



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2007 – June 30, 2008

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

Fiscal Year
July 1, 2007 through June 30, 2008

Robert W. Healy
City Manager

Richard C. Rossi
Deputy City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

James Monagle
City Auditor

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Cover Photo:

Relocated and Newly Renovated Cambridge Public Safety Facility

In April 2005, the City purchased a shell building located at 125 Sixth Street in East Cambridge for build-out as the new Robert W. Healy Public Safety Facility. The newly built-out 5-story structure will house a state-of-the-art Police Headquarters and Emergency Communications Center. The roughly 100,000 square foot fully accessible Police Administration building will include 16 prisoner detention cells, a holding cell and juvenile cells, a media room, state of the art evidence processing and training facilities and a 91 car garage. This facility will also include the citywide Emergency Communications Center and 911 operation. Construction of the interior began in March 2007 and was completed and occupied in December 2008. Total project cost, for the building acquisition, design and construction build-out, is \$62 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive
Annual Financial Report

June 30, 2008

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CITY OF CAMBRIDGE, MASSACHUSETTS

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Introductory Section



City of Cambridge

FINANCE DEPARTMENT

LOUIS DePASQUALE

Assistant City Manager/Finance

December 19, 2008

Mr. Robert W. Healy
City Manager
City of Cambridge
Cambridge, Massachusetts 02139

Dear Mr. Healy:

The Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2008 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, 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 13 and 14. 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, 2007 which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.


Acknowledgments

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

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

Respectfully submitted,


Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs


James Monagle
City Auditor



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 19, 2008

The Honorable Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Cambridge, Massachusetts (the City), for the fiscal year ended June 30, 2008. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The CAFR is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City. Readers are further encouraged to consider this information in conjunction with the information that is supplied in the Management's Discussion and Analysis (MD&A) section of the City's basic financial statements.

Fiscal 2008 Year in Review: Major Initiatives/Highlights

During fiscal year 2008, the City continued the gains made in previous fiscal years. The general fund balance totaled \$167.5 million at year end, an increase of \$14.9 million (9.7%) over fiscal year 2007, and the largest in the City's history. The general fund increase allowed the City to increase its general fund reserves for the health claims trust (\$1.6 million increase), city stabilization fund (\$5.6 million increase), and school stabilization fund (\$0.9 million increase).

Real property assessed valuations increased from \$22.2 billion in fiscal year 2007 to \$23.5 billion in fiscal year 2008, a \$1.3 billion or 5.9% increase. The commercial sector realized a 13.6% gain in assessed value, \$1.0 billion from fiscal year 2007. The residential sector assessed values increased by \$0.3 billion, a 2.1% increase from fiscal year 2007. Also, in fiscal 2008, the City's property tax levy limit grew to \$331 million from \$305 million. In addition, the excess tax levy capacity, which is the difference between the levy limit and tax levy, was \$88.3 million in fiscal year 2008, an increase of \$14.6 million, or 19.8%, from fiscal year 2007.

The above indicators illustrate the City's continued strong financial position. Other significant fiscal achievements during fiscal year 2008 are as follows:

- In conjunction with the City's February 2008 bond sale, the three major credit rating agencies confirmed their highest rating available to cities, Fitch Ratings noted its superior 'AAA' credit rating was based on "Cambridge's well-diversified economy is characterized by favorable labor market conditions that continue to outperform those of the county, commonwealth, and nation. Exceptional financial management and planning are demonstrated by the City's strong financial position, characterized by ample reserve and liquidity levels." Moody's Investors Services assignment of its highest quality long-term rating noted that "Cambridge continues to maintain a very healthy financial position given a prudent fiscal strategy implemented by a strong management team, adoption of prudent fiscal policies in its fiscal 2008 budget, steady revenue streams generated by its substantial and economically vibrant tax base and a notable degree of flexibility to address future budgetary challenges." Standard and Poor's Rating Services assigned its 'AAA' rating, which "reflects the City's dynamic local economy, which is centered on Harvard University and the Massachusetts Institute of Technology (MIT); above-average wealth and income factors, including a high market

value per capita; strong financial position, due to an experienced management team, and strong management policies; and below-average debt burden and manageable capital plan.

- In addition to assigning its 'AAA' rating, Standard and Poor's revised its Financial Management Assessment (FMA) of the City from "good" to "strong" in February 2008. An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable. The strong rating indicates that the government maintains most best practices deemed critical to supporting credit quality and that these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue into the future and transcend changes in the operating environment or personnel.
- In February 2008, the City's issued \$69.9 million in general obligation bonds to finance a wide variety of projects including the Main Library Expansion, West Cambridge Youth and Community Center, Public Safety Facility, Sewer and Street Reconstruction Projects, the War Memorial and CRLS Renovation Projects. The true interest cost of this issue was 3.40%.
- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA), which allows the City to impose a surcharge of 3% on real estate taxes. The amount appropriated or reserved in FY08 was \$12.6 million and the City continued a recommended policy to allocate funds as follows: 80% to affordable housing, 10% to historic preservation and 10% to open space. During fiscal year 2008, the CPA tax raised \$6.3 million from local revenues with the State contributing matching funds of \$6.2 million. Through fiscal year 2008, the City appropriated or reserved \$72.2 million in CPA funds with approximately \$30.9 million attributable to State matching funds. To date, the City has received more CPA matching funds from the State than any other participating community.
- Established an Other Post-Employment Benefit (OPEB) Steering Committee, which oversaw the issuance of the City's first actuarial study to comply with the Government Accounting Standards Board (GASB) Statement No. 45, which included developing economic and actuarial cost assumptions and amortization methods. The OPEB Steering Committee will continue to develop funding strategies pending approval by the State to allow municipalities to create OPEB Trust Funds.
- As a result of continued strong fiscal management, the property tax levy for FY08 increased by only 4.55% when the City Council adopted the City Manager's property tax and classification recommendations in September 2007, which followed a 3.96% increase in FY07 and a 0% increase in FY06. During the past three years the average property tax levy increase is 2.8%. The FY08 Budget adopted in May 2007, reflected a 3.75% increase over the FY07 adjusted budget and called for a 5% increase in the property tax levy. However, the City was able to use additional nonproperty tax revenues and reserve balances to reduce the amount needed from the property tax levy to achieve the 4.55% increase. In FY08, the continued strong commercial market, coupled with a slight decrease in most residential property values, resulted in the continued property tax burden shift back to the commercial taxpayers from residential taxpayers for the third year in a row. As a result, 92.5% of the residential taxpayers received a property tax bill that was lower, the same, or only slightly higher (less than a \$100) than the previous year.
- Successfully completed the tri-annual Massachusetts Department of Revenue certification of real and personal property valuation process, without delay to the tax billing cycle, thereby ensuring uninterrupted tax income for the City.
- Developed the City's first Project Funding Agreement with the Massachusetts School Building Authority for the War Memorial Renovation Project, which yielded a \$9 million reimbursement to the City.

- The City's fiscal year free cash position of \$91.8 million was the largest free cash balance in the City's history.
- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved both these awards annually from the GFOA for the last 21 years.

Financial Summary

The City continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. Throughout the year, the City maintained a strong cash and investment position and once again did not issue any tax anticipation notes.

General Fund Balances and Cash Position

The City ended fiscal year 2008 with a total general fund balance of \$167.5 million, which represents 43.6% of general fund revenues, an increase from 40.7% in fiscal year 2007. In fiscal year 2008, operations produced a \$6.3 million surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$17.2 million was held as reserve accounts in fiscal year 2008, leaving an unreserved fund balance of \$150.3 million. General fund cash and short-term investments totaled \$193.4 million, while the balance of cash and short-term investments for all funds totaled \$380.7 million, which is a \$31.2 million, or 8.9% increase from fiscal year 2007.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 2000 through 2008.

	Unreserved general fund balance
	<hr/>
Fiscal year:	
2000	\$ 25,154,076
2001	31,879,786
2002 (1)	69,586,739
2003	85,286,219
2004	90,479,144
2005	100,050,320
2006	120,245,450
2007	134,869,147
2008	150,312,018

- (1) Upon implementation of GASB 34, fund balances from the health claims trust and City and school stabilization funds have been included in the general fund.

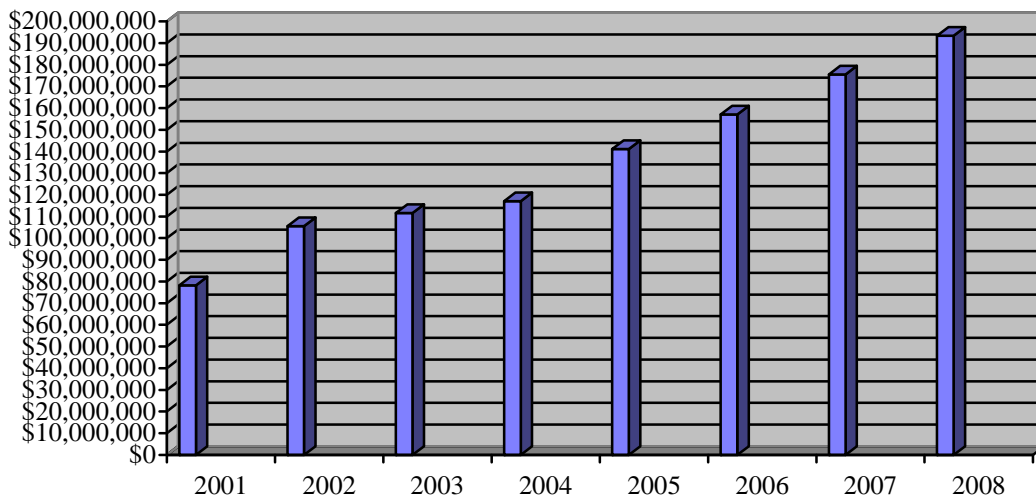
Cash Position

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

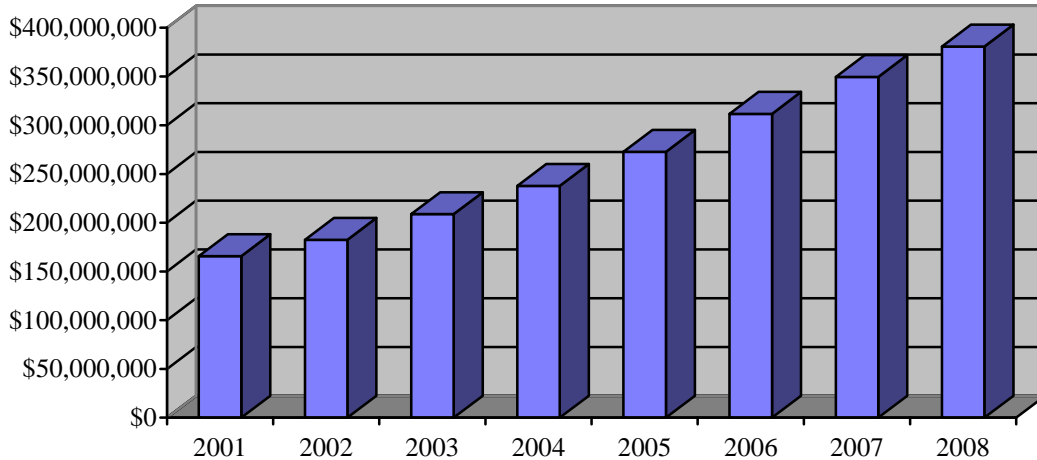
Fiscal year:	<u>Year-end general fund cash and short-term investments</u>	<u>Year-end all funds cash and short-term investments</u>
2001	\$ 78,235,106	165,618,341
2002 (1)	105,531,056	182,379,699
2003	111,601,721	208,777,005
2004	117,007,650	237,761,490
2005	141,163,873	272,770,097
2006	157,015,287	311,599,017
2007	175,514,111	349,547,200
2008	193,401,156	380,717,649

- (1) Upon implementation of GASB 34, fund balances from the health claims trust and City and school stabilization funds have been included in the general fund.

Year-End Cash Balance – General Fund



Year-End Cash Balance – All Funds



Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for the five-year period from fiscal year 2009 through fiscal year 2013, which was approved by the City Council in May 2008, has an estimated cost of \$211,839,275. Financing for the fiscal year 2009 portion of the capital plan was appropriated with the adoption of the fiscal year 2009 operating budget in May 2008.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. The City’s outstanding bonded debt as of June 30, 2008 totaled \$316.4 million.

Property Valuations

Based on valuations of all real and personal property as of January 1, 2007, the total value of all property in the City is \$23.5 billion. Of that total, \$1.2 billion is attributable to new construction. The table below compares fiscal year 2008 property valuations and tax rates to fiscal year 2007 valuations and tax rates.

	Property valuation		Tax rates	
	FY 2008	FY 2007	FY 2008	FY 2007
	(In millions)			
Commercial/industrial	\$ 8,377	7,372	17.24	18.30
Personal property	737	659	17.24	18.30
Residential	14,427	14,136	7.36	7.48
Total value	\$ 23,541	22,167		

Permanent Trust Fund

The City’s permanent trust fund has a total fund balance of \$3,293,206 at June 30, 2008 and is included in the other governmental funds column. The permanent trust fund is used for a variety of purposes including

awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books, and materials for the public library, and providing dental hygiene for school-age children.

Pension Liability

As of January 1, 2008, the City's unfunded actuarial accrued liability is approximately \$67.0 million. In January 1991, the City established a State-approved funding schedule that will eliminate the City's unfunded actuarial liabilities by June 30, 2013.

OPEB Liability

As of December 31, 2006, the City's unfunded actuarial accrued liability is approximately \$602.7 million. The City has not established a funding schedule for this liability.

Risk Management

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

Health insurance is provided to employees and retirees through managed care health plans. The City offers a variety of health maintenance organization (HMO) options including Blue Cross/Blue Shield's Blue Choice and HMO Blue, Harvard Community Health Plan and Tufts Associated Health Plan. All nonmedicare plans are paid on a claims basis. All four plans require at least a 12% employee and 10% retiree contribution with the remaining balance covered by the City.

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

Independent Audit

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2008 is included herein.

Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cambridge, Massachusetts, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Economic Condition

The City continues to experience strong economic activity as evidenced by a September 2008 unemployment rate of 3.8% that is lower than the Boston PMSA, the Commonwealth of Massachusetts, and the United States. Cambridge continues to be a net importer of jobs within the region. In calendar year 2007, the City's employment ratio was 106 jobs per 100 residents. Per capita personal income (PCPI) in the Cambridge metropolitan division is 51.3% higher than the PCPI for the USA, 20.0% higher than the State and 10% higher than Boston. Higher Education and Biotechnology continue to be important employment sectors for the City. Harvard University and the Massachusetts Institute of Technology, who employ approximately 18% of the City's workforce, continue to provide additional benefits for private employers locating to Cambridge. In addition, six of the top 25 employers fall into the Biotechnology sector, which employs approximately 7,000 individuals.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community.

The past fiscal year was another strong year for the finances of the City: with the excess levy capacity and free cash again increasing; actual revenues above projections; and increased total assessed values. These strong financial indicators combined with a AAA credit rating provide the City with enormous fiscal flexibility and stability.

These factors are important as we navigate through these difficult economic times, which will require us to look for ways to continue to expand nonproperty-tax revenue, encourage expansion of the tax base, exercise restraint on expenditures and strategically use our reserve funds. While Cambridge is not insulated from current economic realities, we have positioned ourselves well to respond to these challenges in order to preserve our high level of municipal services as well as meet the needs of our infrastructure that will benefit our citizens for decades to come.

Acknowledgments

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

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

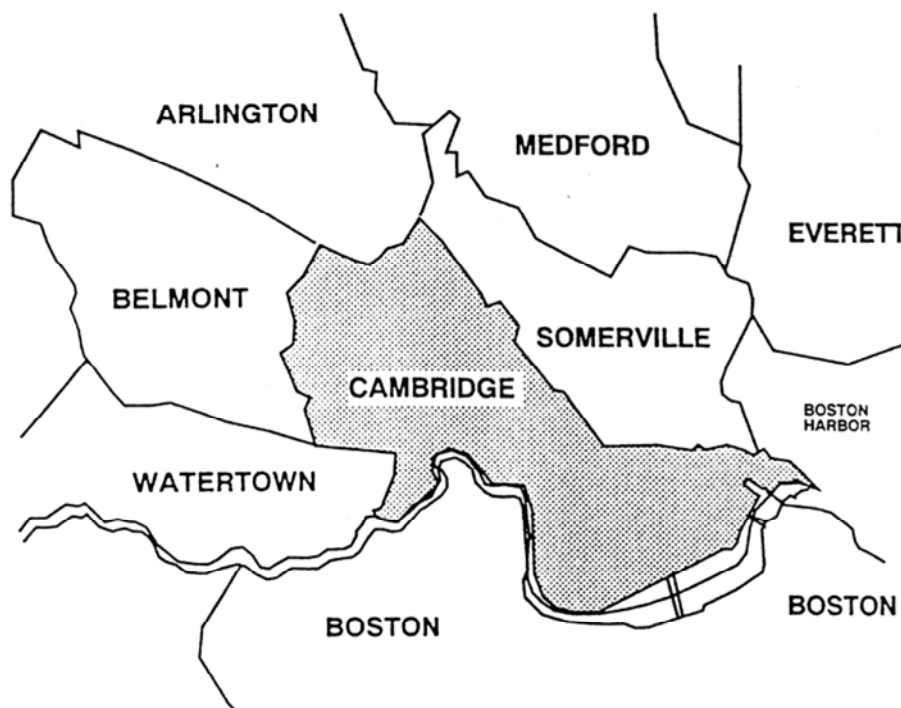
Finally, I would like to thank the City's delegation to the State Legislature, who has continually offered strong support on State fiscal matters that impact the City.

Very truly yours,



Robert W. Healy
City Manager

A Few Words About Cambridge



The City of Cambridge, Massachusetts is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west, the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. Based on the 2000 Census, the City's estimated population was 101,355.

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. The City has a Council-Manager form of government. The legislative and policy making body of the City is the nine-member City Council, whose members are elected at-large for two-year terms. The City Council elects a Mayor and Vice Mayor from among its members with the Mayor also serving as Chair of the School Committee.

The City Manager is the chief administrative officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 34 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires September 30, 2009.

The City Council also appoints members to certain boards and commissions as it deems necessary to assist in the operation of the City.

The School Committee is comprised of six elected members plus the Mayor, all of whom are elected for two-year terms. The School Superintendent is responsible for the day-to-day activities of the School Department and serves at the pleasure of the School Committee.

Fiscal Year 2008
Directory of Officials
City Council

E. Denise Simmons, Mayor

Brian Murphy, Vice Mayor	David P. Maher
Henrietta Davis	Kenneth E. Reeves
Marjorie C. Decker	Sam Seidel
Craig A. Kelley	Timothy J. Toomey, Jr.

