

NEW ISSUE
BOOK ENTRY ONLY

Moody's Investors Service, Inc.:
Standard & Poor's Corporation:
(see "Ratings")

In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be excluded from gross income for federal income tax purposes, subject to certain conditions and exceptions as described herein. See "Tax Exemption" and "Appendix B" herein.

\$13,790,000

CITY OF CAMBRIDGE
MASSACHUSETTS
GENERAL OBLIGATION BONDS
MUNICIPAL PURPOSE LOAN OF 1996

Dated: June 15, 1996

Due: June 15, 1997-2006

AMOUNTS, MATURITIES, INTEREST RATES, AND PRICES OR YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
1997	\$1,705,000	%	%	2002	\$1,055,000	%	%
1998	1,705,000			2003	1,055,000		
1999	1,705,000			2004	1,055,000		
2000	1,705,000			2005	1,050,000		
2001	1,705,000			2006	1,050,000		

The Bonds will be dated June 15, 1996. Principal on the Bonds will be payable on June 15 of the years in which the Bonds mature. Interest will be payable semiannually on June 15 and December 15, commencing on December 15, 1996. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each and integral multiples thereof. Purchasers will not receive certificates representing their interest in Bonds purchased.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

The date of this official statement is June , 1996.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities to any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

CITY OF CAMBRIDGE, MASSACHUSETTS

THE CITY COUNCIL

Sheila T. Russell, Mayor
Kathleen L. Born, Vice-Mayor
Henrietta Davis
Francis H. Duehay
Anthony D. Galluccio
Kenneth E. Reeves
Michael A. Sullivan
Timothy J. Toomey, Jr.
Katherine Triantafillou

CERTAIN APPOINTED OFFICIALS

Robert W. Healy, City Manager
Richard C. Rossi, Deputy City Manager
James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs and
Treasurer/Collector
Russell B. Higley, City Solicitor
D. Margaret Drury, City Clerk
James A. Lindstrom, City Auditor

BOND COUNSEL

Palmer & Dodge LLP
One Beacon Street
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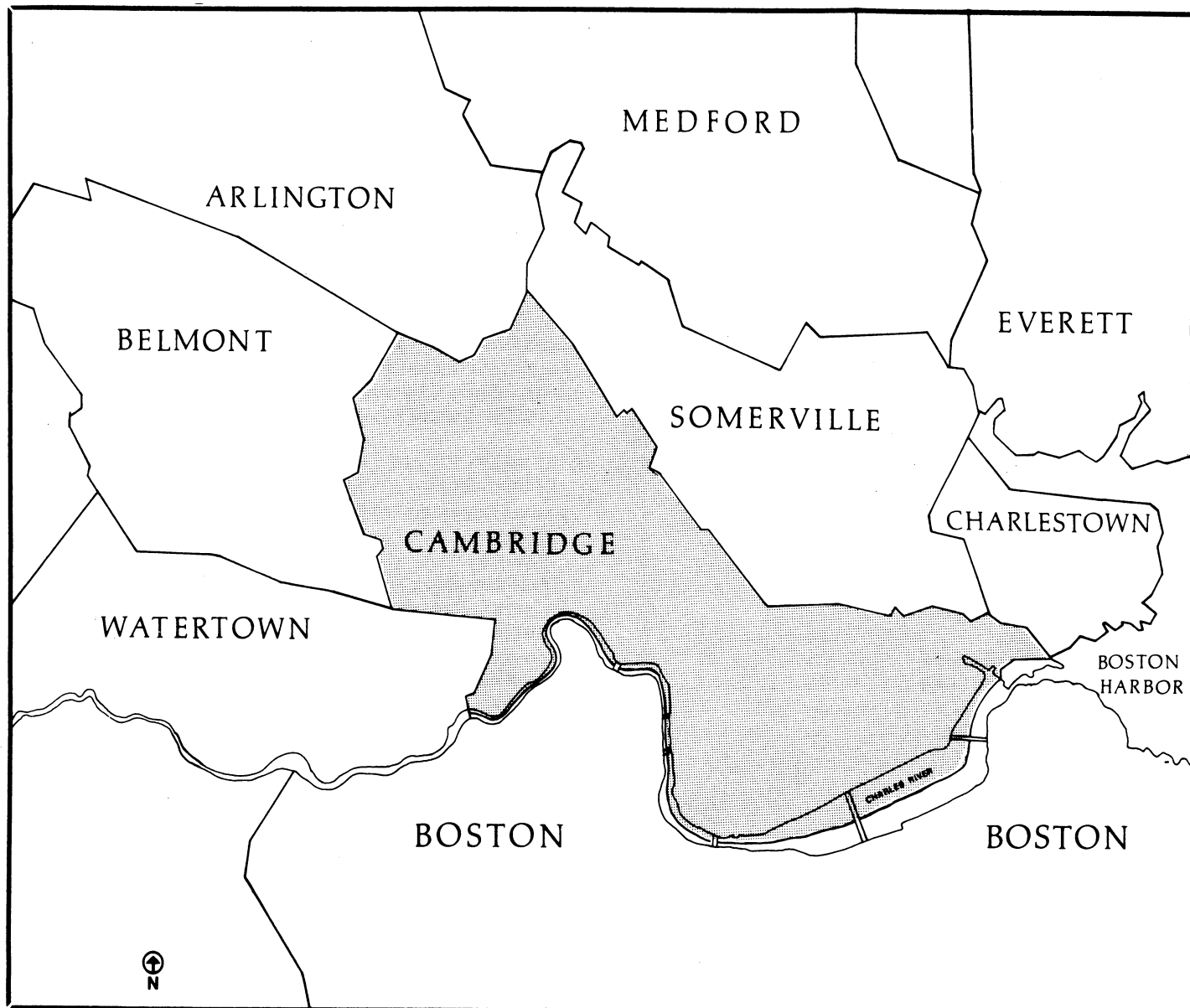
Government Finance Group, Inc.
4350 North Fairfax Drive
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CERTIFIED PUBLIC ACCOUNTANTS

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CAMBRIDGE AND SURROUNDING COMMUNITIES.

PART I: INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

The Issuer

The City of Cambridge is located in Middlesex County across the Charles River from the City of Boston. Cambridge, first settled in 1630, was originally incorporated as a town in 1636 and became a city in 1846. Since 1940, Cambridge has operated under a council-manager form of government with nine city councillors elected every two years. Occupying a land area of 6.26 square miles, the City has an estimated 1994 population of 99,890.

The Bonds

The City of Cambridge General Obligation Bonds, Municipal Purpose Loan of 1996 in book-entry-form, dated June 15, 1996, are due June 15 in each year of the years 1997 through 2006 in the aggregate principal amount of \$13,790,000.

Security for the Bonds

The Bonds are general obligations of the City of Cambridge, to the payment of which the full faith and credit of the City are irrevocably pledged. Payment is not limited to a particular fund or revenue source, but is payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, section 21C of the General Laws. (Refer to "Section II: The Bonds" for a complete description of the security for the Bonds and bondholder remedies.)

Use of Proceeds

The proceeds of the Bonds will be used to demolish an existing elementary school and construct a new school on the same site, plan for a future water treatment facility, renovate City Hall and a building acquired by the City for use as a senior center, replace water mains throughout the City, separate surface drains and sewers in the City, renovate an area of Fire Headquarters for use as an Emergency Communications Center, purchase the equipment needed to operate the center, install a fiber optic network infrastructure, and purchase personal computers for City and School use.

Redemption

The Bonds are not subject to redemption prior to their stated maturity.

Tax Exemption

In the opinion of bond counsel, under existing law, the interest on the Bonds will be exempt from Massachusetts personal income taxes, although the Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes, and interest on the Bonds will be excluded from gross income for federal income tax purposes, assuming compliance by the City with the Internal Revenue Code of 1986, and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals, although interest on the Bonds will be taken into account in computing certain federal taxes imposed on corporations. (Refer to "Section II: The Bonds" and Appendix B for a more complete description of the tax consequences of purchasing the security.)

Legal Matters

A copy of the legal opinion of the firm of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, will accompany the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.

Delivery

The Bonds are offered subject to prior sale, when, as, and if, issued by the City and accepted by the initial purchaser of the Bonds, subject to the receipt of an approving legal opinion by Palmer and Dodge LLP, Boston, Massachusetts, Bond Counsel. Delivery of the Bonds is expected on or about July 7, 1996.

Financial Advisor

The Government Finance Group, Inc., Arlington, Virginia, is employed as the financial advisor to the City in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of the bonds is not contingent upon the issuance and delivery of the Bonds.

Bond Counsel

Palmer and Dodge LLP, Boston, Massachusetts, is employed as Bond Counsel to the City in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issue of the Bonds are contingent on the sale and delivery of the Bonds.

Ratings

Ratings will be assigned by Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's Ratings Group, 25 Broadway, New York, New York 10004 as shown on the front cover. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgement of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

Auditors

A yearly independent audit of all accounts, books, records, and financial transactions of the City has been performed by KPMG Peat Marwick, Certified Public Accountants, of Boston, Massachusetts since fiscal year 1979. The opinion of the independent auditors for the period set forth in their report and the fiscal year 1995 Financial Statements are presented as a part of this Official Statement. (See Appendix A.)

Absence of Material Litigation

According to the City Solicitor, there is no litigation of any kind now pending or, to the best of his information, knowledge, and belief, threatened to restrain or enjoin the issuance or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued.

In addition, according to the City Manager, no litigation is considered likely to result either individually or in the aggregate in final judgements which would materially affect the City's financial position.

Miscellaneous

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchaser of the Bonds. Any statements made in this Official Statement involving matters of opinions or of estimates, whether or not so expressly identified, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized.

Information relating to the location, economy, and finances of the City of Cambridge and the surrounding areas found herein was prepared by the City under the direction of the Government Finance Group, Inc., Financial Advisor to the City.

Disclosure

In preparing this Official Statement, the City has generally followed the disclosure guidelines recommended by the Government Finance Officers Association as presented in its January 1991 edition of "Disclosure Guidelines for State and Local Government Securities," and the information presented in this Official Statement substantially conforms to these guidelines to the best of the City's knowledge and belief.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 1996 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The City has had no previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

Any questions concerning the contents of this Official Statement should be directed to the following: James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs, (617) 349-4220, or John G. Faria, Palmer & Dodge LLP, (617) 573-0100.

PART II: THE BONDS

DESCRIPTION OF THE BONDS

General

The Bonds are dated June 15, 1996, and will bear interest from that date which will be payable beginning December 15, 1996 and semi-annually thereafter on June 15 and December 15 until maturity. The Bonds will mature on June 15 each year as specified below:

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Due June 15</u>	<u>Principal Amount</u>
1997	\$1,705,000	2002	\$1,055,000
1998	1,705,000	2003	1,055,000
1999	1,705,000	2004	1,055,000
2000	1,705,000	2005	1,050,000
2001	1,705,000	2006	1,050,000

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond Certificate will be issued for each maturity of the Bonds each in the aggregate principal amount of such maturity and will be deposited with DTC. The record date for debt service payment is the close of business on the last business day of the month prior to the month in which a debt service payment comes due.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for securities on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to securities. Under its usual procedures DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on each payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

AUTHORIZATION AND USE OF PROCEEDS

The \$13,790,000 General Obligation Bonds consist of the following authorizations:

Emergency Communications

\$3,300,000

\$3,300,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted on October 3, 1994 to provide funds for renovations to the current Fire Alarm facility to accommodate the consolidated police, fire and emergency medical service functions as well as the acquisition of all equipment related to this function.

Elementary School Construction

\$2,340,000

\$2,340,000 was authorized pursuant to Chapter 645 of the Acts of 1948 by loan orders of the City Council adopted May 7, 1990, as amended August 7, 1991, and May 17, 1993, as amended March 21, 1994 to provide funds for the demolition of an elementary school and the construction of a new school on the same site.

Sewer Construction

\$500,000

\$500,000 was authorized pursuant to Massachusetts General Laws, Chapter 44 by a loan order of the City Council adopted November 5, 1990 to provide funds for the reconstruction of a portion of the City's sewer system.

Water Main Replacement

\$2,000,000

\$2,000,000 was authorized pursuant to Massachusetts General Laws, Chapter 44 by a loan order of the City Council adopted May 15, 1995 to provide funds for the replacement of water mains in the City's water distribution system.

Water Treatment Plant Design Services

\$3,600,000

\$3,600,000 was authorized pursuant to Massachusetts General Laws, Chapter 44 by a loan order of the City Council adopted May 15, 1995 to provide funds for engineering and design services related to the construction of a new water treatment plant.

City Hall Renovations

\$220,000

\$220,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7, by a loan order adopted by the City Council June 15, 1992 to provide funds for both interior and exterior renovations to City Hall.

Senior Center Renovations

\$230,000

\$230,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 (3A) by a loan order of the City Council adopted March 21, 1994 to provide funds for renovations to a building acquired by the City for use as a city-wide senior center.

Fiber Optic Network Infrastructure

\$1,000,000

\$1,000,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted May 13, 1996 to provide funds for the installation of a fiber optic network infrastructure.

Acquisition of Personal Computers

\$600,000

\$600,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, s.7 by a loan order of the City Council adopted May 13, 1996 to provide funds for the acquisition of personal computers for the City and School Department.

SECURITY AND REMEDIES

Full Faith and Credit

Under Massachusetts law, the Bonds constitute a pledge of the full faith and credit of the City of Cambridge. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see *Serial Bonds and Notes* below) and setoffs of state distributions as described below (see *State Distribution* below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy

Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for (and) all amounts necessary to satisfy final judgements." Specific provision is also made for including payments of rebate amounts not otherwise provided for and payments of notes in anticipation of federal aid or certain state aid in the next tax levy if the aid or reimbursement is no longer forthcoming. However, the total amount of a tax levy is limited by statute. The voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitations. (See *Tax Limitations* below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit. The City of Cambridge has not voted to exempt the debt service on the Bonds from the limitations.

No provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgements on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgements rendered after the tax levy has been fixed, subject to the General Debt Limit (see "Authorization of General Obligation Bonds and Notes" and "Debt Limits"). Subject to

the State Director of Accounts for judgements above \$10,000, judgements may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings

In the opinion of Bond Counsel, the City of Cambridge is subject to suit on its general obligation bonds and notes. Courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgement on the bonds or notes from lawfully available funds or, if necessary, to order the City to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law (see *Tax Limitations* below). In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the City and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgement against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Utility and Enterprise Receipts; Revolving Funds

Massachusetts statutes also provide that certain water, gas and electric, sewer, and parking meter receipts may be used only for water, gas and electric, sewer, and parking and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, recreational or transportation facility; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with the use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant is restricted to use for renewals and improvements or, with the approval of the State Department of Public Utilities, to pay debt incurred for plant reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financing are also not available for general municipal purposes.

State Distributions

State grants and distributions may in some circumstances be available to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and disbursements the amount of any debt service paid on "qualified bonds" (see *Serial Bonds and Notes* below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of the Massachusetts Bay Transportation Authority ("MBTA"), the Metropolitan District Commission ("MDC") and/or the Massachusetts Water Resources Authority ("MWRA"), or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement Revolving Loan Program.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing provisions do not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. It should also be noted that adoption of the Commonwealth's annual appropriation act is sometimes delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy

Enforcement for a claim for payment of principal of or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy law and to the provisions of other statutes, if any, hereinafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

OPINION OF BOND COUNSEL

The legal opinion of the firm of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. A proposed form of the legal opinion is included herein as Appendix B.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.

TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel, under existing law the interest on the Bonds will be exempt from Massachusetts personal income taxes, although the Bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes, and the interest on the Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Bonds will be taken into account, however, in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes. These requirements include restrictions on the use, expenditure and investment of bond proceeds and also include the payment of rebates and penalties in lieu of rebates to the United States. Failure to comply with these requirements may cause inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to take all lawful action necessary to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be or continue to be excluded from gross income for federal income tax purposes.

In addition to other requirements imposed by the Code, Section 148(f) of the Code requires an issuer of tax-exempt bonds to rebate to the United States certain excess earnings from investment of bond proceeds and other amounts, subject to certain exceptions. One of the exceptions applies when the gross proceeds of a bond issue are expended for the governmental purpose within certain specified periods after the date of issuance of the bonds. The City expects to expend all of the gross proceeds of the Bonds within the appropriate periods and, accordingly, expects the Bonds to qualify for this exception from the rebate requirement of the Code.

It should also be noted that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and that for insurance companies subject to the tax imposed by Section 831 of the Code, the deduction for losses incurred is reduced by 15 percent of the sum of certain items including interest on the Bonds. In addition, interest on the Bonds earned by certain corporations could be subject to the environmental tax or the foreign branch profits tax imposed by the Code, and may be included in passive investment income subject to federal income taxation under provisions of the Code applicable to certain S corporations. The Code also requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income and for taxable years beginning after December 31, 1995, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code. No assurance can be given that future legislation will not have tax adverse consequences for owners of the Bonds. The Bonds will *not* be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, in the opinion of Bond Counsel, no deduction will be allowed to a financial institution for any of its interest expense allocable to the Bonds.

PART III: THE CITY

INTRODUCTION

The City of Cambridge 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 and the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. The City's estimated population was 99,890 in 1994.

Cambridge, first settled in 1630 by a group from the Massachusetts Bay Company, was originally incorporated as a town in 1636 and became a city in 1846. Since 1940, the City has had a Council-Manager form of government.

Employers and developers find the City attractive due to its close proximity to Boston, extensive public transportation, an excellent network of roads, and the City's commitment to encouraging planned development. The location of two major universities, Harvard University and the Massachusetts Institute of Technology, within the City's borders contributes significantly to its vitality and growth.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

"A town is not an independent sovereignty. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers."

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State Legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966. Under this amendment, a city or town may exercise, by ordinance or by-law, any power which the State Legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State Legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law. These powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State Legislature may enact general laws relating to a class of two or more municipalities, but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance is not required if the Legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. The City of Cambridge is governed by a city council and an appointed city manager who has no power to veto council actions. Provision is made for a referendum on most types of council actions, and for initiation of measures, upon petition of a sufficient number of voters.

School affairs of the City are administered by an elected school committee. However, as a result of an initiative law adopted in 1980 (Proposition 2½), the School Committee is no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the City Council, but the School Committee retains full power to allocate the funds appropriated.

CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

The City operates under the Council-Manager form of government. The legislature and policy making body of the City is the nine-member City Council whose members are elected at-large for two-year terms. The Council elects a Mayor and Vice-Mayor from among its members with the Mayor serving as Chairman of the School Committee.

The City Manager is the chief executive and administrative officer and carries out the policies of the City Council. With the assistance of the Deputy City Manager and three Assistant City Managers, he coordinates the functions of 41 municipal departments responsible for the delivery of service to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. In 1995, the City Council approved a contract for the present City Manager, which expires June 30, 1997.

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

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

Principal Elected Officials

The following are the nine members of the City Council elected for two-year terms ending December 31, 1997:

	Sheila T. Russell, Mayor	
Kathleen L. Born, Vice Mayor		Kenneth E. Reeves
Henrietta Davis		Michael A. Sullivan
Francis H. Duehay		Timothy J. Toomey, Jr.
Anthony D. Galluccio		Katherine Triantafillou

The following are the six members of the School Committee elected for two-year terms ending December 31, 1997:

	Sheila T. Russell, Chairman	
Alfred B. Fantini		Susana M. Segat
Joseph G. Grassi		E. Denise Simmons
David P. Maher		Alice L. Turkel

Principal Executive Officers

Robert W. Healy, City Manager since July, 1981.

Previously served the City as Deputy City Manager from 1980 to 1981 and Assistant City Manager from 1974 to 1980. Also served as Assistant City Manager for the City of Lowell, Massachusetts from 1970 to 1974. Bachelor of Arts degree in English from the University of Massachusetts and Masters degree in Educational Administration from the University of Lowell.

Richard C. Rossi, Deputy City Manager since November, 1981.

Previously served the City as Purchasing Agent from 1978 to 1981 and Assistant Superintendent of the Water Department from 1975 to 1978. Bachelor of Science degree in Business from Salem State University and a Masters degree in Public Administration from Northeastern University.

James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs and Treasurer / Collector since November, 1982.

Previously served the City as Chief Budget Analyst from 1978 to 1980 and Budget Analyst from 1974 to 1978. Also served as Budget Administrator for the County of Arlington, Virginia from 1980 to 1982, and a consultant to the Finance Department, Engelwood, New Jersey in 1976. Bachelor of Arts degree in Government from Suffolk University and a Masters degree in Public Administration from Northeastern University.

Susan B. Schlesinger, Assistant City Manager for Community Development since September, 1994.

Previously served the City as Director of Housing from 1987 to 1994. Homeownership/Rehabilitation Coordinator from 1986 to 1987, and Project Coordinator, Coop Ownership Program from 1985 to 1986. Also served as Planner/Assistant Administrator of the Community Action Agency of Somerville and in various educational positions for the City of Somerville. Bachelor of Arts in American History and Masters degree in Education from Northeastern University.

Jill Herold, Assistant City Manager for Human Services since September, 1980.

Previously served the City as Director of Human Services Planning, Community Development Department from 1978 to 1980. Executive Director of a non-profit organization from 1971 to 1978. Bachelor of Science degree from the University of Maryland.

Russell B. Higley, City Solicitor since March, 1976.

Previously served the City as Assistant City Solicitor from 1970 to 1976 and General Counsel to the Rent Control Board. Assistant District Attorney, Middlesex County from 1968 to 1969. In addition, Mr. Higley has his own private law practice in Cambridge. Bachelor of Science degree in Business Administration from Suffolk University and a Doctor of Jurisprudence degree from Suffolk Law School.

D. Margaret Drury, City Clerk since June, 1992.

Previously served the City as General Counsel for Affordable Housing for the Community Development Department, 1989-1992; Executive Director of the Cambridge Rent Control Board, 1986-1989; Assistant Director and Assistant Counsel for the Cambridge Rent Control Board, 1982-1986. Bachelor of Arts degree from Syracuse University and Juris Doctor degree from Suffolk University Law School.

James A. Lindstrom, City Auditor since August, 1993.

Previously served as Executive Secretary for Chatham, Massachusetts from 1987 to 1993. Director of Administration & Planning/Finance Director for Amherst, Massachusetts from 1976 to 1987; Assistant Vice President and Area Controller, Citibank, New York, from 1974 to 1976; and Fiscal Officer, Paterson Redevelopment Agency, Paterson, New Jersey from 1969 to 1974. Bachelor of Arts in Economics from Hamilton College and Masters degree in Business Administration (Finance), Stanford University.

Mary Lou McGrath, Superintendent of the Cambridge School System since December, 1988.

Appointed by the Cambridge School Committee. Previously served as Interim Superintendent of Cambridge Public Schools from July 1988 to December 1988, Assistant Superintendent for Administration from October 1987 to July 1988, Director of Elementary Education from 1978 to 1987, Coordinator of Primary Education from 1975 to 1978, Acting Director of Primary Education from 1974 to 1975, Teacher in the Cambridge Public Schools from 1956 to 1974 and teacher in the Burlington School Department from 1955 to 1956. Bachelor of Science Degree, Elementary Education from State College, Salem, MA. Masters Degree in Education from Boston State College, Boston, MA.

GOVERNMENTAL SERVICES AND FACILITIES

The City provides general governmental services for the territory within its boundaries, including police and fire protection, collection and disposal of garbage and rubbish, public education in grades kindergarten through twelve, a hospital, water and sewer services, parks and recreation, health and social services, libraries/culture, and maintenance of streets and highways. The principal services provided by Middlesex County are space for courts, a jail, and house of correction, a hospital, and a registry of deeds. The Massachusetts Bay Transportation Authority ("MBTA") provides rapid transit service and bus coverage throughout the City with connections to the Metropolitan Boston area. The Metropolitan District Commission maintains certain parks, highways, and related police services. The Massachusetts Water Resources Authority ("MWRA") provides sewerage disposal services to the City. The Cambridge Housing Authority provides public housing for eligible low-income families, the elderly, and the handicapped.

The City's main municipal buildings include a City Hall, three general administrative buildings, a school administrative building, a public works garage and headquarters building, and a water treatment facility located at the City's reservoir. There is one police headquarters building, nine fire stations, six area libraries, plus a main branch, over sixty-nine parks and playground areas, a high school, plus thirteen elementary schools, located throughout the City.

Some other major facilities provided by the City include a municipal golf course and club house, two community centers, outdoor and indoor swimming pools, tennis facilities, and a newly constructed field house located at the high school.

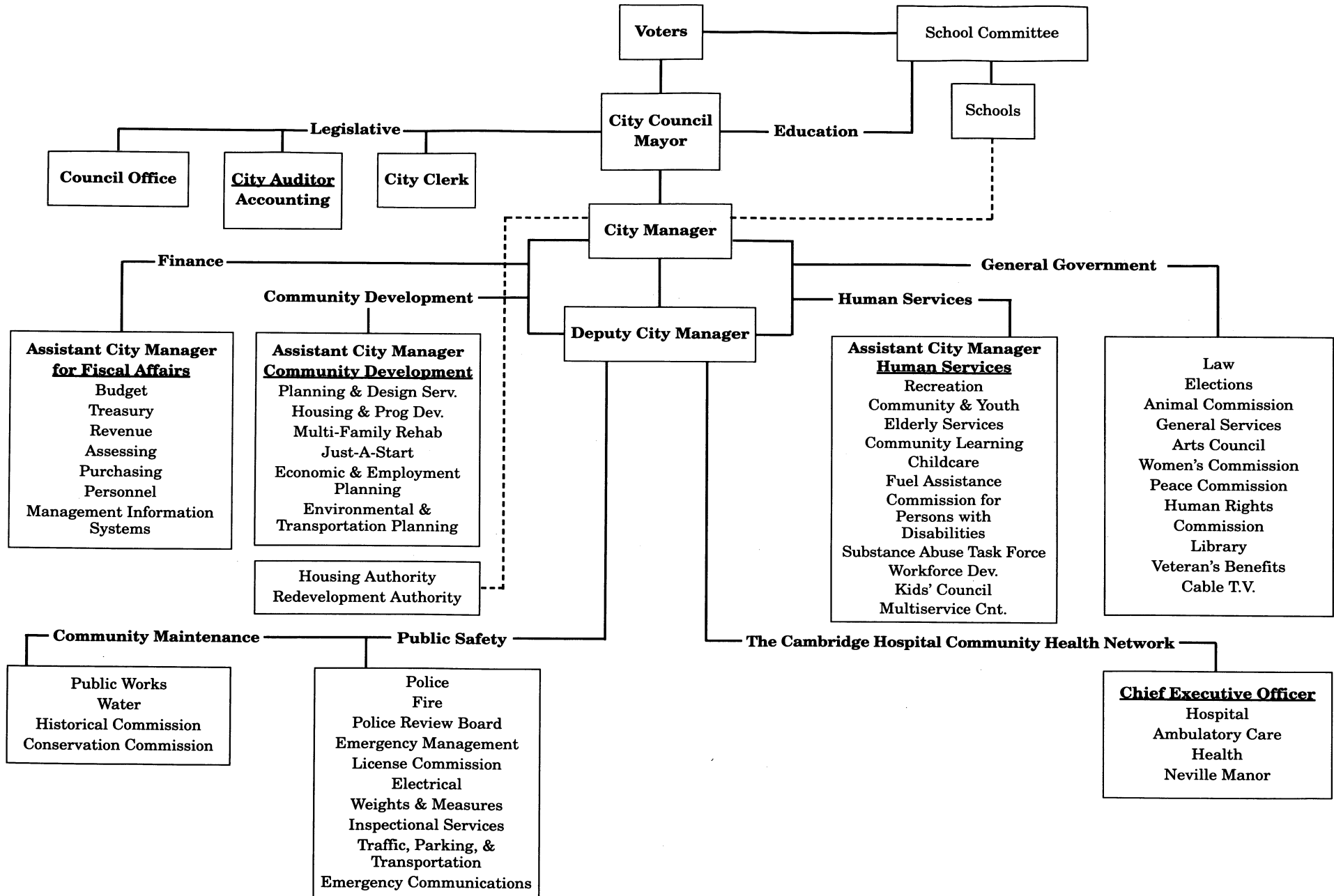
Federal buildings which are located in the City include offices for the Department of Transportation and the Social Security Administration. Also, in connection with Harvard University, the Smithsonian Astrophysical Observatory is located in the City.

The major State and County buildings located within the City are the Middlesex County Courthouse and the Registry of Deeds.

An organization chart for the City is presented on the following page.

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Development Activity

The City of Cambridge has continued to demonstrate economic stability during a period of volatility for all New England jurisdictions. Recently, the City has experienced steady increases in assessed valuation, employment, and net absorption of commercial real estate, primarily due to its continued economic development activities. In particular, growth of high tech and biotech companies has been strong due to the presence of Harvard University and the Massachusetts Institute of Technology (MIT) within the City. The following discussion summarizes recent economic growth and activity in the City.

Assessed Valuation. Fiscal year 1996 total assessed valuation, including both real and personal property, is \$7.01 billion. Of that total, approximately \$2.71 billion consists of industrial, commercial, and personal property. New properties built and occupied in the last year added approximately \$74.3 million to the taxable valuation base of the City.

The City's total assessed valuation increased by \$256 million, or 3.9 percent, from fiscal year 1995. When compared to the 0.52 percent decline experienced between fiscal years 1994 and 1995 and the average annual declines of 7.75 percent between fiscal years 1991-1994, this increase demonstrates continuing improvement.

Employment. Given the diversified nature of the 100,978 documented jobs in the City, the Cambridge economy continues to perform better than the economy of the Boston metropolitan area or the Commonwealth of Massachusetts. Over the last fifteen years, the City's unemployment rate has been significantly lower than the state or national unemployment rate. As of March, 1996, the unadjusted unemployment rate for Cambridge was 2.8 percent, compared to the state's unemployment rate of 5.4 percent and the national unemployment rate of 5.8 percent.

