	58,927
Net total receivables	\$ 24,204,739	11,731,435	3,218,746	3,574,114	42,729,034	5,833,809

(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)	\$ 7,724,287	—	7,724,287
Other	19,446,051	—	19,446,051
Total unavailable/unearned revenue for governmental funds	\$ 27,170,338	—	27,170,338

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

Individual fund receivable and payable balances at June 30, 2015, 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	569,969	—
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	—	569,969
Balance at June 30, 2015	<u>\$ 602,692</u>	<u>602,692</u>

Receivable and payable balances between the primary government and CHA at June 30, 2015 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 4,495,000	—
Discretely presented component unit:		
CHA	—	4,495,000
Balance at June 30, 2015	<u>\$ 4,495,000</u>	<u>4,495,000</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 the 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, 2015, the amount outstanding on hospital related debt is \$4,495,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2015:

	<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, 2035	2/1/05 to 3/4/15	1.0%–5.0%	\$ 240,037,616	81,705,000	59,547,252	262,195,364	22,272,252
Urban redevelopment, serial maturities through February 15, 2025	2/1/05 to 3/3/15	2.0%–5.0%	16,725,500	7,880,000	3,625,500	20,980,000	3,005,000
Schools, serial maturities through February 1, 2018	2/1/08	3.0%–3.25%	1,888,668	—	472,167	1,416,501	472,167
Sewer, serial maturities through February 15, 2025	11/23/04 to 3/3/15	0%–5.0%	82,746,674	37,116,390	13,333,021	106,530,043	14,902,579
Hospital, serial maturities through February 1, 2018	3/15/07	4.0%	5,995,000	—	1,500,000	4,495,000	1,500,000
Sub-total general obligation bonds			<u>347,393,458</u>	<u>126,701,390</u>	<u>78,477,940</u>	<u>395,616,908</u>	<u>42,151,998</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	170,000	—	170,000	—	—
Note payable serial maturities through July 1, 2021	4/20/00 to 7/16/01	2.0%	4,128,675	—	586,224	3,542,451	598,057
Sub-total notes payable			<u>4,298,675</u>	<u>—</u>	<u>756,224</u>	<u>3,542,451</u>	<u>598,057</u>
Total governmental obligation bonds and notes payable			<u>\$ 351,692,133</u>	<u>126,701,390</u>	<u>79,234,164</u>	<u>399,159,359</u>	<u>42,750,055</u>
Add (deduct):							
Unamortized bond premium						24,706,036	
Current portion of long-term debt						(42,750,055)	
						<u>\$ 381,115,340</u>	
Other long-term obligations:							
Judgments and claims			\$ 14,707,000	43,209,084	42,552,878	15,363,206	6,646,279
Compensated absences			18,808,000	19,923,200	19,658,200	19,073,000	7,154,000
Landfill postclosure care costs			175,000	—	25,000	150,000	25,000
Other postemployment benefits			161,338,998	43,011,000	21,382,276	182,967,722	—
Net pension liability			118,581,952	3,402,798	—	121,984,750	—
Pollution remediation			6,060,300	1,026,441	3,328,585	3,758,156	493,166
Total other governmental long-term obligations			<u>\$ 319,671,250</u>	<u>110,572,523</u>	<u>86,946,939</u>	<u>343,296,834</u>	<u>14,318,445</u>

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Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2015:

	<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	2/1/05 to 3/15/07	3.0%–5.0%	\$ 12,680,000	—	2,540,000	10,140,000	2,420,000
Total business-type bonds payable			<u>\$ 12,680,000</u>	<u>—</u>	<u>2,540,000</u>	10,140,000	<u>2,420,000</u>
Add (deduct):							
Unamortized bond premium						187,365	
Current portion of long-term debt						<u>(2,420,000)</u>	
						<u>\$ 7,907,365</u>	
Other long-term obligations:							
Judgments and claims			\$ 1,351,000	4,269,269	4,180,584	1,439,685	331,128
Compensated absences			<u>531,000</u>	<u>443,300</u>	<u>397,300</u>	<u>577,000</u>	<u>212,000</u>
Total other long-term obligations			<u>\$ 1,882,000</u>	<u>4,712,569</u>	<u>4,577,884</u>	<u>2,016,685</u>	<u>543,128</u>

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

General obligation bonds are backed by the full faith and credit of the City. The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2015, are as follows:

	Principal		Interest		Total	
	G/o bonds	Notes	G/o bonds	Notes	G/o bonds	Notes
Year ending June 30:						
2016	\$ 42,151,998	598,057	12,900,714	64,440	55,052,712	662,497
2017	40,314,365	610,130	12,271,819	52,369	52,586,184	662,499
2018	38,372,295	622,445	11,002,762	40,053	49,375,057	662,498
2019	33,772,801	635,010	9,733,439	27,489	43,506,240	662,499
2020	33,141,897	592,525	8,534,365	14,765	41,676,262	607,290
2021–2025	130,253,552	484,284	26,568,355	12,583	156,821,907	496,867
2026–2030	56,055,000	—	8,656,140	—	64,711,140	—
2031–2035	21,555,000	—	1,670,569	—	23,225,569	—
	<u>\$ 395,616,908</u>	<u>3,542,451</u>	<u>91,338,163</u>	<u>211,699</u>	<u>486,955,071</u>	<u>3,754,150</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, 2015, the principal and interest amount outstanding is \$3,542,451 and \$211,699 respectively.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of approximately \$38.7 million and education expenditures of approximately \$0.5 million totaling approximately \$39.2 million of principal costs.

In February 2015, the City issued \$75,465,000 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 2035.

In March 2015, the City issued general obligation bonds with interest rates ranging from 2.0% to 4.0% to advance refund \$39,500,000 of City general obligation bonds with interest rates ranging from 3.5% to 4.25%. The net proceeds of approximately \$42,000,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. As a result, the bonds are considered defeased and the liability of those bonds has been removed from the City's long term debt obligations. The expected cash flow savings are approximately \$2.57 million. The economic gain realized from the advanced refunding is approximately \$1.4 million.

In January 2015, the City entered into a loan agreement with the Massachusetts Clean Water Trust (MCWT) for \$13,131,390. Principal on the loan is due each January 15 until maturity in fiscal 2025 with a 2% interest rate. There are no subsidies associated with this agreement. The MCWT loans provide funding for sewer separation and drinking water projects. According to some of the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$112,176 in subsidies during 2015 and

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expects to receive subsidies totaling \$355,257 through fiscal 2023. These loan payments commenced on February 1, 2005 and end on July 15, 2022, with interest rates ranging from 0% to 2.0%.

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

As of June 30, 2015, the City may issue approximately \$1.0 billion additional general obligation debt under the normal debt limit. The City has approximately \$13.7 million of debt exempt from the debt limit.

The annual debt service requirements of the City’s water enterprise fund as of June 30, 2015 are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	2,420,000	83,501	2,503,501
2020	460,000	11,501	471,501
	\$ 10,140,000	1,071,505	11,211,505

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

In 2012, the CHA purchased space for \$850,000 which was previously rented through an operating lease agreement. Of the total purchase price, \$680,000 was financed through a note payable to the seller. The note is to be amortized over 10 years with monthly payments of \$7,047 at an interest rate of 4.5%. The balance on this note payable at June 30, 2015 is \$496,690.

(9) Retirement Plan-GASB 67

(a) Plan Description

The City of Cambridge Retirement System (the System) is a cost-sharing, multiple employer defined benefit pension plan 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. As of December 31, 2014, the System provides pension benefits to the retired employees of four employers: the City of Cambridge, Cambridge Housing Authority, Cambridge Redevelopment Authority and 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).

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Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations.

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage based on the age of the member at retirement.

A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five year average salary multiplied by the number of years and full months of creditable service at the retirement and multiplied by a percentage based on the age and years of creditable service of the member at retirement.

A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a) (17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit "spiking" a member's salary to increase the retirement benefit.

For all employees, the maximum annual amount of the retirement allowance is 80% of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80% maximum.

Special Funding Situations

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System (MTRS). The MTRS arrangement qualifies as a special funding situations as the City has no obligation to contribute to this plan. Rather the Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The Commonwealth adopted GASB 68 during fiscal year 2015, using June 30, 2014 as its measurement date. The Commonwealth's proportionate share of the collective net pension liability associated with the City's employees as of the June 30, 2014 measurement date is \$178.9 million based on an employer allocation percentage of 1.125%. The Commonwealth contributed \$12.4 million on behalf of the City during the measurement period and the City reported the amount as intergovernmental revenue and education expense in the General Fund.

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In accordance with the Administrative Service Agreement dated May 6, 1997, between the City of Cambridge (City) and the Cambridge Public Health Commission, which subsequently became the Cambridge Health Alliance (CHA) the City is contractually required to fund a portion of CHA's employer contribution to the System. Accordingly, a special funding situation as defined by GASB Statement No. 68 exists and the City is treated as a nonemployer contributing entity relative to the portion of the contribution it makes on behalf of CHA. As such, the City rather than CHA, records in its financial statements the net pension liability and deferred outflows and inflows of resources related to this nonemployer contribution.

(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, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	\$ 1,966
Terminated plan members entitled to, but not receiving benefits	812
Terminated plan members with a vested right to a deferred or immediate benefit	130
Active plan members	<u>3,145</u>
Total membership	<u>\$ 6,053</u>
Total number of participating employers	4

CITY OF CAMBRIDGE, MASSACHUSETTS

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(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2015, 2014, and 2013, were \$27,505,315, \$26,244,963, and \$24,765,692, respectively, and \$6,278,303, \$5,931,321, and \$5,603,515, respectively.

The Commonwealth is obligated to reimburse the System for a portion of the benefits payments for cost of living increases granted before July 1998 and records any related liability in their financial statements.

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2014 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 241,422,451	Active members' contribution balance
Annuity reserve fund	67,045,577	Retired members' contribution account
Military service credit fund	4,597	Members' contribution account while on military leave
Pension reserve fund	780,625,054	Amounts appropriated to fund future retirement benefits
Pension fund	<u>13,529,471</u>	Remaining net position
	<u>\$ 1,102,627,150</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

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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, 2014. 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, 2014, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers equaled or exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2014 were \$258,473.

At December 31, 2014, the fair value of securities loaned by the System amounted to \$60,621,513 against which was held cash collateral of \$62,430,984.

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) Administrative Costs

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

(h) Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at December 31, 2014 was as follows:

	<u>2014</u>
Total pension liability	\$ 1,259,960,680
Fiduciary net position	<u>1,102,627,150</u>
System's net pension liability	<u>\$ 157,333,530</u>
Fiduciary net position as a percentage of the total pension liability	87.51%

(i) Actuarial Assumptions

The total pension liability for the December 31, 2014 measurement date was determined by using an actuarial valuation as of January 1, 2014, with update procedures used to roll forward the total pension liability to December 31, 2014. These actuarial valuations applied the following actuarial assumptions:

Inflation: 3.75%

CITY OF CAMBRIDGE, MASSACHUSETTS

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Salary increases:	4.75%
Investment rate of return:	7.875%
Cost of living adjustments:	3% of first \$14,000
Pre-retirement:	RP-2000 Combined Healthy Mortality Table projected 17 years with Scale AA
Healthy Retiree:	RP-2000 Combined Healthy Mortality Table projected 17 years with Scale AA
Disabled Retiree:	RP-2000 Combined Healthy Mortality Table set forward five years projected 17 years with Scale AA

The long-term expected rate of return on pension plan investments was using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2014 is summarized below:

<u>Asset class</u>	<u>Target asset allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	38.50%	6.60%
International developed markets equity	12.00	7.10
Emerging markets equity	5.00	9.40
Core fixed income	15.00	2.20
High yield fixed income	5.00	4.70
Real estate	10.00	4.40
Hedge fund, GTAA, Risk parity	7.00	3.90
Private equity	7.50	11.70
Total	<u>100.00%</u>	

(j) Discount Rate

The discount rate used to calculate the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at rates equal to the actuarially determined contribution rates. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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(k) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the System's net pension liability calculated using the discount rate of 7.875% as well as what the City's proportionate share of the System's net pension liability would be if it were calculated using a discount rate that is 1% -point lower (6.875%) or 1% -point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current discount rate (7.875%)	1% Increase (8.875%)
June 30, 2015	\$ 295,223,499	157,333,530	40,152,357

(l) Annual Money Weighted Return

For the year ended December 31, 2014, the annual money weighted rate of return on plan investments, net of plan investment expense was 6.20%. The money weighted rate of return expresses investment performance net of investment expenses adjusted for the changing amounts actually invested.