School Committee

E. Denise Simmons, Chair

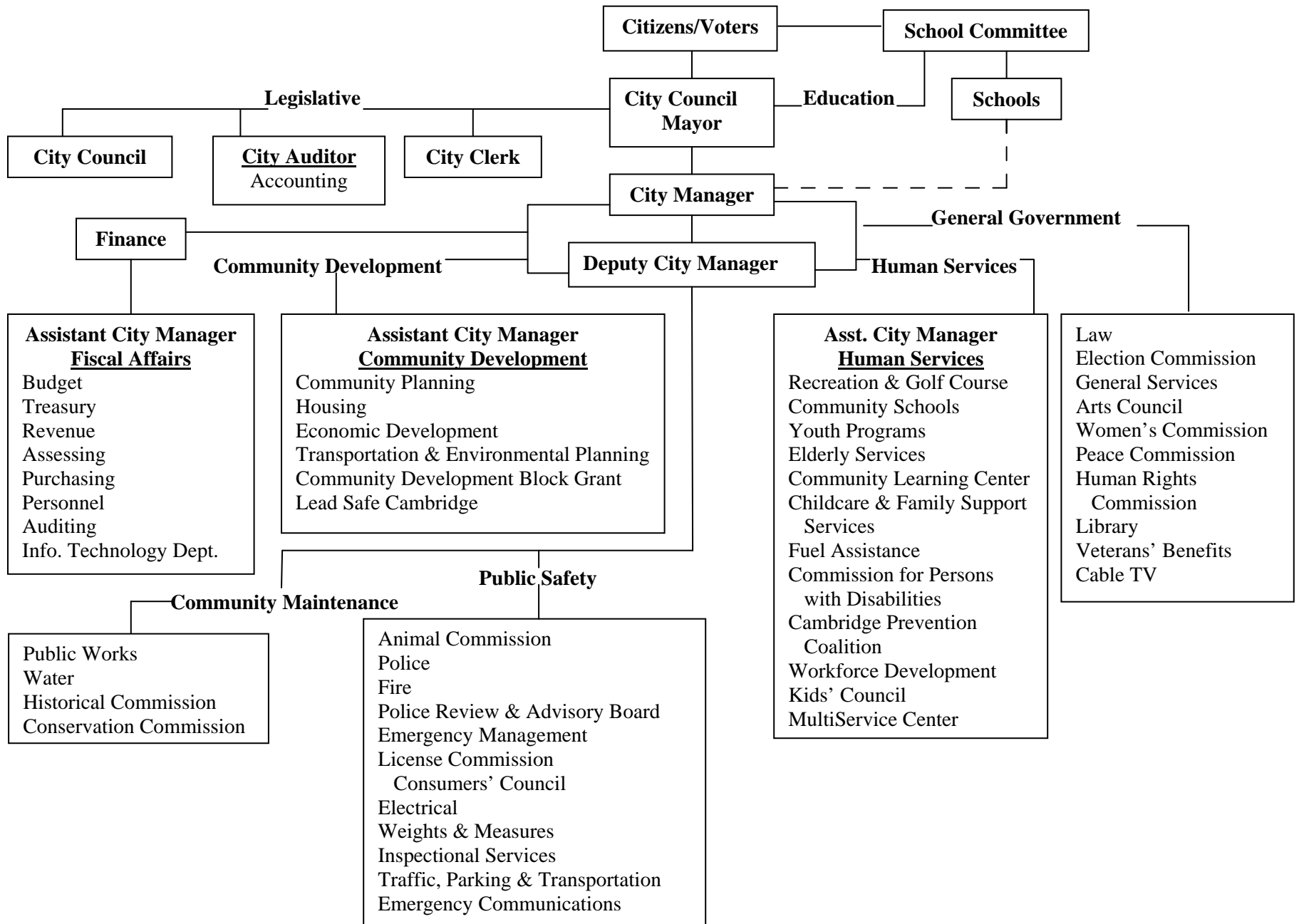
Alfred B. Fantini	Patricia M. Nolan
Joseph G. Grassi	Luc Schuster
Marc McGovern	Nancy Tauber

Principal Executive Officers

City Manager	Robert W. Healy
Deputy City Manager	Richard C. Rossi
Assistant City Manager for Fiscal Affairs and Treasurer/Collector	Louis A. DePasquale
Assistant City Manager for Community Development	Beth C. Rubenstein
Assistant City Manager for Human Services	Ellen M. Semonoff
City Auditor	James Monagle
City Solicitor	Donald A. Drisdell
City Clerk	D. Margaret Drury

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Financial Section



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to amounts included for that entity, is based solely on the report of the other auditors.

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

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in notes 10 and 9, the City, in 2008, implemented Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and No. 50, *Pension Disclosures*.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

December 19, 2008

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

(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, 2008. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which follow this section.

Overview of the Financial Statements

The City's financial statements present two types of statements each with a different view of the City's finances. This approach focuses on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City as whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole, with the exception of fiduciary activities, and use accounting methods similar to those used by the private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic position at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are reported even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2008

(Unaudited)

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

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

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

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

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

Fund Financial Statements

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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(Unaudited)

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

The City has several governmental funds; two 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 and the agency funds, which are used to account for assets held in agency capacity.

Notes to the Financial Statements

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

Required Supplementary Information

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

Government-Wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed net assets based on the statement of net assets found on page 13 of the financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

The City's combined net assets (governmental and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2008 by \$717.5 million (presented as net assets). Of this amount, \$231.3 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets are comprised of the following: the investment in capital assets such as land, buildings, equipment, and infrastructure (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$476.3 million indicating the amount of capital debt does not exceed the net book value of the City's capital assets. Since most of the City's debt has a ten-year life, a considerable amount of the City's capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Included within the governmental activities current and other assets are cash and investments of \$354.9 million up 10.1% over prior year; net receivables of \$27.9 million; and \$15.0 million due from the Cambridge Health Alliance.

Governmental activities long-term liabilities include \$282.9 million in general obligation bonds and notes payable; \$17.0 million in compensated absence liabilities for unused sick and vacation; \$10.1 million in future year workers' compensation and health benefits. The major increases in the long-term liabilities are the net increase in general obligation bonds of \$42.5 million which will be used for a public safety building, sewer projects, library remodeling and other large capital projects, and the increase in other postemployment benefit obligations of \$20.4 million, which is the result of the City's adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement required the City to account for other postemployment benefits, primarily retiree healthcare, on an accrual basis rather than a pay-as-you-go basis. The effect resulted in the recognition of an actuarially required contribution as an expense on the government-wide statement of activities and liability on the government-wide statement of net assets.

CITY OF CAMBRIDGE, MASSACHUSETTS

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June 30, 2008

(Unaudited)

Business-type activity long-term liabilities include \$39.5 million in general obligation bonds, \$0.5 million in compensated absences, and \$0.7 million in future year workers' compensation and health benefits. The net reduction of \$6.2 million in general obligation bonds compared to prior year is attributable to an aggressive ten-year repayment schedule for most debt.

Condensed Schedule of Net Assets

June 30, 2008 and 2007

(In millions)

	Governmental activities		Business-type activity		Total primary government	
	June 30		June 30		June 30	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 402.1	381.5	8.8	7.8	410.9	389.3
Capital assets	589.4	515.7	135.0	136.9	724.4	652.6
Total assets	\$ 991.5	897.2	143.8	144.7	1,135.3	1,041.9
Long-term liabilities	\$ 333.0	266.4	41.3	47.2	374.3	313.6
Other liabilities	42.1	36.9	1.3	0.9	43.4	37.8
Total liabilities	\$ 375.1	303.3	42.6	48.1	417.7	351.4
Net assets:						
Invested in capital assets, net of debt	\$ 381.8	357.5	94.4	90.5	476.2	448.0
Restricted	10.0	5.3	—	—	10.0	5.3
Unrestricted	224.5	231.0	6.8	6.0	231.3	237.0
Total net assets	\$ 616.3	593.8	101.2	96.5	717.5	690.3

Statement of Changes in Net Assets

The City's total net assets increased by \$27.2 million in fiscal year 2008 of which the governmental activities net assets increased \$22.5 million and the business-type activity increased \$4.7 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2008

(Unaudited)

This summary of net changes is based upon the statement found on page 14 of the financial statements.

Condensed Schedule of Changes in Net Assets

June 30, 2008 and 2007

(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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 77.2	73.6	19.6	19.0	96.8	92.6
Operating grants and contributions	27.2	26.2	—	—	27.2	26.2
Capital grants and contributions	16.1	6.5	—	—	16.1	6.5
General revenues:						
Taxes:						
Property taxes levied	238.4	230.7	—	—	238.4	230.7
Excises	13.7	12.5	—	—	13.7	12.5
Payment in lieu of taxes	7.3	6.9	—	—	7.3	6.9
Grants and contributions not restricted	40.1	41.3	—	—	40.1	41.3
Investment income	12.5	14.4	0.2	0.2	12.7	14.6
Miscellaneous	18.0	16.8	—	—	18.0	16.8
Total revenues	<u>450.5</u>	<u>428.9</u>	<u>19.8</u>	<u>19.2</u>	<u>470.3</u>	<u>448.1</u>
Expenses:						
General government	35.2	36.4	—	—	35.2	36.4
Public safety	100.5	88.3	—	—	100.5	88.3
Community maintenance and development	61.7	56.7	—	—	61.7	56.7
Human resource development	37.4	33.7	—	—	37.4	33.7
Education	151.0	138.7	—	—	151.0	138.7
State and district assessments	33.6	31.3	—	—	33.6	31.3
Water department	—	—	14.4	13.7	14.4	13.7
Interest	9.3	8.3	—	—	9.3	8.3
Total expenses	<u>428.7</u>	<u>393.4</u>	<u>14.4</u>	<u>13.7</u>	<u>443.1</u>	<u>407.1</u>
Excess before transfers	21.8	35.5	5.4	5.5	27.2	41.0
Transfers	<u>0.7</u>	<u>0.5</u>	<u>(0.7)</u>	<u>(0.5)</u>	<u>—</u>	<u>—</u>
Change in net assets	22.5	36.0	4.7	5.0	27.2	41.0
Net assets – beginning	<u>593.8</u>	<u>557.8</u>	<u>96.5</u>	<u>91.5</u>	<u>690.3</u>	<u>649.3</u>
Net assets – ending	<u>\$ 616.3</u>	<u>593.8</u>	<u>101.2</u>	<u>96.5</u>	<u>717.5</u>	<u>690.3</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

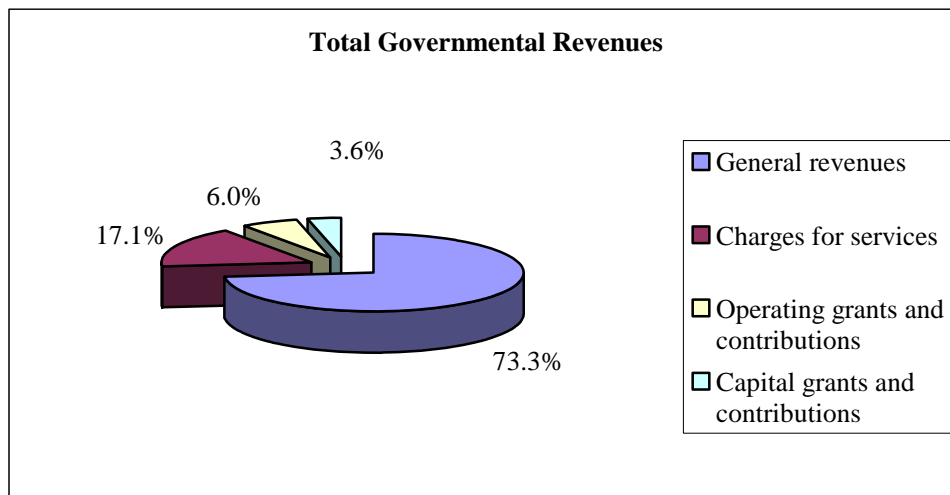
Required Supplementary Information
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(Unaudited)

Total Revenues

Total governmental activities revenues for the City are comprised of general revenues of \$330.0 million, charges for services \$77.2 million, operating grants and contributions \$27.2 million and capital grants and contributions of \$16.1 million.



General

Real estate tax revenues are the City's largest revenue source at \$238.4 million representing 72.1% of general revenues. The assessed tax valuation base is \$23.5 billion up from \$22.2 billion assessed in the prior year showing a 5.9% increase mainly due to new construction.

Grants and contributions not restricted to specific programs is \$40.1 million representing 12.1% of general revenues and include state cherry sheet revenues and other unrestricted contributions.

Program

Charges for services are \$77.2 million and represent a variety of department revenues. Charges for services increased \$3.6 million from the prior year. The public safety portion of \$34.6 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$39.0 million includes sewer service revenues, community cable revenues, as well as, other public works type fees. This category increased by \$0.4 million from the prior year.

Operating grants and contributions of \$27.2 million represents several federal and state grants restricted to specific grant conditions. This amount accounts for approximately 6.0% of the total City revenues.

Capital grants and contributions of \$16.1 million include community development capital grants, State revolving grants, and other capital restricted revenues.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

(Unaudited)

Expenses

For fiscal year ended June 30, 2008, expenses for governmental activities totaled \$428.8 million, which cover a range of services. On the whole, the City's expenditures increased \$35.4 million or 9.0% over prior year. This increase is primarily attributable to other postemployment benefit costs.

Education continues to be one of the City's highest priorities and commitments representing \$151.0 million or 35.2% of the total governmental activities expenses.

Another important issue to the City is affordable housing and the preservation of open space. This is the seventh year of the Community Preservation Act (CPA). This program fosters the investment into permanent affordable housing projects, preservation of historic locations and the protection of open space. Expenditures related to these initiatives are recorded in the Community Maintenance and Development category. During 2008, the City spent \$6.2 million from the Affordable Housing Trust to subsidize housing projects.

Business-Type Activity

Business-type activity increased net assets by \$4.7 million, accounting for 4.8% of the total growth in the City's net assets.

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 \$327.9 million. Of this amount, \$26.9 million is reserved for other purposes and \$67.1 million is reserved for encumbrances. This leaves an unreserved balance of \$233.9 million.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance was \$150.3 million, while the total fund balance was \$167.5 million. This reflects an increase over fiscal year 2007 of \$15.4 million and \$14.8 million, respectively. A portion of the change is due to the \$6.8 million increase in property tax revenue. The increase is approximately 3%, which is consistent with the overall tax levy rise above fiscal year 2007 of 4.5%. Also, intergovernmental revenue increased by \$2.9 million due to the collection of \$7.5 million from the Massachusetts School Building Authority related to the prior year receivable. Finally, Departmental and other revenue also jumped by \$1.7 million mainly due to increases in building permits and other construction-type permits. The offsets to the revenue increases discussed above were higher debt service payments and increased employee benefits costs.

As a measure of liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 40.0% of total General Fund expenditures, while the total balance represents 44.3% of that same amount.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

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(Unaudited)

The capital fund is the fund that captures all the capital projects expenditures for the City. At the end of fiscal year 2008, the total fund balance was \$91.2 million. This reflects an increase over the prior fiscal year of \$4.1 million. The major increase in fund balance is due to the issuance of debt.

Proprietary Fund

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

Unrestricted net assets of the Water Fund at the end of the year was \$6.8 million and an investment in capital assets, net of related debt of \$94.4 million.

General Fund Budgetary Highlights

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

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

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

Revenues and other Financing Sources

Fiscal year 2008 actual revenues on a budgetary basis totaled \$375.8 million. This represents an increase of \$10.7 million or 2.9% from fiscal year 2007. Property taxes are the single largest revenue source, representing approximately 63.3% of general fund revenues, net of abatements. Intergovernmental receipts comprise the City's next largest revenue source, representing 12.7%.

Expenditures

During fiscal year 2008, total expenditures increased on a budgetary basis by 3.3% from \$371.1 million to \$383.4 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2008
(Unaudited)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2008, the City's investment in capital assets for its governmental and business-type activity amounted to \$724.4 million (net of depreciation). This investment in capital assets includes 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 \$322.4 million in outstanding bonds and notes compared to \$286.1 million last year.

	<u>Governmental activities</u>		<u>Business-type activity</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In millions)					
General obligation bonds and notes payable \$	282.9	240.4	39.5	45.7	322.4	286.1

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 \$12.6 million, or 5.2%, to \$254.9 million in fiscal year 2009. Despite this increase, the City's excess tax capacity, an extremely important indication of the City's financial health, increased from \$88.3 million in FY 08 to \$92.7 million in FY 09, a 5.0% increase.

The operating budget increased 5.0% over the FY 08 adjusted budget. The increase is attributable to a 4.4% salary increase cost for all employees, a 12.8% increase in employee health insurance, a 3.0% increase in employee pension costs, a 4.6% combined increase in Massachusetts Water Resources Authority and State (Cherry Street) assessments, energy increases of 16.2% and a property tax-supported debt service increase of 9.7%. The capital budget of \$28.6 million is an increase of approximately \$8.6 million from the prior year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional information should be addressed to: City of Cambridge, Attn: City Auditor, 795 Massachusetts Avenue, Cambridge, MA 02139 3219.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets

June 30, 2008

Assets	Primary government			Component unit
	Governmental activities	Business-type activity	Total	
Cash and investments	\$ 354,917,113	4,114,475	359,031,588	183,023,450
Cash and investments held by trustees	600,000	—	600,000	18,108,053
Receivables, net:				
Property taxes	4,198,322	—	4,198,322	—
Motor vehicle excise	1,153,628	—	1,153,628	—
Tax title and possessions	2,596,898	—	2,596,898	—
Intergovernmental	5,808,793	—	5,808,793	—
Other	14,147,544	4,608,201	18,755,745	19,305,506
Other assets	3,662,881	110,129	3,773,010	94,385,949
Internal balances	(32,723)	32,723	—	—
Due from component unit	15,000,000	—	15,000,000	—
Capital assets:				
Nondepreciable	336,933,755	46,239,290	383,173,045	12,286,565
Depreciable, net	252,479,472	88,739,528	341,219,000	225,335,093
Total assets	991,465,683	143,844,346	1,135,310,029	552,444,616
Liabilities				
Warrants and accounts payable	14,748,224	547,835	15,296,059	126,762,108
Accrued liabilities:				
Tax abatements	4,500,000	—	4,500,000	—
Accrued payroll	12,741,383	86,496	12,827,879	12,681,517
Accrued interest	4,591,123	674,506	5,265,629	—
Other	5,547,653	—	5,547,653	8,432,900
Unearned revenue	—	—	—	40,239,388
Due to primary government	—	—	—	15,000,000
Long-term liabilities:				
Due within one year:				
Bonds and notes payable	32,715,060	6,284,829	38,999,889	533,333
Capital leases	—	—	—	8,766,949
Due to third parties	—	—	—	9,609,138
Compensated absences	6,420,000	165,000	6,585,000	15,946,811
Landfill	25,000	—	25,000	—
Claims	5,243,000	169,000	5,412,000	—
Due in more than one year:				
Bonds and notes payable	252,514,921	33,836,518	286,351,439	6,933,333
Capital leases	—	—	—	26,000,717
Due to third parties	—	—	—	46,208,651
Compensated absences	10,610,000	313,000	10,923,000	—
Landfill	300,000	—	300,000	—
Claims	4,832,000	565,000	5,397,000	—
Other postemployment benefit obligation	20,363,504	—	20,363,504	12,764,527
Total liabilities	375,151,868	42,642,184	417,794,052	329,879,372
Net Assets				
Investment in capital assets, net of related debt	381,832,841	94,430,046	476,262,887	180,791,433
Restricted for:				
Community preservation	6,097,176	—	6,097,176	—
Expendable permanent funds	1,309,398	—	1,309,398	—
Nonexpendable permanent funds	1,983,808	—	1,983,808	—
Other purposes	600,000	—	600,000	5,249,638
Unrestricted	224,490,592	6,772,116	231,262,708	36,524,173
Total net assets	\$ 616,313,815	101,202,162	717,515,977	222,565,244