Commercial Real Estate Market. The construction of over 9.4 million square feet between 1980-1991 provided Cambridge with a solid base of Class A and quality high technology office/R&D space. New commercial construction in the City has slowed since this time as the Boston metropolitan area and Northeast region have readjusted to new market forces, but the Cambridge market still remains one of the healthiest markets in the Boston metropolitan area. Due to the stability of the City's employment base and growth in the high tech and biotech sectors, the commercial vacancy rate in Cambridge has continued to be lower than that of Boston and other surrounding suburbs. Currently, Cambridge's vacancy rate is 6 percent, compared to 10 percent and 11 percent for Boston and suburban markets respectively. Between 1992 and 1996, an additional 900,000 square feet of new or substantially rehabilitated space has come on line. Currently, there is approximately 215,000 square feet of new commercial space under construction and over 150,000 square feet of older, under-utilized or vacant structures being renovated.

As companies continue to restructure and consolidate, net absorption in Cambridge remains steady and positive. In particular, growth of high tech and biotech companies has spurred additional absorption and some new construction of commercial space. Long term commitments from companies such as Biogen, which recently constructed an additional 148,000 square feet of office/R&D space with expansion rights for another 500,000 square feet, continue to show the strength of the Cambridge market for maturing companies. Small and mid-size companies are also showing steady growth in Cambridge with the signing of new leases with companies such as Oravex (53,000 square feet), Genzyme Tissue Repair (76,000 square feet), Open Market (80,000 square feet), and several more software, communications, and biotech companies in the 10,000-60,000 square feet range.

Projections for development through the year 2010 include an additional 6-8 million square feet of commercial space. This growth is expected to occur in the City's former industrial districts. In these areas, the City monitors development through an orderly process utilizing control over infrastructure, planned unit development, and zoning strategies. Presented below is a summary of current economic activities and future potential of the City's five major development areas, along with a short City-wide summary.

East Cambridge Riverfront. This area lies directly across the Charles River from Boston at the Museum of Science and Charles River Dam area, approximately 2 miles and 15 minutes from Logan International Airport and consists of 60 acres of land, excluding adjoining Kendall Square and North Point.

Access to public transportation is by way of the MBTA's Kendall Red Line and Lechmere Green Line rapid transit stations with connections to the metropolitan Boston area, as well as by surface bus routes. Starting in the early 1980s, the redevelopment of the East Cambridge riverfront was stimulated by \$50

million in public improvements, including the creation of Lechmere Canal Park, Centanni Way, Front Park, and Charles Park. In addition, a 1000 car parking garage has been constructed and roadway improvements were implemented throughout the area.

The total private development completed in the East Cambridge area over the last fourteen years includes 3.7 million square feet of new and renovated prime office/R&D and retail space, 200 hotel rooms, and over 750 housing units with a total value in excess of \$630 million. East Cambridge has developed as a center for the computer and biotechnology industries, serving as headquarters for such firms as Lotus, Aspen Technologies, and Open Market in computer software and hardware, and Repligen and Genzyme in biotechnology. Lotus Development recently occupied a new 119,000 SF building, which provides internal access to its main headquarters.

The long term development potential in this area includes approximately 2.3 million SF, including major development space at ComEnergy and One Kendall Square.

Kendall Square. This 50 acre area lies across the Charles River from Boston at the Longfellow Bridge, adjacent to the MIT Campus and East Cambridge Riverfront areas. The MBTA's renovated Kendall Red Line rapid transit station, surface bus routes, and a bus shuttle service all benefit this area. Buildings completed in the 1980's added over 2.0 million SF, to bring the total Kendall Square area to over 5.0 million SF of first class office/R&D space. The area is enhanced by an active commercial center at the Cambridge Center Marriott; a public plaza adjacent to the MBTA station; new streets, sidewalks, street furniture and trees; a year round fountain/steam sculpture; and other public open space.

The most recent new developments have been the completion of a 148,000 SF new building at 12 Cambridge Center for Biogen, Inc. as part of the firm's long-term development in the area, and the completion of a 63,000 SF expansion of the Whitehead Institute for Biological Research. The area also houses the headquarters of Computer Corporation of America, CSC/Index, Polaroid, and Camp, Dresser & McKee. Office leasing is heavily influenced by the close proximity to MIT and Harvard University. The ten to fifteen year development potential will accommodate another 1.5 million square feet of commercial space.

North Point. This is a 60 acre underutilized industrial and railroad service area situated in a strategic location adjacent to the Charles River. Boston's Central Artery project emerges through North Point, and it is under intense planning review. Given the area's proximity to major research areas such as Massachusetts General Hospital and the East Cambridge/Kendall Square areas, North Point has a strong future development potential.

North Point could accommodate up to 2.0 million SF of mixed use development. The Commonwealth has agreed to fund infrastructure improvements to provide access through the North Point district and a new park along the Charles River. Imminent start of construction of a 159,000 SF headquarters building for EF International, an educational services company, is expected shortly, followed soon after by the construction of a 435 unit housing development. Detailed design of the riverside park and the roadway and utility layout continues apace to ensure their presence when the new construction is complete.

Alewife. Located in the western part of the City near Fresh Pond Reservoir, the M.D.C. Alewife Reservation, and the Belmont and Arlington Town lines, Alewife consists of approximately 370 acres within a thirty minute drive to Logan International Airport and downtown Boston as well as the residential suburbs and the Route 128 corridor. The area is served by the MBTA's Red Line rapid transit system as a result of the 1985 opening of three stations along the 2.5 mile extension from Harvard Square, including the Alewife Station, all of which are supplemented by MBTA surface bus lines. A 2,000 car parking garage is located adjacent to the station and has direct access to Route 2.

Over 1.5 million square feet of prime office/R&D space was built in Alewife over the last fourteen years, including portions of two major planned developments on opposite sides of the MBTA station. Alewife can accommodate an additional 2.3 million SF of commercial space. With an improving market for leasing of new office, R&D, and retail space, renewed interest has developed in sites that have remained inactive for more than five years. Plans for up to 300,000 SF of new construction are anticipated within the next five years.

Alewife has become a center for companies in consulting and biotechnology. The area serves as headquarters for BBN, Genetics Institute, and Arthur D. Little. The Alewife area appeals to companies interested in a suburban setting within the City of Cambridge.

The City has finalized a draft planning study for this area, updating the Alewife Master Plan completed in 1979. The planning study includes recommendations for upgrading the infrastructure and encouraging economic development, as well as preserving and enhancing environmental and recre-

ational resources. The draft has been sent to the City Council for their review. Planned improvements to Fresh Pond Parkway will begin to implement elements of that plan.

Cambridgeport. This area, comprising 70–80 acres located between the Charles River at the Boston University Bridge and Central Square, is a former industrial area being redeveloped primarily for office/R&D with some retail, light manufacturing, and residential uses. Over 630,000 SF of new office/R&D space and manufacturing space and 280 housing units have been completed over the last fourteen years, with an estimated value in excess of \$90 million. Recent renovations include headquarters for Hybridon (91,000 SF) and Vertex (60,000 SF) and space for Lifeline Systems (200,000 SF).

Forest City Development, in conjunction with the Massachusetts Institute of Technology, is in the process of constructing a long term phased development of 2.3 million SF, including a major hotel, retail shopping center, office/R&D space, and 400 units of housing. Over 350,000 SF of office/R&D space has been completed and is fully occupied, and 225 units of housing are finished. Plans for the hotel, 100,000 SF of retail uses, additional office space, and a 1000 car garage are rapidly advancing, with construction anticipated to start later in 1996.

Citywide. While densely developed and limited in its further potential, the Harvard Square area continues to attract development interest. New construction totaling 150,000 SF of office, retail and residential space is actively under review by the City's regulatory agencies. Citywide, there is a clear, renewed interest in the construction of new market-rate housing, with more than 200 units seriously under consideration in projects ranging in scale from small infill developments to 100 units in high-rise construction.

Affordable Housing Preservation and Development

In the late 1960's and 1970's, Cambridge made extensive efforts to support federal programs for the production of new rental units for low and moderate income families and the elderly. During this period the number of publicly assisted units more than doubled from 2,111 in 1970 to approximately 5,000 in 1980. Since 1980, with the cutback in federal funds for housing production, the City has placed increased emphasis on the preservation and rehabilitation of the existing stock, especially in lower income neighborhoods. However, even with the cutbacks, the City has supported the development of over 300 affordable housing units over the past five years.

More than half of the City's \$4.203 million annual Community Development Block Grant, as well as other public and private funds, are allocated to a range of local housing programs. City programs support the rehabilitation of 1–4 unit owner-occupied structures and investor-owned multi-family properties, and create affordable homeownership and rental opportunities for Cambridge residents through conversion, infill construction, and the Resident Coop Ownership program. Since 1980, such programs have enabled the City to upgrade over 1,500 dwelling units. For example, since 1989 the Cambridge Affordable Housing Trust has committed \$2.6 million for the development of 382 affordable units, which, in turn, have leveraged over \$31.5 million in other funding. In addition, Cambridge has been designated a participating jurisdiction under the federal HOME program and receives an annual location of over \$700,000 from HUD for the provision of new and rehabilitated affordable housing units. In 1994 the City received a \$2.4 million federal grant from HUD to assist property owners in deleading their units. Thus, it seems clear that the City's efforts have had a significant impact in preserving and improving an aging inventory of privately owned structures, while providing additional units of decent, affordable housing in existing buildings, and in some cases, new structures.

For the past decade, the Cambridge Housing Authority has successfully pursued a program of modernizing the public housing inventory. More than 920 units in the City's largest public housing developments have undergone major renovations at a cost of \$37.5 million in federal and state funds, and \$27.5 million more has been committed to additional modernization.

Employment

Because of the extensive development which has taken place, Cambridge has experienced unemployment rates significantly lower than the national and Massachusetts averages over the last fifteen years. In addition to the new employment created by the growth of research and development and service industries, the City still has its traditional employers in the area of education, medicine, and government which promotes the City's overall diversity.

The following table presents the number of employees for the calendar year 1994, as compiled by the Massachusetts Department of Employment and Training. The total annual payroll for the more than 3,717 businesses and government agencies for 1994 was approximately \$3.9 billion.

**CITY OF CAMBRIDGE
EMPLOYMENT BY SECTOR
CALENDAR YEAR 1994**

	<u>1994 Average Employees</u>	<u>Percent of Total Employment</u>
Private Sector:		
Agriculture, Mining, & Other	217	0.2%
Construction	1,794	1.8
Manufacturing	6,848	6.8
Transportation, Communication, Utilities	2,321	2.3
Wholesale & Retail Trade	15,360	15.2
Financial, Insurance, Real Estate	2,811	2.8
Service Industries	63,978	63.4
Total Private	<u>93,329</u>	<u>92.5</u>
Public Sector	<u>7,649</u>	<u>7.5</u>
TOTAL	<u>100,978</u>	<u>100.0%</u>

Source: Massachusetts Department of Employment and Training.

**CITY OF CAMBRIDGE
TOP TWENTY-FIVE EMPLOYERS
MAY 1996**

<u>Rank</u>	<u>Name of Employer</u>	<u>Nature of Business</u>	<u>1996 Employees</u>
1	MIT	Education	7,384
2	Harvard University	Education	7,337
3	City of Cambridge	Government	4,090
4	Mt. Auburn Hospital	Medical	1,900
5	Lotus Development Corp./ IBM	Computer Software	1,685
6	Polaroid	Photo & Optic Equipment	1,500
7	Federal Government	Government	1,466
8	Bolt, Beranek & Newman ..	Research & Development	1,200
9	Draper Labs	Research & Development	1,161
10	Arthur D. Little	Management Consulting	1,152
11	Genzyme	Pharmaceutical Products	829
12	Star Market	Retail	792
13	Commonwealth of Massachusetts	Government	610
14	Youville Hospital	Medical	604
15	Raytheon Engineering	Construction	600
16	Camp, Dresser, McKee	Engineering	598
17	Corning Clinical Laboratories	Clinical Testing Services	525
18	ABT Associates	Management Consulting	525
19	Biogen	Biotechnology/R&D	511
20	Commonwealth Energy Systems	Utility	454
21	Middlesex County Government	Government	450
22	Genetics Institute	Biotechnology/R&D	450
23	American Express Travel Services	Travel Services	436
24	Lesley College	Education	401
25	Monitor Company	Management Consulting	375
	TOTAL		<u>37,035</u>

Source: Cambridge Community Development Department

As illustrated in the table below, the unemployment rate for the City of Cambridge has been consistently lower than the rates for the State of Massachusetts and the United States.

**UNEMPLOYMENT RATE
AVERAGE ANNUAL RATES
1989 TO 1996**

	<u>Cambridge</u>	<u>Boston PMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1996 (March) (1)	2.8%	4.4%	5.4%	5.8%
1995	3.3	4.7	5.6	5.6
1994	4.0	5.2	6.0	6.1
1993	4.6	6.0	6.9	6.8
1992	5.6	7.5	8.5	7.4
1991	6.0	7.7	9.0	6.7
1990	3.8	5.1	6.0	5.5
1989	2.8	3.4	4.0	5.3

(1) Unadjusted Monthly Average

Source: Massachusetts Department of Employment and Training

Retail and Services Industry

A variety of retail and service employers are located within the City of Cambridge. The following two tables present information on retail establishments and sales, and service establishments and sales for the 1992 calendar year, the most recent data available.

**CITY OF CAMBRIDGE
RETAIL ESTABLISHMENTS AND SALES
CALENDAR YEAR 1992**

	<u>Cambridge</u>			<u>Boston PMSA</u>		
	<u># of Firms With Payroll</u>	<u>Sales (000)</u>	<u>% of Total</u>	<u># of Firms With Payroll</u>	<u>Sales (000)</u>	<u>% of Total</u>
Building Materials and Lawn Products	16	\$ 22,420	2.1%	688	\$ 1,082,779	4.0%
General Merchandise Group	17	158,169	15.0	531	2,770,834	10.2
Food Stores	107	186,268	17.6	2,419	5,143,426	18.9
Automotive Dealers.....	6	43,206	4.1	735	4,841,928	17.8
Gasoline Service Stations.....	29	34,035	3.2	1,255	1,483,459	5.4
Apparel, Accessories Stores.....	115	117,205	11.1	2,071	2,209,752	8.1
Furnishings, Home Furnishings, Equipment Stores.....	82	94,070	8.9	1,408	1,250,240	4.6
Eating & Drinking Places.....	336	190,478	18.0	6,249	3,290,440	12.1
Drug Stores, Proprietary Stores	24	45,032	4.3	647	1,284,510	4.7
Miscellaneous Retail.....	220	166,582	15.8	4,623	3,901,271	14.3
Total.....	952	\$1,057,465	100.0%	20,626	\$27,258,639	100.0%

Source: U.S. Department of Commerce, Bureau of the Census, 1992 Census of Retail Trade.

**CITY OF CAMBRIDGE
SERVICE ESTABLISHMENTS AND SALES
CALENDAR YEAR 1992(1)**

	Cambridge			Boston PMSA		
	Firms With Payrolls	Sales (000)	% of Total	Firms With Payrolls	Sales (000)	% of Total
Hotels, Motels, & Other Lodging Places..	15	\$ 108,032	2.8%	328	\$ 1,075,242	3.7%
Personnel Services.....	93	35,669	0.9	3,191	707,907	2.4
Business Services.....	325	1,810,326	46.1	6,605	9,362,460	31.8
Automotive Repair, Service, and Garages ..	48	22,875	0.6	2,248	1,111,507	3.8
Misc. Repair Services.....	18	3,801	0.1	820	404,559	1.4
Amusement and Recreation Services, Including Motion Pictures.....	67	70,492	1.8	1,450	1,121,029	3.8
Health Services, Except Hospitals.....	196	231,827	5.9	6,276	4,486,700	15.2
Legal Services.....	54	33,732	0.9	2,781	2,663,120	9.0
Selected Education Services.....	20	37,936	1.0	299	205,764	0.7
Social and Other Services.....	26	16,665	0.4	694	196,702	0.7
Engineering, Architectural, & Surveying Services.....	348	1,540,453	39.3	4,759	7,929,231	26.9
Micellaneous Services	21	12,357	0.3	292	187,465	0.6
Total.....	1,231	\$3,924,165	100.0%	29,743	\$29,451,686	100.0%

(1) This is the most recent data available for this chart.

Source: U.S. Department of Commerce, Bureau of the Census, 1987 Census of Service Industries.

Housing and Construction Activity

The data in the tables on the following page are presented to illustrate various housing characteristics for the City of Cambridge. The 1990 U.S. Census indicates that the total number of dwellings in the City was 41,979. Overall, the distribution of housing units is not skewed to any one type, with nine or more units and condominiums representing the largest percentage. As of January 1, 1995, the total number of units in the City was 41,922.

**CITY OF CAMBRIDGE
DWELLING UNITS BY TYPE
(As of January, 1995)**

<u>Type of Housing</u>	<u>Number of Buildings</u>	<u>Number of Units</u>	<u>% of Total</u>
One-Family	3,510	3,510	8.37%
Two-Family	3,161	6,322	15.08
Three-Family	1,649	4,947	11.80
Four to Eight Family	856	4,593	10.96
Nine or More Units	304	12,600	30.06
Condominiums	885	7,294	17.40
Mixed Res./Comm. Bldgs.	355	2,032	4.85
Rooming Houses	60	624	1.48
Total	10,730	41,922	100.00%

Source: City Department of Finance.

**CITY OF CAMBRIDGE
VALUE OF NEW CONSTRUCTION AND DISTRIBUTION BY TYPE
FISCAL YEARS 1989 TO 1996**

<u>Fiscal Year</u>	<u>Est. Value of Construction</u>	<u>% Distribution</u>	
		<u>Residential</u>	<u>Commercial</u>
1996(1)	\$160,785,202	14%	86%
1995	162,701,784	18	82
1994	178,799,112	24	76
1993	143,324,133	29	71
1992	145,693,744	21	79
1991	83,572,870	24	76
1990	178,232,594	32	68
1989	247,169,263	14	86

(1) As of April 30, 1996

Source: Cambridge Inspectional Services Department.

Population and Income Characteristics

According to figures provided by the U.S. Census Bureau, as of 1994, the City of Cambridge had a population of 99,890. This figure represents a 4.3 percent increase from the 1990 population. The following table represents population figures for selected years.

**CITY OF CAMBRIDGE
POPULATION AND RATES OF CHANGE**

<u>Year</u>	<u>Population</u>	<u>Rate of Change</u>
1994	99,890	2.4%
1992	97,526	1.8
1990	95,802	5.0
1988	91,260	1.4
1986	92,535	0.0
1984	92,535	-1.4
1982	93,841	-1.6
1980	95,322	-5.0
1970	100,361	-6.8
1960	107,716	-10.8
1950	120,740	—

Source: The 1990, 1980, 1970, 1960, and 1950 figures are from the U.S. Census. The 1982, 1984, 1986, 1988, 1992, and 1994 figures are from the Bureau of the Census, Current Population Report "Local Population Estimates."

The 1990 U.S. Census reported the City's median age to be approximately 31 years with a much greater representation of residents in the 25-34 year old age group than the national average. In addition, the City has a very high percentage of individuals who have graduated from high school and who have attended four or more years of college in comparison to the Massachusetts averages.

SELECTED POPULATION CHARACTERISTICS

<u>Characteristic</u>	<u>Cambridge</u>	<u>Boston PMSA</u>	<u>Massachusetts</u>	<u>United States</u>
Population (1).....	95,802	2,870,669	6,016,425	248,709,873
Median Age (1)				
1990.....	31.1	33.4	33.6	32.9
1980.....	28.6	31.3	31.2	30.0
1970.....	26.8	29.1	29.0	28.0
1960.....	29.6	32.0	32.1	29.5
Age Group (1)				
5-17.....	9.2%	14.3%	15.6%	18.2%
25-44.....	41.0	35.1	33.6	32.5
65 and over.....	10.5	12.9	13.6	12.6
Four or more years of college education				
25 years old & over (2)....	54.2%	35.4%(3)	27.2%	N/A
High school graduates				
25 years old & over (2)....	84.4%	84.3%(3)	80.0%	N/A

(1) Source: U.S. Department of Commerce, Bureau of the Census, 1990 Census of Population.

(2) Source: State Data Center, Massachusetts Institute for Social and Economic Research.

(3) Source: Middlesex County, Massachusetts.

Income

Presented below are tables of median family income and per capita income for the most recent years available.

MEDIAN FAMILY INCOME

<u>Year</u>	<u>Cambridge</u>	<u>Boston PMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1989	\$39,990	\$49,266	\$44,367	\$37,919
1979	17,845	22,848	21,166	19,917
1969	9,815	11,485	10,833	9,586

Source: U.S. Department of Commerce, Bureau of the Census

PER CAPITA PERSONAL INCOME

<u>Year</u>	<u>Cambridge</u>	<u>Boston PMSA</u>	<u>Massachusetts</u>	<u>United States</u>
1989	\$19,879	\$23,746	\$22,236	\$17,592
1987	15,613	20,355	18,296	15,472
1985	13,494	17,391	16,324	13,908
1983	11,403	14,612	13,306	11,687
1979	7,957	9,880	10,096	9,494
1969	3,899	4,471	4,349	3,945

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Massachusetts State Data Center.

EDUCATION

Elementary and Secondary Schools

The City of Cambridge public school enrollment totalled 8,168 for the 1995–1996 school year. It is projected that the figures will show a slight increase over the next four years. In addition to the public school system, there are approximately eleven private and parochial schools in the City. In 1995–96, there were approximately 1,600 students enrolled in these schools.

Summarized below are selected items of information concerning the number and type of public facilities and the total annual school enrollments (actual and projected).

**CITY OF CAMBRIDGE
PUBLIC EDUCATION FACILITIES
1993–1994 SCHOOL YEAR**

- 13 Elementary Schools
- 1 High School
- 1 Administrative Building
- 3 Miscellaneous Buildings

Source: Cambridge School Department.

**SCHOOL ENROLLMENT ACTUAL AND PROJECTIONS
SCHOOL YEARS 1996–2000 (1)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Elementary	5,528	5,593	5,653	5,663	5,664
Secondary	1,989	1,931	1,901	1,945	1,994
Ungraded	651	651	651	651	651
Total	8,168	8,175	8,205	8,259	8,309

(1) Enrollments are as of October 1 for the school years shown. The figures shown for 1996 are actual with the following years as projections.

**CITY OF CAMBRIDGE
PUBLIC SCHOOL ENROLLMENTS HISTORY (1)**

Fiscal Year	K-8	9-12	Special	Total	Percentage Change
1995	5,521	2,047	670	8,291	+1.39%
1994	5,513	2,018	646	8,177	+1.92
1993	5,297	2,038	688	8,023	+1.92
1992	5,097	2,102	673	7,872	+1.48
1991	4,998	2,078	681	7,757	+1.60
1990	4,796	2,136	703	7,635	- .23
1989	4,657	2,253	743	7,653	- .67
1988	4,584	2,400	721	7,705	-1.49
1987	4,631	2,541	648	7,820	- .82
1986	4,684	2,619	582	7,885	-1.40
1985	4,760	2,671	566	7,997	+ .05
1984	4,795	2,621	577	7,993	-2.00
1983	4,930	2,606	616	8,152	

(1) Enrollments are as of October 1, for the fiscal years shown.
Source: Cambridge School Department.

Higher Education

The major institutions of higher education located in the City are Harvard University and the Massachusetts Institute of Technology (M.I.T.).

Harvard University, the nation's oldest institution of higher learning, was established by the Great and General Court of the Massachusetts Bay Colony in 1636, just 16 years after the Pilgrims landed at Plymouth Rock. Harvard has grown from a school of 12 students and a single master to a university with an enrollment of approximately 18,700 degree candidates.

Harvard University is located primarily in Harvard Square. The various schools and colleges include facilities of Harvard College (the undergraduate portion of the University) as well as the Graduate School of Arts and Sciences, Radcliffe College, the Graduate School of Education, the John F. Kennedy School of Government, the Harvard Law School, the Harvard Divinity School, the Graduate School of Design, the Widener Library and the Loeb Drama Center (home of the American Repertory Theater).

Additional facilities include many of Harvard's famous museums, including the Fogg Museum, The Busch Reisinger Museum, the Sackler Museum, the Museum of Comparative Zoology, the Peabody Museum, and the Botanical Museum. In addition to serving as teaching and research facilities, these museums are open to the public. Public exhibitions also are conducted at the Harvard College Observatory and the Harvard Smithsonian Observatory.

While the Massachusetts Institute of Technology began its life across the Charles River, in Boston, the University moved to Cambridge in the early part of this century.

The facilities of the undergraduate and graduate schools for M.I.T., with an enrollment of over 9,700 degree candidates, are located in the Kendall Square area of the City. These include the Graduate School for Architecture and Planning, the Graduate School of Management, the Graduate School of Science, and the Graduate School of Humanities and Social Science.

Additional M.I.T. facilities include the Interdenominational Chapel, Kresge Auditorium, the Hayden Art Gallery, the Margaret Hutchinson Compton Gallery, the Hart Nautical Galleries, the Albert and Vera List Visual Arts Center, and the M.I.T. Museum and Historical Collections, as well as the famous laboratory of Professor Harold Edgerton for Stroboscopic Light Display and Photographs.

The Cambridge Hospital

On May 6, 1996, the Cambridge City Council unanimously passed a home rule petition which if approved by the Massachusetts Legislature will create the Cambridge Public Health Commission. The Commission would be established as a separate public entity whose powers would be exercised by a Board of 17 members appointed by the City Manager. The Board would appoint a Chief Executive Officer to head the public authority and all responsibilities and employees of the City's Department of Health and Hospitals (the Cambridge Hospital, Neville Manor and Public Health) would be transferred to the Commission.

The aim of the legislation is to preserve the mission of the Cambridge Hospital by allowing it the flexibility to respond to the tremendous changes in the health care community resulting from the consolidation and mergers of hospitals. The new Commission would have the authority to enter into affiliation agreements with other health care providers. Specifically, it would allow the Commission to proceed with the acquisition of Somerville Hospital. While the legislation would enable mergers or affiliations with other health care entities, the City retains significant authority to guarantee that the public health responsibilities of the City are not compromised.

In addition to the transfer of employees and responsibilities to the Commission, the real property will be leased for a term expected to be 50 years and all other assets and liabilities of the Department of Health and Hospitals will be transferred to the Commission. The Hospital will annually reimburse the City for the annual costs incurred by the City for pensions or general obligation debt.

Approval of the legislation would allow the Commission to issue bonds or notes secured only by Commission revenues as well as to allow the City to continue to incur general obligation debt on behalf of the Commission subject to City Council approval, with the Commission to reimburse the City annually for any payments made by the City on new debt.

The legislation also calls for an initial seven year contract between the City and the Commission for the provision of services by the Commission. In the first year, it is projected that property tax support by the Commission would be \$3,000,000 less than the FY96 support of the Department of Health and Hospital. While the financing of the contract is subject to annual appropriation by the Cambridge City Council, the projection is that the Commission will receive \$17,000,000 less in property tax support than if the net FY96 support of \$7,512,660 had been carried forward for seven years at a constant level.

PART IV: CITY INDEBTEDNESS AND CAPITAL PLAN

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by vote of two-thirds of all members of the City Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the City Council. Borrowings for some purposes require State administrative approval.

When serial bonds (or notes) have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds (or notes). Temporary loans in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be made by the Treasurer with the approval of the City Manager.

DEBT LIMITS

General Debt Limit

Under Massachusetts statutes, the General Debt Limit of the City of Cambridge consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit of the City is 2½ percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City of Cambridge can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Emergency Finance Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, and solid waste disposal facility bonds, and, subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric and gas (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). Industrial revenue bonds, electric revenue bonds and water pollution abatement revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes

The amount borrowed in each fiscal year through the issuance of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The City's fiscal year ends on June 30. Notes issued at the end of the fiscal year may mature in the following fiscal year, and notes may be refunded into the following fiscal year, to the extent of the uncollected unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgements and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding revenue deficits arising from a failure to collect taxes of earlier years (see *Taxation to Meet Deficits* below). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations

Under Massachusetts statutes, the City of Cambridge is authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes

These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, and for those projects for which debt service has been exempted from property tax limitations. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of

the purposes are capital projects. They may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes. Serial bonds may be issued as "qualified bonds" with the approval of the State Emergency Board, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. The State Treasurer is required to pay the debt service on "qualified" bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the Commonwealth are to be assessed upon the City.

Bond Anticipation Notes

These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

Revenue Anticipation Notes

Revenue Anticipation Notes are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes

Grant Anticipation Notes are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds

Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's water pollution abatement revolving loan program. In addition, cities and towns having electric departments may issue revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Public Utilities. The City of Cambridge does not have an electric department, and has not authorized any other city revenue bonds with respect to the Hospital, see The Cambridge Hospital.

**CITY OF CAMBRIDGE
STATEMENT OF INDEBTEDNESS
LONG-TERM BONDS AND TEMPORARY LOANS (1)
AS OF JUNE 30, 1996**

Bonds:

	<u>Outstanding Bonds Prior To This Issue</u>	<u>Authorized Unissued Prior To This Issue</u>	<u>Outstanding After This Issue</u>	<u>Authorized Unissued After This Issue</u>
Within General Debt Limit: (2)	\$35,895,165	\$104,836,456	\$44,085,165	\$96,646,456
Outside General Debt Limit:				
School (3)	18,458,000	0	18,458,000	0
Sewer	215,000	0	215,000	0
Water	9,709,000	5,600,000	15,309,000	0
Sub Total	<u>28,382,000</u>	<u>5,600,000</u>	<u>33,982,000</u>	<u>0</u>
Total Bonds	<u>\$64,277,165</u>	<u>\$110,436,456</u>	<u>\$78,067,165</u>	<u>\$96,646,456</u>

Temporary Loans:

	<u>June 30, 1996</u>
Bond Anticipation	\$0
Grant Anticipation	0
Revenue Anticipation: (4)	
For Current Year	0
For Prior Year	0
	<u>\$0</u>

- (1) Excludes lease and installment purchase obligations, overlapping debt, and unfunded pension liability.
- (2) At the present time, the Normal General Debt Limit is \$187,702,345 and the Double General Debt Limit (see "Debt Limit" above) is \$375,404,690.
- (3) Source: School Building Assistance Bureau. The unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest (interest is partially or wholly included in eligible costs of projects approved after January 1, 1971) was estimated at approximately \$17,592,974 on June 30, 1996. This amount is subject to annual appropriation by the State Legislature.
- (4) The City has not borrowed in anticipation of revenues since fiscal year 1987.