(10) City Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources Related to Pensions – GASB 68

At June 30, 2015, the City reported a liability of \$122.0 million for its proportionate share of the System's net pension liability measured as of December 31, 2014. The City's proportion of the System's net pension liability was based on actual contributions to the System relative to the actual contributions of all participating employers. The amount recognized by the City as its proportionate share of the net pension liability, the proportionate share related to the Cambridge Health Alliance special funding situation and the total portion of the net pension liability associated with the City at June 30, 2015 were as follows:

City's proportionate share of net pension liability	\$	97,153,454
City's proportionate share of net pension liability associated with Cambridge Health Alliance		24,831,296
Commonwealth's proportionate share of net pension liability associated with City		178,858,308
	\$	300,843,058

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For the year ended June 30, 2015, the City recognized pension expense of \$20.2 million. At June 30, 2015, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ 10,820,903	—
Changes in employer proportion	3,529,307	3,382,252
	<u>\$ 14,350,210</u>	<u>3,382,252</u>

Amounts reported as deferred outflows of resources at June 30, 2015 related to pensions will be recognized in pension expense as follows:

2016	\$ 2,741,990
2017	2,741,990
2018	2,741,990
2019	<u>2,741,988</u>
Total	<u>\$ 10,967,958</u>

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported for the System.

(a) Sensitivity of the City's Proportionate Share of the System's Net Pension Liability

The following presents the City's proportionate share of the System's net pension liability calculated using the discount rate of 7.875% as well as what the City's proportionate share of the System's net pension liability would be if it were calculated using a discount rate that is 1% -point lower (6.875%) or 1%-point higher (8.875%) than the current rate:

City's net pension liability

	<u>1% Decrease (6.875%)</u>	<u>Current discount rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2015	\$ 228,894,405	121,984,750	31,131,159

(11) 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

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beneficiaries. As of the valuation date, approximately 2,490 retirees and 2,905 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, 2 and 4 retirees, including teachers, with at least 10 years of creditable service are eligible for retirement at age 55 or they may retire after a total of 20 years creditable service regardless of age. Retirees on ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre – and post-retirement death benefits, as well as medical and prescription drug coverage.

(a) Funding Policy

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

(b) Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2015, 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, 2014:

Annual Required Contribution (ARC)	\$ 44,325,000
Interest on net OPEB obligation	6,454,000
Adjustment to ARC	<u>(7,768,000)</u>
Annual OPEB cost	43,011,000
Contributions made	<u>(21,382,276)</u>
Change in net OPEB obligation	21,628,724
Net OPEB obligation – beginning of year	<u>161,338,998</u>
Net OPEB obligation – end of year	<u>\$ 182,967,722</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2015	\$ 43,011,000	49.71%	\$ 182,967,722
2014	47,621,000	46.64	161,338,998
2013	45,097,000	50.33	135,928,998

(c) Funded Status and Funding Progress

The funded status of the plan, as of June 30, 2015, based on an actuarial valuation as of July 1, 2014 was as follows:

Actuarially accrued liability (AAL)	\$ 538,352,000
Actuarial value of plan assets	<u>7,768,000</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 530,584,000</u>
Funded ratio (actuarial value of plan assets/AAL)	1.4%
Covered payroll (active plan members)	\$ 182,251,060
UAAL as a percentage of covered payroll	291.1%

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 years 2013, 2014, and 2015 the City transferred an additional \$5 million to the trust fund. The City Council has approved a \$2 million transfer to the trust fund in the fiscal year 2016 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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

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, 2014 actuarial valuation, the projected unit credit cost method was used and the actuarial accrued liability is being amortized over a period of 24 years on a closed basis and is calculated assuming a level percentage of projected payroll.

As of July 1, 2014 valuation, the discount rate was 4.0%. In general, the discount rate is to be equal to the long-term rate of return of the assets paying retiree costs.

As of July 1, 2014 valuation, the healthcare cost trend rates begin with 8.0% and decrease 0.5% annually to an ultimate rate of 4.5%. The healthcare cost trend rates as of July 1, 2014 are based on current market conditions and updated normative trend data and studies.

As of July 1, 2014 valuation, 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, 2014 valuation, the inflation rate was 3%. This assumption should represent long-term increases in salary rates and healthcare costs.

As of July 1, 2014 valuation, 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, 2014 valuation, 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, 2015

(12) Transfers

Transfers and their purposes during the year ended June 30, 2015 were as follows:

	Governmental funds				
	General	Capital	Affordable Housing Trust fund	Other	Enterprise fund water
Capital – to fund capital expenditures	\$ (19,264,285)	19,264,285	—	—	—
General – mitigation revenues for eligible projects	16,327,990	(16,327,990)	—	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	19,760,255	2,209,000	—	(21,969,255)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	10,000	—	—	(10,000)	—
Capital – reimbursement of eligible CDBG program costs	—	164,836	—	(164,836)	—
Water – reimbursement of administrative costs	709,855	—	—	—	(709,855)
Affordable housing fund – from CPA Fund	—	—	10,000,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(10,000,000)	—
Total	\$ 17,543,815	5,310,131	10,000,000	(32,144,091)	(709,855)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(13) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2015 are as follows.

	<u>General</u>	<u>Capital fund</u>	<u>Affordable Housing Trust fund</u>	<u>Other governmental funds</u>
Fund balances:				
Nonspendable:				
Deposits	\$ 2,077,459	—	—	—
Nonexpendable permanent funds	—	—	—	2,199,328
Restricted:				
Property and Development	—	16,111,470	—	8,009,434
Streets and Sidewalks	—	13,269,250	—	—
Parks and Recreation	—	5,541,961	—	4,735,098
Sewer Projects	—	17,806,003	—	—
Library	—	188,230	—	—
Schools	—	21,623,607	—	—
General Government	—	3,765,452	—	—
Affordable Housing	—	—	600,000	—
Community Preservation	—	—	—	—
CDBG Funds	—	—	—	—
Other City Grants Fund:				
Parks and Recreation	—	—	—	—
General Government	—	—	—	208,593
Human Services	—	1,455	—	1,713,315
School Grants Fund Federal/State	—	—	—	3,128,215
Expendable permanent funds	—	—	—	1,602,177
Committed:				
Parking Fund	—	—	—	15,155,002
Health Claims	20,279,412	—	—	—
Budget Stabilization	37,267,676	—	—	—
Affordable Housing	—	—	39,159,645	—
Subsequent year's expenditures	13,450,000	—	—	—
Unassigned	202,673,242	—	—	—
Total fund balances	<u>\$ 275,747,789</u>	<u>78,307,428</u>	<u>39,759,645</u>	<u>36,751,162</u>

Commitments and Contingencies

The City has \$5.5 million in encumbrances for purchase orders and contracts in the General Fund, \$62.9 million in the Capital Fund, \$0.5 million in the Affordable Housing Trust Fund, and \$5.4 million in the Other Governmental Funds. Encumbrances in the Proprietary Fund are not material.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(14) 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 did not exceed insurance coverage for premium based health insurance elections for fiscal years ended June 30, 2015, 2014, and 2013.

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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Judgments and accrued claims, beginning of year	\$ 16,058,000	15,429,000
Incurred claims	47,478,353	43,136,855
Less payments of claims attributable to events of both current and prior fiscal years	<u>(46,733,462)</u>	<u>(42,507,855)</u>
Judgments and accrued claims, end of year	<u>\$ 16,802,891</u>	<u>16,058,000</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, 2015

(Unaudited)

Schedule of Funding Progress

(Dollars in thousands)

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, 2014	\$ 7,768	538,352	530,584	1.4%	182,251	291.1%
July 1, 2013	5,535	579,645	574,110	1.0	177,412	323.6
July 1, 2012	3,330	556,593	553,263	0.6	170,517	324.5

Future cost of living increase assumed by the City.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2015

(Unaudited)

Schedule of Employers' Contributions – OPEB

(Dollars in thousands)

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Year ended June 30:		
2015	\$ 44,325	48.2%
2014	47,638	46.6
2013	44,937	50.5

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of the Net Pension Liability

(Unaudited)

	<u>2014</u>
Total pension liability	\$ 1,259,960,680
Plan fiduciary net position	<u>1,102,627,150</u>
System's net pension liability	<u>\$ 157,333,530</u>
Plan fiduciary net position as a percentage of the total pension liability	87.51%
Covered – employee payroll	\$ 218,627,543
System's net pension liability (asset) as a percentage of covered – employee payroll	71.96%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

(Unaudited)

	<u>2014</u>
Total pension liability:	
Service cost	\$ 29,791,673
Interest	94,315,895
Changes of benefit terms	—
Differences between expected and actual experience	—
Changes of assumptions	—
Benefit payments, including refunds of member contributions	<u>(64,034,766)</u>
Net change in total pension liability	60,072,802
Total pension liability – beginning	
Total pension liability – ending (a)	<u>1,199,887,878</u>
	<u>1,259,960,680</u>
Plan fiduciary net position:	
Contributions – employers and nonemployer	35,775,814
Contributions – member	20,572,796
Net investment income	64,639,098
Benefit payments, including refunds of member contributions	(64,034,766)
Administrative expenses	<u>(1,031,915)</u>
Net change in plan fiduciary net position	55,921,027
Plan fiduciary net position – beginning	<u>1,046,706,123</u>
Plan fiduciary net position – ending (b)	<u>1,102,627,150</u>
Net pension liability – ending (a) – (b)	\$ 157,333,530

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Contributions - City of Cambridge Retirement System

(Unaudited)

	<u>2015</u>
Actuarially determined contribution	\$ 35,475,814
Contributions in relation to the actuarially determined contribution	<u>35,775,814</u>
Contribution deficiency (excess)	<u>\$ (300,000)</u>
Covered-employee payroll	218,627,543
Contributions as a percentage of covered-employee payroll	16.36%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Contributions - City of Cambridge
 (Unaudited)

		<u>2015</u>
Actuarially determined contribution	\$	<u>27,505,315</u>
Contributions in relation to the actuarially determined contribution		<u>27,505,315</u>
Contribution deficiency (excess)	\$	<u>—</u>
Covered-employee payroll		<u>135,002,508</u>
Contributions as a percentage of covered-employee payroll		20.37%
<i>Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.</i>		

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Investment Returns

(Unaudited)

2014

Annual money-weighted rate of return, net of investment expense

6.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

(Unaudited)

	<u>2015</u>
City's proportion of the net pension liability	77.532583%
City's proportionate share of the net pension liability	\$ 121,984,750
City's covered-employee payroll	135,002,508
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	90.36%
City of Cambridge Retirement System fiduciary net position as a percentage of the total pension liability	87.51%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Revenues and Expenditures – Budgetary Basis
Required Supplementary Information
General Fund – Budget and Actual
Year ended June 30, 2015
(Unaudited)
(with comparative actual amounts for 2014)