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2008

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activity	Total	
Primary government:								
Governmental activities:								
General government	\$ 35,225,912	493,643	—	—	(34,732,269)	—	(34,732,269)	—
Public safety	100,538,293	34,640,573	—	—	(65,897,720)	—	(65,897,720)	—
Community maintenance and development	61,727,373	38,967,973	1,539,175	7,293,004	(13,927,221)	—	(13,927,221)	—
Human resource development	37,432,501	3,142,447	14,259,716	1,898,919	(18,131,419)	—	(18,131,419)	—
Education	150,992,375	—	11,439,868	6,937,888	(132,614,619)	—	(132,614,619)	—
State and district assessments	33,567,157	—	—	—	(33,567,157)	—	(33,567,157)	—
Interest on long-term debt	9,303,724	—	—	—	(9,303,724)	—	(9,303,724)	—
Total governmental activities	<u>428,787,335</u>	<u>77,244,636</u>	<u>27,238,759</u>	<u>16,129,811</u>	<u>(308,174,129)</u>	<u>—</u>	<u>(308,174,129)</u>	
Business-type activity:								
Water	14,411,374	19,597,687	—	—	—	5,186,313	5,186,313	—
Total business-type activity	<u>14,411,374</u>	<u>19,597,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,186,313</u>	<u>5,186,313</u>	
Total primary government	<u>\$ 443,198,709</u>	<u>96,842,323</u>	<u>27,238,759</u>	<u>16,129,811</u>	<u>(308,174,129)</u>	<u>5,186,313</u>	<u>(302,987,816)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 1,120,972,121	221,227,532	890,529,470	—				(9,215,119)
Total component units	<u>\$ 1,120,972,121</u>	<u>221,227,532</u>	<u>890,529,470</u>	<u>—</u>				<u>(9,215,119)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					238,400,940	—	238,400,940	—
Excises					13,676,112	—	13,676,112	—
Payments in lieu of taxes					7,318,567	—	7,318,567	—
Grants and contributions not restricted					40,149,251	—	40,149,251	—
Investment income					12,467,474	165,383	12,632,857	6,674,156
Miscellaneous					17,961,549	—	17,961,549	—
Transfers					678,130	(678,130)	—	—
Total general revenues and transfers					<u>330,652,023</u>	<u>(512,747)</u>	<u>330,139,276</u>	<u>6,674,156</u>
Change in net assets					22,477,894	4,673,566	27,151,460	(2,540,963)
Net assets – beginning					593,835,921	96,528,596	690,364,517	225,106,207
Net assets – ending					<u>\$ 616,313,815</u>	<u>101,202,162</u>	<u>717,515,977</u>	<u>222,565,244</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2008

Assets	General	Capital fund	Other governmental funds	Total governmental funds
Cash and investments	\$ 193,401,156	97,510,537	64,005,420	354,917,113
Cash and investments held by trustees			600,000	600,000
Receivables, net:				
Property taxes	4,198,322	—	—	4,198,322
Motor vehicle excise	1,153,628	—	—	1,153,628
Tax title and possessions	2,596,898	—	—	2,596,898
Intergovernmental	1,148,862	2,670,593	1,989,338	5,808,793
Departmental and other	9,536,320	—	4,611,224	14,147,544
Total receivables	<u>18,634,030</u>	<u>2,670,593</u>	<u>6,600,562</u>	<u>27,905,185</u>
Other assets	2,103,996	—	—	2,103,996
Due from other funds	—	904,969	—	904,969
Due from component unit	15,000,000	—	—	15,000,000
Total assets	<u>\$ 229,139,182</u>	<u>101,086,099</u>	<u>71,205,982</u>	<u>401,431,263</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 3,983,530	9,839,324	925,370	14,748,224
Accrued liabilities:				
Tax abatements	3,500,000	—	—	3,500,000
Claims	5,243,000	—	—	5,243,000
Accrued payroll	12,597,702	16,609	127,072	12,741,383
Other	4,012,634	—	35,019	4,047,653
Deferred revenue	32,250,869	—	68,260	32,319,129
Due to other funds	32,723	—	904,969	937,692
Total liabilities	<u>61,620,458</u>	<u>9,855,933</u>	<u>2,060,690</u>	<u>73,537,081</u>
Fund balances:				
Reserved for:				
Deposits	2,037,345	—	—	2,037,345
Encumbrances	4,120,704	60,283,200	2,682,707	67,086,611
Future appropriations	11,000,000	—	—	11,000,000
Reserved for specific purposes	48,657	—	6,697,176	6,745,833
Loans	—	—	3,785,120	3,785,120
Permanent funds	—	—	3,293,206	3,293,206
Unreserved, reported in:				
General fund	150,312,018	—	—	150,312,018
Capital fund	—	30,946,966	—	30,946,966
Special revenue funds	—	—	52,687,083	52,687,083
Total fund balances	<u>167,518,724</u>	<u>91,230,166</u>	<u>69,145,292</u>	<u>327,894,182</u>
Total liabilities and fund balances	<u>\$ 229,139,182</u>	<u>101,086,099</u>	<u>71,205,982</u>	<u>401,431,263</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2008

Total fund balance – governmental funds	\$ <u>327,894,182</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>589,413,227</u>
Adjust deferred revenues to record revenues on an accrual basis	<u>32,319,129</u>
Bond issuance costs are capitalized in the government-wide statements	<u>1,558,885</u>
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	285,229,981
Accrued interest on bonds	4,591,123
Compensated absences	17,030,000
Landfill	325,000
Claims	4,832,000
Tax abatements	1,000,000
Other postemployment benefits	20,363,504
Other	<u>1,500,000</u>
	<u>334,871,608</u>
Net assets of governmental activities	\$ <u><u>616,313,815</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2008

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Real and personal property taxes	\$ 238,747,275	—	—	238,747,275
Excises:				
Hotel/motel	6,862,581	—	—	6,862,581
Motor vehicles	6,649,769	—	—	6,649,769
Payments in lieu of taxes	7,318,567	—	—	7,318,567
Intergovernmental	47,575,390	16,129,811	27,238,759	90,943,960
Investment income	9,295,172	526,575	2,645,727	12,467,474
Sewer use charges	36,874,045	—	—	36,874,045
Departmental and other	30,721,070	1,279,983	27,356,973	59,358,026
Total revenues	<u>384,043,869</u>	<u>17,936,369</u>	<u>57,241,459</u>	<u>459,221,697</u>
Expenditures:				
Current:				
General government	32,571,741	—	128,755	32,700,496
Public safety	89,514,125	—	666,951	90,181,076
Community maintenance and development	33,331,070	16,610	10,002,511	43,350,191
Human resource development	23,943,570	—	7,412,115	31,355,685
Education	124,531,085	—	14,715,542	139,246,627
Judgments and claims	114,641	—	—	114,641
State and district assessments	39,567,157	—	—	39,567,157
Capital outlays	—	96,656,495	—	96,656,495
Debt service	34,124,205	—	—	34,124,205
Total expenditures	<u>377,697,594</u>	<u>96,673,105</u>	<u>32,925,874</u>	<u>507,296,573</u>
Excess (deficiency) of revenues over expenditures	<u>6,346,275</u>	<u>(78,736,736)</u>	<u>24,315,585</u>	<u>(48,074,876)</u>
Other financing sources (uses):				
Premium on debt issuance	411,360	—	—	411,360
Issuance of debt	—	71,601,220	—	71,601,220
Transfers in	16,882,130	11,267,172	10,080,000	38,229,302
Transfers out	(8,781,700)	—	(28,769,472)	(37,551,172)
Total other financing (uses) sources	<u>8,511,790</u>	<u>82,868,392</u>	<u>(18,689,472)</u>	<u>72,690,710</u>
Excess of revenues and other financing sources over expenditures and other financing uses	14,858,065	4,131,656	5,626,113	24,615,834
Fund balance – beginning	<u>152,660,659</u>	<u>87,098,510</u>	<u>63,519,179</u>	<u>303,278,348</u>
Fund balance – ending	\$ <u>167,518,724</u>	<u>91,230,166</u>	<u>69,145,292</u>	<u>327,894,182</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, 2008

Net change in fund balances – total governmental funds	\$ <u>24,615,834</u>
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, (\$94,264,563) exceeded depreciation expense (\$20,568,757)	<u>73,695,806</u>
Revenues are recorded on an accrual basis.	<u>(8,417,049)</u>
Proceeds of long-term debt (\$71,601,220) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$29,131,783) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	<u>(42,469,437)</u>
Premiums received are revenues in the governmental funds, but are increases to long-term liabilities, net of amortization, in the statement of net assets	<u>(102,129)</u>
Bond issuance costs are expenditures in the governmental funds, but are deferred assets, net of amortization, in the statement of net assets	<u>228,385</u>
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	<u>(20,363,504)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000), and compensated absences (\$285,000), offset by the increase in noncurrent claims of (\$3,432,000), accrued interest (\$838,012), and other items (\$750,000)	<u>(4,710,012)</u>
Change in net assets of governmental activities	\$ <u><u>22,477,894</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2008

	<u>Enterprise fund</u> <u>Water fund</u> <u>fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,114,475
Receivables, net	4,608,201
Due from other funds	32,723
Total current assets	<u>8,755,399</u>
Noncurrent assets:	
Other	110,129
Capital assets:	
Nondepreciable	46,239,290
Depreciable, net	88,739,528
Total noncurrent assets	<u>135,088,947</u>
Total assets	<u>143,844,346</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	547,835
Accrued liabilities:	
Claims	169,000
Compensated absences	165,000
Accrued payroll	86,496
Interest	674,506
Current portion of long-term debt	6,284,829
Total current liabilities	<u>7,927,666</u>
Noncurrent liabilities:	
Bonds payable	33,836,518
Accrued liabilities:	
Claims	565,000
Compensated absences	313,000
Total noncurrent liabilities	<u>34,714,518</u>
Total liabilities	<u>42,642,184</u>
Net assets:	
Investment in capital assets, net of related debt	94,430,046
Unrestricted	6,772,116
Total net assets	\$ <u><u>101,202,162</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2008

	Enterprise fund
	Water fund
	fund
Operating revenues:	
Charges for services	\$ 19,597,687
Total operating revenues	<u>19,597,687</u>
Operating expenses:	
Administration	3,202,566
Service and support programs	6,616,012
Depreciation	<u>2,785,906</u>
Total operating expenses	<u>12,604,484</u>
Operating income	<u>6,993,203</u>
Nonoperating revenue (expense):	
Investment earnings – other	165,383
Interest expense	<u>(1,806,890)</u>
Nonoperating expense	<u>(1,641,507)</u>
Income before transfers	5,351,696
Transfers to other funds	<u>(678,130)</u>
Change in net assets	4,673,566
Total net assets – beginning	<u>96,528,596</u>
Total net assets – ending	<u>\$ 101,202,162</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows – Proprietary Fund

Year ended June 30, 2008

	<u>Enterprise fund</u> <u>Water fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 19,516,464
Cash paid to vendors	(6,028,757)
Cash paid to employees	(2,864,988)
Net cash provided by operating activities	<u>10,622,719</u>
Cash flows from noncapital financing activities:	
Transfers	(678,130)
Net cash used in noncapital financing activities	<u>(678,130)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(908,775)
Interest paid on debt	(2,014,799)
Repayment of long-term debt	(6,203,673)
Net cash used in capital and related financing activities	<u>(9,127,247)</u>
Cash flows from investing activities:	
Investment income	<u>165,383</u>
Net cash provided by investing activities	<u>165,383</u>
Increase in cash and cash equivalents	982,725
Cash and cash equivalents, beginning of year	<u>3,131,750</u>
Cash and cash equivalents, end of year	<u>\$ 4,114,475</u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 6,993,203
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation	2,785,906
Amortization of deferred loss on refunding	98,103
Changes in operating assets and liabilities:	
Accounts receivable	(81,223)
Other liabilities	826,730
Net cash provided by operating activities	<u>\$ 10,622,719</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2008

	Employee retirement plan (as of December 31, 2007)
Additions:	
Contributions:	
Employers	\$ 25,947,508
Plan members	20,071,540
Other systems	2,056,814
Commonwealth of Massachusetts	1,198,770
Total contributions	<u>49,274,632</u>
Investment earnings:	
Interest and dividends	13,126,793
Securities lending income	5,316,540
Net appreciation in the fair value of investments	67,191,856
Less management fees	(4,682,561)
Less borrower rebates and fees under securities lending program	<u>(5,022,765)</u>
Net investment earnings	<u>75,929,863</u>
Total additions	<u>125,204,495</u>
Deductions:	
Benefits	40,790,082
Refunds of contributions	3,030,083
Other systems	1,589,069
Administrative expenses	830,697
Total deductions	<u>46,239,931</u>
Change in net assets	78,964,564
Net assets, beginning of year	<u>710,361,599</u>
Net assets, end of year	<u><u>\$ 789,326,163</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(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, have full authority for operations of the school system and appoint 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, 2007. The System does not issue stand alone financial statements. The System is included in the City's fiduciary fund financial statements.

(c) *Discretely Presented Component Unit*

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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

Complete financial statements for the CHA for its fiscal year ended June 30, 2007 are available from its offices on 101 Station Landing, 5th Floor, Medford, Massachusetts 02155.

(d) *Related Organizations*

The Manager is also responsible for appointing four of five board members to the Cambridge Housing Authority, subject to confirmation by the Council. However, the City's accountability for this organization does not extend beyond making these appointments.

(2) Summary of Significant Accounting Policies

The following is a summary of the more significant policies followed by the City:

(a) *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which 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.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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

Government-Wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

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

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

Proprietary Fund Financial Statements

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

Standards Board. Governments also have the *option* of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

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

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.

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

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

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

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

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

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

(c) *Cash Equivalents*

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

The System considers short-term pooled money market funds to be cash equivalents. At December 31, 2007, such funds amount to approximately \$12,933,538.

(d) *Basis of Investment Valuation*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(f) Uncollectible Tax and Other Receivables

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

(g) Capital Assets

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

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

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

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

(h) Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The cost of compensated absences for employees is recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured (i.e., come due for

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

payment). The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

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

Premiums, discounts, and issue costs – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

(j) *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) *Securities Lending Transactions*

Collateral received on securities lending transactions is reported as an asset with a corresponding liability to the borrower. The underlying securities lent to the borrower under these transactions are reported as investments. Borrower rebates and administrative fees are reported as expenses; interest and dividends on the underlying securities and related collateral are reported as revenues.

(l) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2008, 100% of the landfill site had been used and has not accepted solid waste for several years. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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(m) Use of Estimates

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

(3) Deposits and Investments

(a) Deposits

State and local statutes place certain limitations on the nature of deposits and investments available to the City. The City's policies require that deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized or insured by the financial institution involved.

(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, 2008, the bank balances of uninsured and uncollateralized deposits are as follows:

Primary government	\$	67,818,983
Discretely presented component unit (CHA)		<u>11,792,286</u>
	\$	<u><u>79,611,269</u></u>

(b) Investments

Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

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

(i) System Investment Policy

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

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Notes to Basic Financial Statements

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

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

(ii) Interest Rate Risk

The following is a listing of the primary government’s fixed income investments and related maturity schedule (in years) as of June 30, 2008:

<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	\$ 254,738,210	254,738,210	—	—	—
Certificates of deposit	250,000	250,000	—	—	—
U.S. agencies	9,118,076	—	9,118,076	—	—
Subtotal city	<u>264,106,286</u>	<u>254,988,210</u>	<u>9,118,076</u>	<u>—</u>	<u>—</u>
System (as of December 31, 2007):					
Cash collateral pool	124,532,886	124,532,886	—	—	—
U.S. Treasury notes and bonds	10,762,744	—	4,556,576	3,845,912	2,360,256
U.S. agencies	3,844,895	114,874	404,474	1,326,970	1,998,577
Domestic corporate	43,896,669	1,079,619	12,342,450	20,064,585	10,410,015
Asset-backed:					
CMOs	5,210,925	—	—	478,790	4,732,135
Other	2,601,970	—	738,385	489,339	1,374,246
Pooled fixed-income investments	<u>80,918,647</u>	<u>—</u>	<u>—</u>	<u>80,918,647</u>	<u>—</u>
Subtotal system	<u>271,768,736</u>	<u>125,727,379</u>	<u>18,041,885</u>	<u>107,124,243</u>	<u>20,875,229</u>
Total	<u>\$ 535,875,022</u>	<u>380,715,589</u>	<u>27,159,961</u>	<u>107,124,243</u>	<u>20,875,229</u>
Discretely presented component unit (CHA):					
Money market	\$ 46,733,591	46,733,591	—	—	—
MMDT	152,491,858	152,491,858	—	—	—
U.S. Treasury notes and bonds	202,547	202,547	—	—	—
U.S. agencies	5,820,177	5,719,242	100,935	—	—
Domestic corporate	<u>2,176,289</u>	<u>2,176,289</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total discretely presented component unit (CHA)	<u>\$ 207,424,462</u>	<u>207,323,527</u>	<u>100,935</u>	<u>—</u>	<u>—</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

(iii) Credit Risk

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

The primary government’s fixed income investments as of June 30, 2008 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale:

<u>Investment type</u>	<u>Fair value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>Less than BB</u>	<u>Not rated</u>
City:								
Money market/MMDT	\$ 254,738,210	—	—	—	—	—	—	254,738,210
Certificates of deposit	250,000	—	—	—	—	—	—	250,000
US Agencies	9,118,076	9,118,076	—	—	—	—	—	—
Domestic corporate	—	—	—	—	—	—	—	—
Subtotal city	<u>264,106,286</u>	<u>9,118,076</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>254,988,210</u>
System (as of December 31, 2007):								
Cash collateral pool	124,532,886	—	—	—	—	—	—	124,532,886
U.S. agencies	3,844,895	3,844,895	—	—	—	—	—	—
Domestic corporate	43,896,669	423,723	4,772,248	7,911,586	2,840,748	6,067,920	21,007,225	873,219
Asset-backed:								
CMOs	5,210,925	5,145,884	—	—	—	—	—	65,041
Other	2,601,970	1,327,034	—	—	—	280,412	97,896	896,628
Pooled fixed-income investments	<u>80,918,647</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,918,647</u>
Subtotal system	<u>261,005,992</u>	<u>10,741,536</u>	<u>4,772,248</u>	<u>7,911,586</u>	<u>2,840,748</u>	<u>6,348,332</u>	<u>21,105,121</u>	<u>207,286,421</u>
Total	<u>\$ 525,112,278</u>	<u>19,859,612</u>	<u>4,772,248</u>	<u>7,911,586</u>	<u>2,840,748</u>	<u>6,348,332</u>	<u>21,105,121</u>	<u>462,274,631</u>
Discretely presented component unit (CPHC):								
Money market	\$ 46,733,591	Not rated						
MMDT	152,491,858	Not rated						
U.S. agencies	5,820,177	Rated “A” or better						
Domestic corporate	<u>2,176,289</u>	Rated “A” or better						
Total discretely presented component unit (CHA)	<u>\$ 207,221,915</u>							

In addition to the above schedule, the System and CHA had \$10,762,744 and \$202,547 respectively, invested in U.S. government securities, which are not rated as they are explicitly guaranteed by the U.S. government.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(iv) Concentration Risk

The System has no individual investments, at fair value, that exceed 5% of the System's net assets held in trust for pension benefits as of December 31, 2007.

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

(v) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System's asset allocation model which serves as a proxy for a foreign currency policy, limits the amount of foreign currency exposure to 18% 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, 2007, 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.

<u>Currency</u>	
International equity pooled funds (various currencies)	\$ 138,695,389
International fixed income pooled funds (various currencies)	<u>23,000,642</u>
	<u>\$ 161,696,031</u>

(4) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the modified accrual basis of accounting, described in note 2.