Source: City Department of Finance.

CONTRACTS AND MUNICIPAL LEASES

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal (20 year maximum term). Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies. The City is currently not a party to any such long-term service contracts.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facility.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution (see "Constitutional Status and Form of Government" below), cities and towns may also be empowered to make other contracts and leases.

The City has not entered into any substantial financing lease or installment purchase contracts, but does lease certain real estate for hospital and school purposes at an annual aggregate rental cost of approximately \$709,000.

CITY OF CAMBRIDGE GROSS AND NET DIRECT DEBT (as of June 30, 1996) (1)

<u>Type of Debt</u>	<u>Gross Debt</u>	<u>Funds Committed to Debt Redemption</u>	<u>Net Debt</u>
Within General Limit ...	\$44,085,165	\$ 3,819,384 (2)	\$40,265,781
Outside General Limit:			
Schools	18,458,000	12,647,777 (3)	5,810,223
Sewer	215,000	0	215,000
Water	15,309,000	0	15,309,000
Totals	<u>\$78,067,165</u>	<u>\$16,467,161</u>	<u>\$61,600,004</u>

(1) Includes current issue

(2) This figure includes the portion of equity earnings and contract assistance payments from the State related to the balance of the principal on the sewer loan from the Massachusetts Water Pollution Abatement Trust (MWPAT). Equity earnings are based on the investment of MWPAT and proceeds with contract assistance payments appropriated on an annual basis by the State legislature.

(3) This figure represents the amount outstanding in principal reimbursements from the state for school construction projects as of June 30, 1996. Interest costs have been excluded from this figure in order to show only that portion of the State reimbursements which may be applied against the outstanding debt. These reimbursements are subject to annual appropriation by the State Legislature.

Source: City Department of Finance.

OVERLAPPING DEBT

Massachusetts Water Resources Authority

The Massachusetts Water Resources Authority (the "Authority"), is an independent public authority of the Commonwealth. In 1985, the Authority assumed possession and control from the Metropolitan District Commission of a water distribution system and a sewer system which provide wholesale services to 61 cities and towns located primarily in eastern Massachusetts, including most of the metropolitan Boston area. In addition to its operating responsibilities, the Authority is responsible for rehabilitating and repairing the systems to bring them into compliance with applicable environmental laws. The MWRA's rates and charges are among the highest in the nation and significant rate increases will continue each year in response to continuing increases in the operating expenses of the systems, principally resulting from increases in debt service costs incurred in connection with the financing of its capital program. The largest share of major capital improvements to the system (the "Capital Program") is for projects relating to constructing and rehabilitating wastewater collection and treatment facilities in order to bring the sewer system's wastewater discharges into Boston Harbor into compliance with federal and state pollution control requirements. These projects are conducted in substantial part under court orders entered by the U.S. District Court in a continuing Clean Water Act enforcement proceeding filed against the Authority and the Commonwealth by the U.S. Environmental Protection Agency.

The MWRA is empowered by the Act to operate, maintain and improve the Systems, to utilize on an exclusive basis all such quantities of water as may be safely yielded from the MDC's watershed system, to establish and collect rates and charges for the services and commodities furnished or supplied by the Systems without supervision or regulation by any office, department, board or other agency of the Commonwealth or any of its political subdivisions and to issue its bonds and notes and pledge its revenues therefor to carry out its corporate purposes.

The aggregate principal amount of bonds and notes of the MWRA that may be issued and outstanding at any time is currently limited by the Act to \$3.3 billion. The cost of the MWRA's capital program has been estimated by the MWRA at approximately \$6.0 billion (fiscal year 1996 dollars) for fiscal years 1986 through 2003, and the MWRA expects to obtain increases in its debt limit in order to finance its capital program.

Massachusetts Bay Transportation Authority

The Massachusetts Bay Transportation Authority (the "MBTA") is presently authorized by law to issue bonds, for capital purposes other than refunding, to an amount not exceeding \$3,556,300,000 outstanding at any time. Such bonds were outstanding as of March 1, 1996 in the amount of \$2,048,460,744. Such bonds are considered outstanding for debt limit purposes until actually paid at maturity or earlier redemption, regardless of whether or not they are considered Outstanding under the General Bond Resolution. In addition, the MBTA is authorized to issue an additional \$1,062,775,000 for certain specified purposes, of which none are outstanding. The MBTA is also authorized to issue refunding bonds. Such refunding bonds are outstanding as of March 1, 1996 in the amount of \$1,269,425,000 (of which \$108,380,000 have been refunded).

In addition to the foregoing obligations of the MBTA, the MBTA is also responsible for the payment of obligations issued by the Boston Metropolitan District (hereinafter called the "BMD"). The BMD was created in 1929 to serve as a vehicle for the public financing required for transportation facilities in Boston and the thirteen other cities and towns comprising the inner core of the Metropolitan Area. The approximately \$44,708,000 BMD obligations outstanding on March 1, 1996, while general obligations of the entire area comprising the District, are primarily secured by bonds of the Metropolitan Transit Authority ("MTA"), predecessor agency to the MBTA, issued to BMD, or by contractual obligations of the MBTA to BMD. When the MBTA was created in 1964 to succeed the MTA, all of the debts of MTA were assumed by the MBTA. Accordingly, the MBTA is now obligated to pay the BMD annual amounts sufficient to pay debt service on its debt obligations held by the BMD. The debt service on these obligations is taken into account in computing the MBTA's Net Cost of Service. All financing for new construction or improvements to the transportation facilities is done by the MBTA. The BMD will not issue debt other than periodic refunding issues which will be necessary from time to time in order to level out the maturities of its debt and to correlate its debt maturities with the MBTA's principal obligations to it. The Commonwealth pays approximately 90 percent of the debt service on MBTA bonds.

The MBTA is further authorized to issue temporary notes for operating purposes and such notes were outstanding as of March 13, 1996 in the amount of \$325,000,000 and are due \$160,000,000 on September 6, 1996 and \$165,000,000 on February 28, 1997. The MBTA is further authorized to issue notes in anticipation of bonds. There were \$187,865,000 of such notes in the form of commercial paper outstanding as of March 13, 1996 and due at various times.

The MBTA has entered into five long-term leases providing for the lease of equipment. Under the terms of such leases, the MBTA will be required to make annual rental payments of approximately \$14.8 million in fiscal years 1996 to 2015. Pursuant to Section 28 of the Act, the Authority has entered into agreements with the Commonwealth, acting by and through its Executive Office for Administration and Finance, whereby the Commonwealth has agreed, subject to appropriation, to pay to the Authority Contract Assistance equal to 90% of the annual rental payments due under the leases.

The following table sets forth the portion of overlapping debt assessed to the City (1):

**CITY OF CAMBRIDGE
OVERLAPPING DEBT**

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated City Share</u>	<u>Overlapping Debt</u>
Middlesex				
County (2)	\$ 1,990,000	\$ 8,140,000	11.7%	\$ 232,830
Massachusetts Water				
Resources Authority (3)				
Sewer.....	2,273,914,000	0	5.01	113,923,091
Massachusetts Bay				
Transportation				
Authority (4)	2,048,460,744	2,570,614,256	4.91	<u>100,579,423</u>
Total				<u>\$214,735,344</u>

- (1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.
- (2) Source: Treasurer, Middlesex County. Debt is as of June 30, 1995. Authorized debt includes debt authorized by the County Commissioner under general laws and debt permitted by special enabling acts whether or not yet voted by County Commissioners. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Amount shown here is based on most recent equalized valuations.
- (3) Debt as of June 30, 1995. The estimated City share is based on fiscal year 1995 allocations and is subject to change in future fiscal years.
- (4) The amount shown as the City's share of the outstanding bonds includes that portion that is paid by the Commonwealth. Debt is as of March 1, 1996 and excludes bonds that have been refunded. The City's percentage share may vary from year to year.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
KEY DEBT RATIOS
(as of June 30, 1996)**

	<u>Amount (1)</u>	<u>Per Capita (2)</u>	<u>Ratio to Assessed Valuation (3)</u>
Gross Direct Debt	\$ 78,067,165	\$ 782	1.1%
Net Direct Debt.....	61,600,004	617	.9
Net Direct and Gross Overlapping Debt.....	276,335,348	2,766	3.9
Net Direct and Net Overlapping Debt (4).....	185,813,867	1,860	2.7

(1) Includes current bond issue.

(2) Based on 1994 population of 99,890.

(3) Based on an estimated January 1, 1995 assessed value of \$7,010,030,307.

(4) Reflects State payment on MBTA outstanding debt.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
FIVE-YEAR DEBT SUMMARY
OUTSTANDING GENERAL OBLIGATION DEBT
FISCAL YEARS 1992 TO 1996 (1)
(\$ in 000s)**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996 (2)</u>
Inside	<u>\$38,260</u>	<u>\$37,164</u>	<u>\$37,647</u>	<u>\$42,594</u>	<u>\$44,085</u>
Outside:					
School	10,155	8,820	13,720	22,436	18,458
Urban Renewal/					
Sewer.....	1,175	860	645	430	215
Garage	1,505	1,100	420	0	0
Water.....	<u>11,725</u>	<u>10,250</u>	<u>9,328</u>	<u>11,947</u>	<u>15,309</u>
Sub Total	<u>24,560</u>	<u>21,030</u>	<u>24,600</u>	<u>34,813</u>	<u>33,982</u>
Total.....	<u>\$62,820</u>	<u>\$58,194</u>	<u>\$61,760</u>	<u>\$77,407</u>	<u>\$78,067</u>

(1) Outstanding principal on general obligation bonds. Excludes temporary notes, lease and installment purchase obligations, overlapping debt, and unfunded pension liability. As of June 30 of each fiscal year.

(2) Includes current issue.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
GENERAL OBLIGATION BONDS
SCHEDULE OF PRINCIPAL AND INTEREST
PAYMENTS BY FISCAL YEAR
(As of June 30, 1996) (1)**

Fiscal Year	Principal	Interest	Principal This Issue	Interest This Issue (2)	Total
1997	\$12,745,828	\$ 3,105,587	\$1,705,000	\$ 689,500	\$18,245,915
1998	10,788,176	2,451,775	1,705,000	604,250	15,549,201
1999	9,281,631	1,900,745	1,705,000	519,000	13,406,376
2000	7,944,045	1,433,982	1,705,000	433,750	11,516,777
2001	6,006,582	1,027,152	1,705,000	348,500	9,087,234
2002	5,343,945	756,214	1,055,000	263,250	7,418,409
2003	4,846,167	523,871	1,055,000	210,500	6,635,538
2004	4,509,653	315,717	1,055,000	157,750	6,038,120
2005	2,811,138	101,585	1,050,000	105,000	4,067,723
2006	0	0	1,050,000	52,500	1,102,500
	<u>\$64,277,165</u>	<u>\$11,616,628</u>	<u>\$13,790,000</u>	<u>\$3,384,000</u>	<u>\$93,067,793</u>

(1) Excludes lease and installment purchase obligations, overlapping debt, and unfunded pension liability. Includes full principal and interest on Commonwealth sewer loans.

(2) Based on an estimated rate of 5%.

Source: City Department of Finance.

**RAPIDITY OF PRINCIPAL RETIREMENT
ALL GENERAL OBLIGATION BONDS**

The following table shows the rate at which the City's principal amount of debt will be retired based on the amount outstanding on June 30, 1996 including these Bonds.

Maturing Within	Amount to be Retired	Cumulative % Principal Retired
5 years	\$55,291,262	70.83%
10 years	78,067,165	100.00

Source: City Department of Finance.

**CITY OF CAMBRIDGE
RATIO OF GROSS DIRECT DEBT TO
ASSESSED VALUE AND GROSS DIRECT DEBT
PER CAPITA
FISCAL YEARS 1992 TO 1996**

Fiscal Year	Population (1)	Assessed Value (2)	Gross Direct Debt (3)	Ratio of Gross Direct Debt to Assessed Value	Gross Direct Debt Per Capita
1992	97,526	\$7,813,974,272	\$62,820,000	0.8%	\$644
1993	97,526	7,052,575,239	58,194,035	0.8	597
1994	99,890	6,789,993,612	61,760,128	0.9	618
1995	99,890	6,754,946,242	77,407,264	1.1	775
1996	99,890	7,010,030,307	78,067,165 (4)	1.1	782

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports, "Local Population Estimates."

(2) All of the assessed values shown reflect full market value.

(3) As of June 30 of that fiscal year.

(4) Includes current issue.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL EXPENDITURES
FISCAL YEARS 1992 TO 1996**

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures (1)	Ratio of Debt Service to Total Expenditures
1992	\$10,845,000	\$3,955,775	\$14,800,775	\$263,400,311	5.6%
1993	11,215,000	3,767,050	14,982,050	286,767,271	5.2
1994	10,761,082	3,156,654	13,917,736	293,311,417	4.7
1995	11,028,198	3,775,533	14,803,731	300,864,245	4.9
1996	13,130,099	3,920,558	17,050,657	317,811,335 (2)	5.4

- (1) Includes all categories of the City's general governmental expenditures.
(2) Based on original budgeted figures.

PUBLIC INVESTMENT PROGRAM

The City's Public Investment Program provides for improvements to the City's public facilities for the ensuing fiscal year and four years thereafter, along with a means of financing these improvements. The first year of the program constitutes the capital budget for the current fiscal year; the remaining four years serve as a planning guide. The plan is reviewed periodically and is completely revised each year during the City's annual budget process. The approved Public Investment Program is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for these needs.

Since fiscal year 1985 the City has formally funded a portion of its Public Investment Program on a "pay-as-we-go" basis out of current general fund revenues. This financing source has been increased from \$3,000,000 in fiscal year 1996 to \$3,810,000 in fiscal year 1997 in recognition of the City's improved "free cash" position. The five year plan calls for a total of \$19,010,000 in general fund revenues or free cash to be allocated to the Public Investment Fund. A substantial portion of this allotment has been set aside for the Affordable Housing Trust Fund.

The present plan, which was approved by the City Council on May 13, 1996, is a program of capital spending for the five-year period beginning July 1, 1996 and ending June 30, 2001. The projects in the plan, however, are considered for planning purposes and may be deleted, altered, or rescheduled in any manner, at any time, by the City Council. The estimated cost of the five-year program is \$149,247,100. The uses by project categories and major funding sources for the total program as noted in the Public Investment Program are projected as follows:

**PUBLIC INVESTMENT PROGRAM
SUMMARY OF EXPENDITURES BY CATEGORY
FISCAL YEARS 1997 TO 2001**

Expenditure Category	1997	1998	1999	2000	2001	Total
General						
Government ...	\$ 1,600,000	\$ 1,350,000	\$ 1,350,000	\$ 600,000	\$ 600,000	\$ 5,500,000
Public Safety	315,000	1,340,000	340,000	11,250,000	350,000	13,595,000
Community						
Maintenance & Development...	9,259,330	31,039,330	30,789,330	20,839,330	10,789,330	102,716,650
Human Resource						
Development	405,090	1,775,090	14,825,090	8,265,090	715,090	25,985,450
Education	250,000	300,000	300,000	300,000	300,000	1,450,000
Total	<u>\$11,829,420</u>	<u>\$35,804,420</u>	<u>\$47,604,420</u>	<u>\$41,254,420</u>	<u>\$12,754,420</u>	<u>\$149,247,100</u>

Source: "Public Investment Plan, Fiscal Year 1997 to Fiscal Year 2001."
Annual Budget Fiscal Year 1997, as adopted.

**PUBLIC INVESTMENT PROGRAM
USES AND SOURCES OF FUNDS
FISCAL YEARS 1997 TO 2001**

<u>Uses</u>	<u>Total Amount</u>	<u>Percent of Total</u>
General Government	\$ 5,500,000	3.69%
Public Safety.....	13,595,000	9.11
Community Maintenance and Development		
Economic Development.....	11,096,650	7.44
Streets & Highways & Transportation ..	13,680,000	9.17
Water & Sewer	65,085,000	43.60
Other.....	12,855,000	8.61
Human Resource Development.....	25,985,450	17.41
Education	1,450,000	0.97
Total	<u>\$149,247,100</u>	<u>100.00%</u>
<u>Sources</u>	<u>Total Amount</u>	<u>Percent of Total</u>
Free Cash	\$ 2,710,000	1.82%
Property Taxes	16,300,000	10.93
Block Grant	11,572,100	7.75
Parking Fund.....	2,230,000	1.49
Utility Fees	7,835,000	5.25
Bond Proceeds	98,400,000	65.93
Chapter 90 Grant	10,000,000	6.70
Golf Course	200,000	0.13
Total	<u>\$149,247,100</u>	<u>100.00%</u>

Source: "Public Investment Plan, Fiscal Year 1997 to Fiscal Year 2001."
Annual Budget Fiscal Year 1997, as adopted.

**PUBLIC INVESTMENT PROGRAM
SOURCES OF FINANCING
FISCAL YEARS 1997 TO 2001**

Financing Category	1997	1998	1999	2000	2001	Total
General Government:						
Bond Proceeds	1,600,000	1,350,000	1,350,000	600,000	600,000	5,500,000
Subtotal	\$ 1,600,000	\$ 1,350,000	\$ 1,350,000	\$ 600,000	\$ 600,000	\$ 5,500,000
Public Safety:						
Property Taxes	\$ 315,000	340,000	\$ 340,000	\$ 250,000	\$ 350,000	\$ 1,595,000
Bond Proceeds	—	1,000,000	—	11,000,000	—	12,000,000
Subtotal	\$ 315,000	\$ 1,340,000	\$ 340,000	\$11,250,000	\$ 350,000	\$ 13,595,000
Community Maintenance & Development:						
Property Taxes	\$ 2,745,000	\$ 2,820,000	\$ 2,570,000	\$ 2,620,000	\$ 2,570,000	\$ 13,325,000
Free Cash	230,000	—	—	—	—	230,000
Parking Fund	430,000	450,000	450,000	450,000	450,000	2,230,000
Water Use Charges	600,000	600,000	600,000	600,000	600,000	3,000,000
Sewer Use Charges	1,035,000	950,000	950,000	950,000	950,000	4,835,000
Block Grant	2,219,330	2,219,330	2,219,330	2,219,330	2,219,330	11,096,650
Chapter 90 Grant	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Bond Proceeds	—	22,000,000	22,000,000	12,000,000	2,000,000	58,000,000
Subtotal	\$ 9,259,330	\$31,039,330	\$30,789,330	\$20,839,330	\$10,789,330	\$102,716,650
Human Resource Development:						
Property Taxes	—	\$ 100,000	\$ 350,000	\$ 390,000	\$ 340,000	\$ 1,180,000
Free Cash	270,000	240,000	240,000	240,000	240,000	1,230,000
Block Grant	95,090	95,090	95,090	95,090	95,090	475,450
Golf Course Fees	40,000	40,000	40,000	40,000	40,000	200,000
Bond Proceeds	—	1,300,000	14,100,000	7,500,000	—	22,900,000
Subtotal	\$ 405,090	\$ 1,775,090	\$14,825,090	\$ 8,265,090	\$ 715,090	\$ 25,985,450
Education:						
Property Taxes	\$ 200,000	—	—	—	—	\$ 200,000
Free Cash	50,000	300,000	300,000	300,000	300,000	1,250,000
Subtotal	\$ 250,000	\$300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 1,450,000
Grand Total	\$11,829,420	\$35,804,420	\$47,604,420	\$41,254,420	\$12,754,420	\$149,247,100

Source: "Public Investment Plan, Fiscal Year 1997 to Fiscal Year 2001."
Annual Budget Fiscal Year 1997, as adopted.

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PART V: CITY FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND REPORTING STRUCTURE

All of the City's Governmental Funds and Expendable Trust Funds are reported under the modified accrual basis of accounting. Accordingly, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City recognizes funds received 60 days after the close of its fiscal year as revenue of that reporting period. All other amounts not received during that period are deferred and recognized in future accounting periods. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria is met.

The accrual basis of accounting is followed by proprietary and fiduciary fund types.

Patient service revenue of the Cambridge Hospital is recorded at established rates charged less provisions for charity allowances and uncollectible accounts. Patient service revenue received under certain cost reimbursement agreements is subject to audit and adjustment by third party payors. Provisions for estimated adjustments under these agreements are accrued in the period in which the related services are rendered.

Reporting Entity

The combined financial statements present information on organizations and activities of the City of Cambridge for which the City Council has oversight responsibility. These entities include the enterprise activity of the Cambridge Hospital, its affiliated Neighborhood Health Centers, the City's Water Department, and the Cambridge Retirement System. The financial statements for the Retirement System are presented for the year ending December 31, 1994, which is the system's fiscal period for reporting to the Commissioner of the Retirement of the Commonwealth of Massachusetts. The operations of the Cambridge Housing Authority and the Cambridge Redevelopment Authority are not defined as part of the reporting entities as they are not subject to the financial controls of the City Manager or the City Council.

Fund Accounting

The activities of the City are accounted for through the use of several funds and a long-term debt group of accounts, each of which is a separate accounting entity. The operations of each fund are accounted for through a separate set of self-balancing accounts which are summarized by type in the financial statements. The following fund types and account groups are used by the City:

Governmental Funds

General Fund—This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Public Investments Fund—This fund is used to account for the financial resources and expenditures for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds—These funds are used to account for the City's operations: (1) that are financed and operated in a manner similar to private business enterprises—where the intent is that the costs (expenses, including depreciation) of providing services to the public be financed or recovered primarily through user charges; or (2) where a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds—These funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds—These funds are used to account for assets being held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust and agency funds are accounted for and reported as governmental funds.

Account Group

General Long-Term Debt—This group of accounts is used to account for all long-term debt of the City except for debt issued for hospital improvements.

BUDGET AND APPROPRIATION PROCESS

Under Massachusetts statutes and the City Charter, the City Manager is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1 within 170 days after the annual organization of the City government (which is ordinarily in early January). The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the City Manager, the Council may not make any appropriation for a purpose not included in the proposed budget (except by a two-thirds vote in the case of the failure of the City Manager to recommend an appropriation for such a purpose within 7 days after a request from the Council). The Council may not increase any item without the recommendation of the City Manager (except as provided by legislation, subject to local acceptance, under which the school budget can be increased upon recommendation of the school committee and by two-thirds vote of the Council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the City Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

If the City Manager does not make a timely budget submission, provision is made for preparation of a budget by the Council. Provision is also made for supplementary appropriations upon recommendation of the City Manager.

Water Department expenditures are included in the budgets adopted by the City Council. Under legislation enacted in 1981 any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department.

As a result of the Proposition 2½ legislation adopted in November of 1980, the Cambridge School Committee is no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the City Council, but the School Committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors.

City Department heads are generally required to submit their budget requests to the City Manager between November 1 and December 1. This schedule does not apply to the School Department, which must submit its request in time for the City Manager to include it in his submission to the Council.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgements are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

Budget Comparison

The following table shows a comparison of the budgeted operating revenues and expenditures of the City for fiscal years 1993 through 1997. Health insurance, retirement, and certain other employee benefit costs are included in departmental budgets. In addition, debt service for the Public Schools and Cambridge Hospital are included in the School and Hospital budgets. Beginning in 1995, debt service on water projects is included in the water budget.

The fiscal year 1997 budget of \$329,605,915 includes all appropriations made to operating budgets prior to the calculation of the fiscal year 1997 tax rate. This figure also includes an estimate of overlay deficits from prior years as well as the overlay reserve for the current fiscal year. The fiscal year 1997 budget represents an increase of \$2,505,315, or .8%, over the fiscal year 1996 budget of \$327,100,000. The primary reason for the low rate of increase is that the Hospital, Health, and Infirmary budget is funded at the same level in fiscal year 1997 as it was in fiscal year 1996. The hospital is currently in transition from a City department to a public authority. Legislation has been filed to achieve this goal and it is currently awaiting approval in the State Legislature. If the legislation is approved, the appropriation for the hospital currently included in the fiscal year 1997 budget will be rescinded. As can be seen from the chart on the following page, the only budget with a significant increase is Water which is due mainly to a substantial increase in the debt service for water projects.

The largest source of funding, property taxes, increased from \$144.4 million to \$148.2 million. However, this is significantly below a projected levy limit of \$154 million. It should be noted that, in addition to the figures shown on the following page, \$11.8 million has been appropriated to the fiscal year 1997 Public Investment Fund for a wide range of capital improvement projects.

CITY OF CAMBRIDGE
BUDGETED REVENUES AND EXPENDITURES
FISCAL YEARS 1993 THROUGH 1997
(\$ in 000s)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Revenues:					
Real & Personal Property Taxes(1)	\$133,329.0	\$139,414.0	\$144,445.7	\$144,441.8	\$148,210.4
Local Estimated Receipts:					
Motor Vehicle Excise	2,461.7	2,451.0	2,504.6	2,905.0	2,905.0
Water	7,189.7	7,526.6	8,005.9	9,080.9	9,395.2
Sewer	16,242.1	16,016.1	15,338.2	16,399.1	16,321.0
Hospital, Health & Infirmary.....	63,632.3	64,306.3	70,083.1	80,381.6	80,771.7
Interest Income	1,987.0	875.0	825.0	1,100.0	1,100.0
Other Local Receipts	17,019.6	18,982.9	17,972.7	16,607.0	15,560.0
Subtotal	<u>108,532.4</u>	<u>110,157.9</u>	<u>114,729.5</u>	<u>126,473.6</u>	<u>126,052.9</u>
State Aid.....	31,298.1	34,349.2	35,804.2	35,824.1	35,763.3
Other Available Funds	15,536.1	16,465.5	14,742.6	20,361.1	19,579.3
Total Revenues	<u>\$288,695.6</u>	<u>\$300,386.6</u>	<u>\$309,722.0</u>	<u>\$327,100.6</u>	<u>\$329,605.9</u>
Expenditures:					
Deficits to be Raised:					
Overlay.....	\$ 2,000.0	\$ 3,878.9	\$ 1,452.8	\$ 840.4	\$ 500.0
Revenue.....	0	0	0	0	0
Overdrawn Expenditures.....	0	0	0	0	0
Other	940.0	840.0	877.4	865.6	870.0
Subtotal Deficits	<u>2,940.0</u>	<u>4,718.9</u>	<u>2,330.2</u>	<u>1,706.0</u>	<u>1,370.0</u>
Overlay Reserve	3,500.0	4,250.0	4,250.0	4,250.4	4,250.0
Fixed Expenses:					
State & County					
Assessments	759.7	758.1	1,037.9	1,080.3	1,107.3
Mass. Water Resources					
Authority	14,105.3	14,465.7	13,124.9	14,070.0	13,550.3
Debt Service(2).....	8,876.8	8,556.8	6,387.5	6,461.5	7,190.9
Retirement System(3).....	6,057.4	7,348.8	6,319.2	6,543.8	6,103.7
MBTA	5,992.6	6,098.2	6,267.9	6,457.3	6,618.7
Other Fixed Costs(4)	1,198.1	942.9	1,142.9	1,192.9	1,488.0
Subtotal Fixed.....	<u>\$ 36,989.9</u>	<u>\$ 38,170.5</u>	<u>\$ 34,280.3</u>	<u>\$ 35,805.8</u>	<u>\$ 36,058.9</u>
Variable Expense (Budget):					
Schools	74,312.3	78,541.8	82,484.3	85,405.0	86,942.4
Police	19,840.6	20,009.3	22,312.5	22,701.4	22,752.2
Fire	18,966.1	20,190.3	20,788.1	20,857.2	21,754.9
Public Works:					
Water	4,850.8	4,756.8	7,640.8	8,430.8	9,029.8
Sewer.....	1,031.0	990.8	1,004.5	1,024.0	1,002.1
Highway	2,540.8	2,122.8	2,296.2	2,206.3	2,309.3
Other	12,342.9	12,225.6	12,451.1	12,442.6	12,608.5
Hospital, Health & Infirmary.....	76,512.9	77,503.3	83,261.2	91,364.8	91,364.8
General Government.....	11,270.5	10,350.2	11,461.7	11,948.0	12,190.7
Other Variable	23,597.8	26,556.3	25,161.1	30,664.3	27,972.3
Subtotal Variable	<u>\$245,265.7</u>	<u>\$253,247.2</u>	<u>\$268,861.5</u>	<u>\$287,044.4</u>	<u>\$287,927.0</u>
Total Expenditures.....	<u>\$288,695.6</u>	<u>\$300,386.6</u>	<u>\$309,722.0</u>	<u>\$327,100.6</u>	<u>\$329,605.9</u>

(1) Before tax abatements.

(2) School, Hospital and Water costs for this category are included in the School, Hospital, and Water Budgets for 1995. In previous years, debt service on Water projects was included in this category.

(3) Contributory Retirement System costs are included in departmental budgets.

(4) Most of the components of the Other Fixed Costs, including health insurance costs, category are included in the departmental budgets.

Source: City Department of Finance.

PROPERTY TAXATION

Tax Rate and Valuation-General

Property is classified for the purpose of taxation according to its use. The Legislature has in substance created three classes of taxable property: (1) residential real property; (2) open space land; and (3) all other (commercial, industrial, and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation. The effective rate for open space must be at least 75 percent of the effective rate for residential real property. The share of commercial, industrial, and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10% of the valuation of commercial real property occupied by certain small businesses. Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land under an act adopted by the State Legislature in 1981 is valued for this purpose at five percent of fair cash value, but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value." The last date that the Commissioner of Revenue made his redetermination of "equalized value" for the City of Cambridge was January 1, 1994.

The following tables show assessed and equalized valuations for the past five fiscal years and total assessed valuation by property classification for the fiscal years 1994, 1995, and 1996 and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses).

