



**City of Cambridge,
Massachusetts**

**Comprehensive Annual
Financial Report**

July 1, 2001 – June 30, 2002

CITY OF CAMBRIDGE, MASSACHUSETTS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year
July 1, 2001 through June 30, 2002

Robert W. Healy
City Manager

Louis A. DePasquale
Assistant City Manager for Fiscal Affairs

Prepared by:
Finance Department
City of Cambridge, Massachusetts

Front cover photos courtesy of Cambridge Community Development Department:

(Left photo) Three affordable homeownership units were completed in FY02 at 168 Harvard Street/193 Windsor Street. This site was redeveloped by Just-A-Start, Inc., a local nonprofit housing development agency.

(Right photo) Renovation of this historic Bigelow Street property was completed this year, creating 10 units of affordable rental housing.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Year Ended June 30, 2002

Table of Contents

Page

Introductory Section

Letters of Transmittals	i
A Few Words about Cambridge	xiii
Directory of Officials	xiv
Organizational Chart	xv
Certificate of Achievement	xvi

Financial Section

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis – Required Supplementary Information	3 - 11
Basic Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Basic Financial Statements	23 - 42
Required Supplementary Information:	
Schedule of Funding Progress	43
Schedule of Employers' Contributions	43
Schedule of Revenues and Expenses – Budgetary Basis – General Fund	44 - 45
Supplemental Statements and Schedules:	
Schedule of Expenditures – Budgetary Basis – General Fund	47 - 52
Combining Financial Statements:	
Combining Balance Sheet – Other Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other – Governmental Funds	55
Combining Statement of Changes in Assets and Liabilities – Agency Funds	57 - 58
Schedule of Real Estate, Personal Property, and Motor Vehicle Excise Taxes	60 - 62
Schedule of Bonds and Notes Payable	63 - 64

CITY OF CAMBRIDGE, MASSACHUSETTS

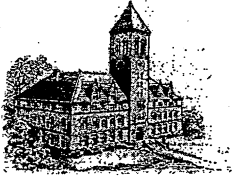
Comprehensive Annual Financial Report

For the Year Ended June 30, 2002

Table of Contents (continued)

Statistical Section

General Governmental Expenditures by Function – Budgetary Basis	66
General Governmental Expenditures by Function – General and Selected Other Governmental Funds – GAAP Basis	67
General Governmental Revenues by Source – Budgetary Basis	68
Property Tax Levies and Collections	69
Assessed Value and Equalized Valuation of Taxable Property	70
Property and Motor Vehicle Tax Rates	71
Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt per Capita	72
Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures	73
Computation of Legal Debt Margin	74
Computation of Direct and Overlapping Debt	75
Property Value, Construction and Bank Deposits	76
Principal Taxpayers	77
Salaries of Principal Officials	78
Miscellaneous Statistics	79 - 80



City of Cambridge

FINANCE DEPARTMENT

LOUIS DePASQUALE
Assistant City Manager/Finance

December 16, 2002

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

Dear Mr. Healy:

The Comprehensive Annual Financial Report of the City of Cambridge, Massachusetts, for the Fiscal Year ended June 30, 2002 is presented for your review. The report was prepared by the City's Finance Department. The responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. We believe that the data presented is accurate in all material respects; that it is presented in a manner designed to show fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that all disclosures deemed necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The financial information in this report is presented in conformity with accounting principles generally accepted in the United States of America and includes the adoption of several new accounting pronouncements: Governmental Accounting Standards Board (GASB) Statements Nos. 34, 37 and 38, and GASB Interpretation No. 6. Refer to management's discussion and analysis for an overview of the City's financial statement components.

Accounting System and Budgetary Control

Basis of Accounting

The accounting records of the City's general government operations, as reported in the General Fund, Capital Projects Fund, and Other Governmental Funds are maintained on a modified accrual basis at the fund level. Accordingly, revenues are recorded when measurable and available and expenditures are recorded when the services or goods are received and the liabilities are incurred. The accrual basis of accounting is followed by all funds when reporting on a government-wide basis as shown on pages 12 and 13. Agency funds are custodial in nature and do not involve measurement of results of operations.

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



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

Budgetary Control

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 Governmental Fund Types as a significant aspect of budgetary control.

Uncollateralized Deposits

The City of Cambridge does not require collateral for its certificates of deposit, money market accounts, checking, or savings accounts when dealing with major banking institutions in the Boston area. However, City officials reserve the right to require collateral when it is in the best interest of the City.

The Reporting Entity

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

The City has two component units which are the Cambridge Retirement System and the Cambridge Public Health Commission.

The financial statements of the Cambridge Retirement System are presented for the year ended December 31, 2001, which is its fiscal period for reporting to the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts.

Acknowledgments

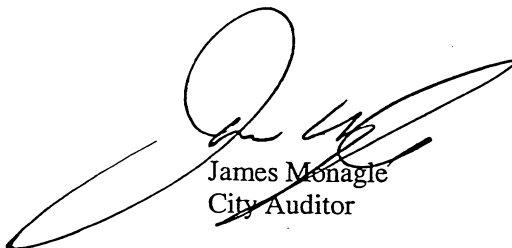
The City continues to show strong financial gains through responsible management of financial operations and through improved accounting and financial reporting practices. The financial decisions made during the past fiscal year will continue to pay dividends in the years to come.

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

Respectfully submitted,



Louis A. DePasquale
Assistant City Manager
for Fiscal Affairs



James Monagle
City Auditor



CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

December 16, 2002

The Honorable Members of the City Council:

I am pleased to submit the Comprehensive Annual Financial Report of the City of Cambridge, Massachusetts, for the fiscal year ended June 30, 2002. Each year the City's Finance Department prepares this report, which presents comprehensive financial and operating information about the City's activities during the preceding fiscal year. The Comprehensive Annual Financial Report is a detailed report that goes beyond the requirements of applicable statutes, regulations, and generally accepted accounting principles in order to present all of the information necessary to meet the needs of many persons and groups with an interest in the financial affairs of the City of Cambridge.

The report is divided into three major sections:

1. **The Introductory Section**, including this letter, which provides an overview of the City's organizational structure, a summary of the financial condition of the City and an analysis of the City's general government operations.
2. **The Financial Section**, which contains the Independent Auditors' Report on the City's Basic Financial Statements, Management's Discussion and Analysis, the Basic Financial Statements, Combining Statements and Schedules including required supplementary information. These statements and schedules provide both an overview of the City's entire financial operations and details for the significant individual funds.
3. **The Statistical Section**, which presents historical financial data, debt statistics, and miscellaneous social and economic data about the City.

Fiscal 2002 Year in Review: Major Initiatives

During fiscal year 2002, one of the goals of the Finance Department was to implement the requirements of GASB 34 which established new financial reporting requirements for state and local governments. In addition, other GASB statements, including Statements 37 and 38, and GASB Interpretation No. 6 were required to be implemented in conjunction with GASB 34. In order to achieve this goal, the City contracted with an appraisal firm to update values on assets of the City that had been previously included in the General Fixed Assets Account Group and the Water Enterprise Fund. The appraisal also included the validation of the City's infrastructure assets, a new category of capital assets under GASB 34. All fixed assets were reviewed for original

cost, accumulated depreciation, estimated useful lives and net book value. In conjunction with this appraisal, all the assets were tagged, coded and uploaded to the nearly implemented PeopleSoft Financial Asset Management System. Future additions to the system will occur automatically as a feature of the procurement system.

In addition, the City's Finance Department staff have worked with personnel from KPMG to facilitate the transition to an emphasis on government-wide reporting as well as shifting the focus from fund types to major individual funds with information from all other funds consolidated into one other fund.

Other significant fiscal achievements during fiscal year 2002 are as follows:

- On November 7, 2001, residents of the City accepted the Community Preservation Act (CPA) which allows the City to impose a surcharge of 3% on real estate taxes. This surcharge is exempt from the limits of Proposition 2½. During fiscal year 2002, \$4.9 million was raised from this source with \$3.6 million set aside for affordable housing (which was combined with other revenue sources of \$0.9 million to provide the same level of funding for this program as in the previous fiscal year) and \$0.45 million allocated to both open space acquisition and historic preservation. The remaining balance of \$400,000 has been reserved for future appropriation for these purposes. In addition, the City will receive the maximum available matching funds from the State to supplement the funds raised by the city to fund additional renovations to and the construction of affordable housing as well as open space acquisition and historic preservation.
- The City's free cash and excess levy capacity positions increased significantly during fiscal year 2002. Due to actual receipts exceeding budget estimates in several categories and expenditures being under appropriations, free cash increased by \$3,711,178, or 14.8%, from its fiscal year 2001 level of \$24,995,756 to \$28,706,934. The increase in excess levy capacity from \$23,728,446 to \$30,462,653 was due primarily to the addition of \$10,638,457 in taxes from new construction.
- In December 2001, the City issued \$32.6 million in General Obligation bonds to finance a wide range of projects including improvements to City Hall, City Hall Annex, War Memorial, and Cambridge Rindge and Latin School Field House, as well as sewer reconstruction, street reconstruction, water system improvements, and the final phase of the construction of a new water treatment plant at a net interest cost of 3.91%.
- In conjunction with the above sale, the three major credit rating agencies confirmed the highest rating available to cities. Fitch IBCA, Inc. cited "strong financial management, long-term planning and consistently high fund balances" as the primary reasons for its high rating. Moody's Investors Service based its Aaa on its anticipation that the City will "continue to maintain a high degree of operating flexibility given the availability of healthy reserves and sizable taxing capacity." Standard and Poor's recognized the City's ability to withstand the current recession by prudent use of its excess levy capacity and high unreserved fund balances.
- A large portion of the \$36,425,826 increase in the General Fund equity was attributable to the reclassification of certain Trust Funds to the General Fund and other adjustments due to the adoption of new accounting pronouncements in 2002. See note 3 for further discussion. However, of the \$13,497,678 of current year excess of revenues and other financing sources over expenditures and other financing uses, \$7,728,763 was attributable to the current year impact of implementing the new standards. The most significant factors contributing to this surplus were Property Tax, Motor Vehicle Excise, Sewer Service, and Building Permit revenues exceeding estimates by sizable amounts while controlling expenditures.

- The collection rate for current year real and personal property taxes is 99.6% which is consistent with the previous year. Although this rate is slightly lower than those of certain years in the later 1990's, it is high in comparison to other communities in Massachusetts. The 99.6% is based on the result of current year collections of \$182,954,775 (net of current year refunds) being slightly less than the net tax levy (total commitment of \$187,939,520 minus the reserve set aside for abatements of \$4,261,178) of \$183,678,342.
- In recognition of the City's financial achievements, the Government Finance Officers Association (GFOA) awarded the City its Certificate for Excellence in Financial Reporting and the Distinguished Budget Presentation Award. The City has achieved these awards annually from the GFOA for the last 15 years.

Financial Summary

The City continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. Throughout the year, the City maintained a strong cash and investment position and once again did not issue any tax anticipation notes. The following information pertains to the revenues and expenditures of the General Fund. This data is included in the Statement of Revenues and Expenditures-Budgetary Basis-Budget and Actual, which presents financial information on the budgetary basis of accounting.

Revenues and other Financing Sources

Fiscal year 2002 actual revenues on a budgetary basis totaled \$288.9 million. This represents an increase of \$4.0 million or 1.4% from fiscal year 2001. Property taxes are the single largest revenue source, representing approximately 63.4% of General Fund revenues, net of abatements. Real and personal property tax revenues, net of abatements, increased by \$9.0 million, or 5.2%. Intergovernmental receipts comprise the City's next largest revenue source, representing 16.2% of General Fund revenues. These revenues decreased 0.4% to \$46.8 million, due to a slight decrease in state aid. Sewer receipts increased 15.9% to \$23.8 million due to significant increases in the sewer rate.

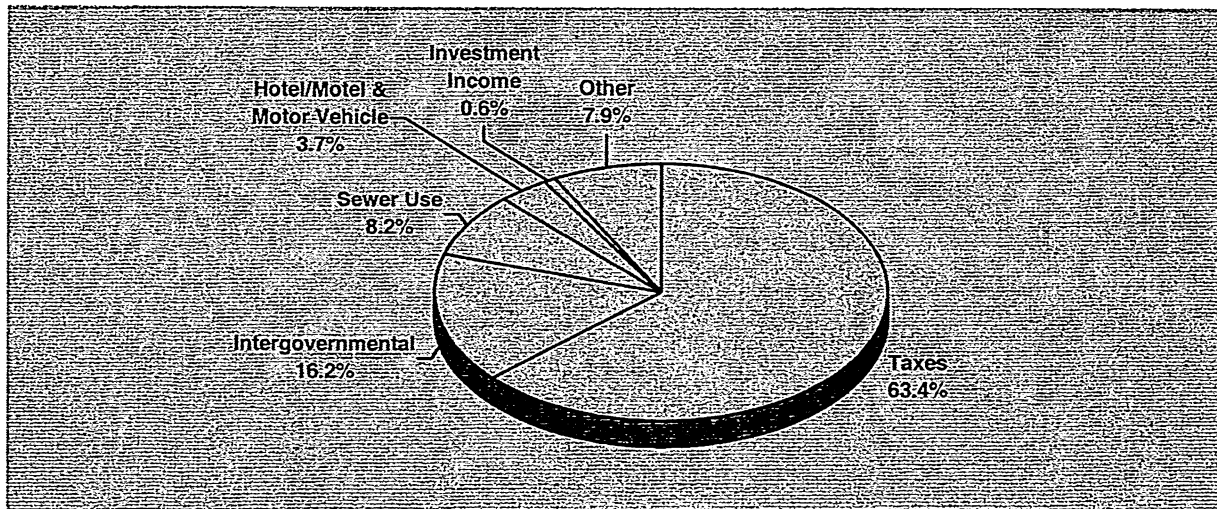
Decreases of 1.4% in the Motor Vehicle Excise and 13.2% in the Hotel/Motel Excise reflect the slowdown in the local economy during fiscal year 2002. The Hotel/Motel industry was particularly hit hard by the aftermath of September 11th.

The 47.6% decrease in investment income from \$3.2 million to \$1.7 million was the result of lower interest rates earned on its cash and investment balances.

The following table and graph display the dollar amounts received from various sources of revenue for fiscal year 2002 and compares these amounts to those received in fiscal year 2001.

Fiscal Year 2002 General Fund Revenues
Budgetary Basis
(Dollars in thousands)

Revenue source	Amount	Percent	Increase (decrease) from fiscal year 2001	
			Amount	Percent
Taxes, net of abatements	\$ 183,183	63.4%	\$ 8,989	5.2%
Intergovernmental	46,822	16.2	(201)	(0.4)
Sewer use	23,837	8.2	3,274	15.9
Hotel/motel and motor vehicle excise	10,746	3.7	(827)	(7.1)
Investment income	1,679	0.6	(1,524)	(47.6)
Other	22,679	7.9	(5,668)	(20.0)
Total	288,946	100.0%	4,043	1.4%
Net transfers in (out)	7,752		14,071	
Total, net of transfers	\$ 296,698		\$ 18,114	



Expenditures

During fiscal year 2002, total expenditures increased on a budgetary basis by 8.3% from \$276.5 million to \$299.4 million.

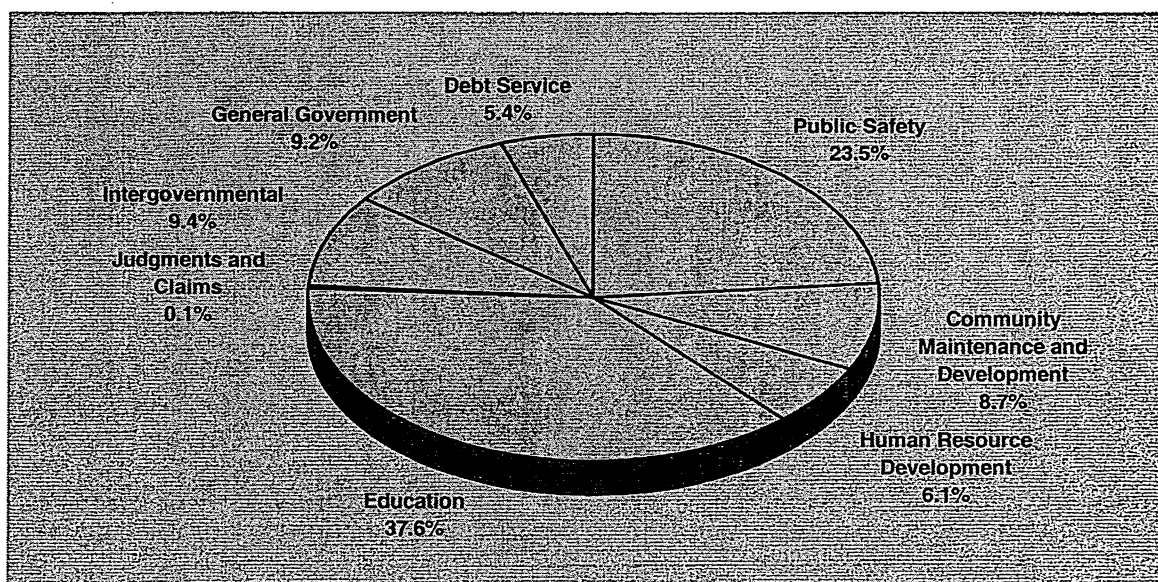
Every expenditure function, except Judgments and Claims and Intergovernmental, experienced increases in fiscal year 2002. In most cases, the increases were directly attributable to cost-of-living allowances with retroactive payments for previous fiscal years causing additional increases in Public Safety and Human Resource

Development. In addition, health insurance increases were primarily responsible for the 21% increase in General Government expenditures.

As part of the agreement between the City and the Cambridge Public Health Commission (CPHC), the City will continue to subsidize the operations of the CPHC. The transfer from the City to the CPHC, \$6.6 million, is \$1.0 million less than in the previous fiscal year. In past years, this transfer has been shown as a transfer to the component unit in the Other Financing Sources (Uses) Section of the Budgetary Basis statement. However, in order to comply with GASB 34 requirements, this transaction is included in the Intergovernmental expenditures section.