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

(5) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,207,775	—	—	165,207,775
Construction in progress	<u>96,878,383</u>	<u>88,084,916</u>	<u>(13,237,319)</u>	<u>171,725,980</u>
Total capital assets not being depreciated	<u>262,086,158</u>	<u>88,084,916</u>	<u>(13,237,319)</u>	<u>336,933,755</u>
Capital assets being depreciated:				
Buildings and improvements	197,975,238	3,001,579	—	200,976,817
Improvements – nonbuilding	45,225,089	702,316	—	45,927,405
Furniture and equipment	44,750,489	2,979,800	—	47,730,289
Infrastructure	<u>203,914,717</u>	<u>12,733,271</u>	<u>—</u>	<u>216,647,988</u>
Total capital assets being depreciated	<u>491,865,533</u>	<u>19,416,966</u>	<u>—</u>	<u>511,282,499</u>
Less accumulated depreciation for:				
Buildings and improvements	(76,471,600)	(6,006,913)	—	(82,478,513)
Improvements – nonbuilding	(9,883,921)	(2,143,380)	—	(12,027,301)
Furniture and equipment	(30,926,702)	(2,878,376)	—	(33,805,078)
Infrastructure	<u>(120,952,047)</u>	<u>(9,540,088)</u>	<u>—</u>	<u>(130,492,135)</u>
Total accumulated depreciation	<u>(238,234,270)</u>	<u>(20,568,757)</u>	<u>—</u>	<u>(258,803,027)</u>
Total capital assets being depreciated, net	<u>253,631,263</u>	<u>(1,151,791)</u>	<u>—</u>	<u>252,479,472</u>
Governmental activities capital assets, net	\$ <u><u>515,717,421</u></u>	<u><u>86,933,125</u></u>	<u><u>(13,237,319)</u></u>	<u><u>589,413,227</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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

Governmental activities:

General government	\$	756,623
Public safety		2,841,612
Community maintenance and development		13,404,482
Human resource development		240,382
Education		3,325,658
		<u>20,568,757</u>
Total depreciation expense – governmental activities	\$	<u><u>20,568,757</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	\$ 39,264,325	—	—	39,264,325
Construction in progress	6,480,205	496,739	(1,979)	6,974,965
Total capital assets not being depreciated	<u>45,744,530</u>	<u>496,739</u>	<u>(1,979)</u>	<u>46,239,290</u>
Capital assets being depreciated:				
Buildings and improvements	80,287,015	55,000	—	80,342,015
Furniture and equipment	1,294,666	159,015	—	1,453,681
Infrastructure	33,268,877	200,000	—	33,468,877
Total capital assets being depreciated	<u>114,850,558</u>	<u>414,015</u>	<u>—</u>	<u>115,264,573</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,904,731)	(2,009,925)	—	(13,914,656)
Furniture and equipment	(979,175)	(91,571)	—	(1,070,746)
Infrastructure	(10,855,233)	(684,410)	—	(11,539,643)
Total accumulated depreciation	<u>(23,739,139)</u>	<u>(2,785,906)</u>	<u>—</u>	<u>(26,525,045)</u>
Total capital assets being depreciated, net	<u>91,111,419</u>	<u>(2,371,891)</u>	<u>—</u>	<u>88,739,528</u>
Business-type activity capital assets, net	\$ <u>136,855,949</u>	<u>(1,875,152)</u>	<u>(1,979)</u>	<u>134,978,818</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(6) Receivables

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

	Government funds			Total governmental funds	Enterprise fund
	General	Capital fund	Other governmental funds		Water fund
Receivables:					
Property taxes	\$ 4,598,274	—	—	4,598,274	—
Motor vehicle taxes	3,071,151	—	—	3,071,151	—
Other taxes	2,885,442	—	—	2,885,442	—
Intergovernmental	1,148,862	8,529,667	1,989,338	11,667,867	—
Other	9,711,118	—	7,993,224	17,704,342	4,654,748
Gross receivables	21,414,847	8,529,667	9,982,562	39,927,076	4,654,748
Less allowance for uncollectibles	2,780,817	5,859,074	3,382,000	12,021,891	46,547
Net total receivables \$	<u>18,634,030</u>	<u>2,670,593</u>	<u>6,600,562</u>	<u>27,905,185</u>	<u>4,608,201</u>

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

Individual fund receivable and payable balances at June 30, 2008, are as follows:

Interfund balances	Receivable	Payable
General fund – payable to water fund – for bond premium transfer	\$ —	32,723
Capital fund – receivable from other governmental funds – for capital items	904,969	—
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	—	904,969
Balance at June 30, 2008	<u>\$ 937,692</u>	<u>937,692</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

Receivable and payable balances between the primary government and CHA at June 30, 2008 are as follows:

Discrete component unit balances	Receivable	Payable
Primary government:		
General	\$ 15,000,000	—
Discretely presented component unit:		
CHA	—	15,000,000
Balance at June 30, 2008	\$ 15,000,000	15,000,000

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CHA for the construction of an ambulatory care center. CHA has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. In 2007, the City refunded a portion of the original general obligation hospital bond. As of June 30, 2008, the amount outstanding on hospital related debt is \$14,995,000.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(8) Long-Term Obligations

Following is a summary of the governmental activities long-term obligations of the City as of June 30, 2008:

	<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 1, 2028	8/1/98 to 2/1/08	2.25% – 5.0%	\$ 113,860,000	58,320,972	8,915,000	163,265,972	12,727,598
Urban redevelopment, serial maturities through February 1, 2018	12/1/00 to 2/1/08	2.25% – 5.0%	32,655,500	600,000	4,690,000	28,565,500	4,745,000
Schools, serial maturities through February 1, 2018	11/1/99 to 2/1/08	3.0% – 5.0%	7,850,000	4,721,670	3,240,000	9,331,670	2,512,167
Sewer, serial maturities through February 1, 2018	10/6/99 to 2/1/08	2.25% – 5.0%	62,680,896	7,958,578	10,256,701	60,382,773	11,210,295
Hospital, serial maturities through February 1, 2018	2/1/98 to 3/15/07	4.5% – 4.65%	16,495,000	—	1,500,000	14,995,000	1,500,000
Sub-total general obligation bonds			<u>233,541,396</u>	<u>71,601,220</u>	<u>28,601,701</u>	<u>276,540,915</u>	<u>32,695,060</u>
Notes payable:							
Section 108 HUD notes payable, serial maturities through August 1, 2014	9/14/06	5.07%	355,000	—	20,000	335,000	20,000
School equipment notes, serial maturities through June 15, 2008	7/15/97 to 5/15/98	6.58% – 6.95%	510,082	—	510,082	—	—
Note payable serial maturities April 2010 through August 1, 2021	4/20/00 to 6/30/01	2.00%	6,000,000	—	—	6,000,000	—
Sub-total notes payable			<u>6,865,082</u>	<u>—</u>	<u>530,082</u>	<u>6,335,000</u>	<u>20,000</u>
Total governmental obligation bonds and notes payable			<u>\$ 240,406,478</u>	<u>71,601,220</u>	<u>29,131,783</u>	<u>282,875,915</u>	<u>32,715,060</u>
Add (deduct):							
Unamortized bond premium						2,643,529	
Deferred loss on refunding						(289,463)	
Current portion of long-term debt						(32,715,060)	
						<u>\$ 252,514,921</u>	
Other long-term obligations:							
Claims			\$ 5,927,000	36,159,000	32,011,000	10,075,000	5,243,000
Compensated absences			17,315,000	17,005,900	17,290,900	17,030,000	6,420,000
Landfill postclosure care costs			350,000	—	25,000	325,000	25,000
Other postemployment benefits			—	20,363,504	—	20,363,504	—
Total other governmental long-term obligations			<u>\$ 23,592,000</u>	<u>73,528,404</u>	<u>49,326,900</u>	<u>47,793,504</u>	<u>11,688,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

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Following is a summary of the business-type activity long-term obligations of the City as of June 30, 2008:

	<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 November 1, 2019	8/1/98 to 3/15/07	4.0 – 5.75%	\$ 45,689,363	—	6,203,673	39,485,690	6,284,829
Total business-type bonds payable			<u>\$ 45,689,363</u>	<u>—</u>	<u>6,203,673</u>	39,485,690	<u>6,284,829</u>
Add (deduct):							
Unamortized bond premium						1,518,594	
Deferred loss on refunding						(882,937)	
Current portion of long-term debt						<u>(6,284,829)</u>	
						<u>\$ 33,836,518</u>	
Other long-term obligations:							
Claims			\$ 303,000	2,115,000	1,684,000	734,000	169,000
Compensated absences			<u>470,000</u>	<u>381,600</u>	<u>373,600</u>	<u>478,000</u>	<u>165,000</u>
Total other long-term obligations			<u>\$ 773,000</u>	<u>2,496,600</u>	<u>2,057,600</u>	<u>1,212,000</u>	<u>334,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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

General obligation bonds are backed by the full faith and credit of the City. The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2008, are as follows:

	Principal		Interest		Total	
	G/O bonds	Notes	G/O bonds	Notes	G/O bonds	Notes
Year ending June 30:						
2009	\$ 32,695,060	20,000	10,182,152	136,390	42,877,212	156,390
2010	32,547,743	55,164	8,978,152	135,244	41,525,895	190,408
2011	30,943,095	208,108	7,790,896	131,749	38,733,991	339,857
2012	25,866,621	551,106	6,713,529	123,900	32,580,150	675,006
2013	23,308,404	592,320	5,818,924	111,317	29,127,328	703,637
2014 – 2018	75,549,992	3,191,505	18,495,842	339,793	94,045,834	3,531,298
2019 – 2023	32,700,000	1,716,797	8,538,014	49,863	41,238,014	1,766,660
2024 – 2028	22,930,000	—	2,297,250	—	25,227,250	—
	<u>\$ 276,540,915</u>	<u>6,335,000</u>	<u>68,814,759</u>	<u>1,028,256</u>	<u>345,355,674</u>	<u>7,363,256</u>

The City has entered into loan agreements with the President and Fellows of Harvard College. The loans provide funding to further the development of affordable housing within the City. The notes carry interest at 2% per year for a period of twenty years with principal payments beginning in 2010. Interest costs will be \$120,000 annually. At June 30, 2008, the principal amount outstanding is \$6,000,000.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$25.4 million and education expenditures of \$3.7 million totaling \$29.1 million of principal costs.

In February 2008, the City issued \$69,885,000 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 1 and August 1, with principal payments due each February 1 until maturity in fiscal 2028.

In fiscal 2008, the City borrowed \$1,716,220 from the Massachusetts Water Resources Authority (MWRA) to fund various sewer improvements. Principal is due in annual installments through August 2012.

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$2,240,212 in subsidies during 2008 and expects to receive subsidies totaling approximately \$5,935,000 (water portion \$2,278,000) through 2011. Loan payments commenced on February 1, 1994 and end on August 1, 2014, with interest rates ranging from 4.0% to 5.0%.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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, 2008, the City may issue approximately \$838.4 million additional general obligation debt under the normal debt limit. The City has approximately \$44.1 million of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 6,284,829	1,741,175	8,026,004
2010	6,347,529	1,445,572	7,793,101
2011	4,958,332	1,188,257	6,146,589
2012	3,535,000	994,976	4,529,976
2013	2,840,000	842,801	3,682,801
2014 – 2018	12,640,000	2,256,804	14,896,804
2019 – 2020	2,880,000	95,002	2,975,002
	<u>\$ 39,485,690</u>	<u>8,564,587</u>	<u>48,050,277</u>

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

In 2007, the CHA entered into a commercial loan of \$8 million to finance renovations at one of its leased facilities. CHA has swapped its variable rate (30 day LIBOR +0.50 basis points) for a fixed rate of 5.69%. The annual scheduled debt service requirements as of June 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 533,333	410,944	944,277
2010	533,333	380,598	913,931
2011	533,333	350,251	883,584
2012	533,333	319,905	853,238
2013	533,333	289,558	822,891
2014 – 2018	2,666,666	992,589	3,659,255
2019 – 2020	2,133,335	247,831	2,381,166
	<u>\$ 7,466,666</u>	<u>2,991,676</u>	<u>10,458,342</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(9) Retirement Plan

(a) Plan Description

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

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

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

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

(b) Basis of Accounting

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

Investments of the System are stated as follows:

- (i) Fixed income securities are stated at quoted market value.
- (ii) Equity securities are stated at quoted market value.
- (iii) Real estate funds are stated at partner's account value based upon the appraised value of the underlying investments.
- (iv) Venture capital funds are stated at the lower of contributed cost or fair value.
- (v) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (vi) Alternative investments are stated at partner's account or unit value.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(c) Membership

Membership in the System consisted of the following at January 1, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,756
Terminated plan members entitled to, but not receiving benefits	918
Active plan members	4,119
	<hr/>
Total membership	6,793
	<hr/> <hr/>
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, 2008, 2007, and 2006 were \$20,406,365, \$19,774,476, and \$19,181,256, respectively, and \$4,592,040, \$4,458,290, and \$4,349,555, respectively.

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

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2007 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity savings fund	\$ 181,273,186	Active members' contribution balance
Annuity reserve fund	43,376,398	Retired members' contribution account
Military service credit fund	5,807	Members' contribution account while on military leave
Pension reserve fund	529,850,837	Amounts appropriated to fund future retirement benefits
Pension fund	34,819,935	Remaining net assets
	<hr/>	
	\$ 789,326,163	
	<hr/> <hr/>	

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(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, 2007. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2007, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2007 were \$5,022,765.

At December 31, 2007, the fair value of securities loaned by the System amounted to \$121,140,842 against which was held collateral of \$124,532,886.

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

(g) *Massachusetts Teachers' Retirement System*

In addition, teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. However, the Commonwealth does not separately calculate the amount of its annual contribution attributable to benefits earned by City employees.

(h) *Administrative Costs*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(i) ***Funded Status and Funding Progress***

In 2008, the City adopted GASB Statement No. 50, *Pension Disclosures*. This new standard now requires entities to report the results of the most recent actuarial valuation in the footnotes. This information was previously only required to be reported as required supplementary information.

The funded status of the System as of January 1, 2008, the most recent actuarial valuation, is as follows:

Actuarially accrued liability (AAL)	\$ 833,034,229
Actuarial value of plan assets	<u>766,030,562</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 67,003,667</u>
Funded ratio (actuarial value of plan assets/AAL)	92.0%
Covered payroll (active plan members)	\$ 222,115,000
UAAL as a percentage of covered payroll	30.2%

In the January 1, 2008 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.5% investment rate of return, projected salary increases of 4.5% over the next year and 5.5% thereafter, and cost of living adjustments of 3% of first \$12,000 of retirement income. The actuarial value of assets was determined using the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level dollar amortization of ERI liabilities and increasing amortization for remaining unfunded liability. The remaining amortization period at January 1, 2008 is 1/2 year from July 1, 2008 for 2002 ERI, 1 year from July 1, 2008 for 2003 ERI, and 5 years from July 1, 2008 for remaining unfunded liability.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(10) Other Postemployment Benefit Disclosures

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is required to be implemented by governments with annual revenues greater than \$100 million for financial statement periods beginning after December 15, 2006. Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the government-wide statement of net assets over time.

In addition to the pension benefits described in note 9, the City provides postemployment healthcare and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries. As of December 31, 2006, the valuation date, approximately 2,392 retirees and 2,697 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. As part of the implementation of GASB 45, this valuation was rolled forward to July 1, 2007. The City sponsors and participates in an agent multi-employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

Groups 1 and 4 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

(a) *Funding Policy*

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of December 31, 2006, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

(b) *Annual OPEB Cost and Net OPEB Obligation*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2008, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of December 31, 2006:

Annual Required Contribution (ARC)	\$ 37,485,904
Interest on net OPEB obligation	—
Adjustment to ARC	—
	<hr/>
Annual OPEB cost	37,485,904
Contributions made	(17,122,400)
	<hr/>
Change in net OPEB obligation	20,363,504
Net OPEB obligation – beginning of year	—
	<hr/>
Net OPEB obligation – end of year	\$ <u>20,363,504</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>
2008	\$ 37,485,904	45.68%	\$ 20,363,504

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, based on an actuarial valuation as of December 31, 2006, was as follows:

Actuarially accrued liability (AAL)	\$ 602,697,151
Actuarial value of plan assets	—
	<hr/>
Unfunded actuarial accrued liability (UAAL)	\$ <u>602,697,151</u>
Funded ratio (actuarial value of plan assets/AAL)	—%
Covered payroll (active plan members)	\$ 222,115,000
UAAL as a percentage of covered payroll	271.3%

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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.

(d) Actuarial Methods and Assumptions

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

In the December 31, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 5 – 6 years. The Medicare Part B Premium healthcare cost trend rate is 6% initially and remains at 6% for the next 6 years. The actuarial value of assets was determined using the market value of investments. The City's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2007 was thirty years.

(11) Transfers

Transfers and their purposes during the year ended June 30, 2008 were as follows:

	<u>Governmental funds</u>			<u>Enterprise fund Water</u>
	<u>General</u>	<u>Capital</u>	<u>Other</u>	
Capital – to fund capital expenditures	\$ (8,781,700)	8,781,700	—	—
Parking – reimbursement of administrative costs and other eligible City expenditures	16,160,200	2,425,000	(18,585,200)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	43,800	—	(43,800)	—
CDBG – reimbursement of eligible capital costs	—	60,472	(60,472)	—
Water – reimbursement of administrative costs	678,130	—	—	(678,130)
Affordable housing fund – from CPA Fund	—	—	10,080,000	—
CPA Fund – to affordable housing fund	—	—	(10,080,000)	—
Total	<u>\$ 8,100,430</u>	<u>11,267,172</u>	<u>(18,689,472)</u>	<u>(678,130)</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(12) Risk Management

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

The City has medical plans with Tufts, Harvard Pilgrim and Blue Cross/Blue Shield under which it makes actual claims payments. The medical plan providers act as claim processors and a transfer of risk does not occur. Approximately 90% of the City's employees participate in the self-insured plan with the remainder electing preferred provider plans that are premium based.

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 enroll in indemnity plans and 10% for those who enroll in HMO type plans. The City does not carry stop-loss insurance.

Changes in the self insurance liability for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Accrued claims, beginning of year	\$ 6,230,000	6,163,000
Incurred claims	38,274,000	32,176,000
Less payments of claims attributable to events of both current and prior fiscal years	<u>(33,695,000)</u>	<u>(32,109,000)</u>
Accrued claims, end of year	<u>\$ 10,809,000</u>	<u>6,230,000</u>

There are numerous cases pending in courts throughout the Commonwealth, where the City of Cambridge is a defendant. In the opinion of the City Solicitor, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the City that would materially affect its financial position.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

June 30, 2008

(Unaudited)

Schedules of Funding Progress

(Dollars in thousands)

Pension						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
January 1, 2008	\$ 766,031	833,034	67,003	92.0%	\$ 222,115	30.2%
January 1, 2006	632,059	740,320	108,261	85.4	201,088	53.8
January 1, 2004	569,500	655,107	85,607	86.9	184,254	46.5
January 1, 2002	516,947	578,050	61,103	89.4	167,303	36.5
January 1, 2000	424,606	510,973	86,367	83.1	140,489	61.5
January 1, 1998	342,788	436,216 (1)	93,428	78.6	132,440	70.5

OPEB						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
December 31, 2006	\$ —	602,697	602,697	—%	\$ 222,115	271.3%

(1) Future cost of living increases assumed by the City.