**CITY OF CAMBRIDGE
ASSESSED AND EQUALIZED VALUATIONS
FISCAL YEARS 1992 TO 1996**

Fiscal Year	Assessed Value(1)			Equalized Valuation(2)	% of Total Assessed Valuation to Equalized
	Real Property	Personal Property	Total		
1996	\$6,782,990,307	\$227,040,000	\$7,010,030,307	\$7,508,093,800	90.3%
1995	6,533,446,242	221,500,000	6,754,946,242	7,508,093,800	90.0
1994	6,576,193,610	213,800,000	6,789,993,612	7,984,791,000	85.0
1993	6,851,975,239	200,600,000	7,052,575,239	7,984,791,000	88.3
1992	7,621,874,272	192,100,000	7,813,974,272	8,777,325,000	89.0

(1) As of January 1, 1995, 1994, 1993, 1992, and 1991, respectively.

(2) As of January 1, 1994, 1992, and 1990, respectively. Equalized valuations are determined biennially by the Commissioner of Revenue.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
TOTAL ASSESSED VALUATION BY CLASSIFICATION
FISCAL YEARS 1994, 1995, AND 1996**

Class	1994 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$4,006,668,343	59.01%	34.56%
Commercial	2,115,765,215	31.16	49.75
Industrial	453,760,054	6.68	10.67
Personal Property	213,800,000	3.15	5.02
	<u>\$6,789,993,612</u>	<u>100.0%</u>	<u>100.0%</u>

Class	1995 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$4,043,247,860	59.86%	34.56%
Commercial	2,059,386,655	30.49	49.70
Industrial	430,811,727	6.38	10.40
Personal Property	221,500,000	3.27	5.34
	<u>\$6,754,946,242</u>	<u>100.0%</u>	<u>100.0%</u>

Class	1996 Assessed Valuation	Percentage of Total Valuation	Percentage of Total Tax Levy
Residential	\$4,301,221,539	61.36%	34.56%
Commercial	2,033,717,005	29.01	49.13
Industrial.....	448,051,763	6.39	10.82
Personal Property	227,040,000	3.24	5.49
	<u>\$7,010,030,307</u>	<u>100.0%</u>	<u>100.0%</u>

Source: City Department of Finance.

The following table shows the actual tax rates per \$1,000 of assessed valuation and the estimated full value rate based on the equalized valuations for the latest fiscal years:

**CITY OF CAMBRIDGE
PROPERTY TAX RATE
FISCAL YEARS 1992 to 1996**

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Category</u>	<u>Estimated Full Value Tax Rate(1)</u>	<u>Average Rate(2)</u>
1996	\$13.32	Residential	\$19.24	\$20.61
	34.89	Commercial/ Industrial		
1995	14.17	Residential	19.24	21.38
	34.86	Commercial/ Industrial		
1994	13.79	Residential	17.46	20.53
	32.78	Commercial/ Industrial		
1993	13.3	Residential	16.73	18.94
	28.40	Commercial/ Industrial		
1992	12.21	Residential	14.59	16.39
	22.90	Commercial/ Industrial		

(1) Based on an equalized valuation for that fiscal year as determined by the State Department of Revenue.

(2) The average rate is determined by dividing the total tax levy by the total assessed valuation.

Source: City Department of Finance.

The following table sets forth the City's 10 largest taxpayers of real estate and personal property taxes and the assessed value of property owned by each such taxpayer. The aggregate assessed value of the 10 largest taxpayers represents 16.0 percent of the City's total assessable base for fiscal year 1996.

**CITY OF CAMBRIDGE
10 LARGEST TAXPAYERS
Fiscal Year 1996 (1)**

<u>Owner</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Amount of Taxes</u>	<u>% of Total Tax Levy</u>
Commonwealth Energy	Utility	\$ 198,691,600	\$ 6,927,971	4.8%
Boston Properties	Commercial	165,517,400	5,757,499	4.0
M.I.T.	Educational	132,711,100	4,232,222(2)	2.9
Robert Jones and K. George Najarian	Commercial	102,848,299	3,588,377	2.5
CambridgeSide Galleria New England Development	Commercial	93,726,000	3,236,882	2.2
Asahi Seimei Prudential Associates... Presidents and Fellows of Harvard College	Commercial	92,427,400	3,224,792	2.2
Spaulding & Slye Corp.	Educational	105,000,800	2,431,717(2)	1.7
E.M.I. Cambridge Limited Partnership	Commercial	59,203,600	2,065,614	1.4
The Congress Group	Commercial	57,231,900	1,996,821	1.4
Totals		<u>\$1,062,334,199</u>	<u>\$35,224,629</u>	<u>24.4%</u>

(1) As of January 1, 1995.

(2) Excludes in lieu payments on exempt property.

Source: City Department of Finance.

TAX LEVIES

Levy-General

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see *Tax Limitations* below. As to the inclusion of debt service and final judgements, see "Security and Remedies" above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see *Abatements and Overlay* below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see *Taxation to Meet Deficits* below).

Taxation to Meet Deficits

As noted elsewhere (see *Abatements and Overlay* below), overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits resulting from non-property tax revenues being less than anticipated are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2½", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the State Legislature. The Legislature, as subsequently amended, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent (subject to exceptions for property added to the tax rolls, or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation). This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters. But an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitations, since the two limitations apply independently.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effect of extraordinary, non-recurring events which occurred during the base year."

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy: (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributed to such obligations. Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures. In addition, the city council may vote to exclude from Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the Massachusetts Water Resources Authority and certain districts for

which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option." Under the statute any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Tax Limitations: Effect on the City

Property Tax Levy

Cambridge, like most municipalities in Massachusetts, was severely impacted by the initial implementation of Proposition 2 1/2 in fiscal year 1981. Due to the extensive amount of tax-exempt properties located in the City and the City's dependence on property taxes as a funding source, Cambridge was initially forced to reduce its tax levy in order to comply with the new tax limitation. As the Northeast began to participate in the economic boom of the 1980's, the City also experienced unprecedented levels of new construction activity. This new qualified construction growth translated into record increases in the assessed valuation of real and personal property, allowing the City's secondary levy limit to increase by over 57 percent between fiscal years 1984-1990, while actual tax levy and total City expenditure growth over the same period was significantly less. In 1991, new construction activity declined by almost sixty percent as the most recent economic recession hit the Northeast. The loss of new growth caused the City's levy limit growth to decline, forcing a significant reduction in the gap between the levy limit and the City's actual tax levy. In fiscal year 1995, the margin between the actual tax levy and the levy limit was \$489,000, the lowest point in many years. However, by stabilizing the tax levy at \$144.4 million in fiscal year 1996, the City was able to increase the gap between the actual levy and the levy limit to \$6.2 million by taking advantage of moderate growth in the tax base as well as new growth of \$74.3 million.

Motor Vehicle Excise Tax

Other revenue sources available to the City have also been significantly impacted due to the passage of Proposition 2 1/2. The motor vehicle excise tax rate was reduced from \$66 per \$1000 to \$25 per \$1000 in 1980, causing a substantial reduction in receipts. Although revenues from this source move with economic swings, the City has been able to record modest increases in most years over the past decade due to an "in-house" billing and tracking system. Projections for fiscal year indicate that \$2.9 million will be received from this source.

State Aid

In order to partially offset the reduction in local tax revenues caused by Proposition 2 1/2, the Massachusetts Legislature appropriated increasing amounts of local aid during the majority of the past decade. However, due to the fiscal constraints and the recent recession, state aid has gradually declined from a peak of \$44,614,410 in fiscal year 1988. The City has compensated for this decrease by increasing other revenue sources available and controlling expenditure growth. Fiscal year 1996 budgeted projections estimate state aid of \$35.7 million.

Tax Limitations: Five-Year Projections

Fiscal year 1996 valuations, as a result of the complete revaluation of all real and personal property in the City, were certified at \$7.01 billion, an increase of \$260 million, or 3.9%, over fiscal year 1995 valuations. The value of existing properties increased by \$186 million while new growth contributed an additional \$74 million to the tax base. As can be seen from the chart on the following page, it is anticipated that total assessed values will increase by an average of 2.9% over the next five fiscal years due to moderate increases in the value of existing properties and new construction. The chart on the following page illustrates the impact the anticipated increase in property values will have on the City's levy and levy limits through fiscal year 2001.

**CITY OF CAMBRIDGE
PROJECTED GROWTH IN PROPERTY VALUATION
FISCAL YEARS 1997 TO 2001**

<u>Fiscal Year</u>	<u>Projected Assessments(1)</u>	<u>Projected Levy(1)</u>	<u>Primary Levy Limit(2)</u>	<u>Secondary Levy Limit(3)</u>
1997	\$7,208,147,462	\$148,536,802	\$180,203,687	\$157,841,943
1998	7,625,471,925	157,616,881	190,636,798	165,881,637
1999	7,833,301,229	164,020,684	195,832,531	172,292,591
2000	8,048,346,039	171,650,290	201,208,651	178,886,796
2001	8,317,674,736	177,056,309	207,941,868	185,689,158

- (1) The figures shown for all fiscal years are estimates.
 (2) The primary levy limit is calculated at 2.5 percent of the projected assessment.
 (3) The secondary levy limit is the previous fiscal year's maximum allowable limit times 102.5 percent plus qualified new construction.

Source: City Department of Finance.

The Revaluation Process: A Review and Update

Massachusetts state law requires that real and personal property assessments be maintained at 100 percent of full market value. Every three years, values must be certified by the Massachusetts Department of Revenue as meeting this standard. In the intervening years, values are updated based on sales ratio analysis. In 1983, the first complete revaluation of real and personal property in over sixty years was completed and certified at \$2.9 billion for fiscal year 1984. The most recent certified full revaluation was completed for fiscal year 1996 and yielded a total valuation of \$7.010 billion. Sales ratio analysis produced valuations of \$6.789 billion and \$6.754 billion in fiscal years 1994 and 1995 respectively.

The City has several general policies with respect to property assessments. First, values should be maintained at approximately 100 percent. Thus, Cambridge is among very few jurisdictions in the state which adjust values annually and thereby avoid the disrupting shifts in value (and taxes) which might otherwise occur every third year, when values must be certified by the state.

Secondly, the City's valuation program is almost exclusively an "in-house" operation. Assessing Department personnel include appraisal and analysis professional as well as permanent, full time staff members dedicated to data collection and maintenance. Also, the Department has full service data management, analysis and valuation software systems on its computers. All residential and commercial real estate valuations, with the exception of some hotels, hospitals and nursing homes, are currently handled by the Assessing Department permanent staff.

The City is currently upgrading its assessing computer system in concert with the implementation of the city-wide Geographic Information System (GIS). As a component of the GIS, the assessing database will be readily available to most City departments.

The following table shows the calculation of the tax levies for fiscal years 1992 to 1996.

**CITY OF CAMBRIDGE
CALCULATION OF PROPERTY TAX LEVIES
FISCAL YEARS 1992 TO 1996
(\$ in 000s)**

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Gross Amount to be Raised:					
Total Appropriations.....	\$288,690	\$305,999	\$331,459	\$328,319	\$362,714
Overlay Deficits from Prior Years.....	387	1,983	3,879	1,453	840
Other Local Expenditures.....	861	1,615	840	877	866
State and County Assessments.....	6,643	6,732	6,912	7,308	7,538
Overlay for Current Year.....	3,500	3,500	4,250	4,250	4,250
Total to be Raised	<u>\$300,081</u>	<u>\$319,829</u>	<u>\$347,340</u>	<u>\$342,207</u>	<u>\$376,208</u>
Offsets:					
Estimated Receipts from State	32,135	32,661	34,337	35,795	35,824
Prior Year's Overestimates					
of State & County Assessments	1	31	12	9	0
Local Estimated Receipts	111,520	121,762	122,421	126,330	138,604
Other Available Funds	28,375	31,795	51,156	35,627	57,338
Total Offsets.....	<u>\$172,031</u>	<u>\$186,249</u>	<u>\$207,926</u>	<u>\$197,761</u>	<u>\$231,766</u>
Tax Levy.....	<u>\$128,050</u>	<u>\$133,580</u>	<u>\$139,414</u>	<u>\$144,446</u>	<u>\$144,442</u>

Source: City Department of Finance.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates

The taxes for each fiscal year are due in two installments on November 1 subject to deferral if tax bills are sent out late and May 1. (A city or town may accept a statute providing for quarterly tax payments. The City has chosen not to accept this statute.) Interest accrues on delinquent taxes at the rate of 14 percent per annum retroactive to one month before the due date.

Lien

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the third October 1 after the fiscal year. If the property has not been transferred by the third October 1, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien when it could not be enforced because of a legal impediment.

Personal Liability

The persons against whom real and personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in *Taking and Sale* below.

Abatements and Overlay

The City of Cambridge is authorized to increase each tax levy by up to five percent (or a larger amount approved by the State Commissioner of Revenue) as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real and personal property has been overvalued or disproportionately valued. The City Assessor may also abate uncollectible personal property taxes. The Assessor may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table shows the total tax levy, the reserve for abatements, the net levy, and the amounts collected during each fiscal year for each of the last five fiscal years:

CITY OF CAMBRIDGE TOTAL TAX LEVY, OVERLAY RESERVE, AND TAX COLLECTIONS FISCAL YEARS 1991 TO 1995

Fiscal Year	Tax Levy	Overlay Reserve for Abatements	Net Tax Levy(1)	Collections During Fiscal Year Payable (2)		Collections as of 6/30/95 (3)	
				Amount	% of Net Levy	Amount	% of Net Levy
1995	\$144,445,748	\$4,250,000	\$140,195,748	\$139,545,078	99.5%	\$139,545,078	99.5%
1994	139,414,021	4,250,000	135,164,021	133,942,628	99.1	134,442,494	99.5
1993	133,580,000	3,500,000	130,080,000	123,754,263	95.1	124,661,560	95.8
1992	128,050,000	3,500,000	124,550,000	117,575,578	94.4	116,072,715	93.2
1991	117,995,525	2,995,525	115,000,000	109,346,157	95.1	106,936,037	93.0

(1) Tax levy less overlay reserve for abatements.

(2) Actual collection of levy less refunds and amounts refundable including proceeds of tax titles and tax possessions but not including abatements or other credits.

(3) Audited for fiscal years 1991 through 1995.

Source: City Department of Finance.

**CITY OF CAMBRIDGE
OVERLAY RESERVES AND ABATEMENTS
FISCAL YEARS 1991 TO 1995**

Fiscal Year	Overlay Reserve		Abatements	
	Amount	% of Total Levy	During Fiscal Year of Each Tax Levy	Since Fiscal Year Ended (through 6/30/95)
1995	\$4,250,000	2.9%	\$1,415,733	\$1,415,733
1994	4,250,000	3.0	1,765,044	2,488,787
1993	3,500,000	2.6	2,742,849	4,286,304(1)
1992	3,500,000	2.7	2,604,220	5,870,214(1)
1991	2,995,525	2.5	1,933,765	6,221,996(1)

(1) The excess of abatements over overlay reserve has been funded from future fiscal year tax levies.

Source: City Department of Finance.

TAXES OUTSTANDING

Taking and Sale

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

**OVERDUE PROPERTY TAXES
FISCAL YEARS 1991 TO 1995**

Fiscal Year	Aggregate(1)	For Current Year	Tax Title and Tax Possessions
1995	\$ 3,545,087	\$ 3,070,442	\$13,401,272
1994	4,095,125	3,459,255	15,194,754
1993	7,719,237	7,228,036	14,058,577
1992	8,330,657	8,033,369	10,719,697
1991	8,883,806	6,380,715	6,354,617

(1) Excludes tax titles, tax possessions, and abated taxes. Includes taxes in litigation, if any.

Source: City Department of Finance.

FEDERAL AND STATE AID

Federal

Although the two major sources of federal aid to the City, Revenue Sharing and Community Development Block Grant, have been either reduced or eliminated in recent years, programs funded through these sources have not been affected. Current revenues have been used, in most cases, to fund programs previously supported by Revenue Sharing and Block Grant funds. In addition, bond proceeds have been utilized to offset reductions in funding of capital projects.

The following table shows federal moneys received over the last five years.

**CITY OF CAMBRIDGE
PRINCIPAL FEDERAL AID BY SOURCE
FISCAL YEARS 1991 TO 1995**

<u>Fiscal Year</u>	<u>Community Development Block Grant</u>	<u>Other</u>	<u>Total From Federal Government</u>
1995	\$3,792,710	\$ 6,470,567	\$10,263,277
1994	2,962,120	4,287,530	7,249,650
1993	3,340,702	7,084,323	10,425,025
1992	2,873,703	14,155,273	17,028,976
1991	2,909,192	6,006,507	8,915,699

Source: City Department of Finance.

State

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. None of the major local aid programs has a termination date under existing law and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limits the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, these measures could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities may defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities choosing to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

The following table sets forth the actual State aid received by the City in each of the last five fiscal years:

**CITY OF CAMBRIDGE
MAJOR STATE ASSISTANCE BY SOURCE
FISCAL YEARS 1991 TO 1995**

<u>Fiscal Year</u>	<u>School Construction</u>	<u>School Operations</u>	<u>Other</u>	<u>Total From State</u>
1995	\$3,542,821	\$3,378,300	\$28,232,954	\$35,154,075
1994	2,613,488	2,574,464	28,116,341	33,304,293
1993	1,843,253	2,067,050	27,603,597	31,513,900
1992	2,413,200	2,082,640	27,780,233	32,276,073
1991	2,365,604	2,034,765	33,728,340	38,128,709

Source: City Department of Finance. See also Tax Limitations: Other Effects, above.

MOTOR VEHICLE EXCISE

An excise tax is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on a manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent from the due date. Provision is also made for suspension of registration by the Registrar of Motor Vehicles, who may also after a hearing suspend the owner's operating license.

During fiscal year 1984, the City purchased a computerized "in-house" excise tax billing system, allowing the City to discontinue a contractual agreement with an outside service bureau. As a result of this new system, the excise billing and enforcement process is both more timely and efficient.

More importantly, excise tax revenue increased dramatically from \$1.4 million in fiscal year 1984 to \$1.9 million in fiscal year 1985, an increase of 32 percent. For fiscal year 1986, excise tax revenue increased to \$2.5 million because of a statute change in the payment due dates from 60 days to 30 days from the date of issue and the efficiencies of the "in-house" system. The decrease in fiscal year 1987 revenues, was primarily due to the Registry of Motor Vehicles converting computer systems which resulted in the City not receiving approximately 15,000 bills to be sent to vehicle owners in the City. Receipts improved dramatically in fiscal year 1988 with only a slight decrease occurring during the next four fiscal years. Fiscal year 1993 revenues increased significantly from prior year revenues due to implementation of an excise tax tracking system, increased automobile sales, and modest economic recovery. with fiscal year 1994 revenues declining to approximately the level of the previous four years.

The valuations of motor vehicles are in addition to the real and personal property valuations.

The following table shows the actual motor vehicle excise tax receipts in each of the last five fiscal years:

RECEIPTS FROM MOTOR VEHICLE EXCISE TAX FISCAL YEARS 1991 TO 1995

<u>Fiscal Year</u>	<u>Receipts(1)</u>
1995	\$3,571,220
1994	2,923,460
1993	3,353,825
1992	2,526,449
1991	2,703,707

(1) Net after refunds, includes receipts from prior years.

Source: City Department of Finance.

ROOM OCCUPANCY EXCISE

Since fiscal year 1986 the City has imposed a room occupancy excise tax at a rate of four percent on hotel, motel, lodging house, and bed and breakfast rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the City.

RECEIPTS FROM ROOM OCCUPANCY EXCISE FISCAL YEARS 1991 to 1995

<u>Fiscal Year</u>	<u>Receipts</u>
1995	\$3,179,026
1994	2,823,002
1993	2,694,058
1992	2,359,477
1991	2,795,249

Source: City Department of Finance.

PUBLISHED FINANCIAL INFORMATION

The City annually contracts with a Certified Public Accounting firm to conduct an independent audit of its financial operations for each fiscal year. Since fiscal year 1979, the City's independent auditor has been KPMG Peat Marwick, Certified Public Accountants, Boston, Massachusetts. Copies of the annual audit are available to the public upon request from the Department of Finance, City Hall, 795 Massachusetts Avenue, Cambridge, Massachusetts 02139.

In addition to the annual independent audit, the City annually publishes a Comprehensive Operating Budget, which includes a five-year Public Investment Program. This document is available through the City Manager's Office, City Hall, 795 Massachusetts Avenue, Cambridge, Massachusetts 02139.

The first table shows general fund balance sheets for fiscal years 1991 through 1995, while the second table compares City revenues, expenditures, and changes in fund balance for fiscal years 1991 through 1995.

As can be seen from the tables on the followings pages, the General Fund balance has steadily increased over the past three fiscal years with a corresponding increase in the undesignated portion of the fund equity.

**CITY OF CAMBRIDGE
GENERAL FUND BALANCE SHEETS
FISCAL YEARS 1991 TO 1995(1)
(as of June 30)**

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
ASSETS					
Cash	\$38,552,545	\$32,213,743	\$25,180,624	\$33,567,749	\$44,855,049
Receivables(2)					
Taxes	9,895,079	9,807,232	9,013,045	5,431,112	5,179,797
Tax Title and Possessions.....	6,351,368	10,719,697	14,058,577	15,194,754	13,567,271
Motor Vehicle Excise	2,165,519	2,036,061	1,897,906	1,957,769	1,924,011
Departmental	1,575,010	2,142,873	2,657,224	2,037,159	1,773,182
Allowable for Uncollectible					
Receivables	(12,017,395)	(15,766,644)	—	—	—
Due From Other Funds	2,120,763	—	2,197,079	—	—
Other Assets.....	—	—	806,791	1,332,612	1,291,783
Total Assets	<u>\$48,642,889</u>	<u>\$41,152,962</u>	<u>\$55,811,246</u>	<u>\$59,521,155</u>	<u>\$68,591,093</u>
LIABILITIES AND FUND EQUITY					
Warrants Payable.....	\$ 2,558,916	\$ 1,476,576	\$ 1,113,898	\$ 1,418,328	\$ 1,272,138
Accrued Liabilities.....	—	—	—	—	—
Accrued Tax Abatement Refund	3,410,842	1,563,351	3,407,381	3,682,426	6,331,484
Other	11,769,208	15,051,707	10,805,606	10,437,307	11,052,629
Due to Other Funds	229,733	228,592	—	228,592	161,547
Deferred Revenue.....	4,164,723	6,658,474	27,039,190	20,275,631	15,715,603
Total Liabilities	<u>\$22,133,422</u>	<u>\$24,978,700</u>	<u>\$42,366,075</u>	<u>\$36,042,284</u>	<u>\$34,533,401</u>
Fund Equity:					
Fund Balances					
Reserved for Encumbrances ..	3,648,743	4,843,074	5,800,832	6,094,801	3,525,435
Reserved for Specific Purposes..	396,272	396,272	48,657	1,750,000	4,170,000
Undesignated.....	22,464,452	10,943,916	7,595,682	15,634,070	26,362,257
Total Fund Equity	<u>26,509,467</u>	<u>16,174,262</u>	<u>13,445,171</u>	<u>23,478,871</u>	<u>34,057,692</u>
Total Liability & Fund Equity	<u>\$48,642,889</u>	<u>\$41,152,962</u>	<u>\$55,811,246</u>	<u>\$59,521,155</u>	<u>\$68,591,093</u>

(1) See Appendix A for complete financial report for 1995. Copies of the financial reports for 1994, 1993, 1992, and 1991 are available upon request.

(2) The amounts shown for receivables are the total receivables with an allowance for uncollectible receivables shown on a separate line.

Source: Audit Reports of KPMG Peat Marwick for the fiscal years ended June 30, 1991, 1992, 1993, 1994, and 1995.

CITY OF CAMBRIDGE
GENERAL FUND—COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL FOR FISCAL YEARS 1991 TO 1995 (1)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Revenues:					
Property Taxes	\$111,658,587	\$118,108,622	\$121,079,220	\$141,787,234	\$143,418,805
In Lieu of Tax Receipts	2,408,383	2,643,079	2,588,670	2,870,519	3,073,983
Hotel/Motel Tax	2,795,249	2,359,477	2,694,058	2,823,002	3,179,026
Intergovernmental Revenue	38,128,708	32,276,073	31,513,900	33,304,293	35,154,074
Sewer Use	11,212,092	12,442,709	17,833,123	16,048,846	16,591,548
Motor Vehicle Excise	2,703,722	2,526,449	3,353,825	2,923,460	3,803,920
Interest	2,579,552	1,548,691	738,873	773,149	1,769,975
Other	8,440,130	8,215,168	10,701,955	12,892,869	13,726,021
Total Revenues	<u>179,926,423</u>	<u>180,120,268</u>	<u>190,503,624</u>	<u>213,423,372</u>	<u>220,717,352</u>
Expenditures:					
General Government	14,551,990	16,460,298	18,454,613	18,524,599	18,218,594
Public Safety	45,308,492	47,273,054	48,410,734	52,202,270	53,814,494
Community Maintenance and Development	20,254,130	19,968,133	20,507,497	20,460,533	18,090,274
Health Department	815,771	970,846	1,019,412	1,390,902	1,413,148
Human Resource Development	8,142,782	8,719,185	9,312,711	9,401,445	9,439,256
Education	69,824,051	71,550,633	73,243,290	77,667,803	81,368,055
Judgements and Claims	1,884,637	3,689,594	1,847,476	1,255,903	11,804
State Assessments	13,335,482	15,905,663	18,763,597	19,563,908	19,751,955
Debt Service:					
Principal	4,510,000	4,435,000	4,980,000	4,466,693	4,691,994
Interest	1,809,115	1,755,661	1,704,654	1,370,248	1,392,978
Total Expenditures	<u>180,436,450</u>	<u>190,728,067</u>	<u>198,243,984</u>	<u>206,304,304</u>	<u>208,192,552</u>
Transfers from Other Funds: (Net)...	(3,122,144)	272,594	5,011,269	2,914,632	(1,945,979)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,632,171)	(10,335,205)	(2,729,091)	10,033,700	10,578,821
Fund Equity at beginning of year	30,555,040	26,509,467	16,174,262	13,445,171	23,478,871
Equity Transfer	(413,402)	0	0	0	0
Fund Equity at end of year	<u>\$ 26,509,467</u>	<u>\$ 16,174,262</u>	<u>\$ 13,445,171</u>	<u>\$ 23,478,871</u>	<u>\$ 34,057,692</u>

(1) Does not include water and hospital revenues and expenditures.

Source: Audit Reports of KPMG Peat Marwick for the fiscal years ended June 30, 1991, 1992, 1993, 1994, and 1995.

SURPLUS REVENUE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations for available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

The following table sets forth the surplus revenue and certified free cash for the most recent fiscal years:

CITY OF CAMBRIDGE SURPLUS REVENUE AND CERTIFIED FREE CASH FISCAL YEARS 1991 TO 1995

<u>July 1</u>	<u>Surplus Revenue or (Deficit)(1)(2)</u>	<u>Free Cash</u>
1995	\$27,597,685	\$19,457,004
1994	19,074,529	15,269,468
1993	13,716,416	9,992,031
1992	14,216,751	12,417,136
1991	20,461,551	16,880,314

- (1) Surplus revenue is not reduced by revenue deficits from tax abatements in excess of overlay or revenue deficits resulting from non-property tax receipts being less than estimates, both of which are added to the next tax levy. It also does not include special funds, such as water.
- (2) The calculation of Free Cash by the Department of Revenue is based on financial statements prepared by the City's Finance Department in accordance with uniform Municipal Accounting System (UMAS) principles. This method differs in certain areas from Generally Accepted Accounting Principles (GAAP), which causes a difference between the figures shown here as Surplus Revenue or (Deficit), or Undesignated Fund Balance, and those shown on the KPMG Peat Marwick audited financial statements on page 54.

Source: City Department of Finance.

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government of an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT").

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §§54 and 55 do not apply to city and town retirement systems.

RETIREMENT PLAN

The Massachusetts General Laws (Chapter 32, Sections 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city, and town employees other than teachers. Teachers are assigned to a separate statewide teacher's system and not to the City system. Substantially all employees of the City are covered.

In addition to the contributory systems, the City provides non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents.

The obligations of the City of Cambridge under the Contributory Pension Law are contractual legal obligations and are required to be included in the annual tax levy.

The amount required to pay the pensions over and above employee contributions and investment income was traditionally provided on an essentially pay-as-you-go basis, but legislation enacted since 1981 has provided for changes in the funding of both state and local retirement systems.

Beginning in 1982 the Commonwealth assumed responsibility for cost-of-living adjustments for local retirement systems. In 1983 legislation was enacted establishing the Pension Reserves Investment Trust ("PRIT") Fund to receive and manage funds to offset future pension costs of state and local systems to the extent of their participation in the assets of the PRIT Fund. The law now provides that annual appropriations by the Commonwealth for unfunded pension liabilities will be deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of December 31, 1989. The law calls for annual State appropriations amounting to at least 1.3% of State payroll.

"Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate are set aside for future, not current, pension liabilities. (Under prior law, local systems had been allowed to use excess earnings to reduce their annual appropriations for benefits paid to retirees.) Each system not joining PRIT is required to establish a pension reserve fund to receive excess earnings. Cities and towns may voluntarily appropriate to the pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

Legislation enacted in 1987 provided for the funding of the Commonwealth's unfunded pension liability over a period not greater than 40 years. In addition, that legislation contains financial incentives for each local governmental unit to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. Annual state pension funding grants are to be provided for the first fifteen years of an approved funding schedule, beginning with the fiscal year ended June 30, 1990; the grants are to be funded from designated percentages of increases in state revenues. The funding provisions for local systems are subject to local acceptance.

In addition to pension benefits, cities and towns may provide retired employees with payments for a portion of their health care and life insurance benefits. These benefit payments are generally provided on a pay-as-you-go basis.

The annual contributions of the City to the contributory and non-contributory retirement system for the current year and most recent years are set forth below:

**CITY OF CAMBRIDGE
CONTRIBUTIONS TO CITY PENSION FUNDS
FISCAL YEARS 1993 TO 1997**

Fiscal Year	Contributory (1)	Non-contributory	Total
1997	\$17,627,020	\$1,800,000	\$19,427,020
1996	17,253,140	1,900,000	19,153,140
1995	15,906,955	1,821,733	17,901,955
1994	13,860,307	1,937,442	15,797,749
1993	13,323,105	1,974,833	15,297,938

(1) Contributory figure indicated has been determined by the Commonwealth.