	2015 Original budget	2015 Final budget	2015 Actual	Variance favorable (unfavorable)	2014 Actual
Revenues:					
Property taxes	\$ 341,445,455	341,445,455	341,445,455	—	328,544,945
Provisions for tax abatements and adj.	(4,604,198)	(4,604,198)	(4,604,198)	—	(4,544,945)
Payments in lieu of tax receipts	7,000,000	7,000,000	8,082,220	1,082,220	7,759,252
Hotel/motel/meals excise tax	15,000,000	15,000,000	17,861,201	2,861,201	16,525,182
Intergovernmental	33,380,939	33,380,939	33,076,532	(304,407)	31,264,954
Sewer use	42,646,230	42,646,230	47,920,611	5,274,381	41,690,417
Motor vehicle excise	6,620,435	6,620,435	7,200,225	579,790	7,230,474
Investment income	530,000	530,000	779,755	249,755	655,691
Other	23,197,640	24,360,207	69,038,258	44,678,051	44,148,161
Total revenues	<u>465,216,501</u>	<u>466,379,068</u>	<u>520,800,059</u>	<u>54,420,991</u>	<u>473,274,131</u>
Expenditures:					
Current:					
General government	51,980,027	49,662,857	34,291,105	15,371,752	34,003,093
Public safety	116,962,665	117,957,331	117,231,095	726,236	113,514,462
Community maintenance and development	42,358,951	48,714,008	48,430,608	283,400	42,037,825
Human resource development	35,159,378	35,749,128	35,118,482	630,646	33,450,978
Education	156,669,635	156,669,635	156,518,157	151,478	150,885,765
Judgments and claims	200,000	200,000	121,540	78,460	52,394
State and district assessments	50,444,705	50,597,705	50,216,265	381,440	47,682,872
Debt service:					
Principal	38,675,775	39,375,775	39,375,773	2	38,429,825
Interest	11,770,260	11,985,954	11,983,339	2,615	11,246,334
Total expenditures	<u>504,221,396</u>	<u>510,912,393</u>	<u>493,286,364</u>	<u>17,626,029</u>	<u>471,303,548</u>
Excess (deficiency) of revenues over expenditures	<u>(39,004,895)</u>	<u>(44,533,325)</u>	<u>27,513,695</u>	<u>72,047,020</u>	<u>1,970,583</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	21,179,275	21,179,275	19,760,255	(1,419,020)	19,546,855
Capital projects funds	(6,808,000)	(6,808,000)	(19,264,285)	(12,456,285)	(8,672,225)
Trust funds	(2,726,235)	(2,726,235)	(2,726,235)	—	(1,773,330)
Enterprise fund	709,855	709,855	709,855	—	705,575
Total other financing sources (uses)	<u>12,354,895</u>	<u>12,354,895</u>	<u>(1,520,410)</u>	<u>(13,875,305)</u>	<u>9,806,875</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(26,650,000)</u>	<u>(32,178,430)</u>	<u>\$ 25,993,285</u>	<u>58,171,715</u>	<u>11,777,458</u>
Other budget items:					
Free cash appropriations	24,650,000	30,178,430			
Prior year deficits raised	—	—			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	<u>26,650,000</u>	<u>32,178,430</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

See accompanying independent auditors' report and notes to required supplementary information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Information – Schedule of Revenues and Expenditures

Year ended June 30, 2015

(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, 2015:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 520,800,059	493,286,364	(1,520,410)
Adjustments:			
Revenues to modified accrual basis	(8,871,172)	—	16,327,990
Expenditures, encumbrances and accruals, net	—	(4,066,700)	—
On-behalf contribution for teachers pension	12,426,145	12,426,145	—
Reclassification:			
Premium on debt issuance	—	—	12,114,100
Transfers not reported on a Budgetary/GAAP basis	—	—	2,736,235
Net payment for bond refunding	—	—	(4,117,413)
	<u> </u>	<u> </u>	<u> </u>
As reported on a GAAP basis	\$ <u>524,355,032</u>	<u>501,645,809</u>	<u>25,540,502</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2015

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 449,050	444,810	4,240
Other ordinary maintenance	111,130	104,318	6,812
Travel and training	29,500	20,832	8,668
Total Mayor	<u>589,680</u>	<u>569,960</u>	<u>19,720</u>
City Manager:			
Salaries and wages	1,793,810	1,793,806	4
Other ordinary maintenance	605,380	601,120	4,260
Travel and training	41,200	39,697	1,503
Total City Manager	<u>2,440,390</u>	<u>2,434,623</u>	<u>5,767</u>
City Council:			
Salaries and wages	1,636,960	1,636,925	35
Other ordinary maintenance	41,900	31,615	10,285
Travel and training	59,855	55,801	4,054
Total City Council	<u>1,738,715</u>	<u>1,724,341</u>	<u>14,374</u>
City Clerk:			
Salaries and wages	1,173,175	1,101,922	71,253
Other ordinary maintenance	63,110	59,247	3,863
Travel and training	4,420	410	4,010
Total City Clerk	<u>1,240,705</u>	<u>1,161,579</u>	<u>79,126</u>
Law:			
Salaries and wages	1,521,430	1,486,832	34,598
Other ordinary maintenance	443,300	328,467	114,833
Travel and training	12,245	10,996	1,249
Total law	<u>1,976,975</u>	<u>1,826,295</u>	<u>150,680</u>
Finance:			
Salaries and wages	10,846,040	10,269,544	576,496
Other ordinary maintenance	3,353,360	3,278,195	75,165
Travel and training	280,020	258,942	21,078
Extraordinary expenditures	60,800	59,436	1,364
Total finance	<u>14,540,220</u>	<u>13,866,117</u>	<u>674,103</u>
Employment benefits:			
Salaries and wages	23,221,702	9,272,247	13,949,455
Other ordinary maintenance	849,680	568,756	280,924
Travel and training	30,000	5,203	24,797
Total employment benefits	<u>24,101,382</u>	<u>9,846,206</u>	<u>14,255,176</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2015

	Budget	Actual	Variance positive (negative)
General services:			
Salaries and wages	\$ 249,895	249,890	5
Other ordinary maintenance	459,435	320,231	139,204
Total general services	<u>709,330</u>	<u>570,121</u>	<u>139,209</u>
Election commission:			
Salaries and wages	897,365	897,310	55
Other ordinary maintenance	194,255	180,660	13,595
Travel and training	2,270	—	2,270
Total election commission	<u>1,093,890</u>	<u>1,077,970</u>	<u>15,920</u>
Public celebrations:			
Salaries and wages	506,510	506,496	14
Other ordinary maintenance	392,400	385,120	7,280
Travel and training	1,125	500	625
Total public celebrations	<u>900,035</u>	<u>892,116</u>	<u>7,919</u>
Reserve:			
Other ordinary maintenance	5,500	—	5,500
Total reserve	<u>5,500</u>	<u>—</u>	<u>5,500</u>
Animal commission:			
Salaries and wages	307,580	307,567	13
Other ordinary maintenance	18,305	14,060	4,245
Travel and training	150	150	—
Total animal commission	<u>326,035</u>	<u>321,777</u>	<u>4,258</u>
Total general government	<u>49,662,857</u>	<u>34,291,105</u>	<u>15,371,752</u>
Public safety:			
Fire:			
Salaries and wages	42,646,075	42,646,022	53
Other ordinary maintenance	1,332,960	1,309,654	23,306
Travel and training	814,500	813,053	1,447
Extraordinary expenditures	110,000	109,878	122
Total fire	<u>44,903,535</u>	<u>44,878,607</u>	<u>24,928</u>
Police:			
Salaries and wages	46,558,475	46,551,377	7,098
Other ordinary maintenance	2,349,693	2,175,792	173,901
Travel and training	419,657	352,969	66,688
Extraordinary expenditures	425,166	418,434	6,732
Total police	<u>49,752,991</u>	<u>49,498,572</u>	<u>254,419</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2015

	Budget	Actual	Variance positive (negative)
Traffic and parking:			
Salaries and wages	\$ 7,668,375	7,618,215	50,160
Other ordinary maintenance	3,303,040	3,201,256	101,784
Travel and training	48,000	46,895	1,105
Extraordinary expenditures	69,000	56,056	12,944
Total traffic and parking	<u>11,088,415</u>	<u>10,922,422</u>	<u>165,993</u>
Police review and advisory board:			
Salaries and wages	73,935	73,909	26
Other ordinary maintenance	700	423	277
Travel and training	3,000	910	2,090
Total police review and advisory board	<u>77,635</u>	<u>75,242</u>	<u>2,393</u>
Inspectional services:			
Salaries and wages	3,187,730	3,187,601	129
Other ordinary maintenance	140,680	98,407	42,273
Travel and training	10,425	5,434	4,991
Extraordinary expenditures	10,000	—	10,000
Total inspectional services	<u>3,348,835</u>	<u>3,291,442</u>	<u>57,393</u>
License:			
Salaries and wages	1,013,135	1,013,103	32
Other ordinary maintenance	63,755	63,588	167
Travel and training	2,555	2,346	209
Total license	<u>1,079,445</u>	<u>1,079,037</u>	<u>408</u>
Weights and measures:			
Salaries and wages	134,310	134,243	67
Other ordinary maintenance	7,280	6,588	692
Travel and training	2,745	2,736	9
Extraordinary expenditures	11,000	10,999	1
Total weights and measures	<u>155,335</u>	<u>154,566</u>	<u>769</u>
Electrical:			
Salaries and wages	1,504,750	1,442,720	62,030
Other ordinary maintenance	1,236,460	1,099,950	136,510
Travel and training	76,670	58,513	18,157
Extraordinary expenditures	25,000	24,919	81
Total electrical	<u>2,842,880</u>	<u>2,626,102</u>	<u>216,778</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Emergency communications:			
Salaries and wages	\$ 4,540,200	4,540,118	82
Other ordinary maintenance	148,210	147,612	598
Travel and training	15,850	14,024	1,826
Extraordinary expenditures	4,000	3,351	649
Total emergency communications	<u>4,708,260</u>	<u>4,705,105</u>	<u>3,155</u>
Total public safety	<u>117,957,331</u>	<u>117,231,095</u>	<u>726,236</u>
Community maintenance and development:			
Public works:			
Salaries and wages	22,407,160	22,340,830	66,330
Other ordinary maintenance	15,641,700	15,626,375	15,325
Travel and training	354,030	331,446	22,584
Extraordinary expenditures	1,501,000	1,494,878	6,122
Total public works	<u>39,903,890</u>	<u>39,793,529</u>	<u>110,361</u>
Community development:			
Salaries and wages	5,276,087	5,223,134	52,953
Other ordinary maintenance	563,876	501,403	62,473
Travel and training	37,662	37,019	643
Extraordinary expenditures	452,266	452,266	—
Total community development	<u>6,329,891</u>	<u>6,213,822</u>	<u>116,069</u>
Historical commission:			
Salaries and wages	593,780	593,767	13
Other ordinary maintenance	96,380	96,269	111
Travel and training	800	600	200
Total historical commission	<u>690,960</u>	<u>690,636</u>	<u>324</u>
Conservation commission:			
Salaries and wages	127,170	127,158	12
Other ordinary maintenance	1,000	50	950
Travel and training	900	678	222
Total conservation commission	<u>129,070</u>	<u>127,886</u>	<u>1,184</u>
Peace commission:			
Salaries and wages	136,770	136,726	44
Other ordinary maintenance	10,325	2,973	7,352
Travel and training	1,850	1,475	375
Total peace commission	<u>148,945</u>	<u>141,174</u>	<u>7,771</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Cable television:			
Salaries and wages	\$ 547,745	547,740	5
Other ordinary maintenance	960,057	915,610	44,447
Travel and training	3,450	211	3,239
Total cable television	<u>1,511,252</u>	<u>1,463,561</u>	<u>47,691</u>
Total community maintenance and development	<u>48,714,008</u>	<u>48,430,608</u>	<u>283,400</u>
Human resource development:			
Library:			
Salaries and wages	7,035,755	7,034,972	783
Other ordinary maintenance	2,413,920	2,389,086	24,834
Travel and training	86,650	73,237	13,413
Total library	<u>9,536,325</u>	<u>9,497,295</u>	<u>39,030</u>
Human services:			
Salaries and wages	21,057,410	20,840,289	217,121
Other ordinary maintenance	3,283,703	3,006,930	276,773
Travel and training	101,650	76,860	24,790
Extraordinary expenditures	159,000	151,917	7,083
Total human services	<u>24,601,763</u>	<u>24,075,996</u>	<u>525,767</u>
Women's commission:			
Salaries and wages	231,735	231,724	11
Other ordinary maintenance	9,535	9,438	97
Travel and training	1,025	483	542
Total women's commission	<u>242,295</u>	<u>241,645</u>	<u>650</u>
Human rights commission:			
Salaries and wages	262,690	256,276	6,414
Other ordinary maintenance	3,000	1,359	1,641
Travel and training	1,200	1,001	199
Total human rights commission	<u>266,890</u>	<u>258,636</u>	<u>8,254</u>
Veterans benefits:			
Salaries and wages	295,455	295,408	47
Other ordinary maintenance	54,900	45,352	9,548
Travel and training	751,500	704,150	47,350
Total veterans benefits	<u>1,101,855</u>	<u>1,044,910</u>	<u>56,945</u>
Total human resource development	<u>35,749,128</u>	<u>35,118,482</u>	<u>630,646</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Education:			
Salaries and wages	\$ 129,425,969	129,301,131	124,838
Other ordinary maintenance	25,369,051	25,366,523	2,528
Travel and training	1,107,400	1,084,021	23,379
Extraordinary expenditures	203,448	202,715	733
Debt:			
Principal payments	472,167	472,167	—
Interest payments	91,600	91,600	—
Total education	<u>156,669,635</u>	<u>156,518,157</u>	<u>151,478</u>
Judgments and claims	<u>200,000</u>	<u>121,540</u>	<u>78,460</u>
Debt retirement:			
Principal payments	39,375,775	39,375,773	2
Interest payments	11,985,954	11,983,339	2,615
Total debt retirement	<u>51,361,729</u>	<u>51,359,112</u>	<u>2,617</u>
State and district assessments:			
MBTA assessment	9,066,245	9,066,238	7
MWRA assessment	22,189,730	22,189,730	—
Other State assessments	12,591,730	12,210,297	381,433
Cambridge Health Alliance	6,750,000	6,750,000	—
Total state and district assessments	<u>50,597,705</u>	<u>50,216,265</u>	<u>381,440</u>
Total general fund expenditures	<u>\$ 510,912,393</u>	<u>493,286,364</u>	<u>17,626,029</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Other Governmental Funds