**Fiscal Year 2002 General Fund Expenditures
Budgetary Basis
(Dollars in thousands)**

Expenditure function	Amount	Percent	Increase (decrease) from fiscal year 2001	
			Amount	Percent
General government	\$ 27,521	9.2%	\$ 4,780	21.0%
Public safety	70,409	23.5	3,696	5.5
Community maintenance and development	26,040	8.7	2,207	9.3
Human resource development	18,258	6.1	1,603	9.6
Education	112,573	37.6	7,052	6.7
Judgments and claims	205	0.1	(503)	(71.1)
Intergovernmental	28,019	9.4	(926)	(3.2)
Debt service	16,389	5.4	5,022	44.1
Grand total	\$ 299,414	100.0%	\$ 22,931	8.3%



General Fund Balances and Cash Position

The City ended fiscal year 2002 with a total general fund balance of \$82,977,485, which represents 26.9% of general fund revenues, a significant increase from 16.3% in fiscal year 2001. The primary reason for this increase is the reclassification of the health claims trust and stabilization fund balances to the general fund to conform with GASB 34. In addition, fiscal year 2002 operations produced a \$11,677,553 surplus. Each year, a portion of fund balance is allocated to reserve accounts. A total of \$13,390,740 was transferred to reserve accounts in fiscal year 2002, leaving an unreserved fund balance of \$69,586,739. General fund cash and short-term investments totaled \$105,531,056 while the balance of cash and short-term investments for all funds totaled \$182,379,699, which is a \$16,261,358, or 9.8% increase from fiscal year 2001 with the largest portion of this increase occurring in the general fund.

The following table presents the balance in the City's unreserved general fund balance for fiscal years 1995 through 2002.

	Unreserved general fund balance
Fiscal year:	
1995	\$ 26,362,257
1996	26,079,677
1997	30,979,095
1998	34,958,456
1999	23,223,656
2000	25,154,076
2001	31,879,786
2002(1)	69,586,739

- (1) Includes the transfer of \$21,128,148 in fund balances from the Health Claims Trust, City and School Stabilization Funds and the Internal Service Fund.

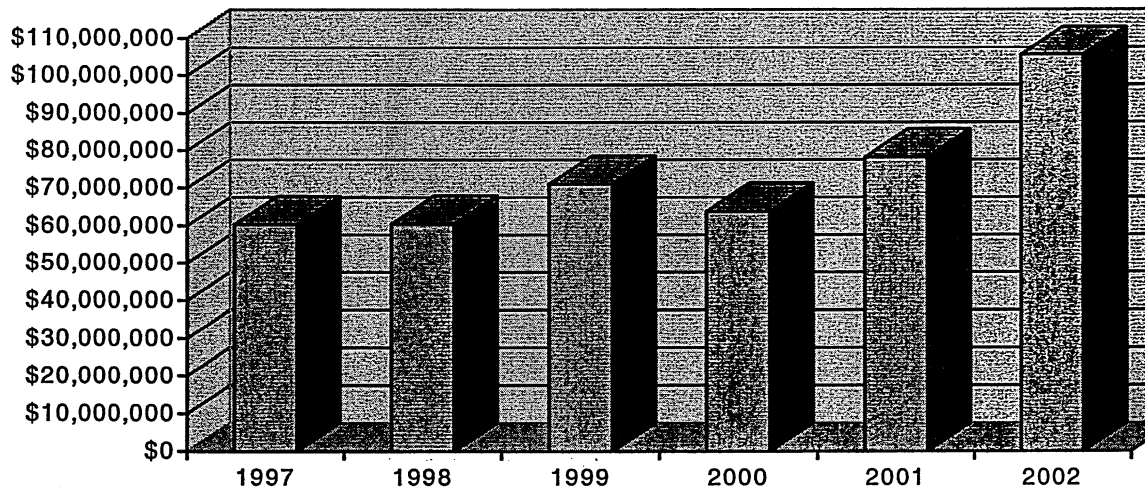
Cash Position

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

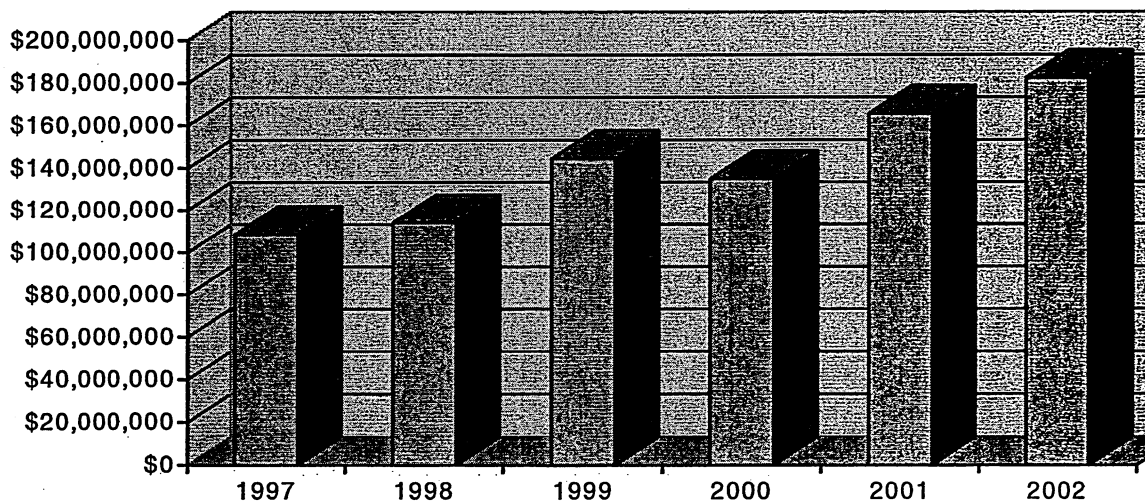
Fiscal year	Year-end general fund cash and short- term investments	Year-end all funds cash and short-term investments
1997	\$ 60,358,932	108,598,982
1998	60,512,140	114,159,051
1999	71,132,435	144,468,983
2000	63,837,512	134,939,537
2001	78,235,106	165,618,341
2002(1)	105,531,056	182,379,699

- (1) Includes the cash transferred from the Health Claims Trust, City and School Stabilization Funds and the Internal Service Fund.

Year-End Cash Balance – General Fund



Year-End Cash Balance – All Funds



Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a five-year improvement plan that is used as a guide for capital expenditures in future years. The Capital

Improvement Program for the five year-period from fiscal year 2003 through fiscal year 2007, which was approved by the City Council in May 2002, has an estimated cost of \$229,648,085. Financing for the fiscal year 2003 portion of the capital plan was appropriated with the adoption of the fiscal year 2003 operating budget in May 2002.

The City issues a majority of its debt with a ten-year or shorter repayment schedule, which requires higher debt service payments in the short-term, but results in sizable interest savings. In addition, since fiscal year 1985, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. In fiscal year 2002, the City’s outstanding bonded debt as of June 30, 2002 totaled \$212,729,858.

Key Debt Ratios					
Ratio	2002	2001	2000	1999	1998
Ratio of bonded debt to assessed value	1.3	1.6	1.4	1.4	1.4
Bonded debt per capita	\$ 2,098	1,986	1,535	1,413	1,132
Ratio of bonded debt per capita to per capita income	6.8	10.0	7.7	7.1	5.7
Ratio of debt service to total expenditures	10.6	9.7	8.9	8.6	7.6

Property Valuations

Based on valuations of all real and personal property as of January 1, 2001, the total value of all property in the City is \$16,837,087,126. Of that total, \$528,492,856 is attributable to new construction. The table below compares fiscal year 2002 property valuations and tax rates to fiscal year 2001 valuations and tax rates.

Property valuation (in thousands)			Tax rates	
	FY 2002	FY 2001	FY 2002	FY 2001
Commercial/industrial	\$ 6,215,072	4,701,278	18.81	23.39
Personal property	305,137	293,000	18.81	23.39
Residential	10,316,878	7,708,860	7.22	9.21
Total value	\$ 16,837,087	12,703,138		

Permanent Trust Funds

The City administers more than 70 permanent trust funds (excluding the Retirement Trust Fund) with a combined fund balance of \$2,528,414 at June 30, 2002. These funds are included in the other governmental funds column. This is a significant decrease from the previous year’s level due to the reclassification of several trust fund balances to the general fund. All interest earned by these funds accrues to each trust. Funds from the trusts are used for a variety of purposes including awarding scholarships and prizes to Cambridge school children, providing entertainment for residents at the nursing home, purchasing books and materials for the public library,

providing dental hygiene for school age children, and rehabilitating affordable housing. In order to conform with the requirements of GASB 34, the balance of the Health Claims Trust Fund was reclassified to the General Fund.

Pension Liability

As of January 1, 2002, the City's unfunded actuarial accrued liability is approximately \$61 million. In January, 1991, the City established a State approved funding schedule that will eliminate the City's unfunded actuarial liabilities by June 30, 2028.

Risk Management

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

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

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

Independent Audit

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of KPMG LLP. The independent auditors' report on the basic financial statements for the year ended June 30, 2002 is included herein.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cambridge, Massachusetts, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001.

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

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

Economic Condition

The City has continued to improve its strong financial condition despite a downturn in the local economy.

Although City unemployment increased from 2.6% to 3.6% at June 30, 2002, compared with 4.8% for the State and 6.0% for the United States, inflation continues at its slow pace while property values are increasing.

Future Outlook and Conclusion

While the City maintains its policy of controlled budget growth, it has also maintained its tradition of providing a high level of service to its residents and the local business community. In fact, the overall property tax levy increased by 5.0% from the prior fiscal year after adjusting for the City's acceptance of the Community Preservation Act. There continues to be many reasons to be optimistic about the fiscal future of Cambridge.

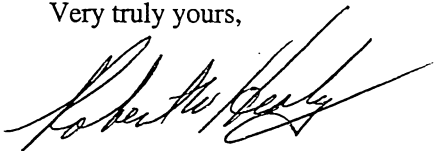
Although the local economy has felt the effects of the recession with the result being a decrease in the property tax collection rate and an increase in the unemployment and office vacancy rates, the City has historically been resilient to economic downturns. As mentioned in a previous section, both the cash position of all funds and the fund equity of the general fund improved significantly during fiscal year 2002 despite negative factors associated with the local economy. These improvements are directly attributable to the strong financial management that is often cited by credit rating agencies as a primary factor in the high bond ratings that the City has been awarded.

The City will continue to look for ways to expand its nonproperty tax revenue, encourage expansion of the tax base and exercise restraint on expenditures. These factors will enable Cambridge to maintain its high level of municipal services and remain fiscally strong.

Acknowledgments

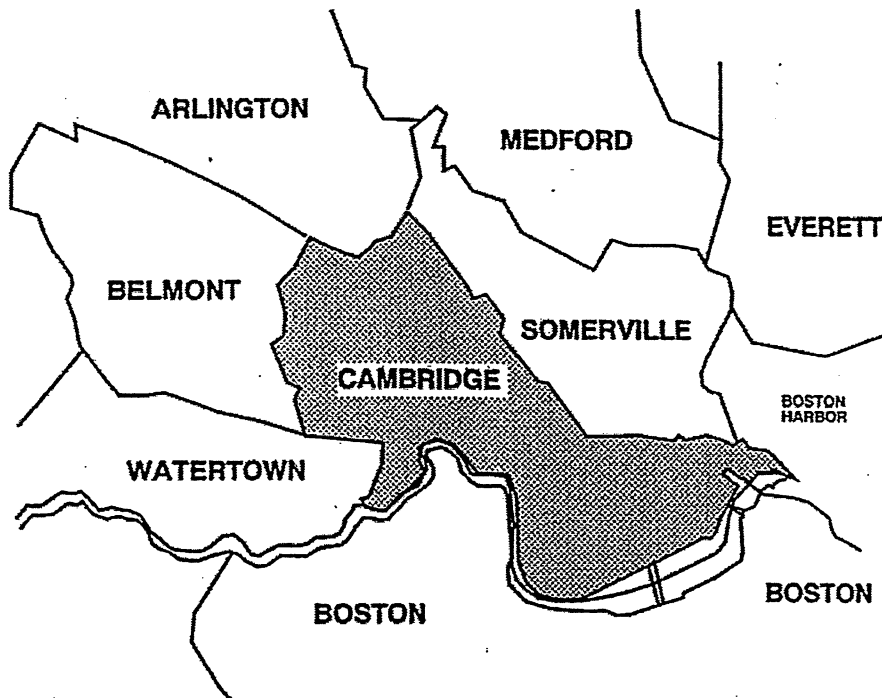
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to thank the members of the City Council for their concern and support in planning and constructing the financial operations of the City in a responsible and progressive manner. Finally, I would like to thank the City's delegation to the State Legislature, who have continually offered strong support on State fiscal matters that impact the City.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert W. Healy", written in a cursive style.

Robert W. Healy
City Manager

A Few Words About Cambridge



The City of Cambridge, Massachusetts is located in southeast Middlesex County across the Charles River from the City of Boston. The City is bordered by the Towns of Watertown and Belmont on the west, the Town of Arlington and the City of Somerville on the north, and occupies a land area of 6.26 square miles. The City's estimated population was 101,355 in 2002.

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

The City Manager is the chief administrative officer and carries out the policies of the City Council. With the assistance of a Deputy City Manager and three Assistant City Managers, the City Manager coordinates the functions of 41 municipal departments and is responsible for the delivery of services to residents. The City Manager is appointed by the City Council and serves at the pleasure of the Council. The present City Manager is employed under a contract which expires August 31, 2006.

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

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

Fiscal Year 2002

Directory of Officials

City Council

Michael A. Sullivan, Mayor

Henrietta Davis, Vice Mayor

Brian Murphy

Marjorie C. Decker

Kenneth E. Reeves

Anthony D. Galluccio

E. Denise Simmons

David P. Maher

Timothy J. Toomey, Jr.

School Committee

Michael A. Sullivan, Chair

Alfred B. Fantini

Alan C. Price

Joseph G. Grassi

Alice L. Turkel

Richard Harding, Jr.

Nancy Walser

Principal Executive Officers

City Manager

Robert W. Healy

Deputy City Manager

Richard C. Rossi

Assistant City Manager for Fiscal Affairs and
Treasurer/Collector

Louis A. DePasquale

Assistant City Manager for Community
Development

Beth C. Rubinstein

Assistant City Manager for Human Services

Jill M. Herold

City Auditor

James Monagle

City Solicitor

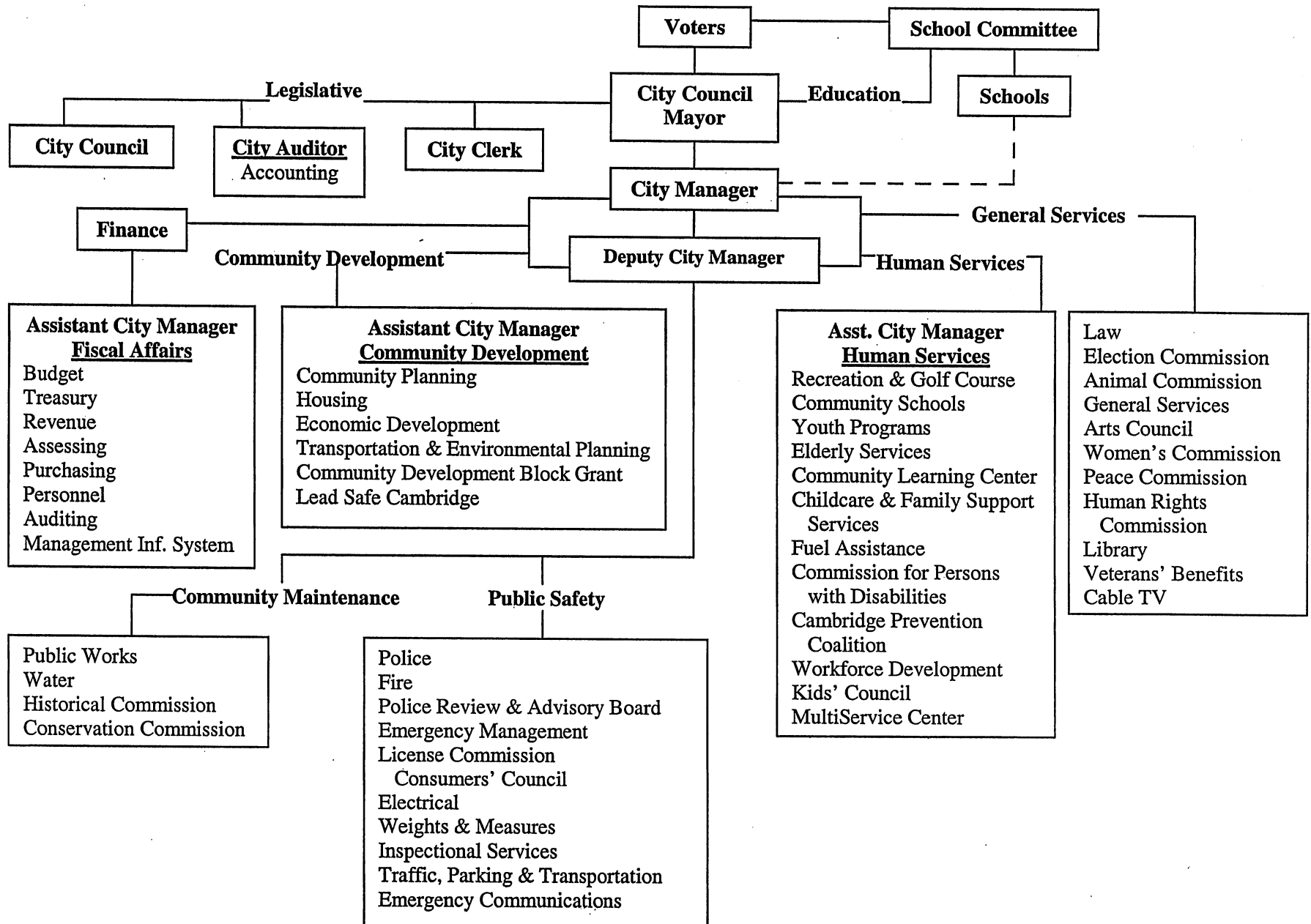
Donald A. Drisdell

City Clerk

D. Margaret Drury

ORGANIZATIONAL CHART

City of Cambridge, Massachusetts



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cambridge,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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



William Patrick Pate
President

Jeffrey L. Esser
Executive Director



99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cambridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cambridge, Massachusetts, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3, the City of Cambridge, in fiscal 2002, implemented Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The management's discussion and analysis on pages 3 through 11, the schedules of funding progress and employers' contributions on page 43, and the schedule of revenues and expenditures – budgetary basis on pages 44 and 45 are not a required part of the basic financial statement, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 16, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

December 16, 2002

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Management of the City of Cambridge (City) provides this Management's Discussion and Analysis as part of the City's Comprehensive Annual Financial Report (CAFR) to assist readers of the basic financial statements in understanding the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the transmittal letters at the front of this report and the City's basic financial statements, which begin on page 12.

