

CITY OF CAMBRIDGE,
MASSACHUSETTS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

JULY 1, 2016 – JUNE 30, 2017

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

Fiscal Year
July 1, 2016 through June 30, 2017

Louis A. DePasquale
City Manager

Lisa C. Peterson
Deputy City Manager

David J. Kale
Assistant City Manager for Fiscal Affairs

Michele Kincaid
Assistant Finance Director

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Invest in Cambridge

The city held its first minibond sale in February 2017 to encourage residents to directly invest in Cambridge infrastructure. Residents could purchase minibonds in denominations of \$1,000 for a maximum total investment of \$20,000. The City's \$2,000,000 in minibonds sold out in six days. 244 residents submitted orders (230 were fulfilled), with a median submitted order of \$5,000 and an average submitted order of \$8,586. The City will use proceeds from the minibond issuance to support capital projects such as school building renovations, municipal facility upgrades, and implementation of the Complete Streets Plan. Photo credit: Harrison Dimmig.

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INTRODUCTORY SECTION



City of Cambridge

FINANCE DEPARTMENT

DAVID J. KALE

Assistant City Manager/Finance

December 27, 2017

Mr. Louis DePasquale
City Manager
City of Cambridge
Cambridge, Massachusetts 02139

Dear Mr. DePasquale:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2017 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

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

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the general fund, capital projects fund, affordable housing trust fund and other governmental funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred and payable with expendable available resources. The accrual basis of accounting is followed when reporting on a government-wide basis as shown on pages 16 and 17. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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



Budgetary Control

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

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

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

Collateralized Deposits

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

The Reporting Entity

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

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

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2016 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

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

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

Respectfully submitted,



David J. Kale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor



City of Cambridge

Executive Department

LOUIS A. DePASQUALE
City Manager

LISA C. PETERSON
Deputy City Manager

December 27, 2017

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, 2017. 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, 2017. The independent auditors' 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 Uniform Guidance.

Management's discussion and analysis (MD&A) follows the independent auditors' 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. Cambridge 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. The 2010 U.S. Census reported 105,162 residents in Cambridge. As of July 2014, the Census Bureau estimated that the city's population had increased to 109,694.

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 Councillors 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



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, 2020.

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 FY17 was initiated in November 2015. 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 FY17 Budget to the City Council on April 25, 2016 and it was adopted on May 23, 2016. The Annual Budget for FY17 became effective July 1, 2016.

Demographic Summary

- Cambridge residents live closely together; only 10 U.S. cities with a population over 50,000 are denser. (Source: 2010 U.S. Census Bureau)
- Cambridge is a city of 13 neighborhoods, ranging in population from 832 (Cambridge Highlands) to 12,991 (Mid Cambridge). (Source: 2010 U.S. Census Bureau) Most neighborhoods have their own political and community organizations. Residents often participate vocally in City debates.
- Cambridge is ethnically diverse. 63% of residents are White Non-Hispanic. Minority residents are highly diverse, with no single race, language group, country of origin, or ethnic identity dominant. (Source: 2014 American Community Survey (ACS))
- 27% of residents are foreign born. Of those, over 39% were born in Asia and 23% were born in Europe. (Source: 2014 ACS)
- 32% of residents speak a language other than English at home. Of these, 20% speak Spanish and 16% speak Chinese. The remainder uses a wide variety of languages. (Source: 2014 ACS)
- While the majority of new units are currently marketed as rentals, the 2011-2015 ACS found 37% of occupied housing units to be owner-occupied, and 63% to be renter-occupied.
- The Census recorded 48,801 households in 2015. Of these, 40% are single person households, one of the largest proportions in Massachusetts; 42% are family households; and 18% consist of roommates or unmarried partners. (Source: CDD)

- 18,805 families reside in Cambridge; 7,483 are families with minor children. (Source: 2011-2015 ACS)
- 75% of residents have a four-year college degree and 46% also have a graduate degree. Only 6% of residents age 25 or older lack a high school diploma. (Source: 2014 ACS)

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 \$71,125 (Bureau of Economic Analysis, 2016) is higher than the Boston, Massachusetts, and U.S. averages.
- According to the Massachusetts Department of Labor, 2016 employment averaged 120,331 jobs, with private sector employment comprising 93.8% of total jobs.
- Cambridge's October 2017 unadjusted unemployment rate of 2.3% remains lower than the Boston primary metropolitan statistical area (PMSA), Massachusetts, and U.S. averages.
- Cambridge continues to maintain a high job to resident ratio, with 1.09 jobs for each resident.
- Professional and business services leads the way among employment sectors, followed by education and health services.
- Led by Harvard University and MIT, the higher education sector continues to drive the job market, employing more than 21,000 people. Preeminent research institutions like Harvard, MIT, the Broad Institute, and the Whitehead Institute act as a magnet for commercial investment in the city and drive innovation.
- Eight of the top 25 employers fall into the biotechnology and pharmaceutical sector. Important firms include: Novartis, Biogen, Takeda/Millennium Pharmaceuticals, Sanofi Aventis, Pfizer, Alnylam Pharmaceuticals, Shire/Baxalta, and Moderna Therapeutics.
- The top 25 employers in the high tech sector include Akamai Technologies, Google, Hubspot, IBM Innovation center/Watson, and Pegasystems. This sector increased by over 600 full-time equivalents (FTEs).
- Underpinning the boom in real estate investment activity is the city's increasing volume of venture capital and angel capital investments in startups and growing companies.

Due to its strong and healthy local economy, the City retained the rare distinction of being one of 36 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 FY17, the City's free cash position increased to \$211 million. This is an increase of \$8.5 million from the previous year and is the highest balance in the City's history.

The City ended FY17 with a total general fund balance of \$332.8 million, which represents 56.1% of general fund revenues, and is a 10.6% increase over FY16. Each year, a portion of the fund balance is allocated to committed, assigned, nonspendable accounts. A total of \$103.2 million was held as committed, assigned or nonspendable in FY17, leaving an unassigned fund balance of \$229.6 million.

The property tax levy for FY17 increased by only 5.1%. The ten-year average increase in the property tax levy is 4.87%. The FY17 Budget adopted by the City Council in May 2016 projected a property tax levy increase of \$22 million, or 6.2%, to \$376,448,690 in order to fund operating and capital expenditures. The FY17 adopted operating budget increased by 4.8% over the FY16 Adjusted Budget.

In FY17, real estate property assessed valuations totaled \$39.6 billion, a \$4.9 billion or 14.3% increase from FY16. 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 eleventh year in a row. As a result, 67% of the residential taxpayers received a property tax bill that was lower, the same or an increase less than \$100.

The City's property tax levy limit grew by \$31.5 million to \$541 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and the tax levy was \$168.3 million in FY17, an increase of \$13.2 million or 8.54% from FY16.

The local portion of Community Preservation Act (CPA) funds are raised through a 3% surcharge on taxes. The total amount appropriated in FY17 was \$12.3 million (\$8.6 million local, \$1.6 million State, and \$2.1 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 FY17, the City has appropriated \$167.8 million in CPA funds with approximately \$48.8 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 FY17-FY21, which was adopted by the City Council in May 2016, has an estimated cost of \$436.8 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, 2017 totaled \$414.9 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, 2016. This was the 31st 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, 2016. 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.

Very truly yours,



Louis DePasquale
City Manager

Fiscal Year 2017
Directory of Officials
City Council

E. Denise Simmons, Mayor

Marc C. McGovern, Vice Mayor

Craig A. Kelley

Dennis J. Carlone

David P. Maher

Leland Cheung

Nadeem A. Mazen

Jan Devereux

Timothy J. Toomey, Jr.

School Committee

E. Denise Simmons, Chair

Manikka L. Bowman

Richard Harding

Emily R. Dexter

Kathleen Kelly

Alfred B. Fantini

Patricia M. Nolan

Principal Executive Officers

City Manager

Louis A. DePasquale

Deputy City Manager

Lisa C. Peterson

Assistant City Manager for Fiscal Affairs

David J. Kale

Assistant City Manager for Community
Development

Iram Farooq

Assistant City Manager for Human Services

Ellen M. Semonoff

City Auditor

James Monagle

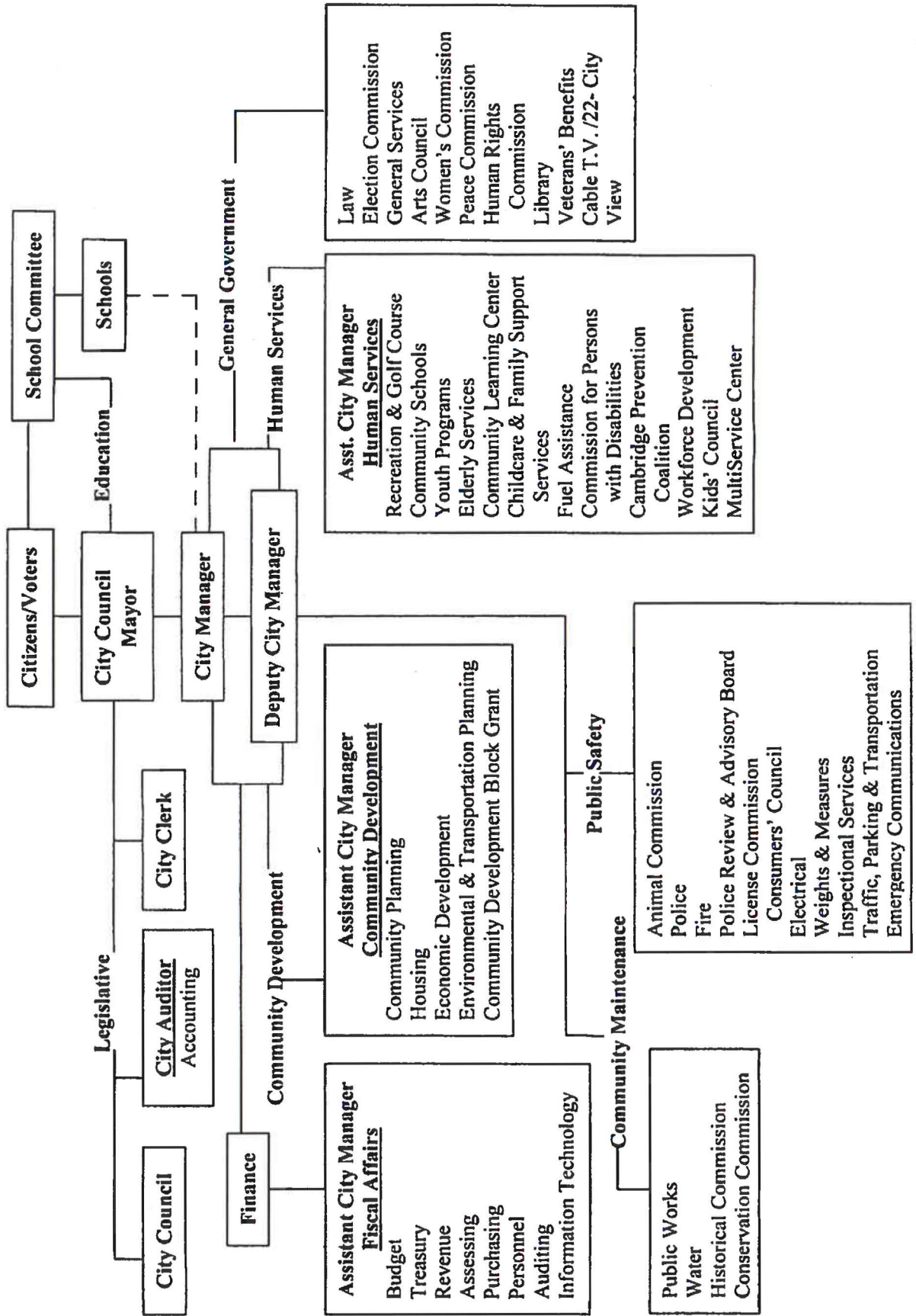
City Solicitor

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, 2016

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, Massachusetts (the City), as of and for the year ended June 30, 2017, 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, 2017, 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, in 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 77, *Tax Abatement Disclosures*. 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 and the schedules listed under the Required Supplementary Information section in the accompanying 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 GASB 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 the 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 27, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 27, 2017

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2017

(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, 2017. 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.

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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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 16.

The City's combined net position (governmental and business-type activities) exceeded its liabilities at June 30, 2017 by \$922.6 million (presented as net position). Of this amount, (\$.7) million was reported as "unrestricted net position (deficit)". 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 \$854.4 million and indicates the amount of the net book value of the City's capital assets that exceeds capital debt. 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 \$541.3 million, up 13.6% from prior year; net receivables of \$34.4 million; and \$1.5 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$395.2 million in general obligation bonds and notes payable; \$12.1 million in compensated absence liabilities for unused sick and vacation leave; and \$9.6 million in future year workers' compensation, health benefits and possible judgments. The major change in the long-term liabilities is attributable to increases in both the City's other post-employment benefit obligations of \$32.1 million, bonded debt \$12.6 million offset by a decrease in the pension liability and related deferred inflows of approximately \$9.5 million.

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Business-type activity long-term liabilities include \$2.8 million in general obligation bonds, \$411 thousand in compensated absences and \$1.1 million in future year workers' compensation and health benefits. The net reduction of \$2.5 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

Condensed Schedule of Net Position

June 30, 2017 and 2016

(in millions)

	Governmental Activities		Business Type Activities		Total Primary Government	
	June 30		June 30		June 30	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 579.8	533.0	16.8	18.7	596.6	551.7
Capital assets	1,109.2	1,061.3	130.6	129.7	1,239.8	1,191.0
Total assets	1,689.0	1,594.3	147.4	148.4	1,836.4	1,742.7
Deferred outflows	76.6	101.6	—	0.1	76.6	101.7
Total assets and deferred outflows	\$ 1,765.6	1,695.9	147.4	148.5	1,913.0	1,844.4
Long-term liabilities	\$ 839.0	826.3	4.4	6.6	843.4	832.9
Other liabilities	118.8	114.2	4.0	3.7	122.8	117.9
Deferred inflows	24.2	6.3	—	—	24.2	6.3
Total liabilities and deferred inflows	\$ 982.0	946.8	8.4	10.3	990.4	957.1
Net position:						
Net investment in capital assets	\$ 729.1	673.7	125.3	120.2	854.4	793.9
Restricted	68.9	73.3	—	—	68.9	73.3
Unrestricted	(14.4)	1.9	13.7	18.0	(0.7)	19.9
Total net position	\$ 783.6	748.9	139.0	138.2	922.6	887.1

Statement of Changes in Net Position

The City's total net position increased by \$35.5 million in fiscal year 2017 of which the governmental activities net position increased \$34.7 million and the business-type activity increased \$0.8 million. The continued investment in the City's capital assets of \$47.9 million and increased cash reserves of \$65.1 million net against a decrease in Intergovernmental and Other Receivables are contributors to governmental activities increase in

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assets. The main increase of \$33.8 million in liabilities is due to pension, bonded debt, and other post-employment benefits obligations.

This summary of net changes is based upon the statement found on page 17.

Condensed Schedule of Changes in Net Position

June 30, 2017 and 2016

(In millions)

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Total primary government</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 106.1	118.4	17.2	19.3	123.3	137.7
Operating grants and contributions	22.5	24.5	—	—	22.5	24.5
Capital grants and contributions	4.9	15.5	—	—	4.9	15.5
General revenues:						
Taxes:						
Property taxes levied	\$ 374.9	357.0	—	—	374.9	357.0
Excises	27.8	26.8	—	—	27.8	26.8
Payment in lieu of taxes	8.1	9.2	—	—	8.1	9.2
Grants and contributions not restricted	65.2	52.6	—	—	65.2	52.6
Investment income	7.7	3.3	0.2	0.2	7.9	3.5
Miscellaneous	41.1	31.2	—	—	41.1	31.2
Total revenues	<u>658.3</u>	<u>638.5</u>	<u>17.4</u>	<u>19.5</u>	<u>675.7</u>	<u>658.0</u>
Expenses:						
General government	58.9	56.4	—	—	58.9	56.4
Public safety	155.8	134.8	—	—	155.8	134.8
Community maintenance and development	96.8	112.9	—	—	96.8	112.9
Human resource development	56.0	53.4	—	—	56.0	53.4
Education	246.4	228.4	—	—	246.4	228.4
Water department	—	—	15.9	14.2	15.9	14.2
Interest	10.4	10.9	—	—	10.4	10.9
Total expenses	<u>624.3</u>	<u>596.8</u>	<u>15.9</u>	<u>14.2</u>	<u>640.2</u>	<u>611.0</u>
Excess before transfers	34.0	41.7	1.5	5.3	35.5	47.0
Transfers	0.7	0.7	(0.7)	(0.7)	—	—
Change in net position	34.7	42.4	0.8	4.6	35.5	47.0
Net position – beginning	748.9	706.5	138.2	133.6	887.1	840.1
Net position – ending	<u>\$ 783.6</u>	<u>748.9</u>	<u>139.0</u>	<u>138.2</u>	<u>922.6</u>	<u>887.1</u>

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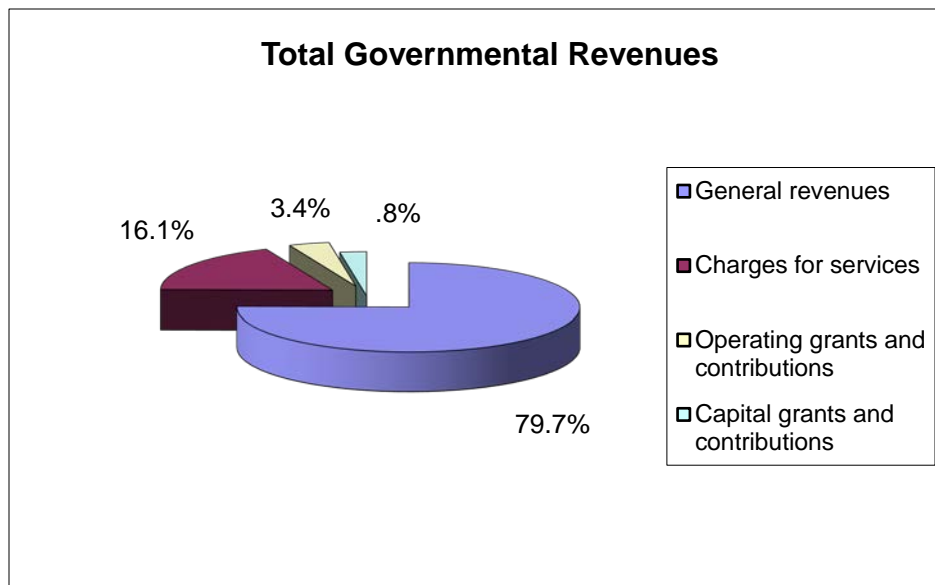
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Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$524.8 million, charges for services \$106.1 million, operating grants and contributions \$22.5 million and capital grants and contributions of \$4.9 million.



General

Real estate tax revenues are the City's largest revenue source at \$374.9 million representing 71.5% of general revenues. The assessed tax valuation base is \$39.6 billion up from \$34.7 billion assessed in the prior year showing a 14.3% increase mainly due to an increase in new construction.

Grants and contributions not restricted to specific programs is \$65.2 million representing 12.4% of general revenues and include state cherry sheet revenues, Massachusetts Teachers Retirement System (MTRS) contributions and other unrestricted contributions. An increase in State aid of \$3.7 million and a rise in MTRS contributions are mainly attributable for the approximate 24% increase in unrestricted Grants and Contributions revenues.

Program

Charges for services are \$106.1 million and represent a variety of department revenues. Charges for services decreased \$12.3 million from the prior year mainly due to sewer abatement settlement in February 2017. The public safety portion of \$56.1 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$42.0 million includes sewer service revenues, community cable revenues, as well as, other public works type fees.

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Operating grants and contributions of \$22.5 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 3.4% of the total City revenues. Capital grants and contributions of \$4.9 million include community development capital grants, state revolving grants, state school construction grants, and other capital restricted revenues. The capital grants revenue dropped because a large grant funded sewer project is complete.

Expenses

For the fiscal year ended June 30, 2017, expenses for government activities totaled \$624.3 million, which cover a range of services. On the whole, the City's expenses increased approximately \$27.5 million or 4.6% over prior year. Included in this amount is the City's other post-employment benefits (OPEB) expense increase of \$32 million offset by a decrease in pension expenses, which is reflected in the general government expense.