June 30, 2015

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, 2015

Assets	Special Revenue					Permanent funds	Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants		
Cash and short-term investments	\$ 497,163	1,103,143	14,790,242	13,541,000	2,299,545	3,801,505	36,032,598
Accounts receivable	—	—	364,760	85,733	137	—	450,630
Due from other governments	147,547	2,723,896	—	—	252,041	—	3,123,484
Total assets	<u>\$ 644,710</u>	<u>3,827,039</u>	<u>15,155,002</u>	<u>13,626,733</u>	<u>2,551,723</u>	<u>3,801,505</u>	<u>39,606,712</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Warrants payable	\$ 51,009	627,553	—	432,994	561,475	—	1,673,031
Accrued liabilities	23,732	61,271	—	363,474	68,340	—	516,817
Due to other funds	569,969	—	—	—	—	—	569,969
Total liabilities	<u>644,710</u>	<u>688,824</u>	<u>—</u>	<u>796,468</u>	<u>629,815</u>	<u>—</u>	<u>2,759,817</u>
Deferred Inflows of Resources:							
Unavailable revenue	—	—	—	85,733	—	—	85,733
Fund balances:							
Nonspendable	—	—	—	—	—	2,199,328	2,199,328
Restricted	—	3,138,215	—	12,744,532	1,921,908	1,602,177	19,406,832
Committed	—	—	15,155,002	—	—	—	15,155,002
Total fund balances	<u>—</u>	<u>3,138,215</u>	<u>15,155,002</u>	<u>12,744,532</u>	<u>1,921,908</u>	<u>3,801,505</u>	<u>36,761,162</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 644,710</u>	<u>3,827,039</u>	<u>15,155,002</u>	<u>13,626,733</u>	<u>2,551,723</u>	<u>3,801,505</u>	<u>39,606,712</u>

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, 2015

	Special Revenue						
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:							
Intergovernmental	\$ 1,302,151	10,789,024	—	2,749,255	8,442,100	—	23,282,530
Investment income	—	—	59,349	20,023	3,323	30,457	113,152
Other:							
Permits	—	—	750,946	—	—	—	750,946
Fines	—	—	9,962,154	—	—	—	9,962,154
Charges for services	—	—	10,382,322	—	—	—	10,382,322
Miscellaneous	—	1,791,285	103,542	9,066,619	567,077	273,214	11,801,737
Total revenues	1,302,151	12,580,309	21,258,313	11,835,897	9,012,500	303,671	56,292,841
Expenditures:							
General government	—	—	—	19,343	26,795	153,598	199,736
Public safety	—	—	—	—	1,202,965	—	1,202,965
Community maintenance and development	698,186	—	—	2,707,897	186,812	—	3,592,895
Human services	439,129	—	—	—	7,601,926	—	8,041,055
Education	—	13,036,408	—	—	—	—	13,036,408
Total expenditures	1,137,315	13,036,408	—	2,727,240	9,018,498	153,598	26,073,059
Excess (deficiency) of revenues over expenditures	164,836	(456,099)	21,258,313	9,108,657	(5,998)	150,073	30,219,782
Other financing sources (uses):							
Transfers from other funds	—	—	—	—	—	—	—
Transfers to other funds	(164,836)	—	(21,969,255)	(10,000,000)	—	(10,000)	(32,144,091)
Excess of revenues over expenditures and transfers	—	(456,099)	(710,942)	(891,343)	(5,998)	140,073	(1,924,309)
Fund balances at beginning of year	—	3,594,314	15,865,944	13,635,875	1,927,906	3,661,432	38,685,471
Fund balances at end of year	\$ —	3,138,215	15,155,002	12,744,532	1,921,908	3,801,505	36,761,162

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2015

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, 2015

<u>Assets</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	287,728	106,563	239,875	154,416
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(4,651)	5,518,603	5,342,855	171,097
Cambridge Fire Detail	82,015	1,308,954	1,303,725	87,244
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	214,049	116,667	99,546	231,170
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	126	3,682
Purchase of Trees	77,879	11,635	—	89,514
Accident and life Insurance	1,009,256	339,079	308,023	1,040,312
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	605,865	519,128	515,933	609,060
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,086,243	731,838	600,000	1,218,081
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	87,625	7,437	42,614	52,448
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	541,485	117,000	72,500	585,985
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	699,127	61,604	30,530	730,201
Parking Garage Deposits	18,400	135,040	102,298	51,142
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	228	—	—	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	16,245	9,450	5,200	20,495
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,901	—	—	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	(68,487)	306	1,767	(69,948)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	—	13,584	10,065	3,519
Fletcher/Maynard School Fund	—	55,864	53,256	2,608
Cambridgeport School Fund	—	6,310	4,721	1,589
Kennedy Longfellow School Fund	—	2,780	2,727	53
Graham & Parks School Fund	—	6,370	1,448	4,922
Putnam Ave Upper School Fund	—	19,522	17,606	1,916
Baldwin School Fund	—	484	—	484
Amigos School Fund	—	5,000	3,000	2,000
Haggerty School Fund	—	5,174	1,359	3,815
King School Fund	—	4,615	—	4,615
Morse School Fund	—	1,754	1,754	—
Total	<u>\$ 5,692,046</u>	<u>9,104,761</u>	<u>8,764,468</u>	<u>6,032,339</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
 Combining Statement of Changes in Assets and Liabilities – Agency Funds
 Year ended June 30, 2015

<u>Liabilities</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	287,728	106,563	239,875	154,416
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(4,651)	5,518,603	5,342,855	171,097
Cambridge Fire Detail	82,015	1,308,954	1,303,725	87,244
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	214,049	116,667	99,546	231,170
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	126	3,682
Purchase of Trees	77,879	11,635	—	89,514
Accident and life Insurance	1,009,256	339,079	308,023	1,040,312
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	605,865	519,128	515,933	609,060
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,086,243	731,838	600,000	1,218,081
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	87,625	7,437	42,614	52,448
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	541,485	117,000	72,500	585,985
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	699,127	61,604	30,530	730,201
Parking Garage Deposits	18,400	135,040	102,298	51,142
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	228	—	—	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	16,245	9,450	5,200	20,495
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,901	—	—	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	(68,487)	306	1,767	(69,948)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	—	13,584	10,065	3,519
Fletcher/Maynard School Fund	—	55,864	53,256	2,608
Cambridgeport School Fund	—	6,310	4,721	1,589
Kennedy Longfellow School Fund	—	2,780	2,727	53
Graham & Parks School Fund	—	6,370	1,448	4,922
Putnam Ave Upper School Fund	—	19,522	17,606	1,916
Baldwin School Fund	—	484	—	484
Amigos School Fund	—	5,000	3,000	2,000
Haggerty School Fund	—	5,174	1,359	3,815
King School Fund	—	4,615	—	4,615
Morse School Fund	—	1,754	1,754	—
Total	\$ 5,692,046	9,104,761	8,764,468	6,032,339

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2015

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, 2015.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2015

	Uncollected June 30, 2014	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2015
Real estate taxes:								
2005	\$ —	—	(692)	692	—	—	—	—
2006	—	—	(608)	608	—	—	—	—
2007	—	—	(583)	583	—	—	—	—
2008	—	—	(574)	574	—	—	—	—
2009	1,447	—	(590)	590	—	—	—	1,447
2010	—	—	(602)	1,779	3,252	(4,429)	—	—
2011	8,527	—	(597)	597	—	—	—	8,527
2012	—	—	(660)	660	10,066	(10,066)	—	—
2013	3,002	—	(674)	12,341	67,726	(82,410)	15	—
2014	3,109,751	—	(77,611)	(768,333)	348,432	(3,315,810)	706,629	3,058
2015	—	321,297,227	(986,122)	—	183,198	(317,159,606)	187,870	3,522,567
Total real estate	\$ <u>3,122,727</u>	<u>321,297,227</u>	<u>(1,069,313)</u>	<u>(749,909)</u>	<u>612,674</u>	<u>(320,572,321)</u>	<u>894,514</u>	<u>3,535,599</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, 2015

	Uncollected June 30, 2014	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2015
Personal property taxes:								
2002	\$ 13	—	—	—	—	—	—	13
2003	19,202	—	—	—	—	—	(12,883)	6,319
2004	12,453	—	—	—	—	(99)	(3,137)	9,217
2005	22,046	—	70	—	—	(68)	(9,236)	12,812
2006	14,003	—	—	—	—	—	(6,062)	7,941
2007	16,107	—	—	—	—	(23)	(4,947)	11,137
2008	24,412	—	2,134	—	—	(1,084)	(11,647)	13,815
2009	31,660	—	7,836	—	—	(8,768)	—	30,728
2010	41,138	—	—	—	—	(3,971)	—	37,167
2011	134,229	—	—	—	—	(2,252)	1	131,978
2012	281,166	—	—	—	—	(12,686)	4	268,484
2013	337,516	—	—	—	1,855	(9,671)	(85,466)	244,234
2014	353,247	—	—	—	58,522	(138,351)	(73)	273,345
2015	—	21,023,454	(19,110)	—	867	(20,574,413)	85,558	516,356
Total personal property	1,287,192	21,023,454	(9,070)	—	61,244	(20,751,386)	(47,888)	1,563,546
Other	176,004	—	—	—	—	—	20,355	196,359
Property taxes	\$ 4,585,923	342,320,681	(1,078,383)	(749,909)	673,918	(341,323,707)	866,981	5,295,504