Because the City implemented new reporting standards for the current fiscal year, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful to the City's financial position and results of operations.

Overview of the Financial Statements

For the past 20 years, local government financial statements have been presented on a fund-type basis reporting only current financial information. This approach has been modified and for the first time, the City's financial statements present two types of statements each with a different view of the City's finances. The new approach focuses on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City as whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Statements

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

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

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

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

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

Complete financial statements for the CPHC can be obtained from their administrative offices located at 10 Presidents Way, 5th Floor, Medford, Massachusetts, 02155.

Fund Financial Statements

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the City's general fund – the only fund for which an annual budget is legally adopted. The budgetary comparison also includes a reconciliation of revenues and expenditures reported on the City's budgetary basis of accounting and the revenues and expenditures reported on a GAAP basis. Also included are the retirement system on historical trend information for the Cambridge Retirement System which includes the schedule of funding progress, schedule of employee contributions and related notes.

Government-Wide Financial Analysis

In accordance with GASB Statement No. 34, the City is not required to restate prior periods for the purposes of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

Statement of Net Assets

The following table reflects the condensed schedule of net assets based on the statement of net assets found on page 12 of the basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

The City's combined net assets (government and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2002 by \$431.5 million (presented as "net assets"). Of this amount, \$105.5 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

The components of net assets include investment in capital assets such as land, buildings, equipment, and infrastructures (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding - the amount is \$322.9 million indicating the amount of capital debt does not exceed the net book value of the City's capital assets. Since most of the City's debt has a ten-year life, a considerable amount of our capital asset lives extend beyond the life of the debt. The City uses these capital assets to service the community; therefore, they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

City of Cambridge Summary Schedule of Net Assets As of June 30, 2002 (In millions)

	Governmental activities	Business-type activities	Total primary government
Current and other assets	\$ 198.4	11.3	209.7
Capital assets	356.1	140.3	496.4
Total assets	554.5	151.6	706.1
Long-term liabilities	144.2	67.1	211.3
Other liabilities	56.4	6.9	63.3
Total liabilities	200.6	74.0	274.6
Net assets:			
Invested in capital assets, net of related debt	255.2	67.7	322.9
Restricted	3.1	—	3.1
Unrestricted	95.6	9.9	105.5
Total net assets	\$ 353.9	77.6	431.5

Statement of Changes in Net Assets

The City's total net assets increased by \$40.8 million in fiscal year 2002, of which the governmental activities net assets increased \$40.7 million and the business-type activities increased \$0.1 million.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

This summary schedule of activities is based upon the statement found on page 13 of the basic financial statements.

City of Cambridge Summary Schedule of Activities For the Year Ended June 30, 2002 (In millions)

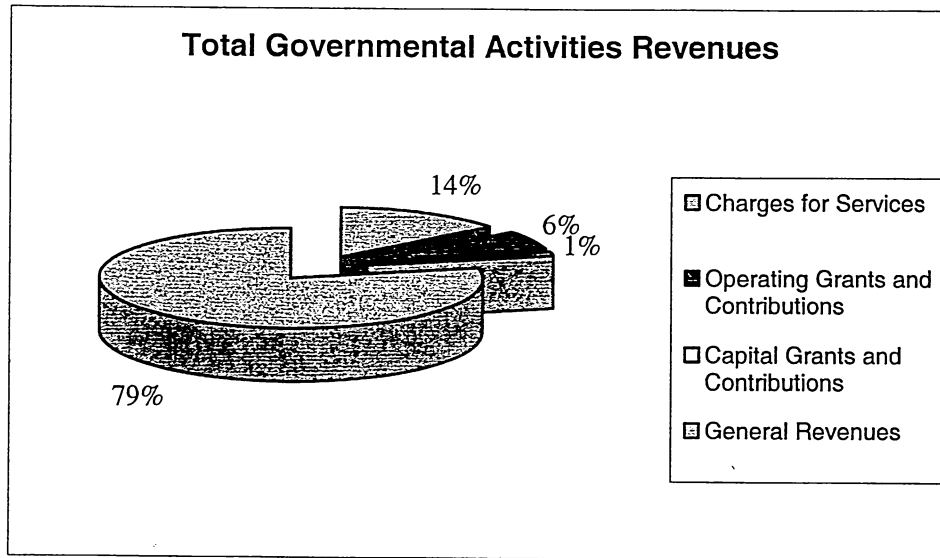
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>
Revenues:			
Program revenues:			
Charges for services	\$ 50.5	15.5	66.0
Operating grants and contributions	22.7	—	22.7
Capital grants and contributions	3.5	—	3.5
General revenues:			
Taxes:			
Property taxes levied	200.0	—	200.0
Excises	10.8	—	10.8
Payment in lieu of taxes	5.3	—	5.3
Grants and contributions not restricted	46.8	—	46.8
Investment income	3.3	0.1	3.4
Miscellaneous	15.5	—	15.5
Transfers	0.4	(0.4)	—
Total revenues	<u>358.8</u>	<u>15.2</u>	<u>374.0</u>
Expenses:			
General government	28.1	—	28.1
Public safety	73.2	—	73.2
Community maintenance and development	37.4	—	37.4
Human resource development	23.5	—	23.5
Education	122.7	—	122.7
Judgment and claims	0.2	—	0.2
State and district assessments	28.0	—	28.0
Water Department	—	15.1	15.1
Interest	5.0	—	5.0
Total expenses	<u>318.1</u>	<u>15.1</u>	<u>333.2</u>
Change in net assets	40.7	0.1	40.8
Net assets - beginning	313.2	77.5	390.7
Net assets - ending	<u>\$ 353.9</u>	<u>77.6</u>	<u>431.5</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Total Revenues

Total governmental activities revenues for the City are comprised of general revenue of \$282.1 million, charges for services of \$50.5 million, operating grants and contributions of \$22.7 million, and capital grants and contributions of \$3.5 million.



General

Real estate tax revenues are the City's largest revenue source at \$200.0 million, representing 70.9% of general revenues. The assessed tax valuation base is \$16.8 billion, up from \$12.7 billion assessed in the prior year, showing a 32.3% increase due to a City wide revaluation and new construction.

Grants and contributions not restricted to specific programs are \$46.8 million representing 16.6% of general revenues and includes state cherry sheet revenues of \$41.1 million, state police career incentive of \$0.9 million, and other unrestricted contributions.

Program

Charges for services are \$50.5 million representing a variety of department revenues. The public safety portion of \$22.6 million includes several types of permit revenues, traffic and moving violation revenues, and City garage revenues. The community maintenance and development portion of \$25.3 million includes sewer service revenues, community cable revenues, as well as other public works-type fees.

Operating grants and contributions of \$22.7 million represent several federal and state grants restricted to specific grant conditions. This accounts for approximately 6.3% of the total City governmental activities revenues.

Capital grants and contributions of \$3.5 million include community development capital grants, state revolving grants, and other capital-restricted revenues.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Expenses

For fiscal year ended June 30, 2002, expenses for governmental activities totaled \$318.2 million, which cover a range of services.

Education continues to be one of the City's highest priorities with expenditures representing \$122.7 million or 38.6% of the total governmental expenses. This includes both grant and general operating expenses.

Business-Type Activities

Business-type activities increased net assets by \$0.1 million, accounting for less than 1.0% of the total growth in the City's net assets.

Financial Analysis of the Government's Fund Financial Statements

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

Governmental Funds

As of the end of the current fiscal year, the City of Cambridge's governmental funds reported a combined ending fund balance of \$134.2 million. Of this amount, \$5.4 million is reserved for future capital projects and \$26.4 million is reserved for encumbrances and \$32.0 million is reserved for other purposes. This leaves an unreserved/undesignated fund balance of \$70.4 million.

The general fund is the chief operating fund of the City of Cambridge. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$69.6 million, while the total fund balance was \$83.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. The unreserved fund balance represents 23.5% of total general fund expenditures.

Proprietary Funds

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

Unrestricted net assets of the water fund at the end of the year were \$9.9 million with an investment in capital assets, net of related debt of \$67.6 million. The major capital investment representing this restricted fund balance is the new water treatment plant.

General Fund Budgetary Highlights

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

1. Due to a drop in our economy, the Hotel Motel excise estimates were lowered approximately \$0.7 million and absorbed through property taxes.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

2. All cherry sheet offset items do not appear in the City's original budget that represent a decrease in intergovernmental of approximately \$3.2 million and absorbed through property taxes.
3. Cherry sheet revenues and expenditures are estimated in the original budget based upon previous year's cherry sheet revenues and adjusted, if needed, for the final budget.
4. Other revenues are also adjusted based upon the previous year's actuals that accounted for approximately \$1.2 million.
5. Also, a small amount of supplemental appropriations were pushed through to various miscellaneous items such as outside legal costs, increase in solid waste costs, and increase in energy costs for traffic lights.

Capital Asset and Debt Administration

Capital Assets

The table below represents a summary of the City's gross capital assets by category (in millions):

	Governmental activities		Business-type activities		Totals	
	2002	2001	2002	2001	2002	2001
Land	\$ 162.3	162.3	39.3	39.3	201.6	201.6
Buildings and improvements	144.6	122.6	77.4	2.7	222.0	125.3
Improvements-nonbuilding	19.6	10.8	—	—	19.6	10.8
Furniture and equipment	22.2	21.6	0.9	0.9	23.1	22.5
Infrastructure	127.9	122.0	30.0	28.0	157.9	150.0
Construction in progress	32.7	29.4	2.8	73.6	35.5	103.0
Totals	\$ 509.3	468.7	150.4	144.5	659.7	613.2

As of June 30, 2002, the City of Cambridge's capital assets for its governmental and business-type activities amounted to \$496.4 million (net of depreciation). Capital assets include land, buildings, improvements, machinery and equipment, open space, roads and highways. The total gross increase in the City's capital assets for the current fiscal year was \$40.6 million in the governmental activities and \$5.9 million in the business-type activities.

Major capital projects that took place during the current fiscal year include the following:

- Several ongoing sewer separation projects scattered throughout the City, which are funded through bonds and state grants.
- Completion of the roof replacement to the Cambridge Rindge and Latin School.
- Significant renovations have been completed to the Fitzgerald School.

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

Debt

At year-end, the City had \$221.9 million in outstanding bonds and notes compared to \$206.8 million last year. That is an increase of \$15.1 million or 7.3%.

	Governmental activities		Business-type activities		Totals	
	2002	2001	2002	2001	2002	2001
(In millions)						
General obligation bonds and notes payable	\$ 149.2	135.3	72.7	71.5	221.9	206.8
Totals	\$ 149.2	135.3	72.7	71.5	221.9	206.8

During the year, the City borrowed \$32.6 million in general obligation bonds in General Obligation bonds to finance a wide range of projects including improvements to City Hall, City Hall Annex, War Memorial, and Cambridge Rindge and Latin School Field House as well as sewer reconstruction, street reconstruction, water system improvements, and the final phase of the construction of a new water treatment plant at a net interest cost of 3.91%.

The City of Cambridge maintains bond ratings with Fitch IBCA of AAA, Moody's Investors Service Inc. of Aaa, and Standard & Poor's Corporation of AAA. The interest rate for the current year's bond sale was 3.91%.

Additional information on the City of Cambridge's debt can be found in note 8 on page 35.

Economic Factors and Next Year's Budgets and Rates

With an anticipated drop in state aid of approximately 10%, the City has increased the property tax levy by 5.48% to \$197.7 million. Despite this increase, the City's excess tax levy capacity, an extremely important indication of the City's financial health, is approximately \$36 million for FY03. Cambridge currently has the largest excess levy capacity in the Commonwealth.

The operating budget increased 4% over the FY02 budget. The increase is attributable to a 3% salary increase for all employees; a 12% increase in employee health insurance; a 3.2% increase in school spending; and a debt service increase of 11.7%. The capital budget of \$29.4 million is a decrease of approximately \$26.3 million from the prior year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions on this report or need additional financial information, your inquiries should be addressed to: City of Cambridge, Attn: City Auditor, 795 Massachusetts Avenue, Cambridge, MA 02139-3219.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets

June 30, 2002

Assets	Primary government			Component unit
	Governmental activities	Business-type activities	Total	
Cash and investments	\$ 148,115,460	7,382,899	155,498,359	48,859,940
Cash and investments held by trustees	600,000	—	600,000	47,214,816
Receivables, net:				
Property taxes	1,407,964	—	1,407,964	—
Motor vehicle excise	3,353,382	—	3,353,382	—
Intergovernmental	7,591,052	—	7,591,052	—
Other	12,362,306	4,712,911	17,075,217	43,049,613
Other assets	165,399	—	165,399	16,684,291
Internal balances	861,502	(861,502)	—	—
Due from component unit	24,000,000	—	24,000,000	—
Capital assets:				
Nondepreciable	194,940,987	42,106,534	237,047,521	31,742,336
Depreciable, net	161,151,619	98,241,104	259,392,723	183,358,104
Total assets	554,549,671	151,581,946	706,131,617	370,909,100
Liabilities				
Warrants and accounts payable	1,000,004	—	1,000,004	31,273,138
Accrued liabilities:				
Tax abatement refunds	5,154,476	—	5,154,476	—
Accrued payroll	10,290,642	62,094	10,352,736	—
Other	8,413,171	—	8,413,171	—
Deferred revenue	1,141,692	—	1,141,692	33,567,038
Due to primary government	—	—	—	24,000,000
Long-Term liabilities:				
Due within one year:				
Bonds and notes payable	20,227,486	5,912,314	26,139,800	—
Capital leases	—	—	—	3,085,641
Due to third parties	—	—	—	4,456,120
Compensated absences	4,441,415	155,512	4,596,927	17,668,801
Landfill	25,000	—	25,000	—
Claims	4,394,236	54,441	4,448,677	—
Accrued interest	1,402,398	735,991	2,138,389	—
Due in more than one year:				
Bonds and notes payable	128,940,415	66,789,295	195,729,710	—
Capital leases	—	—	—	21,475,849
Due to third parties	—	—	—	60,454,904
Compensated absences	13,743,595	203,060	13,946,655	—
Landfill	450,000	—	450,000	—
Claims	1,026,336	108,881	1,135,217	—
Total liabilities	200,650,866	74,021,588	274,672,454	195,981,491
Net Assets				
Investment in capital assets, net of related debt	255,226,705	67,646,029	322,872,734	166,538,950
Restricted for:				
Other purposes	3,128,414	—	3,128,414	4,155,450
Unrestricted	95,543,686	9,914,329	105,458,015	4,233,209
Commitments and contingencies				
Total net assets	\$ 353,898,805	77,560,358	431,459,163	174,927,609

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2002

Functions/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			Component unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total	
					Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
General government	\$ 28,159,583	\$ 228,388	\$ —	\$ —	\$ (27,931,195)		\$ (27,931,195)	
Public safety	73,177,887	22,627,366	—	—	(50,550,521)		(50,550,521)	
Community maintenance and development	37,355,588	25,251,184	4,207,828	3,537,887	(4,358,689)		(4,358,689)	
Human resource development	23,465,616	2,443,060	8,085,503	—	(12,937,053)		(12,937,053)	
Education	122,717,493	—	10,442,429	—	(112,275,064)		(112,275,064)	
Judgments and claims	205,418	—	—	—	(205,418)		(205,418)	
Intergovernmental	28,018,935	—	—	—	(28,018,935)		(28,018,935)	
Interest on long term debt	5,065,745	—	—	—	(5,065,745)		(5,065,745)	
Total governmental activities	<u>318,166,265</u>	<u>50,549,998</u>	<u>22,735,760</u>	<u>3,537,887</u>	<u>(241,342,620)</u>		<u>(241,342,620)</u>	
Business-type activities:								
Water	<u>15,079,842</u>	<u>15,523,309</u>	<u>—</u>	<u>—</u>	<u>—</u>	\$ 443,467	<u>443,467</u>	
Total business-type activities	<u>15,079,842</u>	<u>15,523,309</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>443,467</u>	<u>443,467</u>	
Total primary government	<u>\$ 333,246,107</u>	<u>\$ 66,073,307</u>	<u>\$ 22,735,760</u>	<u>\$ 3,537,887</u>	<u>(241,342,620)</u>	<u>443,467</u>	<u>(240,899,153)</u>	
Component unit:								
Cambridge Public Health Commission	\$ 393,631,440	\$ 159,246,756	\$ 231,620,782	\$ 16,752,436				\$ 13,988,534
Total component units	<u>\$ 393,631,440</u>	<u>\$ 159,246,756</u>	<u>\$ 231,620,782</u>	<u>\$ 16,752,436</u>				<u>13,988,534</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					199,963,787	—	199,963,787	—
Excises					10,745,939	—	10,745,939	—
Payments in lieu of taxes					5,316,254	—	5,316,254	—
Grants and contributions not restricted					46,822,454	—	46,822,454	—
Investment income					3,331,545	56,962	3,388,507	3,068,416
Miscellaneous					15,515,230	—	15,515,230	—
Transfers					<u>376,870</u>	<u>(376,870)</u>	<u>—</u>	<u>—</u>
Total general revenues and transfers					<u>282,072,079</u>	<u>(319,908)</u>	<u>281,752,171</u>	<u>3,068,416</u>
Change in net assets					40,729,459	123,559	40,853,018	17,056,950
Net assets - beginning					<u>313,169,346</u>	<u>77,436,799</u>	<u>390,606,145</u>	<u>157,870,659</u>
Net assets - ending					<u>\$ 353,898,805</u>	<u>\$ 77,560,358</u>	<u>\$ 431,459,163</u>	<u>\$ 174,927,609</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2002