Education continues to be one of the City's highest priorities and commitments, representing \$246.4 million or 39.5% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the fifteenth 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. Expenses related to these initiatives are recorded in the community maintenance and development category. During 2017, the City spent \$4.7 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity slightly increased net position by \$.8 million. Although the water rates didn't increase in FY17, a slight increase in consumption and a decrease in debt service payments along with managed expenditure controls are main contributors to the slight gain 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 \$504.4 million. Of this amount, \$4.7 million has been categorized as nonspendable which includes permanent funds and healthcare deposits. Another \$117.8 million was restricted because the funds include grants or bonded projects that are constrained by external sources. Also, \$138.1 million has been committed for specific purposes such as stabilization funds, health claims trust fund, parking fund, etc., for which the movement of these funds must be approved by the highest legislative level at the City, which is the City Council. Finally, \$14.2 million has been assigned for encumbrance balances. The remainder of the Fund balance of \$229.6 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 \$229.6 million, while the total fund balance was \$332.8 million.

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As a measure of liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balance represents 40.8% of total General Fund expenditures, while the total balance represents 59.1% of that same amount.

The capital fund captures all the capital projects expenditures for the City. At the end of fiscal year 2017, the total fund balance was \$96.9 million. This reflects an increase over the prior fiscal year of \$14.4 million.

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 2017, the total fund balance was \$37.3 million. This fund was established in the 1990'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 \$13.7 million and a net investment in capital assets of \$125.3 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.

Revenues and Other Financing Sources

Fiscal year 2017 actual revenues on a budgetary basis totaled \$555.2 million. This represents an increase of \$26.2 million or 5.0% from fiscal year 2016. Property taxes are the single largest revenue source, representing approximately 67.9% of general fund revenues, net of abatements. Sewer use receipts comprise the City's next largest revenue source, representing 8.7%. Other revenue was higher than budget by \$23.1 million because of building permits (\$12.0 million), mitigation/settlement (\$7.5 million) receipts, and interest income (\$2.2 million) received through the general fund.

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Expenditures

During fiscal year 2017, total expenditures increased by \$31.7 million or 6.1% on a budgetary basis as compared to fiscal year 2016 at \$516.1 million which was mainly due to 2% cost of living increase and 5.85% increase related to pensions.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the City's capital assets of its governmental activities and business-type activity amounted to \$1,239.8 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 \$448.8 million in outstanding bonds and notes (including bond premiums) compared to \$438.6 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2015</u>
	(In millions)					
General obligation bonds and notes payable	\$ 443.5	430.9	5.3	7.7	448.8	438.6

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

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

Economic Factors and Next Year's Budgets and Rates

The City's tax levy increased \$16.4 million, or 4.4%, to \$389.1 million in fiscal year 2018. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$168.3 million in FY 17 to \$181.5 million in FY18, a 7.8% increase.

The FY 18 operating budget increased by 4.97% over the FY 17 adjusted budget. The increase is attributable to a 2.0% increase of employee salary costs and a 6.6% increase in employee pension costs. The capital budget of \$124.8 million is an increase from prior year based upon the Five-Year Public Investment Plan.

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New Accounting Standards

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. 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.

Future Pronouncements

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. 83 "*Certain Asset Retirement Obligations*." This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

The GASB has issued Statement No. 84 "*Fiduciary Activities*." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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The GASB has issued Statement No. 85 "*Omnibus 2017*." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The GASB has issued Statement No. 86 "*Certain Debt Extinguishment Issues*." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The GASB has issued GASB Statement No. 87 "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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.

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Statement of Net Position

June 30, 2017

Assets and Deferred Outflows of Resources	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 540,753,965	12,747,634	553,501,599	254,009,241
Cash and investments held by trustees	600,000	—	600,000	8,027,009
Receivables, net:				
Property taxes	5,976,188	—	5,976,188	—
Motor vehicle excise	974,297	—	974,297	—
Tax title and possessions	3,055,485	—	3,055,485	—
Intergovernmental	9,901,923	—	9,901,923	—
Other	14,503,765	3,980,999	18,484,764	30,175,117
Other assets	2,546,688	—	2,546,688	92,101,071
Internal balances	(32,723)	32,723	—	—
Due from component unit	1,495,000	—	1,495,000	—
Capital assets:				
Nondepreciable	594,002,468	50,129,631	644,132,099	11,965,682
Depreciable, net	515,200,235	80,476,287	595,676,522	119,242,473
Total assets	1,688,977,291	147,367,274	1,836,344,565	515,520,593
Deferred outflows of resources:				
Related to debt refundings	7,902,766	—	7,902,766	—
Related to pensions	68,753,738	—	68,753,738	14,831,924
Total assets and deferred outflows of resources	\$ 1,765,633,795	147,367,274	1,913,001,069	530,352,517
Liabilities and Deferred Inflows of Resources				
Warrants and accounts payable	\$ 25,767,181	762,686	26,529,867	27,519,063
Accrued liabilities:				
Tax abatements	3,668,000	—	3,668,000	—
Accrued payroll	17,941,426	86,940	18,028,366	8,494,776
Accrued interest	5,707,829	85,208	5,793,037	—
Other	2,432,195	—	2,432,195	12,467,763
Unearned revenue	—	—	—	2,368,009
Due to primary government	—	—	—	1,495,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	48,335,779	2,420,000	50,755,779	69,487
Capital leases	—	—	—	586,251
Due to third parties	—	—	—	21,446,182
Compensated absences	7,627,000	282,000	7,909,000	15,437,396
Landfill	25,000	—	25,000	—
Judgments and claims	7,151,000	334,000	7,485,000	—
Pollution remediation	183,140	—	183,140	—
Due in more than one year:				
Bonds and notes payable	395,173,127	2,880,000	398,053,127	297,251
Capital leases	—	—	—	411,172
Due to third parties	—	—	—	18,608,085
Compensated absences	12,124,000	411,000	12,535,000	—
Landfill	75,000	—	75,000	—
Judgments and claims	9,628,000	1,117,000	10,745,000	—
Other postemployment benefit obligation	238,709,766	—	238,709,766	59,644,490
Pollution remediation	1,389,116	—	1,389,116	—
Net pension liability	181,785,216	—	181,785,216	41,817,743
Total liabilities	957,722,775	8,378,834	966,101,609	210,662,668
Deferred inflows of resources:				
Related to pensions	24,233,236	—	24,233,236	4,701,135
Total liabilities and deferred inflows of resources	\$ 981,956,011	8,378,834	990,334,845	215,363,803
Net Position				
Net investment in capital assets	\$ 729,145,088	125,305,918	854,451,006	128,348,994
Restricted for:				
Capital projects	45,650,770	—	45,650,770	—
Community preservation	13,031,007	—	13,031,007	—
Expendable permanent funds	1,768,123	—	1,768,123	—
Nonexpendable permanent funds	2,244,204	—	2,244,204	—
Specific purposes	5,664,474	—	5,664,474	—
Other purposes	600,000	—	600,000	4,188,910
Unrestricted	(14,425,882)	13,682,522	(743,360)	182,450,810
Total net position	\$ 783,677,784	138,988,440	922,666,224	314,988,714

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2017

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	\$ 58,919,949	466,264	—	—	(58,453,685)	—	(58,453,685)	
Public safety	155,775,352	56,139,937	—	187,500	(99,447,915)	—	(99,447,915)	
Community maintenance and development	96,825,775	42,067,768	3,016,276	3,760,997	(47,980,734)	—	(47,980,734)	
Human resource development	56,006,242	5,562,842	8,333,625	—	(42,109,775)	—	(42,109,775)	
Education	246,388,426	1,870,225	11,132,460	908,969	(232,476,772)	—	(232,476,772)	
Interest on long-term debt	10,430,981	—	—	—	(10,430,981)	—	(10,430,981)	
Total governmental activities	<u>624,346,725</u>	<u>106,107,036</u>	<u>22,482,361</u>	<u>4,857,466</u>	<u>(490,899,862)</u>	<u>—</u>	<u>(490,899,862)</u>	
Business-type activity:								
Water	15,855,491	17,210,466	—	—	—	1,354,975	1,354,975	
Total business-type activity	<u>15,855,491</u>	<u>17,210,466</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,354,975</u>	<u>1,354,975</u>	
Total primary government	<u>\$ 640,202,216</u>	<u>123,317,502</u>	<u>22,482,361</u>	<u>4,857,466</u>	<u>(490,899,862)</u>	<u>1,354,975</u>	<u>(489,544,887)</u>	
Component unit:								
Cambridge Health Alliance	\$ 601,119,746	314,585,810	287,382,671	—				848,735
Total component units	<u>\$ 601,119,746</u>	<u>314,585,810</u>	<u>287,382,671</u>	<u>—</u>				<u>848,735</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					374,927,115	—	374,927,115	—
Excises					27,876,390	—	27,876,390	—
Payments in lieu of taxes					8,100,931	—	8,100,931	—
Grants and contributions not restricted					65,150,348	—	65,150,348	—
Investment income					7,678,166	183,888	7,862,054	1,695,035
Miscellaneous					41,128,314	—	41,128,314	4,686,158
Transfers					717,805	(717,805)	—	—
Total general revenues and transfers					<u>525,579,069</u>	<u>(533,917)</u>	<u>525,045,152</u>	<u>6,381,193</u>
Change in net position					34,679,207	821,058	35,500,265	7,229,928
Net position – beginning					<u>748,998,577</u>	<u>138,167,382</u>	<u>887,165,959</u>	<u>307,758,786</u>
Net position – ending					<u>\$ 783,677,784</u>	<u>138,988,440</u>	<u>922,666,224</u>	<u>314,988,714</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2017

Assets	General	Capital fund	Affordable Housing Trust fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 363,415,275	103,810,067	33,956,946	39,571,677	540,753,965
Cash and investments held by trustees	—	—	600,000	—	600,000
Receivables, net:					
Property taxes	5,976,188	—	—	—	5,976,188
Motor vehicle excise	974,297	—	—	—	974,297
Tax title and possessions	3,055,485	—	—	—	3,055,485
Intergovernmental	852,000	7,842,259	—	1,207,664	9,901,923
Departmental and other	11,457,688	—	2,852,530	193,547	14,503,765
Total receivables	22,315,658	7,842,259	2,852,530	1,401,211	34,411,658
Other assets	2,546,688	—	—	—	2,546,688
Due from other funds	—	569,969	—	—	569,969
Due from component unit	1,495,000	—	—	—	1,495,000
Total assets	<u>\$ 389,772,621</u>	<u>112,222,295</u>	<u>37,409,476</u>	<u>40,972,888</u>	<u>580,377,280</u>
	Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:					
Warrants and accounts payable	\$ 8,212,960	15,342,562	139,542	2,072,117	25,767,181
Accrued liabilities:					
Tax abatements	1,834,000	—	—	—	1,834,000
Judgments and claims	7,151,000	—	—	—	7,151,000
Accrued payroll	17,763,388	18,354	—	159,684	17,941,426
Other	1,844,478	—	—	587,717	2,432,195
Due to other funds	32,723	—	—	569,969	602,692
Total liabilities	36,838,549	15,360,916	139,542	3,389,487	55,728,494
Deferred inflows of resources:					
Unavailable revenue	20,125,432	—	—	76,880	20,202,312
Fund balances:					
Nonspendable	2,466,688	—	—	2,244,204	4,710,892
Restricted	—	96,861,379	600,000	20,386,724	117,848,103
Committed	86,509,702	—	36,669,934	14,875,593	138,055,229
Assigned	14,200,000	—	—	—	14,200,000
Unassigned	229,632,250	—	—	—	229,632,250
Total fund balances	332,808,640	96,861,379	37,269,934	37,506,521	504,446,474
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 389,772,621</u>	<u>112,222,295</u>	<u>37,409,476</u>	<u>40,972,888</u>	<u>580,377,280</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, 2017

Total fund balance – governmental funds	\$ 504,446,474
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	1,109,202,703
Adjust deferred inflows of resources to record revenues on an accrual basis	20,202,312
Capitalized loss on debt refunding in the government-wide statements that is not capitalized in the governmental funds	7,902,766
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	443,508,906
Accrued interest on bonds	5,707,829
Compensated absences	19,751,000
Landfill	100,000
Judgments and claims	9,628,000
Tax abatements	1,834,000
Other postemployment benefits	238,709,766
Pollution remediation	1,572,256
Net pension liability, net of deferred amounts	137,264,714
	<u>858,076,471</u>
Net position of governmental activities	<u>\$ 783,677,784</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2017

	<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	\$ 375,682,378	—	—	—	375,682,378
Excises:					
Hotel/motel/meals	19,958,924	—	—	—	19,958,924
Motor vehicles	8,035,187	—	—	—	8,035,187
Payments in lieu of taxes	8,100,931	—	—	—	8,100,931
Intergovernmental	65,150,348	4,857,466	—	22,482,361	92,490,175
Investment income	4,877,291	117,664	2,233,611	449,600	7,678,166
Sewer use charges	48,333,542	—	—	—	48,333,542
Departmental and other	62,459,292	8,431,206	716,683	35,487,590	107,094,771
Total revenues	<u>592,597,893</u>	<u>13,406,336</u>	<u>2,950,294</u>	<u>58,419,551</u>	<u>667,374,074</u>
Expenditures:					
Current:					
General government	38,852,363	—	—	1,485,602	40,337,965
Public safety	128,759,106	—	—	755,024	129,514,130
Community maintenance and development	48,449,436	—	4,677,831	2,325,243	55,452,510
Human resource development	38,124,725	—	—	7,799,327	45,924,052
Education	197,087,048	—	—	13,079,918	210,166,966
Judgments and claims	371,023	—	—	—	371,023
State and district assessments	53,426,731	—	—	—	53,426,731
Capital outlays	—	78,505,200	—	—	78,505,200
Debt service	57,822,918	—	—	—	57,822,918
Total expenditures	<u>562,893,350</u>	<u>78,505,200</u>	<u>4,677,831</u>	<u>25,445,114</u>	<u>671,521,495</u>
Excess (deficiency) of revenues over expenditures	<u>29,704,543</u>	<u>(65,098,864)</u>	<u>(1,727,537)</u>	<u>32,974,437</u>	<u>(4,147,421)</u>
Other financing sources (uses):					
Premium on debt issuance	3,046,706	—	—	—	3,046,706
Issuance of debt	18,805,000	58,545,000	—	—	77,350,000
Transfers in	22,280,040	20,930,520	9,840,000	8,537	53,059,097
Transfers out	(20,280,520)	(8,537)	—	(32,052,235)	(52,341,292)
Payment to Fiscal Escrow Agent	(21,691,521)	—	—	—	(21,691,521)
Total other financing (uses) sources	<u>2,159,705</u>	<u>79,466,983</u>	<u>9,840,000</u>	<u>(32,043,698)</u>	<u>59,422,990</u>
Net change in fund balances	31,864,248	14,368,119	8,112,463	930,739	55,275,569
Fund balance – beginning	300,944,392	82,493,260	29,157,471	36,575,782	449,170,905
Fund balance – ending	<u>\$ 332,808,640</u>	<u>96,861,379</u>	<u>37,269,934</u>	<u>37,506,521</u>	<u>504,446,474</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, 2017

Net change in fund balances – total governmental funds	\$ 55,275,569
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, (\$77,094,496) exceeded depreciation expense (\$29,240,725)	47,853,771
Revenues are recorded on an accrual basis	(9,065,947)
Proceeds of long-term debt (\$77,350,000) increase long-term liabilities in the statement of net position, but are included in the operating statement of the governmental funds. Repayment of bond principal, including amounts to defease long-term debt, (\$64,984,314) 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.	(12,365,686)
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net position	(195,582)
Deferred loss on refunding is amortized in the statement of activities and is not reported in the governmental funds	1,980,994
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	(32,647,173)
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), offset by increases in pension liability, net of pension related amounts (\$14,377,792), pollution remediation (\$53,140), non current claims (\$915,000), accrued interest (\$260,807) and compensated absences (\$575,000)	<u>(16,156,739)</u>
Change in net position of governmental activities	\$ <u><u>34,679,207</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Net Position – Proprietary Fund
June 30, 2017

	<u>Enterprise fund</u> <u>Water fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 12,747,634
Receivables, net	3,980,999
Due from other funds	<u>32,723</u>
Total current assets	<u>16,761,356</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	50,129,631
Depreciable, net	<u>80,476,287</u>
Total noncurrent assets	<u>130,605,918</u>
Total assets	<u>\$ 147,367,274</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	\$ 762,686
Accrued liabilities:	
Claims	334,000
Compensated absences	282,000
Accrued payroll	86,940
Interest	85,208
Current portion of long-term debt	<u>2,420,000</u>
Total current liabilities	<u>3,970,834</u>
Noncurrent liabilities:	
Bonds payable	2,880,000
Accrued liabilities:	
Claims	1,117,000
Compensated absences	<u>411,000</u>
Total noncurrent liabilities	<u>4,408,000</u>
Total liabilities	<u>\$ 8,378,834</u>
Net position:	
Net investment in capital assets	\$ 125,305,918
Unrestricted	<u>13,682,522</u>
Total net position	<u>\$ 138,988,440</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, 2017

	Enterprise fund
	<u>Water fund</u>
Operating revenues:	
Charges for services	\$ 17,210,466
Total operating revenues	<u>17,210,466</u>
Administration	3,858,069
Service and support programs	8,000,986
Depreciation	3,623,249
Total operating expenses	<u>15,482,304</u>
Operating income	<u>1,728,162</u>
Nonoperating revenue (expense):	
Investment earnings – other	183,888
Interest expense	<u>(373,187)</u>
Nonoperating expense	<u>(189,299)</u>
Income before transfers	1,538,863
Transfers to other funds	<u>(717,805)</u>
Change in net position	821,058
Total net position – beginning	<u>138,167,382</u>
Total net position – ending	\$ <u><u>138,988,440</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Cash Flows – Proprietary Fund
Year ended June 30, 2017

	<u>Enterprise fund</u> <u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 20,785,757
Cash paid to vendors	(7,643,051)
Cash paid to employees	(3,614,078)
Net cash provided by operating activities	<u>9,528,628</u>
Cash flows from noncapital financing activities:	
Transfers	(717,805)
Net cash used in noncapital financing activities	<u>(717,805)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,570,722)
Interest paid on debt	(423,604)
Repayment of long-term debt	(2,420,000)
Net cash used in capital and related financing activities	<u>(7,414,326)</u>
Cash flows from investing activities:	
Investment income	183,888
Net cash provided by investing activities	<u>183,888</u>
Increase in cash and cash equivalents	1,580,385
Cash and cash equivalents, beginning of year	<u>11,167,249</u>
Cash and cash equivalents, end of year	<u>\$ 12,747,634</u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 1,728,162
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	3,623,249
Amortization of deferred loss on refunding	98,104
Changes in operating assets and liabilities:	
Accounts receivable	3,575,291
Other liabilities	503,822
Net cash provided by operating activities	<u>\$ 9,528,628</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Position

June 30, 2017

Assets	Employee retirement plan (as of December 31, 2016)	OPEB Trust fund	Agency funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 8,220,224	1,059,198	7,451,717
Dividend and interest receivable	445,077	—	—
Contributions receivable:			
City of Cambridge	6,460,026	—	—
Cambridge Health Alliance	2,929,420	—	—
Other	535,603	—	—
Other assets	402,322	—	—
Investments, at fair value:			
Fixed income securities	54,386,862	5,768,902	—
Equities	161,747,526	6,085,133	—
Pooled investments:			
Fixed income	133,263,428	—	—
Real estate	123,919,766	—	—
Domestic equities	308,445,524	—	—
International equities	181,681,306	—	—
International fixed income	47,287,175	—	—
Alternative	133,186,528	—	—
Total investments	<u>1,143,918,115</u>	<u>11,854,035</u>	<u>—</u>
Cash collateral on security lending	<u>58,273,194</u>	<u>—</u>	<u>—</u>
Total assets	<u>1,221,183,981</u>	<u>12,913,233</u>	<u>\$ 7,451,717</u>
Liabilities			
Accrued liabilities	790,544	—	\$ —
Guarantee deposits	—	—	7,451,717
Due to brokers for securities purchased	—	—	—
Cash collateral on security lending	<u>58,273,194</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>59,063,738</u>	<u>—</u>	<u>\$ 7,451,717</u>
Net position restricted for pensions and OPEB	<u>\$ 1,162,120,243</u>	<u>12,913,233</u>	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2017

	Employee retirement plan (as of December 31, 2016)	OPEB Trust fund
Additions:		
Contributions:		
Employers	\$ 35,364,563	22,271,000
Nonemployer – City	4,683,328	—
Plan members	20,949,712	—
Other systems	2,897,113	—
Commonwealth of Massachusetts	566,777	—
Total contributions	64,461,493	22,271,000
Investment earnings:		
Interest and dividends	20,737,096	341,674
Securities lending income	106,081	—
Net appreciation in the fair value of investments	76,310,706	247,481
Less:		
Management fees	(6,745,168)	(23,551)
Borrower rebates and fees under securities lending program	(63,826)	—
Net investment earnings	90,344,889	565,604
Total additions	154,806,382	22,836,604
Deductions:		
Benefits	71,186,255	20,271,000
Refunds of contributions	2,299,664	—
Other systems	2,586,960	—
Administrative expenses	1,112,053	—
Total deductions	77,184,932	20,271,000
Change in net position	77,621,450	2,565,604
Net position, beginning of year	1,084,498,793	10,347,629
Net position, end of year	\$ 1,162,120,243	12,913,233

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(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, 2016. The System issues stand alone financial statements. The System is included in the City's fiduciary fund financial statements. Complete financial statements for the System for its year ended December 31, 2016 are available from its offices on 100 Cambridgepark Drive Suite 101, Cambridge, MA 02140.