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, 2015

	Uncollected June 30, 2014	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2015
Motor vehicle excise taxes:								
1986	\$ 2,642	—	—	—	—	—	—	2,642
1987	57,314	—	—	—	—	(52)	—	57,262
1988	71,805	—	—	—	—	(11)	—	71,794
1989	76,345	—	—	—	—	(54)	—	76,291
1990	67,993	—	—	—	—	(94)	—	67,899
1991	51,170	—	—	—	—	(133)	—	51,037
1992	51,630	—	—	—	—	(90)	—	51,540
1993	48,812	—	—	—	—	(70)	—	48,742
1994	51,609	—	—	—	—	—	—	51,609
1995	55,863	—	—	—	—	—	—	55,863
1996	55,291	—	(5)	—	—	(53)	—	55,233
1997	47,572	—	(76)	—	—	(343)	—	47,153
1998	62,242	—	(53)	—	—	(119)	1	62,071
1999	109,332	—	(348)	—	—	(411)	—	108,573
2000	170,382	—	(29)	—	—	(1,031)	24	169,346
2001	211,940	—	—	—	—	(453)	51	211,538
2002	192,826	—	—	—	—	(1,396)	(1)	191,429
2003	171,900	—	(256)	—	—	(1,026)	57	170,675
2004	142,605	—	—	—	—	(548)	485	142,542
2005	116,847	—	(272)	—	—	(863)	113	115,825
2006	105,086	—	(780)	—	—	(758)	81	103,629
2007	138,613	—	(563)	—	—	(1,120)	1	136,931
2008	120,918	—	(294)	—	—	(1,489)	(1)	119,134
2009	103,852	—	(247)	—	36	(1,804)	—	101,837
2010	121,279	—	(455)	—	67	(5,966)	1	114,926
2011	132,222	26	(405)	—	263	(8,987)	4	123,123
2012	138,995	124	(1,789)	—	820	(18,612)	(1)	119,537
2013	246,484	308	(12,400)	—	10,962	(101,616)	29	143,767
2014	518,374	771,991	(94,255)	—	83,775	(1,048,424)	(207)	231,254
2015	—	6,555,818	(113,387)	—	48,545	(5,928,733)	(329)	561,914
Total motor vehicle	\$ 3,441,943	7,328,267	(225,614)	—	144,468	(7,124,256)	308	3,565,116

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, 2015

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2014	Additions	Retired	Balance June 30, 2015
Inside debt limit:							
Hospital Series B 2007 Bonds	4.00%	3/15/2007	2/1/2018	\$ 5,995,000	—	1,500,000	4,495,000
Harvard Square Enhancements	3.00%-4.00%	2/1/2005	1/1/2015	200,000	—	200,000	—
Gold Star Pool Improvements	3.00%-4.00%	2/1/2005	1/1/2015	110,000	—	110,000	—
Library Construction	3.00%-4.00%	2/1/2005	1/1/2025	1,400,000	—	1,400,000	—
Area 4 Park Improvements	3.00%-4.00%	2/1/2005	1/1/2015	200,000	—	200,000	—
Russell Field Improvements	3.00%-4.00%	2/1/2005	1/1/2015	325,500	—	325,500	—
Cambridge Street Improvements	3.00%-4.00%	2/1/2005	1/1/2015	235,000	—	235,000	—
Porter Square Enhancements	3.00%-4.00%	2/1/2005	1/1/2015	230,000	—	230,000	—
Yerxa Road Underpass	3.00%-4.00%	2/1/2005	1/1/2015	220,000	—	220,000	—
MCWT Loan	N/A	11/23/2004	8/1/2014	279,284	—	279,284	—
MCWT Loan	N/A	11/23/2004	8/1/2014	213,286	—	213,286	—
MCWT Loan	N/A	11/23/2004	8/1/2014	14,648	—	14,648	—
Sewer Reconstruction	3.00%-4.00%	2/1/2005	1/1/2015	1,559,500	—	1,559,500	—
Police Station Acquisition/Renovations	3.50%-4.25%	2/1/2006	1/1/2026	10,500,000	—	8,750,000	1,750,000
Library Construction	3.50%-4.25%	2/1/2006	1/1/2026	4,800,000	—	4,000,000	800,000
West Cambridge Youth Center	3.50%-4.25%	2/1/2006	1/1/2016	600,000	—	300,000	300,000
Building Renovations	3.50%-4.25%	2/1/2006	1/1/2016	200,000	—	100,000	100,000
Yerxa Road Underpass	3.50%-4.00%	2/1/2006	1/1/2016	200,000	—	100,000	100,000
Open Space Improvements	3.50%-4.00%	2/1/2006	1/1/2016	100,000	—	50,000	50,000
Porter Square Enhancements	3.50%-4.00%	2/1/2006	1/1/2016	160,000	—	80,000	80,000
Sewer Reconstruction	3.50%-4.00%	2/1/2006	1/1/2016	2,040,000	—	1,020,000	1,020,000
Building Renovations	4.00%	2/15/2007	2/1/2017	195,000	—	65,000	130,000
Police Station Acquisition/Renovations	4.00%	2/15/2007	2/1/2027	11,050,000	—	9,350,000	1,700,000
West Cambridge Youth Center	4.00%	2/15/2007	2/1/2017	2,400,000	—	800,000	1,600,000
Area 4 Park Improvements	4.00%	2/15/2007	2/1/2017	150,000	—	50,000	100,000
Yerxa Road Underpass	4.00%	2/15/2007	2/1/2017	330,000	—	110,000	220,000
Harvard Square Enhancements	4.00%	2/15/2007	2/1/2017	450,000	—	150,000	300,000
Sewer Reconstruction	4.00%	2/15/2007	2/1/2017	1,020,000	—	340,000	680,000
CRLS Renovations	3.00%-4.00%	2/1/2008	2/1/2028	3,500,000	—	2,750,000	750,000
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	4,890,384	—	1,222,598	3,667,786
Police Station Acquisition/Renovations	3.00%-4.00%	2/1/2008	2/1/2028	5,670,000	—	4,455,000	1,215,000
West Cambridge Youth Center	3.00%-3.25%	2/1/2008	2/1/2018	2,350,000	—	590,000	1,760,000
Library Construction	3.00%-4.00%	2/1/2008	2/1/2028	18,975,000	—	14,910,000	4,065,000
War Memorial Renovations	3.00%-3.25%	2/1/2008	2/1/2018	1,888,668	—	472,167	1,416,501
Harvard Square Enhancements	3.00%-3.25%	2/1/2008	2/1/2018	240,000	—	60,000	180,000
Sewer Reconstruction	3.00%-3.25%	2/1/2008	2/1/2018	2,480,948	—	620,235	1,860,713
Fire Station Renovations	2.00%-4.00%	3/15/2009	3/15/2019	500,000	—	100,000	400,000
Library Construction	2.00%-4.375%	3/15/2009	3/15/2029	7,925,000	—	530,000	7,395,000
Building Renovations	2.00%-4.00%	3/15/2009	3/15/2019	250,000	—	50,000	200,000
CRLS Renovations	2.00%-4.375%	3/15/2009	3/15/2029	22,500,000	—	1,500,000	21,000,000
Replacement of Radio System	2.00%-4.00%	3/15/2009	3/15/2019	250,000	—	50,000	200,000
Sewer Reconstruction	2.00%-4.00%	3/15/2009	3/15/2019	2,400,000	—	480,000	1,920,000
War Memorial Renovations (MSBA)	2.00%	6/25/2009	11/1/2019	1,260,000	—	210,000	1,050,000
CRLS Renovations	2.00%-3.75%	2/15/2010	2/15/2030	20,000,000	—	1,250,000	18,750,000
Sewer Reconstruction	2.00%-3.00%	2/15/2010	2/15/2020	4,145,000	—	695,000	3,450,000
Yerxa Road Underpass Construction	2.00%-3.00%	2/15/2010	2/15/2020	180,000	—	30,000	150,000
War Memorial Renovations	2.00%-4.00%	2/15/2011	2/15/2021	115,000	—	20,000	95,000
Building Renovations	2.00%-4.00%	2/15/2011	2/15/2021	1,050,000	—	150,000	900,000
Replacement of Radio System	2.00%-4.00%	2/15/2011	2/15/2021	4,340,000	—	620,000	3,720,000
Old Police Station Renovation	2.00%-4.50%	2/15/2011	2/15/2031	3,400,000	—	200,000	3,200,000
CRLS Renovations	2.00%-4.50%	2/15/2011	2/15/2031	13,715,000	—	810,000	12,905,000
Harvard Square Enhancements	2.00%-4.00%	2/15/2011	2/15/2021	1,550,000	—	150,000	1,400,000
Danehy Park Improvements	2.00%-4.00%	2/15/2011	2/15/2021	490,000	—	70,000	420,000
Kendall Square Improvements	2.00%	2/15/2011	2/15/2016	200,000	—	100,000	100,000
Sewer Reconstruction	2.00%-4.00%	2/15/2011	2/15/2021	10,500,000	—	1,500,000	9,000,000
CRLS Renovations (MSBA)	2.00%	7/12/2011	11/1/2021	4,757,232	—	594,654	4,162,578
Building Renovations	2.00%	2/15/2012	2/15/2022	1,600,000	—	200,000	1,400,000
Old Police Station Renovation	2.00%-3.00%	2/15/2012	2/15/2032	9,475,000	—	530,000	8,945,000
Elementary School Renovations (Design)	2.00%	2/15/2012	2/15/2017	1,800,000	—	600,000	1,200,000
Refinancing Bonds (2004, 2005, 2006)	1.00%-5.00%	3/22/2012	1/1/2024	24,725,000	—	325,000	24,400,000
Street / Sidewalk Reconstruction	2.00%	2/15/2012	2/15/2022	800,000	—	100,000	700,000
Open Space Improvements	2.00%	2/15/2012	2/15/2022	1,040,000	—	130,000	910,000
Kendall Square Improvements	2.00%	2/15/2012	2/15/2022	240,000	—	30,000	210,000
Harvard Square Tunnel Improvements	2.00%	2/15/2012	2/15/2022	1,600,000	—	200,000	1,400,000
Sewer Reconstruction	2.00%	2/15/2012	2/15/2022	16,280,000	—	2,035,000	14,245,000
MCWT Loan (Gross Pay) CW-10-04)	—	6/13/2012	7/15/2022	9,082,008	—	1,003,068	8,078,940
King School Renovations	2.00%-3.00%	2/19/2013	2/15/2033	31,350,000	—	1,650,000	29,700,000
Old Police Station Renovations	2.00%-3.00%	2/19/2013	2/15/2033	3,865,000	—	205,000	3,660,000
Acquisitions of Fire Vehicles	2.00%-3.00%	2/19/2013	2/15/2023	1,120,000	—	125,000	995,000
City Hall Roof Replacement	2.00%-3.00%	2/19/2013	2/15/2023	900,000	—	100,000	800,000
Street / Sidewalk Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	900,000	—	100,000	800,000
Harvard Square Tunnel Improvements	2.00%-3.00%	2/19/2013	2/15/2023	1,350,000	—	150,000	1,200,000
Danehy Park Improvements	2.00%-3.00%	2/19/2013	2/15/2023	1,385,000	—	155,000	1,230,000
Kendall Square Improvements	2.00%-3.00%	2/19/2013	2/15/2023	450,000	—	50,000	400,000
Sewer Reconstruction	2.00%-3.00%	2/19/2013	2/15/2023	19,260,000	—	2,140,000	17,120,000
MWRA Loan	—	2/25/2013	2/15/2018	572,000	—	143,000	429,000
King School Renovations	3.00%-5.00%	2/18/2014	2/15/2034	18,500,000	—	925,000	17,575,000
Kendall Square Improvements	5.00%	2/18/2014	2/15/2024	1,000,000	—	100,000	900,000
Street / Sidewalk Reconstruction	5.00%	2/18/2014	2/15/2024	1,000,000	—	100,000	900,000
Harvard Square Tunnel Improvements	5.00%	2/18/2014	2/15/2024	1,000,000	—	100,000	900,000
Cambridge Common Improvements	5.00%	2/18/2014	2/15/2024	500,000	—	50,000	450,000
Sewer Reconstruction	5.00%	2/18/2014	2/25/2024	12,900,000	—	1,290,000	11,610,000
MCWT Loan CWP-13-03	2.00%	1/7/2015	1/15/2025	—	13,131,390	—	13,131,390
King School Renovations	2.00%-5.00%	3/3/2015	2/15/2035	—	41,000,000	—	41,000,000
344 Broadway Building Renovations	2.00%-5.00%	3/3/2015	2/15/2025	—	1,500,000	—	1,500,000
School Building Renovations	2.00%-5.00%	3/3/2015	2/15/2025	—	750,000	—	750,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2015