	<u>General</u>	<u>Capital fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Assets				
Cash and investments	\$ 105,531,056	9,740,355	32,844,049	148,115,460
Cash and investments held by trustees	—	—	600,000	600,000
Receivables, net:				
Property taxes	6,095,610	—	—	6,095,610
Motor vehicle excise	3,353,382	—	—	3,353,382
Tax title and possessions	2,659,463	—	—	2,659,463
Intergovernmental	—	6,933,108	657,944	7,591,052
Departmental and other	6,217,887	—	3,484,956	9,702,843
Total receivables	<u>18,326,342</u>	<u>6,933,108</u>	<u>4,142,900</u>	<u>29,402,350</u>
Due from other funds	—	2,872,797	—	2,872,797
Due from component unit	24,000,000	—	—	24,000,000
Total assets	<u>\$ 147,857,398</u>	<u>19,546,260</u>	<u>37,586,949</u>	<u>204,990,607</u>
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 967,542	—	32,462	1,000,004
Accrued liabilities:				
Tax abatements	5,154,476	—	—	5,154,476
Claims	4,394,236	—	—	4,394,236
Accrued payroll	10,238,793	—	51,849	10,290,642
Other	2,933,633	2,720,848	978,690	6,633,171
Deferred revenue	41,191,233	—	110,194	41,301,427
Due to other funds	—	—	2,011,295	2,011,295
Total liabilities	<u>64,879,913</u>	<u>2,720,848</u>	<u>3,184,490</u>	<u>70,785,251</u>
Fund balances:				
Reserved for:				
Encumbrances	7,997,671	16,049,298	2,297,746	26,344,715
Future capital projects	5,393,075	—	—	5,393,075
Reserved for specific purposes	—	—	32,104,713	32,104,713
Unreserved:				
Undesignated	69,586,739	776,114	—	70,362,853
Total fund balance	<u>82,977,485</u>	<u>16,825,412</u>	<u>34,402,459</u>	<u>134,205,356</u>
Total liabilities and fund balances	<u>\$ 147,857,398</u>	<u>19,546,260</u>	<u>37,586,949</u>	<u>204,990,607</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

June 30, 2002

Total fund balance - Governmental Funds	\$ 134,205,356
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	162,314,121
Buildings and improvements	144,622,433
Improvements non-building	19,637,181
Furniture and equipment	22,193,382
Infrastructure	127,936,227
Construction in progress	32,626,866
Less: accumulated depreciation	(153,237,604)
	<u>356,092,606</u>
Adjust deferred revenues to record tax revenues on an accrual basis	<u>33,692,089</u>
Bond issuance costs are capitalized in the government wide statements	<u>165,399</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds and notes	(149,167,901)
Accrued interest on bonds	(1,402,398)
Compensated absences	(18,185,010)
Landfill	(475,000)
Claims	(1,026,336)
	<u>(170,256,645)</u>
Net assets of governmental activities	\$ <u><u>353,898,805</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2002

	General	Capital fund	Other governmental funds	Total governmental funds
Revenues:				
Real and personal property taxes	\$ 198,805,559	—	—	198,805,559
Excises:				
Hotel/Motel	4,907,532	—	—	4,907,532
Motor vehicles	5,838,407	—	—	5,838,407
Payments in lieu of taxes	5,316,254	—	—	5,316,254
Intergovernmental	46,822,454	3,537,887	22,735,760	73,096,101
Investment income	2,344,360	110,927	876,258	3,331,545
Sewer use charges	23,836,866	—	—	23,836,866
Departmental and other	20,273,302	849,820	21,366,022	42,489,144
Total revenues	<u>308,144,734</u>	<u>4,498,634</u>	<u>44,978,040</u>	<u>357,621,408</u>
Expenditures:				
Current:				
General government	26,804,656	—	195,163	26,999,819
Public safety	70,386,768	—	649,845	71,036,613
Community maintenance and development	24,171,500	—	4,114,992	28,286,492
Human resource development	17,531,399	—	5,611,460	23,142,859
Education	112,961,033	—	12,101,179	125,062,212
Judgments and claims	205,418	—	—	205,418
State and district assessments	28,018,935	—	—	28,018,935
Capital outlays	—	40,585,634	—	40,585,634
Debt service	16,387,472	—	—	16,387,472
Total expenditures	<u>296,467,181</u>	<u>40,585,634</u>	<u>22,672,639</u>	<u>359,725,454</u>
Excess (deficiency) of revenues over expenditures	11,677,553	(36,087,000)	22,305,401	(2,104,046)
Other financing sources (uses):				
Long-term debt issued	—	27,401,415	4,000,000	31,401,415
Transfers in	12,495,297	13,303,761	4,335,091	30,134,149
Transfers out	(10,675,172)	—	(19,082,107)	(29,757,279)
Total other financing (uses) sources	<u>1,820,125</u>	<u>40,705,176</u>	<u>(10,747,016)</u>	<u>31,778,285</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	13,497,678	4,618,176	11,558,385	29,674,239
Fund balance - beginning (as restated)	69,479,807	12,207,236	22,844,074	104,531,117
Fund balance - ending	<u>\$ 82,977,485</u>	<u>16,825,412</u>	<u>34,402,459</u>	<u>134,205,356</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year ended June 30, 2002

Net change in fund balances - total governmental funds	\$ 29,674,239
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital outlays (\$40,585,634) exceeded depreciation expense (\$14,055,209).	26,530,425
Tax revenues in the statement of activities that are not reported as revenues in the governmental funds.	3,862,753
Proceeds of long-term debt (\$31,401,415) increase long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Repayment of bond principal (\$17,546,087) is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(13,855,328)
Bond issuance costs (\$163,399) are expenditures in the governmental funds, but are deferred assets in the statement of net assets.	163,399
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the decrease in landfill liabilities (\$25,000) offset by the increase in compensated absences (\$1,478,363), interest expense (\$1,386,330) and judgment and claims (\$2,806,336).	(5,646,029)
Change in net assets of governmental activities	\$ 40,729,459

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Net Assets – Proprietary Fund

June 30, 2002

Assets	Enterprise fund Water fund
Current assets:	
Cash and investments	\$ 7,382,899
Receivables, net	4,712,911
Total current assets	12,095,810
Noncurrent assets:	
Capital assets:	
Nondepreciable	42,106,534
Depreciable (net)	98,241,104
Total noncurrent assets	140,347,638
Total assets	152,443,448
Liabilities	
Current liabilities:	
Accrued liabilities:	
Claims	54,441
Compensated absences	155,512
Accrued payroll	62,094
Interest	735,991
Current portion of long-term debt	5,912,314
Due to other funds	861,502
Total current liabilities	7,781,854
Noncurrent liabilities:	
Bonds payable	66,789,295
Accrued liabilities:	
Compensated absences	203,060
Other	108,881
Total noncurrent liabilities	67,101,236
Total liabilities	74,883,090
Net Assets	
Investment in capital assets, net of related debt	67,646,029
Unrestricted	9,914,329
Total net assets	\$ 77,560,358

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

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

Year ended June 30, 2002

	<u>Enterprise fund</u>
	<u>Water</u>
	<u>fund</u>
Operating revenues:	
Charges for services	\$ 14,060,200
Other	1,463,109
Total operating revenues	<u>15,523,309</u>
Operating expenses:	
Administration	1,908,383
Service and support programs	6,749,008
Other general services	42,000
Depreciation	2,181,542
Total operating expenses	<u>10,880,933</u>
Operating income	<u>4,642,376</u>
Nonoperating revenue (expense):	
Investment earnings - other	56,962
Interest expense	(4,198,909)
Nonoperating expense	<u>(4,141,947)</u>
Income before transfers	500,429
Transfers to other funds	<u>(376,870)</u>
Change in net assets	123,559
Total net assets - beginning	<u>77,436,799</u>
Total net assets - ending	<u>\$ 77,560,358</u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Cash Flows - Proprietary Fund

Year ended June 30, 2002

	<u>Enterprise fund</u> <u>Water</u> <u>fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 15,710,589
Cash paid to vendors	(5,146,050)
Cash paid to employees	(3,093,005)
Net cash provided in operating activities	<u>7,471,534</u>
Cash flows from noncapital financing activities:	
Operating transfers	<u>(376,870)</u>
Net cash used by noncapital financing activities	<u>(376,870)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(5,872,530)
Proceeds from issuance of debt	6,475,000
Interest paid on debt	(4,198,909)
Repayment of long-term debt	(5,258,371)
Net cash used by capital and related financing activities	<u>(8,854,810)</u>
Cash flows from investing activities:	
Investment income	<u>56,962</u>
Net cash provided by investing activities	<u>56,962</u>
Decrease in cash and cash equivalents	(1,703,184)
Cash and investments, beginning of year	<u>9,086,083</u>
Total cash and investments, end of year	<u><u>\$ 7,382,899</u></u>
Reconciliation of operating income to cash provided by operating activities:	
Operating income	\$ 4,642,376
Reconciliation of operating income to net cash provided by operating activities:	
Depreciation and amortization	2,181,542
Changes in operating assets and liabilities:	
Accounts receivable	(187,280)
Due from other funds	(130,463)
Other accrued liabilities	965,359
Net cash provided by operating activities	<u><u>\$ 7,471,534</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2002

Assets	Employee retirement plan	Agency funds
Cash and cash equivalents	\$ 21,383,593	4,897,747
Accounts receivable	8,329,435	—
Investments, at fair value:		
Fixed income securities	174,093,837	—
Equities	142,211,291	—
Pooled investments:		
Fixed income	4,357,771	—
Real estate	13,922,695	—
Domestic equities	70,658,178	—
International equities	41,076,184	—
Other	8,227,006	—
Total investments	454,546,962	—
Other assets	2,899,392	—
Cash collateral on security lending	24,316,882	—
Total assets	<u>\$ 511,476,264</u>	<u>4,897,747</u>
Liabilities		
Accounts payable	\$ —	179,904
Accrued liabilities	8,402,010	—
Guarantee deposits	—	4,717,843
Cash collateral on security lending	24,316,882	—
Total liabilities	<u>32,718,892</u>	<u>4,897,747</u>
Net Assets		
Held in trust for pension benefits	<u>\$ 478,757,372</u>	

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

June 30, 2002

	Employee retirement plan
Additions:	
Contributions:	
Employers	\$ 22,030,446
Employees	13,898,533
Total contributions	<u>35,928,979</u>
Investment earnings:	
Net depreciation in the fair value of investments	(31,409,317)
Interest and dividends	16,513,003
Total losses earnings	<u>(14,896,314)</u>
Less: investment expenses	<u>(2,441,054)</u>
Net losses earnings	(17,337,368)
Intergovernmental	<u>1,921,800</u>
Total additions	<u>20,513,411</u>
Deductions:	
Benefits	30,511,036
Refunds of contributions	2,544,126
Administrative expenses	581,003
Total deductions	<u>33,636,165</u>
Change in net assets	(13,122,754)
Net assets, beginning of year	<u>491,880,126</u>
Net assets, end of year	<u><u>\$ 478,757,372</u></u>

See accompanying notes to basic financial statements.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

(1) The Financial Reporting Entity

(a) *Primary Government*

Settled in 1630 by a group from the Massachusetts Bay Company, the City of Cambridge (the City) was incorporated as a town in 1636 and became a city in 1846. Since 1940, the City has operated under a Council Manager form of government. The legislative body of the City is the City Council, consisting of nine members elected at large every two years; the Mayor and Vice-Mayor are elected by the Council from among its members for a two-year term. Executive authority resides with the City Manager, who is appointed by the Council and is responsible for the delivery of services to City residents.

The Mayor also serves as Chair of the School Committee. The School Committee, whose members are elected, have full authority for operations of the school system and appoint a superintendent to administer the system's day-to-day operations.

The accompanying basic financial statements present the City of Cambridge and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

(b) *Blended Component Unit*

The following component unit has been presented as a blended component unit (included in the primary government) because the component unit provides services almost exclusively to the primary government.

The Cambridge Retirement System (the System) is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprised of five members: the City Auditor who serves as *ex officio*; two individuals elected by participants in the System; a fourth member appointed by the City Manager and a fifth member chosen by the other members of the Board. The System provides pension benefits to retired City, Cambridge Housing Authority, Cambridge Redevelopment Authority and Cambridge Public Health Commission employees. Although legally separate, the System provides services entirely or almost entirely to the City and thus has been reported as if it were part of the primary government; a method of inclusion known as blending.

The System is on a calendar fiscal year. As a result, the financial information of the system is as of and for the year ending December 31, 2001. The System does not issue stand-alone financial statements.

(c) *Discretely Presented Component Unit*

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

The Cambridge Public Health Commission (CPHC) is a body politic and corporate and public instrumentality of the Commonwealth established by Chapter 147 of the Acts of 1996. CPHC is governed by a nineteen-member board, all of whom are appointed by the City Manager. CPHC is responsible for the implementation of public health programs in the City.

Complete financial statements for the CPHC for its fiscal year ended June 30, 2002 are available from its offices on 10 Presidents Way, 5th Floor, Medford, Massachusetts 02155.

(d) Related Organizations

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

(2) Summary of Significant Accounting Policies

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

(a) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements

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

The City applies the susceptible to accrual criteria to property taxes and intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, resources must be expended on the specific purpose or project before any amounts will be reimbursed to the City; therefore, revenues are based upon the amount of expenditures incurred. In the other, resources are virtually unrestricted and are usually revocable by the grantor 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.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments and claims, are recorded only when payment is due.

Proprietary Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

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

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

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

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

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

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

The *pension trust fund* accounts principally for the activities of the Cambridge Retirement System, a blended component unit, which accumulates resources for pension benefit payments to retired City employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

(c) ***Cash Equivalents***

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

(d) ***Basis of Investment Valuation***

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

(e) ***Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

(f) *Uncollectible Tax and Other Receivables*

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

(g) *Capital Assets*

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

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

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

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

(h) *Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2002 is recorded in the governmental fund financial statements. The total amount to be paid in future years is presented in the government-wide statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

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

(j) *Fund Equity*

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

(k) *Tax Abatement Refunds*

All estimated tax abatement refunds have been recorded as a liability in the general fund.

(l) *Landfill Postclosure Care Costs*

State and federal regulations required the City to place a final cover on its Danehy Park landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. At June 30, 2002, 100% of the landfill site had been used and has not accepted solid waste for several years. The City has completed the covering of this site in accordance with applicable laws and regulations.

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

(m) *Use of Estimates*

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

(3) *Implementation of New Accounting Standards*

The accounting policies of the City of Cambridge, Massachusetts, conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which established new financial reporting requirements for state and local governments throughout the United States. The statement requires new information and restructures much of the information that the City has presented in the past. Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the City has implemented the following additional GASB Statements in the current fiscal year: Statement 37 – *Basic Financial Statements – and*

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

Management's Discussion and Analysis – for State and Local Governments: Omnibus, Statement 38 – Certain Financial Statement Note Disclosures and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As a result of implementing GASB Interpretation No. 6, certain fund liabilities that existed at June 30, 2001 were reduced to reflect only the portion of the liability that was "due". The impact of these changes was to reduce liabilities and increase fund equity at July 1, 2001, by \$1.8 million and \$2.0 million for the general fund and other governmental funds, respectively.

As a result of implementing GASB Statement No. 34, the City reclassified certain previously reported trust funds and its internal service fund to governmental type funds. The impact of these reclassifications was to increase fund equity at July 1, 2001 of the general fund and other governmental funds by \$21.1 million and \$7.9 million, respectively.

(4) 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, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, bankers' acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns and other state and local agencies within the Commonwealth. The City's fair value of its investment in the MMDT represents their value of the pool's shares.

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

(a) Deposits

The City categorized deposits according to the level of risk assumed. Category 1 includes deposits which are fully insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes those deposits that are not collateralized. The City's deposits at June 30, 2002 are as follows:

Primary Government	Category			Total bank balance	Carrying amount
	1	2	3		
Total cash deposits	\$ 500,000	—	56,622,499	57,122,499	51,946,251

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

Discretely Presented Component Unit (CPHC)	Category			Total bank balance	Carrying amount
	1	2	3		
Total cash deposits	\$ 500,000	—	56,033,648	56,533,648	47,893,739

(b) Investments

The City and Cambridge Retirement System categorize investments according to the level of risk assumed. Category 1 includes investments that are insured, registered or held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent but not in the entity's name. MMDT, other mutual funds, pooled funds, venture capital funds and real estate investments are not categorized. The City's investments are as follows:

Primary government June 30, 2002	Category			Fair value
	1	2	3	
Categorized:				
Fixed income securities	\$ 151,752,040	—	—	151,752,040
Equity securities	140,630,791	—	—	140,630,791
	<u>\$ 292,382,831</u>	<u>—</u>	<u>—</u>	<u>292,382,831</u>
Not categorized:				
Securities loaned:				
Fixed income securities				22,341,797
Equity securities				1,580,500
MMDT				104,237,775
Cash collateral pool				24,316,882
Other pooled funds				<u>164,437,507</u>
				<u>\$ 609,297,292</u>

Of the investments reflected in the preceding table, investments of the Cambridge Retirement System constitute 82% of the amount of the Primary Government.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

CPHC June 30, 2002	Category			Fair value
	1	2	3	
Categorized:				
U.S. Government obligations	\$ 20,340,818	—	—	20,340,818
Debt securities	3,070,815	—	—	3,070,815
	<u>\$ 23,411,633</u>	<u>—</u>	<u>—</u>	<u>23,411,633</u>
Not categorized:				
MMDT				<u>24,769,384</u>
				<u>\$ 48,181,017</u>

The composition of the City's bank 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.