Source: City Department of Finance.

An actuarial study conducted by an independent audit firm determined that the unfunded pension liability of the Cambridge Retirement System was \$107,647,773 as of January 1, 1996. The study has also provided cost options available to the City under Chapter 697 of the Acts of 1987. The City has used the results of this study to begin a long term actuarial funding of the system under Chapter 697. The City adopted Chapter 697 in December, 1989.

For additional information relating to the City's pension system as well as certain life insurance and health care benefits for retirees, see footnote 15 of the City's audited financial statements in Appendix A.

EMPLOYEE RELATIONS AND COLLECTIVE BARGAINING

City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours, and other terms and conditions of employment.

The City has approximately 5,225 full- and part-time employees, of whom approximately 67.8 percent belong to unions or other collective bargaining groups.

CITY OF CAMBRIDGE CITY UNIONS AND COLLECTIVE BARGAINING GROUPS

<u>Groups</u>	<u>Department</u>	<u>Number of Employees Represented</u>	<u>Contract Expires</u>
International Public Employees Association	City-Wide	953	6/30/99
Teachers and Administrators (Mass. Teachers Assoc.)	School	880	8/31/99
Clerical	School	82	6/30/95
Custodians (Local 1611 AFL-CIO)	School	93	6/30/97
Food Service	School	55	6/30/97
Safety Specialist	School	15	6/30/97
Paraprofessionals (affiliated with Mass. Teachers Assoc.)	School	176	8/31/97
Substitute Teachers	School	105	8/31/96
Nurses (Massachusetts Nurses Association)	Hospital	346	3/31/98
National Organization of Legal Service Workers	Rent Control	5	6/30/96
House Officers	Hospital	75	6/30/97
Steam Fireman	Hospital	14	6/30/99
International Assoc. of Firefighters	Fire	275	6/30/97
Patrol Officers	Police	212	6/30/94
Superior Officers	Police	45	6/30/94
Traffic Supervisors	Police	54	6/30/97
Independent Water Workers Association	Water	42	6/30/95
Professional Librarians	Library	63	6/30/97
Code Inspectors (AFSCME) Services	Inspectional	6	6/30/97
Daycare Workers	Human Services	39	6/30/97
Public Works Administrators		9	1st Contract
		<u>3,544</u>	

Source: City Personnel Department.

/s/ James P. Maloney, Jr.
City Treasurer

June , 1996

APPENDIX A

There follows in this appendix financial statements of the City of Cambridge, Massachusetts, for the fiscal year ended June 30, 1995 together with the Auditor's report thereon by KPMG Peat Marwick of Boston, Massachusetts. These have been reproduced with the permission of KPMG Peat Marwick. Any questions concerning information contained herein should be directed to Mr. Michael Maschio, KPMG Peat Marwick, 99 High Street, Boston, Massachusetts 02110, telephone (617) 988-1000.

**CITY OF CAMBRIDGE, MASSACHUSETTS
FINANCIAL STATEMENTS
For the Year Ended June 30, 1995**

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Independent Auditors' Report

The City Manager and Honorable Members of the City Council
City of Cambridge, Massachusetts:

We have audited the general purpose financial statements for the City of Cambridge, Massachusetts, as of and for the year ended June 30, 1995, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cambridge, Massachusetts, at June 30, 1995, and the results of its operations and cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Cambridge, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The required supplementary information on pages 41 and 42 are not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation to the supplementary information. However, we did not audit the information and express no opinion on it.

GENERAL PURPOSE FINANCIAL STATEMENTS

These "general purpose financial statements" provide a broad financial overview for users requiring less detailed information than is presented in the individual statements for each separate fund and account group.

CITY OF CAMBRIDGE, MASSACHUSETTS
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1995

<u>Assets and Other Debits</u>	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Enterprise</u> <u>(note 14)</u>	<u>Internal</u> <u>Service</u>	<u>Fund Types</u> <u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-term</u> <u>Obligations</u>	
Cash and investments (note 5)	\$ 44,855,049	11,439,278	4,533,311	30,836,703	678,270	216,322,480	-	-	308,665,091
Receivables:									
Property taxes	5,179,797	-	-	-	-	-	-	-	5,179,797
Tax titles and possessions	13,567,271	-	-	-	-	-	-	-	13,567,271
Motor vehicle excise	1,924,011	-	-	-	-	-	-	-	1,924,011
Accounts	1,773,182	1,000,000	-	18,705,129	-	456,889	-	-	21,935,200
Allowance for uncollectible receivables	-	-	-	(6,192,396)	-	-	-	-	(6,192,396)
Due from other funds (note 12)	-	-	1,099,696	166,125	-	-	-	-	1,265,821
Due from other governments	-	1,453,754	1,900,753	42,288	-	2,154,104	-	-	5,550,899
Assets whose use is limited (notes 5 and 6)	-	-	-	39,219,691	-	-	-	-	39,219,691
Fixed assets (net, where applicable, of accumulated depreciation) (note 8)	-	-	-	107,009,103	13,926	-	316,201,772	-	423,224,801
Other assets	1,291,783	-	-	1,981,281	-	2,415,744	-	-	5,688,808
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	187,151,625	187,151,625
Total assets and other debits	\$ <u>68,591,093</u>	<u>13,893,032</u>	<u>7,533,760</u>	<u>191,767,924</u>	<u>692,196</u>	<u>221,349,217</u>	<u>316,201,772</u>	<u>187,151,625</u>	<u>1,007,180,619</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Balance Sheet - All Fund Types and Account Groups (Continued)

June 30, 1995

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise (note 14)</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
Liabilities, Fund Equity and Other Credits									
Liabilities:									
Warrants payable	\$ 1,272,138	-	-	-	-	-	-	-	1,272,138
Accrued liabilities:									
Tax abatement refunds	6,331,484	-	-	-	-	-	-	-	6,331,484
Guarantee deposits and amounts due to other taxing authorities	-	-	-	-	-	1,954,810	-	-	1,954,810
Compensated absences (note 11)	-	-	-	4,220,596	-	-	-	9,056,361	13,276,957
Pension costs (notes 11 and 15)	-	-	-	-	-	-	-	116,715,000	116,715,000
Claims (notes 11 and 19)	-	-	-	-	-	-	-	2,445,000	2,445,000
Other	11,052,629	681,522	3,230,435	4,357,930	-	1,170,118	-	-	20,492,634
Due to third parties (note 10)	-	-	-	23,330,648	-	-	-	-	23,330,648
Due to other funds (note 12)	161,547	-	-	1,104,274	-	-	-	-	1,265,821
Capital lease obligation (note 9)	-	-	-	784,088	-	-	-	-	784,088
Deferred compensation (notes 5 and 17)	-	-	-	-	-	20,921,289	-	-	20,921,289
Deferred revenue	15,715,603	6,560,586	-	927,637	-	-	-	-	23,203,826
General obligation bonds and notes payable (note 11)	-	-	-	<u>19,472,000</u>	-	-	-	<u>58,935,264</u>	<u>78,407,264</u>
Total liabilities	<u>34,533,401</u>	<u>7,242,108</u>	<u>3,230,435</u>	<u>54,197,173</u>	<u>-</u>	<u>24,046,217</u>	<u>-</u>	<u>187,151,625</u>	<u>310,400,959</u>
Fund equity and other credits:									
Investments in general fixed assets	-	-	-	-	-	-	316,201,772	-	316,201,772
Retained earnings	-	-	-	130,891,575	692,196	-	-	-	131,583,771
Contributed capital (note 13)	-	-	-	6,679,176	-	-	-	-	6,679,176
Fund balances:									
Reserved for encumbrances	3,525,435	708,568	4,303,325	-	-	-	-	-	8,537,328
Reserved for specific purposes (note 13)	4,170,000	1,108,238	-	-	-	197,303,000	-	-	202,581,238
Unreserved	<u>26,362,257</u>	<u>4,834,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,196,375</u>
Total fund equity and other credits	<u>34,057,692</u>	<u>6,650,924</u>	<u>4,303,325</u>	<u>137,570,751</u>	<u>692,196</u>	<u>197,303,000</u>	<u>316,201,772</u>	<u>-</u>	<u>696,779,660</u>
Commitments and contingencies (note 19)									
Total liabilities, fund equity and other credits	\$ <u>68,591,093</u>	<u>13,893,032</u>	<u>7,533,760</u>	<u>191,767,924</u>	<u>692,196</u>	<u>221,349,217</u>	<u>316,201,772</u>	<u>187,151,625</u>	<u>1,007,180,619</u>

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Revenues, Expenditures and Changes in Fund Equity
All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 1995

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Property taxes	\$ 143,418,805	-	-	-	143,418,805
Payments in lieu of tax receipts	3,073,983	-	-	-	3,073,983
Hotel/motel excise tax	3,179,026	-	-	-	3,179,026
Intergovernmental	35,154,074	14,779,319	1,992,954	-	51,926,347
Sewer use	16,591,548	-	-	-	16,591,548
Motor vehicle excise	3,803,920	-	-	-	3,803,920
Investment income	1,769,975	1,027,781	24,131	918,745	3,740,632
Other	13,726,021	11,689,942	-	4,281,221	29,697,184
Total revenues	220,717,352	27,497,042	2,017,085	5,199,966	255,431,445
Expenditures:					
Current:					
General government	18,218,594	-	-	-	18,218,594
Public safety	53,814,494	-	-	-	53,814,494
Community maintenance and development	18,090,274	5,379,853	-	-	23,470,127
Health department	1,413,148	-	-	-	1,413,148
Human resource development	9,439,256	-	-	-	9,439,256
Education	81,368,055	7,368,374	-	-	88,736,429
Fuel assistance	-	1,071,719	-	-	1,071,719
Judgments and claims	11,804	-	-	-	11,804
State assessments	19,751,955	-	-	-	19,751,955
Other	-	-	-	563,202	563,202
Capital outlay	-	-	34,138,986	-	34,138,986
Debt service:					
Principal retirement (note 11)	4,691,994	-	-	-	4,691,994
Interest	1,392,978	-	-	-	1,392,978
Total expenditures	208,192,552	13,819,946	34,138,986	563,202	256,714,686
Excess (deficiency) of revenues over expenditures	12,524,800	13,677,096	(32,121,901)	4,636,764	(1,283,241)
Other financing sources (uses):					
Operating transfers from other funds (note 18)	-	372,224	6,892,455	1,941,384	9,206,063
Operating transfers to other funds (note 18)	(1,945,979)	(14,632,505)	-	(2,454,247)	(19,032,731)
Issuance of bonds	-	-	25,503,334	-	25,503,334
Proceeds from debt	-	1,000,000	-	-	1,000,000
Total other financing sources (uses)	(1,945,979)	(13,260,281)	32,395,789	(512,863)	16,676,666
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	10,578,821	416,815	273,888	4,123,901	15,393,425
Fund equity at beginning of year	23,478,871	6,234,109	4,029,437	16,536,912	50,279,329
Fund equity at end of year	\$ 34,057,692	6,650,924	4,303,325	20,660,813	65,672,754

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS
Statement of Revenues and Expenditures - Budgetary Basis
General Fund - Budget and Actual
Year ended June 30, 1995

	1995 Budget (note 4)	1995 Actual	Variance Favorable (Unfavorable)	1994 Actual
Revenues:				
Property taxes	\$ 144,445,748	144,445,748	-	139,414,021
Provisions for tax abatements and adjustments	(4,250,000)	(4,250,000)	-	(4,250,000)
Payments in lieu of tax receipts	2,100,000	2,907,983	807,983	2,870,519
Hotel/motel excise tax	2,385,000	3,179,026	794,026	2,823,002
Intergovernmental	35,414,429	35,154,075	(260,354)	33,304,293
Hospital, infirmary and health department	75,842,835	100,137,335	24,294,500	75,648,019
Sewer use	16,288,215	16,591,548	303,333	16,048,846
Water use	9,205,855	9,207,042	1,187	8,963,835
Motor vehicle excise	2,504,611	3,571,220	1,066,609	2,923,460
Investment income	825,000	1,690,237	865,237	703,190
Other	<u>8,255,032</u>	<u>12,426,018</u>	<u>4,170,986</u>	<u>10,865,574</u>
Total revenues	<u>293,016,725</u>	<u>325,060,232</u>	<u>32,043,507</u>	<u>289,314,759</u>
Expenditures:				
Current:				
General government	18,767,607	18,439,681	327,926	18,650,590
Public safety	54,364,046	53,707,656	656,390	52,420,342
Community maintenance and development	20,037,103	19,711,035	326,068	20,256,849
Health and hospital services	84,603,000	84,112,435	490,565	78,918,379
Human resource development	9,972,752	9,909,005	63,747	9,512,079
Education	81,354,341	81,351,321	3,020	79,668,979
Judgments and claims	271,810	271,804	6	1,277,774
Intergovernmental	20,199,425	19,752,268	447,157	19,563,908
Water	7,640,805	7,517,510	123,295	4,914,661
Debt service:				
Principal retirement	5,073,265	4,797,090	276,175	6,194,350
Interest	<u>1,314,205</u>	<u>1,294,440</u>	<u>19,765</u>	<u>1,933,506</u>
Total expenditures	<u>303,598,359</u>	<u>300,864,245</u>	<u>2,734,114</u>	<u>293,311,417</u>
Excess (deficiency) of revenues over expenditures	<u>(10,581,634)</u>	<u>24,195,987</u>	<u>34,777,621</u>	<u>(3,996,658)</u>
Other financing sources (uses):				
Operating transfers in (out):				
Special revenue funds	13,548,385	11,049,167	(2,499,218)	13,520,145
Capital projects funds	(6,052,957)	(3,681,341)	2,371,616	(6,819,790)
Trust funds	<u>968,966</u>	<u>(4,540)</u>	<u>(973,506)</u>	<u>1,945,525</u>
	<u>8,464,394</u>	<u>7,363,286</u>	<u>(1,101,108)</u>	<u>8,645,880</u>
Excess (deficiency) of revenues and operating transfers in over expenditures and operating transfers out	<u>(2,117,240)</u>	<u>31,559,273</u>	<u>33,676,513</u>	<u>4,649,222</u>
Other budget items:				
Free cash appropriations	3,570,000			
Prior year deficits raised	<u>(1,452,760)</u>			
Total other budget items	<u>2,117,240</u>			
Net budget and actual	\$ -			

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Equity All Proprietary Fund Types and Similar Trust Funds

Year ended June 30, 1995

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	Enterprise (note 14)	Internal Service	Pension Trust	Non- Expendable Trust	
Operating revenues:					
Patient service revenue, net of allowance and uncollectible accounts	\$ 69,360,417	-	-	-	69,360,417
Charges for services	8,240,554	106,932	-	-	8,347,486
Income from employer and member contributions	-	-	27,692,855	-	27,692,855
Donations	-	-	-	30,255	30,255
Investment income	-	-	5,044,683	-	5,044,683
Net gain on sale of investment	-	-	1,988,182	-	1,988,182
Bond amortization	-	-	166,188	-	166,188
Other	<u>39,870,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,870,367</u>
Total operating revenues	<u>117,471,338</u>	<u>106,932</u>	<u>34,891,908</u>	<u>30,255</u>	<u>152,500,433</u>
Operating expenses:					
Administration	5,764,665	-	-	-	5,764,665
Finance	3,522,553	-	-	-	3,522,553
Service and support programs	64,391,925	72,050	-	-	64,463,975
General services	14,542,981	-	-	-	14,542,981
Depreciation	4,760,112	11,088	-	-	4,771,200
Provision for bad debts	17,188,663	-	-	-	17,188,663
Pension plan benefit payments	-	-	23,092,999	-	23,092,999
Other	<u>8,411,502</u>	<u>-</u>	<u>284,922</u>	<u>-</u>	<u>8,696,424</u>
Total operating expenses	<u>118,582,401</u>	<u>83,138</u>	<u>23,377,921</u>	<u>-</u>	<u>142,043,460</u>
Operating income (loss)	(1,111,063)	23,794	11,513,987	30,255	10,456,973
Nonoperating revenues and expenses:					
Interest income	2,896,950	-	-	92,159	2,989,109
Interest expense	<u>(1,246,429)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,246,429)</u>
Income before operating transfers	539,458	23,794	11,513,987	122,414	12,199,653
Operating transfers from other funds (note 18)	10,280,705	-	-	2,857	10,283,562
Operating transfers to other funds (note 18)	<u>(365,050)</u>	<u>-</u>	<u>-</u>	<u>(91,844)</u>	<u>(456,894)</u>
Net income	10,455,113	23,794	11,513,987	33,427	22,026,321
Retained earnings/fund equity:					
Beginning of year	<u>120,436,462</u>	<u>668,402</u>	<u>163,664,706</u>	<u>1,430,067</u>	<u>286,199,637</u>
End of year	<u>\$ 130,891,575</u>	<u>692,196</u>	<u>175,178,693</u>	<u>1,463,494</u>	<u>308,225,958</u>

See accompanying notes to general purpose financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combined Statement of Cash Flows

All Proprietary Fund Types and Nonexpendable Trust Funds

Year ended June 30, 1995

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	Enterprise (note 14)	Internal Service	Non- Expendable Trust	
Cash flows from operating activities:				
Operating income (loss)	\$ (1,111,063)	23,794	30,255	(1,057,014)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	4,760,112	11,088	-	4,771,200
Provision for bad debts	17,178,830	-	-	17,178,830
Capital contribution	45,038	-	-	45,038
Change in assets and liabilities:				
Accounts receivable	(14,895,590)	-	(87)	(14,895,677)
Interfund receivables	105,419	-	-	105,419
Due from other governments	483,099	-	-	483,099
Other assets	(1,232,708)	-	-	(1,232,708)
Accrued liabilities	562,808	-	-	562,808
Due to third parties	13,039,671	-	-	13,039,671
Interfund payables	(2,924,183)	-	-	(2,924,183)
Deferred revenue	<u>927,637</u>	<u>-</u>	<u>-</u>	<u>927,637</u>
Net cash provided by operating activities	<u>16,939,070</u>	<u>34,882</u>	<u>30,168</u>	<u>17,004,120</u>
Cash flows from noncapital financing activities:				
Operating transfer - in from general fund	10,280,705	-	2,857	10,283,562
Operating transfer - out to general fund	(365,050)	-	-	(365,050)
Operating transfer - out to expendable trust fund	<u>-</u>	<u>-</u>	<u>(91,844)</u>	<u>(91,844)</u>
Net cash provided by (used for) non-capital financing activities	<u>9,915,655</u>	<u>-</u>	<u>(88,987)</u>	<u>9,826,668</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,852,279)	-	-	(5,852,279)
Proceeds from bonds	3,000,000	-	-	3,000,000
Principal paid on revenue bonds	(3,463,000)	-	-	(3,463,000)
Interest paid on revenue bonds	(1,190,230)	-	-	(1,190,230)
Payments on capital lease obligations	<u>(151,342)</u>	<u>-</u>	<u>-</u>	<u>(151,342)</u>
Net cash used for capital and related financing activities	<u>(7,656,851)</u>	<u>-</u>	<u>-</u>	<u>(7,656,851)</u>
Cash flows from investing activities:				
Investments in assets whose use is limited	(7,889,747)	-	-	(7,889,747)
Interest income	<u>2,896,950</u>	<u>-</u>	<u>92,159</u>	<u>2,989,109</u>
Net cash provided by (used for) investing activities	<u>(4,992,797)</u>	<u>-</u>	<u>92,159</u>	<u>(4,900,638)</u>
Net increase in cash and cash equivalents	14,205,077	34,882	33,340	14,273,299
Cash and cash equivalents at beginning of year	<u>16,631,626</u>	<u>643,388</u>	<u>415,432</u>	<u>17,690,446</u>
Cash and cash equivalents at end of year	\$ <u>30,836,703</u>	<u>678,270</u>	<u>448,772</u>	<u>31,963,745</u>
Supplemental disclosures:				
Cash and cash equivalents - Non-expendable Trust	448,772			
Cash and cash equivalents - Pension Trust	13,045,956			
Cash and cash equivalents - Expendable Trust	<u>9,078,164</u>			
Total cash and cash equivalents	\$ <u>22,572,892</u>			

See accompanying notes to general purpose financial statements.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

This section explains the accounting principles used in the preparation of the general purpose financial statements, explains definitions of various terms used in the report, provides detailed breakdowns of certain figures used in the report, and explains how the financial statements prepared under the Budgetary Basis of accounting relate to those prepared under Generally Accepted Accounting Principles as applicable to governmental units.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(1) The Financial Reporting Entity

In accordance with the requirements of the Governmental Accounting Standards Board ("GASB") Statement No. 14, the general purpose financial statements present information on the City of Cambridge, Massachusetts (the "primary government"), 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. The inclusion of component units in the City's general purpose financial statements does not affect their legal standing.

(a) Primary Government

Settled in 1630 by a group from the Massachusetts Bay Company, the City of Cambridge 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 its 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.

(b) Individual Component Unit Disclosure

The component units provide services entirely or almost entirely to the City or otherwise exclusively or almost exclusively to its benefit. Although legally separate, all component units have been reported as if they were part of the primary government; a method of inclusion known as blending. A description of the component units, criteria for inclusion and their relationship with the City follows:

The Cambridge Hospital (the "Hospital")

Founded in 1917, the Hospital is a 165-bed full-service facility owned by the City and affiliated with Harvard and Tufts Medical Schools. In addition, the Hospital operates a network of community health centers to deliver health services to the City's residents. Although financed primarily by revenues from third party sources, the State, and private patients, the Hospital also receives a direct tax subsidy from the City. The Hospital is under the direction of the Commissioner of Health and Hospitals, who is appointed by the City Manager. He is assisted in policy direction and regulatory compliance monitoring by the Health Policy Board, all of whose members are also appointed by the City Manager. While the Hospital does not publish financial statements other than those that appear in this report, detailed data are available from the Hospital's Fiscal Services Department, 65 Beacon Street, Somerville, MA.

Neville Manor Nursing Home

Neville Manor provides long-term residential and short-term postacute and rehabilitative care for adults in its 179 bed facility. Neville Manor is a part of the Cambridge Hospital Community Health Network, and as such is under the direction of the Chief Executive

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Officer of the Network and the Health Policy Board. Neville Manor is financed primarily from Medicaid and Medicare funds and also receives a tax subsidy from the City. Neville Manor does not publish financial statements other than those that appear in this report.

Cambridge 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 three members: the City Auditor who serves as ex-officio; an individual elected by participants in the System; and an individual chosen by the other two members. The System provides pension benefits to retired City employees. Financial statements are available from its offices in Cambridge City Hall, 795 Massachusetts Avenue, Cambridge, Massachusetts.

The financial statements of the component units are included for their respective year-ends which is June 30, 1995, except for the Cambridge Retirement System which is December 31, 1994.

(c) Joint Ventures.

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Massachusetts Bay Transportation Authority (MBTA), a component unit of the Commonwealth of Massachusetts (the "Commonwealth"). The City is indirectly liable for debt (see note 11) and other expenses incurred by the MBTA. The MBTA, created in 1964 as a body politic and corporate and political subdivision of the Commonwealth, provides rapid transit and other mass transportation services to the City and to 78 other cities and towns within its jurisdiction. The City's annual assessment, including debt service, from the MBTA for 1995 amounted to \$5,916,468. The City does not have an equity interest in the MBTA.

Complete financial statements for the MBTA can be obtained from the MBTA administrative offices at 10 Park Plaza, Boston, Massachusetts 02116.

The Massachusetts Water Resources Authority (the "Authority"), a public instrumentality of the Commonwealth, provides water supply services and sewage collection, treatment and disposal services to various cities and towns within the Commonwealth, including the City.

The Authority is governed by an eleven-member Board of Directors chaired by the Commonwealth's Secretary of Environmental Affairs. Four board members are appointed by the Governor, three by the Mayor of Boston, Massachusetts three by the Authority's Advisory Board and one upon the recommendation of the Mayor of Quincy, Massachusetts and Board of Selectmen of Winthrop, Massachusetts.

While the City does not have an equity interest in the Authority, it is indirectly liable for its debt (see note 11) and certain other Authority expenses. The City's annual assessment for 1995, including debt service, was \$13,550,924.

Complete financial statements for the Authority can be obtained at 100 First Avenue, Boston, Massachusetts 02129.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(d) Related Organization

The Manager is 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 accounting policies of the City of Cambridge, Massachusetts, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

(a) Basis of Presentation - Fund Accounting

The operations of the City are recorded in the following funds and account groups:

GOVERNMENTAL FUND TYPES

Governmental Funds are used to account for the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds and similar trust funds). The measurement focus is based upon determination of changes in financial position and the flow of current financial resources. The following are the City's governmental fund types:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - This fund is used to account for the financial resources and expenditures for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following are the City's proprietary fund types:

Enterprise Funds - These funds are used to account for City operations (1) that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the public be financed or recovered primarily through user charges; or (2) where a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This fund is used to account for the financing of services provided by one department to other departments of the City, on a cost-reimbursement basis.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) expendable trust funds, (2) nonexpendable trust funds, (3) pension trust funds, and (4) agency funds. Expendable trust funds are accounted for similar to governmental funds. Nonexpendable trust funds and pension trust funds are accounted for similar to proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The following are the City's account groups:

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the City, except for fixed assets purchased through proprietary funds.

General Long-term Obligations Account Group - This account group is used to account for all long-term obligations of the City, except for debt issued for enterprise funds.

(b) Basis of Accounting by Fund

The modified accrual basis of accounting is followed by governmental funds, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued vacation and sick leave, pension costs, and self-insured claims, which are recorded in the general long-term obligations account group.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end. Other revenues are recorded when received in cash, except investment earnings which are recorded as earned.

The accrual basis of accounting is used by proprietary funds, nonexpendable trust funds, and pension trust funds. The City has elected to apply to these funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(c) Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(d) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(e) Investments

Investments, other than those of the Pension Trust Fund and those of the City's Deferred Compensation Plan, are carried at cost or amortized cost which approximates market value. The accounting policy for investments of the Pension Trust Fund is described in note 15. Investments of the City's Deferred Compensation Plan are carried at market value.

(f) Cash Equivalents

For purposes of the statement of cash flows, the proprietary and nonexpendable trust funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(g) Encumbrances and Continuing Appropriations

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 to reserve that portion of the applicable appropriation, is employed in the General Fund as a significant aspect of budgetary control.

Unencumbered appropriations which are carried over to the ensuing fiscal year are reported as "continuing appropriations" and all other appropriations lapse at year-end. Continuing appropriations represent amounts appropriated for specific programs or projects which were not completed by the end of the fiscal year.

Encumbrances and continuing appropriations are reported as reservations of fund balances in the accompanying combined balance sheet because they do not constitute expenditures or liabilities. Encumbrances and continuing appropriations are combined with expenditures for budgetary comparison purposes.

(h) Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation or policy. The cost of compensated absences for employees of proprietary funds is recorded as earned. For other funds, the noncurrent portion of the liability for compensated absences is reported in the general long-term obligations account group.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

The liabilities for accrued sick leave are determined based on the number of allowable days accumulated at the balance sheet (vesting method).

(i) General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed assets account group. Purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value at the time received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets, nor has interest been capitalized because it is not material.

(j) Property, Plant and Equipment - Enterprise and Internal Service Funds

Property, plant and equipment owned by the proprietary funds is stated at historical cost or estimated fair market value at the time received. Net interest costs are capitalized on projects during the construction period. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-50 years
Improvements other than buildings	10-20 years
Equipment	5-30 years

(k) Total Columns - Memorandum Only

Total columns on the general purpose financial statements are captioned "Total Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

(3) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The City has an ultimate right to foreclose on property for which taxes have not been paid. A tax lien is issued on the property when more than one year's tax is overdue. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting described in note 2.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the City. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a City-wide referendum vote.

(4) Budget Basis of Accounting

The City's budgeted expenditures as presented in the Statement of Revenues and Expenditures - Budgetary Basis - General Fund was developed as follows:

City Council authorizations	\$ 302,575,250
Supplemental appropriations and budget transfers	<u>1,023,109</u>
	<u>\$ 303,598,359</u>

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for the General Fund for which the level of expenditure may not legally exceed appropriations for each department or undertaking classified in the following categories:

- (1) Salaries and wages,
- (2) Other ordinary maintenance,
- (3) Travel and training, and
- (4) Extraordinary expenditures.

Proposed expenditure appropriations for all departments and operations of the City, except that of public schools, are prepared under the direction of the City Manager. School Department appropriations are acted upon directly by the School Committee up to the level of certain prior year school appropriations. The City Manager may recommend additional sums for school purposes. In addition, the City Manager may submit to the City Council such supplementary appropriation orders as are deemed necessary. The City Manager may amend appropriations within the above mentioned categories for a department without seeking City Council approval.

The City Council may reduce or reject any item in budgets submitted by the City Manager but may not increase or add items without the recommendation of the City Manager. Supplemental appropriations for the year ended June 30, 1995, after the setting of the tax rate, were \$1,023,109 and are included in the budgetary comparison financial statements.

The City follows a gross budgeting concept pursuant to which expenditures financed by special revenue funds and trust funds are budgeted as general fund expenditures and are financed by transfers from these funds to the general fund.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

The City's General Fund budget is prepared on a basis other than generally accepted accounting principles (GAAP basis). The actual results of operations in the Statement of Revenues and Expenditures - Budgetary Basis - General Fund, are presented on a "budget basis" to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are that:

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) The Cambridge City Hospital and its affiliated Neighborhood Health Centers, Neville Manor Nursing Home and the Water Department are budgeted departments of the City's General Fund. However, for financial statement purposes, these entities are reported in enterprise funds and not as part of the General Fund.