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2014	Additions	Retired	Balance June 30, 2015
Police Station Elevator Repairs	2.00%-5.00%	3/3/2015	2/15/2020	\$ —	150,000	—	150,000
City Hall Women's Restroom	2.00%-5.00%	3/3/2015	2/15/2020	—	100,000	—	100,000
Old Police Station Renovations	2.00%-5.00%	3/3/2015	2/15/2020	—	100,000	—	100,000
Kendall Square Surface Improvements	2.00%-5.00%	3/3/2015	2/15/2025	—	4,000,000	—	4,000,000
Cambridge Common Improvements	2.00%-5.00%	3/3/2015	2/15/2025	—	1,180,000	—	1,180,000
Danehy Park Improvements	2.00%-5.00%	3/3/2015	2/15/2025	—	1,150,000	—	1,150,000
Street / Sidewalk Reconstruction	2.00%-5.00%	3/3/2015	2/15/2025	—	1,000,000	—	1,000,000
Golf Course Improvements	2.00%-5.00%	3/3/2015	2/15/2025	—	550,000	—	550,000
Sewer Reconstruction	2.00%-5.00%	3/3/2015	2/15/2025	—	23,985,000	—	23,985,000
Refinance Bonds (2005, 2006, 2007 and 2008)	2.00%-4.00%	3/4/2015	1/1/2028	—	38,105,000	—	38,105,000
Total inside debt limit				347,393,458	126,701,390	78,477,940	395,616,908
Outside debt limit:							
Water:							
Automated Meter Reading System	3.00%-4.00%	2/1/2005	1/1/2015	120,000	—	120,000	—
Water Series C 2007 Bonds	4.00%-5.00%	3/15/2007	8/1/2019	12,560,000	—	2,420,000	10,140,000
Total water				12,680,000	—	2,540,000	10,140,000
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	170,000	—	170,000	—
Housing Trust Fund:							
Note payable	2.00%	4/20/00 and 7/6/01	4/1/20 and 7/1/21	4,128,675	—	586,224	3,542,451
Total outside debt limit				16,978,675	—	3,296,224	13,682,451
Total debt outstanding				\$ 364,372,133	126,701,390	81,774,164	409,299,359

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF CAMBRIDGE, MASSACHUSETTS

June 30, 2015

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.

Contents	Page
Financial trends: <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. (See accompanying Management's Discussion and Analysis, Statement of Net Position and Statement of Activities):</i> General Government Expenditures by Function (GAAP Basis) – Last Ten Fiscal Years General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years Net Position by Component – Last Ten Fiscal Years Changes in Net Position by Component – Last Ten Fiscal Years Fund Balances of Governmental Funds – Last Ten Fiscal Years Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	90
Revenue capacity: <i>These schedules contain information to help the reader assess the City's most significant revenue source, the property tax:</i> Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years Property and Motor Vehicle Tax Rates – Last Ten Fiscal Years Largest Principal Taxpayers – Current Year and Nine Years Ago Property Tax Levies and Collections – Last Ten Fiscal Years	97
Debt capacity: <i>These schedules contain information to assist the reader in assessing the City's current debt outstanding and their ability to issue additional debt in the future: (See accompanying note 8 of the basic financial statements):</i> Ratios of Outstanding Debt by Type – Last Ten Fiscal Years Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years Direct and Overlapping Governmental Activities Debt Legal Debt Margin Information – Last Ten Fiscal Years	101
Demographic and economic information: <i>These schedules contain information to help the reader understand the economic environment with which the City's financial activities take place and assist with comparisons over time and among other City's:</i> Demographic and Economic Statistics – Last Ten Calendar Years Principal Employers – Current Year and Nine Years Ago	105
Operating information: <i>These schedules contain information to provide contextual information about the City's operations and resources to help readers gain an understanding of the City's economic condition:</i> Full-Time Position Employees by Function/Program – Last Ten Fiscal Years Operating Indicators by Function/Program – Last Ten Fiscal Years Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	107

Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	\$ 33,317	33,235	34,894	35,852	35,892	40,101	31,765	32,572	34,284	30,533
Percentage of total	6.6%	6.7%	7.8%	8.1%	8.2%	9.6%	8.0%	8.6%	9.4%	8.7%
Percentage change	0.2	(4.8)	(2.7)	(0.1)	(10.5)	26.2	(2.5)	(5.0)	12.3	11.4
Public safety	\$ 117,991	112,496	106,985	103,389	100,414	95,717	95,817	89,514	85,160	82,619
Percentage of total	23.5%	22.8%	23.8%	23.4%	23.0%	22.9%	24.0%	23.7%	23.3%	23.6%
Percentage change	4.9	5.2	3.5	3.0	4.9	0.1	7.0	5.1	3.1	6.3
Community maintenance and development	\$ 46,004	40,570	39,175	36,683	36,459	34,127	35,040	33,331	30,527	31,404
Percentage of total	9.2%	8.2%	8.7%	8.3%	8.4%	8.2%	8.8%	8.8%	8.4%	9.0%
Percentage change	13.4	3.6	6.8	0.6	6.8	2.6	5.1	9.2	(2.8)	10.0
Human resource	\$ 34,302	32,861	32,143	30,919	29,586	28,133	25,464	23,944	22,426	20,835
Percentage of total	6.8%	6.7%	7.1%	7.0%	6.8%	6.7%	6.4%	6.3%	6.1%	5.9%
Percentage change	4.4	2.2	4.0	4.5	5.2	10.5	6.3	6.8	7.6	0.8
Education	\$ 168,367	176,930	143,788	139,276	134,078	132,652	129,031	124,531	121,868	120,688
Percentage of total	33.6%	35.9%	32.0%	31.6%	30.8%	31.8%	32.4%	33.0%	33.4%	34.4%
Percentage change	(4.8)	23.0	3.2	3.9	1.1	2.8	3.6	2.2	1.0	8.5
Judgments and claims	\$ 122	52	76	4,113	9,029	925	171	115	213	346
Percentage of total	—%	—%	—%	0.9%	2.1%	0.2%	—%	—%	0.1%	0.1%
Percentage change	134.6	(31.6)	(98.2)	(54.4)		440.9	48.7	(46.0)	(38.4)	53.8
State assessments	\$ 50,184	47,683	46,660	46,147	44,892	42,448	41,020	39,567	37,294	35,890
Percentage of total	10.0%	9.7%	10.4%	10.5%	10.3%	10.2%	10.3%	10.5%	10.2%	10.2%
Percentage change	5.2	2.2	1.1	2.8	5.8	3.5	3.7	6.1	3.9	5.9
Debt service	\$ 51,359	49,669	46,305	44,562	45,248	43,215	40,169	34,124	32,942	28,184
Percentage of total	10.2%	10.1%	10.3%	10.1%	10.3%	10.4%	10.1%	9.0%	9.0%	8.0%
Percentage change	3.4	7.3	3.9	(1.5)	4.7	7.6	17.7	3.6	16.9	17.1
Total expenditures	\$ 501,646	493,496	450,026	440,941	435,598	417,318	398,477	377,698	364,714	350,499
Percentage of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage change	1.7	9.7	2.1	1.2	4.4	4.7	5.5	3.6	4.1	8.3

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

See accompanying independent auditors' report.

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

Source	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Property taxes	\$ 342,853	327,999	315,777	297,724	281,812	266,862	251,256	238,747	231,875	222,987
Percentage of total	65.4%	64.4%	68.0%	67.1%	67.6%	68.4%	66.9%	62.2%	61.8%	62.8%
Percentage change	4.5	3.9	6.1	5.6	5.6	6.2	5.2	3.0	4.0	0.9
Motor vehicle excises	\$ 7,200	7,230	6,833	6,239	6,453	6,182	6,140	6,650	5,942	6,146
Percentage of total	1.4%	1.4%	1.5%	1.4%	1.5%	1.6%	1.6%	1.7%	1.6%	1.7%
Percentage change	(0.4)	5.8	9.5	(3.3)	4.4	0.7	(7.7)	11.9	(3.3)	(4.7)
Hotel/motel/meals	\$ 17,861	16,525	15,910	14,954	13,573	9,362	6,803	6,863	6,751	5,801
Percentage of total	3.4%	3.2%	3.4%	3.4%	3.3%	2.4%	1.8%	1.8%	1.8%	1.6%
Percentage change	8.1	3.9	6.4	10.2	45.0	38.0	(0.9)	1.7	16.4	6.2
Fines	\$ 488	500	608	599	637	633	629	767	726	922
Percentage of total	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
Percentage change	(2.4)	(17.8)	1.5	(6.0)	0.6	0.6	(18.0)	5.6	(21.3)	161.9
Intergovernmental	\$ 45,503	58,572	31,036	31,954	31,796	32,139	37,235	47,575	44,658	44,143
Percentage of total	8.7%	11.5%	6.7%	7.2%	7.6%	8.2%	9.9%	12.4%	11.9%	12.4%
Percentage change	(22.3)	88.7	(2.9)	0.5	(1.1)	(13.7)	(21.7)	6.5	1.2	0.8
Licenses and permits	\$ 27,561	23,329	25,213	20,832	14,273	10,305	8,053	12,390	11,701	12,508
Percentage of total	5.3%	4.6%	5.4%	4.7%	3.4%	2.6%	2.1%	3.2%	3.1%	3.5%
Percentage change	18.1	(7.5)	21.0	46.0	38.5	28.0	(35.0)	5.9	(6.5)	39.3
Payment in lieu of taxes	\$ 8,082	7,759	7,554	7,586	7,345	7,106	7,012	7,319	6,939	6,579
Percentage of total	1.5%	1.5%	1.6%	1.7%	1.8%	1.8%	1.9%	1.9%	1.8%	1.9%
Percentage change	4.2	2.7	(0.4)	3.3	3.4	1.3	(4.2)	5.5	5.5	(3.8)
Investment income	\$ 1,523	1,622	616	864	1,064	1,274	4,257	9,295	11,119	7,410
Percentage of total	0.3%	0.3%	0.1%	0.2%	0.3%	0.3%	1.1%	2.4%	3.0%	2.1%
Percentage change	(6.1)	163.3	(28.7)	(18.8)	(16.5)	(70.1)	(54.2)	(16.4)	50.1	156.6
Charges for services	\$ 47,921	41,690	40,020	40,579	40,347	36,825	36,058	36,874	38,761	33,835
Percentage of total	9.1%	8.2%	8.6%	9.2%	9.7%	9.4%	9.6%	9.6%	10.3%	9.5%
Percentage change	14.9	4.2	(1.4)	0.6	9.6	2.1	(2.2)	(4.9)	14.6	18.1
Departmental/other	\$ 25,363	24,064	20,654	22,126	19,652	19,132	18,205	17,564	16,650	14,491
Percentage of total	4.8%	4.7%	4.4%	5.0%	4.7%	4.9%	4.8%	4.6%	4.4%	4.1%
Percentage change	5.4	16.5	(6.7)	12.6	2.7	5.1	3.6	5.5	14.9	4.7
Total revenues	\$ 524,355	509,290	464,221	443,457	416,951	389,820	375,648	384,044	375,122	354,822
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	3.0	9.7	4.7	6.4	7.0	3.8	(2.2)	2.4	5.7	4.9