Schedule of Employers' Contributions – Pension

(Dollars in thousands)

Year ended December 31:	Annual required contribution	Percentage contributed
2007	\$ 28,067	100%
2006	25,220	100
2005	24,577	100
2004	23,978	100
2003	23,762	100
2002	21,399	100

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Revenues and Expenditures – Budgetary Basis
Required Supplementary Information
General Fund – Budget and Actual
Year ended June 30, 2008
Unaudited
(with comparative actual amounts for 2007)

	2008 Original budget	2008 Final budget	2008 Actual	Variance favorable (unfavorable)	2007 Actual
Revenues:					
Property taxes	\$ 242,334,374	242,334,374	242,334,374	—	231,787,094
Provisions for tax abatements and adj.	(4,535,813)	(4,535,813)	(4,535,813)	—	(4,427,094)
Payments in lieu of tax receipts	4,650,000	4,650,000	7,318,567	2,668,567	7,972,326
Hotel/motel excise tax	7,950,000	7,950,000	6,862,581	(1,087,419)	6,751,419
Intergovernmental	43,395,152	43,395,152	47,575,390	4,180,238	44,658,329
Sewer use	34,382,100	34,382,100	36,874,045	2,491,945	38,761,289
Motor vehicle excise	5,823,840	5,823,840	6,649,769	825,929	5,942,195
Investment income	3,600,000	3,600,000	7,818,269	4,218,269	9,017,561
Other	24,178,345	23,336,425	24,950,699	1,614,274	24,607,592
Total revenues	<u>361,777,998</u>	<u>360,936,078</u>	<u>375,847,881</u>	<u>14,911,803</u>	<u>365,070,711</u>
Expenditures:					
Current:					
General government	46,018,005	42,687,704	37,037,625	5,650,079	38,576,674
Public safety	87,326,320	89,796,785	89,585,457	211,328	84,601,097
Community maintenance and development	34,392,522	34,394,030	34,088,266	305,764	31,840,865
Human resource development	24,243,338	24,747,381	24,345,666	401,715	23,053,092
Education	127,690,960	125,965,960	124,430,580	1,535,380	122,566,588
Judgments and claims	250,000	250,000	214,132	35,868	212,729
State and district assessments	41,367,860	41,367,860	39,567,157	1,800,703	37,294,026
Debt service:					
Principal	25,381,705	25,381,705	25,381,700	5	24,756,123
Interest	8,872,320	8,872,320	8,749,189	123,131	8,189,521
Total expenditures	<u>395,543,030</u>	<u>393,463,745</u>	<u>383,399,772</u>	<u>10,063,973</u>	<u>371,090,715</u>
Excess (deficiency) of revenues over expenditures	<u>(33,765,032)</u>	<u>(32,527,667)</u>	<u>(7,551,891)</u>	<u>(24,975,776)</u>	<u>(6,020,004)</u>
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	17,773,885	17,773,885	16,160,200	1,613,685	15,785,735
Capital projects funds	(3,727,500)	(5,132,485)	(8,781,700)	3,649,215	(11,174,615)
Trust funds	8,045,000	7,595,000	(406,200)	8,001,200	(4,245,000)
Enterprise fund	678,130	678,130	678,130	—	538,130
Total other financing sources (uses)	<u>22,769,515</u>	<u>20,914,530</u>	<u>7,650,430</u>	<u>13,264,100</u>	<u>904,250</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(10,995,517)</u>	<u>(11,613,137)</u>	<u>98,539</u>	<u>(38,239,876)</u>	<u>(5,115,754)</u>
Other budget items:					
Free cash appropriations	9,000,000	9,617,620			
Prior year deficits raised	(4,483)	(4,483)			
Overlay Surplus	2,000,000	2,000,000			
Total other budget items	<u>10,995,517</u>	<u>11,613,137</u>			
Net budget and actual	<u>\$ —</u>	<u>—</u>			

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Information

Year ended June 30, 2008

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:

- (a) 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).
- (b) Encumbrances and continuing appropriations, which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).
- (d) 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, 2008:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 375,847,881	383,399,772	7,650,430
Adjustments:			
Revenues to modified accrual basis	8,607,348	—	—
Expenditures, encumbrances and accruals, net	—	(5,702,178)	—
Reclassification:			
Premium on debt issuance	(411,360)	—	411,360
Transfers not reported on a Budgetary/GAAP basis	—	—	450,000
As reported on a GAAP basis	<u>\$ 384,043,869</u>	<u>377,697,594</u>	<u>8,511,790</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2008

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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 588,275	466,339	121,936
Other ordinary maintenance	115,640	112,044	3,596
Travel and training	21,990	21,989	1
Total Mayor	<u>725,905</u>	<u>600,372</u>	<u>125,533</u>
City Manager:			
Salaries and wages	1,173,995	1,173,453	542
Other ordinary maintenance	442,950	425,192	17,758
Travel and training	37,500	28,188	9,312
Total City Manager	<u>1,654,445</u>	<u>1,626,833</u>	<u>27,612</u>
City Council:			
Salaries and wages	1,013,655	1,011,946	1,709
Other ordinary maintenance	41,900	31,013	10,887
Travel and training	45,500	35,821	9,679
Total City Council	<u>1,101,055</u>	<u>1,078,780</u>	<u>22,275</u>
City Clerk:			
Salaries and wages	765,400	760,771	4,629
Other ordinary maintenance	65,610	60,579	5,031
Travel and training	18,420	18,022	398
Extraordinary expenditures	—	—	—
Total City Clerk	<u>849,430</u>	<u>839,372</u>	<u>10,058</u>
Law:			
Salaries and wages	1,150,840	1,060,585	90,255
Other ordinary maintenance	509,225	509,224	1
Travel and training	9,675	6,126	3,549
Extraordinary expenditures	—	—	—
Total Law	<u>1,669,740</u>	<u>1,575,935</u>	<u>93,805</u>
Finance:			
Salaries and wages	7,758,245	7,758,204	41
Other ordinary maintenance	2,635,120	2,609,804	25,316
Travel and training	208,700	173,938	34,762
Extraordinary expenditures	77,800	72,176	5,624
Total Finance	<u>10,679,865</u>	<u>10,614,122</u>	<u>65,743</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2008

	Budget	Actual	Variance positive (negative)
Employment Benefits:			
Salaries and wages	\$ 22,170,930	17,308,432	4,862,498
Other ordinary maintenance	704,310	577,872	126,438
Total Employment Benefits	<u>22,875,240</u>	<u>17,886,304</u>	<u>4,988,936</u>
General Services:			
Salaries and wages	443,940	443,936	4
Other ordinary maintenance	627,635	496,726	130,909
Total General Services	<u>1,071,575</u>	<u>940,662</u>	<u>130,913</u>
Election Commission:			
Salaries and wages	609,009	603,126	5,883
Other ordinary maintenance	352,465	337,046	15,419
Travel and training	2,270	1,228	1,042
Total Election Commission	<u>963,744</u>	<u>941,400</u>	<u>22,344</u>
Public Celebrations:			
Salaries and wages	407,035	295,670	111,365
Other ordinary maintenance	428,400	378,810	49,590
Travel and training	1,125	940	185
Extraordinary expenditures	—	—	—
Total Public Celebrations	<u>836,560</u>	<u>675,420</u>	<u>161,140</u>
Reserve:			
Other ordinary maintenance	1,305	—	1,305
Total Reserve	<u>1,305</u>	<u>—</u>	<u>1,305</u>
Animal Commission:			
Salaries and wages	245,385	245,383	2
Other ordinary maintenance	13,305	12,892	413
Travel and training	150	150	—
Extraordinary expenditures	—	—	—
Total Animal Commission	<u>258,840</u>	<u>258,425</u>	<u>415</u>
Total General Government	<u>42,687,704</u>	<u>37,037,625</u>	<u>5,650,079</u>
Public Safety:			
Fire:			
Salaries and wages	32,155,185	32,151,985	3,200
Other ordinary maintenance	1,075,890	1,075,134	756
Travel and training	556,750	556,716	34
Extraordinary expenditures	110,000	106,043	3,957
Total Fire	<u>33,897,825</u>	<u>33,889,878</u>	<u>7,947</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2008

	Budget	Actual	Variance positive (negative)
Police:			
Salaries and wages	\$ 34,826,230	34,820,143	6,087
Other ordinary maintenance	992,345	986,496	5,849
Travel and training	359,000	351,584	7,416
Extraordinary expenditures	427,100	420,800	6,300
Total Police	<u>36,604,675</u>	<u>36,579,023</u>	<u>25,652</u>
Traffic and Parking:			
Salaries and wages	5,838,425	5,825,080	13,345
Other ordinary maintenance	3,278,790	3,277,498	1,292
Travel and training	19,650	19,628	22
Extraordinary expenditures	60,000	56,351	3,649
Total Traffic and Parking	<u>9,196,865</u>	<u>9,178,557</u>	<u>18,308</u>
Police Review and Advisory Board:			
Salaries and wages	82,155	82,150	5
Other ordinary maintenance	1,000	856	144
Travel and training	3,000	1,535	1,465
Total Police Review and Advisory Board	<u>86,155</u>	<u>84,541</u>	<u>1,614</u>
Inspectional Services:			
Salaries and wages	2,325,095	2,325,093	2
Other ordinary maintenance	165,295	121,682	43,613
Travel and training	51,825	47,423	4,402
Extraordinary expenditures	—	—	—
Total Inspectional Services	<u>2,542,215</u>	<u>2,494,198</u>	<u>48,017</u>
License:			
Salaries and wages	804,330	804,327	3
Other ordinary maintenance	60,190	53,231	6,959
Travel and training	10,700	8,633	2,067
Total License	<u>875,220</u>	<u>866,191</u>	<u>9,029</u>
Weights and Measures:			
Salaries and wages	102,455	102,455	—
Other ordinary maintenance	7,780	7,600	180
Travel and training	2,245	2,243	2
Total Weights and Measures	<u>112,480</u>	<u>112,298</u>	<u>182</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2008

	Budget	Actual	Variance positive (negative)
Electrical:			
Salaries and wages	\$ 1,355,835	1,355,820	15
Other ordinary maintenance	1,246,655	1,246,625	30
Travel and training	1,670	478	1,192
Extraordinary expenditures	25,000	18,319	6,681
Total Electrical	<u>2,629,160</u>	<u>2,621,242</u>	<u>7,918</u>
Emergency Management:			
Salaries and wages	152,380	152,378	2
Other ordinary maintenance	14,235	10,410	3,825
Travel and training	400	300	100
Total Emergency Management	<u>167,015</u>	<u>163,088</u>	<u>3,927</u>
Emergency Communications:			
Salaries and wages	3,469,815	3,393,294	76,521
Other ordinary maintenance	195,510	186,165	9,345
Travel and training	15,850	12,982	2,868
Extraordinary expenditures	4,000	4,000	—
Total Emergency Communications	<u>3,685,175</u>	<u>3,596,441</u>	<u>88,734</u>
Total Public Safety	<u>89,796,785</u>	<u>89,585,457</u>	<u>211,328</u>
Community Maintenance and Development:			
Public Works:			
Salaries and wages	16,460,825	16,460,782	43
Other ordinary maintenance	10,337,080	10,177,261	159,819
Travel and training	334,255	311,258	22,997
Extraordinary expenditures	445,685	445,682	3
Total Public Works	<u>27,577,845</u>	<u>27,394,983</u>	<u>182,862</u>
Community Development:			
Salaries and wages	4,274,850	4,173,448	101,402
Other ordinary maintenance	571,940	550,376	21,564
Travel and training	20,500	18,578	1,922
Extraordinary Expenditures	73,655	112,692	(39,037)
Total Community Development	<u>4,940,945</u>	<u>4,855,094</u>	<u>85,851</u>
Historical Commission:			
Salaries and wages	477,520	477,515	5
Other ordinary maintenance	31,380	31,276	104
Travel and training	800	748	52
Total Historical Commission	<u>509,700</u>	<u>509,539</u>	<u>161</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Conservation Commission:			
Salaries and wages	\$ 81,260	81,253	7
Other ordinary maintenance	3,525	751	2,774
Travel and training	960	617	343
Total Conservation Commission	<u>85,745</u>	<u>82,621</u>	<u>3,124</u>
Peace Commission:			
Salaries and wages	96,525	96,522	3
Other ordinary maintenance	10,780	10,267	513
Travel and training	1,850	1,655	195
Total Peace Commission	<u>109,155</u>	<u>108,444</u>	<u>711</u>
Cable Television:			
Salaries and wages	440,475	412,958	27,517
Other ordinary maintenance	726,715	721,207	5,508
Travel and training	3,450	3,420	30
Total Cable Television	<u>1,170,640</u>	<u>1,137,585</u>	<u>33,055</u>
Total Community Maintenance and Development	<u>34,394,030</u>	<u>34,088,266</u>	<u>305,764</u>
Human Resource Development:			
Library:			
Salaries and wages	5,081,165	5,044,486	36,679
Other ordinary maintenance	990,885	987,309	3,576
Travel and training	37,160	30,973	6,187
Total Library	<u>6,109,210</u>	<u>6,062,768</u>	<u>46,442</u>
Human Services:			
Salaries and wages	14,741,465	14,387,826	353,639
Other ordinary maintenance	2,770,625	2,789,820	(19,195)
Travel and training	69,850	63,110	6,740
Extraordinary expenditures	25,000	25,000	—
Total Human Services	<u>17,606,940</u>	<u>17,265,756</u>	<u>341,184</u>
Women's Commission:			
Salaries and wages	153,755	153,752	3
Other ordinary maintenance	9,855	9,847	8
Travel and training	1,005	800	205
Total Women's Commission	<u>164,615</u>	<u>164,399</u>	<u>216</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Human Rights Commission:			
Salaries and wages	\$ 178,385	178,384	1
Other ordinary maintenance	4,055	4,054	1
Travel and training	700	630	70
Total Human Rights Commission	<u>183,140</u>	<u>183,068</u>	<u>72</u>
Veterans Benefits:			
Salaries and wages	249,426	249,425	1
Other ordinary maintenance	54,900	49,777	5,123
Travel and training	379,150	370,473	8,677
Total Veterans Benefits	<u>683,476</u>	<u>669,675</u>	<u>13,801</u>
Total Human Resource Development	<u>24,747,381</u>	<u>24,345,666</u>	<u>401,715</u>
Education:			
Salaries and wages	94,987,208	93,594,938	1,392,270
Other ordinary maintenance	24,109,686	24,002,951	106,735
Travel and training	1,684,102	1,648,021	36,081
Extraordinary expenditures	1,613,438	1,613,145	293
Debt:			
Principal payments	3,240,001	3,240,000	1
Interest payments	331,525	331,525	—
Total Education	<u>125,965,960</u>	<u>124,430,580</u>	<u>1,535,380</u>
Judgments and Claims	<u>250,000</u>	<u>214,132</u>	<u>35,868</u>
Debt Retirement:			
Principal payments	25,381,705	25,381,700	5
Interest payments	8,872,320	8,749,189	123,131
Total Debt Retirement	<u>34,254,025</u>	<u>34,130,889</u>	<u>123,136</u>
State and District assessments:			
MBTA assessment	8,067,205	8,067,198	7
MWRA assessment	18,856,840	18,475,398	381,442
Other State assessments	8,443,815	7,024,561	1,419,254
Cambridge Health Alliance	6,000,000	6,000,000	—
Total State and District assessments	<u>41,367,860</u>	<u>39,567,157</u>	<u>1,800,703</u>
Total General Fund Expenditures	<u>\$ 393,463,745</u>	<u>383,399,772</u>	<u>10,063,973</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2008

Other Governmental Funds

Community Development Block Grant

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

School Grants

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

Fuel Assistance

This fund is used to account for revenues and expenditures for a federal program designed to provide low income families with assistance in purchasing fuel supplies.

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2008

Special revenue

Assets	Community development block grant	School grants	Affordable Housing Trust	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Cash and short-term investments	\$ 484,248	731,482	34,289,835	12,253,243	9,991,509	2,961,897	3,293,206	64,005,420
Restricted cash and investments	—	—	600,000	—	—	—	—	600,000
Accounts receivable	335,000	—	3,785,120	422,844	68,260	—	—	4,611,224
Due from other funds	—	—	—	—	—	—	—	—
Due from other governments	178,633	1,092,092	—	—	—	718,613	—	1,989,338
Total assets	\$ 997,881	1,823,574	38,674,955	12,676,087	10,059,769	3,680,510	3,293,206	71,205,982
Liabilities and Fund Balances								
Warrants payable	\$ 64,494	325,216	—	—	—	535,660	—	925,370
Accrued liabilities	28,418	55,357	—	—	29,366	48,950	—	162,091
Deferred revenue	—	—	—	—	68,260	—	—	68,260
Due to other funds	904,969	—	—	—	—	—	—	904,969
Total liabilities	997,881	380,573	—	—	97,626	584,610	—	2,060,690
Fund balances:								
Reserved for encumbrances	1,391	569,860	—	—	1,121,083	990,373	—	2,682,707
Reserved for specific purposes	—	—	600,000	—	6,097,176	—	3,293,206	9,990,382
Reserved for loans	—	—	3,785,120	—	—	—	—	3,785,120
Unreserved	(1,391)	873,141	34,289,835	12,676,087	2,743,884	2,105,527	—	52,687,083
Total fund balances	—	1,443,001	38,674,955	12,676,087	9,962,143	3,095,900	3,293,206	69,145,292
Total liabilities and fund balances	\$ 997,881	1,823,574	38,674,955	12,676,087	10,059,769	3,680,510	3,293,206	71,205,982

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenditures, and Changes in Fund Equity

Other Governmental Funds

Year ended June 30, 2008

	Special revenue							
	Community development block grant	School grants	Affordable Housing Trust Funds	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 1,539,175	11,439,868	—	—	6,156,041	8,103,675	—	27,238,759
Investment income	7,564	—	1,186,817	868,573	412,599	(17,081)	187,255	2,645,727
Other:								
Permits	—	—	—	603,468	—	—	—	603,468
Fines	—	—	—	10,429,057	—	—	—	10,429,057
Charges for services	—	—	—	6,652,382	—	—	—	6,652,382
Miscellaneous	—	1,495,730	595,000	231,535	6,320,101	867,258	162,442	9,672,066
Total revenues	<u>1,546,739</u>	<u>12,935,598</u>	<u>1,781,817</u>	<u>18,785,015</u>	<u>12,888,741</u>	<u>8,953,852</u>	<u>349,697</u>	<u>57,241,459</u>
Expenditures:								
General government	—	—	—	—	28,766	21,440	78,549	128,755
Public safety	—	—	—	—	—	666,951	—	666,951
Community maintenance and development	981,252	—	6,227,404	—	1,764,474	1,029,381	—	10,002,511
Human services	505,015	—	—	—	42,599	6,864,501	—	7,412,115
Education	—	14,715,542	—	—	—	—	—	14,715,542
Total expenditures	<u>1,486,267</u>	<u>14,715,542</u>	<u>6,227,404</u>	<u>—</u>	<u>1,835,839</u>	<u>8,582,273</u>	<u>78,549</u>	<u>32,925,874</u>
Excess (deficiency) of revenues over expenditures	60,472	(1,779,944)	(4,445,587)	18,785,015	11,052,902	371,579	271,148	24,315,585
Other financing sources (uses):								
Transfers from other funds	—	—	10,080,000	—	—	—	—	10,080,000
Transfers to other funds	(60,472)	—	—	(18,585,200)	(10,080,000)	—	(43,800)	(28,769,472)
Excess of revenues over expenditures and transfers	—	(1,779,944)	5,634,413	199,815	972,902	371,579	227,348	5,626,113
Fund balances at beginning of year	—	3,222,945	33,040,542	12,476,272	8,989,241	2,724,321	3,065,858	63,519,179
Fund balances at end of year	\$ <u>—</u>	<u>1,443,001</u>	<u>38,674,955</u>	<u>12,676,087</u>	<u>9,962,143</u>	<u>3,095,900</u>	<u>3,293,206</u>	<u>69,145,292</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2008