(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 the organization because it 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. CHA is a body politic and corporate and public instrumentality of the Commonwealth of Massachusetts (the Commonwealth) established by Chapter 147 of the Acts of 1996. CHA is governed by a nineteen member board, all of whom are appointed by the City Manager. CHA is responsible for the implementation of public health programs in the City.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Complete financial statements for the CHA for its fiscal year ended June 30, 2017 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

(i) Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and Nonagency fiduciary fund financial statements. The agency fund has no basis of accounting and only reports assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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(ii) *Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the *current financial resources measurement 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 inflows of resources.

The City applies the susceptible to accrual criteria to property and other taxes and 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 subject to availability requirements. 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 and other 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. Generally, intergovernmental revenues are recognized as revenue provided they are earned during the year and collected within one year after year-end, except Chapter 90 receivables which are considered available when received. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures generally are recorded when a liability is incurred. However, interest on general obligation debt as well as expenditures related to liabilities including compensated absences, pensions and other postemployment benefits, judgments and claims and tax abatements are recorded only when payment is mature and due.

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

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

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

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

(iii) *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,

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

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.

(iv) *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 liability of health care and other postemployment benefits. This fund is currently not used for payments of benefits.

The *agency fund* is used to account for assets received and distributed by the City acting in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and for other funds.

(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.”

(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.

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(g) *Deferred Inflows and Outflows of Resources*

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 of resources, respectively, to distinguish them from assets and liabilities. For fiscal year 2017, 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 acquisition 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 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 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.

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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.

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

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

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

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

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

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

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

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The 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.

(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, 2017, 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.

(o) Adoption of New Accounting Pronouncements

- i. The City adopted GASB 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. The City has incorporated the required disclosures, but the adoption had no impact on the City's net position.

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- ii. The City adopted GASB 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. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. For purposes of this Statement, tax abatements include (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s revenues. 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 the government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on the government’s financial position and economic condition. The City has incorporated the required tax abatement disclosures, but adoption of the statement did not impact financial statement amounts.

(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.

(i) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned. As of June 30, 2017, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	11,417
Discretely presented component unit (CHA)		<u>27,833,460</u>
	\$	<u><u>27,844,877</u></u>

(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 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, an external investment pool for cities, towns, and other state and local agencies with the Commonwealth. MMDT meets the criteria established by GASB 79 to report its

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investments at amortized cost; therefore the City reports its investment in MMDT at amortized cost which approximates the net asset value of \$1.00 per share. MMDT has a maturity of less than 1 year and is not rated.

The City's investment portfolio for permanent 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.

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 53% equities (securities from approved state listing) and 47% fixed securities and certificates of deposit.

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(iii) *Interest Rate Risk*

The following is a listing of the fixed income investments and related maturity schedule (in years) as of June 30, 2017:

<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	\$ 311,240,303	311,240,303	—	—	—
Certificates of deposit	69,903,378	62,529,916	7,038,381	97,673	237,408
Corporate fixed income	38,593,980	3,642,024	32,730,430	2,221,526	—
U.S. agencies	27,313,249	640,252	24,705,822	1,967,175	—
Subtotal city	<u>447,050,910</u>	<u>378,052,495</u>	<u>64,474,633</u>	<u>4,286,374</u>	<u>237,408</u>
System (as of December 31, 2016):					
Cash collateral pool	58,273,194	58,273,194	—	—	—
U.S. treasury notes and municipal securities	17,459,039	—	9,070,260	831,519	7,557,260
U.S. agencies	2,952,884	—	249,021	75,336	2,628,527
Domestic corporate	22,890,164	197,570	9,495,216	8,123,146	5,074,232
Asset-backed:					
CMOs	5,759,585	—	—	—	5,759,585
Other	5,325,190	—	3,986,956	868,638	469,596
Pooled fixed-income investments	<u>180,550,603</u>	<u>—</u>	<u>—</u>	<u>180,550,603</u>	<u>—</u>
Subtotal system	<u>293,210,659</u>	<u>58,470,764</u>	<u>22,801,453</u>	<u>190,449,242</u>	<u>21,489,200</u>
OPEB Trust:					
Money market	53,001	53,001	—	—	—
Certificates of deposit	1,006,197	—	1,006,197	—	—
Corporate fixed income	3,192,168	—	2,931,251	260,917	—
U.S. agencies	2,576,734	—	2,576,734	—	—
Subtotal OPEB Trust	<u>6,828,100</u>	<u>53,001</u>	<u>6,514,182</u>	<u>260,917</u>	<u>—</u>
Total	<u>\$ 747,089,669</u>	<u>436,576,260</u>	<u>93,790,268</u>	<u>194,996,533</u>	<u>21,726,608</u>
Discretely presented component unit (CHA):					
Money market	\$ 79,071,138	79,071,138	—	—	—
MMDT	<u>156,347,369</u>	<u>156,347,369</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total discretely presented component unit (CHA)	<u>\$ 235,418,507</u>	<u>235,418,507</u>	<u>—</u>	<u>—</u>	<u>—</u>

The City, OPEB Trust, 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, OPEB Trust, 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 fixed income investments as of June 30, 2017 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	Carrying value	AAA	AA	A	BBB	BB	Less than BB	Not rated
City:								
Money market/MMDT	\$ 311,240,303	—	—	—	—	—	—	311,240,303
Certificates of deposit	69,903,378	—	—	—	—	—	—	69,903,378
Corporate fixed income	38,593,980	3,257,441	9,566,957	24,404,559	1,365,023	—	—	—
U.S. agencies	27,313,249	27,313,249	—	—	—	—	—	—
Subtotal city	447,050,910	30,570,690	9,566,957	24,404,559	1,365,023	—	—	381,143,681
System (as of December 31, 2016):								
Cash collateral pool	58,273,194	58,273,194	—	—	—	—	—	—
U.S. Treasury notes and municipal securities	17,459,039	12,658,460	1,431,124	72,009	182,246	—	—	3,115,200
U.S. agencies	2,952,884	—	—	—	—	—	—	2,952,884
Domestic corporate	22,890,164	706,731	577,550	8,476,796	12,881,439	—	155,438	92,210
Asset-backed:								
CMOs	5,759,585	4,024,639	—	431,175	398,229	—	—	905,542
Other	5,325,190	3,045,859	193,000	1,145,234	—	—	—	941,097
Pooled fixed-income investments	180,550,603	—	47,287,175	—	—	71,709,092	61,554,336	—
Subtotal system	293,210,659	78,708,883	49,488,849	10,125,214	13,461,914	71,709,092	61,709,774	8,006,933
OPEB Trust:								
Money market	53,001	—	—	—	—	—	—	53,001
Certificates of deposit	1,006,197	—	—	—	—	—	—	1,006,197
Corporate fixed income	3,192,168	165,861	1,615,081	1,411,226	—	—	—	—
U.S. agencies	2,576,734	2,576,734	—	—	—	—	—	—
Subtotal OPEB Trust	6,828,100	2,742,595	1,615,081	1,411,226	—	—	—	1,059,198
Total	\$ 747,089,669	112,022,168	60,670,887	35,940,999	14,826,937	71,709,092	61,709,774	390,209,812
Discretely presented component unit (CHA):								
Money market	\$ 79,071,138	—	—	—	—	—	—	79,071,138
MMDT	156,347,369	—	—	—	—	—	—	156,347,369
Total discretely presented component unit (CHA)	\$ 235,418,507	—	—	—	—	—	—	235,418,507

(v) Concentration Risk

The City has no individual investments, at fair value, that exceed 5% of total investments as of June 30, 2017.

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The System and OPEB Trust have no individual investments that exceed 5% of their respective net positions as of December 31, 2016 and June 30, 2017, respectively other than the System's pooled investments.

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

(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, 2016, 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.

International equity pooled funds (various currencies)	\$ 181,681,306
International fixed income pooled funds (various currencies)	<u>47,287,175</u>
	<u>\$ 228,968,481</u>

Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies.

(vii) *Fair Value Hierarchy*

The City and OPEB Trust categorize its fair value measurements within the fair value hierarchy established by GAAP. Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 inputs are other than quoted prices in Level 1 that are observable for the asset or liability, or similar assets or liabilities either directly or indirectly through corroboration with observable market data; Level 3 inputs are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Money market funds: Valued at the daily closing price as reported by the fund. Money market funds held by the City are open-end money market funds that are registered with the Securities and Exchange Commission. The money market funds held by the City and classified as Level 1 are deemed to be actively traded.

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Equity securities: Consist primarily of corporate stocks traded on U.S. and non-U.S. active security exchanges. Stocks traded on active exchanges and valued at quoted market prices and documented trade history for identical assets are categorized within Level 1 or the fair value hierarchy. If market quotations are not readily available, the stocks may be valued using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

U.S. agencies: Securities issued by the U.S. government, its agencies, authorities and instrumentalities are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers.

Corporate fixed incomes: Valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager.

<u>Investments</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 330,467	—	—	330,467
Equity securities	6,085,134	—	—	6,085,134
US agency securities	29,889,983	—	—	29,889,983
Corporate fixed income	—	41,786,148	—	41,786,148
Total				
investments \$	<u>36,305,584</u>	<u>41,786,148</u>	<u>—</u>	<u>78,091,732</u>

CHA has Level 1 inputs of money market funds valued using quoted market price of \$79,071,138 as of June 30, 2017.

CITY OF CAMBRIDGE, MASSACHUSETTS

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The System has the following fair value measurements as of December 31, 2016:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments by fair value level:			
Fixed income	\$ 54,386,862	15,276,000	39,110,862
Equities	161,747,526	161,747,526	—
	<u>216,134,388</u>	<u>177,023,526</u>	<u>39,110,862</u>
Investments measured at NAV:			
Commingled equity funds:			
International	181,681,306	—	—
Domestic	308,445,524	—	—
Commingled fixed income funds:			
International	47,287,175	—	—
Domestic	133,263,428	—	—
Real estate	123,919,766	—	—
Alternative	28,741,524	—	—
	<u>823,338,723</u>	<u>—</u>	<u>—</u>
Other investments at fair value:			
PRIT hedge fund	96,393,834	—	96,393,834
PRIT private equity	8,051,170	—	8,051,170
	<u>104,445,004</u>	<u>—</u>	<u>104,445,004</u>
Total investments	<u>\$ 1,143,918,115</u>	<u>177,023,526</u>	<u>143,555,866</u>

The PRIT hedge and private equity funds are external investment pools that are not registered with the Securities and Exchange Commission, but are subject to oversight by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The PRIT hedge and private equity funds are not rated funds. The fair value of the PRIT hedge and private equity funds are based on unit value as reported by management of the PRIT funds. The PRIT funds issue separately available audited financial statements with a year-end of June 30. The System is required to provide a 24 hour redemption notice for the PRIT Hedge fund. The PRIT Private Equity fund is not redeemable until notified by the PRIM Board.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table:

	Investments measured at NAV		
	2016	Redemption frequency	Redemption notice period
Commingled equity funds	\$ 490,126,830	Daily	1–30 days
Commingled fixed income funds	180,550,603	Daily	1–30 days
Real estate	123,919,766	Quarterly	1–30 days
Alternative	28,741,524	Quarterly	1–30 days

- 1 Commingled equity funds: This type includes 8 funds that invest primarily in U.S. large and : equity funds and international equity funds.
- 2 Commingled fixed income funds: This type includes 4 fixed income funds that invest in U.S. bonds, U.S. government bonds, U.S. asset-backed securities and foreign bonds.
- 3 Real estate funds: This type includes 3 funds that invest primarily in real estate funds.
- 4 Alternative funds: This type includes 9 funds that invest primarily in alternative funds.

(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.

The City bills and collects its property taxes on a semiannual basis following the January 1 assessment. The due dates for those tax billings are November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The City ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(5) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,407,775	902,655	—	166,310,430
Construction in progress	<u>394,395,832</u>	<u>73,894,653</u>	<u>(40,598,447)</u>	<u>427,692,038</u>
Total capital assets not being depreciated	<u>559,803,607</u>	<u>74,797,308</u>	<u>(40,598,447)</u>	<u>594,002,468</u>
Capital assets being depreciated:				
Buildings and improvements	461,129,496	2,532,795	—	463,662,291
Improvements – nonbuilding	102,474,787	1,213,173	—	103,687,960
Furniture and equipment	89,293,828	7,415,608	—	96,709,436
Infrastructure	<u>315,952,392</u>	<u>31,734,059</u>	<u>—</u>	<u>347,686,451</u>
Total capital assets being depreciated	<u>968,850,503</u>	<u>42,895,635</u>	<u>—</u>	<u>1,011,746,138</u>
Less accumulated depreciation for:				
Buildings and improvements	(162,187,555)	(11,976,908)	—	(174,164,463)
Improvements – nonbuilding	(39,640,466)	(4,082,600)	—	(43,723,066)
Furniture and equipment	(60,006,463)	(5,105,663)	—	(65,112,126)
Infrastructure	<u>(205,470,694)</u>	<u>(8,075,554)</u>	<u>—</u>	<u>(213,546,248)</u>
Total accumulated depreciation	<u>(467,305,178)</u>	<u>(29,240,725)</u>	<u>—</u>	<u>(496,545,903)</u>
Total capital assets being depreciated, net	<u>501,545,325</u>	<u>13,654,910</u>	<u>—</u>	<u>515,200,235</u>
Governmental activities capital assets, net	\$ <u><u>1,061,348,932</u></u>	<u><u>88,452,218</u></u>	<u><u>(40,598,447)</u></u>	<u><u>1,109,202,703</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

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

Governmental activities:

General government	\$ 1,048,843
Public safety	4,705,788
Human resource development	2,482,690
Education	6,232,362
Community maintenance and development	<u>14,771,042</u>
Total depreciation expense – governmental activities	\$ <u><u>29,240,725</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,839,763	—	—	39,839,763
Construction in progress	8,571,467	4,284,392	(2,565,991)	<u>10,289,868</u>
Total capital assets not being depreciated	<u>48,411,230</u>	<u>4,284,392</u>	<u>(2,565,991)</u>	<u>50,129,631</u>
Capital assets being depreciated:				
Buildings and improvements	82,476,469	1,682,605	—	84,159,074
Furniture and equipment	8,467,388	673,859	—	9,141,247
Infrastructure	41,921,994	495,857	—	<u>42,417,851</u>
Total capital assets being depreciated	<u>132,865,851</u>	<u>2,852,321</u>	<u>—</u>	<u>135,718,172</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,359,386)	(2,242,215)	—	(32,601,601)
Furniture and equipment	(3,596,631)	(587,729)	—	(4,184,360)
Infrastructure	<u>(17,662,619)</u>	<u>(793,305)</u>	<u>—</u>	<u>(18,455,924)</u>
Total accumulated depreciation	<u>(51,618,636)</u>	<u>(3,623,249)</u>	<u>—</u>	<u>(55,241,885)</u>
Total capital assets being depreciated, net	<u>81,247,215</u>	<u>(770,928)</u>	<u>—</u>	<u>80,476,287</u>
Business-type activity capital assets, net	\$ <u><u>129,658,445</u></u>	<u><u>3,513,464</u></u>	<u><u>(2,565,991)</u></u>	<u><u>130,605,918</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(6) Receivables and Deferred Inflows of Resources

(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				Total governmental funds	Enterprise fund
	General	Capital fund	Affordable housing trust fund	Other governmental funds		Water fund
Receivables:						
Property taxes	\$ 6,482,646	—	—	—	6,482,646	—
Motor vehicle taxes	3,771,447	—	—	—	3,771,447	—
Other taxes	3,394,983	—	—	—	3,394,983	—
Intergovernmental	852,000	10,421,688	—	1,207,664	12,481,352	—
Other	11,656,739	—	6,234,586	193,547	18,084,872	4,021,211
Gross receivables	26,157,815	10,421,688	6,234,586	1,401,211	44,215,300	4,021,211
Less allowance for uncollectibles	3,842,157	2,579,429	3,382,056	—	9,803,642	40,212
Net total receivables	\$ 22,315,658	7,842,259	2,852,530	1,401,211	34,411,658	3,980,999

(b) Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent taxes receivable (General Fund) \$	7,172,744
Other	<u>13,029,568</u>
Total unavailable for governmental funds	\$ <u><u>20,202,312</u></u>

(c) Tax Abatement Programs

The City enters into tax abatement agreements that meet the reporting requirements of GASB Statement No. 77, *Tax Abatement Disclosures*. Below are the descriptions of the tax abatement programs and the amount of Real Estate taxes that were abated for each program during the fiscal year.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Chapter 121A

Chapter 121A of the Massachusetts General Laws authorizes a local government in cooperation with its redevelopment authorities to suspend the imposition of real and personal property taxes, betterments and special assessments on properties determined to be “blighted” in order to encourage the redevelopment of residential, commercial, civic, recreational, historic or industrial projects by Chapter 121A Corporations. Under Chapter 121A, a local government is entitled to two forms of revenue from payments in lieu of real and property taxes. The first form of revenue consists of an excise, as determined under Section 10 of Chapter 121A, that each Chapter 121A Corporation must pay to the Commonwealth that is then distributed to the City. The second form of revenue consists of payments as required by a contract between the City and Chapter 121A Corporations as authorized by Chapter 121A, Section 6A that provide for additional revenue beyond the excise provided under Section 10 of Chapter 121A.

The following are estimated taxes abated for the year ended June 30, 2017 by tax abatement program (in thousands):

<u>Tax abatement program</u>	<u>Estimated tax amount</u>	<u>In lieu of tax payment</u>	<u>Estimated taxes abated</u>
121A Urban development	\$ 891,702	426,000	465,702

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

Individual fund receivable and payable balances at June 30, 2017, 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, 2017	\$ <u>602,692</u>	<u>602,692</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Receivable and payable balances between the primary government and CHA at June 30, 2017 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General	\$ 1,495,000	—
Discretely presented component unit:		
CHA	<u>—</u>	<u>1,495,000</u>
Balance at June 30, 2017	<u>\$ 1,495,000</u>	<u>1,495,000</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, 2017, the amount outstanding on hospital related debt is \$1,495,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2017:

	<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, 2037	2/15/07 to 6/12/17	1.0%-5.0%	\$ 257,673,112	50,695,000	43,232,252	265,135,860	23,972,244
Urban redevelopment, serial maturities through February 15, 2027	2/15/07 to 3/1/17	2.0%-5.0%	22,475,000	5,610,000	3,225,000	24,860,000	3,485,000
Schools, serial maturities through February 1, 2018	2/1/2008	3.0%-3.25%	944,334	—	472,167	472,167	472,167
Sewer, serial maturities through February 15, 2027	2/15/07 to 3/1/17	0.0%-5.0%	118,367,464	21,045,000	16,453,417	122,959,047	18,288,924
Hospital, serial maturities through February 1, 2018	3/15/07	4.00%	2,995,000	—	1,500,000	1,495,000	1,495,000
Sub-total general obligation bonds			<u>402,454,910</u>	<u>77,350,000</u>	<u>64,882,836</u>	<u>414,922,074</u>	<u>47,713,335</u>
Notes payable:							
Note payable serial maturities through July 1, 2021	4/20/00 to 7/16/01	2.00%	2,944,394	—	101,478	2,842,916	622,444
Sub-total notes payable			<u>2,944,394</u>	<u>—</u>	<u>101,478</u>	<u>2,842,916</u>	<u>622,444</u>
Total governmental obligation bonds and notes payable			<u>\$ 405,399,304</u>	<u>77,350,000</u>	<u>64,984,314</u>	417,764,990	<u>48,335,779</u>
Add (deduct):							
Unamortized bond premium						25,743,916	
Current portion of long-term debt						(48,335,779)	
						<u>\$ 395,173,127</u>	
Other long-term obligations:							
Judgments and claims			\$ 15,765,000	46,785,465	45,771,465	16,779,000	7,151,000
Compensated absences			19,176,000	21,283,700	20,708,700	19,751,000	7,627,000
Landfill postclosure care costs			125,000	—	25,000	100,000	25,000
Other postemployment benefits			206,062,593	52,918,173	20,271,000	238,709,766	—
Net pension liability			212,198,096	—	30,412,880	181,785,216	—
Pollution remediation			1,519,116	1,349,769	1,296,629	1,572,256	183,140
Total other governmental long-term obligations			<u>\$ 454,845,805</u>	<u>122,337,107</u>	<u>118,485,674</u>	<u>458,697,238</u>	<u>14,986,140</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2017:

	<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	3/15/07	4.0%-5.0%	\$ 7,720,000	—	2,420,000	5,300,000	2,420,000
Total business-type bonds payable			\$ <u>7,720,000</u>	<u>—</u>	<u>2,420,000</u>	5,300,000	<u>2,420,000</u>
Add (deduct):							
Current portion of long-term debt						<u>(2,420,000)</u>	
						\$ <u>2,880,000</u>	
Other long-term obligations:							
Judgments and claims			\$ 1,299,000	4,415,514	4,263,514	1,451,000	334,000
Compensated absences			621,000	486,500	414,500	693,000	282,000
Total other long-term obligations			\$ <u>1,920,000</u>	<u>4,902,014</u>	<u>4,678,014</u>	<u>2,144,000</u>	<u>616,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

The payment of liabilities for judgments and claims, compensated absences, pollution remediation, other postemployment benefits, pension 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, 2017, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2018	\$ 47,713,335	622,444	14,511,133	40,053	62,224,468	662,497
2019	43,022,008	635,010	13,291,680	27,489	56,313,688	662,499
2020	42,289,884	592,525	11,730,372	14,765	54,020,256	607,290
2021	41,363,986	436,917	10,199,187	4,748	51,563,173	441,665
2022	38,524,344	556,020	8,602,899	56,010	47,127,243	612,030
2023–2027	137,138,517	—	24,998,739	—	162,137,256	—
2028–2032	47,870,000	—	6,850,302	—	54,720,302	—
2033–2037	17,000,000	—	1,186,711	—	18,186,711	—
	<u>\$ 414,922,074</u>	<u>2,842,916</u>	<u>91,371,023</u>	<u>143,065</u>	<u>506,293,097</u>	<u>2,985,981</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. During fiscal year 2016, payments were suspended indefinitely as the City re-negotiates the loan. At June 30, 2017, the principal and interest amount outstanding is \$2,842,916 and \$143,065, respectively.