A summary of the differences between the results of operations presented on a budgetary basis and those presented in accordance with GAAP is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 325,060,232	300,864,245	7,363,286
To reclassify enterprise fund operations	(109,344,377)	(90,178,482)	(9,915,655)
To record revenue and other financing sources on a modified accrual basis of accounting	5,001,497	-	606,390
To adjust for encumbrances and continuing appropriations	<u>-</u>	<u>(2,493,211)</u>	<u>-</u>
As reported on GAAP basis	\$ <u>220,717,352</u>	<u>208,192,552</u>	<u>(1,945,979)</u>

(5) Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust ("MMDT").

In addition, the Cambridge Retirement System and administrators of Employees Deferred Compensation plans have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Deposits

The following summary presents the amount of City deposits which are fully insured or collateralized with securities held by the City or its agent in the City's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name (Category 2), and those deposits which are not collateralized (Category 3) at June 30, 1995.

	<u>Bank Balances</u>			<u>Total Bank Balance</u>	<u>Carrying Amount</u>
	<u>Category</u>				
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	\$ 300,000	-	3,193,605	3,493,605	3,981,344
Money market	<u>386,850</u>	<u>13,477,390</u>	<u>1,072,289</u>	<u>14,936,529</u>	<u>14,947,435</u>
Total	\$ <u>686,850</u>	<u>13,477,390</u>	<u>4,265,894</u>	<u>18,430,134</u>	<u>18,928,779</u>

Investments

The City categorizes investments according to the level of risk assumed by the City. Category 1 includes investments that are insured, registered or held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the City's name. Investments in MMDT, mutual funds and insurance contracts, pooled funds, are not categorized.

	<u>Category</u>			<u>Not Categorized</u>	<u>Carrying Amount</u>	<u>Estimated Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
MMDT	-	-	-	95,986,724	95,986,724	95,986,724
Mutual funds	-	-	-	20,921,289	20,921,289	20,921,289
Common stocks	-	99,899,586	-	-	99,899,586	105,343,419
Corporate bonds	-	22,186,110	-	-	22,186,110	21,205,696
U.S. Treasury notes	-	86,615,894	-	-	86,615,894	85,155,769
Insurance contracts	-	-	-	<u>3,346,400</u>	<u>3,346,400</u>	<u>3,346,400</u>
Total	\$ -	<u>208,701,590</u>	-	<u>120,254,413</u>	<u>328,956,003</u>	<u>331,959,297</u>

The composition of the City's bank-recorded deposits and investments fluctuates depending primarily on the timing of real estate tax receipts, proceeds from borrowings, collection of state and federal aid, and capital outlays throughout the year.

Of the investments reflected in the preceding table, investments of the Cambridge Retirement System constitute 75% of the amount in Category 2.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(6) Assets Whose Use is Limited

Assets whose use is limited is restricted as follows at June 30, 1995:

By City Council for construction and renovation	\$ 18,303,776
By City Council for funded depreciation	19,710,598
By City Council for capital acquisition	<u>1,205,317</u>
	\$ <u>39,219,691</u>

Assets set aside by the City Council are maintained in U.S. Treasury Notes, at cost which approximates market.

(7) Charity Care

The Hospital provides charity care to patients who are unable to pay. The amount of foregone charges were \$16,985,779 for the year ended June 30, 1995. The Hospital provides services to Medicaid patients at less than cost which the Hospital considers partial charity care amounting to \$7,841,993 for the year ended June 30, 1995.

The Commonwealth of Massachusetts maintains an Uncompensated Care Pool fund which requires hospitals to fund free care and bad debts incurred by hospitals. The Hospital made payments to the Pool in 1995 in the amount of \$847,728 which is included in other operating expense on the combining statement of revenues, expenses and changes in retained earnings for enterprise funds.

The Hospital has recognized revenues of \$29,397,340 in fiscal 1995 for expected reimbursement from the Uncompensated Care Pool. This amount is included in other operating revenue in the combining statement of revenues, expenses and changes in retained earnings for enterprise funds.

(8) Fixed Assets

A summary of general fixed assets activity in the general fixed assets account group for the year ended June 30, 1995 follows:

	Balance June 30, <u>1994</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>1995</u>
Land	\$ 172,062,238	-	-	172,062,238
Buildings	82,007,211	24,042,270	-	106,049,481
Improvements other than buildings	10,190,911	856,829	(10,551)	11,037,189
Equipment	20,901,212	2,794,457	(966,253)	22,729,416
Construction in progress	<u>5,796,803</u>	<u>21,007,346</u>	<u>(22,480,701)</u>	<u>4,323,448</u>
	\$ <u>290,958,375</u>	<u>48,700,902</u>	<u>(23,457,505)</u>	<u>316,201,772</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

The City initiated a fixed assets system in fiscal 1986 for its general fixed assets and adjusts these records for additions and disposals as of the end of each fiscal year. These amounts are based on actual historical costs wherever possible. Land and building costs are based on current appraised value adjusted to estimated cost at date of purchase. Improvements other than buildings and equipment are valued at estimated cost when actual cost information was impractical to obtain. Construction in progress is valued at cost.

The sources of funds used to acquire fixed assets were impractical to obtain; therefore, the sources of fixed assets are not presented.

A summary of proprietary fund type property, plant, and equipment at June 30, 1995 follows:

	<u>Hospital and Neighborhood Health Centers</u>	<u>Neville Manor</u>	<u>Water</u>	<u>Total Enterprise</u>	<u>Internal Service</u>
Land	\$ 140,000	5,460,000	39,264,325	44,864,325	-
Buildings	16,233,167	3,021,792	9,330,311	28,585,270	-
Improvements other than buildings	2,855	373,391	15,509,289	15,885,535	-
Equipment	39,485,920	428,574	10,103,505	50,017,999	171,181
Construction in progress	<u>5,527,767</u>	<u>-</u>	<u>1,473,806</u>	<u>7,001,573</u>	<u>-</u>
	61,389,709	9,283,757	75,681,236	146,354,702	171,181
Less accumulated depreciation	<u>(26,560,394)</u>	<u>(1,206,960)</u>	<u>(11,578,245)</u>	<u>(39,345,599)</u>	<u>(157,255)</u>
	\$ <u>34,829,315</u>	<u>8,076,797</u>	<u>64,102,991</u>	<u>107,009,103</u>	<u>13,926</u>

Construction in progress at June 30, 1995 is composed of the following:

	<u>Project Authorization</u>	<u>Expended</u>	<u>Committed</u>
General Fixed Assets:			
Senior center	\$ 4,280,000	2,945,336	1,334,664
City hall renovations	5,350,000	391,078	4,958,922
Geographic information	1,500,000	145,273	1,354,727
East Cambridge youth center	345,085	181,346	163,739
Morse school	9,830,000	282,637	9,547,363
Fitzgerald school	<u>14,432,000</u>	<u>377,778</u>	<u>14,054,222</u>
	\$ <u>35,737,085</u>	<u>4,323,448</u>	<u>31,413,637</u>
Hospital Fund:			
Ambulatory care center	\$ 50,000,000	1,691,576	48,308,424
Renovations and improvements	<u>16,705,980</u>	<u>3,836,191</u>	<u>12,869,789</u>
	\$ <u>66,705,980</u>	<u>5,527,767</u>	<u>61,178,213</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

	Project <u>Authorization</u>	<u>Expended</u>	<u>Committed</u>
Water Fund:			
Water treatment plant	\$ <u>3,555,000</u>	<u>1,473,806</u>	<u>2,081,194</u>

(9) Leases

Cambridge Hospital is obligated under the terms of a capital lease agreement for office facilities. The components of the capital lease included in fixed assets follow:

Buildings	\$ 1,337,389
Accumulated amortization	<u>(553,301)</u>
 Total	 \$ <u>784,088</u>

Future minimum lease commitments under the capital lease obligation are as follows:

1996	\$ 213,769
1997	220,182
1998	226,788
1999	233,591
2000	-
Net minimum lease payments	<u>894,330</u>
Less: imputed interest	<u>(110,242)</u>
 Present value of net minimum lease payments	 \$ <u>784,088</u>

(10) Third Party Reimbursement

On December 21, 1992 (retroactive to October 1, 1992), the Massachusetts legislature enacted Chapter 495 which established a new reimbursement system for hospitals. Chapter 495 allows individual hospitals to negotiate and contract directly with third party payors, thereby deregulating hospital revenues and allowing competitive forces to control hospital charges. Chapter 495 continues the use of a statewide pool to uniformly fund uncompensated care with some modifications. The principal change is that bad debts are no longer reimbursed, except those related to emergency services provided to uninsured patients and for which reasonable collection efforts have been made.

The Hospital has agreements with numerous third party payors. The following summarizes the most significant agreements. The Hospital has a contract with Blue Cross for inpatient services which utilizes a combination of per discharge and per diem payments based on the DRG system established by the state of New York. Payment for outpatient services under the Blue Cross contract is based on a payment on account factor. Medicaid payments are based on a contract with the Massachusetts Department of Public Welfare. Payments for inpatient services are on a per discharge and per diem basis. Payments for clinic and emergency services are on a per visit basis and payments for ancillary services reflect a combination of discounted charges and fee schedules. The Hospital has contracts with

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

many managed care providers. Most contracts provide for per diem and per discharge payments. Commercial insurers reimburse the Hospital for services on the basis of established charges. Effective July 1, 1986, the Hospital is reimbursed for Medicare patients under the Prospective Payment System, the national Medicare system whereby hospitals are paid a standard amount based upon the patient's diagnosis.

Prior to fiscal 1992, payments for services from all payors with the exception of Medicare were governed by a series of legislative acts beginning in fiscal 1983. Under the prior system, gross revenues were subject to caps based on the Maximum Allowable Costs (MAC) for each year, with carryforward adjustments for any over or under generation of revenues. Under this system, commercial insurers generally paid at the level of established gross charges, Blue Cross and Medicaid paid at discounted levels, and managed care plans were free to negotiate discounts from charges. The Hospital is required to prepare and file certain compliance reports which are subject to audit and pursuant to the Blue Cross agreement, Chapter 495 and Medicare regulations. The Hospital is current with respect to all compliance filings. Differences between actual and final settlements are recorded as contractual adjustments in the year determined. Final settlements have been determined with Medicaid through fiscal 1992, Medicare through fiscal 1986, and Blue Cross through fiscal 1985.

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies). At June 30, 1995, the Hospital has receivables from the Commonwealth of Massachusetts (Medicaid) of \$12,108,595, including all receivables and settlements.

(11) Long-term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds reported in the proprietary funds are expected to be paid from proprietary fund revenues. Bonds reported in the general long-term obligations account group are expected to be paid from general fund revenues.

The following is a summary of general obligation bond transactions of the City for the year ended June 30, 1995:

	<u>General Obligation</u>	<u>Enterprise Funds</u>	<u>Total</u>
Bonds payable at June 30, 1994	\$ 37,787,153	19,935,000	57,722,153
Debt retired: Serial bonds	7,565,198	3,463,000	11,028,198
Additional debt	<u>27,713,309</u>	<u>3,000,000</u>	<u>30,713,309</u>
Bonds payable at June 30, 1995	\$ <u>57,935,264</u>	<u>19,472,000</u>	<u>77,407,264</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Principal retirement of general obligation bonds has been reflected in the general purpose financial statements as debt service expenditures of \$4,691,994, education expenditures of \$2,397,000 and subsidies of \$476,204, totaling \$7,565,198 of principal retirement costs.

The following is a summary of the composition of general long-term obligations outstanding at June 30, 1994 and 1995:

<u>Description and Repayment Terms</u>	<u>Date of Obligation</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Outstanding June 30, 1994</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 1995</u>
General purpose, serial maturities through June 15, 2002	6/15/87 to 6/15/92	\$ 5,585,000	6/15/02	4.3% to 6.0%	\$ 3,155,000	-	560,000	2,595,000
Urban redevelopment, serial maturities through February 1, 2004	7/1/85 to 2/1/94	27,565,000	2/1/04	3.75% to 7.0%	12,270,000	4,400,000	2,825,000	13,845,000
Schools, serial maturities through February 1, 2004	6/15/78 to 2/1/94	46,725,000	2/1/04	3.75% to 9.0%	15,160,000	12,100,000	2,397,000	24,863,000
Street reconstruction, serial maturities through June 15, 1999	6/15/87 to 6/15/89	6,500,000	6/15/99	5.6% to 6.5%	2,550,000	-	650,000	1,900,000
Water, serial maturities through August 1, 2008	9/1/72 to 2/17/94	9,698,846	8/1/08	2.35% to 5.5%	4,652,153	11,213,309	1,133,198	14,732,264
Section 108 HUD notes payable		<u>-</u>			<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total bonds and notes payable		\$ <u>96,073,846</u>			<u>37,787,153</u>	<u>28,713,309</u>	<u>7,565,198</u>	<u>58,935,264</u>
Accrued compensated absences					6,099,430	2,956,931	-	9,056,361
Accrued pension costs					116,398,000	317,000	-	116,715,000
Accrued claims					<u>2,165,584</u>	<u>1,486,442</u>	<u>1,207,026</u>	<u>2,445,000</u>
Total general long-term obligations					\$ <u>162,450,167</u>	<u>33,473,682</u>	<u>8,772,224</u>	<u>187,151,625</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

The annual requirements to amortize all general long-term obligation bond debt outstanding as of June 30, 1995 are as follows:

Year ending June 30.	Principal			Interest			Net of Subsidy
	Gross	Subsidy	Net of Subsidy	Gross	Subsidy	Net of Subsidy	
1996	\$ 9,257,099	(775,185)	8,481,914	3,041,784	(361,601)	2,680,183	11,162,097
1997	8,842,828	(779,065)	8,063,763	2,682,671	(388,132)	2,294,539	10,358,302
1998	7,235,176	(785,440)	6,449,736	2,228,720	(349,739)	1,878,981	8,328,717
1999	5,726,631	(792,784)	4,933,847	1,544,616	(310,050)	1,234,566	6,168,413
2000	5,276,045	(800,856)	4,475,189	1,293,794	(268,175)	1,025,619	5,500,808
Thereafter	<u>22,597,485</u>	<u>(3,493,213)</u>	<u>19,104,272</u>	<u>4,446,906</u>	<u>(651,998)</u>	<u>3,794,908</u>	<u>22,899,180</u>
	\$ <u>58,935,264</u>	<u>(7,426,543)</u>	<u>51,508,721</u>	<u>15,238,491</u>	<u>(2,329,695)</u>	<u>12,908,796</u>	<u>64,417,517</u>

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions.

The City has entered into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). The loans provide funding for the Sewer Separation Project. Per the loan agreements, the City will be subsidized \$9,756,238 on a periodic basis for debt and interest costs. Loan repayments commenced on February 1, 1994 and end on August 1, 2008, with interest rates ranging from 2.35% to 5.25%. During fiscal 1995, the City received loan proceeds of \$6,675,334. The outstanding balance as of June 30, 1995 for MWPAT loans is \$4,993,981.

On November 22, 1994, the City issued \$20,000,000 in general obligation bonds. This Municipal Purpose Loan will fund the following:

Construction of Agassiz School	\$ 12,100,000
Reconstruction/Repair to Water Treatment Plan	3,000,000
Improvements to Golf Course	250,000
Reconstruction of Sewage System	500,000
Improvements to Senior Citizens Center	3,850,000
Improvements to City Hall	<u>300,000</u>
	\$ <u>20,000,000</u>

The City is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's 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 Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations.

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CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

As of June 30, 1995, the City may issue approximately \$147,435,081 additional general obligation debt under the normal debt limit. The City has approximately \$37,140,000 of debt exempt from the debt limit.

Authorized and unissued debt at June 30, 1995, is as follows:

School Renovations	\$ 2,400,000
City Hall Renovations	5,050,000
Hospital Construction	30,000,000
Sewer Separation Project	29,408,456
Section 108 Biotechnology	5,000,000
Engineering/New Water Treatment Plan	3,600,000
806 Mass Avenue Renovations	230,000
Water Main Replacement	2,000,000
Fitzgerald School Renovations	14,432,000
Morse School Renovations	9,830,000
Central Square enhancements	3,550,000
Building Renovations	500,000
Emergency Communications	3,300,000
East Cambridge Youth Center	3,562,000
Area IV Youth Center	200,000
Central Square Renovations	134,000
Agassiz School	<u>640,000</u>
	\$ <u>113,836,456</u>

At June 30, 1995, the City had grants receivable from the School Building Assistance Bureau (SBAB) of \$20,317,442 to defray principal and interest costs related to \$24,863,000 of school bonds outstanding. Grants are subject to annual appropriation by the State legislature. The amount of the grants is based on estimated construction costs of school projects which may be revised upon audit by the SBAB. During 1995, the City received \$3,542,821 of such assistance. Assuming satisfactory audit results and annual appropriations by the State legislature, \$2,558,516 will be received in 1996, \$2,942,314 in 1997 and the balance will be received in subsequent years.

Enterprise Fund serial bond issues outstanding at June 30, 1995 were \$6,475,000, \$11,947,000 and \$1,050,000 for the Cambridge Hospital, Water Fund and Neville Manor, respectively. Interest rates range from 5.6% to 6.6% for the Hospital, 3.75% to 6.6% for the Water Fund and 4.3% to 5.3% for Neville Manor. The weighted average interest rate was 5.7%, 6.4%, and 4.9% for the Water, Hospital and Neville Manor Funds, respectively. Outstanding debt matures in subsequent fiscal years as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 3,873,000	986,063	4,859,063
1997	3,913,000	781,614	4,694,614
1998	3,563,000	573,092	4,136,092
1999	3,565,000	383,319	3,948,319
2000	2,678,000	192,230	2,870,230
Thereafter	<u>1,880,000</u>	<u>71,850</u>	<u>1,951,850</u>
	\$ <u>19,472,000</u>	<u>2,988,168</u>	<u>22,460,168</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

The Massachusetts Water Resources Authority (MWRA), the Massachusetts Bay Transportation Authority (MBTA), and Middlesex County assess the City a net cost of service, including debt service requirements, in accordance with various formulas. The following summary sets forth the unaudited amount of long-term debt of each entity as well as the City's share of the debt at June 30, 1995 and the City's 1995 assessment from each entity:

	Long-term debt <u>outstanding</u> (unaudited)	The City's estimated <u>share</u>	The City's estimated <u>indirect debt</u>	FY 1995 Assessment including <u>debt service</u>
MBTA	\$ 2,415,282,613	4.92%	\$ 118,744,954	\$ 5,916,468
MWRA	2,273,914,000	5.01%	113,821,948	13,550,924
Middlesex County	2,205,000	8.04%	177,282	224,469

(12) Individual Fund Receivables/Payables

Individual balances of amounts due from and to other funds at June 30, 1995 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	\$ -	161,547
Capital Projects Fund	1,099,696	-
Enterprise Funds:		
Neville Manor Fund	166,125	-
Water Fund	-	1,104,274
	<u>\$ 1,265,821</u>	<u>1,265,821</u>

There were no individual fund deficits for fiscal year 1995.

The City had expenditures in excess of budgeted appropriations of \$277,051 in charges from Commonwealth. Overexpenditures in state charges are due to changes in estimates of these charges by the Commonwealth and are funded in the succeeding year.

(13) Contributed Capital and Fund Balances Reserved for Specific Purposes

A summary of changes in contributed capital of the Enterprise Funds for the period ended June 30, 1995 follows:

Contributed capital, at beginning of year	\$ 6,634,138
Contributions	<u>45,038</u>
Contributed capital, at end of year	\$ <u>6,679,176</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Fund balances are reserved for the following purposes as of June 30, 1995:

General Fund:

Fiscal 1996 appropriations	\$ 2,350,000
Affordable Housing Trust	1,320,000
Fire vehicles/equipment	230,000
Police vehicles/equipment	75,000
Railroad Crossing Project	50,000
Office automation	50,000
Other	<u>95,000</u>

\$ 4,170,000

Special Revenue Funds:

School Grants	\$ 176,457
Fuel Assistance Grants	44,086
Other Grants	<u>887,695</u>

\$ 1,108,238

Trust Funds:

Retirement System	175,178,693
City Stabilization	5,059,532
School Stabilization	2,640,672
Health Claims	10,214,462
Housing	1,734,090
Cemetery Perpetual Care	1,493,542
School	140,975
Neville Manor	72,324
Library	150,225
Other Trust Funds	<u>618,485</u>

\$ 197,303,000

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(14) Segment Information for Enterprise Funds

The City maintains Enterprise Funds which provide hospital, nursing home and water services. Segment information for the year ended June 30, 1995 follows:

	<u>Hospital and Neighborhood Health Centers</u>	<u>Neville Manor</u>	<u>Water</u>	<u>Total</u>
Operating revenues	\$ <u>97,593,678</u>	<u>10,707,900</u>	<u>9,169,760</u>	<u>117,471,338</u>
Operating income (loss)	<u>(1,338,412)</u>	<u>(602,935)</u>	<u>830,284</u>	<u>(1,111,063)</u>
Net operating transfers in (out)	<u>9,346,705</u>	<u>934,000</u>	<u>(365,050)</u>	<u>9,915,655</u>
Depreciation expense	<u>3,173,723</u>	<u>129,713</u>	<u>1,456,676</u>	<u>4,760,112</u>
Net income	<u>10,259,382</u>	<u>347,476</u>	<u>(151,745)</u>	<u>10,455,113</u>
Fixed assets	<u>34,829,315</u>	<u>8,076,797</u>	<u>64,102,991</u>	<u>107,009,103</u>
Net working capital (deficit)	<u>27,203,255</u>	<u>3,165,533</u>	<u>3,991,694</u>	<u>34,360,482</u>
Total assets	<u>110,499,292</u>	<u>12,840,532</u>	<u>68,428,100</u>	<u>191,767,924</u>
Long-term obligations	<u>6,475,000</u>	<u>1,050,000</u>	<u>11,947,000</u>	<u>19,472,000</u>
Retained earnings	<u>71,797,561</u>	<u>4,050,603</u>	<u>55,043,411</u>	<u>130,891,575</u>

(15) Pension Plan

(a) Plan Description

The City provides retirement benefits to employees through a contributory retirement system administered by the Cambridge Retirement System (the "System"), a cost-sharing, multiple-employer public employee retirement system. Each participating employer's share of the total annual contribution is determined on the basis of active payroll. The payroll for employees covered in the System for the year ended June 30, 1995, was approximately \$119,705 million; the City's total payroll was approximately \$153,577 million. Because the City is such a dominant employer, certain disclosures required for single-employer plans have also been made.

Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System (TRS), to which the City of Cambridge, Massachusetts does not contribute. The City's payroll for teachers covered by the TRS for the year ended June 30, 1995 was \$38,861,536. 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 calculate the amount of its annual contribution attributable to benefits earned by City employees.

The System and the TRS are contributory defined benefit plans covering all City employees and teachers deemed eligible.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Instituted in 1939, the System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). Membership in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees. Current members of the System consist of the following:

Retired and inactive	1,686
Active:	
Vested	1,682
Nonvested employees covered by the Plan	<u>1,682</u>
Total	<u>5,050</u>

Benefit provisions and contribution requirements of the System are established by state law.

The System and TRS provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of both systems become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The System and the TRS also provide for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City payroll on January 1, 1973, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5% to 10% of their gross regular compensation depending on the date upon which their membership began. The City is required to contribute the remaining amounts necessary to pay benefits when due.

The System also provides death and disability benefits.

(b) Significant Accounting Policies and Plan Assets

The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by the Commissioner of the Public Employee Retirement Administration (PERA).

The investments of the System are valued as follows:

Corporate bond and U.S. Treasury notes are valued at amortized cost which is the original cost of the investment plus or minus any discount or premium calculated ratably to maturity.

Stocks are reflected at the lower of cost or market.

The value of insurance contracts, consisting of pooled separate accounts, is determined by the insurance company on each valuation date.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

Cash and investments of the System at December 31, 1994, are summarized as follows:

	<u>Book</u> <u>value</u>	<u>Market</u> <u>value</u>
Cash	\$ 13,045,956	13,045,956
Corporate bonds	22,186,110	21,205,696
Common stocks	99,899,586	105,343,419
U.S. Treasury notes	33,840,110	32,085,303
Insurance contracts	<u>3,346,400</u>	<u>3,346,400</u>
	\$ <u>172,318,162</u>	<u>175,026,774</u>

(c) Funding Status and Progress

The amount shown below as the "Pension Benefit Obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary and seniority and merit increases of 6% compounded annually, adjusted at a 4% rate for inflation, and (c) no post-retirement benefit increases.

Total unfunded pension benefit obligation applicable to the City's employees was \$129,234,000 at December 31, 1994, as follows (in thousands):

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 157,739
Current employees:	
Accumulated employee contributions, including allocated investment earnings	75,467
Employer-financed vested	37,234
Employer-financed nonvested	<u>33,973</u>
Total pension benefit obligation	304,413
Net assets available for benefits	<u>175,179</u>
Unfunded pension benefit obligation	\$ <u>129,234</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(d) Actuarially Determined Contribution Requirements and Contributions Made

The System has elected provisions of Chapter 32, Section 22D of Massachusetts General Laws, which require that a funding schedule be established to fully fund the accrued actuarial liability by June 30, 2028. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age normal actuarial cost method. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation described in (c) above. The unfunded actuarial accrued liability is amortized over a 33-year period. The method used to amortize the unfunded liability results in a 4-1/2% increase in pension cost each year. Normal cost represents the portion of the value of the projected retirement benefit allocated to a particular year that is borne by employer and employee contributions.

The City's contribution to the System of \$15,247,335 (representing 13% of \$114,715,734 covered payroll), was made in accordance with the funding policy described above and represented approximately 95% of all employer contributions to the System. Of the City's contribution, \$5,119,042 (34%) was used to cover normal cost while \$10,128,293 (66%) was used to amortize the unfunded actuarial liability. The Cambridge Housing Authority's contribution to the System amounted to \$854,654 of which \$194,644 (23%) was normal cost and the remainder was used to amortize the unfunded actuarial liability (77%).

(e) Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found in the required supplementary schedules on pages 41 and 42 of the City's Comprehensive Annual Financial Report. For the years ended December 31, 1994, 1993 and 1992, available assets were sufficient to fund \$175,178,693, \$163,664,706 and \$141,846,363 or 58%, 56% and 51% of the Pension Benefit Obligation, respectively. Unfunded Pension Benefit Obligation represented 108%, 107% and 114% of the annual payroll for employees covered by the System for 1995, 1994, and 1993, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three years ended June 30, 1995, 1994 and 1993, contributions to the System, all made in accordance with the above requirements, were \$16,101,989, \$14,702,794 and \$13,966,981, which is 12% of 1993 and 1994 and 13% of 1995 annual covered payroll.

The City has recorded \$116.7 million of unfunded pension costs (accrued prior to adopting a funding schedule) as a liability in the general long-term obligations account group.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(16) Other Post-employment Benefit Disclosures

All retired employees eligible for pension benefits as well as teachers covered under the TRS receive certain post-retirement benefits including major health, dental, and life insurance under Chapter 32 of the MGL. The City funds 90% of health insurance premiums, with the remaining 10% paid by the retiree. The City also funds 75% of life insurance premiums, with the remaining 25% paid by the retiree. The City funds 100% of dental and vision premiums. The number of employees covered was 1,878. The City's cost of these post-retirement benefits for fiscal 1995 was \$5,476,886 and is funded and accounted for on a pay-as-you-go basis.

(17) Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all City employees, permits them to defer a portion of their current salary to future years. The deferred compensation is not available to the participants until termination, retirement, death or unforeseeable emergency.

In accordance with Section 457 of the Internal Revenue Code, all amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights are (until made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the Plan) subject only to the claims of the City's general creditors.

Participants' rights created under the Plan are equivalent to those of general creditors of the City and only in an amount equal to the fair market value of the deferred account maintained with respect to each participant. Plan assets have been used for no purpose other than to pay benefits. In addition, the City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future. The City records the plan assets and the related liability to plan participants as an agency fund.

The City and its agent have no liability for losses under the Plan, but do have the duty of care that would be required of an ordinary prudent investor.

The Plan allows its participants to direct their contributions among several publicly traded mutual funds and other pooled investment vehicles, as provided by the Plan. These investment vehicles routinely use derivatives in varying degrees to achieve their overall performance objectives. The Plan's investments are not subject to review or approval by the City.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

(18) Operating Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Operating transfers during the year were as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Expendable Trust</u>	<u>Non-Expendable Trust</u>
Parking receipts	\$ 10,981,637	(11,661,637)	680,000	-	-	-
Block grant	-	(2,531,114)	2,531,114	-	-	-
Safety Net Share	67,530	(67,530)	-	-	-	-
Capital improvements	(2,400,957)	-	2,400,957	-	-	-
Sewer Reconstruction	(950,000)	-	950,000	-	-	-
Water overhead	365,050	-	-	(365,050)	-	-
Hospital subsidy	(8,840,315)	-	-	8,840,315	-	-
Neville Manor subsidy	(834,000)	-	-	834,000	-	-
Health Claims Trust	1,800,000	-	-	606,390	(2,406,390)	-
Miscellaneous Trusts	-	-	-	-	-	-
Cemetery Perpetual Care	75,000	-	-	-	43,987	(88,987)
HOME Salaries	-	-	-	-	-	-
School Stabilization	(1,849,540)	-	-	-	1,849,540	-
Medicaid	(330,384)	-	330,384	-	-	-
	<u>\$ (1,945,979)</u>	<u>(14,260,281)</u>	<u>6,892,455</u>	<u>9,915,655</u>	<u>(512,863)</u>	<u>(88,987)</u>

(19) 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.

Police Department vehicles are insured through an outside agency and all other vehicle damage and loss is self-insured. 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 workers' compensation and unemployment claims.

The City has a Blue Cross Blue Shield HMO for which the payments are based upon actual claims versus premium payments. In this case, Blue Cross Blue Shield acts as a claims processor and a transfer of risk does not occur. Approximately 51% of the City's employees participate in the self insured plans with the remainder electing preferred provider plans that are premium based.

Both employees and the City contribute to the Health Care Plans based upon a fixed dollar amount for employees which approximates a 90% (City) and 10% (employee) primary care contribution. The contribution rate for retirees is 1% for those who qualify for medicare and 10% for those who do not. While the City does not carry Stop Loss insurance on Health Care Plans, it does have a Health Claims Trust of \$10,214,462 in assets which was established for this purpose. The City maintains a working deposit with the administrator of its Health Care Plan. At June 30, 1995 that deposit was \$1,382,612.