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, 2008

Assets	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	287,908	119,215	26,281	380,842
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	7,560	5,360,538	5,408,367	(40,269)
Cambridge Fire Detail	276,576	679,869	650,210	306,235
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,751	344	478	2,617
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	192,322	40,670	34,795	198,197
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	5,202	135,731	131,904	9,029
Accident and life Insurance	547,930	61,583	60,628	548,885
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	404,924	466,470	351,478	519,916
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	277,950	433,791	156,890	554,851
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	55,915	9,465	459	64,921
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
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	396,300	271	282	396,289
Levange/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	4,012	—	530	3,482
Firearms Recordkeeping Fund	13,598	8,352	2,277	19,673
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(157,429)	—	1,897	(159,326)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>3,320,011</u>	<u>7,316,299</u>	<u>6,826,476</u>	<u>3,809,834</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2008

Liabilities	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
Guarantee deposits and amounts due other:				
Contract Bids	\$ 113,214	—	—	113,214
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	287,908	119,215	26,281	380,842
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	7,560	5,360,538	5,408,367	(40,269)
Cambridge Fire Detail	276,576	679,869	650,210	306,235
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	2,751	344	478	2,617
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	192,322	40,670	34,795	198,197
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	5,202	135,731	131,904	9,029
Accident and life Insurance	547,930	61,583	60,628	548,885
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	404,924	466,470	351,478	519,916
Continental Casualty	12,407	—	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	277,950	433,791	156,890	554,851
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	55,915	9,465	459	64,921
Retroactive Wages	6	—	—	6
Land Court Fees	55,608	—	—	55,608
Choke Program	1,182	—	—	1,182
Payroll Checks	67,379	—	—	67,379
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
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	396,300	271	282	396,289
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,028	—	—	2,028
Police – Recovered Cash	442	—	—	442
Police – Found Cash	4,012	—	530	3,482
Firearms Recordkeeping Cash	13,598	8,352	2,277	19,673
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	25,751	—	—	25,751
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Payroll Payable	(157,429)	—	1,897	(159,326)
Robert Chambers Settlement	7,799	—	—	7,799
Total	\$ <u>3,320,011</u>	<u>7,316,299</u>	<u>6,826,476</u>	<u>3,809,834</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2008

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, 2008.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2008

	<u>Uncollected June 30, 2007</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, 2008</u>
Real estate taxes:								
2002	\$ —	—	—	—	242,054	(242,054)	—	—
2003	—	—	(25,113)	—	304,558	(304,558)	25,113	—
2004	—	—	(2,746)	—	321,351	(321,351)	2,846	100
2005	—	—	(9,788)	—	20,301	(20,301)	9,890	102
2006	253,826	—	(1,868,532)	—	199,115	(199,115)	1,616,003	1,297
2007	4,091,507	—	(1,763,897)	(907,537)	17,587	(1,443,221)	13,958	8,397
2008	—	230,304,784	(1,086,387)	—	121,124	(225,946,870)	63,295	3,455,946
Total real estate	<u>4,345,333</u>	<u>230,304,784</u>	<u>(4,756,463)</u>	<u>(907,537)</u>	<u>1,226,090</u>	<u>(228,477,470)</u>	<u>1,731,105</u>	<u>3,465,842</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS
 Schedule of Gross Real Estate, Personal Property, and Motor Vehicle Excise Taxes
 June 30, 2008

	Uncollected June 30, 2007	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2008
Personal property taxes:								
1998	20	—	—	—	—	—	—	20
1999	—	—	—	—	100	(100)	—	—
2000	—	—	—	—	202	(202)	—	—
2002	33	—	—	—	584	(584)	—	33
2003	175,882	—	—	—	969	(969)	(1,780)	174,102
2004	101,304	—	—	—	2,015	(2,015)	(1,223)	100,081
2005	67,832	—	—	—	4,328	(4,238)	(1,213)	66,709
2006	130,390	—	—	—	5	(1,710)	(601)	128,084
2007	353,974	—	—	—	—	(243,120)	(662)	110,192
2008	—	12,704,553	(84,362)	—	—	(12,087,956)	(31,514)	500,721
Total personal property	829,435	12,704,553	(84,362)	—	8,203	(12,340,894)	(36,993)	1,079,942
Other	57,125	—	—	—	—	—	(4,635)	52,490
Property taxes	\$ 5,231,893	243,009,337	(4,840,825)	(907,537)	1,234,293	(240,818,364)	1,689,477	4,598,274

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, 2008

	Uncollected June 30, 2007	Commitments	Abatements	Transfers to tax title	Refunds	Collections	Adjustments increase (decrease)	Uncollected June 30, 2008
Motor vehicle excise taxes:								
1986	\$ 2,652	—	—	—	—	—	3	2,655
1987	57,995	—	—	—	—	(267)	—	57,728
1988	72,282	—	—	—	—	(168)	(1)	72,113
1989	77,366	—	—	—	—	(439)	—	76,927
1990	68,988	—	—	—	—	(326)	—	68,662
1991	51,920	—	—	—	—	(200)	—	51,720
1992	51,949	—	—	—	—	(40)	1	51,910
1993	49,357	—	—	—	—	(75)	—	49,282
1994	52,777	—	—	—	—	(164)	—	52,613
1995	57,131	—	—	—	—	(116)	(1)	57,014
1996	56,153	—	—	—	—	(137)	—	56,016
1997	49,656	—	(26)	—	—	(988)	(2)	48,640
1998	64,419	—	—	—	—	(577)	(3)	63,839
1999	112,876	—	—	—	—	(1,021)	(2)	111,853
2000	178,697	—	(159)	—	—	(3,410)	(2)	175,126
2001	229,074	—	(282)	—	—	(8,121)	(2)	220,669
2002	216,666	—	(629)	—	13	(6,671)	25	209,404
2003	204,554	—	(739)	—	200	(11,492)	(348)	192,175
2004	191,300	—	(2,174)	—	—	(18,151)	24	170,999
2005	189,865	2,700	(9,209)	—	18	(35,029)	267	148,612
2006	246,344	75,853	(17,706)	—	129	(131,360)	(975)	172,285
2007	472,338	1,414,462	(121,020)	—	2,160	(1,397,222)	(7,562)	363,156
2008	—	5,581,937	(156,037)	—	547	(4,821,908)	(6,786)	597,753
Total motor vehicle	\$ <u>2,754,359</u>	<u>7,074,952</u>	<u>(307,981)</u>	<u>—</u>	<u>3,067</u>	<u>(6,437,882)</u>	<u>(15,364)</u>	<u>3,071,151</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, 2008

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2007	Additions	Retired	Balance June 30, 2008
Inside debt limit:							
Frisoli Youth Center	4.35% – 5.0%	8/1/1998	8/1/2008	\$ 140,000	—	70,000	70,000
Public Art	4.75% – 5.0%	11/1/1999	11/1/2009	15,000	—	5,000	10,000
City Hall Renovations	4.75% – 5.0%	11/1/1999	11/1/2009	150,000	—	50,000	100,000
Gately Center Renovations	4.5% – 5.0%	12/1/2000	12/1/2010	1,000,000	—	250,000	750,000
City Hall Renovations	4.5% – 5.0%	12/1/2000	12/1/2010	1,200,000	—	300,000	900,000
Central Square Enhancements	4.0% – 5.0%	6/15/1997	6/15/2007	—	—	—	—
Yerxa Road Underpass	4.5% – 5.0%	12/1/2000	12/1/2010	760,000	—	190,000	570,000
Open Space Improvements	4.5% – 5.0%	12/1/2000	12/1/2010	1,800,000	—	450,000	1,350,000
MWPAT/Sewer Loan	4.0% – 5.0%	6/15/1997	6/15/2007	—	—	—	—
MWPAT/Sewer Loan	4.0% – 5.0%	5/1/1997	2/1/2007	—	—	—	—
MWPAT/Sewer Loan	N/A	10/6/1999	8/1/2009	141,732	—	46,260	95,472
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	883,460	—	213,326	670,134
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	506,395	—	122,269	384,126
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	105,367	—	25,437	79,930
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	3,606,083	—	870,757	2,735,326
MWPAT/Sewer Loan	N/A	11/1/2000	8/1/2010	1,643,561	—	396,868	1,246,693
MWPAT/Sewer Loan	4.5% – 5.0%	12/1/2000	12/1/2010	6,240,000	—	1,560,000	4,680,000
Hospital (Ambulatory Center)	4.5% – 4.65%	2/1/1998 and 3/15/07	2/1/2009	3,000,000	—	1,500,000	1,500,000
Hospital Series B 2007 Bonds	4.0%	3/15/2007	2/1/2018	13,495,000	—	—	13,495,000
MWRA Loan	N/A	10/18/2001	10/18/2006	—	—	—	—
Improvements to War Memorial	3.5% – 5.0%	12/15/2001	12/15/2006	—	—	—	—
City Hall Renovations	3.5% – 5.0%	12/15/2001	12/15/2011	6,605,000	—	1,325,000	5,280,000
Sewer Loan	3.5% – 5.0%	12/15/2001	12/15/2011	5,600,000	—	1,120,000	4,480,000
Traffic Improvement	3.5% – 5.0%	12/15/2001	12/15/2011	625,000	—	125,000	500,000
MWRA Loan	N/A	9/5/2002	8/15/2007	75,713	—	75,713	—
Sewer Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	7,960,000	—	1,325,000	6,635,000
Fire Station Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	2,915,000	—	490,000	2,425,000
Building Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	570,000	—	95,000	475,000
City Hall Anex Renovations	2.25% – 4.00%	1/15/2003	1/1/2013	1,170,000	—	195,000	975,000
Street Reconstruction	2.25% – 4.00%	1/15/2003	1/1/2013	3,620,000	—	605,000	3,015,000
Golf Course Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	510,000	—	85,000	425,000
Open Space Improvements	2.25% – 4.00%	1/15/2003	1/1/2013	150,000	—	25,000	125,000
Harvard Square Enhancements	2.25% – 4.00%	1/15/2003	1/1/2013	300,000	—	50,000	250,000
Fiber Optic Network Infrastructure	2.5% – 3.3%	1/15/2004	1/1/2014	245,000	—	35,000	210,000
Fire Station Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	110,000	—	15,000	95,000
War Memorial Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	840,000	—	120,000	720,000
Building Renovations	2.5% – 3.3%	1/15/2004	1/1/2014	375,000	—	55,000	320,000
Library Construction	2.5% – 4.25%	1/15/2004	1/1/2024	7,345,000	—	435,000	6,910,000
Russell Donnelly Field Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	6,370,000	—	910,000	5,460,000
Yerxa Road Underpass	2.5% – 3.3%	1/15/2004	1/1/2014	875,000	—	125,000	750,000
Cambridge Street Improvements	2.5% – 3.3%	1/15/2004	1/1/2014	1,050,000	—	150,000	900,000
Sewer Reconstruction	2.5% – 3.3%	1/15/2004	1/1/2014	6,585,000	—	945,000	5,640,000
MWRA Loan	N/A	2/26/2004	2/26/2009	238,392	—	119,196	119,196
Harvard Square Enhancements	3% – 4%	2/1/2005	1/1/2015	1,600,000	—	200,000	1,400,000
Gold Star Pool Improvements	3% – 4%	2/1/2005	1/1/2015	880,000	—	110,000	770,000
Library Construction	3% – 4%	2/1/2005	1/1/2025	12,600,000	—	700,000	11,900,000
Area 4 Park Improvements	3% – 4%	2/1/2005	1/1/2015	1,600,000	—	200,000	1,400,000

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

Year ended June 30, 2008

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2007	Additions	Retired	Balance June 30, 2008
Russell Field Improvements	3% – 4%	2/1/2005	1/1/2015	\$ 2,740,500	—	345,000	2,395,500
Cambridge Street Improvements	3% – 4%	2/1/2005	1/1/2015	1,885,000	—	240,000	1,645,000
Porter Square Enhancements	3% – 4%	2/1/2005	1/1/2015	1,840,000	—	230,000	1,610,000
Yerxa Road Underpass	3% – 4%	2/1/2005	1/1/2015	1,760,000	—	220,000	1,540,000
MWPAT Loan	N/A	10/1/2004	8/1/2010	123,481	—	29,905	93,576
MWPAT Loan	N/A	11/23/2004	8/1/2014	2,025,909	—	228,010	1,797,899
MWPAT Loan	N/A	11/23/2004	8/1/2014	1,569,090	—	179,796	1,389,294
MWPAT Loan	N/A	11/23/2004	8/1/2014	107,607	—	12,312	95,295
MWPAT Loan	N/A	12/2/2004	11/15/2009	98,406	—	32,802	65,604
Sewer Reconstruction	3% – 4%	2/1/2005	1/1/2015	12,399,500	—	1,545,000	10,854,500
Police Station Acquisition/ Renovations	3.50% – 4.25%	2/1/2006	1/1/2026	33,250,000	—	1,750,000	31,500,000
Library Construction	3.50% – 4.25%	2/1/2006	1/1/2026	15,200,000	—	800,000	14,400,000
West Cambridge Youth Center	3.50% – 4.25%	2/1/2006	1/1/2016	2,700,000	—	300,000	2,400,000
Building Renovations	3.50% – 4.25%	2/1/2006	1/1/2016	900,000	—	100,000	800,000
Yerxa Road Underpass	3.50% – 4.25%	2/1/2006	1/1/2016	900,000	—	100,000	800,000
Open Space Improvements	3.50% – 4.25%	2/1/2006	1/1/2016	450,000	—	50,000	400,000
Porter Square Enhancements	3.50% – 4.25%	2/1/2006	1/1/2016	720,000	—	80,000	640,000
MWRA Loan	N/A	11/17/2005	11/15/2010	156,200	—	39,050	117,150
Sewer Reconstruction	3.50% – 4.25%	2/1/2006	1/1/2016	9,190,000	—	1,025,000	8,165,000
Building Renovations	4.0%	2/15/2007	2/1/2017	650,000	—	65,000	585,000
Police Station Acquisition/ Renovations	4.0%	2/15/2007	2/1/2027	17,000,000	—	850,000	16,150,000
West Cambridge Youth Center	4.0%	2/15/2007	2/1/2017	8,000,000	—	800,000	7,200,000
Area 4 Park Improvements	4.0%	2/15/2007	2/1/2017	500,000	—	50,000	450,000
Yerxa Road Underpass	4.0%	2/15/2007	2/1/2017	1,100,000	—	110,000	990,000
Harvard Square Enhancements	4.0%	2/15/2007	2/1/2017	1,500,000	—	150,000	1,350,000
Sewer Reconstruction	4.0%	2/15/2007	2/1/2017	3,425,000	—	345,000	3,080,000
CRLS Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	—	5,000,000	—	5,000,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	—	12,225,972	—	12,225,972
Police Station Acquisition/ Renovations	3.0% – 4.0%	2/1/2008	2/1/2028	—	8,070,000	—	8,070,000
West Cambridge Youth Center	3.0% – 3.25%	2/1/2008	2/1/2018	—	5,890,000	—	5,890,000
Library Construction	3.0% – 4.0%	2/1/2008	2/1/2028	—	27,135,000	—	27,135,000
War Memorial Renovations	3.0% – 3.25%	2/1/2008	2/1/2018	—	4,721,670	—	4,721,670
Harvard Square Enhancements	3.0% – 3.25%	2/1/2008	2/1/2018	—	600,000	—	600,000
Sewer Reconstruction	3.0% – 3.25%	2/1/2008	2/1/2018	—	6,242,358	—	6,242,358
MWRA Loan	—	8/23/2007	8/15/2012	—	1,716,220	—	1,716,220
Total inside debt limit				225,691,396	71,601,220	25,361,701	271,930,915
Outside debt limit:							
School:							
Elementary school construction	4.5%	2/1/1998	2/1/2008	1,200,000	—	1,200,000	—
Elementary school renovation-Fitz	4.75% – 5.0%	11/1/1999	11/1/2009	4,320,000	—	1,440,000	2,880,000
Elementary school renovation-Morse	4.75% – 5.0%	11/1/1999	11/1/2009	210,000	—	70,000	140,000
Elementary school renovations	4.5% – 5.0%	12/1/2000	12/1/2010	2,120,000	—	530,000	1,590,000
Total school				7,850,000	—	3,240,000	4,610,000
Water:							
New Water Treatment Plant	4.35% – 5.00%	8/1/1998 and 3/15/07	8/1/2009	6,000,000	—	2,000,000	4,000,000
MWPAT/Water Loan	4.0% – 5.75%	10/6/1999	8/1/2009	3,920,767	—	1,273,584	2,647,183
Construction/Water Treatment Plant	4.65% – 5.625%	11/1/1999 and 3/15/2007	11/1/2009	1,500,000	—	500,000	1,000,000
MWPAT/Water Loan	4.25% – 5.63%	11/1/2000	11/1/2010	5,488,596	—	1,315,089	4,173,507
Construction/Stoney Brook	3.5% – 5.0%	12/15/2001	12/15/2011	3,475,000	—	695,000	2,780,000
Automated Meter Reading System	2.5% – 3.3%	1/15/2004	1/1/2014	2,100,000	—	300,000	1,800,000
Automated Meter Reading System	3% – 4%	2/1/2005	1/1/2015	960,000	—	120,000	840,000
Water Series C 2007 Bonds	4% – 5.0%	3/15/2007	8/1/2019	22,245,000	—	—	22,245,000
Total water				45,689,363	—	6,203,673	39,485,690
HUD Sec 108 Notes	5.07%	9/14/2006	8/1/2014	355,000	—	20,000	335,000
School Equipment Notes	6.58% – 6.95%	7/15/1997	10/15/2008	510,082	—	510,082	—
Housing Trust Fund:							
Note payable	2.00%	4/20/2000	8/1/2021	6,000,000	—	—	6,000,000
Total outside debt limit				60,404,445	—	9,973,755	50,430,690
Total debt outstanding				\$ 286,095,841	71,601,220	35,335,456	322,361,605

See accompanying independent auditors' report.