In February 2017, the City issued \$2,000,000 in general obligation bonds to encourage residents to directly invest in Cambridge infrastructure by purchasing a minibond. Residents could purchase minibonds in denominations of \$1,000 for a maximum total investment of \$20,000. The City used the proceeds from the minibond issuance 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 the full principal payment due on February 15, 2022.

In March 2017, the City issued \$58,545,000 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 2037.

In June 2017, the City issued general obligation bonds with an interest rate of 4.0% to advance refund \$20,275,000 of City general obligation bonds with interest rates ranging from 4.0% to 4.375%. The net proceeds of approximately \$21,680,000 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 \$2.20 million. The economic gain realized from the advanced refunding is approximately \$1.47 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

The City enters into loan agreements with the Massachusetts Clean Water Trust (MCWT) to 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 \$44,241 in subsidies during 2017 and expects to receive subsidies totaling \$266,842 through fiscal 2023. Loan payments on the existing loans commenced on January 15, 2013 and end on January 15, 2026, 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, 2017, the City may issue approximately \$1.36 billion additional general obligation debt under the normal debt limit. The City has approximately \$8.1 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 2,420,000	204,501	2,624,501
2019	2,420,000	83,501	2,503,501
2020	<u>460,000</u>	<u>11,501</u>	<u>471,501</u>
	<u>\$ 5,300,000</u>	<u>299,503</u>	<u>5,599,503</u>

The City's commitments under operating leases are 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, 2017 is \$366,738.

(9) Retirement Plan

(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, 2016, 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

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

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.

(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 legal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and cash equivalents are considered to be cash on deposit, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Investments of the System are stated at fair value determined 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 net asset value.
- (iv) Venture capital funds are stated at net asset 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 net asset value.

(c) Membership

Membership in the System consisted of the following at December 31, 2015, 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><u>6,053</u></u>
Total number of participating employers		4

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5% to 9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based on active covered payroll. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CHA's actual contributions equaled their required contributions to the System for the years ended June 30, 2017 were \$30,883,782 and \$6,974,000, 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2016 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 248,712,833	Active members' contribution balance
Annuity reserve fund	75,244,429	Retired members' contribution account
Military service credit fund	4,606	Members' contribution account while on military leave
Pension reserve fund	823,296,746	Amounts appropriated to fund future retirement benefits
Pension fund	<u>14,861,629</u>	Remaining net position
	<u>\$ 1,162,120,243</u>	

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

(f) Securities Lending

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

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

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2016. 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. Borrower rebates and fees paid to the custodian for the year ended December 31, 2016 were \$63,826.

At December 31, 2016, the fair value of securities loaned by the System amounted to \$59,718,447 against which was held cash collateral of \$58,273,194.

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Notes to Basic Financial Statements

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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, 2016 was as follows:

Total pension liability	\$ 1,398,842,606
Fiduciary net position	<u>1,162,120,243</u>
System's net pension liability	\$ <u><u>236,722,363</u></u>
Fiduciary net position as a percentage of the total pension liability	83.08 %

(i) Actuarial Assumptions

The total pension liability at December 31, 2016 was determined by an actuarial valuation as of January 1, 2016 and update procedures were used to roll forward the total pension liability from the valuation date (1/1/16) to the measurement date (12/31/16). The following actuarial assumptions were applied to the measurement of the total pension liability at December 31, 2016:

Inflation	3.5 %
Salary increases	4.5
Investment rate of return	7.75
Cost of living adjustments	3% of first \$14,000
Pre-retirement mortality	RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D
Healthy Retiree mortality	RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D
Disabled Retiree mortality	RP-2000 Combined Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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.

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Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2016 is summarized below:

<u>Asset class</u>	<u>Target asset allocation</u>	<u>Long-term expected real rate of return</u>
Cash	— %	1.06 %
Domestic equity	25.00	6.44
International developed markets equity	9.00	7.40
International emerging markets equity	10.00	9.42
Core fixed income	15.00	2.02
High yield fixed income	8.00	4.43
Real estate	10.00	5.00
Commodities	5.00	4.43
Hedge fund, GTAA, Risk parity	9.00	3.75
Private equity	9.00	10.47

(j) Discount Rate

The discount rate used to calculate the total pension liability was 7.75% in both the current and prior actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

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

The following presents the System's net pension liability calculated using the discount rate of 7.75% as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.75%) or 1% – point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2017	\$ 394,661,909	236,722,363	103,742,993

(l) Annual Money Weighted Return

For the year ended December 31, 2016, the annual money weighted rate of return on plan investments, net of plan investment expense was 8.40%. The money weighted rate of return expresses investment performance net of investment expenses adjusted for the changing amounts actually invested.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

At June 30, 2017, the City reported a liability of \$181.8 million for its proportionate share of the System's net pension liability measured as of December 31, 2016. 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, 2017 were as follows:

City's proportionate share of net pension liability	\$	153,893,209
City's proportionate share of net pension liability associated with Cambridge Health Alliance		<u>27,892,007</u>
	\$	<u>181,785,216</u>

To determine employers' proportionate share of the net pension liability, allocations of net pension liability were performed. At December 31, 2016, the City was allocated 65.01% (63.82% in the prior year) of the net pension liability related to the City and 11.78% (12.51% in the prior year) related to the Cambridge Health Alliance special funding situation described below based on the proportion of the 2016 required employer contributions.

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 situation 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's proportionate share of the collective net pension liability of MTRS associated with the City's employees as of the June 30, 2016 measurement date is \$262 million based on an employer allocation percentage of 1.172%. The Commonwealth contributed \$26.7 million on behalf of the City during the measurement period and the City reported the amount as an intergovernmental revenue and education expenditure in the General Fund.

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.

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June 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$45.2 million. At June 30, 2017, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net differences between projected and actual investment earnings on pension plan investments	\$ 44,112,552	—
Net differences between expected and actual experience	—	18,709,943
Changes in employer proportion	5,274,029	5,523,293
Changes in assumptions	19,367,157	—
	<u>\$ 68,753,738</u>	<u>24,233,236</u>

Amounts reported as deferred outflows of resources at June 30, 2017 related to pensions will be recognized in pension expense as follows:

2018	\$ 14,111,516
2019	14,111,516
2020	11,840,719
2021	5,561,409
2022	<u>(1,104,658)</u>
Total	<u>\$ 44,520,502</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 7.75% as well as what the City's proportionate share of the System's net

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Notes to Basic Financial Statements

June 30, 2017

pension liability would be if it were calculated using a discount rate that is 1% – point lower (6.75%) or 1%-point higher (8.75%) than the current rate:

City's net pension liability

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
June 30, 2017	\$ 303,071,070	181,785,216	79,666,923

(11) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, the City sponsors and participates in a single employer defined benefit OPEB Plan (the Plan). The Plan is administered by the City and does not issue a stand-alone financial report

GASB No. 74 Plan Reporting

(a) Plan Description

The City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. As of the June 30, 2017 valuation date, approximately 2,622 retirees and 2,983 active members meet the eligibility requirements as put forth in Chapter 32B of MGL.

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.

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently generally funds the plan on a pay-as-you-go basis and made an additional contribution of \$2.0 million in fiscal 2017. 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.

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. Since fiscal year 2013 the City has transferred an additional \$9 million to the trust including the \$2.0 million transfer in fiscal 2017. The City Council has approved a

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\$2 million transfer to the trust fund in the fiscal year 2018 budget and has committed to that funding level for future years out.

(b) 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 consisting the City Auditor, the Assistant City Manager of Fiscal Affairs, Assistant Finance Director, and City Assessor. The investment strategy is to reduce risk through the prudent diversification of the portfolio across the distinct allowable asset classes. The Committee aims to remain consistent in the approach and refrain from dramatically shifting asset class allocation over a short period. The following was the asset allocation and best estimates of arithmetic rates of return by asset class as of June 30, 2017:

<u>Asset class</u>	<u>Target allocation</u>	<u>Returns (w/Inflation)</u>
Equity (State Legal List)	55 %	8 %
Governmental Agencies	19	2
CD	5	2
Corporate Bonds	21	2
Total	<u>100 %</u>	

(c) Net OPEB Liability – Plan

The components of the net OPEB liability for the Plan as of June 30, 2017 based on a valuation as of June 30, 2017 and the actuarial assumptions as outlined below.

Total OPEB liability	\$ 635,221,349
Fiduciary net position	<u>12,913,233</u>
City's net OPEB liability	<u>\$ 622,308,116</u>
Fiduciary net position as a percentage of the total OPEB liability	2.03 %

(d) Actuarial Methods and Assumptions - Plan

The total OPEB liability at June 30, 2017 was based on a June 30, 2017 valuation using the following assumptions:

Salary Increase. 3.5%

Inflation Increase. 2.5%

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Actuarial Cost Method and Amortization Period. The entry age normal cost method based on level percentage of projected salary. Experience gains and losses are amortized over a closed period of 7.2 years starting July 1, 2016, equal to the average remaining service of active and inactive plan members (who have no future service).

Mortality. RP-2014 generational table using Scale MP-2017, applied on a gender-specific basis.

Discount Rate. The discount rate used to measure the total OPEB liability is 3.65% per annum. The rate is based on a blend of the 20 year Bond Buyer GO index at June 30, 2017 of 3.58% and the expected long-term OPEB trust investment rate of return of 5%. The Plan's net position was not projected to be available to make all projected future benefit payments for current Plan members. Therefore, the long-term expected OPEB trust investment rate of return of 5% was not applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate used for June 30, 2016 was assumed to be 2.91% and is also based on a blend of the 20 year Bond Buyer GO index and the City's expected investment rate of return of 5%.

Healthcare cost trend rates. Trend rates begin with 7.0% (non-Medicare) and 6% (Medicare) and decrease 0.5% annually to an ultimate rate of 4.5%.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate (in thousands):

	<u>1% Decrease</u> <u>(2.65%)</u>	<u>Discount Rate</u> <u>(3.65%)</u>	<u>1% Increase</u> <u>(4.65%)</u>
Net OPEB Liability	\$ 724,422	622,308	504,615

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or cost trend rates that are 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current</u> <u>Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 507,664	622,308	717,566

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Notes to Basic Financial Statements

June 30, 2017

Annual Money Weighted Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 5.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GASB No. 45 Employer Reporting

(a) Annual OPEB Cost and Net OPEB Obligation - Employer

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, 2017, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2017 and rolled back on an actuarial basis to July 1, 2016:

Annual Required Contribution (ARC)	\$ 56,173,008
Interest on net OPEB obligation	8,139,472
Adjustment to ARC	<u>(11,394,307)</u>
Annual OPEB cost	52,918,173
Contributions made	<u>(20,271,000)</u>
Change in net OPEB obligation	32,647,173
Net OPEB obligation – beginning of year	<u>206,062,593</u>
Net OPEB obligation – end of year	\$ <u><u>238,709,766</u></u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2017	\$ 52,918,173	38.31 %	\$ 238,709,766
2016	44,499,000	48.10	206,062,593
2015	43,011,000	49.71	182,967,722

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2017

(b) Funded Status and Funding Progress - Employer

The funded status of the plan, as of June 30, 2017, based on an actuarial valuation as of June 30, 2017 rolled back on an actuarial basis to July 1, 2016 was as follows:

Actuarially accrued liability (AAL)	\$ 619,646,184
Actuarial value of plan assets	<u>10,347,629</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 609,298,555</u>
Funded ratio (actuarial value of plan assets/AAL)	1.7 %
Covered payroll (active plan members)	\$ 196,094,885
UAAL as a percentage of covered payroll	310.7 %

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.

(c) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and assumptions used to determine the annual required contribution for the City, based on a June 30, 2017 valuation rolled back on an actuarial basis to July 1, 2016, included the following:

Actuarial Cost Method and Amortization Period. Projected Unit Credit cost method. The UAAL is amortized on a closed basis over a 22-year period assuming a level percentage of projected payroll.

Discount Rate. 3.65%

Salary Increases. 3.5%

Inflation Increase. 2.5%

Mortality. RP-2014 generational table using Scale MP-2017, applied on a gender-specific basis.

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2017

Healthcare cost trend rates. Trend rates begin with 7.0% (non-Medicare) and 6% (Medicare) and decrease 0.5% annually to an ultimate rate of 4.5%.

(12) Transfers

Transfers and their purposes during the year ended June 30, 2017 were as follows:

	Governmental funds				Proprietary fund
	General	Capital	Affordable Housing Trust fund	Other	Enterprise fund water
Capital – to fund capital expenditures	\$ (20,018,000)	20,018,000	—	—	—
General – mitigation revenues to fund eligible capital expenditures	(262,520)	262,520	—	—	—
Parking – to fund administrative costs and other eligible City expenditures	21,562,235	650,000	—	(22,212,235)	—
Capital – to fund eligible CDBG program costs	—	(8,537)	—	8,537	—
Water – to fund administrative costs	717,805	—	—	—	(717,805)
Affordable housing fund – from CPA Fund	—	—	9,840,000	—	—
CPA Fund – to affordable housing fund	—	—	—	(9,840,000)	—
Total	\$ 1,999,520	20,921,983	9,840,000	(32,043,698)	(717,805)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

(13) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2017 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	\$ 2,466,688	—	—	—
Nonexpendable permanent funds	—	—	—	2,244,204
Restricted:				
Property and development	—	36,086,235	—	8,679,265
Streets and sidewalks	—	10,037,211	—	—
Parks and recreation	—	6,451,597	—	4,274,862
Sewer projects	—	18,123,032	—	—
Library	—	727,040	—	—
Schools	—	22,242,382	—	—
General government	—	2,974,684	—	—
Affordable housing	—	—	600,000	—
Community preservation	—	—	—	—
CDBG Funds	—	—	—	—
Other City Grants Fund:	—	—	—	—
Parks and Recreation	—	—	—	—
General Government	—	—	—	1,375,836
Human Services	—	219,198	—	2,282,935
School Grants Fund Federal/State	—	—	—	2,005,703
Expendable permanent funds	—	—	—	1,768,123
Committed:				
Parking fund	—	—	—	14,875,593
Health claims	26,741,439	—	—	—
Budget stabilization	59,768,263	—	—	—
Affordable housing	—	—	36,669,934	—
Assigned:				
Subsequent year's expenditures	14,200,000	—	—	—
Unassigned	229,632,250	—	—	—
Total fund balances	\$ <u>332,808,640</u>	<u>96,861,379</u>	<u>37,269,934</u>	<u>37,506,521</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

Stabilization Funds – Budgetary Basis

In accordance with section 5B of Chapter 40 of the Massachusetts General Laws, the City of Cambridge has established Budgetary Stabilization Funds for three different purposes. This allows the municipality to reserve funds for specific events or purpose. Such stabilization funds are established with a council 2/3rd approval vote. Also all transfers in or out of the stabilization funds are approved by a council vote.

The City Stabilization fund was the first set up in the mid 1990's as a statutory reserve account that maybe used for purposes for which city debt would ordinarily be used. The budget department uses the reserve as a revenue source annually for a portion of the City's debt service payments in order to offset larger construction projects that would ordinarily cause spikes in the annual property tax rate.

During October of 2015, the City Council voted to establish the Mitigation Stabilization and the Community Benefits Stabilization funds. The Mitigation Stabilization fund is used to accumulate revenues received from developers through the City's permitting or Zoning amendment process stipulated for specific infrastructure projects. The Community Benefits Stabilization fund accumulates revenues received with the enactment of an amendment to the City's Zoning Ordinance or other agreements earmarked for Community Benefits. Both of these funds require a council vote to transfer revenues in or out of the funds. During FY 17, approximately \$263 thousand in Mitigation Stabilization funds were revenue sources for various capital projects throughout the City.

The Stabilization balances as of June 30, 2017 are as follows:

City Stabilization fund	\$	50,352,772
Mitigation Stabilization fund		1,958,491
Community Benefits Stabilization fund		<u>7,457,000</u>
Total Stabilization funds	\$	<u><u>59,768,263</u></u>

Commitments and Contingencies

The City has \$10.1 million in encumbrances for purchase orders and contracts in the General Fund, \$84.8 million in the Capital Fund, \$0.25 million in the Affordable Housing Trust Fund, and \$3.1 million in the Other Governmental Funds.

(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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2017

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, 2017, 2016, and 2015.

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Judgments and accrued claims, beginning of year	\$ 17,064,000	16,802,891
Incurred claims	51,200,979	48,739,585
Less payments of claims attributable to events of both current and prior fiscal years	<u>(50,034,979)</u>	<u>(48,478,476)</u>
Judgments and accrued claims, end of year	<u>\$ 18,230,000</u>	<u>17,064,000</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, 2017

(Unaudited)

Schedule of OPEB 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, 2016*	\$ 10,348	619,646	609,298	1.7 %	196,095	310.7 %
July 1, 2014	7,768	538,352	530,584	1.4	182,251	291.1
July 1, 2012	3,330	556,593	553,263	0.6	170,517	324.5

See accompanying independent auditors' report.

* June 30, 2017 valuation rolled back on an actuarial basis to July 1, 2016.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2017

(Unaudited)

Schedule of Employer Contributions - OPEB (dollars in thousands)	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 36,817
Contribution in relation to the actuarially determined contribution	<u>20,271</u>
Contribution deficiency (excess)	\$ <u>16,546</u>
Covered payroll	\$ 196,095
Contributions as a percentage of covered employee-payroll	10.34 %

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

The actuarial determined contribution (ADC) for the year ending June 30, 2017 was based on a June 30, 2017 valuation rolled back on an actuarial basis to July 1, 2016 using the following assumptions:

Salary Increase. 3.5%

Inflation Increase. 2.5%

Actuarial Cost Method and Amortization Period. The entry age normal cost method based on level percentage of projected salary. Experience gains and losses are amortized over a closed period of 7.2 years starting July 1, 2016, equal to the average remaining service of active and inactive plan members (who have no future service).

Mortality. RP-2014 generational table using Scale MP-2017, applied on a gender-specific basis.