(5) Property Taxes

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

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

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

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

(6) Capital Assets

Capital asset activity for the year ended June 30, 2002 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,314,121	—	—	162,314,121
Construction in progress	29,315,344	33,422,480	(30,110,958)	32,626,866
Total capital assets not being depreciated	<u>191,629,465</u>	<u>33,422,480</u>	<u>(30,110,958)</u>	<u>194,940,987</u>
Capital assets being depreciated:				
Buildings and improvements	122,602,245	22,020,188	—	144,622,433
Improvements –non-building	10,874,781	8,762,400	—	19,637,181
Furniture and equipment	21,608,790	584,592	—	22,193,382
Infrastructure	122,029,297	5,906,930	—	127,936,227
Total capital assets being depreciated	<u>277,115,113</u>	<u>37,274,110</u>	<u>—</u>	<u>314,389,223</u>
Less accumulated depreciation for:				
Buildings and improvements	(49,951,250)	(3,606,111)	—	(53,557,361)
Improvements –non-building	(2,926,467)	(362,885)	—	(3,289,352)
Furniture and equipment	(9,612,016)	(2,853,813)	—	(12,465,829)
Infrastructure	(76,692,662)	(7,232,400)	—	(83,925,062)
Total accumulated depreciation	<u>(139,182,395)</u>	<u>(14,055,209)</u>	<u>—</u>	<u>(153,237,604)</u>
Total capital assets being depreciated, net	<u>137,932,718</u>	<u>23,218,901</u>	<u>—</u>	<u>161,151,619</u>
Governmental activities capital assets, net	\$ <u>329,562,183</u>	<u>56,641,381</u>	<u>(30,110,958)</u>	<u>356,092,606</u>

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

Governmental activities:	
General government	\$ 969,773
Public safety	1,436,675
Human resource development	220,205
Education	2,712,169
Highways and streets, including depreciation of general infrastructure assets	<u>8,716,387</u>
Total depreciation expense – governmental activities	<u>\$ 14,055,209</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

Water Enterprise Fund

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activity:				
Capital assets not being depreciated:				
Land	\$ 39,264,325	—	—	39,264,325
Construction in progress	73,610,392	2,842,209	(73,610,392)	2,842,209
Total capital assets not being depreciated	112,874,717	2,842,209	(73,610,392)	42,106,534
Capital assets being depreciated:				
Buildings and improvements	2,691,221	74,753,585	—	77,444,806
Furniture and equipment	921,741	—	—	921,741
Infrastructure	28,064,453	1,887,128	—	29,951,581
Total capital assets being depreciated	31,677,415	76,640,713	—	108,318,128
Less accumulated depreciation for:				
Buildings and improvements	(515,207)	(1,388,428)	—	(1,903,635)
Furniture and equipment	(329,754)	(128,083)	—	(457,837)
Infrastructure	(7,050,521)	(665,031)	—	(7,715,552)
Total accumulated depreciation	(7,895,482)	(2,181,542)	—	(10,077,024)
Total capital assets being depreciated, net	23,781,933	74,459,171	—	98,241,104
Business-type activity capital assets, net	\$ 136,656,650	77,301,380	(73,610,392)	140,347,638

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

Individual fund receivable and payable balances at June 30, 2002, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
Capital fund – Community Development Block Grant receivable from other governmental fund	\$ 2,872,797	—
Enterprise fund – Reimbursement to Capital Fund related to construction	—	861,502
Other governmental fund – Community Development Block Grant payable to Capital fund	—	2,011,295
Balance at June 30, 2002	2,872,797	2,872,797
Balances in accompanying basic financial statements	\$ 2,872,797	2,872,797

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

Receivable and payable balances between the primary government and CPHC at June 30, 2002 are as follows:

<u>Discrete component unit balances</u>	<u>Receivable</u>	<u>Payable</u>
Primary government		
General	\$ 24,000,000	—
Discretely presented component unit		
CPHC	—	24,000,000
Balance at June 30, 2002	<u>24,000,000</u>	<u>24,000,000</u>
Balances in accompanying basic financial statements	<u>\$ 24,000,000</u>	<u>24,000,000</u>

In 1998, the City issued \$30 million of general obligation hospital bonds. The proceeds were provided to the CPHC for the construction of an ambulatory care center. CPHC has assumed responsibility for paying to the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. These general obligation bonds amounted to \$24,000,000 at June 30, 2002.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

(8) Long-Term Obligations

Following is a summary of the governmental long-term obligations of the City as of June 30, 2002:

	<u>Date of Issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
Bonds and notes payable:							
General purpose, serial maturities through December 15, 2011	6/15/92 to 12/1/01	4.00-6.0%	\$ 15,520,000	14,230,000	2,655,000	27,095,000	4,030,000
Urban redevelopment, serial maturities through December 1, 2011	6/15/92 to 12/1/00	3.75-5.9%	9,540,000	1,250,000	1,570,000	9,220,000	1,325,000
Schools, serial maturities through December 1, 2010	2/1/94 to 12/1/00	3.75-5.9%	36,992,000	—	5,873,000	31,119,000	5,868,000
Sewer, serial maturities through December 15, 2011	2/1/94 to 12/1/00	2.35-6.13%	42,067,186	11,921,415	5,394,352	48,594,249	6,770,350
Hospital, serial maturities through February 1, 2018	2/1/98	4.50-5.0%	25,500,000	—	1,500,000	24,000,000	1,500,000
Neville Manor, serial maturities through June 15, 2002	6/15/92	4.3-5.3%	150,000	—	150,000	—	—
Section 108 HUD notes payable, serial maturities through August 15, 2014	2/1/95	7.71-9.03%	935,000	—	110,000	825,000	420,000
School equipment notes, serial maturities through June 15, 2008	6/15/98	6.85%	2,608,387	—	293,735	2,314,652	314,136
Note payable serial maturities April 2010 through April 2021	4/15/00	2%	2,000,000	4,000,000	—	6,000,000	—
Total governmental obligation bonds and notes payable			135,312,573	31,401,415	17,546,087	149,167,901	20,227,486
Other long-term obligations:							
Claims			3,157,895	3,342,547	1,079,870	5,420,572	4,394,236
Compensated absences, net			16,706,647	1,478,363	—	18,185,010	4,441,415
Landfill postclosure care costs			500,000	—	25,000	475,000	25,000
Total other governmental long-term obligations			20,364,542	4,820,910	1,104,870	24,080,582	8,860,651
Total governmental long-term obligations			\$ 155,677,115	36,222,325	18,650,957	173,248,483	29,088,137

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

Following is a summary of the business-type long-term obligations of the City as of June 30, 2002:

	<u>Date of Issue</u>	<u>Interest rates</u>	<u>Outstanding, beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, end of year</u>	<u>Due within one year</u>
General purpose, serial maturities through December 15, 2011	2/1/94 to 12/15/01	3.5-6.0%	\$ 71,484,980	6,475,000	5,258,371	72,701,609	5,912,314
Total business-type bond and notes payable			<u>\$ 71,484,980</u>	<u>6,475,000</u>	<u>5,258,371</u>	<u>72,701,609</u>	<u>5,912,314</u>
Other long-term obligations:							
Claims			97,714	141,541	75,933	163,322	54,441
Compensated absences, net			<u>304,804</u>	<u>53,768</u>	<u>—</u>	<u>358,572</u>	<u>155,512</u>
Total other long-term obligations			<u>402,518</u>	<u>195,309</u>	<u>75,933</u>	<u>521,894</u>	<u>209,953</u>
Total business-type long-term obligations			<u>\$ 71,887,498</u>	<u>6,670,309</u>	<u>5,334,304</u>	<u>73,223,503</u>	<u>6,122,267</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

The annual debt service requirements of the City's general obligation governmental bonds and notes payable outstanding as of June 30, 2002, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 20,227,486	6,380,357	26,607,843
2004	19,549,459	5,467,996	25,017,455
2005	17,806,653	4,576,110	22,382,763
2006	14,803,221	3,811,972	18,615,193
2007	14,141,083	3,149,481	17,290,564
2008-2012	48,404,999	7,425,950	55,830,949
2013-2017	10,735,000	1,996,433	12,731,433
2018	3,500,000	467,500	3,967,500
	<u>\$ 149,167,901</u>	<u>33,275,799</u>	<u>182,443,700</u>

The City has entered into loan agreements with the President and Fellows of Harvard College. The loans provide funding to further the development of affordable housing within the City. The notes carry interest at 2% per year for a period of twenty years with principal payments beginning in 2010. Interest costs will be \$120,000 annually. At June 30, 2002, the principal amount outstanding is \$6,000,000.

General obligation bonds are backed by the full faith and credit of the City. The Commonwealth has approved school construction assistance, subject to annual appropriation by the state legislature and reports filed with the Commonwealth by the City, to partially provide resources for future principal and interest requirements on general obligation school bonds of the City. As of June 30, 2002, such resources expected to be provided to the City total approximately \$102,000,000 from the Commonwealth.

Principal retirement of governmental funds has been reflected in the basic financial statements as debt service expenditures of \$11,379,352 and education expenditures of \$6,166,735 totaling \$17,546,087 of principal costs.

In December 2001, the City issued in \$32.6 million in general obligation bonds to fund \$6,475,000 in water enterprise fund improvements and \$26,155,000 to fund various capital purchases and improvements throughout the City. Interest is due semiannually on each June 15 and December 15, with principal payments due each December 15 until maturity in fiscal 2011.

In October 2001, the City borrowed \$1,246,415 from the Massachusetts Water Resources Authority to fund various sewer improvements. Principal is due in annual installments of \$249,283 through August 15, 2006.

The City enters into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to provide funding for sewer separation and drinking water projects. According to the loan agreements, the City will be subsidized on a periodic basis for debt and interest costs. The City received \$2,584,408 in subsidies during 2002. Loan payments commenced on February 1, 1994 and end on August 1, 2010, with interest rates ranging from 2.35% to 6.125%

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

The City is subject to a dual 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 State Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the 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.

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.

As of June 30, 2002, the City may issue approximately \$228,807,197 additional general obligation debt under the normal debt limit. The City has approximately \$103,820,609 of debt exempt from the debt limit.

The annual debt service requirements of the City's water enterprise fund as of June 30, 2002 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 5,912,314	3,325,171	9,237,485
2004	5,969,782	3,063,071	9,032,853
2005	5,973,814	2,796,146	8,769,960
2006	5,847,332	2,529,973	8,377,305
2007	5,614,004	2,260,788	7,874,792
2008-2012	25,384,363	7,323,009	32,707,372
2013-2017	12,500,000	3,014,379	15,514,379
2018-2020	5,500,000	326,564	5,826,564
	<u>\$ 72,701,609</u>	<u>24,639,101</u>	<u>97,340,710</u>

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

(9) Retirement Plan

(a) Plan Description

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

- (1) City of Cambridge
- (2) Cambridge Redevelopment Authority
- (3) Cambridge Housing Authority
- (4) Cambridge Public Health Commission

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

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

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

(b) Basis of Accounting

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

Investments of the System are stated as follows:

- (a) Bonds are stated at quoted market value.
- (b) Equity securities are stated at quoted market value.
- (c) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (d) Venture capital funds are stated at contributed cost or fair market value, whichever is more readily determinable.
- (e) International investments are stated at quoted market value and are included in equities and fixed income categories.
- (f) Cash is stated at carrying amount, which is reconciled book balance.

(c) Membership

Membership in the System consisted of the following at January 1, 2002, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,662
Terminated plan members entitled to but not receiving benefits	675
Active plan members	3,870
Total membership	6,207
Total number of participating employers	4

(d) Contributions

Plan members are required to contribute to the System. Depending on their employment date, active members must contribute a range of 5%-9% of their regular gross compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution, which is apportioned among the employers based

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

on active covered payroll. Effective July 1, 1998 Chapter 32 of the Massachusetts General Laws assigns to the local retirement boards authority to establish and amend benefit provisions of the Plan and grant cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's and CPHC's required and actual contributions to the System for the years ended June 30, 2002, 2001 and 2000 were \$14,372,278, \$14,443,522, and \$14,528,796, and \$7,658,168, \$7,117,982, and \$6,755,213, respectively.

(e) *Legally Required Reserve Accounts*

The balances in the System's legally required reserves (on the statutory basis of accounting) at December 31, 2001 are as follows:

Description	Amount	Purpose
Annuity savings fund	\$ 121,838,836	Active members' contribution balance
Annuity reserve fund	30,490,188	Retired members' contribution account
Military service credit	4,247	Members' contribution account while on military leave
Pension reserve fund	259,277,014	Amounts appropriated to fund future retirement benefits
Pension fund	67,147,087	Remaining net assets
	<u>\$ 478,757,372</u>	

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

(f) *Investment Concentration*

There were no investments (other than those issued or guaranteed by the United States Government) in any one organization that represented 5% or more of plan net assets.

(g) *Securities Lending*

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

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

The System does not impose any restrictions on the amount of securities lent on its behalf by the custodian. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses from a default of the borrowers or the custodian for the year ended December 31, 2001. The cash collateral received by the custodian on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plans that invested cash collateral in the collective investment pool, which the System could not determine. At December 31, 2001, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts owed to the System. Borrower rebates and fees paid to the custodian for the year ended December 31, 2001 was \$1,035,885.

At December 31, 2001, the fair value of securities loaned by the System amounted to \$23,922,297, against which was held collateral of \$24,316,882, as follows:

Short-term collateral investment pool	\$	23,551,802
Non-cash collateral		<u>765,080</u>
Total	\$	<u><u>24,316,882</u></u>

(10) Other Postemployment Benefit Disclosures

In addition to the pension benefits described in note 9, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to eligible retirees. Approximately 1,650 retirees meet the eligibility requirements as put forth in Chapter 32B of Massachusetts General Laws. The City pays 90% of Blue Cross/Blue Shield of Massachusetts (BC/BS) premiums and 90% of HMO premiums for medical and hospitalization incurred by retirees and their dependents. The City also pays 75% of BC/BS Medicare premiums for each Medicare eligible retiree.

Expenditures of approximately \$9,206,381 million for health care and life insurance benefits for retirees are accounted for on a pay-as-you-go basis in fiscal 2002.

(11) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2002 were as follows:

	Governmental funds			Enterprise Water
	General	Capital	Other	
Capital – to fund capital expenditures	\$ (10,378,235)	10,175,172	203,063	—
Parking – reimbursement of administrative costs and other eligible City expenditures	12,276,490	—	(12,276,490)	—
Cemetery – reimbursement of operational costs to fund renovations of administration, buildings and grounds	45,000	200,000	(245,000)	—
CDBG – transfer of revenues to reimburse eligible capital costs	—	2,648,589	(2,648,589)	—
Water – reimbursement of administrative costs	376,870	—	—	(376,870)
CPA – to cover historic preservation cost	—	180,000	(180,000)	—
Parking – to replace obsolete traffic signals	—	100,000	(100,000)	—
Affordable housing trust – to supplement CPA	(500,000)	—	500,000	—
Total	<u>\$ 1,820,125</u>	<u>13,303,761</u>	<u>(14,747,016)</u>	<u>(376,870)</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2002

(12) Risk Management

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

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

Employees contribute approximately 12% of the cost of healthcare with the remainder paid by the City. These costs are accounted for in the general fund. The contribution rate for retirees is 1% for those who enroll in indemnity plans and 10% for those who enroll in HMO-type plans. While the City does not carry stop-loss insurance.

Changes in the self-insurance liability for the years ended June 30, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Accrued claims, beginning of year	\$ 3,255,609	6,083,355
Incurred claims	3,484,088	2,631,003
Less: Payments of claims attributable to events of both current and prior fiscal years	<u>(1,155,803)</u>	<u>(5,458,749)</u>
Accrued claims, end of year	\$ <u>5,583,894</u>	<u>3,255,609</u>

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

CITY OF CAMBRIDGE, MASSACHUSETTS

Required Supplementary Information
(Unaudited)

(Dollar amounts in thousands)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
01/01/02	\$ 516,947	578,050	61,103	89.4%	\$ 167,303	36.5%
01/01/00	424,606	510,973	86,367	83.1%	140,489	61.5%
01/01/98	342,788	436,216 ⁽¹⁾	93,428	78.6%	132,440	70.5%
01/01/96	233,883	361,885	128,002	64.6%	114,485	111.8%
01/01/94	182,632	323,644	141,012	56.4%	109,775	128.5%
01/01/93	158,595	279,715	121,120	56.7%	99,063	122.3%

⁽¹⁾ Future cost of living increases assumed by the City.Schedule of Employers' Contributions

Year ended December 31:	Annual required contribution	Percentage contributed
2001	\$ 22,030	100%
2000	21,669	100
1999	21,284	100
1998	20,696	100
1997	21,288	100
1996	21,216	100

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2002
Actuarial cost method	Entry age normal cost method
Amortization method	Level payments
Remaining amortization period	Six years from July 1, 2002 for Early Retirement Incentive and seven years from July 1, 2002 for the remaining unfunded liability.
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5%
Cost-of-living adjustments	3.0% on first \$12,000 of retirement income

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule II

Required Supplementary Information

(Unaudited)

Schedule of Revenues and Expenditures - Budgetary Basis
General Fund - Budget and ActualYear ended June 30, 2002
(with comparative actual amounts for 2001)

	Original budget	Final budget	Actual	Variance positive (negative)	2001 Actual
Revenues and other available funds:					
Property taxes	\$ 180,940,045	187,444,551	187,444,551	—	178,484,966
Provision for abatements and adjustments	(4,250,000)	(4,261,178)	(4,261,178)	—	(4,290,541)
Payment in lieu of tax receipts	3,600,000	3,600,000	5,316,254	1,716,254	4,807,067
Hotel/motel excise tax	5,466,790	4,766,790	4,907,532	140,742	5,651,401
Intergovernmental	44,515,079	41,340,517	46,822,454	5,481,937	47,022,550
Sewer use	21,073,130	22,723,130	23,836,866	1,113,736	20,563,466
Motor vehicle excise	4,900,000	4,892,962	5,838,407	945,445	5,921,137
Investment income	2,100,000	2,100,000	1,678,983	(421,017)	3,203,449
Other	24,375,706	25,347,742	17,362,618	(7,985,124)	23,540,323
Total revenues	282,720,750	287,954,514	288,946,487	991,973	284,903,818
Expenditures:					
Current					
General government	30,073,645	28,966,530	27,520,861	1,445,669	22,740,626
Public safety	69,317,370	70,590,445	70,409,269	181,176	66,713,078
Community maintenance and development	25,840,160	26,450,805	26,039,634	411,171	23,832,988
Human resource development	17,822,515	18,556,582	18,257,711	298,871	16,655,361
Education	112,952,345	112,952,345	112,573,192	379,153	105,521,654
Judgments and claims	250,000	250,000	205,418	44,582	708,847
Intergovernmental	28,385,120	28,385,120	28,019,200	365,920	28,945,484
Debt service					
Principal	11,769,355	11,769,355	11,379,352	390,003	7,689,430
Interest	5,460,970	5,678,170	5,009,281	668,889	3,677,257
Other	217,200	—	—	—	—
Total expenditures	302,088,680	303,599,352	299,413,918	4,185,434	276,484,725
Excess (deficiency) of revenues over expenditures	(19,367,930)	(15,644,838)	(10,467,431)	5,177,407	8,419,093
Other financing sources (uses):					
Operating transfers in (out):					
Special revenue funds	14,514,305	14,611,805	12,276,490	2,335,315	11,973,310
Capital projects funds	—	(10,175,172)	(10,175,172)	—	(23,533,771)
Permanent funds	4,476,755	5,273,692	5,273,692	—	4,864,400
Enterprise fund	376,870	376,870	376,870	—	376,870
Total other financing sources (uses)	19,367,930	10,087,195	7,751,880	2,335,315	(6,319,191)
Excess (deficiency) of revenues and other financing source over expenditures and other financing uses	\$ —	(5,557,643)	(2,715,551)	2,842,092	2,099,902
Other budget items:					
Free cash appropriations		5,588,512			
Prior year deficits raised		(30,869)			
Total other budget items		5,557,643			
Net budget and actual		—			

See accompanying notes to required supplementary information.