Statistical Section

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2008

Statistical Section

This part of the City of Cambridge's comprehensive annual financial report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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- General Government Revenues by Source (GAAP Basis) – Last Ten Fiscal Years
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Sources: Unless otherwise noted, the information contained in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CAMBRIDGE, MASSACHUSETTS
 General Government Expenditures by Function (GAAP Basis) (1)

Last Ten Fiscal Years

(Dollars in thousands)

Function		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General government	\$	32,572	34,284	30,533	27,402	23,987	20,820	26,805	22,544	18,032	21,752
Percentage of total		8.6%	9.4%	8.7%	8.5%	7.6%	6.8%	9.0%	8.4%	7.0%	8.9%
Percentage change		(5.0)	12.3	11.4	14.2	15.2	(22.3)	18.9	25.0	(17.1)	24.5
Public safety	\$	89,514	85,160	82,619	77,756	74,324	72,870	70,387	66,776	66,443	61,995
Percentage of total		23.7%	23.3%	23.6%	24.0%	23.6%	23.8%	23.7%	24.9%	25.9%	25.4%
Percentage change		5.1	3.1	6.3	4.6	2.0	3.5	5.4	0.5	7.2	(0.1)
Community maintenance and development	\$	33,331	30,527	31,404	28,551	27,019	26,957	24,172	24,592	21,582	19,380
Percentage of total		8.8%	8.4%	9.0%	8.8%	8.6%	8.8%	8.2%	9.2%	8.4%	7.9%
Percentage change		9.2	(2.8)	10.0	5.7	0.2	11.5	(1.7)	13.9	11.4	0.3
Human resource	\$	23,944	22,426	20,835	20,668	19,127	19,056	17,531	15,970	14,699	12,602
Percentage of total		6.3%	6.1%	5.9%	6.4%	6.1%	6.2%	5.9%	6.0%	5.7%	5.2%
Percentage change		6.8	7.6	0.8	8.1	0.4	8.7	9.8	8.6	16.6	2.1
Education	\$	124,531	121,868	120,688	111,213	114,519	117,721	112,961	105,324	100,200	93,371
Percentage of total		33.0%	33.4%	34.4%	34.3%	36.4%	38.4%	38.1%	39.2%	39.1%	38.3%
Percentage change		2.2	1.0	8.5	(2.9)	(2.7)	4.2	7.3	5.1	7.3	3.2
Judgments and claims	\$	115	213	346	225	533	156	205	709	2,479	1,000
Percentage of total		—%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.3%	1.0%	0.4%
Percentage change		(46.0)	(38.4)	53.8	(57.8)	241.7	(23.9)	(71.1)	(71.4)	147.9	85.9
State assessments	\$	39,567	37,294	35,890	33,888	33,618	29,698	28,019	21,107	21,408	21,223
Percentage of total		10.5%	10.2%	10.2%	10.5%	10.7%	9.7%	9.5%	7.9%	8.4%	8.7%
Percentage change		6.1	3.9	5.9	0.8	13.2	6.0	32.7	(1.4)	0.9	1.9
Debt service	\$	34,124	32,942	28,184	24,076	21,427	19,069	16,387	11,368	11,492	12,683
Percentage of total		9.0%	9.0%	8.0%	7.4%	6.8%	6.2%	5.5%	4.2%	4.5%	5.2%
Percentage change		3.6	16.9	17.1	12.4	12.4	16.4	44.2	(1.1)	(9.4)	23.4
Total expenditures	\$	377,698	364,714	350,499	323,779	314,554	306,347	296,467	268,390	256,335	244,006
Percentage of total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage change		3.6	4.1	8.3	2.9	2.7	3.3	10.5	4.7	5.1	4.6

(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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property taxes	\$ 238,747	231,875	222,987	220,910	206,354	198,784	198,806	174,681	162,190	151,056
Percentage of total	62.2%	61.8%	62.8%	65.3%	65.3%	64.4%	64.5%	61.2%	61.2%	60.7%
Percentage change	3.0	4.0	0.9	7.1	3.8	—	13.8	7.7	7.4	(1.3)
Motor vehicle excises	\$ 6,650	5,942	6,146	6,452	6,087	6,031	5,838	5,921	5,849	4,825
Percentage of total	1.7%	1.6%	1.7%	1.9%	1.9%	2.0%	1.9%	2.1%	2.2%	1.9%
Percentage change	11.9	(3.3)	(4.7)	6.0	0.9	3.3	(1.4)	1.2	21.2	2.3
Hotel/motel	\$ 6,863	6,751	5,801	5,461	4,287	4,401	4,908	5,651	5,697	4,955
Percentage of total	1.8%	1.8%	1.6%	1.6%	1.4%	1.4%	1.6%	2.0%	2.2%	2.0%
Percentage change	1.7	16.4	6.2	27.4	(2.6)	(10.3)	(13.1)	(0.8)	15.0	11.3
Fines	\$ 767	726	922	352	539	100	536	1,655	697	604
Percentage of total	0.2%	0.2%	0.3%	0.1%	0.2%	—%	0.2%	0.6%	0.3%	0.2%
Percentage change	5.6	(21.3)	161.9	(34.7)	439.0	(81.3)	(67.6)	137.4	15.4	(5.2)
Intergovernmental	\$ 47,575	44,658	44,143	43,802	42,601	42,690	46,822	47,022	39,821	42,924
Percentage of total	12.4%	11.9%	12.4%	13.0%	13.5%	13.8%	15.2%	16.5%	15.0%	17.2%
Percentage change	6.5	1.2	0.8	2.8	(0.2)	(8.8)	(0.4)	18.1	(7.2)	15.4
Licenses and permits	\$ 12,390	11,701	12,508	8,976	7,790	12,387	7,201	11,731	10,201	6,234
Percentage of total	3.2%	3.1%	3.5%	2.7%	2.5%	4.0%	2.3%	4.1%	3.9%	2.5%
Percentage change	5.9	(6.5)	39.3	15.2	(37.1)	72.0	(38.6)	15.0	63.6	(7.5)
Payment in lieu of taxes	\$ 7,319	6,939	6,579	6,839	6,329	4,644	5,316	4,807	3,692	4,545
Percentage of total	1.9%	1.8%	1.9%	2.0%	2.0%	1.5%	1.7%	1.7%	1.4%	1.8%
Percentage change	5.5	5.5	(3.8)	8.1	36.3	(12.6)	10.6	30.2	(18.8)	99.1
Investment income	\$ 9,295	11,119	7,410	2,888	1,181	1,513	2,344	3,208	2,484	1,624
Percentage of total	2.4%	3.0%	2.1%	0.9%	0.4%	0.5%	0.8%	1.1%	0.9%	0.7%
Percentage change	(16.4)	50.1	156.6	144.5	(21.9)	(35.5)	(26.9)	29.1	53.0	(22.7)
Charges for services	\$ 36,874	38,761	33,835	28,661	26,546	27,061	23,837	20,563	20,716	19,461
Percentage of total	9.6%	10.3%	9.5%	8.5%	8.4%	8.8%	7.6%	7.2%	7.7%	7.8%
Percentage change	(4.9)	14.6	18.1	8.0	(1.9)	13.5	15.9	(0.7)	6.4	1.3
Departmental/other	\$ 17,564	16,650	14,491	13,841	14,054	11,234	12,536	10,114	13,504	12,767
Percentage of total	4.6%	4.4%	4.1%	4.1%	4.5%	3.6%	4.1%	3.5%	5.1%	5.1%
Percentage change	5.5	14.9	4.7	(1.5)	25.1	(10.4)	23.9	(25.1)	5.8	28.8
Total revenues	\$ 384,044	375,122	354,822	338,182	315,768	308,845	308,144	285,353	264,851	248,995
Percentage of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage change	2.4	5.7	4.9	7.1	2.2	0.2	8.0	7.7	6.4	3.6

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Net Assets by Component

Last Seven Years

(Accrual Basis of Accounting)

	Fiscal year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities:							
Invested in capital assets, net of net of related debt	\$ 255,226,705	219,341,820	300,322,357	315,270,305	336,878,930	357,453,373	381,832,841
Restricted	3,128,414	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382
Unrestricted	<u>95,543,686</u>	<u>167,848,493</u>	<u>133,510,964</u>	<u>185,379,626</u>	<u>216,871,591</u>	<u>231,012,594</u>	<u>224,490,592</u>
Total governmental activities net assets	<u>353,898,805</u>	<u>390,403,437</u>	<u>439,233,887</u>	<u>504,340,865</u>	<u>557,813,481</u>	<u>593,835,921</u>	<u>616,313,815</u>
Business-type activities:							
Invested in capital assets, net of related debt	67,646,029	71,832,828	76,300,119	79,061,585	86,100,235	90,562,284	94,430,046
Unrestricted	<u>9,914,329</u>	<u>82,628,141</u>	<u>6,664,156</u>	<u>7,203,272</u>	<u>5,379,501</u>	<u>5,966,312</u>	<u>6,772,116</u>
Total business-type activities net assets	<u>77,560,358</u>	<u>154,460,969</u>	<u>82,964,275</u>	<u>86,264,857</u>	<u>91,479,736</u>	<u>96,528,596</u>	<u>101,202,162</u>
Primary government:							
Invested in capital assets, net of related debt	322,872,734	291,174,648	376,622,476	394,331,890	422,979,165	448,015,657	476,262,887
Restricted	3,128,414	3,213,124	5,400,566	3,690,934	4,062,960	5,369,954	9,990,382
Unrestricted	<u>105,458,015</u>	<u>250,476,634</u>	<u>140,175,120</u>	<u>192,582,898</u>	<u>222,251,092</u>	<u>236,978,906</u>	<u>231,262,708</u>
Total primary government net assets	<u>\$ 431,459,163</u>	<u>544,864,406</u>	<u>522,198,162</u>	<u>590,605,722</u>	<u>649,293,217</u>	<u>690,364,517</u>	<u>717,515,977</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets, Last Seven Fiscal Years

(Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Fiscal year 2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:							
Governmental activities:							
General government	\$ 28,365,001	23,235,936	26,141,840	27,614,108	31,690,819	36,373,427	35,225,912
Public safety	73,177,887	77,556,200	72,576,467	81,863,575	84,796,098	88,299,052	100,538,293
Community maintenance and development	37,355,588	48,106,254	43,642,108	41,674,280	55,766,148	56,672,106	61,727,373
Human resource development	28,678,036	30,682,567	30,760,075	32,883,356	33,453,013	33,728,004	37,432,501
Education	124,103,073	128,699,429	125,097,466	126,177,359	133,952,334	138,673,636	150,992,375
State and district assessments	21,420,935	22,328,710	27,117,517	27,386,544	29,640,415	31,294,026	33,567,157
Interest on long-term debt	5,065,745	4,720,322	5,517,607	6,184,656	8,007,458	8,336,823	9,303,724
Total governmental activities	<u>318,166,265</u>	<u>335,329,418</u>	<u>330,853,080</u>	<u>343,783,878</u>	<u>377,306,285</u>	<u>393,377,074</u>	<u>428,787,335</u>
Business-type activities:							
Water	<u>15,079,842</u>	<u>14,199,144</u>	<u>13,792,805</u>	<u>14,456,090</u>	<u>14,118,060</u>	<u>13,657,590</u>	<u>14,411,374</u>
Total business-type activities expenses	<u>15,079,842</u>	<u>14,199,144</u>	<u>13,792,805</u>	<u>14,456,090</u>	<u>14,118,060</u>	<u>13,657,590</u>	<u>14,411,374</u>
Total primary government expenses	<u>333,246,107</u>	<u>349,528,562</u>	<u>344,645,885</u>	<u>358,239,968</u>	<u>391,424,345</u>	<u>407,034,664</u>	<u>443,198,709</u>
Program revenues:							
Governmental activities:							
Charges for services:							
Public Safety	22,627,366	27,772,926	23,358,965	26,731,634	33,739,682	31,606,231	34,640,573
Sewer Charges	25,251,184	30,821,353	28,040,442	31,311,866	36,633,238	38,689,798	38,967,973
Human resource and development	2,443,060	2,461,592	4,283,188	4,786,376	2,800,184	2,856,637	3,142,447
Other activities	228,388	373,838	436,341	503,519	503,010	414,844	493,643
Operating grants and contributions	22,735,760	17,455,370	23,877,740	24,521,234	28,125,429	26,210,631	27,238,759
Capital grants and contributions	3,537,887	12,925,487	5,549,984	4,556,870	15,366,641	6,541,460	16,129,811
Total governmental activities program revenues	<u>76,823,645</u>	<u>91,810,566</u>	<u>85,546,660</u>	<u>92,411,499</u>	<u>117,168,184</u>	<u>106,319,601</u>	<u>120,613,206</u>
Business-type activities:							
Charges for services:							
Water	<u>15,523,309</u>	<u>16,979,446</u>	<u>16,902,863</u>	<u>18,153,081</u>	<u>19,629,812</u>	<u>19,016,582</u>	<u>19,597,687</u>
Total business-type program revenues	<u>15,523,309</u>	<u>16,979,446</u>	<u>16,902,863</u>	<u>18,153,081</u>	<u>19,629,812</u>	<u>19,016,582</u>	<u>19,597,687</u>
Total primary government program revenues	<u>92,346,954</u>	<u>108,790,012</u>	<u>102,449,523</u>	<u>110,564,580</u>	<u>136,797,996</u>	<u>125,336,183</u>	<u>140,210,893</u>
Net (expense) revenue:							
Governmental activities	(241,342,620)	(243,518,852)	(245,306,420)	(251,372,379)	(260,138,101)	(287,057,473)	(308,174,129)
Business-type activities	443,467	2,780,302	3,110,058	3,696,991	5,511,752	5,358,992	5,186,313
Total primary government net expense	\$ <u>(240,899,153)</u>	<u>(240,738,550)</u>	<u>(242,196,362)</u>	<u>(247,675,388)</u>	<u>(254,626,349)</u>	<u>(281,698,481)</u>	<u>(302,987,816)</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Net Assets, Last Seven Fiscal Years

(Accrual Basis of Accounting)

	Fiscal year						
	2002	2003	2004	2005	2006	2007	2008
General revenues and other changes in net assets:							
Governmental activities:							
Taxes							
Property taxes	\$ 199,963,787	198,116,572	211,391,274	214,906,034	227,024,672	230,740,742	238,400,940
Excise taxes	10,745,939	10,204,545	10,561,612	11,753,246	12,555,704	12,516,776	13,676,112
Unrestricted grants and contributions	46,822,454	42,311,932	42,601,103	43,801,641	39,553,164	41,338,603	40,149,251
Payments in lieu of taxes	5,316,254	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567
Investment income	3,331,545	2,546,628	1,659,344	3,873,379	9,699,805	14,434,985	12,467,474
Miscellaneous	15,515,230	21,822,564	21,217,361	12,480,304	17,662,993	16,571,631	17,961,549
Special item	—	—	—	22,293,549	—	—	—
Transfers	376,870	376,870	377,000	531,835	535,000	538,130	678,130
Total governmental activities	<u>282,072,079</u>	<u>280,023,484</u>	<u>294,136,870</u>	<u>316,479,357</u>	<u>313,610,718</u>	<u>323,079,913</u>	<u>330,652,023</u>
Business-type activities:							
Investment Income	56,962	131,852	135,575	135,426	238,127	227,998	165,383
Transfers	(376,870)	(376,870)	(377,000)	(531,835)	(535,000)	(538,130)	(678,130)
Total business-type activities	<u>(319,908)</u>	<u>(245,018)</u>	<u>(241,425)</u>	<u>(396,409)</u>	<u>(296,873)</u>	<u>(310,132)</u>	<u>(512,747)</u>
Total primary government	<u>\$ 281,752,171</u>	<u>279,778,466</u>	<u>293,895,445</u>	<u>316,082,948</u>	<u>313,313,845</u>	<u>322,769,781</u>	<u>330,139,276</u>
Change in net assets:							
Governmental activities	\$ 40,729,459	36,504,632	48,830,450	65,106,978	53,472,617	36,022,440	22,477,894
Business-type activities	123,559	2,535,284	2,868,633	3,300,582	5,214,879	5,048,860	4,673,566
Total primary government	<u>\$ 40,853,018</u>	<u>39,039,916</u>	<u>51,699,083</u>	<u>68,407,560</u>	<u>58,687,496</u>	<u>41,071,300</u>	<u>27,151,460</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund:										
Reserved	\$ 40,512,051	40,242,193	34,996,593	13,390,746	6,097,472	9,493,486	24,203,862	16,428,333	17,791,512	17,206,706
Unreserved	24,018,711	25,954,330	32,683,214	69,586,739	85,286,619	90,479,144	100,050,320	120,245,450	134,869,147	150,312,018
Total general fund	<u>\$ 64,530,762</u>	<u>66,196,523</u>	<u>67,679,807</u>	<u>82,977,485</u>	<u>91,384,091</u>	<u>99,972,630</u>	<u>124,254,182</u>	<u>136,673,783</u>	<u>152,660,659</u>	<u>167,518,724</u>
All other governmental funds:										
Reserved	\$ 103,958,944	85,970,142	50,411,010	50,451,757	41,115,518	48,583,062	28,515,541	28,660,330	12,687,274	76,741,409
Unreserved, reported in:										
Special revenue funds	(2,497,209)	(665,033)	5,816,749	—	28,361,764	31,850,012	38,696,151	50,256,273	87,098,510	52,687,083
Capital funds	(93,404,566)	(82,121,384)	(23,176,449)	776,114	(1,453,931)	(702,646)	41,596,488	62,252,680	50,831,905	30,946,966
Total all other governmental funds	<u>\$ 8,057,169</u>	<u>3,183,725</u>	<u>33,051,310</u>	<u>51,227,871</u>	<u>68,023,351</u>	<u>79,730,428</u>	<u>108,808,180</u>	<u>141,169,283</u>	<u>150,617,689</u>	<u>160,375,458</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Real and personal property taxes	\$ 151,056,435	162,189,559	174,681,244	198,805,559	198,783,571	206,354,390	220,910,263	222,986,633	231,875,724	238,747,275
Excises:										
Hotel/motel	4,955,494	5,696,567	5,651,401	4,907,532	4,401,259	4,286,681	5,461,027	5,800,992	6,751,419	6,862,581
Motor vehicles	4,824,980	5,848,595	5,921,137	5,838,407	6,031,393	6,087,063	6,452,475	6,146,422	5,942,196	6,649,769
Payments in lieu of taxes	4,544,599	3,692,279	4,807,067	5,316,254	4,644,373	6,329,176	6,839,369	6,579,380	6,939,046	7,318,567
Intergovernmental	60,697,132	73,272,476	69,514,089	73,096,101	72,692,789	72,198,993	72,879,748	87,635,346	77,410,419	90,943,960
Investment income	5,295,093	6,263,010	6,898,417	3,331,545	2,546,628	1,659,344	3,877,381	9,699,805	14,434,985	12,467,474
Sewer use charges	19,460,697	20,716,194	20,563,466	23,836,866	27,061,324	26,546,224	28,661,479	33,834,690	38,761,289	36,874,045
Departmental and other	35,126,392	41,139,114	39,311,014	42,489,144	53,788,079	54,153,095	52,913,882	57,676,624	54,554,968	59,358,026
Total revenues	<u>285,960,822</u>	<u>318,817,794</u>	<u>327,347,835</u>	<u>357,621,408</u>	<u>369,949,416</u>	<u>377,614,966</u>	<u>397,995,624</u>	<u>430,359,892</u>	<u>436,670,046</u>	<u>459,221,697</u>
Expenditures:										
General government	21,793,159	18,166,578	22,614,889	26,999,819	20,934,488	24,082,120	27,558,970	30,661,962	34,465,493	32,828,519
Public safety	62,746,991	67,021,363	67,526,146	71,036,613	73,640,401	76,087,314	78,453,371	83,255,981	86,275,482	90,299,577
Community maintenance and development	25,239,196	36,018,303	31,849,038	28,286,492	35,002,529	34,358,061	35,224,167	44,595,033	44,557,472	45,478,865
Human resource development	16,816,950	19,496,047	21,505,655	23,142,859	25,089,027	25,590,660	27,129,994	28,081,349	29,664,774	31,372,419
Education (1)	101,349,818	103,646,643	108,614,947	117,192,210	122,512,065	119,887,725	120,973,010	129,073,427	132,655,957	135,144,165
Judgments and claims	1,000,000	2,479,013	708,847	205,418	155,696	533,419	224,964	346,008	212,729	114,641
State and district assessments	21,222,529	29,002,282	28,703,942	28,018,935	29,698,511	33,617,517	33,886,544	35,890,415	37,294,026	39,567,157
Capital outlays (2)	36,165,817	48,504,599	45,562,817	40,585,634	40,323,991	47,781,887	74,043,756	38,509,574	42,079,595	94,264,563
Debt service:										
Interest (1)	3,485,734	4,805,574	5,525,356	6,711,387	4,436,907	6,490,398	6,621,664	7,958,766	8,719,761	9,273,441
Principal (1)	9,222,443	11,808,201	13,311,078	17,546,087	22,384,150	22,405,970	23,570,424	24,822,015	28,407,064	28,953,226
Total expenditures	<u>299,042,637</u>	<u>340,948,603</u>	<u>345,922,715</u>	<u>359,725,454</u>	<u>374,177,765</u>	<u>390,835,071</u>	<u>427,686,864</u>	<u>423,194,530</u>	<u>444,332,353</u>	<u>507,296,573</u>
Excess of revenues over (under) expenditures	<u>(13,081,815)</u>	<u>(22,130,809)</u>	<u>(18,574,880)</u>	<u>(2,104,046)</u>	<u>(4,228,349)</u>	<u>(13,220,105)</u>	<u>(29,691,240)</u>	<u>7,165,362</u>	<u>(7,662,307)</u>	<u>(48,074,876)</u>
Other financing sources (uses):										
Premium on bond issue	—	—	—	—	—	377,741	1,768,923	370,092	708,969	411,360
Bond proceeds	1,496,605	18,382,057	49,545,705	31,401,415	29,053,565	32,760,980	80,749,786	36,710,250	45,670,000	71,601,220
Transfer in	40,721,525	42,530,898	49,290,798	30,134,149	29,167,918	40,750,850	25,738,992	37,875,917	28,978,763	38,229,302
Transfer out	(40,308,675)	(41,995,028)	(48,913,928)	(29,757,279)	(28,791,048)	(40,373,850)	(25,207,157)	(37,340,917)	(42,260,143)	(37,551,172)
Total other financing sources (uses)	<u>1,909,455</u>	<u>18,917,927</u>	<u>49,922,575</u>	<u>31,778,285</u>	<u>29,430,435</u>	<u>33,515,721</u>	<u>83,050,544</u>	<u>37,615,342</u>	<u>33,097,589</u>	<u>72,690,710</u>
Net change in fund balances	\$ <u>(11,172,360)</u>	<u>(3,212,882)</u>	<u>31,347,695</u>	<u>29,674,239</u>	<u>25,202,086</u>	<u>20,295,616</u>	<u>53,359,304</u>	<u>44,780,704</u>	<u>25,435,282</u>	<u>24,615,834</u>
Debt service as a percentage of noncapital expenditures	\$ <u>4.83%</u>	<u>5.68%</u>	<u>6.27%</u>	<u>7.60%</u>	<u>8.03%</u>	<u>8.42%</u>	<u>8.54%</u>	<u>8.52%</u>	<u>9.23%</u>	<u>9.26%</u>

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

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(In millions of dollars)

Fiscal Year ended June 30	Residential property	Commercial property	Industrial property	Personal property	Total taxable assessed value (1)	Residential rate	Personal, commercial and industrial rate
1999	\$ 5,725	2,934	628	256	9,543	11.05	27.25
2000	6,773	3,288	702	275	11,038	9.64	25.16
2001	7,709	3,772	929	293	12,703	9.21	23.39
2002	10,317	4,994	1,221	305	16,837	7.22	18.81
2003	10,820	5,098	1,466	368	17,752	7.26	18.67
2004	12,157	4,818	1,808	444	19,227	7.63	19.08
2005	13,871	4,980	2,030	467	21,348	7.78	18.28
2006	13,962	4,930	2,350	605	21,847	7.38	17.86
2007	14,136	4,929	2,443	659	22,167	7.48	18.30
2008	14,427	5,541	2,836	737	23,541	7.36	17.24

(1) As of January 1st.