Discount Rate. 2.91%

Healthcare cost trend rates. Trend rates begin with 7.0% (non-Medicare) and 6% (Medicare) and decrease 0.5% annually to an ultimate rate of 4.5%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2017

(Unaudited)

Schedule of Changes in the City's Net OPEB Liability and Related Ratios

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 19,965,001
Interest cost	24,607,849
Changes of benefit items	—
Differences between expected and actual experience	—
Changes in assumptions or other inputs	(53,438,651)
Benefit payments	<u>(20,271,000)</u>
Net change in OPEB liability	(29,136,801)
Total OPEB liability – beginning	<u>664,358,150</u>
Total OPEB liability – ending	<u>635,221,349</u>
Plan fiduciary net position:	
Contributions – employer	22,271,000
Net investment income	589,155
Benefit payments	(20,271,000)
Admin. expense	<u>(23,551)</u>
Net change in plan fiduciary net position	2,565,604
Plan fiduciary net position – beginning	<u>10,347,629</u>
Plan fiduciary net position – ending	<u>12,913,233</u>
City's net OPEB liability – ending	<u>\$ 622,308,116</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.03 %
Covered-employee payroll	\$ 196,094,885
City's net OPEB liability as a percentage of employee payroll	31.51 %

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of the Net Pension Liability - Cambridge Retirement System

(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,398,842,606	1,362,473,754	1,259,960,680
Plan fiduciary net position	<u>1,162,120,243</u>	<u>1,084,498,793</u>	<u>1,102,627,150</u>
System's net pension liability	<u>236,722,363</u>	<u>277,974,961</u>	<u>157,333,530</u>
Plan fiduciary net position as a percentage of the total pension liability	83.08 %	80.00 %	87.51 %
Covered payroll	\$ 220,963,223	226,826,076	218,627,543
System's net pension liability as a percentage of covered payroll	107.1 %	122.5 %	72.0 %

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 - Cambridge Retirement System

(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 32,844,244	30,908,861	29,791,673
Interest	105,325,306	98,925,146	94,315,895
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(29,237,110)	—	—
Changes of assumptions	—	42,033,481	—
Benefit payments, including refunds of member contributions	<u>(72,563,588)</u>	<u>(69,354,414)</u>	<u>(64,034,766)</u>
Net change in total pension liability	36,368,852	102,513,074	60,072,802
Total pension liability – beginning	<u>1,362,473,754</u>	<u>1,259,960,680</u>	<u>1,199,887,878</u>
Total pension liability – ending (a)	<u>1,398,842,606</u>	<u>1,362,473,754</u>	<u>1,259,960,680</u>
Plan fiduciary net position:			
Contributions – employers and nonemployer	40,047,891	37,851,149	35,775,814
Contributions – member	20,949,712	21,167,434	20,572,796
Net investment income	90,299,489	(6,716,067)	64,639,098
Benefit payments, including refunds of member contributions	(72,563,588)	(69,354,414)	(64,034,766)
Administrative expenses	<u>(1,112,054)</u>	<u>(1,076,459)</u>	<u>(1,031,915)</u>
Net change in plan fiduciary net position	77,621,450	(18,128,357)	55,921,027
Plan fiduciary net position – beginning	<u>1,084,498,793</u>	<u>1,102,627,150</u>	<u>1,046,706,123</u>
Plan fiduciary net position – ending (b)	<u>1,162,120,243</u>	<u>1,084,498,793</u>	<u>1,102,627,150</u>
Net pension liability – ending (a) – (b)	\$ <u>236,722,363</u>	<u>277,974,961</u>	<u>157,333,530</u>

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 Investment Returns

(Unaudited)

	Cambridge Retirement System		
	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	<u>8.40 %</u>	<u>(0.60)%</u>	<u>6.20 %</u>

	Cambridge OPEB Trust Fund		
	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	<u>5.47 %</u>	<u>NA</u>	<u>NA</u>

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 39,747,891	37,551,149	35,475,814	35,475,814	31,662,897	29,912,987	28,353,542	27,727,711	26,891,503	28,066,908
Contributions in relation to the actuarially determined contribution	<u>40,047,891</u>	<u>37,851,149</u>	<u>35,775,814</u>	<u>35,775,814</u>	<u>31,967,897</u>	<u>32,212,987</u>	<u>28,553,542</u>	<u>27,727,711</u>	<u>26,891,503</u>	<u>28,066,908</u>
Contribution deficiency (excess)	<u>\$ (300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(305,000)</u>	<u>(2,300,000)</u>	<u>(200,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered-employee payroll	\$ 220,963,223	226,826,076	218,627,543	217,086,299	217,086,299	232,842,117	232,842,117	222,162,255	231,770,736	222,115,415
Contributions as a percentage of covered-employee payroll	18.12 %	16.69 %	16.36 %	16.34 %	14.59 %	12.85 %	12.18 %	12.48 %	11.60 %	12.64 %

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

Methods and assumptions used to determine contribution rates:

Valuation date:

Actuarially determined contribution rates for fiscal 2016 and 2017 are determined with the January 1, 2016 actuarial valuation

The following assumptions were used for the periods included in the funding for 2016 and 2015:

Actuarial cost method:

Entry age normal

Amortization method:

Prior year's contributions increased 5.85% plus an additional contribution of \$300,000

Asset valuation method:

5-year smoothed market

Inflation:

3.50%

Salary increases:

4.50%

Investment rate of return:

7.75%, net of plan investment expense for 2016 and 7.875%, net of plan investment expense for 2015

Retirement benefits:

Depending on age at retirement and "Group" classification 0.1%–2.5% per year of service times highest three year average salary.

A five year average salary is used for those hired after April 1, 2012

Post-retirement cost of living increases:

The cost-of-living base is assumed to be \$14,000. Annual cost of living increases are assumed to be 3.0% of the lesser of the base or annual benefits.

Mortality:

RP 2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D

RP 2000 Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D

RP 2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D

Changes of Assumptions:

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipate future experience. When actuarial assumptions have changed in prior years, the Retirement Board formally adopted the change at a monthly meeting.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Schedule of Contributions – City of Cambridge

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 30,523,432	23,968,898	27,505,315
Contributions in relation to the actuarially determined contribution	<u>30,523,432</u>	<u>23,968,898</u>	<u>27,505,315</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>
Covered payroll	\$ 169,683,364	122,094,246	135,002,508
Contributions as a percentage of covered payroll	17.99 %	19.63 %	20.37 %

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>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	76.792582 %	76.337126 %	77.532583 %
City's proportionate share of the net pension liability	\$ 181,785,216	212,198,096	121,984,750
City's covered payroll	169,683,364	144,783,082	135,002,508
City's proportionate share of the net pension liability as a percentage of covered payroll	93.34 %	68.23 %	90.36 %
City of Cambridge Retirement System fiduciary net position as a percentage of the total pension liability	83.08	80.00	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, 2017

(Unaudited)

(with comparative actual amounts for 2016)

	<u>2017 Original budget</u>	<u>2017 Final budget</u>	<u>2017 Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>2016 Actual</u>
Revenues:					
Property taxes	\$ 372,674,087	372,674,087	381,451,357	8,777,270	354,430,753
Provisions for tax abatements and adj.	(4,388,635)	(4,388,635)	(4,388,635)	—	(4,377,717)
Payments in lieu of tax receipts	6,862,500	6,862,500	8,100,931	1,238,431	9,191,431
Hotel/motel/meals excise tax	17,100,000	17,100,000	19,958,924	2,858,924	19,212,693
Intergovernmental	37,060,065	37,060,065	38,421,270	1,361,205	33,697,845
Sewer use	48,669,595	48,669,595	48,333,542	(336,053)	48,818,911
Motor vehicle excise	6,980,217	6,980,217	8,035,187	1,054,970	7,452,353
Investment income	650,000	650,000	2,768,001	2,118,001	1,116,155
Other	28,937,625	29,375,522	52,471,946	23,096,424	59,370,779
Total revenues	<u>514,545,454</u>	<u>514,983,351</u>	<u>555,152,523</u>	<u>40,169,172</u>	<u>528,913,203</u>
Expenditures:					
Current:					
General government	59,530,838	51,452,239	41,918,654	9,533,585	39,326,338
Public safety	122,783,995	129,697,095	128,276,938	1,420,157	119,497,825
Community maintenance and development	48,144,825	51,702,522	51,117,292	585,230	46,704,484
Human resource development	39,365,659	40,026,659	38,973,898	1,052,761	36,483,532
Education	172,793,980	172,793,980	172,141,327	652,653	164,405,956
Judgments and claims	200,000	4,100,000	4,071,023	28,977	2,714,745
State and district assessments	53,709,630	53,709,630	53,426,731	282,899	52,137,114
Debt service:					
Principal	44,135,670	44,135,670	44,135,669	1	41,679,831
Interest	13,960,625	13,960,625	13,689,372	271,253	13,134,285
Total expenditures	<u>554,625,222</u>	<u>561,578,420</u>	<u>547,750,904</u>	<u>13,827,516</u>	<u>516,084,110</u>
Excess (deficiency) of revenues over expenditures	<u>(40,079,768)</u>	<u>(46,595,069)</u>	<u>7,401,619</u>	<u>53,996,688</u>	<u>12,829,093</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	22,763,120	22,763,120	21,562,235	(1,200,885)	20,212,730
Capital projects funds	(6,728,000)	(6,728,000)	(20,018,000)	(13,290,000)	(16,809,355)
Trust funds	3,137,970	3,137,970	(1,957,036)	(5,095,006)	(13,969,225)
Enterprise fund	717,805	717,805	717,805	—	714,085
Total other financing sources (uses)	<u>19,890,895</u>	<u>19,890,895</u>	<u>305,004</u>	<u>(19,585,891)</u>	<u>(9,851,765)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(20,188,873)</u>	<u>(26,704,174)</u>	<u>\$ 7,706,623</u>	<u>34,410,797</u>	<u>2,977,328</u>
Other budget items:					
Free cash appropriations	18,180,000	24,695,300			
Prior year deficits raised	8,873	8,874			
Overlay surplus	2,000,000	2,000,000			
Total other budget items	<u>20,188,873</u>	<u>26,704,174</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, 2017

(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, 2017:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 555,152,523	547,750,904	305,004
Adjustments:			
Revenues to modified accrual basis	10,716,292	(11,586,632)	—
Expenditures, encumbrances and accruals, net	—	—	—
On-behalf contribution for teachers pension	26,729,078	26,729,078	—
Reclassification:			
Premium on debt issuance	—	—	3,046,706
Transfers not reported on a Budgetary/GAAP basis	<u>—</u>	<u>—</u>	<u>(1,192,005)</u>
As reported on a GAAP basis	\$ <u><u>592,597,893</u></u>	<u><u>562,893,350</u></u>	<u><u>2,159,705</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2017

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General government:			
Mayor:			
Salaries and wages	\$ 506,290	445,239	61,051
Other ordinary maintenance	136,130	117,461	18,669
Travel and training	<u>29,500</u>	<u>26,461</u>	<u>3,039</u>
Total Mayor	<u>671,920</u>	<u>589,161</u>	<u>82,759</u>
City Manager:			
Salaries and wages	1,956,670	1,956,474	196
Other ordinary maintenance	620,250	605,083	15,167
Travel and training	<u>43,100</u>	<u>39,082</u>	<u>4,018</u>
Total City Manager	<u>2,620,020</u>	<u>2,600,639</u>	<u>19,381</u>
City Council:			
Salaries and wages	1,765,605	1,765,558	47
Other ordinary maintenance	63,400	51,580	11,820
Travel and training	<u>76,200</u>	<u>49,124</u>	<u>27,076</u>
Total City Council	<u>1,905,205</u>	<u>1,866,262</u>	<u>38,943</u>
City Clerk:			
Salaries and wages	1,111,980	1,064,846	47,134
Other ordinary maintenance	101,110	98,779	2,331
Travel and training	<u>4,420</u>	<u>395</u>	<u>4,025</u>
Total City Clerk	<u>1,217,510</u>	<u>1,164,020</u>	<u>53,490</u>
Law:			
Salaries and wages	1,612,420	1,612,188	232
Other ordinary maintenance	443,300	370,466	72,834
Travel and training	<u>14,245</u>	<u>9,037</u>	<u>5,208</u>
Total law	<u>2,069,965</u>	<u>1,991,691</u>	<u>78,274</u>
Finance:			
Salaries and wages	11,997,540	11,643,169	354,371
Other ordinary maintenance	4,840,860	4,191,695	649,165
Travel and training	298,725	263,775	34,950
Extraordinary expenditures	<u>62,800</u>	<u>59,031</u>	<u>3,769</u>
Total finance	<u>17,199,925</u>	<u>16,157,670</u>	<u>1,042,255</u>
Employment benefits:			
Salaries and wages	21,391,278	13,596,967	7,794,311
Other ordinary maintenance	875,700	693,997	181,703
Travel and training	<u>30,000</u>	<u>758</u>	<u>29,242</u>
Total employment benefits	<u>22,296,978</u>	<u>14,291,722</u>	<u>8,005,256</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General services:			
Salaries and wages	\$ 267,000	266,946	54
Other ordinary maintenance	449,435	361,454	87,981
Total general services	<u>716,435</u>	<u>628,400</u>	<u>88,035</u>
Election commission:			
Salaries and wages	1,157,510	1,118,616	38,894
Other ordinary maintenance	299,940	274,369	25,571
Travel and training	2,270	—	2,270
Total election commission	<u>1,459,720</u>	<u>1,392,985</u>	<u>66,735</u>
Public celebrations:			
Salaries and wages	515,710	484,735	30,975
Other ordinary maintenance	422,650	410,631	12,019
Travel and training	1,325	665	660
Total public celebrations	<u>939,685</u>	<u>896,031</u>	<u>43,654</u>
Reserve:			
Other ordinary maintenance	10,000	—	10,000
Total reserve	<u>10,000</u>	<u>—</u>	<u>10,000</u>
Animal commission:			
Salaries and wages	326,420	326,397	23
Other ordinary maintenance	18,305	13,576	4,729
Travel and training	150	100	50
Total animal commission	<u>344,875</u>	<u>340,073</u>	<u>4,802</u>
Total general government	<u>51,452,238</u>	<u>41,918,654</u>	<u>9,533,584</u>
Public safety:			
Fire:			
Salaries and wages	46,553,905	46,553,862	43
Other ordinary maintenance	1,385,600	1,308,540	77,060
Travel and training	589,500	552,638	36,862
Extraordinary expenditures	110,000	109,110	890
Total fire	<u>48,639,005</u>	<u>48,524,150</u>	<u>114,855</u>
Police:			
Salaries and wages	52,387,815	52,387,700	115
Other ordinary maintenance	2,202,150	1,874,900	327,250
Travel and training	337,200	279,413	57,787
Extraordinary expenditures	567,100	556,383	10,717
Total police	<u>55,494,265</u>	<u>55,098,396</u>	<u>395,869</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Traffic and parking:			
Salaries and wages	\$ 8,392,335	8,291,799	100,536
Other ordinary maintenance	3,797,040	3,554,770	242,270
Travel and training	41,000	33,161	7,839
Extraordinary expenditures	69,000	54,250	14,750
Total traffic and parking	<u>12,299,375</u>	<u>11,933,980</u>	<u>365,395</u>
Police review and advisory board:			
Salaries and wages	—	—	—
Other ordinary maintenance	700	362	338
Travel and training	3,000	1,125	1,875
Total police review and advisory board	<u>3,700</u>	<u>1,487</u>	<u>2,213</u>
Inspectional services:			
Salaries and wages	3,544,975	3,277,374	267,601
Other ordinary maintenance	140,680	136,078	4,602
Travel and training	10,425	5,538	4,887
Extraordinary expenditures	10,000	—	10,000
Total inspectional services	<u>3,706,080</u>	<u>3,418,990</u>	<u>287,090</u>
License:			
Salaries and wages	1,154,030	1,124,745	29,285
Other ordinary maintenance	78,955	67,939	11,016
Travel and training	7,355	5,873	1,482
Total license	<u>1,240,340</u>	<u>1,198,557</u>	<u>41,783</u>
Weights and measures:			
Salaries and wages	142,420	142,388	32
Other ordinary maintenance	6,780	2,701	4,079
Travel and training	3,245	3,244	1
Extraordinary expenditures	—	—	—
Total weights and measures	<u>152,445</u>	<u>148,333</u>	<u>4,112</u>
Electrical:			
Salaries and wages	1,748,215	1,738,347	9,868
Other ordinary maintenance	946,460	815,224	131,236
Travel and training	15,170	11,821	3,349
Extraordinary expenditures	110,000	102,329	7,671
Total electrical	<u>2,819,845</u>	<u>2,667,721</u>	<u>152,124</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Emergency communications:			
Salaries and wages	\$ 5,172,480	5,144,634	27,846
Other ordinary maintenance	149,710	123,556	26,154
Travel and training	15,850	14,681	1,169
Extraordinary expenditures	4,000	2,453	1,547
Total emergency communications	<u>5,342,040</u>	<u>5,285,324</u>	<u>56,716</u>
Total public safety	<u>129,697,095</u>	<u>128,276,938</u>	<u>1,420,157</u>
Community maintenance and development:			
Public works:			
Salaries and wages	24,234,165	24,233,747	418
Other ordinary maintenance	14,865,105	14,541,608	323,497
Travel and training	550,930	470,725	80,205
Extraordinary expenditures	600,000	600,000	—
Total public works	<u>40,250,200</u>	<u>39,846,080</u>	<u>404,120</u>
Community development:			
Salaries and wages	6,364,188	6,363,303	885
Other ordinary maintenance	2,327,756	2,221,574	106,182
Travel and training	37,816	33,245	4,571
Extraordinary expenditures	180,626	180,626	—
Total community development	<u>8,910,386</u>	<u>8,798,748</u>	<u>111,638</u>
Historical commission:			
Salaries and wages	625,163	624,587	576
Other ordinary maintenance	108,027	93,615	14,412
Travel and training	800	800	—
Total historical commission	<u>733,990</u>	<u>719,002</u>	<u>14,988</u>
Conservation commission:			
Salaries and wages	—	—	—
Other ordinary maintenance	—	—	—
Travel and training	—	—	—
Total conservation commission	<u>—</u>	<u>—</u>	<u>—</u>
Peace commission:			
Salaries and wages	145,515	145,501	14
Other ordinary maintenance	9,325	3,975	5,350
Travel and training	2,850	1,190	1,660
Total peace commission	<u>157,690</u>	<u>150,666</u>	<u>7,024</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Cable television:			
Salaries and wages	\$ 570,915	555,819	15,096
Other ordinary maintenance	1,075,892	1,046,818	29,074
Travel and training	3,450	159	3,291
Total cable television	<u>1,650,257</u>	<u>1,602,796</u>	<u>47,461</u>
Total community maintenance and development	<u>51,702,523</u>	<u>51,117,292</u>	<u>585,231</u>
Human resource development:			
Library:			
Salaries and wages	7,354,150	7,353,912	238
Other ordinary maintenance	2,593,775	2,534,659	59,116
Travel and training	91,650	70,554	21,096
Total library	<u>10,039,575</u>	<u>9,959,125</u>	<u>80,450</u>
Human services:			
Salaries and wages	23,752,514	23,459,784	292,730
Other ordinary maintenance	4,452,190	3,794,791	657,399
Travel and training	84,600	72,911	11,689
Extraordinary expenditures	25,000	25,000	—
Total human services	<u>28,314,304</u>	<u>27,352,486</u>	<u>961,818</u>
Women's commission:			
Salaries and wages	248,405	248,173	232
Other ordinary maintenance	9,535	9,531	4
Travel and training	1,025	96	929
Total women's commission	<u>258,965</u>	<u>257,800</u>	<u>1,165</u>
Human rights commission:			
Salaries and wages	280,070	279,635	435
Other ordinary maintenance	8,000	5,514	2,486
Travel and training	1,200	—	1,200
Total human rights commission	<u>289,270</u>	<u>285,149</u>	<u>4,121</u>
Veterans benefits:			
Salaries and wages	291,745	290,773	972
Other ordinary maintenance	59,800	57,084	2,716
Travel and training	773,000	771,481	1,519
Total veterans benefits	<u>1,124,545</u>	<u>1,119,338</u>	<u>5,207</u>
Total human resource development	<u>40,026,659</u>	<u>38,973,898</u>	<u>1,052,761</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance positive (negative)
Education:			
Salaries and wages	\$ 141,322,038	140,793,499	528,539
Other ordinary maintenance	29,701,329	29,674,032	27,297
Travel and training	1,029,583	932,766	96,817
Extraordinary expenditures	223,063	223,063	—
Debt:			
Principal payments	472,167	472,167	—
Interest payments	45,800	45,800	—
Total education	<u>172,793,980</u>	<u>172,141,327</u>	<u>652,653</u>
Judgments and claims	4,100,000	4,071,023	28,977
Debt retirement:			
Principal payments	44,135,670	44,135,669	1
Interest payments	13,960,625	13,689,372	271,253
Total debt retirement	<u>58,096,295</u>	<u>57,825,041</u>	<u>271,254</u>
State and district assessments:			
MBTA assessment	9,284,620	9,284,617	3
MWRA assessment	23,898,855	23,745,695	153,160
Other State assessments	13,526,155	13,396,419	129,736
Cambridge Health Alliance	7,000,000	7,000,000	—
Total state and district assessments	<u>53,709,630</u>	<u>53,426,731</u>	<u>282,899</u>
Total general fund expenditures	<u>\$ 561,578,420</u>	<u>547,750,904</u>	<u>13,827,516</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Other Governmental Funds