CITY OF CAMBRIDGE, MASSACHUSETTS

Notes to Required Supplementary Information

(Unaudited)

Schedule of Revenues and Expenditures – Budgetary Basis

General Fund – Budget and Actual

Year ended June 30, 2002

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

- (a) Revenues are recorded when cash is received except for real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations which are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budget).
- (d) Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budget), but have no effect on GAAP revenues.

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

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2002:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 288,946,487	299,413,918	7,751,880
Adjustments:			
Revenues to modified accrual basis			
Tax abatements	14,549,816	—	—
Sixty day accrual	1,010,049	—	—
Miscellaneous accruals	3,638,382	—	—
Expenditures, encumbrances and accruals, net	—	(2,946,737)	—
Reclassifications:			
Trust fund revenue	—	—	(5,931,755)
As reported on a GAAP basis	<u>\$ 308,144,734</u>	<u>296,467,181</u>	<u>1,820,125</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2002

SUPPLEMENTAL STATEMENTS AND SCHEDULES

The following section provides detailed information on the General Fund, Other Governmental Funds and Agency funds included in the basic financial statements. Information on real, personal, and excise tax collections, and schedule of the bonds and notes payable of the City is also provided in this section.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
General Government:			
Mayor:			
Salaries and wages	\$ 266,995	264,137	2,858
Other ordinary maintenance	111,440	109,755	1,685
Travel and training	20,500	17,983	2,517
Total Mayor	<u>398,935</u>	<u>391,875</u>	<u>7,060</u>
City Manager:			
Salaries and wages	1,010,561	933,213	77,348
Other ordinary maintenance	413,410	338,791	74,619
Travel and training	32,465	25,035	7,430
Extraordinary Expense	292,250	292,250	—
Total City Manager	<u>1,748,686</u>	<u>1,589,289</u>	<u>159,397</u>
City Council:			
Salaries and wages	860,205	793,329	66,876
Other ordinary maintenance	61,400	59,024	2,376
Travel and training	32,000	29,645	2,355
Total City Council	<u>953,605</u>	<u>881,998</u>	<u>71,607</u>
City Clerk:			
Salaries and wages	588,670	566,395	22,275
Other ordinary maintenance	60,730	56,183	4,547
Travel and training	750	410	340
Total City Clerk	<u>650,150</u>	<u>622,988</u>	<u>27,162</u>
Law:			
Salaries and wages	963,065	952,990	10,075
Other ordinary maintenance	444,225	488,811	(44,586)
Travel and training	259,675	214,940	44,735
Total Law	<u>1,666,965</u>	<u>1,656,741</u>	<u>10,224</u>
Finance:			
Salaries and wages	5,295,980	5,154,333	141,647
Other ordinary maintenance	2,145,240	2,141,640	3,600
Travel and training	198,830	196,793	2,037
Extraordinary expenditures	77,800	77,800	—
Total Finance	<u>7,717,850</u>	<u>7,570,566</u>	<u>147,284</u>
Employment Benefits:			
Salaries and wages	12,651,172	11,801,468	849,704
Other ordinary maintenance	617,620	616,878	742
Total Employment Benefits	<u>13,268,792</u>	<u>12,418,346</u>	<u>850,446</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	Budget	Actual	Variance positive (negative)
General Services:			
Salaries and wages	\$ 360,220	360,198	22
Other ordinary maintenance	594,930	501,653	93,277
Total General Services	955,150	861,851	93,299
Election Commission:			
Salaries and wages	458,080	458,078	2
Other ordinary maintenance	233,103	231,109	1,994
Travel and training	2,270	1,402	868
Total Election Commission	693,453	690,589	2,864
Public Celebrations:			
Salaries and wages	339,725	302,294	37,431
Other ordinary maintenance	317,370	341,103	(23,733)
Travel and training	1,125	1,094	31
Total Public Celebrations	658,220	644,491	13,729
Reserve:			
Other ordinary maintenance	60,504	—	60,504
Total Reserve	60,504	—	60,504
Animal Commission:			
Salaries and wages	181,265	180,763	502
Other ordinary maintenance	12,865	11,274	1,591
Travel and training	90	90	—
Total Animal Commission	194,220	192,127	2,093
Total General Government	28,966,530	27,520,861	1,445,669
Public Safety:			
Fire:			
Salaries and wages	25,215,250	25,209,703	5,547
Other ordinary maintenance	656,490	655,113	1,377
Travel and training	331,750	331,750	—
Extraordinary expenditures	95,000	94,934	66
Total Fire	26,298,490	26,291,500	6,990
Police:			
Salaries and wages	27,350,860	27,350,596	264
Other ordinary maintenance	780,200	777,012	3,188
Travel and training	217,690	217,142	548
Extraordinary expenditures	268,525	232,026	36,499
Total Police	28,617,275	28,576,776	40,499

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Traffic and Parking:			
Salaries and wages	\$ 4,407,010	4,371,208	35,802
Other ordinary maintenance	2,812,640	2,808,217	4,423
Travel and training	19,400	17,429	1,971
Extraordinary expenditures	90,000	84,572	5,428
Total Traffic and Parking	<u>7,329,050</u>	<u>7,281,426</u>	<u>47,624</u>
Police Review and Advisory Board:			
Salaries and wages	60,815	60,812	3
Other ordinary maintenance	9,220	9,220	—
Travel and training	3,000	2,990	10
Total Police Review and Advisory Board	<u>73,035</u>	<u>73,022</u>	<u>13</u>
Inspectional Services:			
Salaries and wages	1,912,755	1,912,753	2
Other ordinary maintenance	101,100	97,297	3,803
Travel and training	47,825	44,410	3,415
Total Inspectional Services	<u>2,061,680</u>	<u>2,054,460</u>	<u>7,220</u>
License:			
Salaries and wages	583,465	583,458	7
Other ordinary maintenance	61,290	59,829	1,461
Travel and training	8,800	8,688	112
Total License	<u>653,555</u>	<u>651,975</u>	<u>1,580</u>
Weights and Measures:			
Salaries and wages	79,175	79,174	1
Other ordinary maintenance	14,280	13,793	487
Travel and training	1,745	1,650	95
Total Weights and Measures	<u>95,200</u>	<u>94,617</u>	<u>583</u>
Electrical:			
Salaries and wages	913,080	849,266	63,814
Other ordinary maintenance	1,440,580	1,429,567	11,013
Travel and training	1,670	1,670	—
Extraordinary expenditures	75,000	75,000	—
Total Electrical	<u>2,430,330</u>	<u>2,355,503</u>	<u>74,827</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Emergency Management:			
Salaries and wages	\$ 103,950	103,949	1
Other ordinary maintenance	13,635	13,635	—
Travel and training	100	—	100
Total Emergency Management	<u>117,685</u>	<u>117,584</u>	<u>101</u>
Emergency Communications:			
Salaries and wages	2,728,285	2,728,243	42
Other ordinary maintenance	166,010	164,953	1,057
Travel and training	15,850	15,510	340
Extraordinary expenditures	4,000	3,700	300
Total Emergency Communications	<u>2,914,145</u>	<u>2,912,406</u>	<u>1,739</u>
Total Public Safety	<u>70,590,445</u>	<u>70,409,269</u>	<u>181,176</u>
Community Maintenance and Development:			
Public Works:			
Salaries and wages	12,598,510	12,298,575	299,935
Other ordinary maintenance	7,431,065	7,417,523	13,542
Travel and training	120,625	120,600	25
Extraordinary expenditures	635,000	634,844	156
Total Public Works	<u>20,785,200</u>	<u>20,471,542</u>	<u>313,658</u>
Community Development:			
Salaries and wages	3,463,920	3,411,472	52,448
Other ordinary maintenance	708,160	707,532	628
Travel and training	35,200	34,985	215
Extraordinary expenditures	132,870	132,870	—
Total Community Development	<u>4,340,150</u>	<u>4,286,859</u>	<u>53,291</u>
Historical Commission:			
Salaries and wages	331,140	331,127	13
Other ordinary maintenance	99,380	99,219	161
Travel and training	800	800	—
Extraordinary expenditures	8,500	8,385	115
Total Historical Commission	<u>439,820</u>	<u>439,531</u>	<u>289</u>
Conservation Commission:			
Salaries and wages	68,375	43,881	24,494
Other ordinary maintenance	1,865	1,841	24
Travel and training	525	430	95
Total Conservation Commission	<u>70,765</u>	<u>46,152</u>	<u>24,613</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Peace Commission:			
Salaries and wages	\$ 58,075	58,071	4
Other ordinary maintenance	15,285	15,278	7
Travel and training	1,350	1,251	99
Total Peace Commission	<u>74,710</u>	<u>74,600</u>	<u>110</u>
Cable Television:			
Salaries and wages	365,960	352,618	13,342
Other ordinary maintenance	370,750	365,126	5,624
Travel and training	3,450	3,206	244
Total Cable Television	<u>740,160</u>	<u>720,950</u>	<u>19,210</u>
Total Community Maintenance and Development	<u>26,450,805</u>	<u>26,039,634</u>	<u>411,171</u>
Human Resource Development:			
Library:			
Salaries and wages	3,882,390	3,882,388	2
Other ordinary maintenance	793,005	771,248	21,757
Travel and training	34,995	33,196	1,799
Extraordinary expenditures	46,500	45,414	1,086
Total Library	<u>4,756,890</u>	<u>4,732,246</u>	<u>24,644</u>
Human Services:			
Salaries and wages	10,408,715	10,251,859	156,856
Other ordinary maintenance	2,580,849	2,498,489	82,360
Travel and training	69,399	47,442	21,957
Extraordinary expenditures	25,000	21,588	3,412
Total Human Services	<u>13,083,963</u>	<u>12,819,378</u>	<u>264,585</u>
Women's Commission:			
Salaries and wages	131,825	131,821	4
Other ordinary maintenance	9,860	9,860	—
Travel and training	1,000	996	4
Total Women's Commission	<u>142,685</u>	<u>142,677</u>	<u>8</u>
Human Rights Commission:			
Salaries and wages	135,385	129,517	5,868
Other ordinary maintenance	3,805	3,441	364
Travel and training	950	400	550
Total Human Rights Commission	<u>140,140</u>	<u>133,358</u>	<u>6,782</u>

CITY OF CAMBRIDGE, MASSACHUSETTS

General Fund

Schedule of Expenditures – Budgetary Basis

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Veterans Benefits:			
Salaries and wages	\$ 202,804	202,802	2
Other ordinary maintenance	49,300	49,077	223
Travel and training	180,800	178,173	2,627
Total Veterans Benefits	432,904	430,052	2,852
Total Human Resource Development	18,556,582	18,257,711	298,871
Education:			
Salaries and wages	80,850,717	80,773,450	77,267
Other ordinary maintenance	22,566,871	22,429,228	137,643
Travel and training	437,489	371,490	65,999
Extraordinary expenditures	1,636,641	1,427,757	208,884
Debt:			
Principal payments	5,757,416	5,868,000	(110,584)
Interest payments	1,703,211	1,703,267	(56)
Total Education	112,952,345	112,573,192	379,153
Judgements and Claims	250,000	205,418	44,582
Debt Retirement:			
Principal payments	11,769,355	11,379,352	390,003
Interest payments	5,678,170	5,009,281	668,889
Total Debt Retirement	17,447,525	16,388,633	1,058,892
State assessments:			
MBTA assessment	6,954,140	6,908,655	45,485
MWRA assessment	14,248,545	14,139,115	109,430
Other State assessments	584,435	374,430	210,005
Cambridge Public Health Commission	6,598,000	6,597,000	1,000
Total Intergovernmental	28,385,120	28,019,200	365,920
Total General Fund	\$ 303,599,352	299,413,918	4,185,434

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2002

OTHER GOVERNMENTAL FUNDS

Community Development Block Grant

Revenues from the Community Development Block Grant Program are recorded in this fund. A transfer of revenues is made at the end of the fiscal year to the Capital Projects Funds to cover Block Grant-related expenditures in these funds during the fiscal year. All operating expenditures are recorded within this Fund.

School Grants

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

Fuel Assistance

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

Parking Fund

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

Community Preservation Act

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

Other Grants

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

Permanent Funds

This fund accumulates all the City of Cambridge Trust Funds that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Balance Sheet

Other Governmental Funds

June 30, 2002

Assets	Special revenue							Total
	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	
Cash and short-term investments	\$ 407,977	4,027,996	263,641	6,563,505	1,141,935	17,910,581	2,528,414	32,844,049
Restricted cash and investments	—	—	—	—	—	600,000	—	600,000
Accounts receivable	1,000,000	698,371	—	—	110,194	176,391	—	1,984,956
Accounts receivable-developer	—	—	—	—	—	1,500,000	—	1,500,000
Due from other governments	657,944	—	—	—	—	—	—	657,944
Total assets	<u>\$ 2,065,921</u>	<u>4,726,367</u>	<u>263,641</u>	<u>6,563,505</u>	<u>1,252,129</u>	<u>20,186,972</u>	<u>2,528,414</u>	<u>37,586,949</u>
Liabilities and Fund Equity								
Warrants payable	\$ 32,462	—	—	—	—	—	—	32,462
Accrued payroll	16,511	—	—	—	—	35,338	—	51,849
Accrued liabilities – other	5,653	548,371	—	—	—	424,666	—	978,690
Deferred revenue	—	—	—	—	110,194	—	—	110,194
Due to other funds	2,011,295	—	—	—	—	—	—	2,011,295
Total liabilities	<u>2,065,921</u>	<u>548,371</u>	<u>—</u>	<u>—</u>	<u>110,194</u>	<u>460,004</u>	<u>—</u>	<u>3,184,490</u>
Fund equity (deficit):								
Reserved for encumbrances	—	489,580	—	—	—	1,808,166	—	2,297,746
Reserved for specific purposes	—	3,688,416	263,641	6,563,505	1,141,935	17,918,802	2,528,414	32,104,713
Total fund equity	<u>—</u>	<u>4,177,996</u>	<u>263,641</u>	<u>6,563,505</u>	<u>1,141,935</u>	<u>19,726,968</u>	<u>2,528,414</u>	<u>34,402,459</u>
Total liabilities and fund equity	<u>\$ 2,065,921</u>	<u>4,726,367</u>	<u>263,641</u>	<u>6,563,505</u>	<u>1,252,129</u>	<u>20,186,972</u>	<u>2,528,414</u>	<u>37,586,949</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity
Other Governmental Funds
Year ended June 30, 2002

	Special revenue							
	Community development block grant	School grants	Fuel assistance	Parking fund	Community preservation act	Other grants	Permanent funds	Total
Revenues:								
Intergovernmental	\$ 4,207,828	10,442,428	992,327	—	—	7,093,177	—	22,735,760
Private grants	—	—	—	—	—	—	—	—
Investment income	—	13,815	3,651	330,829	—	442,073	85,890	876,258
Other:								
Permits	—	—	—	350,975	—	—	—	350,975
Fines	—	—	—	7,762,847	—	—	—	7,762,847
Charges for services	—	—	—	6,080,819	—	—	—	6,080,819
Miscellaneous	38,061	1,284,421	—	125,535	4,921,935	593,354	208,075	7,171,381
Total revenues	4,245,889	11,740,664	995,978	14,651,005	4,921,935	8,128,604	293,965	44,978,040
Expenditures:								
General government	—	—	—	—	—	102,771	92,392	195,163
Public safety	—	—	—	—	—	649,845	—	649,845
Education	—	12,101,179	—	—	—	—	—	12,101,179
Fuel assistance	—	—	963,812	—	—	—	—	963,812
Community maintenance and development	941,502	—	—	—	—	3,173,490	—	4,114,992
Human services	655,798	—	—	—	—	3,991,850	—	4,647,648
Total expenditures	1,597,300	12,101,179	963,812	—	—	7,917,956	92,392	22,672,639
Excess (deficiency) of revenues over expenditures	2,648,589	(360,515)	32,166	14,651,005	4,921,935	210,648	201,573	22,305,401
Other financing sources (uses):								
Long-term debt issued	—	—	—	—	—	4,000,000	—	4,000,000
Operating transfers to other funds	(2,648,589)	—	—	(12,376,490)	(3,780,000)	—	(277,028)	(19,082,107)
Operating transfers from other funds	—	—	—	—	—	4,303,063	32,028	4,335,091
Excess (deficiency) of revenues over expenditures and transfers	—	(360,515)	32,166	2,274,515	1,141,935	8,513,711	(43,427)	11,558,385
Fund balances at beginning of year	—	4,538,511	231,475	4,288,990	—	11,213,257	2,571,841	22,844,074
Fund balances at end of year	\$ —	4,177,996	263,641	6,563,505	1,141,935	19,726,968	2,528,414	34,402,459

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2002

AGENCY FUNDS

The City's Agency Funds are used to account for assets received and disbursed by the City acting in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2002

Assets	Balance at June 30, 2001	Additions	Deductions	Balance at June 30, 2002
Contract Bids	\$ 89,725	4,400	650	93,475
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	251,939	1,994,143	—	2,246,082
Street Openings	289,819	86,270	500	375,589
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(703,924)	4,025,850	4,150,006	(828,080)
Cambridge Fire Detail	245,030	629,474	383,013	491,491
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,774	1,804	2,957	2,621
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	24,288	177,606	21,200	180,694
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	43,305	3,899	—	47,204
Accident and life Insurance	169,089	154,096	56,396	266,789
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	57,565	3,805	—	61,370
Retirement Office Payroll	373,084	274,582	569,734	77,932
New England Life	530,289	—	374,211	156,078
Continental Casualty	8,269	4,138	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	736,737	125,619	—	862,356
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	41,816	4,344	28,819	17,341
Retroactive Wages	6	—	—	6
Land Court Fees	49,661	1,971	1,008	50,624
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	—	67,594
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	(255)	—	—	(255)
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-Three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	(61)	1,164	—	1,103
Police – Found Cash	4,115	—	—	4,115
Firearms Recordkeeping Fund	900	863	—	1,763
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	10,219	—	—	10,219
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Total	\$ 2,992,213	7,494,028	5,588,494	4,897,747