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to General Purpose Financial Statements

June 30, 1995

During 1995, the City adopted the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This Statement requires that liabilities for self-insured claims and judgments be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs to be paid from expendable available financial resources in the general fund. Noncurrent liabilities for claims incurred but not paid or reported are recorded in the general long-term obligations account group. Changes in the self-insurance liability during fiscal 1995 are reported in Note 11 as accrued claims, where the "Additions" column represents changes in the estimated liability, and the "Retirements" column represents both expenditures and payments during the year.

The Cambridge Hospital self-insures against losses from claims for alleged malpractice. In the opinion of counsel for the Hospital, no asserted or unasserted claims for malpractice are likely to result in final judgments that would materially affect the financial condition of the Hospital.

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.

(20) Subsequent Events

In August 1995, the Governing Board of Cambridge Hospital signed a Memorandum of Understanding with Somerville Hospital to proceed toward a closer partnership and the joint development of an integrated delivery network. The structure and timing of the newly formed entity are subject to the approval of the City Council and various other regulatory agencies.

REQUIRED SUPPLEMENTARY INFORMATION

The following two schedules present historical trend information for the Cambridge Retirement System. The information is presented in accordance with the requirements of Statement No. 5 of the Governmental Accounting Standards Board, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers."

CITY OF CAMBRIDGE, MASSACHUSETTS

Employees' Retirement System

Required Supplementary Information

Analysis of Funding Progress
(in thousands)

June 30, 1995

<u>Year</u>	(1) Net assets available for benefits*	(2) Pension benefit obligation	(3) Percentage funded (1)/(2)	(4) Unfunded pension benefit obligation (2)-(1)	(5) Annual covered payroll	(6) Unfunded pension benefit obligation as a percentage of covered payroll (4)/(5)
1995	\$ 175,179	\$ 304,413	58%	\$ 129,234	\$ 119,706	108%
1994	163,665	292,075	56	128,410	120,291	107
1993	141,846	277,047	51	135,201	118,930	114
1992	123,557	266,375	46	142,818	113,995	125
1991	111,936	251,541	45	139,605	102,592	136
1990	108,887	231,800	47	122,913	95,138	129
1989	96,324	212,083	45	115,759	87,919	132

Isolated analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Note: Information prior to 1988 is not available.

CITY OF CAMBRIDGE, MASSACHUSETTS

Employees' Retirement System

Required Supplementary Information
Revenues by Source and Expenses by Type

June 30, 1995

<u>Revenues by Source</u>					
<u>Year</u>	<u>Employee contributions</u>	<u>Employer Contributions</u>		<u>Other income</u>	<u>Total</u>
		<u>Dollar amount</u>	<u>Percentage of annual covered payroll</u>		
1995	\$ 11,590,866	\$ 16,101,989	10%	\$ 7,199,053	\$ 34,891,908
1994	8,261,837	14,702,794	12	21,309,376	44,274,007
1993	8,283,788	13,966,981	12	15,972,628	38,223,397
1992	7,429,323	13,921,135	12	7,941,840	29,292,298
1991	5,972,699	11,928,786	12	2,794,060	20,695,545
1990	5,352,653	11,439,460	12	10,000,534	26,792,647
1989	4,788,252	10,877,135	12	5,792,612	21,457,999
1988	4,530,895	10,315,154	15	8,316,275	23,162,324
1987	4,128,139	10,867,977	12	8,383,230	23,379,346
1986	3,902,428	8,871,703	-*	6,092,556	18,866,687

<u>Expenses by Type</u>				
<u>Year</u>	<u>Benefits</u>	<u>Administrative expenses</u>	<u>Refunds</u>	<u>Total</u>
1995	\$ 21,235,474	\$ 284,922	\$ 1,857,525	\$ 23,377,921
1994	20,943,440	253,571	1,258,653	22,455,664
1993	18,187,843	234,651	1,511,581	19,934,075
1992	16,576,152	204,602	890,486	17,671,240
1991	15,895,406	281,051	1,470,345	17,646,802
1990	14,874,275	183,625	1,234,895	16,292,795
1989	14,724,007	177,040	1,515,602	16,416,649
1988	13,429,757	180,155	1,303,227	14,913,139
1987	13,164,057	163,714	1,211,495	14,539,266
1986	11,539,930	164,664	898,077	12,602,671

*Note: Annual covered payroll information is not available for years prior to 1987.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

The following section provides detailed information on the General, Special Revenue, Enterprise, and Trust and Agency Funds included in the general purpose financial statements. Information on real, personal, and excise tax collections, and schedules of the long-term debt obligations and general fixed assets of the City are also provided in this section.

SPECIAL REVENUE 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 that 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.

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, Library, and Hospital. Both the receipt and expenditure of these funds are accounted for in this fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Special Revenue Funds

June 30, 1995

<u>Assets</u>	<u>CDBG Grants</u>	<u>School Grants</u>	<u>Fuel Assistance</u>	<u>Parking Fund</u>	<u>Other Grants</u>	<u>Total</u>
Cash and short-term investments	\$ (92,934)	212,950	(3,836)	3,548,389	7,774,709	11,439,278
Accounts receivable	1,000,000	-	-	-	-	1,000,000
Due from other funds	-	-	-	-	-	-
Due from other governments	<u>191,194</u>	<u>460,081</u>	<u>108,730</u>	<u>245,667</u>	<u>448,082</u>	<u>1,453,754</u>
 Total assets	 \$ <u>1,098,260</u>	 <u>673,031</u>	 <u>104,894</u>	 <u>3,794,056</u>	 <u>8,222,791</u>	 <u>13,893,032</u>
 <u>Liabilities and Fund Equity</u>						
Accrued liabilities	48,725	312,116	27,393	-	293,288	681,522
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,560,586</u>	<u>6,560,586</u>
 Total liabilities	 <u>48,725</u>	 <u>312,116</u>	 <u>27,393</u>	 <u>-</u>	 <u>6,853,874</u>	 <u>7,242,108</u>
Fund equity:						
Reserved for encumbrances	9,473	184,458	33,415	-	481,222	708,568
Reserved for specific purposes	-	176,457	44,086	-	887,695	1,108,238
Unreserved	<u>1,040,062</u>	<u>-</u>	<u>-</u>	<u>3,794,056</u>	<u>-</u>	<u>4,834,118</u>
 Total fund equity	 <u>1,049,535</u>	 <u>360,915</u>	 <u>77,501</u>	 <u>3,794,056</u>	 <u>1,368,917</u>	 <u>6,650,924</u>
 Total liabilities and fund equity	 \$ <u>1,098,260</u>	 <u>673,031</u>	 <u>104,894</u>	 <u>3,794,056</u>	 <u>8,222,791</u>	 <u>13,893,032</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Special Revenue Funds

Year ended June 30, 1995

	Community Development	Block Grants	School Grants	Fuel Assistance	Parking Fund	Other Grants	Total
Revenues:							
Intergovernmental	\$	4,132,440	5,856,669	1,433,957	507,481	2,848,772	14,779,319
Investment income		-	1,053,634	20,283	-	(46,136)	1,027,781
Other:							
Permits		-	-	-	22,228	-	22,228
Fines		-	-	-	6,809,530	-	6,809,530
Charges for services		-	-	-	4,637,944	-	4,637,944
Miscellaneous		-	-	-	7,834	212,406	220,240
Total revenues		<u>4,132,440</u>	<u>6,910,303</u>	<u>1,454,240</u>	<u>11,985,017</u>	<u>3,015,042</u>	<u>27,497,042</u>
Expenditures:							
Education		-	7,368,374	-	-	-	7,368,374
Fuel assistance		-	-	1,071,719	-	-	1,071,719
Community maintenance and development		<u>1,551,791</u>	<u>-</u>	<u>590,903</u>	<u>-</u>	<u>3,237,159</u>	<u>5,379,853</u>
Total expenditures		<u>1,551,791</u>	<u>7,368,374</u>	<u>1,662,622</u>	<u>-</u>	<u>3,237,159</u>	<u>13,819,946</u>
Excess (deficiency) of revenues over expenditures		2,580,649	(458,071)	(208,382)	11,985,017	(222,117)	13,677,096
Other financing (uses) sources:							
Operating transfers from other funds		-	-	40,901	331,323	-	372,224
Operating transfers to other funds		(2,531,114)	-	-	(11,992,960)	(108,431)	(14,632,505)
Proceeds from debt		<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Excess (deficiency) of revenues over expend- itures and transfers		1,049,535	(458,071)	(167,481)	323,380	(330,548)	416,815
Fund equity at beginning of year		<u>-</u>	<u>818,986</u>	<u>244,982</u>	<u>3,470,676</u>	<u>1,699,465</u>	<u>6,234,109</u>
Fund equity at end of year	\$	<u>1,049,535</u>	<u>360,915</u>	<u>77,501</u>	<u>3,794,056</u>	<u>1,368,917</u>	<u>6,650,924</u>

ENTERPRISE FUNDS

Hospital and Neighborhood Health Centers Fund

This fund is used to account for the operations of Cambridge Hospital and its affiliated Neighborhood Health Centers. The accrual basis of accounting requires that Hospital revenues be recorded at established rates charged less certain allowances and uncollectible amounts. Expenses are recorded as liabilities as incurred. General obligation bonds issued to finance the construction of the Hospital as well as building renovations and the acquisition of medical equipment is also included in this fund.

Neville Manor Fund

This fund is used to account for the operations of the Neville Manor Nursing Home. The accrual basis of accounting requires that nursing home revenues be recorded at established rates charged less certain allowances and uncollectible amounts. Expenses are recorded as liabilities as incurred.

Water Fund

This fund is used to account for the operations and maintenance of the City's water system. Revenues are recorded primarily on the basis of charges issued for water services. Expenses for water department capital improvements as well as debt service on any bonds issued to finance those improvements are included in the Water Enterprise Fund.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Enterprise Funds

June 30, 1995

<u>Assets</u>		Hospital and Neighborhood Health <u>Centers</u>	Neville <u>Manor</u>	<u>Water</u>	<u>Total</u>
Cash and short-term investments	\$	25,940,472	1,918,366	2,977,865	30,836,703
Accounts receivable		14,656,894	2,547,128	1,501,107	18,705,129
Allowance for uncollectible receivables		(5,798,533)	(240,000)	(153,863)	(6,192,396)
Due from other funds		-	166,125	-	166,125
Due from other governments		42,288	-	-	42,288
Assets whose use is limited		39,219,691	-	-	39,219,691
Fixed assets		34,829,315	8,076,797	64,102,991	107,009,103
Other assets		<u>1,609,165</u>	<u>372,116</u>	<u>-</u>	<u>1,981,281</u>
 Total assets	 \$	 <u>110,499,292</u>	 <u>12,840,532</u>	 <u>68,428,100</u>	 <u>191,767,924</u>
 <u>Liabilities and Retained Earnings</u>					
Accrued liabilities:					
Compensated absences and accrued payroll	\$	3,499,771	548,541	172,284	4,220,596
Accrued liabilities - other		3,596,745	600,054	161,131	4,357,930
Due to third parties		22,429,694	900,954	-	23,330,648
Due to other funds		-	-	1,104,274	1,104,274
Deferred revenue		927,637	-	-	927,637
Capital lease obligation		784,088	-	-	784,088
General obligation bonds payable		<u>6,475,000</u>	<u>1,050,000</u>	<u>11,947,000</u>	<u>19,472,000</u>
Total liabilities		<u>37,712,935</u>	<u>3,099,549</u>	<u>13,384,689</u>	<u>54,197,173</u>
 Retained earnings		 71,797,561	 4,050,603	 55,043,411	 130,891,575
Contributed capital		<u>988,796</u>	<u>5,690,380</u>	<u>-</u>	<u>6,679,176</u>
		<u>72,786,357</u>	<u>9,740,983</u>	<u>55,043,411</u>	<u>137,570,751</u>
 Total liabilities and retained earnings	 \$	 <u>110,499,292</u>	 <u>12,840,532</u>	 <u>68,428,100</u>	 <u>191,767,924</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Enterprise Funds

Year ended June 30, 1995

	Hospital and Neighborhood Health Centers	Neville Manor	Water	Total
Operating revenues:				
Patient service revenue, net of allowances and uncollectible accounts	\$ 59,823,641	9,536,776	-	69,360,417
Charges for services	-	-	8,240,554	8,240,554
Other (note 6)	<u>37,770,037</u>	<u>1,171,124</u>	<u>929,206</u>	<u>39,870,367</u>
Total operating revenues	<u>97,593,678</u>	<u>10,707,900</u>	<u>9,169,760</u>	<u>117,471,338</u>
Operating expenses:				
Administration	747,325	804,489	4,212,851	5,764,665
Finance	3,522,553	-	-	3,522,553
Service and support programs	54,522,565	7,199,411	2,669,949	64,391,925
General services	11,491,506	3,051,475	-	14,542,981
Depreciation	3,173,723	129,713	1,456,676	4,760,112
Provision for bad debts	17,062,916	125,747	-	17,188,663
Other	<u>8,411,502</u>	<u>-</u>	<u>-</u>	<u>8,411,502</u>
Total operating expenses	<u>98,932,090</u>	<u>11,310,835</u>	<u>8,339,476</u>	<u>118,582,401</u>
Operating income (loss)	(1,338,412)	(602,935)	830,284	(1,111,063)
Nonoperating revenues and expenses:				
Interest income	2,822,340	74,610	-	2,896,950
Interest expense	<u>(571,251)</u>	<u>(58,199)</u>	<u>(616,979)</u>	<u>(1,246,429)</u>
Income (loss) before operating transfers	912,677	(586,524)	213,305	539,458
Operating transfers from other funds	9,346,705	934,000	-	10,280,705
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>(365,050)</u>	<u>(365,050)</u>
Net income (loss)	10,259,382	347,476	(151,745)	10,455,113
Retained earnings:				
Beginning of year	<u>61,538,179</u>	<u>3,703,127</u>	<u>55,195,156</u>	<u>120,436,462</u>
End of year	<u>\$ 71,797,561</u>	<u>4,050,603</u>	<u>55,043,411</u>	<u>130,891,575</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Cash Flows

Enterprise Funds

Year ended June 30, 1995

	Hospital and Neighborhood Health Centers	Neville Manor	Water	Total
Cash flows from operating activities:				
Operating income (loss)	\$ (1,338,412)	(602,935)	830,284	(1,111,063)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	3,173,723	129,713	1,456,676	4,760,112
Provision for bad debts	17,062,916	125,747	(9,833)	17,178,830
Capital contribution	45,038	-	-	45,038
Change in assets and liabilities:				
Accounts receivable	(14,906,495)	(36,210)	47,115	(14,895,590)
Interfund receivables	-	105,419	-	105,419
Due from other governments	483,099	-	-	483,099
Other assets	(949,226)	(283,482)	-	(1,232,708)
Accrued liabilities	13,833	547,880	1,095	562,808
Due to third parties	13,039,671	-	-	13,039,671
Interfund payables	(217,927)	-	(2,706,256)	(2,924,183)
Deferred revenue	<u>927,637</u>	<u>-</u>	<u>-</u>	<u>927,637</u>
Net cash provided by (used for) operating activities	<u>17,333,857</u>	<u>(13,868)</u>	<u>(380,919)</u>	<u>16,939,070</u>
Cash flows from noncapital financing activities:				
Operating transfer-in from general fund	9,346,705	934,000	-	10,280,705
Operating transfer-out to general fund	<u>-</u>	<u>-</u>	<u>(365,050)</u>	<u>(365,050)</u>
Net cash (used for) noncapital financing activities	<u>9,346,705</u>	<u>934,000</u>	<u>(365,050)</u>	<u>9,915,655</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(3,722,808)	(113,727)	(2,015,744)	(5,852,279)
Proceeds from revenue bonds	-	-	3,000,000	3,000,000
Principal paid on revenue bonds	(1,485,000)	(150,000)	(1,828,000)	(3,463,000)
Interest paid on revenue bonds	(515,052)	(58,199)	(616,979)	(1,190,230)
Payments on capital lease obligation	<u>(151,342)</u>	<u>-</u>	<u>-</u>	<u>(151,342)</u>
Net cash provided by (used for) capital and related financing activities	<u>(5,874,202)</u>	<u>(321,926)</u>	<u>(1,460,723)</u>	<u>(7,656,851)</u>
Cash flows from investing activities:				
Investments in assets whose use is limited	(7,889,747)	-	-	(7,889,747)
Interest income	<u>2,822,340</u>	<u>74,610</u>	<u>-</u>	<u>2,896,950</u>
Net cash provided by (used for) investing activities	<u>(5,067,407)</u>	<u>74,610</u>	<u>-</u>	<u>(4,992,797)</u>
Net increase (decrease) in cash and cash equivalents	15,738,953	672,816	(2,206,692)	14,205,077
Cash and cash equivalents at beginning of year	<u>10,201,519</u>	<u>1,245,550</u>	<u>5,184,557</u>	<u>16,631,626</u>
Cash and cash equivalents at end of year	<u>\$ 25,940,472</u>	<u>1,918,366</u>	<u>2,977,865</u>	<u>30,836,703</u>

FIDUCIARY FUNDS

The City's Fiduciary Funds are used to account for the 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. These include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds.

The Trust Funds, which are described later in this section of the report, are segregated into four categories: School Trust Funds, Neville Manor Nursing Home Trust Funds, Library Trust Funds, and Other Funds. The last sentence of each Trust Fund narrative lists the expendable balances which represent the income/interest portion of the Trust. In general, the City has a policy to limit expenditures from the Trusts to the total accumulated income/interest amount so that the principal of the Trusts is protected.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Fiduciary Funds

June 30, 1995

Assets	Pension	Nonexpendable Trust Funds					Expendable Trust Funds										Agency	Total
	Trust Funds	School	Neville	Library	Cemetery	Other	School	Neville	Library	Cemetery	Health	City	School	Housing	Other	Funds		
	Trust Fund	Fund	Manor	Fund	Funds	Fund	Fund	Fund	Fund	Fund	Trust Fund	Trust Fund	Trust Fund	Funds	Funds	Funds		
Cash and short-term investments	\$ 13,045,956	33,042	25,733	39,435	290,104	60,458	107,933	46,591	95,702	203,804	2,393,546	338,989	2,640,672	738,090	558,027	1,954,810	22,572,892	
Other investments	159,272,206	-	-	15,000	999,634	-	-	-	-	-	7,820,916	4,720,543	-	-	-	20,921,289	193,749,588	
Accounts receivable	456,801	-	-	88	-	-	-	-	-	-	-	-	-	-	-	-	456,889	
Due from other governments	2,154,104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,154,104	
Other assets	<u>1,419,744</u>	-	-	-	-	-	-	-	-	-	-	-	-	<u>996,000</u>	-	-	<u>2,415,744</u>	
Total assets	\$ <u>176,348,811</u>	<u>33,042</u>	<u>25,733</u>	<u>54,523</u>	<u>1,289,738</u>	<u>60,458</u>	<u>107,933</u>	<u>46,591</u>	<u>95,702</u>	<u>203,804</u>	<u>10,214,462</u>	<u>5,059,532</u>	<u>2,640,672</u>	<u>1,734,090</u>	<u>558,027</u>	<u>22,876,099</u>	<u>221,349,217</u>	
Liabilities and Fund Equity																		
Other accrued liabilities	\$ 1,170,118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,170,118	
Guarantee deposits and amounts due- to other taxing authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,954,810	1,954,810	
Deferred compensation (note 17)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,921,289	20,921,289	
Total liabilities	<u>1,170,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,876,099</u>	<u>24,046,217</u>	
Fund balance:																		
Reserved for specific purposes	<u>175,178,693</u>	<u>33,042</u>	<u>25,733</u>	<u>54,523</u>	<u>1,289,738</u>	<u>60,458</u>	<u>107,933</u>	<u>46,591</u>	<u>95,702</u>	<u>203,804</u>	<u>10,214,462</u>	<u>5,059,532</u>	<u>2,640,672</u>	<u>1,734,090</u>	<u>558,027</u>	-	<u>197,303,000</u>	
Total fund balance	<u>175,178,693</u>	<u>33,042</u>	<u>25,733</u>	<u>54,523</u>	<u>1,289,738</u>	<u>60,458</u>	<u>107,933</u>	<u>46,591</u>	<u>95,702</u>	<u>203,804</u>	<u>10,214,462</u>	<u>5,059,532</u>	<u>2,640,672</u>	<u>1,734,090</u>	<u>558,027</u>	<u>-</u>	<u>197,303,000</u>	
Total liabilities and fund equity	\$ <u>176,348,811</u>	<u>33,042</u>	<u>25,733</u>	<u>54,523</u>	<u>1,289,738</u>	<u>60,458</u>	<u>107,933</u>	<u>46,591</u>	<u>95,702</u>	<u>203,804</u>	<u>10,214,462</u>	<u>5,059,532</u>	<u>2,640,672</u>	<u>1,734,090</u>	<u>558,027</u>	<u>22,876,099</u>	<u>221,349,217</u>	

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Revenues, Expenses and Changes in Fund Equity

Pension and Nonexpendable Trust Funds

Year ended June 30, 1995

	Pension Trust Funds	Nonexpendable Trust Funds					Total
	Retirement Trust Fund	School Fund	Neville Manor Fund	Library Fund	Cemetery Funds	Other Funds	
Revenues:							
Income from employer and member contributions	\$ 27,692,855	-	-	-	-	-	-
Donations	-	-	-	-	30,255	-	30,255
Investment income	5,044,683	-	-	-	-	-	-
Net gain on sale of investment	1,988,182	-	-	-	-	-	-
Bond amortization	<u>166,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>34,891,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,255</u>	<u>-</u>	<u>30,255</u>
Expenses:							
Pension plan benefits payments	23,092,999	-	-	-	-	-	-
Other	<u>284,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	23,377,921	-	-	-	-	-	-
Nonoperating revenues and expenses:							
Interest income	<u>-</u>	<u>1,561</u>	<u>1,331</u>	<u>2,812</u>	<u>83,339</u>	<u>3,116</u>	<u>92,159</u>
Income before transfers	<u>-</u>	<u>1,561</u>	<u>1,331</u>	<u>2,812</u>	<u>113,594</u>	<u>3,116</u>	<u>122,414</u>
Operating income (loss)	11,513,987	-	-	-	30,255	-	30,255
Operating transfers to other funds	-	(1,548)	(1,331)	(2,724)	(83,339)	(2,902)	(91,844)
Operating transfers from other funds	<u>-</u>	<u>2,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,857</u>
Net income	11,513,987	2,870	-	88	30,255	214	33,427
Retained earnings/fund equity:							
Beginning of year	<u>163,664,706</u>	<u>30,172</u>	<u>25,733</u>	<u>54,435</u>	<u>1,259,483</u>	<u>60,244</u>	<u>1,430,067</u>
End of year	\$ <u>175,178,693</u>	<u>33,042</u>	<u>25,733</u>	<u>54,523</u>	<u>1,289,738</u>	<u>60,458</u>	<u>1,463,494</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Cash Flows

Nonexpendable Trust Funds

Year ended June 30, 1995

	<u>School Fund</u>	<u>Neville Manor Fund</u>	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Other Funds</u>	<u>Total</u>
Cash flows from operating activities:						
Operating income	\$ -	-	-	30,255	-	30,255
Adjustments to reconcile net cash provided by operating activities:						
Change in assets and liabilities						
Accounts receivable	<u> </u>	<u> </u>	<u>(87)</u>	<u> </u>	<u> </u>	<u>(87)</u>
Net cash (used for) provided by operating activities	<u> </u>	<u> </u>	<u>(87)</u>	<u>30,255</u>	<u>-</u>	<u>30,168</u>
Cash flows from noncapital financing activities:						
Operating transfers - out	(1,548)	(1,331)	(2,724)	(83,339)	(2,902)	(91,844)
Operating transfers - in	<u>2,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,857</u>
Net cash provided by (used for) non-capital non-financing activities	<u>1,309</u>	<u>(1,331)</u>	<u>(2,724)</u>	<u>(83,339)</u>	<u>(2,902)</u>	<u>(88,987)</u>
Cash flows from investing activities:						
Purchases of investments	<u>1,561</u>	<u>1,331</u>	<u>2,812</u>	<u>83,339</u>	<u>3,116</u>	<u>92,159</u>
Net increase in cash and cash equivalents	2,870	-	-	30,255	214	33,340
Cash and cash equivalents at beginning of year	<u>30,172</u>	<u>25,733</u>	<u>39,435</u>	<u>259,849</u>	<u>60,244</u>	<u>415,433</u>
Cash and cash equivalents at end of year	\$ <u><u>33,042</u></u>	<u><u>25,733</u></u>	<u><u>39,435</u></u>	<u><u>290,104</u></u>	<u><u>60,458</u></u>	<u><u>448,772</u></u>

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Expendable Trust Funds

Year ended June 30, 1995

	Expendable Trust Funds									Total
	School Fund	Neville Manor Fund	Library Fund	Cemetery Fund	Health Claims Trust Fund	City Stabilization Trust Fund	School Stabilization Trust Fund	Housing Fund	Other Funds	
Revenues:										
Investment income	\$ 5,217	2,324	4,989	7,588	521,073	289,909	-	55,373	32,272	918,745
Donations	37,015	-	11,220	-	-	-	-	61,788	46,380	156,403
Employee deduction	-	-	-	-	2,285,513	-	-	-	-	2,285,513
Other	-	-	-	-	1,812,205	-	-	27,100	-	1,839,305
Total revenues	<u>42,232</u>	<u>2,324</u>	<u>16,209</u>	<u>7,588</u>	<u>4,618,791</u>	<u>289,909</u>	<u>-</u>	<u>144,261</u>	<u>78,652</u>	<u>5,199,966</u>
Expenditures:										
Other	<u>31,246</u>	<u>3,965</u>	<u>23,762</u>	<u>792</u>	<u>3,854</u>	<u>-</u>	<u>301,933</u>	<u>83,114</u>	<u>114,536</u>	<u>563,202</u>
Total expenditures	<u>31,246</u>	<u>3,965</u>	<u>23,762</u>	<u>792</u>	<u>3,854</u>	<u>-</u>	<u>301,933</u>	<u>83,114</u>	<u>114,536</u>	<u>563,202</u>
Excess (deficiency) of revenues over expenditures	10,986	(1,641)	(7,553)	6,796	4,614,937	289,909	(301,933)	61,147	(35,884)	4,636,764
Transfers:										
Operating transfers from other funds	1,548	1,331	2,724	83,339	-	-	1,849,540	-	2,902	1,941,384
Operating transfers to other funds	(2,857)	-	-	(45,000)	(2,406,390)	-	-	-	-	(2,454,247)
Excess (deficiency) of revenue over expenditures and transfers	9,677	(310)	(4,829)	45,135	2,208,547	289,909	1,547,607	61,147	(32,982)	4,123,901
Fund equity at beginning of year	<u>98,256</u>	<u>46,901</u>	<u>100,531</u>	<u>158,669</u>	<u>8,005,915</u>	<u>4,769,623</u>	<u>1,093,065</u>	<u>1,672,943</u>	<u>591,009</u>	<u>16,536,912</u>
Fund equity at end of year	<u>\$ 107,933</u>	<u>46,591</u>	<u>95,702</u>	<u>203,804</u>	<u>10,214,462</u>	<u>5,059,532</u>	<u>2,640,672</u>	<u>1,734,090</u>	<u>558,027</u>	<u>20,660,813</u>

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CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities Agency Funds

Year ended June 30, 1995

<u>Assets</u>	Balance June 30, <u>1994</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1995</u>
Cash:				
Contract Bids	\$ 43,518	1,975	5,304	40,189
Plans	2,065	-	-	2,065
Tree Removals	485	-	-	485
Driveways	331,977	248,942	400	580,519
Street Openings	148,454	64,775	22,350	190,879
Sidewalk Openings	150	-	-	150
In Lieu of Bond	70,645	300	-	70,945
License Commission	20,452	20,948	21,955	19,445
Cambridge Police Detail	(114,978)	2,669,540	2,779,752	(225,190)
Cambridge Fire Detail	637	27,647	27,323	961
Dog Licenses	(911)	-	-	(911)
Sporting Licenses	269	10,804	11,132	(59)
Dog Officer	570	-	-	570
Constable Fees	4,060	104,897	104,901	4,056
Meal Tax Agency	26,598	10,021	-	36,619
Senior Cab	(371,420)	375,699	-	4,279
Water Service Renewal	17,422	-	-	17,422
Undistributed Interest	3,808	-	-	3,808
Purchase of Trees	(2,237)	4,398	-	2,161
Accident & life Insurance	215,419	87,102	204,283	98,238
Medicare	3,198	15	-	3,213
Car Seat Program	1,539	-	-	1,539
Deferred Compensation	1,410	-	-	1,410
Commonwealth Health	(10,701)	-	-	(10,701)
Legal Fees	32,621	15,602	21,223	27,000
Retirement Office Payroll	62,276	525	-	62,801
New England Life	77,056	152,644	-	229,700
Continental Casualty	(4,403)	8,564	6,914	(2,753)
Teacher Insurance Reimbursement	4,940	-	-	4,940
Teachers Retirement	200,407	70,336	-	270,743
Excise Registry Fees	13,857	-	-	13,857
3 Bidglow Contingency Fund	43,224	7,801	-	51,025
Retroactive Wages	-	6	-	6
Land Court Fees	13,999	9,349	-	23,348
Choke Program	1,182	-	-	1,182
Unclaimed Checks	319,573	-	-	319,573
Stop Payments	23,138	-	-	23,138
Sewer Abatement Appraisal Fee	4,695	700	-	5,395
Twelve Mt. Auburn	25,000	-	-	25,000
Blue Cross	6,112	-	-	6,112
Hackney Applications	2,391	5,955	3,600	4,746
Purchase of Bike Racks	198	1,188	-	1,386
Recycling Bins	1,725	3,860	5,318	267
ERI Funds	5,000	20,000	25,000	-
Levangie/J.P. Construction Co.	-	45,252	-	45,252
Deferred Compensation	<u>17,957,366</u>	<u>4,076,345</u>	<u>1,112,422</u>	<u>20,921,289</u>
Total	\$ <u>19,182,786</u>	<u>8,045,190</u>	<u>4,351,877</u>	<u>22,876,099</u>