June 30, 2017

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, 2017

Assets	Special Revenue						Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	
Cash and short-term investments	\$ 575,627	2,138,900	14,758,926	13,828,547	4,257,350	4,012,327	39,571,677
Accounts receivable	—	—	116,667	76,880	—	—	193,547
Due from other governments	70,485	892,618	—	—	244,561	—	1,207,664
Total assets	\$ 646,112	3,031,518	14,875,593	13,905,427	4,501,911	4,012,327	40,972,888
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities:							
Warrants payable	\$ 65,256	914,096	—	286,229	806,536	—	2,072,117
Accrued liabilities	10,887	111,719	—	588,191	36,604	—	747,401
Due to other funds	569,969	—	—	—	—	—	569,969
Total liabilities	646,112	1,025,815	—	874,420	843,140	—	3,389,487
Deferred inflows of resources:							
Unavailable revenue	—	—	—	76,880	—	—	76,880
Fund balances:							
Nonspendable	—	—	—	—	—	2,244,204	2,244,204
Restricted	—	2,005,703	—	12,954,127	3,658,771	1,768,123	20,386,724
Committed	—	—	14,875,593	—	—	—	14,875,593
Total fund balances	—	2,005,703	14,875,593	12,954,127	3,658,771	4,012,327	37,506,521
Total liabilities, deferred inflows of resources, and fund balances	\$ 646,112	3,031,518	14,875,593	13,905,427	4,501,911	4,012,327	40,972,888

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, 2017

	Special Revenue						Total
	Community development block grant	School grants	Parking fund	Community preservation act	Other grants	Permanent funds	
Revenues:							
Intergovernmental	\$ 1,027,564	11,132,460	—	1,988,712	8,333,625	—	22,482,361
Investment income	—	—	304,206	56,965	8,281	80,148	449,600
Other:							
Permits	—	—	992,710	—	—	—	992,710
Fines	—	—	10,352,036	—	—	—	10,352,036
Charges for services	—	—	10,390,566	—	—	—	10,390,566
Miscellaneous	—	1,537,980	81,413	10,088,084	556,237	1,488,564	13,752,278
Total revenues	1,027,564	12,670,440	22,120,931	12,133,761	8,898,143	1,568,712	58,419,551
Expenditures:							
General government	—	—	—	19,358	48,753	1,417,491	1,485,602
Public safety	—	—	—	—	755,024	—	755,024
Community maintenance and development	627,042	—	—	1,536,033	162,168	—	2,325,243
Human services	409,059	—	—	10,162	7,380,106	—	7,799,327
Education	—	13,079,918	—	—	—	—	13,079,918
Total expenditures	1,036,101	13,079,918	—	1,565,553	8,346,051	1,417,491	25,445,114
Excess (deficiency) of revenues over expenditures	(8,537)	(409,478)	22,120,931	10,568,208	552,092	151,221	32,974,437
Other financing sources (uses):							
Transfers from other funds	8,537	—	—	—	—	—	8,537
Transfers to other funds	—	—	(22,212,235)	(9,840,000)	—	—	(32,052,235)
Excess (deficiency) of revenues over expenditures and transfers	—	(409,478)	(91,304)	728,208	552,092	151,221	930,739
Fund balances at beginning of year	—	2,415,181	14,966,897	12,225,919	3,106,679	3,861,106	36,575,782
Fund balances at end of year	\$ —	2,005,703	14,875,593	12,954,127	3,658,771	4,012,327	37,506,521

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2017

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, 2017

Assets	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Cash and Cash Equivalents				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	434,021	349,126	281,000	502,147
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	40,591	5,763,597	5,742,582	61,606
Cambridge Fire Detail	65,148	1,829,228	1,825,813	68,563
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	247,188	114,357	118,476	243,069
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	16	—	—	16
Purchase of Trees	299,999	247,862	—	547,861
Accident and life Insurance	1,051,481	316,100	310,697	1,056,884
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	600,967	616,029	572,212	644,784
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,357,867	779,816	600,000	1,537,683
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	56,325	600	—	56,925
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	674,235	144,200	49,625	768,810
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	728,557	—	—	728,557
Parking Garage Deposits	98,843	75,360	24,452	149,751
MASCO/Shuttle Program	228	393	—	621
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	—	—	—	—
Police – Found Cash	—	11,985	—	11,985
Firearms Recordkeeping Fund	16,295	11,288	10,413	17,170
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	(70,205)	2,073	2,002	(70,134)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	3,260	13,441	14,002	2,699
Fletcher/Maynard School Fund	768	9,343	9,244	867
Cambridgeport School Fund	1,475	18,787	18,866	1,396
Kennedy Longfellow School Fund	53	2,015	1,163	905
Graham & Parks School Fund	4,150	7,354	6,213	5,291
Putnam Ave Upper School Fund	4,545	8,659	10,394	2,810
Rindge Ave Upper School Fund	—	3,871	2,418	1,453
Baldwin School Fund	486	4	—	490
Amigos School Fund	723	7,803	4,151	4,375
Haggerty School Fund	1,540	6,216	6,540	1,216
King School Fund	4,630	467	810	4,287
King Open School Fund	—	—	—	—
Morse School Fund	—	—	—	—
Tobin School Fund	—	—	—	—
Cambridge Street Upper School	—	—	—	—
Vassal Lane Upper School Fund	—	11,546	9,018	2,528
CRLS Activities Fund	320	3	—	323
CRLS Scholarships Fund	66,355	71,411	72,906	64,860
Total	\$ 6,721,780	10,422,934	9,692,997	7,451,717

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Combining Statement of Changes in Assets and Liabilities – Agency Funds
 Year ended June 30, 2017

Liabilities	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	434,021	349,126	281,000	502,147
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	40,591	5,763,597	5,742,582	61,606
Cambridge Fire Detail	65,148	1,829,228	1,825,813	68,563
Dog Licenses	10,657	—	—	10,657
Sporting Licenses	2,390	—	—	2,390
Constable Fees	247,188	114,357	118,476	243,069
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	16	—	—	16
Purchase of Trees	299,999	247,862	—	547,861
Accident and life Insurance	1,051,481	316,100	310,697	1,056,884
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	600,967	616,029	572,212	644,784
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	1,357,867	779,816	600,000	1,537,683
Excise Registry Fees	13,857	—	—	13,857
3 Bigelow Contingency Fund	56,325	600	—	56,925
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	674,235	144,200	49,625	768,810
Salem State Reading Spec. Prog	501	—	—	501
Citizens Bank Cks June 2012	728,557	—	—	728,557
Parking Garage Deposits	98,843	75,360	24,452	149,751
MASCO/Shuttle Program	228	393	—	621
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	—	—	—	—
Police – Found Cash	—	11,985	—	11,985
Firearms Recordkeeping Cash	16,295	11,288	10,413	17,170
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	(70,205)	2,073	2,002	(70,134)
Robert Chambers Settlement	7,799	—	—	7,799
Peabody School Fund	3,260	13,441	14,002	2,699
Fletcher/Maynard School Fund	768	9,343	9,244	867
Cambridgeport School Fund	1,475	18,787	18,866	1,396
Kennedy Longfellow School Fund	53	2,015	1,163	905
Graham & Parks School Fund	4,150	7,354	6,213	5,291
Putnam Ave Upper School Fund	4,545	8,659	10,394	2,810
Rindge Ave Upper School Fund	—	3,871	2,418	1,453
Baldwin School Fund	486	4	—	490
Amigos School Fund	723	7,803	4,151	4,375
Haggerty School Fund	1,540	6,216	6,540	1,216
King School Fund	4,630	467	810	4,287
King Open School Fund	—	—	—	—
Morse School Fund	—	—	—	—
Tobin School Fund	—	—	—	—
Cambridge Street Upper School	—	—	—	—
Vassal Lane Upper School Fund	—	11,546	9,018	2,528
CRLS Activities Fund	320	3	—	323
CRLS Scholarships Fund	66,355	71,411	72,906	64,860
Total	\$ 6,721,780	10,422,934	9,692,997	7,451,717

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2017

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, 2017.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes

June 30, 2017

	Uncollected June 30, 2016	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2017
Real estate taxes:								
2009	\$ 1,447	—	—	—	—	—	—	1,447
2010	—	—	—	—	—	—	—	—
2011	—	—	(41,702)	—	41,702	—	—	—
2012	—	—	(19,751)	—	21,392	(1,641)	—	—
2013	—	—	—	2,288	—	(2,288)	—	—
2014	12,014	—	(2,768)	2,270	163,527	(175,041)	(2)	—
2015	215,077	—	(23,713)	(180,663)	44,130	(54,832)	1	—
2016	3,937,418	—	(33,656)	(703,579)	124,030	(2,890,806)	(428,743)	4,664
2017	—	352,985,407	(1,413,881)	—	138,758	(347,576,224)	(1,020,891)	3,113,169
Total real estate	\$ 4,165,956	352,985,407	(1,535,471)	(879,684)	533,539	(350,700,832)	(1,449,635)	3,119,280

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, 2017

	Uncollected June 30, 2016	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2017
Personal property taxes:								
2002	\$ 13	—	—	—	—	—	—	13
2003	5,382	—	—	—	—	—	—	5,382
2004	8,536	—	—	—	—	—	—	8,536
2005	11,750	—	—	—	—	—	—	11,750
2006	6,723	—	—	—	—	(56)	—	6,667
2007	9,442	—	—	—	—	(53)	—	9,389
2008	10,111	—	—	—	—	(100)	—	10,011
2009	15,340	—	—	—	—	(93)	—	15,247
2010	23,880	—	(59,050)	—	59,050	(59,678)	59,050	23,252
2011	32,357	—	(62,859)	—	62,953	(63,099)	62,857	32,209
2012	52,429	—	(62,037)	—	62,037	(62,959)	62,038	51,508
2013	185,251	—	(64,279)	—	64,279	(64,578)	64,279	184,952
2014	230,754	—	(51,709)	—	51,932	(53,133)	51,706	229,550
2015	245,345	—	(46,598)	—	69,710	(74,338)	46,601	240,720
2016	578,029	—	(41,444)	—	221,598	(573,777)	874,674	1,059,080
2017	—	22,355,720	(28,561)	—	325,000	(21,293,621)	(96,610)	1,261,928
Total personal property	1,415,342	22,355,720	(416,537)	—	916,559	(22,245,485)	1,124,595	3,150,194
Other	211,925	—	—	—	—	—	1,247	213,172
Property taxes	\$ 5,793,223	375,341,127	(1,952,008)	(879,684)	1,450,098	(372,946,317)	(323,793)	6,482,646

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, 2017

	<u>Uncollected June 30, 2016</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2017</u>
Motor vehicle excise taxes:								
1986	\$ 2,643	—	—	—	—	—	—	2,643
1987	57,251	—	—	—	—	(12)	—	57,239
1988	71,495	—	—	—	—	(28)	—	71,467
1989	76,045	—	—	—	—	(128)	—	75,917
1990	67,859	—	—	—	—	(13)	—	67,846
1991	50,970	—	—	—	—	(8)	—	50,962
1992	51,432	—	—	—	—	(69)	—	51,363
1993	48,658	—	—	—	—	(116)	—	48,542
1994	51,505	—	—	—	—	(69)	—	51,436
1995	55,838	—	—	—	—	(55)	—	55,783
1996	55,215	—	—	—	—	(21)	—	55,194
1997	47,153	—	—	—	—	(285)	—	46,868
1998	61,827	—	(44)	—	—	(272)	—	61,511
1999	108,410	—	—	—	—	(331)	—	108,079
2000	168,745	—	—	—	—	(313)	—	168,432
2001	210,483	—	—	—	—	(169)	—	210,314
2002	190,978	—	(41)	—	—	(350)	—	190,587
2003	169,843	—	(22)	—	—	(456)	2	169,367
2004	141,520	—	(44)	—	—	(971)	—	140,505
2005	114,837	—	(44)	—	—	(760)	—	114,033
2006	102,650	—	—	—	—	(549)	—	102,101
2007	135,960	—	(111)	—	—	(546)	—	135,303
2008	118,299	—	—	—	24	(1,229)	—	117,094
2009	99,723	—	—	—	29	(1,140)	—	98,612
2010	112,597	—	—	—	—	(1,597)	—	111,000
2011	116,949	—	(42)	—	—	(2,965)	—	113,942
2012	111,868	—	(374)	—	41	(3,747)	—	107,788
2013	115,586	—	(910)	—	84	(9,793)	—	104,967
2014	152,778	—	(8,528)	—	7,753	(26,608)	8	125,403
2015	241,417	—	(7,778)	—	4,931	(82,592)	23	156,001
2016	703,573	848,129	(87,482)	—	63,502	(1,260,118)	261	267,865
2017	—	7,162,539	(143,413)	—	48,637	(6,534,466)	(14)	533,283
Total motor vehicle	\$ <u>3,814,107</u>	<u>8,010,668</u>	<u>(248,833)</u>	<u>—</u>	<u>125,001</u>	<u>(7,929,776)</u>	<u>280</u>	<u>3,771,447</u>

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, 2017

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2016	Additions	Retired	Balance June 30, 2017
Inside debt limit:							
Hospital Series B 2007 Bonds	4.00 %	3/15/2007	2/1/2018	\$ 2,995,000	—	1,500,000	1,495,000
Building Renovations	4.00	2/15/2007	2/1/2017	65,000	—	65,000	—
Police Station Acquisition/Renovations	4.00	2/15/2007	2/1/2027	850,000	—	850,000	—
West Cambridge Youth Center	4.00	2/15/2007	2/1/2017	800,000	—	800,000	—
Area 4 Park Improvements	4.00	2/15/2007	2/1/2017	50,000	—	50,000	—
Yerxa Road Underpass	4.00	2/15/2007	2/1/2017	110,000	—	110,000	—
Harvard Square Enhancements	4.00	2/15/2007	2/1/2017	150,000	—	150,000	—
Sewer Reconstruction	4.00	2/15/2007	2/1/2017	340,000	—	340,000	—
CRLS Renovations	3.00%–4.00%	2/1/2008	2/1/2028	500,000	—	250,000	250,000
War Memorial Renovations	3.00%–3.25%	2/1/2008	2/1/2018	2,445,188	—	1,222,598	1,222,590
Police Station Acquisition/Renovations	3.00%–4.00%	2/1/2008	2/1/2028	810,000	—	405,000	405,000
West Cambridge Youth Center	3.00%–3.25%	2/1/2008	2/1/2018	1,170,000	—	585,000	585,000
Library Construction	3.00%–4.00%	2/1/2008	2/1/2028	2,710,000	—	1,355,000	1,355,000
War Memorial Renovations	3.00%–3.25%	2/1/2008	2/1/2018	944,334	—	472,167	472,167
Harvard Square Enhancements	3.00%–3.25%	2/1/2008	2/1/2018	120,000	—	60,000	60,000
Sewer Reconstruction	3.00%–3.25%	2/1/2008	2/1/2018	1,240,478	—	620,235	620,243
Fire Station Renovations	2.00%–4.00%	3/15/2009	3/15/2019	300,000	—	100,000	200,000
Library Construction	2.00%–4.375%	3/15/2009	3/15/2029	6,865,000	—	5,805,000	1,060,000
Building Renovations	2.00%–4.00%	3/15/2009	3/15/2019	150,000	—	50,000	100,000
CRLS Renovations	2.00%–4.375%	3/15/2009	3/15/2029	19,500,000	—	16,500,000	3,000,000
Replacement of Radio System	2.00%–4.00%	3/15/2009	3/15/2019	150,000	—	50,000	100,000
Sewer Reconstruction	2.00%–4.00%	3/15/2009	3/15/2019	1,440,000	—	480,000	960,000
War Memorial Renovations (MSBA)	2.00	6/25/2009	11/1/2019	840,000	—	210,000	630,000
CRLS Renovations	2.00%–3.75%	2/15/2010	2/15/2030	17,500,000	—	1,250,000	16,250,000
Sewer Reconstruction	2.00%–3.00%	2/15/2010	2/15/2020	2,760,000	—	690,000	2,070,000
Yerxa Road Underpass Construction	2.00%–3.00%	2/15/2010	2/15/2020	120,000	—	30,000	90,000
War Memorial Renovations	2.00%–4.00%	2/15/2011	2/15/2021	75,000	—	15,000	60,000
Building Renovations	2.00%–4.00%	2/15/2011	2/15/2021	750,000	—	150,000	600,000
Replacement of Radio System	2.00%–4.00%	2/15/2011	2/15/2021	3,100,000	—	620,000	2,480,000
Old Police Station Renovations	2.00%–4.50%	2/15/2011	2/15/2031	3,000,000	—	200,000	2,800,000
CRLS Renovations	2.00%–4.50%	2/15/2011	2/15/2031	12,095,000	—	810,000	11,285,000
Harvard Square Enhancements	2.00%–4.00%	2/15/2011	2/15/2021	1,250,000	—	250,000	1,000,000
Danehy Park Improvements	2.00%–4.00%	2/15/2011	2/15/2021	350,000	—	70,000	280,000
Sewer Reconstruction	2.00%–4.00%	2/15/2011	2/15/2021	7,500,000	—	1,500,000	6,000,000
CRLS Renovations (MSBA)	2.00	7/12/2011	11/1/2021	3,567,924	—	594,654	2,973,270
Building Renovations	2.00	2/15/2012	2/15/2022	1,200,000	—	200,000	1,000,000
Old Police Station Renovations	2.00%–3.00%	2/15/2012	2/15/2032	8,415,000	—	530,000	7,885,000
Elementary School Renovations (Design)	2.00	2/15/2012	2/15/2017	600,000	—	600,000	—
Refunding Bonds (2004, 2005, 2006)	1.00%–5.00%	3/22/2012	1/1/2024	23,380,000	—	995,000	22,385,000
Street/Sidewalk Reconstruction	2.00	2/15/2012	2/15/2022	600,000	—	100,000	500,000
Open Space Improvements	2.00	2/15/2012	2/15/2022	780,000	—	130,000	650,000
Kendall Square Improvements	2.00	2/15/2012	2/15/2022	180,000	—	30,000	150,000
Harvard Square Tunnel Improvements	2.00	2/15/2012	2/15/2022	1,200,000	—	200,000	1,000,000
Sewer Reconstruction	2.00	2/15/2012	2/15/2022	12,210,000	—	2,035,000	10,175,000
MCWT Loan (Gross Payment) (CW-10-04)	—	6/13/2012	7/15/2022	7,074,366	—	1,006,082	6,068,284
King School Renovations	2.00%–3.00%	2/19/2013	2/15/2033	28,050,000	—	1,650,000	26,400,000
Old Police Station Renovations	2.00%–3.00%	2/19/2013	2/15/2033	3,455,000	—	205,000	3,250,000
Acquisitions of Fire Vehicles	2.00%–3.00%	2/19/2013	2/15/2023	870,000	—	125,000	745,000
City Hall Roof Replacement	2.00%–3.00%	2/19/2013	2/15/2023	700,000	—	100,000	600,000
Street/Sidewalk Reconstruction	2.00%–3.00%	2/19/2013	2/15/2023	700,000	—	100,000	600,000
Harvard Square Tunnel Improvements	2.00%–3.00%	2/19/2013	2/15/2023	1,050,000	—	150,000	900,000
Danehy Park Improvements	2.00%–3.00%	2/19/2013	2/15/2023	1,075,000	—	155,000	920,000
Kendall Square Improvements	2.00%–3.00%	2/19/2013	2/15/2023	350,000	—	50,000	300,000
Sewer Reconstruction	2.00%–3.00%	2/19/2013	2/15/2023	14,980,000	—	2,140,000	12,840,000
MWRA Loan	—	2/25/2013	2/15/2018	286,000	—	143,000	143,000
King School Renovations	3.00%–5.00%	2/18/2014	2/15/2034	16,650,000	—	925,000	15,725,000
Kendall Square Improvements	5.00	2/18/2014	2/15/2024	800,000	—	100,000	700,000
Street/Sidewalk Reconstruction	5.00	2/18/2014	2/15/2024	800,000	—	100,000	700,000
Harvard Square Tunnel Improvements	5.00	2/18/2014	2/15/2024	800,000	—	100,000	700,000
Cambridge Common Improvements	5.00	2/18/2014	2/15/2024	400,000	—	50,000	350,000
Sewer Reconstruction	5.00	2/18/2014	2/15/2024	10,320,000	—	1,290,000	9,030,000
MCWT Loan (CWP-13-03)	2.00	1/7/2015	1/15/2025	11,941,620	—	1,215,629	10,725,991
King School Renovations	2.00%–5.00%	3/3/2015	2/15/2035	38,950,000	—	2,050,000	36,900,000
344 Broadway Building Renovations (Comprehensive)	2.00%–5.00%	3/3/2015	2/15/2025	1,350,000	—	150,000	1,200,000
School Building Renovations	2.00%–5.00%	3/3/2015	2/15/2025	675,000	—	75,000	600,000
Police Station Elevator Repairs	2.00%–5.00%	3/3/2015	2/15/2020	120,000	—	30,000	90,000
City Hall Women's Restroom	2.00%–5.00%	3/3/2015	2/15/2020	80,000	—	20,000	60,000
Old Police Station Renovations	2.00%–5.00%	3/3/2015	2/15/2020	80,000	—	20,000	60,000
Kendall Square Surface Improvements	2.00%–5.00%	3/3/2015	2/15/2025	3,600,000	—	400,000	3,200,000
Cambridge Common Improvements	2.00%–5.00%	3/3/2015	2/15/2025	1,060,000	—	120,000	940,000
Danehy Park Improvements	2.00%–5.00%	3/3/2015	2/15/2025	1,035,000	—	115,000	920,000
Street/Sidewalk Reconstruction	2.00%–5.00%	3/3/2015	2/15/2025	900,000	—	100,000	800,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2017