CITY OF CAMBRIDGE, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Year ended June 30, 2002

Liabilities	Balance at June 30, 2001	Additions	Deductions	Balance at June 30, 2002
Guarantee deposits and amounts due other:				
Contract Bids	\$ 89,725	4,400	650	93,475
Plans	2,065	—	—	2,065
Tree Removals	485	—	—	485
Driveways	251,939	1,994,143	—	2,246,082
Street Openings	289,819	86,270	500	375,589
Sidewalk Openings	150	—	—	150
In Lieu of Bond	70,945	—	—	70,945
License Commission	10,149	—	—	10,149
Cambridge Police Detail	(703,924)	4,025,850	4,150,006	(828,080)
Cambridge Fire Detail	245,030	629,474	383,013	491,491
Dog Licenses	14,212	—	—	14,212
Sporting Licenses	3,774	1,804	2,957	2,621
Dog Officer	(3,555)	—	—	(3,555)
Constable Fees	24,288	177,606	21,200	180,694
Meal Tax Agency	36,619	—	—	36,619
Senior Cab	4,279	—	—	4,279
Water Service Renewal	17,422	—	—	17,422
Undistributed Interest	3,808	—	—	3,808
Purchase of Trees	43,305	3,899	—	47,204
Accident and life Insurance	169,089	154,096	56,396	266,789
Medicare	2,804	—	—	2,804
Car Seat Program	1,539	—	—	1,539
Deferred Compensation	1,410	—	—	1,410
Legal Fees	57,565	3,805	—	61,370
Retirement Office Payroll	373,084	274,582	569,734	77,932
New England Life	530,289	—	374,211	156,078
Continental Casualty	8,269	4,138	—	12,407
Teacher Insurance Reimbursement	4,940	—	—	4,940
Teachers Retirement	736,737	125,619	—	862,356
Excise Registry Fees	13,857	—	—	13,857
3 Bidglow Contingency Fund	41,816	4,344	28,819	17,341
Retroactive Wages	6	—	—	6
Land Court Fees	49,661	1,971	1,008	50,624
Choke Program	1,182	—	—	1,182
Payroll Checks	67,594	—	—	67,594
Retirement Checks	14,693	—	—	14,693
Unclaimed Checks	234,063	—	—	234,063
Stop Payments	23,138	—	—	23,138
Sewer Abatement Appraisal Fee	10,495	—	—	10,495
Twelve Mt. Auburn	7,684	—	—	7,684
Blue Cross	6,112	—	—	6,112
Hackney Applications	5,386	—	—	5,386
Purchase of Bike Racks	5,138	—	—	5,138
Recycling Bins	(255)	—	—	(255)
Levangie/J.P. Construction Co.	1,681	—	—	1,681
Forty-three Mt. Auburn Rents	2,899	—	—	2,899
Police – Recovered Cash	(61)	1,164	—	1,103
Police – Found Cash	4,115	—	—	4,115
Firearms Recordkeeping Cash	900	863	—	1,763
Cambport Roadways Plan Fund	38	—	—	38
Tenant – 199 Prospect St.	10,219	—	—	10,219
Estate of George W. Boyce	54,591	—	—	54,591
Kendall Sq. Fire Station	150,000	—	—	150,000
Computers for Kids	1,000	—	—	1,000
Total	\$ 2,992,213	7,494,028	5,588,494	4,897,747

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2002

OTHER SCHEDULES

The following schedules present detailed information on the City's real estate, personal property, and motor vehicle excise taxes, and bonds and notes payable, as of June 30, 2002.

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2002

	<u>Uncollected June 30, 2001</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2002</u>
Real estate taxes:								
1979 and prior	\$ 5,409	—	—	—	—	—	—	5,409
1980	—	—	—	—	—	51	51	—
1981	3,268	—	—	—	—	—	—	3,268
1982	3,416	—	—	—	—	—	—	3,416
1983	1,971	—	—	—	—	630	630	1,971
1984	17,256	—	—	—	—	—	—	17,256
1985	1,025	—	—	—	—	—	—	1,025
1987	376	—	—	—	—	—	—	376
1989	—	—	3,175	—	—	—	3,175	—
1991	9,477	—	—	—	—	9,477	—	—
1992	13,911	—	—	—	—	—	—	13,911
1993	3,013	—	—	—	—	—	—	3,013
1996	6,771	—	—	—	—	—	—	6,771
1997	660	—	—	—	—	(821)	(821)	660
1998	5,457	—	2,525	—	—	(9,320)	(6,795)	5,457
1999	8,159	—	44,063	—	58,366	35,316	32,675	19,821
2000	5,996	—	67,454	—	132,076	40,818	(14,808)	14,992
2001	3,930,189	—	214,802	—	911,173	3,140,207	(1,472,909)	13,444
2002	—	182,199,902	795,088	—	34,719	177,647,364	445,904	4,238,073
Total real estate	<u>4,016,354</u>	<u>182,199,902</u>	<u>1,127,107</u>	<u>—</u>	<u>1,136,334</u>	<u>180,863,722</u>	<u>(1,012,898)</u>	<u>4,348,863</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2002

	<u>Uncollected June 30, 2001</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2002</u>
Personal property taxes:								
1988	\$ 155,185	—	—	—	—	—	—	155,185
1989	125,187	—	—	—	—	—	—	125,187
1990	139,169	—	—	—	23	(5)	(26)	139,171
1991	119,952	—	—	—	1,218	—	(1,124)	120,046
1992	138,015	—	—	—	—	—	—	138,015
1993	141,864	—	—	—	—	(398)	(398)	141,864
1994	45,850	—	—	—	162	(18)	(180)	45,850
1995	65,720	—	—	—	16	—	(16)	65,720
1996	58,148	—	—	—	—	18	(1)	58,129
1997	63,360	—	—	—	5,110	23	(5,087)	63,360
1998	78,479	—	—	—	320	392	(22,266)	56,141
1999	74,249	—	—	—	665	4,794	(485)	69,635
2000	68,758	—	—	—	28,053	(27,093)	(55,134)	68,770
2001	113,430	—	—	—	109,418	135,559	26,231	113,520
2002	—	5,739,618	11,923	—	89,086	5,431,216	589	386,154
Total personal property	<u>1,387,366</u>	<u>5,739,618</u>	<u>11,923</u>	<u>—</u>	<u>234,071</u>	<u>5,544,488</u>	<u>(57,897)</u>	<u>1,746,747</u>
Property taxes	\$ <u>5,403,720</u>	<u>187,939,520</u>	<u>1,139,030</u>	<u>—</u>	<u>1,370,405</u>	<u>186,408,210</u>	<u>(1,070,795)</u>	<u>6,095,610</u>

CITY OF CAMBRIDGE, MASSACHUSETTS
Schedule of Real Estate, Personal Property, and Motor Vehicle Excise Taxes
June 30, 2002

	<u>Uncollected June 30, 2001</u>	<u>Commitments</u>	<u>Abatements</u>	<u>Transfers to tax title</u>	<u>Refunds</u>	<u>Collections</u>	<u>Adjustments increase (decrease)</u>	<u>Uncollected June 30, 2002</u>
Motor vehicle excise taxes:								
1986	\$ 2,806	—	—	—	—	12	—	2,794
1987	155,036	—	—	—	—	958	—	154,078
1988	167,092	—	—	—	—	496	(193)	166,403
1989	197,819	—	—	—	—	1,080	—	196,739
1990	151,700	—	—	—	—	1,369	87	150,418
1991	154,961	—	—	—	—	1,053	287	154,195
1992	114,881	—	—	—	—	897	73	114,057
1993	102,139	—	40	—	—	1,187	291	101,203
1994	110,709	—	—	—	—	630	56	110,135
1995	119,952	—	94	—	—	1,791	56	118,123
1996	127,030	—	419	—	—	3,101	96	123,606
1997	143,889	—	93	—	108	5,950	112	138,066
1998	157,495	—	851	—	283	12,425	(83)	144,419
1999	222,488	9,801	8,421	—	1,707	53,012	753	173,316
2000	331,654	22,505	51,516	—	54,324	105,613	40,537	291,891
2001	528,196	818,543	79,397	—	98,692	1,318,126	407,123	455,031
2002	—	4,502,350	97,298	—	26,860	4,366,197	693,193	758,908
Total motor vehicle	\$ <u>2,787,847</u>	<u>5,353,199</u>	<u>238,129</u>	<u>—</u>	<u>181,974</u>	<u>5,873,897</u>	<u>1,142,388</u>	<u>3,353,382</u>

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2002

	Interest rates	Issue dates	Final maturity date	Balance June 30, 2001	Additions	Retired	Balance June 30, 2002
Inside Debt Limit:							
Fire Station Renovations	4.3-5.3%	6/15/1992	6/15/2002	50,000	—	50,000	—
Senior Center/City Hall Renovations	4.75-5.75%	6/15/1996	6/15/2006	225,000	—	45,000	180,000
Emergency Communications	4.75-5.75%	6/15/1996	6/15/2006	1,650,000	—	330,000	1,320,000
Acquisition of computers	4.75-5.75%	6/15/1996	6/15/2006	300,000	—	60,000	240,000
Frisoli Youth Center	4.0-5.0%	6/15/1997	6/15/2007	2,160,000	—	360,000	1,800,000
Area 4 Youth Center Renovations	4.0-5.0%	6/15/1997	6/15/2007	120,000	—	20,000	100,000
Building Renovations	4.0-5.0%	6/15/1997	6/15/2007	300,000	—	50,000	250,000
Fiber Optics Network	4.0-5.0%	6/15/1997	6/15/2007	600,000	—	100,000	500,000
Personal Computer Acquisition	4.0-5.0%	6/15/1997	6/15/2002	100,000	—	100,000	—
Frisoli Youth Center	4.3-5.0%	8/1/1998	8/1/2018	560,000	—	70,000	490,000
Personal Computer Acquisition	4.75%	11/1/1999	11/1/2004	1,800,000	—	450,000	1,350,000
Public Art	4.75-5.0%	11/1/1999	11/1/2009	45,000	—	5,000	40,000
City Hall Renovations	4.75-5.0%	11/1/1999	11/1/2009	450,000	—	50,000	400,000
Gately Center Renovations	4.5-5.0%	12/1/2000	12/1/2010	2,500,000	—	250,000	2,250,000
City Hall Renovations	4.5-5.0%	12/1/2000	12/1/2010	3,000,000	—	300,000	2,700,000
Open Space Improvements	4.3-5.3%	6/15/1992	6/15/2002	180,000	—	180,000	—
Building Acquisition – teen center	4.3-5.3%	6/15/1992	6/15/2002	190,000	—	190,000	—
Open Space Improvements	3.75-4.3%	2/1/1994	2/1/2004	525,000	—	175,000	350,000
City Hall Renovations	5.5-5.9%	11/1/1994	11/1/2004	120,000	—	30,000	90,000
Senior Center Renovations	5.5-5.9%	11/1/1994	11/1/2004	1,540,000	—	385,000	1,155,000
Open Space Improvements	5.5-5.9%	11/1/1994	11/1/2004	100,000	—	25,000	75,000
Central Square Enhancements	4.0-5.0%	6/15/1997	6/15/2007	2,145,000	—	360,000	1,785,000
Yerxa Road Underpass	4.5-5.0%	12/1/2000	12/1/2010	1,900,000	—	190,000	1,710,000
Open Space Improvements	4.5-5.0%	12/1/2000	12/1/2010	4,500,000	—	450,000	4,050,000
MWPAT/Sewer Loan	3.75-4.3%	2/1/1994	2/1/2004	150,000	—	50,000	100,000
MWPAT/Sewer Loan	5.5-5.9%	11/1/1994	11/1/2004	200,000	—	50,000	150,000
MWPAT/Sewer Loan	2.35-5.5%	5/21/1993	8/1/2003	1,919,670	—	739,586	1,180,084
MWPAT/Sewer Loan	4.0-6.13%	5/1/1995	2/1/2005	3,016,233	—	699,359	2,316,874
MWPAT/Sewer Loan	4.25-5.75%	6/15/1996	6/15/2006	375,000	—	75,000	300,000
MWPAT/Sewer Loan	4.0-5.0%	6/15/1997	6/15/2007	300,000	—	50,000	250,000
MWPAT/Sewer Loan	4.0-5.0%	5/1/1997	2/1/2007	2,888,905	—	453,609	2,435,296
MWRA Loan	N/A	5/20/1999	5/20/2004	477,963	—	159,321	318,642
MWPAT/Sewer Loan	4.0-5.75%	10/6/1999	8/1/2009	398,710	—	40,983	357,727
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	2,302,697	—	207,969	2,094,728
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	1,185,457	—	107,044	1,078,413
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	246,595	—	22,257	224,338
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	8,442,915	—	762,550	7,680,365
MWPAT/Sewer Loan	4.25-5.67%	11/1/2000	8/1/2010	4,558,041	—	411,674	4,146,367
MWPAT/Sewer Loan	4.5-5.0%	12/1/2000	12/1/2010	15,605,000	—	1,565,000	14,040,000
Hospital (Ambulatory Center)	4.5%	2/1/1998	2/1/2018	25,500,000	—	1,500,000	24,000,000
Nursing Home Renovations	4.3-5.3%	6/15/1992	6/15/2002	150,000	—	150,000	—
MWRA Loan	N/A	10/21/2001	8/15/2006	—	1,246,415	—	1,246,415
Improvements to War Memorial	3.5-5.0%	12/15/2001	12/15/2011	—	1,000,000	—	1,000,000
City Hall Renovations	3.5-5.0%	12/15/2001	12/15/2011	—	13,230,000	—	13,230,000
Sewer Loan	3.5-5.0%	12/15/2001	12/15/2011	—	10,675,000	—	10,675,000
Traffic Improvement	3.5-5.0%	12/15/2001	12/15/2011	—	1,250,000	—	1,250,000
Total Inside Debt Limit				92,777,186	27,401,415	11,269,352	108,909,249
Outside Debt Limit:							
School:							
Elementary school construction	3.75-4.3%	2/1/1994	2/1/2004	3,165,000	—	1,055,000	2,110,000
Elementary school construction	5.5-5.9%	11/1/1994	11/1/2004	5,292,000	—	1,323,000	3,969,000
Elementary school construction	4.75-5.75%	6/15/1996	6/15/2006	1,215,000	—	245,000	970,000
Elementary school construction	4.5%	2/1/1998	2/1/2008	8,400,000	—	1,200,000	7,200,000
Elementary school renovation-Fitz	4.75-5.0%	11/1/1999	11/1/2009	12,985,000	—	1,445,000	11,540,000
Elementary school renovation-Morse	4.75-5.0%	11/1/1999	11/1/2009	630,000	—	70,000	560,000
Elementary school renovations	4.5-5.0%	12/1/2000	12/1/2010	5,305,000	—	535,000	4,770,000
Total School				36,992,000	—	5,873,000	31,119,000
Water:							
Treatment Plant Renovations	3.75-4.3%	2/1/1994	2/1/2004	165,000	—	55,000	110,000
Water Plant Equipment	5.5-5.9%	11/1/1994	11/1/2004	348,000	—	87,000	261,000
Water Main Replacements	5.5-5.9%	11/1/1994	11/1/2004	400,000	—	100,000	300,000
Water Main Replacements	4.25-5.75%	6/15/1996	6/15/2006	1,500,000	—	300,000	1,200,000
New Water Treatment Plant	4.3-5.0%	8/1/1998	8/1/2018	36,000,000	—	2,000,000	34,000,000
MWPAT/Water Loan	4.0-5.75%	10/6/1999	8/1/2009	10,931,400	—	1,103,886	9,827,514
Construction/Water Treatment Plant	4.75-5.75%	11/1/1999	11/1/2019	9,500,000	—	500,000	9,000,000
MWPAT/Water Loan	4.25-5.63%	11/1/2000	11/1/2010	12,640,580	—	1,112,485	11,528,095
Construction/Stoney Brook	3.5-5.0%	12/15/2001	12/15/2011	—	6,475,000	—	6,475,000
Total Water				71,484,980	6,475,000	5,258,371	72,701,609

CITY OF CAMBRIDGE, MASSACHUSETTS

Schedule of Bonds and Notes Payable

June 30, 2002

	<u>Interest rates</u>	<u>Issue dates</u>	<u>Final maturity date</u>	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2002</u>
HUD Sec 108 Notes (2/95)	7.71-9.03%	2/1/1995	8/1/2014	\$ 935,000	—	110,000	825,000
School Equipment Notes	6.85%	6/15/1998	6/15/2008	2,608,387	—	293,735	2,314,652
Housing Trust Fund: Note payable	2.00%	4/15/2000	4/15/2022	2,000,000	4,000,000	—	6,000,000
Total Outside Debt Limit				114,020,367	10,475,000	11,535,106	112,960,261
Total Debt Outstanding				\$ 206,797,553	37,876,415	22,804,458	221,869,510

See accompanying independent auditors' report.

CITY OF CAMBRIDGE, MASSACHUSETTS

Supplemental Statements and Schedules

June 30, 2002

STATISTICAL SECTION

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and the fiscal capacity of the City.

CITY OF CAMBRIDGE, MASSACHUSETTS
General Governmental Expenditures by Function – Budgetary Basis (1)
Last Ten Fiscal Years

<u>Fiscal year</u>	<u>General, government inter-governmental and judgments and claims</u>	<u>Public safety</u>	<u>Community maintenance and development</u>	<u>Health, hospital, and Neville Manor</u>	<u>Human resource development</u>	<u>Education</u>	<u>Water</u>	<u>Debt service</u>	<u>Total</u>
1993	\$ 45,259,376	48,346,555	20,227,895	75,499,307	9,266,281	74,465,531	4,823,956	8,878,370	286,767,271
1994	39,492,272	52,420,342	20,256,849	78,918,379	9,512,079	79,668,979	4,914,661	8,127,856	293,311,417
1995	38,463,753	53,707,656	19,711,035	84,112,435	9,909,005	81,351,321	7,517,510	6,091,530	300,864,245
1996	38,707,201	54,986,388	20,317,721	10,896,015	10,713,945	85,952,725	—	7,486,944	229,060,939
1997	46,441,468	56,250,701	21,544,794	—	11,912,355	86,933,392	—	9,908,476	232,991,186
1998	47,913,478	61,549,659	19,925,112	—	12,984,351	89,886,002	—	10,296,287	242,554,889
1999	50,685,628	62,625,823	21,433,013	—	13,478,195	94,377,533	—	12,648,513	255,248,705
2000	51,522,351	67,003,685	23,387,335	—	15,720,011	101,032,870	—	11,499,738	270,165,990
2001	52,394,957	66,713,078	23,832,988	—	16,655,361	105,521,654	—	11,366,687	276,484,725
2002	55,745,479	70,409,269	26,039,634	—	18,257,711	112,573,192	—	16,388,633	299,413,918

- (1) Includes General, Hospital, Neville Manor and Water funds for fiscal years 1993 through 1995. The figure in the Health, Hospital and Neville Manor column for 1996 represents the subsidies from the General Fund to the Hospital and Neville Manor Enterprise Funds. In 1997, the Cambridge Public Health Commission, which includes the Cambridge Hospital, Health Department, and Neville Manor, was established as a separate authority. The City's transfer to the CPHC is shown as an intergovernmental expenditure.