(Continued)

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities Agency Funds (continued)

Year ended June 30, 1995

<u>Liabilities</u>	Balance June 30, 1994	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 1995
Guarantee deposits and amounts due other:				
Contract Bids	\$ 43,518	1,975	5,304	40,189
Plans	2,065	-	-	2,065
Tree Removals	485	-	-	485
Driveways	331,977	248,942	400	580,519
Street Openings	148,454	64,775	22,350	190,879
Sidewalk Openings	150	-	-	150
In Lieu of Bond	70,645	300	-	70,945
License Commission	20,452	20,948	21,955	19,445
Cambridge Police Detail	(114,978)	2,669,540	2,779,752	(225,190)
Cambridge Fire Detail	637	27,647	27,323	961
Dog Licenses	(911)	-	-	(911)
Sporting Licenses	269	10,804	11,132	(59)
Dog Officer	570	-	-	570
Constable Fees	4,060	104,897	104,901	4,056
Meal Tax Agency	26,598	10,021	-	36,619
Senior Cab	(371,420)	375,699	-	4,279
Water Service Renewal	17,422	-	-	17,422
Undistributed Interest	3,808	-	-	3,808
Purchase of Trees	(2,237)	4,398	-	2,161
Accident & life Insurance	215,419	87,102	204,283	98,238
Medicare	3,198	15	-	3,213
Car Seat Program	1,539	-	-	1,539
Deferred Compensation	1,410	-	-	1,410
Commonwealth Health	(10,701)	-	-	(10,701)
Legal Fees	32,621	15,602	21,223	27,000
Retirement Office Payroll	62,276	525	-	62,801
New England Life	77,056	152,644	-	229,700
Continental Casualty	(4,403)	8,564	6,914	(2,753)
Teacher Insurance Reimbursement	4,940	-	-	4,940
Teachers Retirement	200,407	70,336	-	270,743
Excise Registry Fees	13,857	-	-	13,857
3 Bidglow Contingency Fund	43,224	7,801	-	51,025
Retroactive Wages	-	6	-	6
Land Court Fees	13,999	9,349	-	23,348
Choke Program	1,182	-	-	1,182
Unclaimed Checks	319,573	-	-	319,573
Stop Payments	23,138	-	-	23,138
Sewer Abatement Appraisal Fee	4,695	700	-	5,395
Twelve Mt. Auburn	25,000	-	-	25,000
Blue Cross	6,112	-	-	6,112
Hackney Applications	2,391	5,955	3,600	4,746
Purchase of Bike Racks	198	1,188	-	1,386
Recycling Bins	1,725	3,860	5,318	267
ERI Funds	5,000	20,000	25,000	-
Levangie/J.P. Construction Co.	-	45,252	-	45,252
Deferred Compensation	<u>17,957,366</u>	<u>4,076,345</u>	<u>1,112,422</u>	<u>20,921,289</u>
Total	\$ <u>19,182,786</u>	<u>8,045,190</u>	<u>4,351,877</u>	<u>22,876,099</u>

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Other Schedules

The following schedules present detailed information on the City's real estate, personal property, and motor vehicle excise taxes, bonds payable, and general fixed assets as of June 30, 1995.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 1995

	Uncollected June 30, 1994	Commitments	Abatements	Transfers to Tax Title	Refunds	Collections	Adjustments Increase (decrease)	Uncollected June 30, 1995
Real estate taxes:								
1979 and prior	\$ 164,412	-	-	-	-	-	(760)	163,652
1980	36,319	-	-	-	831	-	(3,012)	34,138
1981	43,113	-	50	-	-	-	(1,506)	41,557
1982	40,210	-	260	-	-	(184)	(580)	39,554
1983	80,452	-	3,604	-	-	-	(19,711)	57,137
1984	32,521	-	1,056	-	6,375	(136)	47	38,023
1985	37,433	-	1,233	-	-	-	1,233	37,433
1986	9,277	-	1,385	-	-	341	1,385	8,936
1987	3,795	-	6,896	-	5,511	-	1,385	3,795
1988	744	-	5,120	-	12,191	-	(7,070)	745
1989	4,254	-	19,142	-	19,142	-	-	4,254
1990	8,963	-	19,745	-	19,746	-	-	8,964
1991	148,385	-	13,499	-	17,214	(2,109)	(24,826)	129,383
1992	6,055	-	56,639	-	49,156	(3,328)	4,176	6,076
1993	770	-	397,107	-	428,259	21,825	(5,752)	4,345
1994	3,707,415	-	692,026	2,529,896	831,111	1,316,422	-	182
1995	-	<u>136,779,920</u>	<u>1,305,993</u>	-	<u>436,475</u>	<u>132,504,593</u>	-	<u>3,405,809</u>
	<u>4,324,118</u>	<u>136,779,920</u>	<u>2,523,755</u>	<u>2,529,896</u>	<u>1,826,011</u>	<u>133,837,424</u>	<u>(54,991)</u>	<u>3,983,983</u>
Personal property taxes:								
1988	166,620	-	236	-	274	2,117	-	164,541
1989	153,545	-	8,977	-	6	1,686	-	142,888
1990	156,724	-	-	-	3	1,972	-	154,755
1991	143,320	-	-	-	21	3,410	-	139,931
1992	166,622	-	180	-	3	6,734	(221)	159,490
1993	200,581	-	207	-	4,064	4,532	-	199,906
1994	119,582	-	31,717	-	60,702	75,257	427	73,737
1995	-	<u>7,746,657</u>	<u>109,740</u>	-	-	<u>7,476,960</u>	<u>609</u>	<u>160,566</u>
	<u>1,106,994</u>	<u>7,746,657</u>	<u>151,057</u>	-	<u>65,073</u>	<u>7,572,668</u>	<u>815</u>	<u>1,195,814</u>
Motor vehicle excise taxes:								
1986	118,514	-	121	-	-	3,624	-	114,769
1987	179,101	76	1,495	-	-	8,988	-	168,694
1988	201,163	338	1,013	-	-	11,272	-	189,216
1989	244,370	413	634	-	19	17,487	-	226,681
1990	200,585	466	1,357	-	420	19,234	130	181,010
1991	213,273	2,147	2,718	-	206	22,621	93	190,380
1992	179,384	920	3,838	-	847	32,941	223	144,595
1993	228,134	6,166	11,177	-	5,759	75,073	108	153,917
1994	394,245	800,700	60,011	-	56,395	974,389	(2,073)	214,867
1995	-	<u>2,884,928</u>	<u>76,331</u>	-	<u>21,389</u>	<u>2,490,309</u>	<u>205</u>	<u>339,882</u>
	<u>\$ 1,958,769</u>	<u>3,696,154</u>	<u>158,695</u>	-	<u>85,035</u>	<u>3,655,938</u>	<u>(1,314)</u>	<u>1,924,011</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds Payable

June 30, 1995

	Interest Rates	Issue Dates	Final Maturity Date	Balance June 30, 1994	Additions	Retired	Balance June 30, 1995
Inside Debt Limit:							
Surface drainage loan	5.4%	10/15/76	10/15/96	\$ 225,000	-	75,000	150,000
Hospital loan (boiler renovation)	7.0%	7/1/85	7/1/93	-	-	-	-
Lechmere Canal Park loan	7.0%	7/1/85	7/1/95	850,000	-	450,000	400,000
Lechmere parking garage	6.1-6.2%	7/1/85	7/1/94	90,000	-	90,000	-
Building acquisition	5.6-5.7%	6/15/87	6/15/97	600,000	-	200,000	400,000
Hospital loan (boiler renovation)	5.6-5.7%	6/15/87	6/15/97	450,000	-	150,000	300,000
Public Building renovation	5.6-5.7%	6/15/87	6/15/97	180,000	-	60,000	120,000
Streets and sidewalks	5.6-5.7%	6/15/87	6/15/97	900,000	-	300,000	600,000
Building renovations	5.9-6.4%	6/15/88	6/15/98	1,200,000	-	300,000	900,000
Streets and sidewalks	5.9-6.4%	6/15/88	6/15/98	400,000	-	100,000	300,000
Building renovations	6.4-6.5%	6/15/89	6/15/99	925,000	-	185,000	740,000
Hospital loan (boiler renovation)	6.4-6.5%	6/15/89	6/15/99	2,500,000	-	500,000	2,000,000
Open space improvements	6.4-6.5%	6/15/89	6/15/99	825,000	-	165,000	660,000
Streets and sidewalks	6.4-6.5%	6/15/89	6/15/99	1,250,000	-	250,000	1,000,000
Building renovations	6.4-6.6%	6/15/90	6/15/00	630,000	-	105,000	525,000
Hospital	6.4-6.6%	6/15/90	6/15/00	3,810,000	-	635,000	3,175,000
Hospital loan (boiler renovation)	6.4-6.6%	6/15/90	6/15/00	1,200,000	-	200,000	1,000,000
Open space improvements	6.4-6.6%	6/15/90	6/15/00	1,560,000	-	260,000	1,300,000
Building renovation	5.8-6.0%	6/15/91	6/15/01	265,000	-	40,000	225,000
Fire station renovations	5.8-6.0%	6/15/91	6/15/01	700,000	-	100,000	600,000
Open space renovations	5.8-6.0%	6/15/91	6/15/01	1,190,000	-	170,000	1,020,000
Public art acquisition	5.8-6.0%	6/15/91	6/15/01	80,000	-	40,000	40,000
Building acquisition - senior center	4.3-5.3%	6/15/92	6/15/02	990,000	-	330,000	660,000
Building acquisition - teen center	4.3-5.3%	6/15/92	6/15/02	1,540,000	-	195,000	1,345,000
Elementary school renovation	4.3-5.3%	6/15/92	6/15/02	720,000	-	240,000	480,000
Fire station renovations	4.3-5.3%	6/15/92	6/15/02	400,000	-	50,000	350,000
Nursing home renovations	4.3-5.3%	6/15/92	6/15/02	1,200,000	-	150,000	1,050,000
Open space improvements	4.3-5.3%	6/15/92	6/15/02	1,440,000	-	180,000	1,260,000
Public art acquisition	4.3-5.3%	6/15/92	6/15/02	60,000	-	20,000	40,000
Sewer separation project loan	2.35-5.5%	5/21/93	8/1/08	2,304,978	4,037,975	597,763	5,745,190
Sewer loan	3.75-4.3%	2/1/94	2/1/04	500,000	-	50,000	450,000
Open space improvements	3.75-4.3%	2/1/94	2/1/04	1,750,000	-	175,000	1,575,000
Sewer bond		2/17/94	2/15/99	977,175	-	195,435	781,740
Open space improvement	5.5%-5.9%	11/1/94	11/1/99	-	4,400,000	-	4,400,000
Sewer loan	4.0%-5.25%	5/1/95	2/1/05	-	6,675,334	-	6,675,334
Total Inside Debt Limit				<u>31,712,153</u>	<u>15,113,309</u>	<u>6,558,198</u>	<u>40,267,264</u>
Outside Debt Limit:							
School:							
High School Loan	5.7%	6/15/78	6/15/98	4,620,000	-	1,155,000	3,465,000
School Project Loan	7.2%	2/15/84	11/15/93	-	-	-	-
School Project Loan	9.0%	8/1/84	8/1/93	-	-	-	-
School Building Renovation	5.6-5.7%	6/15/87	6/15/97	540,000	-	180,000	360,000
Elementary school construction	3.75-4.3%	2/1/94	2/1/04	9,100,000	-	762,000	8,338,000
Elementary school construction	5.5%-5.9%	11/1/94	11/1/99	-	12,100,000	-	12,100,000
				<u>14,260,000</u>	<u>12,100,000</u>	<u>2,097,000</u>	<u>24,263,000</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds Payable (continued)

June 30, 1995

	<u>Interest Rates</u>	<u>Issue Dates</u>	<u>Final Maturity Date</u>	<u>Balance June 30, 1994</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 1995</u>
Parking:							
Lechmere Parking Garage	6.1-6.2%	7/1/86	7/1/94	<u>330,000</u>	-	<u>330,000</u>	-
				<u>330,000</u>	-	<u>330,000</u>	-
Sewer Projects:							
Sewer Loan	5.4%	10/15/76	10/15/96	645,000	-	215,000	430,000
Sewer Loan				-	<u>500,000</u>	-	<u>500,000</u>
				<u>645,000</u>	<u>500,000</u>	<u>215,000</u>	<u>930,000</u>
Water Projects:							
Reservoir Cover	6.4-6.5%	6/15/89	6/15/99	500,000	-	100,000	400,000
Reservoir Cover	6.4-6.5%	6/15/90	6/15/00	4,800,000	-	800,000	4,000,000
Reservoir Cover	5.8-6.0%	6/15/91	6/15/01	2,875,000	-	380,000	2,495,000
Reservoir Cover	4.3-5.3%	6/15/92	6/15/02	600,000	-	200,000	400,000
Reservoir Cover	3.75-3.8%	2/1/94	2/1/99	1,447,000	-	290,000	1,157,000
Treatment plant renovations	3.75-4.3%	2/1/94	2/1/04	553,000	-	58,000	495,000
Treatment plant renovations	5.5-5.9%	11/1/94	11/1/99	-	2,000,000	-	2,000,000
Water main replacements	5.5-5.9%	11/1/94	11/1/99	-	<u>1,000,000</u>	-	<u>1,000,000</u>
				<u>10,775,000</u>	<u>3,000,000</u>	<u>1,828,000</u>	<u>11,947,000</u>
Total Outside Debt Limit				<u>26,010,000</u>	<u>15,600,000</u>	<u>4,470,000</u>	<u>37,140,000</u>
				\$ <u>57,722,153</u>	<u>30,713,309</u>	<u>11,028,198</u>	<u>77,407,264</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of General Fixed Assets - by Function and Activity

Year ended June 30, 1995

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Equipment</u>
General Government:					
Control:					
Legislative	42,589	-	-	-	42,589
Executive	<u>113,119</u>	-	-	-	<u>113,119</u>
Total Control	<u>155,708</u>	-	-	-	<u>155,708</u>
Staff Agencies:					
Elections	37,292	-	-	-	37,292
Finance	1,437,747	-	-	-	1,437,747
Law	64,188	-	-	-	64,188
Employee Benefits	2,091	-	-	-	2,091
Animal Commission	5,429	-	-	-	5,429
Public Celebrations	<u>111,968</u>	-	-	-	<u>111,968</u>
Total Staff Agencies	<u>1,658,715</u>	-	-	-	<u>1,658,715</u>
Total General Government	<u>1,814,423</u>	-	-	-	<u>1,814,423</u>
Public Safety:					
Building inspection	11,494	-	-	-	11,494
License	20,227	-	-	-	20,227
Weights and measures	10,219	-	-	-	10,219
Emergency management	41,285	-	-	-	41,285
Fire Protection	8,890,468	3,274,675	1,806,228	-	3,809,565
Police Protection	3,897,883	999,803	485,605	-	2,412,475
Traffic and Parking	21,811,681	1,952,080	18,095,215	-	1,764,386
Electrical	669,582	50,000	147,315	-	472,267
Emergency Commission	<u>1,086,475</u>	-	<u>1,016,400</u>	-	<u>70,075</u>
Total Public Safety	<u>36,439,314</u>	<u>6,276,558</u>	<u>21,550,763</u>	-	<u>8,611,993</u>
Community Maintenance and Development:					
Public Works	49,916,314	23,350,662	15,236,954	6,111,692	5,217,006
Community Development	2,970,296	-	65,450	2,769,338	135,508
Historical Commission	137,683	-	-	62,085	75,598
Conservation Commission	75	-	-	-	75
Rent Control	79,048	-	-	-	79,048
Cable television	<u>169,427</u>	-	-	-	<u>169,427</u>
Total Community Maintenance	<u>53,272,843</u>	<u>23,350,662</u>	<u>15,302,404</u>	<u>8,943,115</u>	<u>5,676,662</u>
Human Resource Development:					
Library	1,573,823	125,000	1,138,656	-	310,167
Human Services	90,060,255	87,242,253	895,986	1,245,288	676,728
Human Rights Commission	9,360	-	-	-	9,360
Women's Commission	5,709	-	-	-	5,709
Health Department/School Health	8,253	-	-	-	8,253
Veteran's Benefits	<u>4,285</u>	-	-	-	<u>4,285</u>
Total Human Resource Development	<u>91,661,685</u>	<u>87,367,253</u>	<u>2,034,642</u>	<u>1,245,288</u>	<u>1,014,502</u>
Public School	<u>128,690,059</u>	<u>55,067,765</u>	<u>67,161,672</u>	<u>848,786</u>	<u>5,611,836</u>
Construction in Progress	<u>4,323,448</u>	-	<u>4,323,448</u>	-	-
Totals	\$ <u>316,201,772</u>	<u>172,062,238</u>	<u>110,372,929</u>	<u>11,037,189</u>	<u>22,729,416</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Changes in General Fixed Assets - by Function and Activity

Year Ended June 30, 1995

<u>Function and Activity</u>	<u>General Fixed Assets June 30, 1994</u>	<u>Additions</u>	<u>Disposals</u>	<u>General Fixed Assets June 30, 1995</u>
General Government:				
Control:				
Legislative	\$ 32,263	16,550	(6,224)	42,589
Executive	<u>134,793</u>	<u>38,680</u>	<u>(60,354)</u>	<u>113,119</u>
Total Control	<u>167,056</u>	<u>55,230</u>	<u>(66,578)</u>	<u>155,708</u>
Staff Agencies:				
Elections	37,292	-	-	37,292
Finance	1,358,893	125,364	(46,510)	1,437,747
Law	58,157	6,031	-	64,188
Employee Benefits	2,091	-	-	2,091
Animal Commission	5,429	-	-	5,429
Public Celebrations	<u>34,772</u>	<u>77,196</u>	<u>-</u>	<u>111,968</u>
Total Staff Agencies	<u>1,496,634</u>	<u>208,591</u>	<u>(46,510)</u>	<u>1,658,715</u>
Total General Government	<u>1,663,690</u>	<u>263,821</u>	<u>(113,088)</u>	<u>1,814,423</u>
Public Safety:				
Building Inspection	4,915	6,579	-	11,494
License	15,107	7,500	(2,380)	20,227
Weights and measures	10,219	-	-	10,219
Emergency management	18,449	22,836	-	41,285
Fire protection	8,858,737	230,929	(199,198)	8,890,468
Police protection	3,613,883	284,000	-	3,897,883
Traffic and parking	21,493,719	353,755	(35,793)	21,811,681
Electrical	633,497	36,085	-	669,582
Emergency Commission	<u>-</u>	<u>1,101,376</u>	<u>(14,901)</u>	<u>1,086,475</u>
Total Public Safety	<u>34,648,526</u>	<u>2,043,060</u>	<u>(252,272)</u>	<u>36,439,314</u>
Community Maintenance and Development:				
Public Works	48,754,765	1,243,740	(82,191)	49,916,314
Community Development	2,506,020	522,744	(58,468)	2,970,296
Historical Commission	134,164	3,519	-	137,683
Conservation Commission	75	-	-	75
Rent Control	73,700	21,670	(16,322)	79,048
Cable television	<u>134,328</u>	<u>59,443</u>	<u>(24,344)</u>	<u>169,427</u>
Total Community Maintenance	<u>51,603,052</u>	<u>1,851,116</u>	<u>(181,325)</u>	<u>53,272,843</u>
Human Resource Development:				
Library	1,720,425	40,100	(186,702)	1,573,823
Human Services	89,965,544	94,711	-	90,060,255
Human Rights Commission	9,360	-	-	9,360
Women's Commission	4,332	3,507	(2,130)	5,709
Health Department/School Health	8,253	-	-	8,253
Veteran's Benefits	<u>4,285</u>	<u>-</u>	<u>-</u>	<u>4,285</u>
Total Human Resource Development	<u>91,712,199</u>	<u>138,318</u>	<u>(188,832)</u>	<u>91,661,685</u>
Public Schools	<u>105,534,105</u>	<u>23,397,241</u>	<u>(241,287)</u>	<u>128,690,059</u>
Construction in Progress	<u>5,796,803</u>	<u>21,007,346</u>	<u>(22,480,701)</u>	<u>4,323,448</u>
Totals	<u>\$ 290,958,375</u>	<u>48,700,902</u>	<u>(23,457,505)</u>	<u>316,201,772</u>

PROPOSED FORM OF LEGAL OPINION

PALMER & DODGE LLP

ONE BEACON STREET, BOSTON, MA 02108-3190

Telephone: (617) 573-0100

Facsimile: (617) 227-4420

(Date of Delivery)

James P. Maloney, Jr.
 City Treasurer
 City of Cambridge
 Cambridge, Massachusetts

(Cambridge Municipal Purpose Loan of 1996 Bonds)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$13,790,000 Municipal Purpose Loan of 1996 Bonds dated June 15, 1996, by the City of Cambridge, Massachusetts. The bonds are payable on June 15 of the years and in the principal amounts and bear interest at the respective rates, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1997	\$1,705,000		2002	\$1,055,000	
1998	1,705,000		2003	1,055,000	
1999	1,705,000		2004	1,055,000	
2000	1,705,000		2005	1,050,000	
2001	1,705,000		2006	1,050,000	

The bonds are immobilized in the custody of The Depository Trust Company and a book entry system is being used to evidence ownership and transfer on the records of The Depository Trust Company and its participants.

On the basis of this examination we are of the opinion, as of the date hereof and under existing law, as follows:

(1) The bonds are valid general obligations of the City of Cambridge and except to the extent they are paid from other sources the principal of and interest on the bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

(2) The bonds are exempt from local property taxes in Massachusetts and the interest thereon is exempt from Massachusetts personal income taxes, although the bonds and the interest thereon may be included in the measure of Massachusetts estate and inheritance taxes and of certain Massachusetts corporate excise and franchise taxes.

(3) The interest on the bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance for the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds. We express no opinion regarding any other federal tax consequences arising with respect to the bonds.

The rights of the holders of the bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Cambridge, Massachusetts (the "Issuer") in connection with the issuance of its \$13,790,000 Municipal Purpose Loan of 1996 Bonds dated June 15, 1996 (the "Bonds"). The Issuer covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. *Definitions.* For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The current National Repositories are listed on Exhibit A attached hereto.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Depository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Act of 1934, as the same may be amended from time to time.

"State Depository" shall mean any public or private depository or entity designated by The Commonwealth of Massachusetts as a state information depository for the purpose of the Rule. (As of the date of this Disclosure Certificate there is no State Depository).

SECTION C. *Provision of Annual Reports.*

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 1996, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board and the State Depository, if any, in substantially the form attached as Exhibit B.

SECTION 4. *Content of Annual Reports.* The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement date June 14, 1996 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, and (vi) pension obligations of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. *Reporting of Material Events.*

(a) The Issuer shall give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

It should be noted, however, that as of this date events of the types listed in paragraphs 2, 3, 4, 5, 8 and 10 above are not applicable to the Bonds.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 6. *Termination of Reporting Obligation.* The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, [prior redemption] or payment in full of all of the Bonds.

SECTION 7. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to each Repository.

SECTION 8. *Default.* In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 9. *Beneficiaries.* This Disclosure Certificate shall insure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: _____, 1996

CITY OF CAMBRIDGE

By _____
Treasurer

City Manager

[EXHIBIT A: List of National Repositories]

[EXHIBIT B: Form of Notice of Failure to File Annual Report]

**CITY OF CAMBRIDGE
MASSACHUSETTS****\$13,790,000
GENERAL OBLIGATION BONDS
MUNICIPAL PURPOSE LOAN OF 1996****Time and Place of Sale**

The City of Cambridge, Massachusetts, will receive written proposals until 11:00 a.m. (local time) on Tuesday, June 25, 1996 at Cambridge City Hall, First Floor, Office of the Treasurer, Cambridge, Massachusetts 02139 for the purchase of the following described general obligation Bonds of the City dated June 15, 1996:

\$13,790,000 MUNICIPAL PURPOSE LOAN OF 1996, payable June 15, \$1,705,000 in 1997 through 2001, \$1,055,000 in 2002 through 2004, and \$1,050,000 in 2005 and 2006.

Form and Payment of Bonds

Principal of the Bonds will be payable on June 15 of the years in which the Bonds mature. Interest will be payable semiannually on June 15 and December 15, commencing December 15, 1996. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are not subject to redemption prior to their stated maturities.

The Bonds are issuable only as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each and integral multiples thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Only System" herein.)

So long as DTC or its nominee, Cede & Co., is the Bondowner, payments of principal and semiannual interest on the Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Legal Opinion

The approving opinion of Messrs. Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, with respect to this issue shall be furnished to the successful bidder at the expense of the City. The legal opinion will state that the Bonds constitute valid general obligations of the City. The original opinion of Bond Counsel and copies of the supporting documents incident to the Bonds will be available for inspection at the offices of the City Treasurer.

Bidding Rules

Each bid must be unconditional and must be for all of the Bonds herein described. All bids should be marked "Proposal for Bonds" and addressed to Mr. James P. Maloney, Jr., Treasurer, City of Cambridge, 795 Massachusetts Avenue, First Floor, Cambridge, Massachusetts 02139. A good faith deposit is not required.

Bidders may submit their bids at the time and place specified herein in person or by facsimile transmission. Bidders choosing to submit bids by facsimile transmission shall use the following telecopier numbers for such transmission: (617) 349-4307 or (617) 349-4213 (Attention: James Maloney). Facsimile transmission must be received by 11:00 a.m., Local Time, on the Date of Sale in order to be considered. Transmissions received after this time shall be rejected. It is the responsibility of the bidder to ensure that the bid is legible, that the bid is received prior to 11:00 a.m., Local Time, and that

the bid is sent to one of the telecopier numbers set forth above. Illegible transmissions will not be accepted. The City's Financial Advisors will verify receipt of each bid submitted through facsimile transmission by contacting each bidder by telephone once the bid has been received. The City's Financial Advisors will in no instance correct, alter or in any way change bids submitted through facsimile transmission.

Bidders choosing to submit a bid through facsimile transmissions must deliver an original signed statement that such facsimile transmission constitutes its official bid and that such bidder authorizes the City's Financial Advisors to place the bid in a sealed envelope and to deliver such bid to the City on behalf of such bidder. Such signed statement must be received no later than 5:00 p.m., Local Time on the last business date prior to the Date of Sale, by James Maloney, Treasurer, City of Cambridge, 795 Massachusetts Avenue, Cambridge, MA 02139, (617) 349-4220.

Furthermore, neither the City nor its Financial Advisor will be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of this Official Notice of Sale. Bidders electing to submit bids via facsimile transmission will bear full and complete responsibility for the transmission of such bid.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in multiples of $\frac{1}{8}$ or $\frac{1}{20}$ of 1 percent, but shall not state (a) more than one interest rate for any Bonds having like maturity, (b) any interest rate which is less than the interest rate stated for any other Bonds having an earlier maturity, or (c) any interest rate which exceeds the interest rate stated for any other Bonds by more than 4 percent. No bid of less than par or more than 103 percent of par and accrued interest to date of delivery will be considered.

Basis of Awarding Bonds

The City reserves the right to reject any and all bids and to reject any bid not complying with this Notice of Sale, and so far as permitted by law, to waive any irregularity with respect to any proposal. Unless all bids are rejected, the Bonds will be awarded to the bidder complying with this Notice of Sale and submitting a bid, which provides the lowest "true" or "Canadian" interest cost. True (Canadian) interest cost shall be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payment to June 15, 1996, and to the price bid, excluding interest accrued to the delivery date. If more than one bid offers the same lowest true (Canadian) interest cost, the successful bid will be selected by lot. The award is subject to approval by the City Manager.

Interest Calculation

Each bid shall be accompanied by a statement of the true (Canadian) interest cost offered in its bid statement in accordance with the above method of calculation (computed at six decimal places), but such statement shall not be considered to be part of the bid.

Delivery of the Bonds: Closing Certificates

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he shall be furnished, without cost, with: (a) the approving opinion of the firm of Palmer & Dodge LLP, substantially in the form presented in Appendix B to the Preliminary Official Statement dated June 17, 1996; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment thereof, to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them; (c) a certificate of the City Treasurer and City Auditor to the effect that, to the best of their knowledge and belief, both as of the date of sale and of the date of delivery of the Bonds, the Official Statement referred to below does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

The Bonds, in definitive form, will be delivered to The Depository Trust Company in New York, New York on or about July 8, 1996.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain material events. A description of this undertaking is set forth in the Preliminary Official Statement.

Official Statement

The City will furnish the successful bidder, without cost, with up to 300 copies of the Final Official Statement within seven business days from the date of the award of sale, as specified in Rule 15c2-12 of the Securities and Exchange Commission. Additional copies will be made available at the successful bidder's request and expense. The City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement to anyone other than the successful bidder.

Additional Information

Additional information concerning the City of Cambridge and the Bonds is contained in the Preliminary Official Statement dated June 17, 1996 to which the prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the City except for the omission of the reoffering prices, interest rates, and other terms of the Bonds depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested bid form for the Bonds may be obtained from James P. Maloney, Jr., City Treasurer, City Hall, First Floor, Cambridge, Massachusetts 02139 (Telephone 617-349-4220) or from Michelle G. Cowan, Government Finance Group, Inc., 4350 North Fairfax Drive, Suite 410, Arlington, Virginia 22203. Within seven business days following the award of the Bonds and receipt of necessary information from the successful bidder, copies of the Final Official Statement will be made available to the successful bidder as noted above.

/s/ James P. Maloney, Jr.
City Treasurer



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

June 24, 1996

To The Honorable, The City Council:

Please find enclosed for your information the City's General Obligation Bonds for 1996.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec

City of Cambridge General Obligation
Bonds - Municipal Purpose Loan of 1996.

5-374

In City Council June 24, 1996.