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2016	Additions	Retired	Balance June 30, 2017
Golf Course Improvements	2.00%–5.00%	3/3/2015	2/15/2025	\$ 495,000	—	55,000	440,000
Sewer Reconstruction	2.00%–5.00%	3/3/2015	2/15/2025	21,535,000	—	2,450,000	19,085,000
Refunding Bonds (2005, 2006, 2007 and 2008)	2.00%–4.00%	3/4/2015	1/1/2028	38,105,000	—	2,370,000	35,735,000
School Building Renovations (Kennedy Longfellow Roof)	2.00%–4.00%	3/1/2016	2/15/2026	2,500,000	—	250,000	2,250,000
Police Station Elevator Repairs	2.00%–4.00%	3/1/2016	2/15/2021	150,000	—	30,000	120,000
Harvard Square Kiosk Design	2.00%–4.00%	3/1/2016	2/15/2021	600,000	—	120,000	480,000
King Open and Cambridge St. Upper School and Community Complex	2.00%–4.00%	3/1/2016	2/15/2036	11,000,000	—	550,000	10,450,000
Building Renovations (344 Broadway and Comprehensive)	2.00%–4.00%	3/1/2016	2/15/2026	3,500,000	—	350,000	3,150,000
Street/Sidewalk Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	4,000,000	—	400,000	3,600,000
Harvard Square Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	500,000	—	50,000	450,000
Sewer Reconstruction	2.00%–4.00%	3/1/2016	2/15/2026	12,740,000	—	1,275,000	11,465,000
MCWT Loan (CWP-13-03-A)	2.00 %	2/11/2016	1/15/2026	14,000,000	—	1,268,471	12,731,529
Building Renovation/Energy Improvements	3.00%–5.00%	3/1/2017	2/15/2027	—	2,340,000	—	2,340,000
Kennedy School Roof Replacement	3.00%–5.00%	3/1/2017	2/15/2027	—	2,050,000	—	2,050,000
Police Station Elevator Repairs	3.00%–5.00%	3/1/2017	2/15/2022	—	150,000	—	150,000
King Open and Cambridge St. Upper School and Community Complex	3.00%–5.00%	3/1/2017	2/15/2037	—	19,875,000	—	19,875,000
School Building Roof Repairs	3.00%–5.00%	3/1/2017	2/15/2027	—	2,335,000	—	2,335,000
School Boiler Maintenance	3.00%–5.00%	3/1/2017	2/15/2027	—	470,000	—	470,000
Comprehensive Facilities Improvements Plan	3.00%–5.00%	3/1/2017	2/15/2027	—	4,670,000	—	4,670,000
Cambridge Common Improvements	3.00%–5.00%	3/1/2017	2/15/2027	—	470,000	—	470,000
Harvard Square Surface Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	—	3,270,000	—	3,270,000
Street/Sidewalk Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	—	1,870,000	—	1,870,000
Sewer Reconstruction	3.00%–5.00%	3/1/2017	2/15/2027	—	21,045,000	—	21,045,000
Library Construction (Refunding)	4.00 %	6/12/2017	2/15/2029	—	4,895,000	—	4,895,000
CRLS Renovations (Refunding)	4.00 %	6/12/2017	2/15/2029	—	13,910,000	—	13,910,000
Total inside debt limit				<u>402,454,910</u>	<u>77,350,000</u>	<u>64,882,836</u>	<u>414,922,074</u>
Outside debt limit:							
Water:							
Water Series C 2007 Bonds	4.00%–5.00%	3/15/2007	8/1/2019	<u>7,720,000</u>	<u>—</u>	<u>2,420,000</u>	<u>5,300,000</u>
Total water				<u>7,720,000</u>	<u>—</u>	<u>2,420,000</u>	<u>5,300,000</u>
Housing Trust Fund:							
Note payable	2.00 %	4/20/00 and 7/16/01	4/1/20 and 7/1/21	<u>2,944,394</u>	<u>—</u>	<u>101,478</u>	<u>2,842,916</u>
Total outside debt limit				<u>10,664,394</u>	<u>—</u>	<u>2,521,478</u>	<u>8,142,916</u>
Total debt outstanding				<u>\$ 413,119,304</u>	<u>77,350,000</u>	<u>67,404,314</u>	<u>423,064,990</u>

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF CAMBRIDGE, MASSACHUSETTS

June 30, 2017

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 Government Funds – Last Ten Fiscal Years	96
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 Ten Years Ago Property Tax Levies and Collections – Last Ten Fiscal Years	103
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	107
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 Ten Years Ago	111
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	113
<i>Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>	

CITY OF CAMBRIDGE, MASSACHUSETTS

General Government Expenditures by Function (GAAP Basis) (1)

Last Ten Fiscal Years

(Dollars in thousands)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government	\$ 38,852	38,656	33,317	33,235	34,894	35,852	35,892	40,101	31,765	32,572
Percentage of total	6.9 %	7.3 %	6.6 %	6.7 %	7.8 %	8.1 %	8.2 %	9.6 %	8.0 %	8.6 %
Percentage change	0.5	16.0	0.2	(4.8)	(2.7)	(0.1)	(10.5)	26.2	(2.5)	(5.0)
Public safety	\$ 128,759	116,756	117,991	112,496	106,985	103,389	100,414	95,717	95,817	89,514
Percentage of total	22.9 %	22.0 %	23.5 %	22.8 %	23.8 %	23.4 %	23.0 %	22.9 %	24.0 %	23.7 %
Percentage change	10.3	(1.0)	4.9	5.2	3.5	3.0	4.9	0.1	7.0	5.1
Community maintenance and development	\$ 48,449	46,667	46,004	40,570	39,175	36,683	36,459	34,127	35,040	33,331
Percentage of total	8.6 %	8.8 %	9.2 %	8.2 %	8.7 %	8.3 %	8.4 %	8.2 %	8.8 %	8.8 %
Percentage change	3.8	1.4	13.4	3.6	6.8	0.6	6.8	2.6	5.1	9.2
Human resource	\$ 38,125	36,155	34,302	32,861	32,143	30,919	29,586	28,133	25,464	23,944
Percentage of total	6.8 %	6.8 %	6.8 %	6.7 %	7.1 %	7.0 %	6.8 %	6.7 %	6.4 %	6.3 %
Percentage change	5.4	5.4	4.4	2.2	4.0	4.5	5.2	10.5	6.3	6.8
Education	\$ 197,087	183,324	168,367	176,930	143,788	139,276	134,078	132,652	129,031	124,531
Percentage of total	35.0 %	34.5 %	33.6 %	35.9 %	32.0 %	31.6 %	30.8 %	31.8 %	32.4 %	33.0 %
Percentage change	7.5	8.9	(4.8)	23.0	3.2	3.9	1.1	2.8	3.6	2.2
Judgments and claims	\$ 371	2,715	122	52	76	4,113	9,029	925	171	115
Percentage of total	0.1 %	0.5 %	— %	— %	— %	0.9 %	2.1 %	0.2 %	— %	— %
Percentage change	(86.3)	2,125.4	134.6	(31.6)	(98.2)	(54.4)	—	440.9	48.7	(46.0)
State assessments	\$ 53,427	52,024	50,184	47,683	46,660	46,147	44,892	42,448	41,020	39,567
Percentage of total	9.5 %	9.8 %	10.0 %	9.7 %	10.4 %	10.5 %	10.3 %	10.2 %	10.3 %	10.5 %
Percentage change	2.7	3.7	5.2	2.2	1.1	2.8	5.8	3.5	3.7	6.1
Debt service	\$ 57,823	54,814	51,359	49,669	46,305	44,562	45,248	43,215	40,169	34,124
Percentage of total	10.3 %	10.3 %	10.2 %	10.1 %	10.3 %	10.1 %	10.3 %	10.4 %	10.1 %	9.0 %
Percentage change	5.5	6.7	3.4	7.3	3.9	(1.5)	4.7	7.6	17.7	3.6
Total expenditures	\$ 562,893	531,111	501,646	493,496	450,026	440,941	435,598	417,318	398,477	377,698
Percentage of total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Percentage change	6.0	5.9	1.7	9.7	2.1	1.2	4.4	4.7	5.5	3.6

(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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property taxes	\$ 375,682	356,247	342,853	327,999	315,777	297,724	281,812	266,862	251,256	238,747
Percentage of total	63.4 %	63.5 %	65.4 %	64.4 %	68.0 %	67.1 %	67.6 %	68.4 %	66.9 %	62.2 %
Percentage change	5.5	3.9	4.5	3.9	6.1	5.6	5.6	6.2	5.2	3.0
Motor vehicle excises	\$ 8,035	7,452	7,200	7,230	6,833	6,239	6,453	6,182	6,140	6,650
Percentage of total	1.4 %	1.3 %	1.4 %	1.4 %	1.5 %	1.4 %	1.5 %	1.6 %	1.6 %	1.7 %
Percentage change	7.8	3.5	(0.4)	5.8	9.5	(3.3)	4.4	0.7	(7.7)	11.9
Hotel/motel/meals	\$ 19,959	19,213	17,861	16,525	15,910	14,954	13,573	9,362	6,803	6,863
Percentage of total	3.4 %	3.4 %	3.4 %	3.2 %	3.4 %	3.4 %	3.3 %	2.4 %	1.8 %	1.8 %
Percentage change	3.9	7.6	8.1	3.9	6.4	10.2	45.0	38.0	(0.9)	1.7
Fines	\$ 342	364	488	500	608	599	637	633	629	767
Percentage of total	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %	0.2 %	0.2 %
Percentage change	(6.0)	(25.4)	(2.4)	(17.8)	1.5	(6.0)	0.6	0.6	(18.0)	5.6
Intergovernmental	\$ 65,150	52,554	45,503	58,572	31,036	31,954	31,796	32,139	37,235	47,575
Percentage of total	11.0 %	9.4 %	8.7 %	11.5 %	6.7 %	7.2 %	7.6 %	8.2 %	9.9 %	12.4 %
Percentage change	24.0	15.5	(22.3)	88.7	(2.9)	0.5	(1.1)	(13.7)	(21.7)	6.5
Licenses and permits	\$ 29,051	32,181	27,561	23,329	25,213	20,832	14,273	10,305	8,053	12,390
Percentage of total	4.9 %	5.7 %	5.3 %	4.6 %	5.4 %	4.7 %	3.4 %	2.6 %	2.1 %	3.2 %
Percentage change	(9.7)	16.8	18.1	(7.5)	21.0	46.0	38.5	28.0	(35.0)	5.9
Payment in lieu of taxes	\$ 8,101	9,191	8,082	7,759	7,554	7,586	7,345	7,106	7,012	7,319
Percentage of total	1.4 %	1.6 %	1.5 %	1.5 %	1.6 %	1.7 %	1.8 %	1.8 %	1.9 %	1.9 %
Percentage change	(11.9)	13.7	4.2	2.7	(0.4)	3.3	3.4	1.3	(4.2)	5.5
Investment income	\$ 4,877	3,274	1,523	1,622	616	864	1,064	1,274	4,257	9,295
Percentage of total	0.8 %	0.6 %	0.3 %	0.3 %	0.1 %	0.2 %	0.3 %	0.3 %	1.1 %	2.4 %
Percentage change	49.0	115.0	(6.1)	163.3	(28.7)	(18.8)	(16.5)	(70.1)	(54.2)	(16.4)
Charges for services	\$ 48,334	48,819	47,921	41,690	40,020	40,579	40,347	36,825	36,058	36,874
Percentage of total	8.2 %	8.7 %	9.1 %	8.2 %	8.6 %	9.2 %	9.7 %	9.4 %	9.6 %	9.6 %
Percentage change	(1.0)	1.9	14.9	4.2	(1.4)	0.6	9.6	2.1	(2.2)	(4.9)
Departmental/other	\$ 33,067	31,403	25,363	24,064	20,654	22,126	19,652	19,132	18,205	17,564
Percentage of total	5.6 %	5.7 %	4.8 %	4.7 %	4.4 %	5.0 %	4.7 %	4.9 %	4.8 %	4.6 %
Percentage change	5.3	23.8	5.4	16.5	(6.7)	12.6	2.7	5.1	3.6	5.5
Total revenues	\$ 592,598	560,698	524,355	509,290	464,221	443,457	416,951	389,820	375,648	384,044
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	5.7	6.9	3.0	9.7	4.7	6.4	7.0	3.8	(2.2)	2.4

(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 381,832,841	415,315,555	454,771,570	497,650,641	524,201,859	553,655,888	598,532,113	637,618,851	673,717,401	729,145,088
Restricted	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849	68,958,578
Unrestricted	<u>224,490,592</u>	<u>177,054,725</u>	<u>165,339,378</u>	<u>115,221,403</u>	<u>100,571,712</u>	<u>121,839,635</u>	<u>131,964,205</u>	<u>15,974,060</u>	<u>1,931,327</u>	<u>(14,425,882)</u>
Total governmental activities net position	<u>\$ 616,313,815</u>	<u>604,016,590</u>	<u>630,278,097</u>	<u>626,503,989</u>	<u>639,230,724</u>	<u>690,123,935</u>	<u>748,464,276</u>	<u>706,542,240</u>	<u>748,998,577</u>	<u>783,677,784</u>
Business-type activities:										
Net investment in capital assets	\$ 94,430,046	99,633,725	105,516,517	109,176,777	112,708,862	114,837,208	117,985,639	120,185,083	120,185,083	125,305,918
Unrestricted	<u>6,772,116</u>	<u>5,654,829</u>	<u>4,907,314</u>	<u>6,276,508</u>	<u>7,765,682</u>	<u>8,594,828</u>	<u>10,231,969</u>	<u>13,379,993</u>	<u>17,982,299</u>	<u>13,682,522</u>
Total business-type activities net position	<u>\$ 101,202,162</u>	<u>105,288,554</u>	<u>110,423,831</u>	<u>115,453,285</u>	<u>120,474,544</u>	<u>123,432,036</u>	<u>128,217,608</u>	<u>133,565,076</u>	<u>138,167,382</u>	<u>138,988,440</u>
Primary government:										
Net investment in capital assets	\$ 476,262,887	514,949,280	560,288,087	606,827,418	636,910,721	668,493,096	716,517,752	757,803,934	793,902,484	854,451,006
Restricted	9,990,382	11,646,310	10,167,149	13,631,945	14,457,153	14,628,412	17,967,958	52,949,329	73,349,849	68,958,578
Unrestricted	<u>231,262,708</u>	<u>182,709,554</u>	<u>170,246,692</u>	<u>121,497,911</u>	<u>108,337,394</u>	<u>130,434,463</u>	<u>142,196,174</u>	<u>29,354,053</u>	<u>19,913,626</u>	<u>(743,360)</u>
Total primary government net position	<u>\$ 717,515,977</u>	<u>709,305,144</u>	<u>740,701,928</u>	<u>741,957,274</u>	<u>759,705,268</u>	<u>813,555,971</u>	<u>876,681,884</u>	<u>840,107,316</u>	<u>887,165,959</u>	<u>922,666,224</u>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 35,225,912	39,085,426	44,027,730	46,676,807	39,836,031	37,777,409	36,588,647	29,002,206	56,389,559	58,919,949
Public safety	100,538,293	106,362,564	119,538,796	122,033,751	124,013,170	127,768,163	134,185,406	138,554,014	134,762,503	155,775,352
Community maintenance and development	61,727,373	70,461,598	73,990,003	90,907,773	103,733,414	88,401,456	95,640,484	102,203,863	112,901,226	96,825,775
Human resource development	37,432,501	40,393,841	43,737,742	45,752,191	46,689,220	47,732,541	49,606,417	50,644,258	53,357,816	56,006,242
Education	150,992,375	156,458,805	165,216,021	171,283,824	181,180,963	185,466,794	220,006,395	211,018,908	228,453,104	246,388,426
State and district assessments (1)	33,567,157	35,020,229	—	—	—	—	—	—	—	—
Interest on long-term debt	9,303,724	9,503,428	10,039,003	9,756,666	8,253,614	9,142,323	9,537,632	9,381,387	10,938,908	10,430,981
Total governmental activities	428,787,335	457,285,891	456,549,295	486,411,012	503,706,412	496,288,686	545,564,981	540,804,636	596,803,116	624,346,725
Business-type activities:										
Water	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032	13,127,587	14,226,883	14,228,525	15,855,491
Total business-type activities expenses	14,411,374	14,620,020	13,721,172	13,544,425	13,223,002	14,701,032	13,127,587	14,226,883	14,228,525	15,855,491
Total primary government expenses	\$ 443,198,709	471,905,911	470,270,467	499,955,437	516,929,414	510,989,718	558,692,568	555,031,519	611,031,641	640,202,216
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	\$ 34,640,573	29,786,501	33,174,134	37,946,079	45,572,456	50,486,221	49,919,980	53,782,729	58,678,631	56,139,937
Community maintenance and development	38,967,973	37,767,491	39,685,063	42,168,021	42,296,774	40,660,130	44,521,761	50,851,436	52,489,213	42,067,768
Human resource and development	3,142,447	3,397,736	3,554,633	3,606,526	3,883,114	4,083,383	4,578,908	4,726,472	4,978,730	5,562,842
Other activities	493,643	499,322	1,863,149	1,978,164	2,254,981	2,088,454	1,366,380	1,649,398	2,266,034	2,336,489
Operating grants and contributions	27,238,759	28,910,186	35,953,873	25,562,766	23,137,698	23,168,113	25,475,845	23,282,530	24,526,412	22,482,361
Capital grants and contributions	16,129,811	10,191,408	38,367,032	9,091,275	13,093,858	23,794,638	21,680,944	21,913,519	15,508,261	4,857,466
Total governmental activities program revenues	120,613,206	110,552,644	152,597,884	120,352,831	130,238,881	144,280,939	147,543,818	156,206,084	158,447,281	133,446,863
Business-type activities:										
Charges for services:										
Water	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827	18,507,650	20,091,724	19,288,216	17,210,466
Total business-type program revenues	19,597,687	19,070,169	19,396,031	19,130,204	18,824,741	18,318,827	18,507,650	20,091,724	19,288,216	17,210,466
Total primary government program revenues	\$ 140,210,893	129,622,813	171,993,915	139,483,035	149,063,622	162,599,766	166,051,468	176,297,808	177,735,497	150,657,329
Net (expense) revenue:										
Governmental activities	\$ (308,174,129)	(346,733,247)	(303,951,411)	(366,058,181)	(373,467,531)	(352,007,747)	(398,021,163)	(384,598,552)	(438,355,835)	(490,899,862)
Business-type activities	5,186,313	4,450,149	5,674,859	5,585,779	5,601,739	3,617,795	5,380,063	5,864,841	5,059,691	1,354,975
Total primary government net expense	\$ (302,987,816)	(342,283,098)	(298,276,552)	(360,472,402)	(367,865,792)	(348,389,952)	(392,641,100)	(378,733,711)	(433,296,144)	(489,544,887)