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

Source: City Department of Finance

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
1999	\$	11.05	27.25	27.25	25.00
2000		9.64	25.16	25.16	25.00
2001		9.21	23.39	23.39	25.00
2002		7.22	18.81	18.81	25.00
2003		7.26	18.67	18.67	25.00
2004		7.63	19.08	19.08	25.00
2005		7.78	18.28	18.28	25.00
2006		7.38	17.86	17.86	25.00
2007		7.48	18.30	18.30	25.00
2008		7.36	17.24	17.24	25.00

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Largest Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	2008			Taxpayer	1999		
	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	\$ 1,570,107,800	25,399,853	10.48%	Commonwealth Energy / Steam Corp.	\$ 236,775,230	6,448,396	4.06%
BioMed Realty Trust	720,854,800	12,346,800	5.09	Massachusetts Institute of Technology	240,622,681	6,112,270	3.84
Boston Properties	594,228,900	10,244,506	4.23	The Atheneum Group	157,678,400	4,296,730	2.70
Equity Partners	285,593,900	4,560,178	1.88	Asahi Seimei Prudential Associates	131,236,600	3,576,197	2.25
Presidents & Fellows of Harvard College	371,106,600	4,532,821	1.87	Cambridge Side Galleria – New England Develop	118,302,300	3,198,223	2.01
New England Development	220,000,000	3,792,800	1.57	Boston Properties	116,475,300	3,173,952	2.00
Novartis Pharmaceuticals	204,571,600	3,526,814	1.46	The Congress Group	125,284,900	2,668,191	1.68
PREEF American Reit II Corp.	199,921,100	3,446,640	1.42	Presidents and Fellows of Harvard College (1)	146,978,700	2,624,208	1.65
Alexendria Real Estate	193,479,300	3,335,583	1.38	Spaulding & Slye Corp	89,754,200	2,445,802	1.54
RB Kendall Fee LLC	194,428,600	3,330,222	1.37	G.E. Capital Investment Advisors	75,831,600	2,066,411	1.30
Total	\$ 4,554,292,600	74,516,217	30.75%		\$ 1,438,939,911	36,610,380	23.03%

(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
1999	\$ 159.0	155.7	97.92%	3.4	\$ 159.1	100.06%
2000	164.0	161.0	98.17	4.4	165.4	100.85
2001	178.5	173.6	97.25	5.3	178.9	100.22
2002	187.4	182.9	97.60	5.9	188.8	100.75
2003	197.7	192.4	97.32	4.5	196.9	99.60
2004	209.6	203.9	97.28	5.1	209.0	99.71
2005	222.6	214.1	96.18	7.2	221.3	99.42
2006	223.2	217.6	97.49	2.2	219.8	98.48
2007	233.3	227.1	97.34	1.7	228.8	98.07
2008	243.0	237.9	97.90	N/A	237.9	97.90

(1) Real and personal property taxes.

(2) Gross tax levied before overlay reserve.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal year	Governmental activities				Business-type activities	Total primary government	Percentage of per capita income (a)	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
	General obligation bonds	Section 108 HUD notes payable	School equipment notes payable	Notes payable	General obligation bonds				
1999	\$ 86,104,560	985,000	3,139,869	—	46,413,000	136,642,429	4.58%	\$ 1,426	1.43%
2000	92,940,237	980,000	2,883,048	2,000,000	63,912,570	162,715,855	5.15	1,605	1.47
2001	129,769,186	935,000	2,608,387	2,000,000	71,484,980	206,797,553	6.55	2,040	1.63
2002	140,028,249	825,000	2,314,652	6,000,000	72,701,609	221,869,510	7.03	2,189	1.32
2003	148,816,663	405,000	2,000,516	6,000,000	66,789,295	224,011,474	7.09	2,210	1.26
2004	159,517,629	395,000	1,664,560	6,000,000	63,819,513	231,396,702	7.33	2,283	1.20
2005	217,066,282	385,000	1,305,269	6,000,000	58,745,699	283,502,250	8.98	2,797	1.33
2006	229,348,765	375,000	921,021	6,000,000	52,478,366	289,123,152	9.16	2,853	1.32
2007	233,541,396	355,000	510,082	6,000,000	45,689,363	286,095,841	9.06	2,823	1.29
2008	276,540,915	335,000	—	6,000,000	39,485,690	322,361,605	10.21	3,181	1.45

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

- a See Page 88 for per capita income and population data. These ratios are calculated using per capita income and population from prior calendar year.
- b See Page 80 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal year		General obligation bonds outstanding	Total taxable assessed value	Per capita (a)	Ratio of debt to taxable assessed valuation (b)
1999	\$	132,517,560	9,543,000,000	1,383	1.39%
2000		156,852,807	11,038,000,000	1,548	1.42
2001		201,254,166	12,703,000,000	1,986	1.58
2002		212,729,858	16,837,000,000	2,099	1.26
2003		215,605,958	17,752,000,000	2,127	1.21
2004		223,337,142	19,227,000,000	2,204	1.16
2005		275,811,981	21,348,000,000	2,721	1.29
2006		281,827,131	21,847,000,000	2,781	1.29
2007		279,230,759	22,167,000,000	2,755	1.26
2008		316,026,605	23,541,000,000	3,118	1.34

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

- a See page 88 for median family income and population data. These ratios are calculated using median family income and population from prior calendar year.
- b See page 80 for the taxable assessed valuation figures.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS
 Direct and Overlapping Governmental Activities Debt
 June 30, 2008

<u>Name of Unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 316,026,605	—	100.00%	316,026,605
Massachusetts Water Resources Authority	—	3,718,950,000	5.16	191,891,063
Total direct and overlapping debt	<u>\$ 316,026,605</u>	<u>3,718,950,000</u>		<u>507,917,668</u>

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

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2008

Fiscal year 2008 equalized valuation (1)	\$ 24,529,458,900
Debt limit (5% of assessed value) (2)	1,226,472,945
Debt applicable to limit:	
General obligation bonds	316,361,605
Total authorized/unissued	<u>115,839,249</u>
Total debt outstanding plus authorized/unissued	432,200,854
Less general obligation bonds exempted by authority of the State legislature	<u>44,095,690</u>
Amount within debt limit	<u>388,105,164</u>
Legal debt margin	\$ <u><u>838,367,781</u></u>

		Fiscal year (Dollars in thousands)									
		<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$	212,647	212,647	317,027	317,027	456,081	912,162	1,064,126	1,064,126	1,226,473	1,226,473
Total net debt applicable to limit		<u>147,198</u>	<u>140,176</u>	<u>227,017</u>	<u>228,807</u>	<u>272,051</u>	<u>313,959</u>	<u>363,536</u>	<u>340,956</u>	<u>365,939</u>	<u>388,105</u>
Legal debt margin	\$	<u><u>65,449</u></u>	<u><u>72,471</u></u>	<u><u>90,010</u></u>	<u><u>88,220</u></u>	<u><u>184,030</u></u>	<u><u>598,203</u></u>	<u><u>700,590</u></u>	<u><u>723,170</u></u>	<u><u>860,534</u></u>	<u><u>838,368</u></u>
Total net debt applicable to the limit as a percentage of debt limit		69.22%	65.92%	71.61%	72.17%	59.65%	34.42%	34.16%	32.04%	29.84%	31.64%

(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 biannually 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, 2007.

(2) Under Massachusetts Statutes, the Normal Debt Limit of the City is 5% of the valuation of taxable property as 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	Unemployment rate (2)
1999	95,802	\$ 59,423	31,156	31.1	7,638	1.90%
2000	101,355	59,423	31,156	30.4	7,491	1.70
2001	101,355	59,423	31,156	30.4	7,308	2.60
2002	101,355	59,423	31,156	30.4	7,296	3.60
2003	101,355	59,423	31,156	30.4	7,111	3.80
2004	101,355	59,423	31,156	30.4	6,756	3.60
2005	101,355	59,423	31,156	30.4	6,450	3.40
2006	101,355	59,423	31,156	30.4	6,001	3.70
2007 (3)	101,355	59,423	31,156	30.4	5,797	3.20
2008 (4)	101,355	59,423	31,156	30.4	5,861	3.80

(1) Source: U.S. Department of Commerce, Bureau of Census, Decennial Census, 2000,1990

(2) Source: Massachusetts Division of Labor and Industries

(3) As of September 2007

(4) As of September 2008

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Employers (1)

Current Year and Nine Years Ago

Employer	1999			Employer	2008		
	Employees	Rank	Percentage of total city employment		Employees	Rank	Percentage of total city employment
M.I.T.	7,839	1	7.31%	Harvard University	10,031	1	9.53%
Harvard University	7,394	2	6.89	M.I.T.	8,044	2	7.64
City of Cambridge (2)	3,060	3	2.85	City of Cambridge (1)(2)	2,857	3	2.71
Lotus Development Corp./IBM	1,883	4	1.76	Mt. Auburn Hospital	1,875	4	1.78
Bolt, Beranek & Newman, Inc.	1,847	5	1.72	Biogen Idec	1,543	5	1.47
Cambridge Public Health Commission	1,524	6	1.42	Cambridge Health Alliance	1,436	6	1.36
Mt. Auburn Hospital	1,496	7	1.40	Federal Government	1,426	7	1.35
Federal Government	1,489	8	1.39	Novartis Institute	1,399	8	1.33
Polaroid Corporation	1,118	9	1.07	Genzyme Corporation	1,388	9	1.32
Draper Labs, Inc.	1,059	10	0.99	Draper Labs, Inc.	1,123	10	1.07
	<u>28,709</u>		<u>26.80%</u>		<u>31,122</u>		<u>29.56%</u>
Total average employed	<u>107,240</u>			Total average employed	<u>105,292</u>		

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

(2) Includes the Cambridge School Department

Source: Cambridge Community Development Department and cited employers, 2007.

Source: Massachusetts Division of Employment and Training.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Full-Time Positions by Function/Program

Last Ten Fiscal Years

Function/program	Full-time positions as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Executive management	15	16	17	18	16	15	15	15	16	16
Clerk	9	9	10	10	10	10	10	10	10	10
Law	12	12	12	12	12	11	11	11	11	11
Finance	79	80	81	83	83	83	83	83	83	83
Other	23	23	23	23	23	23	20	19	19	19
Subtotal	138	140	143	146	144	142	139	138	139	139
Public safety:										
Fire	283	283	283	284	285	283	284	284	284	284
Police	309	309	309	309	312	309	309	307	307	307
Traffic	84	83	82	82	82	81	81	80	80	80
Inspectional	27	28	28	28	28	28	28	28	27	27
Emergency communication	38	38	38	39	39	39	39	39	39	39
Other	24	24	24	25	26	25	31	30	30	30
Subtotal	765	765	764	767	772	765	772	768	767	767
Community maintenance:										
Public works	214	212	212	223	223	220	219	215	213	211
Community development	42	44	46	47	47	44	45	45	45	45
Other	9	10	12	12	12	12	13	13	13	13
Subtotal	265	266	270	282	282	276	277	273	271	269
Human resource development:										
Library	56	56	58	59	60	60	60	60	60	60
Human services	98	106	117	125	132	128	129	127	128	128
Other	7	7	7	7	7	7	7	7	7	7
Subtotal	161	169	182	191	199	195	196	194	195	195
Education	1,291	1,314	1,353	1,357	1,335	1,253	1,229	1,197	1,218	1,238
Water	59	55	69	67	67	65	65	63	63	63
Grand total	2,679	2,709	2,781	2,810	2,799	2,696	2,678	2,633	2,653	2,671

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Operating Indicators by Function/Program

Last Eight Fiscal Years

Function/program	Fiscal year							
	2001	2002	2003	2004	2005	2006	2007	2008
Fire:								
Emergency responses	30,219	31,960	32,008	31,052	28,920	30,278	32,436	33,207
Fires extinguished	544	611	565	334	388	574	585	859
Hazardous materials emergency	455	499	379	497	250	248	287	206
Police:								
Physical arrests	1,244	1,199	1,263	1,248	1,185	1,234	1,385	1,740
Traffic violations	21,963	20,661	20,396	24,336	24,973	22,745	22,231	24,853
Traffic:								
Number of meters on street	2,897	3,026	2,804	2,804	2,770	2,815	3,157	3,075
Meter violations	208,658	218,010	199,490	181,974	192,462	200,000	187,797	191,583
Overtime meter violations	40,738	34,871	28,344	34,896	33,957	34,000	21,771	25,718
Inspectional:								
Major permits issued	134	85	90	75	109	143	285	89
Short form permits issued	2,326	2,203	2,413	2,500	2,824	2,910	2,818	2,796
Compliance inspections	7,266	6,792	5,998	3,645	6,044	5,946	6,942	6,797
Emergency communications:								
Total 911 Incidents dispatched	101,794	106,363	97,714	96,045	89,739	92,375	101,766	107,620
Medical	8,322	7,725	7,608	7,670	7,668	8,373	9,531	10,723
Traffic/MV-Related	23,700	24,605	21,970	22,898	25,319	27,219	23,772	22,066
Crime and Directed Patrol	35,644	40,805	34,502	32,258	28,700	28,796	38,232	44,402
Public works:								
Street Resurfacing (miles)	1.8	10.8	22.2	17.8	22.5	12.4	6.5	7.5
Sidewalk replaced (miles)	2.3	7.6	6.7	6.7	5.8	3.5	4.8	3.0
Rubbish collected (tons)	25,119	24,893	25,223	25,104	23,993	23,425	20,230	18,592
Recycling collected (tons)	N/A	11,789	11,966	13,065	12,742	12,600	12,710	13,166
New stormwater drains installed (linear feet)	3,000	3,000	1,500	3,000	1,200	525	750	3,190
New sanitary sewer installed (linear feet)	300	500	700	1,000	850	290	590	1,559
Community development:								
Number of affordable multi-family rental unit	141	82	45	44	6	26	70	51
Number of affordable homeownership units developed	—	6	7	23	28	26	42	17
Human resource department:								
Library system circulation	926,057	998,331	1,116,012	1,123,755	986,501	940,330	1,015,073	1,064,743
Library acquisitions for collector	36,697	41,134	34,106	35,649	24,822	34,508	34,813	28,827
Number of clients served in youth and family services program	1,430	1,631	1,339	1,344	2,172	2,173	2,536	942
Number of clients served through homelessness prevention program	2,242	3,454	4,307	5,494	4,843	5,142	5,492	4,882
Number of clients visits to food pantry program	13,500	7,308	17,366	19,954	20,000	23,642	27,554	25,273
Total number of golf rounds annually	55,448	56,565	45,940	31,560	38,590	41,400	41,178	41,809
Water:								
Number of accounts transitioned to AMR system	N/A	N/A	N/A	N/A	6,750	7,900	425	N/A
Total water quality tests performed	36,127	47,422	66,170	67,729	56,718	60,313	63,039	61,267
Water treatment plant tests performed	N/A	41,878	59,073	60,633	49,564	52,513	54,760	53,378
Install, clean and line, and/or replace water mains; (linear feet)	12,000	49,000	4,790	3,770	5,180	1,380	5,650	1,890
Elimination of parallel old 6" cast iron pipe (linear feet)	N/A	N/A	N/A	1,500	5,200	4,410	2,950	1,940
Education:								
Total enrollment	7,308	7,296	7,111	6,756	6,450	6,001	5,797	5,861

Information for years prior to 2001 is not available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Capital Asset Statistics by Function/Program

Last Six Fiscal Years

Function/program	Fiscal year					
	2003	2004	2005	2006	2007	2008
Fire:						
Fire stations	8	8	8	8	8	8
Emergency vehicles	21	21	21	21	25	26
Maintenance facility	1	1	1	1	1	1
Police:						
Stations	1	1	1	1	1	1
Patrol units	79	79	79	79	84	80
Traffic:						
Garages	2	2	2	2	2	2
Public works:						
Collection trucks	18	18	18	18	15	15
Streets (miles)	125	125	125	125	125	125
Electric:						
Streetlights	7,017	7,193	7,017	7,264	7,285	7,383
Traffic signals	196	196	196	195	189	188
Sewer:						
Sanitary sewers (miles)	146.50	147.30	148.00	148.70	147.00	147.00
Storm sewers (miles)	86.12	86.77	97.42	88.07	90.00	92.00
Library:						
Main library	1	1	1	1	1	1
Number of branches	6	6	6	6	6	6
Parks and recreation:						
Acreage	496	496	496	496	496	497
Playgrounds	59	59	59	59	59	59
Baseball/softball diamonds	23	23	23	23	23	23
Soccer/football fields	10	10	10	10	10	10
Youth centers	5	5	5	5	5	5
Senior centers	2	2	2	2	2	2
Water:						
Water treatment plant	1	1	1	1	1	1
Water mains (miles)	190	190	190	190	190	190
Fire hydrants	1,750	1,750	1,750	1,750	1,750	175
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200
Reservoirs	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Education:						
Elementary schools	15	12	12	12	12	12
High school	1	1	1	1	1	1

Information for years prior to 2003 is not available.

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2008

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