(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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 336,878,930	357,453,373	381,832,841	415,315,555	454,771,570	497,650,641	524,201,859	553,655,888	598,532,113	637,618,851
Restricted	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329
Unrestricted	216,871,591	231,012,594	224,490,592	177,054,725	165,339,378	115,221,403	100,571,712	121,839,635	131,964,205	15,974,060
Total governmental activities net position	557,813,481	593,835,921	616,313,815	604,016,590	630,278,097	626,503,989	639,230,724	690,123,935	748,464,276	706,542,240
Business-type activities:										
Net investment in capital assets	86,100,235	90,562,284	94,430,046	99,633,725	105,516,517	109,176,777	112,708,862	114,837,208	117,985,639	120,185,083
Unrestricted	5,379,501	5,966,312	6,772,116	5,654,829	4,907,314	6,276,508	7,765,682	8,594,828	10,231,969	13,379,993
Total business-type activities net position	91,479,736	96,528,596	101,202,162	105,288,554	110,423,831	115,453,285	120,474,544	123,432,036	128,217,608	133,565,076
Primary government:										
Net investment in capital assets	422,979,165	448,015,657	476,262,887	514,949,280	560,288,087	606,827,418	636,910,721	668,493,096	716,517,752	757,803,934
Restricted	4,062,960	5,369,954	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329
Unrestricted	222,251,092	236,978,906	231,262,708	182,709,554	170,246,692	121,497,911	108,337,394	130,434,463	142,196,174	29,354,053
Total primary government net position	\$ 649,293,217	690,364,517	717,515,977	709,305,144	740,701,928	741,957,274	759,705,268	813,555,971	876,681,884	840,107,316

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 31,690,819	36,373,427	35,225,912	39,085,426	44,027,730	46,676,807	39,836,031	37,777,409	36,588,647	29,002,206
Public safety	84,796,098	88,299,052	100,538,293	106,362,564	119,538,796	122,033,751	124,013,170	127,768,163	134,185,406	138,554,014
Community maintenance and development	55,766,148	56,672,106	61,727,373	70,461,598	73,990,003	90,907,773	103,733,414	88,401,456	95,640,484	102,203,863
Human resource development	33,453,013	33,728,004	37,432,501	40,393,841	43,737,742	45,752,191	46,689,220	47,732,541	49,606,417	50,644,258
Education	133,952,334	138,673,636	150,992,375	156,458,805	165,216,021	171,283,824	181,180,963	185,466,794	220,006,395	211,018,908
State and district assessments (1)	29,640,415	31,294,026	33,567,157	35,020,229	—	—	—	—	—	—
Interest on long-term debt	8,007,458	8,336,823	9,303,724	9,503,428	10,039,003	9,756,666	8,253,614	9,142,323	9,537,632	9,381,387
Total governmental activities	<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>	<u>545,564,981</u>	<u>540,804,636</u>
Business-type activities:										
Water	14,118,060	13,657,590	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032	13,127,587	14,226,883
Total business-type activities expenses	<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>	<u>13,127,587</u>	<u>14,226,883</u>
Total primary government expenses	<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>	<u>558,692,568</u>	<u>555,031,519</u>
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	33,739,682	31,606,231	34,640,573	29,786,501	33,174,134	37,946,079	45,572,456	50,486,221	49,919,980	53,782,729
Community maintenance and development	36,633,238	38,689,798	38,967,973	37,767,491	39,685,063	42,168,021	42,296,774	40,660,130	44,521,761	50,851,436
Human resource and development	2,800,184	2,856,637	3,142,447	3,397,736	3,554,633	3,606,526	3,883,114	4,083,383	4,578,908	4,726,472
Other activities	503,010	414,844	493,643	499,322	1,863,149	1,978,164	2,254,981	2,088,454	1,366,380	1,649,398
Operating grants and contributions	28,125,429	26,210,631	27,238,759	28,910,186	35,953,873	25,562,766	23,137,698	23,168,113	25,475,845	23,282,530
Capital grants and contributions	15,366,641	6,541,460	16,129,811	10,191,408	38,367,032	9,091,275	13,093,858	23,794,638	21,680,944	21,913,519
Total governmental activities program revenues	<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>	<u>147,543,818</u>	<u>156,206,084</u>
Business-type activities:										
Charges for services:										
Water	19,629,812	19,016,582	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827	18,507,650	20,091,724
Total business-type program revenues	<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>	<u>18,507,650</u>	<u>20,091,724</u>
Total primary government program revenues	<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>	<u>166,051,468</u>	<u>176,297,808</u>
Net (expense) revenue:										
Governmental activities	(260,138,101)	(287,057,473)	(308,174,129)	(346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)	(352,007,747)	(398,021,163)	(384,598,552)
Business-type activities	5,511,752	5,358,992	5,186,313	4,450,149	5,674,859	5,585,779	5,601,739	3,617,795	5,380,063	5,864,841
Total primary government net expense	<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>	<u>(392,641,100)</u>	<u>(378,733,711)</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 227,024,672	230,740,742	238,400,940	252,948,784	265,565,126	282,244,351	297,981,301	315,153,860	326,755,052	343,594,775
Excise taxes	12,555,704	12,516,776	13,676,112	12,801,715	15,526,734	19,977,226	21,289,347	22,877,579	23,510,611	25,079,784
Unrestricted grants and contributions	39,553,164	41,338,603	40,149,251	36,085,639	21,853,897	31,795,812	31,954,472	31,035,786	58,572,275	45,502,677
Payments in lieu of taxes	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220
Investment income	9,699,805	14,434,985	12,467,474	5,865,388	1,894,610	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538
Miscellaneous	17,662,993	16,571,631	17,961,549	20,038,690	17,581,978	18,978,421	25,230,542	26,339,352	36,691,219	36,626,619
Special item	—	—	—	—	—	—	—	—	—	—
Transfers	535,000	538,130	678,130	482,585	684,930	687,510	693,955	705,575	705,575	709,855
Total governmental activities	<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>	<u>456,361,504</u>	<u>461,258,468</u>
Business-type activities:										
Investment income	238,127	227,998	165,383	118,828	145,348	131,185	113,475	100,337	111,084	192,482
Transfers	(535,000)	(538,130)	(678,130)	(482,585)	(684,930)	(687,510)	(693,955)	(705,575)	(705,575)	(709,855)
Total business-type activities	<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>	<u>(594,491)</u>	<u>(517,373)</u>
Total primary government	<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>	<u>455,767,013</u>	<u>460,741,095</u>
Change in net position:										
Governmental activities	\$ 53,472,617	36,022,440	22,477,894	(11,498,493)	26,261,507	(3,774,108)	12,726,735	52,759,647	58,340,341	76,659,916
Business-type activities	5,214,879	5,048,860	4,673,566	4,086,392	5,135,277	5,029,454	5,021,259	3,012,557	4,785,572	5,347,468
Total primary government	<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>	<u>63,125,913</u>	<u>82,007,384</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund:										
Reserved	\$ 16,428,333	17,791,512	17,206,706	14,900,082	16,802,030	—	—	—	—	—
Unreserved	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	1,806,542	2,077,459
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Committed (2)	—	—	—	—	—	42,061,955	34,256,986	43,762,124	59,468,937	70,997,088
Unassigned (2)	—	—	—	—	—	99,698,895	126,726,779	149,940,041	166,222,585	202,673,242
Total general fund	\$ <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>	<u>227,498,064</u>	<u>275,747,789</u>
All other governmental funds:										
Reserved	\$ 28,660,330	12,687,274	76,741,409	31,315,543	79,650,408	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds and permanent funds	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	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	2,170,328	2,199,328
Restricted (2)	—	—	—	—	—	70,523,371	84,361,676	101,619,998	102,945,688	98,314,260
Committed (2)	—	—	—	—	—	56,302,807	47,105,139	50,958,117	53,741,300	54,314,647
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ <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>	<u>158,857,316</u>	<u>154,828,235</u>

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

(2) In 2011 the City 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Real and personal property taxes	\$ 222,986,633	231,875,724	238,747,275	251,255,629	266,861,794	281,812,153	297,723,747	315,776,734	327,998,703	342,853,089
Excises:										
Hotel/motel/meals (1)	5,800,992	6,751,419	6,862,581	6,802,768	9,361,688	13,573,132	14,954,425	15,909,648	16,525,182	17,861,201
Motor vehicles	6,146,422	5,942,196	6,649,769	6,139,573	6,182,561	6,452,602	6,238,835	6,833,482	7,230,474	7,200,225
Payments in lieu of taxes	6,579,380	6,939,046	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220
Intergovernmental	87,635,346	77,410,419	90,943,960	76,336,094	96,174,802	66,449,853	68,186,028	77,998,537	105,729,064	90,698,726
Investment income	9,699,805	14,434,985	12,467,474	5,865,388	1,894,609	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538
Sewer use charges	33,834,690	38,761,289	36,874,045	36,058,033	36,825,469	40,346,895	44,541,076	40,019,569	41,690,417	47,920,611
Departmental and other	57,676,624	54,554,968	59,358,026	55,799,892	60,882,792	65,720,424	76,147,745	85,552,428	94,500,678	90,340,819
Total revenues	<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>	<u>603,801,290</u>	<u>606,619,429</u>
Expenditures:										
General government	30,661,962	34,465,493	32,828,519	31,916,657	40,319,061	36,409,755	36,208,277	35,314,267	33,666,421	33,939,319
Public safety	83,255,981	86,275,482	90,299,577	97,140,430	96,824,874	101,853,345	104,715,922	108,274,572	113,968,219	119,194,172
Community maintenance and development	44,595,033	44,557,472	45,478,865	55,510,022	38,032,205	51,507,080	61,281,315	50,603,919	52,362,862	56,099,790
Human resource development	28,081,349	29,664,774	31,372,419	33,766,144	36,852,936	38,368,426	39,148,273	39,884,217	40,972,087	42,342,999
Education (2)	129,073,427	132,655,957	135,144,165	143,381,070	144,306,482	146,220,378	152,550,364	157,451,132	188,662,328	180,839,120
Judgments and claims	346,008	212,729	114,641	170,865	924,862	9,029,151	4,112,551	75,633	52,394	121,540
State and district assessments	35,890,415	37,294,026	39,567,157	41,020,229	42,447,468	44,892,107	46,146,725	46,660,306	47,682,872	50,184,292
Capital outlays (3)	38,509,574	42,079,595	94,264,563	85,028,601	79,574,710	73,656,249	62,132,657	83,432,261	80,397,730	125,479,923
Debt service:										
Interest (2)	7,958,766	8,719,761	9,273,441	9,503,428	10,704,491	10,418,972	10,598,471	10,269,653	11,183,721	11,652,622
Principal (2)	24,822,015	28,407,064	28,953,226	30,665,746	35,287,743	35,868,095	34,411,621	36,398,061	38,901,992	39,847,940
Total expenditures	<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>	<u>607,850,626</u>	<u>659,701,717</u>
Excess of revenues over (under) expenditures	<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>	<u>(4,049,336)</u>	<u>(53,082,288)</u>
Other financing sources (uses):										
Premium on bond issue	370,092	708,969	411,360	792,996	915,209	1,030,857	5,851,746	4,890,992	4,102,740	12,114,100
Bond proceeds	36,710,250	45,670,000	71,601,220	49,485,000	32,225,000	46,220,000	81,365,115	65,975,000	34,900,000	126,701,390
Transfer in	37,875,917	28,978,763	38,229,302	35,441,124	29,106,459	31,693,559	33,038,864	36,278,854	39,395,794	68,446,221
Transfer out	(37,340,917)	(42,260,143)	(37,551,172)	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)	(35,573,279)	(38,690,219)	(67,736,366)
Transfer (out) to Fiscal Escrow Agent	—	—	—	—	—	—	(29,029,117)	—	—	(42,222,413)
Total other financing sources (uses)	<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>	<u>39,708,315</u>	<u>97,302,932</u>
Net change in fund balances	\$ <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>	<u>35,658,979</u>	<u>44,220,644</u>
Debt service as a percentage of noncapital expenditures	8.52%	9.23%	9.26%	9.07%	10.30%	9.75%	9.29%	9.62%	9.50%	9.64%

- (1) The City started charging Meals Tax in 2010 and has added it to the Hotel/Motel/Meals category since then.
- (2) Adjusted to reflect reclassification of debt service payments that are included in education in basic financial statements.
- (3) Capital outlays that do not qualify as capital assets have been reclassified into the appropriate expense line.