CITY OF CAMBRIDGE, MASSACHUSETTS
General Governmental Expenditures by Function – General and Selected Other Governmental Funds – GAAP Basis (1)
Last Ten Fiscal Years
(In thousands)

Fiscal year	General government	Public safety	Community maintenance and development	Health	Human resource development	Education	Fuel assistance	Judgment and claims	State assessments	Other	Debt service	Total
1993	\$ 18,455	48,411	20,507	1,019	9,313	80,135	1,792	1,847	18,764	1,934	6,685	208,862
1994	18,525	52,202	20,461	1,391	9,401	77,668	1,326	1,256	19,564	5,200	5,837	212,831
1995	18,219	53,814	18,090	1,413	9,439	81,368	1,072	11	19,752	5,380	6,085	214,643
1996	17,842	55,362	19,229	—	(2) 10,153	85,836	837	846	21,067	5,369	7,383	223,924
1997	16,719	55,931	19,076	—	(2) 11,169	85,514	744	936	20,660	4,350	9,884	224,983
1998	17,475	62,070	19,328	—	(2) 12,343	90,481	650	537	20,826	4,268	10,280	238,258
1999	21,752	61,995	19,379	—	(2) 12,602	93,371	614	1,000	21,223	—	12,683	244,619
2000	18,032	66,443	21,582	—	(2) 14,699	100,200	907	2,479	21,407	—	11,492	257,241
2001	22,544	66,776	24,592	—	(2) 15,970	105,324	1,308	709	21,107	—	11,369	269,699
2002	26,805	70,387	24,172	—	17,531	112,961	964	205	28,019	—	16,387	297,431

(1) Includes General and selected Special Revenue Funds.

(2) Included in Enterprise Fund for fiscal year 1996 and Cambridge Public Health Commission in 1997 through 2001.

Note: Certain functions have been reclassified to conform with the more recent fiscal year's presentation.

CITY OF CAMBRIDGE, MASSACHUSETTS

General Governmental Revenues by Source – Budgetary Basis (1)

Last Ten Fiscal Years

Fiscal year		Taxes (2)	Licenses and permits	Inter- governmental revenue	Charges for service	Fines and forfeits (3)	Miscellaneous revenue	Total revenues
1993	\$	138,716,553	3,240,024	31,513,900	112,245,063	7,850,060	8,012,893	301,578,493
1994		143,781,002	3,642,665	33,304,293	97,380,024	7,113,691	10,690,342	295,912,017
1995		149,853,977	3,894,207	35,154,075	116,806,361	7,463,198	18,744,229	331,916,047
1996		150,282,907	4,019,555	35,464,750	21,976,741	7,270,904	7,558,188	226,573,045
1997		154,534,476	6,094,715	36,420,810	21,908,242	7,336,024	9,739,440	236,033,707
1998		160,453,362	6,738,798	37,207,164	22,688,087	7,281,070	8,714,293	243,082,774
1999		167,834,981	6,233,681	41,403,415	22,940,870	7,317,736	13,960,295	259,690,978
2000		174,987,441	10,201,219	39,820,586	20,716,194	7,316,708	12,477,812	265,519,960
2001		190,574,030	11,731,007	47,022,550	20,563,466	8,943,462	13,357,728	292,192,243
2002		199,245,566	7,200,524	46,822,454	23,836,866	8,538,450	11,304,914	296,948,774

- (1) Includes General, Hospital, Neville Manor, and Water Funds for fiscal years 1993 through 1995 and the General Fund for fiscal years 1996 through 2001.
- (2) Includes property taxes, net of abatements, hotel/motel and motor vehicle excise taxes, and payments in lieu of taxes.
- (3) Includes parking fines reported in the Special Revenue Fund as follows: \$7,318,842 in 1993, \$6,597,258 in 1994, \$6,855,815 in 1995, \$6,620,432 in 1996, \$6,722,343 in 1997, \$6,643,771 in 1998, \$6,714,453 in 1999, \$6,620,191 in 2000, \$7,288,425 in 2001, and \$8,002,287 in 2002.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Fiscal year	Net tax (2) levy	Current tax (3) collections	Percent of net levy collected	Prior year tax collections (refunds) (4)	Total tax collections	Total collections as a % of net levy	Outstanding and/or delinquent taxes (5)	Outstanding delinquent taxes as a % of net levy
1993	\$ 130,080,000	123,754,263	95.14	(3,155,563)	120,598,700	92.71	9,013,045	6.93
1994	135,164,021	134,148,722	99.25	2,601,390	136,750,112	101.17	5,431,218	4.02
1995	140,195,748	139,981,553	99.85	1,478,539	141,460,092	100.90	5,179,797	3.69
1996	140,191,464	139,860,593	99.76	(1,618,909)	138,241,684	98.61	4,447,397	3.17
1997	143,820,000	143,985,981	100.12	(6,610,010)	137,375,971	95.52	4,531,992	3.15
1998	150,053,550	150,900,173	100.56	(392,618)	150,507,555	100.30	4,451,252	2.97
1999	154,749,999	155,715,163	100.62	173,390	155,888,553	100.74	3,799,562	2.46
2000	159,750,000	161,042,071	100.81	533,202	161,575,273	101.14	4,424,002	2.77
2001	174,311,575	173,621,734	99.60	190,578	173,812,312	99.71	5,403,720	3.10
2002	183,678,342	182,954,775	99.61	2,083,030	185,037,805	100.74	6,095,610	3.32

(1) Real and personal property taxes.

(2) Total tax levy less overlay reserve for abatements.

(3) Current tax collections reflect the amount of a fiscal year's tax levy collected during the fiscal year, net of related refunds.

(4) Prior year tax collections for any fiscal year exclude interest and penalties, and relate to collections in the current year that relate to prior year levies, net of refunds.

(5) Outstanding and/or delinquent taxes exclude accrued interest and penalties.

CITY OF CAMBRIDGE, MASSACHUSETTS

Assessed Value and Equalized Valuation of Taxable Property

Last Ten Fiscal Years

Fiscal year	Real property	Personal property	Total assessed value (1)	Equalized valuation (2)	% of total assessed value to equalized
1993	\$ 6,851,975,239	200,600,000	7,052,575,239	7,984,791,000	88.3
1994	6,576,193,610	213,800,000	6,789,993,610	7,984,791,000	85.0
1995	6,533,446,242	221,500,000	6,754,946,242	7,508,093,800	90.0
1996	6,782,990,307	227,040,000	7,010,030,307	7,508,093,800	93.4
1997	7,006,073,437	236,051,000	7,242,124,437	7,593,801,600	95.4
1998	7,254,711,431	248,991,150	7,503,702,581	7,593,801,600	98.8
1999	9,286,634,355	256,202,460	9,542,836,815	8,505,892,500	112.2
2000	10,763,157,000	274,785,030	11,037,942,030	8,505,892,500	129.8
2001	12,410,137,200	293,000,330	12,703,137,530	12,681,060,300	100.2
2002	16,531,950,616	305,136,510	16,837,087,126	12,681,060,300	132.8

(1) As of January 1, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, and 2001, respectively.

(2) As of January 1, 1992, 1994, 1996, 1998, and 2000, respectively. Equalized valuations are determined biannually by the Commissioner of Revenue.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property and Motor Vehicle Tax Rates (1)

Last Ten Fiscal Years

Fiscal year		Residential real property	Commercial and industrial real property	Personal property	Motor vehicle
1993	\$	13.33	28.40	28.40	25.00
1994		13.79	32.78	32.78	25.00
1995		14.17	34.86	34.86	25.00
1996		13.32	34.89	34.89	25.00
1997		13.02	35.78	35.78	25.00
1998		13.43	35.98	35.78	25.00
1999		11.05	27.25	27.25	25.00
2000		9.64	25.16	25.16	25.00
2001		9.21	23.39	23.39	25.00
2002		7.22	18.81	18.81	25.00

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal year	Population (1)	Assessed value	Net bonded debt (2)	Ratio of net bonded debt to assessed valuation	Net bonded debt per capita
1993	97,526	\$ 7,052,575,239	51,605,000	0.7%	529
1994	99,890	6,789,993,610	57,722,153	0.9	578
1995	99,890	6,754,946,242	77,407,264	1.1	775
1996	99,890	7,010,030,307	80,567,165	1.1	807
1997	99,890	7,242,124,437	79,134,995	1.1	792
1998	93,793	7,503,702,581	106,181,111	1.4	1,132
1999	93,793	9,542,836,815	132,517,560	1.4	1,413
2000	102,202	11,037,942,030	156,852,807	1.4	1,535
2001	101,355	12,703,137,530	201,254,166	1.6	1,986
2002	101,355	16,837,087,126	212,729,858	1.3	2,098

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports, Local Population Estimates for 1993 through 2000 and U.S. Department of Commerce, Bureau of the Census, Decennial Census for 2001 and 2002.

(2) Includes general obligation bonds that are reported as debt of the Enterprise Funds.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures (3)

Last Ten Fiscal Years

Fiscal year	Principal (1)	Interest (1)	Total debt service (2)	Total expenditures (3)	Ratio of debt service to total expenditures
1993	\$ 11,215,000	3,683,153	14,898,153	286,767,271	5.2%
1994	10,566,693	3,001,032	13,567,725	293,311,417	4.6
1995	10,706,980	3,500,789	14,207,769	300,864,245	4.7
1996	13,130,099	4,005,353	17,135,452	229,060,939	7.5
1997	15,955,828	4,160,269	20,116,097	224,394,170	9.0
1998	13,963,884	3,932,297	17,896,181	233,957,889	7.6
1999	15,165,156	5,948,723	21,113,879	246,651,705	8.6
2000	16,064,380	7,100,178	23,164,558	261,568,990	8.9
2001	17,829,926	8,384,966	26,214,892	268,886,725	9.7
2002	22,510,723	9,281,559	31,792,282	299,413,918	10.6

- (1) Includes principal and interest on all general obligation notes and bonds outstanding, including bonds payable reported in the Enterprise Funds.
- (2) Does not include debt service on short-term borrowing, such as revenue anticipation notes which are retired during the fiscal year.
- (3) Includes all categories of operating expenditures from 1993 to 1995 and General Fund budgetary expenditures from 1996 to 2002.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Legal Debt Margin

June 30, 2002

Fiscal year 2002 equalized valuation (1)	\$ 12,681,060,300
Normal debt limit (2-1/2% of equalized valuation)	317,026,508
Amount of debt applicable to debt limit:	
Total bonded debt	212,729,858
Total authorized/unissued	119,897,948
Less:	
General obligation bonds exempted by authority of the state legislature	<u>103,820,609</u>
Amount within debt limit	<u>228,807,197</u>
Legal debt margin	<u>\$ 88,219,311</u>

- (1) In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biannually makes his own determination of fair cash value of the taxable property in each municipality. This is known as "equalized valuation." The last redetermination of "equalized valuation" for the City was made as of January 1, 2000.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Computation of Direct and Overlapping Debt

June 30, 2002

<u>Name of unit</u>	<u>Direct debt (1)</u>	<u>Outstanding overlapping debt</u>	<u>Percentage applicable to City of Cambridge</u>	<u>Total City of Cambridge direct and overlapping debt</u>
City of Cambridge	\$ 212,729,858	—	100.00%	\$ 212,729,858
Massachusetts Water Resources Authority	—	3,408,921,000	4.68	155,502,604
Total direct and overlapping debt	\$ <u>212,729,858</u>	<u>3,408,921,000</u>		\$ <u>368,232,462</u>

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

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

(Dollars in thousands)

Fiscal year	Real property assessed value	Building permits issued (1)	Construction value	% Distribution (1)		Bank deposits (2)
				Residential	Commercial	
1993	\$ 7,052,575	1,618	\$ 143,324	29%	71%	\$ 1,905,000
1994	6,789,994	1,672	178,799	24	76	1,939,000
1995	6,754,946	1,749	162,757	22	78	2,021,000
1996	7,010,030	1,664	185,205	33	67	2,105,345
1997	7,242,124	1,995	388,057	25	75	2,532,646
1998	7,503,703	2,460	430,160	38	62	2,782,541
1999	9,542,387	2,572	321,835	31	69	3,058,013
2000	11,037,942	2,135	720,647	29	71	3,363,814
2001	12,703,138	1,946	825,696	28	72	3,532,005
2002	16,531,951	1,878	462,909	26	74	3,602,645

(1) Source: Inspection Services Department.

(2) Source: Federal Deposit Insurance Corporation. These figures do not include deposits in credit unions and savings and loan institutions, and they include only banks whose headquarters are in Cambridge.

CITY OF CAMBRIDGE, MASSACHUSETTS

Principal Taxpayers (1)

June 30, 2002

Name	Nature of business	Assessed valuation	Amount of tax	% of total tax levy
Mass. Institute of Technology	Educational	\$ 788,944,000	14,116,236 (2)	7.53%
Boston Properties	Commercial	451,045,500	8,484,166	4.53
Equity Partners	Commercial	242,671,700	4,564,655	2.44
Riverfront LLC	Commercial	211,617,999	3,982,416	2.12
The Bullfinch Company	Commercial	157,566,700	2,911,315	1.55
Presidents & Fellows of Harvard College	Educational	216,697,147	2,382,155 (2)	1.27
New England Development	Commercial	125,843,200	2,367,111	1.26
Lotus Development Corp./ IBM Corp.	Commercial	122,810,400	2,338,738	1.25
Cambridge Gas & Electric Co./ NSTAR	Utility	124,178,299	2,335,999	1.25
GE Capital Investments Advisors	Commercial	123,954,000	2,331,582	1.24
Totals		<u>\$ 2,565,328,945</u>	<u>45,814,373</u>	<u>24.44%</u>

(1) As of January 1, 2001.

(2) Excludes in lieu payments on exempt property.

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Salaries of Principal Officials

June 30, 2002

City Council:

Chairman (Mayor)	\$	81,536
Members		54,600
City Clerk		75,632
City Auditor		79,797

Executive:

City Manager	171,080
Deputy City Manager	132,658
Assistant City Manager/Fiscal Affairs	100,772
Assistant City Manager/Community Development	100,772
Assistant City Manager/Human Services	100,772
Budget Director	84,625
Personnel Director	93,576
Director of Assessment	87,055
City Solicitor	75,625
Commissioner of Public Works	89,630
Commissioner of Inspectional Services	86,481
Superintendent of Schools	142,638
Police Commissioner	127,195
Fire Chief	119,600
Director of Libraries/Communications	86,481

Source: City Department of Finance.

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

Characteristic	Cambridge	Massachusetts	United States
Population (1):	101,355	6,349,097	281,421,906
Median age (1):			
2000	30.4	36.5	35.3
1990	31.1	33.6	32.9
1980	28.6	31.2	30.0
1970	26.8	29.0	28.1
1960	29.6	32.1	29.5
Age group (1):			
0-4	4.1%	6.3%	6.8%
5-17	9.2	17.4	18.9
18-44	38.6	31.3	30.2
45-64	39.0	31.5	31.7
65 and over	9.2	13.5	12.4
Median family income (1):			
1999	59,423	61,664	50,046
1989	39,990	44,367	37,919
1979	17,845	21,166	19,917
Per capita income (2):			
1999	\$ 31,156	\$ 25,952	\$ 21,587
1989	19,879	22,236	17,592
1979	7,957	10,096	9,494
Unemployment rates (3):			
2002	3.6%	4.8%	6.0%
2001	2.6	3.7	4.9
2000	1.7	2.5	3.8
1999	1.9	3.2	4.2
1998	1.9	3.3	4.5
1997	2.4	4.0	4.9
1996	2.7	4.3	5.4
1995	3.5	5.4	5.6
1994	3.8	6.0	6.1
1993	4.4	6.9	6.9
1992	5.4	8.6	7.5
Four or more years of college education, 25 years old and over (3)	65.1	33.2	24.4
High school graduates 25 years old and over (3)	89.5	84.8	80.4

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

(2) Source: U.S. Department of Commerce, Bureau of Census, Decennial Census, 1990, 1980, 1970

(3) Source: Massachusetts Division of Labor and Industries

CITY OF CAMBRIDGE, MASSACHUSETTS

Miscellaneous Statistics

	<u>K-8</u>	<u>9-12</u>	<u>Special</u>	<u>Total</u>
Public school enrollments (1):				
2002	5,073	1,904	319	7,296
2001	5,109	1,951	248	7,308
2000	5,119	1,930	442	7,491
1999	5,271	1,910	457	7,638
1998	5,497	1,910	459	7,866
1997	5,539	1,983	531	8,053
1996	5,528	1,989	651	8,168
1995	5,574	2,047	670	8,291
1994	5,460	2,036	688	8,184
1993	5,297	2,038	688	8,023
1992	5,097	2,102	673	7,872

(1) Enrollments are as of October 1 for the fiscal years shown.

CITY OF CAMBRIDGE, MASSACHUSETTS

Comprehensive Annual Financial Report

Year ended June 30, 2002

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

(This page left blank intentionally)



13.

CITY OF CAMBRIDGE • EXECUTIVE DEPARTMENT

Robert W. Healy, City Manager

Richard C. Rossi, Deputy City Manager

January 27, 2003

To The Honorable, The City Council:

Please find attached for your information the City's FY2002 Comprehensive Annual Financial Report.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

F-9

Consent Agenda #13

City's FY2002
Comprehensive Annual
Financial Report.

In City Council January 27, 2003

**REFERRED TO FINANCE
COMMITTEE.**