(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 238,400,940	252,948,784	265,565,126	282,244,351	297,981,301	315,153,860	326,755,052	343,594,775	356,993,674	374,927,115
Excise taxes	13,676,112	12,801,715	15,526,734	19,977,226	21,289,347	22,877,579	23,510,611	25,079,784	26,806,239	27,876,390
Unrestricted grants and contributions	40,149,251	36,085,639	21,853,897	31,795,812	31,954,472	31,035,786	58,572,275	45,502,677	52,554,349	65,150,348
Payments in lieu of taxes	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431	8,100,931
Investment income	12,467,474	5,865,388	1,894,610	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,256,036	7,678,166
Miscellaneous	17,961,549	20,038,690	17,581,978	18,978,421	25,230,542	26,339,352	36,691,219	36,626,619	31,296,358	41,128,314
Transfers	678,130	482,585	684,930	687,510	693,955	705,575	705,575	709,855	714,085	717,805
Total governmental activities	<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>	<u>480,812,172</u>	<u>525,579,069</u>
Business-type activities:										
Investment income	165,383	118,828	145,348	131,185	113,475	100,337	111,084	192,482	256,700	183,888
Transfers	(678,130)	(482,585)	(684,930)	(687,510)	(693,955)	(705,575)	(705,575)	(709,855)	(714,085)	(717,805)
Total business-type activities	<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>	<u>(457,385)</u>	<u>(533,917)</u>
Total primary government	<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>	<u>480,354,787</u>	<u>525,045,152</u>
Change in net position:										
Governmental activities	\$ 22,477,894	(11,498,493)	26,261,507	(3,774,108)	12,726,735	52,759,647	58,340,341	76,659,916	42,456,337	34,679,207
Business-type activities	4,673,566	4,086,392	5,135,277	5,029,454	5,021,259	3,012,557	4,785,572	5,347,468	4,602,306	821,058
Total primary government	<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>	<u>47,058,643</u>	<u>35,500,265</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Reserved	\$ 17,206,706	14,900,082	16,802,030	—	—	—	—	—	—	—
Unreserved	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	1,536,290	2,466,688
Restricted (2)	—	—	—	—	—	—	—	—	—	—
Assigned (2)	—	—	—	—	—	—	—	—	12,180,000	14,200,000
Committed (2)	—	—	—	42,061,955	34,256,986	43,762,124	59,468,937	70,997,088	71,455,514	86,509,702
Unassigned (2)	—	—	—	99,698,895	126,726,779	149,940,041	166,222,585	202,673,242	215,772,588	229,632,250
Total general fund	<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>	<u>300,944,392</u>	<u>332,808,640</u>
All other governmental funds:										
Reserved	\$ 76,741,409	31,315,543	79,650,408	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds and permanent funds	52,687,083	48,691,005	21,007,217	—	—	—	—	—	—	—
Affordable Housing Trust fund (1)	—	—	38,205,509	—	—	—	—	—	—	—
Capital funds	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	2,234,567	2,244,204
Restricted (2)	—	—	—	70,523,371	84,361,676	101,619,998	102,945,688	98,314,260	102,467,578	117,848,103
Committed (2)	—	—	—	56,302,807	47,105,139	50,958,117	53,741,300	54,314,647	43,524,368	51,545,527
Unassigned (2)	—	—	—	—	—	—	—	—	—	—
Total all other governmental funds	<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>	<u>148,226,513</u>	<u>171,637,834</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Real and personal property taxes	\$ 238,747,275	251,255,629	266,861,794	281,812,153	297,723,747	315,776,734	327,998,703	342,853,089	356,247,426	375,682,378
Excises:										
Hotel/motel/meals (1)	6,862,581	6,802,768	9,361,688	13,573,132	14,954,425	15,909,648	16,525,182	17,861,201	19,212,693	19,958,924
Motor vehicles	6,649,769	6,139,573	6,182,561	6,452,602	6,238,835	6,833,482	7,230,474	7,200,225	7,452,353	8,035,187
Payments in lieu of taxes	7,318,567	7,011,953	7,105,643	7,344,911	7,586,219	7,553,728	7,759,252	8,082,220	9,191,431	8,100,931
Intergovernmental	90,943,960	76,336,094	96,174,802	66,449,853	68,186,028	77,998,537	105,729,064	90,698,726	92,589,021	92,490,175
Investment income	12,467,474	5,865,388	1,894,609	1,255,842	1,458,430	1,101,514	2,367,520	1,662,538	3,557,639	7,678,166
Sewer use charges	36,874,045	36,058,033	36,825,469	40,346,895	44,541,076	40,019,569	41,690,417	47,920,611	48,818,911	48,333,542
Departmental and other	59,358,026	55,799,892	60,882,792	65,720,424	76,147,745	85,552,428	94,500,678	90,340,819	98,811,972	107,094,771
Total revenues	<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>	<u>635,881,446</u>	<u>667,374,074</u>
Expenditures:										
General government	32,828,519	31,916,657	40,319,061	36,409,755	36,208,277	35,314,267	33,666,421	33,939,319	39,263,469	40,855,932
Public safety	90,299,577	97,140,430	96,824,874	101,853,345	104,715,922	108,274,572	113,968,219	119,194,172	117,208,429	129,514,130
Community maintenance and development	45,478,865	55,510,022	38,032,205	51,507,080	61,281,315	50,603,919	52,362,862	56,099,790	72,599,793	56,863,214
Human resource development	31,372,419	33,766,144	36,852,936	38,368,426	39,148,273	39,884,217	40,972,087	42,342,999	43,971,684	45,924,052
Education (2)	135,144,165	143,381,070	144,306,482	146,220,378	152,550,364	157,451,132	188,662,328	180,839,120	196,938,970	209,648,999
Judgments and claims	114,641	170,865	924,862	9,029,151	4,112,551	75,633	52,394	121,540	2,714,745	371,023
State and district assessments	39,567,157	41,020,229	42,447,468	44,892,107	46,146,725	46,660,306	47,682,872	50,184,292	52,023,584	53,426,731
Capital outlays (3)	94,264,563	85,028,601	79,574,710	73,656,249	62,132,657	83,432,261	80,397,730	125,479,923	90,735,725	77,094,496
Debt service:										
Interest (2)	9,273,441	9,503,428	10,704,491	10,418,972	10,598,471	10,269,653	11,183,721	11,652,622	12,900,991	13,215,082
Principal (2)	28,953,226	30,665,746	35,287,743	35,868,095	34,411,621	36,398,061	38,901,992	39,847,940	42,151,998	44,607,836
Total expenditures	<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>	<u>670,509,388</u>	<u>671,521,495</u>
Excess of revenues over (under) expenditures	<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>	<u>(34,627,942)</u>	<u>(4,147,421)</u>
Other financing sources (uses):										
Premium on bond issue	411,360	792,996	915,209	1,030,857	5,851,746	4,890,992	4,102,740	12,114,100	3,518,738	3,046,706
Bond proceeds	71,601,220	49,485,000	32,225,000	46,220,000	81,365,115	65,975,000	34,900,000	126,701,390	48,990,000	77,350,000
Transfer in	38,229,302	35,441,124	29,106,459	31,693,559	33,038,864	36,278,854	39,395,794	68,446,221	60,642,718	53,059,097
Transfer out	(37,551,172)	(34,958,539)	(28,421,529)	(31,006,049)	(32,344,909)	(35,573,279)	(38,690,219)	(67,736,366)	(59,928,633)	(52,341,292)
Transfer (out) to Fiscal Escrow Agent	—	—	—	—	(29,029,117)	—	—	(42,222,413)	—	(21,691,521)
Total other financing sources (uses)	<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>	<u>53,222,823</u>	<u>59,422,990</u>
Net change in fund balances	\$ <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>	<u>18,594,881</u>	<u>55,275,569</u>
Debt service as a percentage of noncapital expenditures	9.26 %	9.07 %	10.30 %	9.75 %	9.29 %	9.62 %	9.50 %	9.64 %	9.50 %	9.73 %

- (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 expense 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
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
2016	21,584	7,187	4,687	1,222	34,680	6.99	17.71	11.04
2017	24,498	7,998	5,747	1,387	39,630	6.49	16.12	10.17

(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
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
2016		6.99	17.71	17.71	25.00
2017		6.49	16.12	16.12	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 Ten Years Ago

Taxpayer	2017			Taxpayer	2007		
	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)	\$ 3,185,602,400	49,047,637	13.16 %	Massachusetts Institute of Technology (1)	\$ 1,420,488,100	24,374,479	10.93 %
BioMed Realty Trust	1,273,332,600	20,414,275	5.48	Boston Properties	468,316,000	8,570,183	3.84
Alexandria Real Estate	838,434,200	13,486,845	3.62	BioMed Realty Trust	432,837,100	7,920,919	3.55
Boston Properties	759,074,000	11,987,435	3.22	Equity Partners	244,367,800	4,112,838	1.84
Presidents & Fellows of Harvard College (1)	534,694,100	5,568,010	1.49	Novartis Pharmaceuticals	221,426,400	4,052,103	1.82
MBA-Rogers Street, LLC	382,231,100	6,161,565	1.65	New England Development	193,047,200	3,532,764	1.58
Equity Partners	353,562,800	2,475,169	0.66	PREEF American Reit II Corp.	180,000,400	3,294,007	1.48
PREEF American Reit II Corp.	288,738,300	4,654,461	1.25	One Kendall LLC	177,922,500	3,232,199	1.45
Novartis Pharmaceuticals	285,533,600	4,602,802	1.24	Presidents and Fellows of Harvard College (1)	276,892,410	3,075,356	1.38
New England Development	254,311,800	4,099,506	1.10	Lyme Properties LLC	152,607,200	2,421,560	1.09
Total	\$ 8,155,514,900	122,497,705	32.87 %		\$ 3,767,905,110	64,586,408	28.96 %

(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
2008	\$ 243.00	237.90	97.90	—	237.90	97.90
2009	258.50	250.20	96.79	2.50	252.70	97.76
2010	269.10	263.10	97.77	2.00	265.10	98.51
2011	285.20	281.00	98.53	1.10	282.10	98.91
2012	299.30	294.60	98.43	1.70	296.30	99.00
2013	317.70	313.60	98.71	1.50	315.10	99.18
2014	329.20	324.20	98.48	3.10	327.30	99.42
2015	342.30	337.50	98.60	3.20	340.70	99.53
2016	355.80	350.20	98.43	3.10	353.30	99.30
2017	375.30	368.40	98.16	N/A	368.40	98.16

(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		Percentage of per capita income	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	Total primary government (c)			
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
2016	402,454,910	—	—	2,944,394	7,720,000	413,119,304	8.60	3,928	1.19
2017	440,665,990	—	—	2,842,916	5,300,000	448,808,906	9.08	4,268	1.32

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

- a. See page 111 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b. See page 103 for the taxable assessed valuation figures.
- c. In FY 2017, Unamortized Bond Premium added to General Obligation bond total to tie out to page 16.

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)
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
2016	410,174,910	34,680,000,000	3,900	1.18
2017	420,222,074	39,630,000,000	3,996	1.06

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

- a. See page 111 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b. See page 103 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2017

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt (2)</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 414,922,074	—	100.00 %	414,922,074
Massachusetts Water Resources Authority	—	3,572,843,000	4.87	174,014,571
Total direct and overlapping debt	<u>\$ 414,922,074</u>	<u>3,572,843,000</u>		<u>588,936,645</u>

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

(2) Overlapping debt amount and calculation obtained from Massachusetts Water Resources Authority (MWRA).

Per the MWRA – the overlapping debt percentages are based on the MWRA’s debt service portion of its current fiscal year water and sewer assessment.

See accompanying independent auditors’ report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017:

Fiscal year 2016 equalized valuation (1)	\$ 39,570,828,700
Debt limit (5% of assessed value) (2)	<u>1,978,541,435</u>
Debt applicable to limit:	
General obligation bonds	420,222,074
Total authorized/unissued	<u>201,555,319</u>
Total debt outstanding plus authorized/unissued	621,777,393
Less general obligation bonds exempted by authority of the State legislature	<u>5,300,000</u>
Amount within debt limit	<u>616,477,393</u>
Legal debt margin	\$ <u><u>1,362,064,042</u></u>

	Fiscal year (dollars in thousands)									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 1,226,473	1,306,216	1,306,216	1,408,101	1,408,101	1,332,006	1,332,006	1,486,690	1,486,690	1,978,541
Total net debt applicable to limit	<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>	<u>634,382</u>	<u>616,477</u>
Legal debt margin	\$ <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>	<u><u>852,308</u></u>	<u><u>1,362,064</u></u>
Total net debt applicable to the limit as a percentage of debt limit	31.64 %	30.84 %	29.25 %	28.81 %	26.56 %	35.90 %	34.83 %	31.91 %	42.67 %	31.16 %

(1) In order to determine appropriate relative values for the purpose of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own determination of fair cash value of the taxable property in each municipality. This is known as "equalized valuation." The last redetermination of "equalized valuation" for the City was made as of January 1, 2016.

(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)
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
2016	105,162	88,574	45,521	30.2	6,607	2.80
2017	105,162	88,574	45,521	30.2	6,794	4.30

(1) Source 2008–2010: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000
 Source 2011–2017: 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 Ten Years Ago

2017				2007			
Employer	Employees	Rank	Percentage of total city employment	Employer	Employees	Rank	Percentage of total city employment
Harvard University	12,304	1	10.60 %	Harvard University	10,068	1	9.85 %
Massachusetts Institute of Technology	8,996	2	7.75	MIT	7,864	2	7.69
City of Cambridge (2)	2,982	3	2.57	City of Cambridge (2)	2,819	3	2.76
Biogen Idec.	2,700	4	2.33	Mt. Auburn Hospital	1,813	4	1.77
Novartis Institute	2,365	5	2.04	Cambridge Health Alliance	1,567	5	1.53
Mt. Auburn Hospital	2,292	6	1.97	Federal Government	1,514	6	1.48
Cambridge Health Alliance	1,835	7	1.58	Biogen Inc	1,434	7	1.40
Cambridge Innovation Center(3)	1,704	8	1.47	Genzyme Corporation	1,370	8	1.34
Akamai Technologies	1,658	9	1.43	Novartis Institute	1,200	9	1.17
Sanofi Aventis/Genzyme	1,500	10	1.29	Millennium Pharmaceuticals	1,175	10	1.15
	<u>38,336</u>		<u>33.03 %</u>		<u>30,824</u>		<u>30.14 %</u>
Total average employed	<u>116,089</u>				<u>102,250</u>		

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

(2) Includes the Cambridge School Department

(3) The Cambridge Innovation Center is a start-up incubator that houses employees from 587 companies.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Executive management	16	16	16	16	16	16	18	18	19	18
Clerk	10	10	10	10	10	10	11	10	10	10
Law	11	11	11	11	11	11	11	11	11	13
Finance	83	83	80	81	81	83	85	87	91	97
Other	19	15	15	15	15	14	14	14	15	16
Subtotal	139	135	132	133	133	134	139	140	146	154
Public safety:										
Fire	284	284	284	285	285	285	285	285	285	283
Police	307	313	311	311	311	311	317	318	319	316
Traffic	80	80	81	81	81	81	81	82	82	83
Inspectional	27	27	27	27	27	27	27	27	28	28
Emergency communication	39	39	38	38	38	38	38	41	42	50
Other	30	30	28	27	27	27	26	26	28	29
Subtotal	767	773	769	769	769	769	774	779	784	789
Community maintenance:										
Public works	211	214	213	213	213	213	213	215	222	228
Community development	45	45	44	44	44	43	43	45	49	54
Other	13	13	13	12	12	12	12	12	11	11
Subtotal	269	272	270	269	269	268	268	272	282	293
Human resource development:										
Library	60	60	64	65	65	66	68	68	68	69
Human services	128	130	135	136	136	139	141	143	144	160
Other	7	7	7	7	7	6	6	6	6	6
Subtotal	195	197	206	208	208	211	215	217	218	235
Education	1,238	1,244	1,264	1,274	1,257	1,334	1,438	1,470	1,504	1,548
Water	63	63	60	55	55	55	55	55	55	55
Grand total	2,671	2,684	2,701	2,708	2,691	2,771	2,889	2,933	2,989	3,074

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Four Fiscal Years

Function/program	2014	2015	2016	2017
Emergency communications:				
911 call pickups (land lines)	19,024	18,135	17,567	17,325
911 call pickups (cell phones)	16,171	17,203	17,434	14,700
Percent of 911 calls answered within 20 seconds	99%	99%	99%	99%
Percent of dispatchers and supervisors fully cross-certified	27%	30%	33%	35%
Fire:				
Number of state-mandated inspections of facilities	1,088	1,088	1,088	1,110
First response to fire emergency within 4-8 minutes	95%	95%	95%	93%
Respond to EMS requests within 4-6 minutes, 90% of the time	95%	95%	95%	93%
Inspectional:				
Number of BZA applications	136	167	141	173
Number of compliance inspections (buildings)	4,852	4,641	6,383	6,316
Number of compliance inspections and re-inspections	2,351	1,999	1,999	2,712
Number of inspections (housing complaints)	4,743	4,076	4,087	4,610
Number of licensed dumpster inspections completed	914	635	633	1,097
Police:				
Number of part 1 crimes reported	2,868	3,010	2,850	2,362
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	24	21
Number of accidents citywide	n/a	1,733	1,560	1,589
Number of bicycle accidents citywide	145	169	168	174
Traffic:				
Short-term, on street spaces managed by parking meters and pay citations	3,140	3,161	3,167	3,114
Percent of tickets paid within 21 days from issuance without a notice	62.5%	62.0%	62.6%	60.1%
Percent of tickets issued this fiscal year that have been paid this year	86.8%	85.6%	86.1%	78.5%
Community Development:				
Number of projects undergoing urban design review	46	25	41	43
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	29	43
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	10	12
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	10	11
New rental units under development and existing units preserved as affordable housing with City financing	94	124	104	125
New affordable homeownership units under development with City financing and older homes rehabilitated for new buyers	15	11	11	14
New affordable inclusionary housing units approved	29	57	98	56
New households purchasing affordable homes through CDD	22	16	10	12
Public Works:				
Number of CPS buildings with food scrap collection for composting	8	10	13	14
Complete planting requests within 1 year (percent of requests)	97%	90%	80%	70%
Water:				
Meters replaced	392	314	327	427
Number of fire hydrants replaced	57	101	66	15

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Four Fiscal Years

Function/program	2014	2015	2016	2017
Human Services:				
ADA trainings, technical assistance sessions, and disability awareness trainings provided to City staff and other public entities	321	260	200	200
Number of clients served in youth and family services programs	1,102	2,600	2,600	2,695
Number of clients served through domestic violence and abuse prevention programs	74	70	68	70
Number of clients served through homelessness prevention/service programs	4,805	4,700	3,597	3,500
Number of students served at Community Learning Center	978	881	890	900
Number of clients receiving case management and information and referral services through elderly services	4,316	3,553	3,800	3,900
Number of families placed in housing Multi-Service Center	24	25	35	37
Number of residents served through the Cambridge Employment Program (CEP)	278	257	240	250
Number of youth recreation and swimming classes	118	121	141	136
Number of books distributed to children, families, and staff	7,807	8,700	9,450	9,550
Number of parents participating in Baby University and Alumni Association activities	88	141	161	159
Number of families participating in Center for Families programming	726	864	715	725
Number of children served in summer camps	762	949	1,050	1,070
Number of teens enrolled in school year programming	532	397	500	500
Number of involved in summer programming	399	369	378	375
Library:				
Check-outs	1,360,545	1,326,584	1,249,878	1,218,788
Select, purchase, and catalog new acquisitions for library collection	50,596	47,147	50,427	48,520
Number of items in collection	401,469	401,469	374,290	391,263
Provide a welcoming environment for all visitors at Main Library	601,078	579,935	592,377	556,198
Number of visitors to the branches	n/a	377,542	368,046	348,002
Education:				
Total enrollment	6,518	6,539	6,607	6,794

Note: In FY14 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire:										
Fire stations	8	8	8	8	8	8	8	8	8	8
Emergency vehicles	26	26	27	28	28	29	30	32	31	31
Maintenance facility	1	1	1	1	1	1	1	1	1	1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	80	80	79	79	79	77	83	80	80	80
Traffic:										
Garages	2	2	2	2	2	2	2	2	2	2
Public works:										
Collection trucks	15	15	15	15	15	15	15	15	15	15
Streets (miles)	125	125	125	125	125	125	125	125	125	125
Electric:										
Streetlights	7,383	7,604	7,615	7,649	7,667	7,371	7,374	7,110	7,279	7,257
Traffic signals	188	187	187	185	185	185	184	185	188	180
Sewer:										
Sanitary sewers (miles)	147	147	147	150	149	150	151	151	148	148
Storm sewers (miles)	92	92	92	94	96	96	95	95	97	97
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	497	497	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	5
Senior centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water treatment plant	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	190	190	190	185	185	185	185	185	185	195
Fire hydrants	1,750	1,750	1,750	1,800	1,800	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, 2017

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