See accompanying independent auditors' report.

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

Fiscal year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate	Weighted average direct rate
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
2014	16,642	5,936	3,503	1,080	27,161	8.38	20.44	13.05
2015	18,562	6,577	3,914	1,090	30,143	7.82	19.29	12.23

(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 of Cambridge 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
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
2014		8.38	20.44	20.44	25.00
2015		7.82	19.29	19.29	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	2015			Taxpayer	2006		
	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)	\$ 2,290,153,400	41,958,708	12.29%	Massachusetts Institute of Technology (1)	\$ 1,385,771,700	23,481,937	10.53%
BioMed Realty Trust	1,169,048,100	22,417,980	6.57	Lyme Properties LLC	557,718,600	9,792,793	4.39
Boston Properties	845,806,600	16,289,318	4.77	Boston Properties	398,823,300	7,122,984	3.19
Equity Partners	571,512,400	10,553,343	3.09	Novartis Pharmaceuticals	221,426,400	3,954,676	1.77
Presidents & Fellows of Harvard College (1)	423,374,500	5,426,154	1.59	Equity Partners	235,154,200	3,852,045	1.73
Novartis Pharmaceuticals	249,889,700	4,820,372	1.41	New England Development	193,047,200	3,447,823	1.55
New England Development	235,845,500	4,549,460	1.33	NOP Riverfront LLC	180,000,400	3,214,807	1.44
Alexandria Real Estate	234,646,500	4,458,974	1.31	One Kendall LLC	177,489,400	3,146,925	1.41
PREEF American Reit II Corp.	231,186,300	4,459,584	1.31	Presidents and Fellows of Harvard College (1)	283,637,800	3,058,258	1.37
RB Kendall Fee LLC	212,935,800	4,092,397	1.20	Draper Laboratories	134,523,400	2,402,588	1.08
Total	\$ 6,464,398,800	119,026,290	34.87%		\$ 3,767,592,400	63,474,836	28.46%

(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
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	2.60	252.80	97.79
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	294.60	98.43	1.60	296.20	98.96
2013	317.70	313.60	98.71	1.50	315.10	99.18
2014	329.20	324.20	98.48	3.00	327.20	99.39
2015	342.30	337.50	98.60	N/A	337.50	98.60

(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				
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
2014	347,393,458	170,000	—	4,128,675	12,680,000	364,372,133	7.61	3,465	1.34
2015	395,616,908	—	—	3,542,451	10,140,000	409,299,359	8.55	3,892	1.36

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

- a. See page 105 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b. See page 97 for the taxable assessed valuation figures.

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)
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
2014		360,073,458	27,161,000,000	3,424	1.33
2015		405,756,908	30,143,000,000	3,858	1.35

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

- a. See page 105 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b. See page 97 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2015

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 395,616,908	—	100.00%	395,616,908
Massachusetts Water Resources Authority	—	3,797,261	4.97	188,951,598
Total direct and overlapping debt	<u>\$ 395,616,908</u>	<u>3,797,261</u>		<u>584,568,506</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2015:

Fiscal year 2014 equalized valuation (1)	\$ 29,733,817,500
Debt limit (5% of assessed value) (2)	<u>1,486,690,875</u>
Debt applicable to limit:	
General obligation bonds	405,756,908
Total authorized/unissued	<u>78,817,819</u>
Total debt outstanding plus authorized/unissued	484,574,727
Less general obligation bonds exempted by authority of the State legislature	<u>10,140,000</u>
Amount within debt limit	<u>474,434,727</u>
Legal debt margin	\$ <u><u>1,012,256,148</u></u>

	Fiscal year (dollars in thousands)									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$ 1,064,126	1,226,473	1,226,473	1,306,216	1,306,216	1,408,101	1,408,101	1,332,006	1,332,006	1,486,690
Total net debt applicable to limit	<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>	<u>463,877</u>	<u>474,434</u>
Legal debt margin	\$ <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>853,852</u></u>	<u><u>868,129</u></u>	<u><u>1,012,256</u></u>
Total net debt applicable to the limit as a percentage of debt limit	32.04%	29.84%	31.64%	30.84%	29.25%	28.81%	26.56%	35.90%	34.83%	31.91%

(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, 2014.

(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)
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
2014	105,162	88,574	45,521	30.2	6,518	4.40
2015	105,162	88,574	45,521	30.2	6,539	3.50

(1) Source 2006–2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011–2015: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2010

(2) Source: Massachusetts Department of Education

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

Employer	2015			Employer	2006		
	Employees	Rank	Percentage of total city employment		Employees	Rank	Percentage of total city employment
Harvard University	10,980	1	9.85%	Harvard University	10,282	1	9.73%
MIT	8,455	2	7.58	MIT	7,026	2	6.65
City of Cambridge (2)	2,927	3	2.63	City of Cambridge (2)	3,251	3	3.08
Novartis Institute	2,704	4	2.43	Cambridge Health Alliance	1,777	4	1.68
Biogen Idec	2,660	5	2.39	Biogen Inc	1,767	5	1.67
Mt. Auburn Hospital	1,922	6	1.72	Federal Government	1,656	6	1.57
Cambridge Health Alliance	1,704	7	1.53	Mt. Auburn Hospital	1,379	7	1.31
Sanofi/Genzyme	1,640	8	1.47	Millennium Pharmaceuticals	1,339	8	1.27
Cambridge Innovation Center	1,574	9	1.41	Genzyme Corporation	1,231	9	1.17
Akamai Technologies	1,367	10	1.23	Draper Laboratory Inc	1,052	10	1.00
	<u>35,933</u>		<u>32.24%</u>		<u>30,760</u>		<u>29.13%</u>
Total average employed	<u>111,498</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Executive management	15	16	16	16	16	16	16	16	18	18
Clerk	10	10	10	10	10	10	10	10	11	10
Law	11	11	11	11	11	11	11	11	11	11
Finance	83	83	83	83	80	81	81	83	85	87
Other	19	19	19	15	15	15	15	14	14	14
Subtotal	138	139	139	135	132	133	133	134	139	140
Public safety:										
Fire	284	284	284	284	284	285	285	285	285	285
Police	307	307	307	313	311	311	311	311	317	318
Traffic	80	80	80	80	81	81	81	81	81	82
Inspectional	28	27	27	27	27	27	27	27	27	27
Emergency communication	39	39	39	39	38	38	38	38	38	41
Other	30	30	30	30	28	27	27	27	26	26
Subtotal	768	767	767	773	769	769	769	769	774	779
Community maintenance:										
Public works	215	213	211	214	213	213	213	213	213	215
Community development	45	45	45	45	44	44	44	43	43	45
Other	13	13	13	13	13	12	12	12	12	12
Subtotal	273	271	269	272	270	269	269	268	268	272
Human resource development:										
Library	60	60	60	60	64	65	65	66	68	68
Human services	127	128	128	130	135	136	136	139	141	143
Other	7	7	7	7	7	7	7	6	6	6
Subtotal	194	195	195	197	206	208	208	211	215	217
Education	1,197	1,218	1,238	1,244	1,264	1,274	1,257	1,334	1,438	1,470
Water	63	63	63	63	60	55	55	55	55	55
Grand total	2,633	2,653	2,671	2,684	2,701	2,708	2,691	2,771	2,889	2,933

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Two Fiscal Years

Function/program	2014	2015
Emergency communications:		
911 call pickups (land lines)	19,024	18,135
911 call pickups (cell phones)	16,171	17,203
Percent of 911 calls answered within 20 seconds	99%	99%
Percent of dispatchers and supervisors fully cross-certified	27%	30%
Fire:		
Number of state-mandated inspections of facilities	1,088	1,088
First response to fire emergency within 4-8 minutes	95%	95%
Respond to EMS requests within 4-6 minutes, 90% of the time	95%	95%
Inspectional:		
Number of BZA applications	136	167
Number of compliance inspections (buildings)	4,852	4,641
Number of compliance inspections and re-inspections	2,351	1,999
Number of inspections (housing complaints)	4,743	4,076
Number of licensed dumpster inspections completed	914	635
Police:		
Number of part 1 crimes reported	2,868	3,010
Average number of days between identified Part 1 crime patterns and the elimination of the pattern by an arrest or increase in police presence	19	34
Number of accidents citywide	n/a	1,733
Number of bicycle accidents citywide	145	169
Traffic:		
Short-term, on street spaces managed by parking meters and pay citations	3,140	3,161
Percent of tickets paid within 21 days from issuance without a notice	62.5%	62%
Percent of tickets issued this fiscal year that have been paid this year	86.8%	85.6%
Community Development:		
Number of projects undergoing urban design review	46	25
Number of small businesses assisted through the Best Retail Practices Program and Retail Interior Accessibility Program (includes workshops, grants, and in-store consultations)	10	41
Number of projects to support and enhance conditions for bicycling, walking, and/or use of public transportation, such as public bike rack installations and traffic calming	10	10
Number of local and regional transportation infrastructure projects and programs that advance the City's environmental, public health, and community livability goals, such as Hubway bike share and the Transit Strategic Plan	12	10
New rental units under development and existing units preserved as affordable housing with City financing	94	124
New affordable homeownership units under development with City financing and older homes rehabilitated for new buyers	15	11
New affordable inclusionary housing units approved	29	57
New households purchasing affordable homes through CDD	22	16
Public Works:		
Number of CPS buildings with food scrap collection for composting	8	10
Complete planting requests within 1 year (percent of requests)	97%	90%
Water:		
Meters replaced	392	314
Number of fire hydrants replaced	57	101
Human Services:		
ADA trainings, technical assistance sessions, and disability awareness trainings provided to City staff and other public entities	321	260
Number of clients served in youth and family services programs	1,102	2,600
Number of clients served through domestic violence and abuse prevention programs	74	70
Number of clients served through homelessness prevention/service programs	4,805	4,700
Number of students served at Community Learning Center	978	881
Number of clients receiving case management and information and referral services through elderly services	4,316	3,553
Number of families placed in housing Multi-Service Center	24	25
Number of residents served through the Cambridge Employment Program (CEP)	278	257
Number of youth recreation and swimming classes	118	121
Number of books distributed to children, families, and staff	7,807	8,700
Number of parents participating in Baby University and Alumni Association activities	88	141
Number of families participating in Center for Families programming	726	864
Number of children served in summer camps	762	949
Number of teens enrolled in school year programming	532	397
Number of involved in summer programming	399	369
Library:		
Check-outs	1,360,545	1,326,584
Select, purchase, and catalog new acquisitions for library collection	50,596	47,147
Number of items in collection	401,469	401,469
Provide a welcoming environment for all visitors at Main Library	601,078	579,935
Number of visitors to the branches	n/a	377,542
Education:		
Total enrollment	6,518	6,539

Note: The City Departments changed operating indicator data to conform to the performance measures reflected in the newly formatted adopted Budget Book.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/program	Fiscal year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	21	25	26	26	27	28	28	29	30	32
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	84	80	80	79	79	79	77	83	80
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	18	15	15	15	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,264	7,285	7,383	7,604	7,615	7,649	7,667	7,371	7,374	7,110
Traffic signals	195	189	188	187	187	185	185	185	184	185
Sewer:										
Sanitary sewers (miles)	149	147	147	147	147	150	149	150	151	151
Storm sewers (miles)	88	90	92	92	92	94	96	96	95	95
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	497	497	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	50
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	185	185	185	185	185
Fire hydrants	1,750	1,750	1,750	1,750	1,750	1,800	1,800	1,800	1,800	1,800
Storage capacity (gallons)	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000	32,000,000
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, 2015

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

